



MEMORANDUM

Response to Resolution 24-039(A) Regarding Business Licenses

Item Type: Informational Memorandum
Prepared For: Mayor Castner and Homer City Council
Date: October 8, 2024
From: Economic Development Advisory Commission
Through: Julie Engebretsen, Community Development Director

Synopsis

City Council adopted Resolution 24-039(A) in April. The resolution directed the Economic Development Advisory Commission (EDC) to investigate the concept of a City business license, with several points to consider. The Commission researched and discussed the issues at several meetings, and ultimately recommended against a City business license program. There was further discussion that one of the concerns was businesses doing business in Homer but not paying the sales tax, particularly those that operate out of the harbor.

AREVALO/YOUNG MOVED THAT THE CITY COUNCIL INVESTIGATE HARBOR SPECIFIC OPTIONS TO ACCOMPLISH THE GOALS OF SOLVING PROBLEMS IDENTIFIED REGARDING NON-HOMER BUSINESS OPERATING OUT OF THE HOMER HARBOR INSTEAD OF PURSUING A GENERAL BUSINESS LICENSE APPLICABLE TO ALL BUSINESSES.

Analysis

Below are the Council directed points of discussion and the Commission's response.

1. The proper level of license requirements.
 - **Response:** The Commission does not think a City business license program is warranted. Existing state business license and Kenai Peninsula Borough sales tax registration is adequate. A business license does not ensure any aspect of safety, as that is the role of a State Fire Marshal review, and/or a municipal building inspection program with an occupancy certificate.
2. Potential costs of licensure for business.
 - **Response:** Business licenses in Alaska range from a high of \$300 to a low of \$25. Palmer and Wasilla have \$25 fees, Juneau \$125, and Anchorage fees varied widely based on business categories.

3. Potential costs for the City to administer the program.

- **Response:** First year: \$34,000, Following years: \$19,000. No enforcement included. Add \$5,000/yr for active enforcement of 8 hours a month.
- First year license calculations: 1000 businesses, 30 minutes each, = 500 hours or a ¼ time position, \$24,000-27,000, depending on full or part time employee. (City cost for employee, not wages paid)
- License renewal 15 minute each = 250 hours, 1/8 position \$12,000-\$13,500 annual cost
- Software customization, \$5,000 (onetime fee), \$1,000 annual maintenance and training
- Credit card fees of 3.33%. (\$832 for 1000 permits @\$25 license fee)
 - Doesn't include finance staff, audit, etc should be small but not zero. (More an issue of opportunity cost)
- Outreach and Education: Web, social media and newspaper advertising, \$4,000
- Enforcement: Requires additional staff time. Estimate additional \$5,000/yr.

4. Outreach to the Chamber of Commerce and business community

- **Response:** This task was minimized due to the summer season and other outreach efforts for the Comprehensive Plan and Cruise Ship discussions. Chamber staff reported they received negative comments at the Chamber office.

5. How can the City engage with the State of Alaska Division of Corporations, Business and Professional Licensing and not duplicate the services available and information collected by that entity?

- **Response:** The state requires all entities conducting business to have a business license. The shortcomings of the state system are that each physical location of the business is not listed; only one is. So an entity might own multiple properties but have one business license. The business categories can also be confusing. A local business license program could provide information on each physical location of a business.

6. Pros and cons of a City Business Licensing Program

- **Response:**
 - PRO: A license program would provide public information on where all operations are. State data does not provide the location of all operations. Could provide a list of local business locations.
 - Con: Feels like a lot of overlap with the state. It is an administrative and cost burden for businesses and the City. It's a barrier of entry to business. Concern that the business license could become a gatekeeper on businesses with no oversight.

7. Consideration of a “no cost program” for data collection purposes only.

- **Response:** There are no cities or towns in Alaska that require a license but don’t charge a fee. Very few communities nationally require a license but have no fee. The few examples of communities that require a license at no charge were primarily seeking information due to the lack of a state business license and the desire for local data. There were no enforcement mechanisms to speak of.

