

City of Culver City, California
City Council Agenda Item Report

Meeting Date: 07/24/06	Item Number: <u>A-5</u>
AGENDA ITEM: 1) Introduction of Ordinance Amending Section 11.01.220 of the Culver City Municipal Code relating to Business Tax Certificate Application/Renewal Processing Fee; and 2) Adoption of Resolution to Increase the Business Tax Application/Renewal Processing Fee and to Establish a Business Planning Review Fee.	
Contact Person/Dept.: Nagam Rao/City Treasurer's Office	Phone Number: (310) 253 5889
Fiscal Impact: Yes ☒ No ☐	General Fund: Yes ☒ No ☐
Public Hearing: ☐	Action Item: ☒ Attachments: ☒
Public Notification: Culver City Chamber of Commerce (7/19/06); Downtown Business Association (7/19/06); Master Notification List (7/19/06)	
Department Approval: Crystal Alexander (7/13/06)	City Manager Approval: Jerry B. Fulwood (07/19/06)
City Controller Approval: Marlee Chang (07/19/06)	

RECOMMENDATION:

Staff recommends the City Council consider 1) the introduction of an Ordinance amending Culver City Municipal Code §11.01.220 relating to the business tax certificate application/renewal processing fee (Attachment 1); and 2) the adoption of a Resolution to increase the business tax certificate application/renewal processing fee and establish a business planning review fee (Attachment 2).

BACKGROUND:

The following proposal was submitted to the City Council for consideration in "concept form" at the time of adoption of the City's 2006/07 budget on June 26, 2006. The proposal is now being brought forward per City Council's instruction for further consideration and direction to staff on its implementation.

Every year approximately 2,400 new businesses apply for a business tax certificate from the City's Treasury Division. Each business is unique, and so is the manner in which each business is charged for its presence in any particular city. The Treasury Division uses substantial staff resources to explain the City's rates and processes to every new business coming into the City of Culver City so that the business understands the cost of doing business in the City. While some of this communication is initially over the phone, in the final stages it is normally at the public counter.

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In subsequent renewal years, while the time at the counter is decreased, the customer contact is increased in the form of auditing and correcting entries and calculation errors on renewals. Additionally, there is an average of 20 to 25 special permits processed per month for business tax customers.

The City has been assessing a \$45 application/renewal processing fee to cover the cost for the City Treasurer's Office (CTO) administration of the business tax program for the last sixteen (16) years. In addition, as is often the case for what is described as "current planning" activities, there has been no fee assessed for work performed by the Planning Division of the Community Development Department. Planning's work is vital to ensure compliance with the Zoning Code and General Plan, which further lends toward a more harmonious relationship between the commercial and residential areas of the community. This is especially the case for home occupation businesses, for which certain kinds of activities are restricted.

Establishing a new business planning review fee of \$20 in conjunction with the business tax certificate application process, and increasing the business tax certificate application/renewal processing fee to \$60, recognizes the significant passage of time since the City last adjusted these business related fees. Currently, Culver City's business tax certificate fees are only covering 44.4% of the costs incurred by the City Treasurer's Office and Planning Division to administer the business tax program and conduct a planning review of new in-City businesses.

DISCUSSION:

Current Business Tax Certificate Program

The City does not issue business **licenses**. Our business tax ordinance exists solely to raise revenues for general municipal purposes, and does not regulate businesses in any way. Accordingly, the business tax **certificate** that we issue is simply evidence that the business tax has been paid. It is not assurance that the business is in compliance with any City regulatory requirements (or those of any other agency).

All new and renewed business tax certificate applications must be processed and administered by the City Treasurer's Office. Additionally, all new applications must be reviewed for consistency with zoning and building requirements by Planning staff. In-City businesses with a change of location shown on their renewal applications would also be subject to this process. Businesses with offices principally located outside of the City are not reviewed by Planning staff.

Current Business Tax Certificate Application and Renewal Costs

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There are *regulatory aspects* in how the Treasurer's Office processes business tax certificate applications and renewals. For example, Planning staff reviews all new business tax certificate applications, and location changes for existing certificate holders, for compliance with zoning and building regulations. In effect, there is already a regulatory aspect of the City's business tax program, but the City is not recovering the costs for this review.