8. Challenges and benefits of local business licensing programs in other Alaska communities.

- **Response:** Staff worked with the Chamber of Commerce for this research. Seward, Palmer, Sitka and Kodiak all have a business license that cost about \$25 a year, and a sales tax that ranges from 3%-7%. Some communities have additional fees for short term rentals, mobile food and itinerant merchants. The Mat-Su Borough stopped their business license program in April 2024, because the data from the registrations had not been used for any economic development tasks. They intended to shift staff time toward grant applications rather than administering the business license program for some 10,000 registered businesses. (ADN article 4/3/2024)

9. Enforcement Plans

- **Response:** Depends on staffing. Enforcement would need to be phased over time, and a budget would start at about \$5,000 a year for 8 hours a month.

10. What are the other existing licenses required in City limits and how will those licenses will be effected, changed, streamlined or overlap.

- **Response:** The City has sign permits, which have a lot of data as far as location and business name, conditional use permits, mobile food trucks and zoning permits. It is very difficult to enforce existing regulations due to low staffing. If we’re not able to adequately enforce existing sign laws, how would we enforce a new regulation in the form of a business license? Homer also does not have a building inspection program which would require an occupancy certificate. An occupancy certificate tells the City what businesses are in every location, and also begins to address safety concerns.

RECOMMENDATION:

Do not create a City business license.

Attachment

Resolution 24-039

EDC Meeting Minutes

CITY OF HOMER
HOMER, ALASKA

Venuti/Mayor

RESOLUTION 24-039(A)

A RESOLUTION OF THE CITY COUNCIL OF HOMER, ALASKA
PROVIDING DIRECTION TO THE ECONOMIC DEVELOPMENT
ADVISORY COMMISSION REGARDING THE CREATION OF A
BUSINESS LICENSING PROGRAM.

WHEREAS, The City does not currently have a business licensing program; and

WHEREAS, The adoption of a business licensing program has the potential to provide value by enhancing public safety, ensuring compliance with existing regulations, and providing opportunities for connections between the City and businesses by which the City can provide support and deliver public education; and

WHEREAS, The City Council chose “champions” for various City projects at a regular meeting held on October 23, 2023; and

WHEREAS, The investigation of a Citywide business license was a project to which Mayor Castner, Councilmember Venuti, and Economic Development Advisory Commission Chair Karin Marks were assigned champions; and

WHEREAS, The champions have met to discuss the potential scope of a business license program, but wish to have the Economic Development Advisory Commission (EDC) take time to discuss and develop the idea further; and

WHEREAS, The Council wishes to memorialize direction to the EDC via resolution to ensure clarity for the Commission and the Public regarding the Council’s intent.

NOW, THEREFORE, BE IT RESOLVED that the City Council of Homer, Alaska requests that the Economic Development Advisory Commission investigate the concept of a business licensing program which considers or achieves the following:

- The proper level of license requirements
- Potential costs of licensure for business
- Potential costs for the City to administer the program
- Outreach to the Chamber of Commerce and business community
- **How can the City engage with the State of Alaska Division of Corporations, Business and Professional Licensing and not duplicate the services available and information collected by that entity**
- **Pros and cons of a City Business Licensing Program**

- Consideration of a “no cost program” for data collection purposes only
- Challenges and benefits of local business licensing programs in other Alaska communities.
- Enforcement Plans;
- What are the other existing licenses required in City limits and how will those licenses will be effected, changed, streamlined or overlap.

PASSED AND ADOPTED by the Homer City Council this 8th day of April, 2024.

CITY OF HOMER



KEN CASTNER, MAYOR

ATTEST:



RENEE KRAUSE, MMC, ACTING CITY CLERK



MEMORANDUM

Resolution 24-039, A Resolution of the City Council of Homer, Alaska Providing Direction to the Economic Development Advisory Commission Regarding the Creation of Business Licensing Program.