The various activities of the City Treasurer's Office in processing a first time business tax certificate application, or its renewal in subsequent years, involves a number of activities, in addition to the one-on-one interaction with the customer. Attachment 3 lists the major activities involved in processing a business tax certificate application and renewal, and depending upon the level of staff involved, the associated cost to arrive at the direct staff cost. Added to these figures was the proportionate share of the indirect administrative overhead costs. These costs were based on the projected budget figures for 2006/07. Based on these projected cost figures, the cost of processing a business tax certificate renewal is approximately \$70. Analysis utilizing the Consumer Price Index (CPI) applied over the period June 1989 and June 2006 yields a projected cost of \$73.62, which is listed in Attachment 4.

If a business is located in Culver City, the Planning Division must approve the business tax certificate application. The Culver City Zoning Code establishes regulations concerning where and under what conditions a business may operate in the City. The Planning Division verifies if the business meets the zoning requirements, in addition to whether other types of review, like an administrative use permit or a conditional use permit, are required. Additionally, when a business tax certificate is evaluated, the planner must check that the parking requirements that apply to the type of business and location are being met. In some cases, researching planning files and business tax certificate records may be necessary to determine if prior business activity at that specific location constitutes a legal non-conforming use. The Planning Division also assures that businesses that are operated in residential units are limited to low intensity office uses that are clearly secondary to the use of the dwelling, and compatible with surrounding residential uses. Thus, it is the policy of Planning staff to inform the applicant of the home occupation regulations and to make sure the applicant reads and acknowledges receipt of such regulations. Attachment 5 details the major activities for Planning staff in processing a business tax certificate application. Based on these projected cost figures, the cost of processing a business tax certificate application or renewal is approximately \$31.59, as shown in Attachment 5.

Consistency with User Fee Cost Recovery

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Policy. Implementing a new business planning review fee will help recover the administrative costs the City is already incurring. In short, it will not create any new requirements, but simply recognize the efforts and related resources already in place.

Practices in Other Cities. Other cities issue business receipts/licenses and set minimum fees as needed to recover their total cost of issuance. Business License Application and Renewal Fees in neighboring cities are shown in Attachment 6.

Customer Service Impact. Staff believes that this modest fee will have a nominal impact on the business community. As noted above, the cost for obtaining a business tax certificate has remained unchanged since 1990. For businesses renewing their business tax certificate, which have not changed their in-City location, the City Treasurer's Office processing fee will be adjusted to \$60, the same rate to be paid by new businesses.

FISCAL ANALYSIS:

Proposed New Business Planning Review Fee

Based on the proposed rate structure, implementing a new business planning review fee, plus an inflationary adjustment to the business tax certificate application/renewal fee will generate \$201,000 to \$209,000 on an annual basis.

Estimated New Business Planning Review Fee Revenues

	Annual Activity	Current Business License Fees	Proposed Business Lic. Appln & Renewal Fee	Proposed New Business Planning Review Fee	Projected Figures	
					Revenues at CURRENT rates	Additional Revenue due to fee change & intro of Planning Review Fee
New Applications						
- Located in City*	900-1,000	\$45	\$60	\$20.00	\$40,500-\$45,000	\$31,500-\$35,000
- Located out of City	1,400-1,500	\$45	\$60		\$63,000-\$67,500	\$21,000-\$22,500
Annual Renewals	9,900-10,100	\$45	\$60		\$445,500-\$454,500	\$148,500-\$151,500
Total					\$549,000-\$567,000	\$201,000-\$209,000

*Excludes commercial property rental, gardeners, handbill distributors and vending machine operators business tax receipts, which are not sent to Planning staff for review.

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ATTACHMENTS:

1. Proposed Ordinance
2. Proposed Resolution
3. Cost Analysis for the Business Tax Division at the Application and Renewal Stages;
4. Effect of Adjusting the \$45 Fee by the Consumer Price Index;
5. Cost Analysis for the Community Development /Planning Departments' Business Planning Review Fee;
6. Business License Application and Renewal Fees for Neighboring Cities.

MOTION:

That the City Council:

1. Introduce for first reading the Ordinance amending Section 11.01.220 of the Culver City Municipal Code relating to the business tax certificate application/renewal processing fee; and
2. Adopt the Resolution increasing the business tax certificate application/renewal processing fees and establishing a business planning review fee.