Item Type: Backup Memorandum
Prepared For: Mayor Castner and Homer City Council
Date: March 27, 2024
From: Julie Engebretsen, Community Development Director
Councilmember Venuti

The City of Homer does not have a general business license at this time. Council has identified a business licensing program as an interest. In October 2023, the Council designated Mayor Castner, Councilmember Venuti, and Economic Development Advisory Commission (EDC) Chair Marks as “champions” for this topic. The group has met a few times and wishes to utilize the EDC for further development of the concept before an ordinance is developed for Council consideration.

Depending on the structure of the program, a licensing ordinance could provide various benefits to the City and the community. Licensing can ensure that businesses are operating with existing regulations to include those related to zoning, safety, and public nuisances. It can help to ensure that applicable sales taxes are being collected and that there is a fair playing field for all commercial enterprises within the City. Licensing would also assist the City with data collection that assists planning for land use and operations like paving and snow plowing. It would also give the City a more streamlined channel to provide public education to businesses.

If Council passes the Resolution, the EDC will review existing business licenses regulations in similarly sized communities such as Seward and Palmer, and make recommendations to Council. Staff will investigate associated staff and financial costs for providing an online license program using the City’s existing software.

RECOMMENDATION: Adopt Resolution 24-039

Commissioner Kim shared that the Comprehensive Steering Plan Committee met last week to work on the plan to make the comprehensive plan as listed out by Agnew::Beck. He added that the firm was very receptive to the Committee's comments and changes. He noted that the open house is at the end of the month for the comprehensive plan, in addition to a website dedicated to the plan that is up and running. He finished his update by informing the Commission that Agnew::Beck will be in town the last week of March conducting public visitations.

PUBLIC HEARING

PENDING BUSINESS

- A. Housing
Memorandum from Economic Development Manager as backup

Commissioner Pitzman delivered a presentation comparing the value of real estate in Homer versus the rest of Alaska. He disputed a claim from a previous EDC meeting earlier in the year where it was said that Homer has affordable housing, citing that the report was reliant on census data, which he argued provides inaccurate figures based on homeowner estimates rather than actual sales data from the MLS. He demonstrated that the average and median sold prices of homes in Homer for 2022 and 2023 surpass the reported census figures, indicating Homer's higher cost of housing when compared to vast majority of the state. Additionally, Mr. Pitzman suggested that Homer is among the less affordable areas in Alaska, especially when compared to Juneau and the rest of Southeast Alaska where limited space for new construction influences the prices.

Mr. Pitzman continued, highlighting the low inventory of real estate in Homer that tends to hover around 40 single-family units, a significant number of which are either highly-priced or in poor condition. He explained that for 14 straight years builders have been building below the previous 52-year average. That statistic compounded with low interest rates have led to a reluctance among homeowners to sell and move. Mr. Pitzman said that there's no easy fix for the problem, and that it will take time to resolve the issue despite efforts by municipalities across the country.

NEW BUSINESS

- A. City Business License
Memorandum from Community Development Director as backup

Community Development Director Engebretsen shared with the Commission that the idea of a city business license has been in the works for quite some time, preceding the short-term rental ordinance that came before the Commission earlier in the year. She added that the City plans to move forward with the idea of a city business license via council action in the near future. Chair Marks opened the floor for discussion.

Commissioner Arevalo said that four things came to her mind immediately when she heard about the potential for a city business license: why does Council want this on their plate, what would enforcement for a city business look like, how much does the City plan to generate from it, and what are the foreseen arguments against it?

There was general consensus among the Commissioners that the whereas clauses needed to clearly reflect the reasons for why a city business license is needed, with Commissioners noting that this was one of the major complaints of the short-term rental ordinance.

Mayor Caster explained the need for a city business license, stating it's important for the City to know who is operating businesses and why. He mentioned concerns about businesses operating without paying sales tax, such as charter companies from Ninilchik using the harbor. He emphasized the license isn't about heavy taxation, but rather about understanding local business activity. He shared that he would like to make the license valid for 3-year increments and allow multiple businesses under one license. He noted the challenge of identifying eligible businesses for relief funds during the pandemic without the knowledge of tax collection. Mayor Castner assured the Commission that the focus isn't bureaucracy, but rather ensuring awareness of businesses operating within city limits.

Commissioner Kim inquired about how the implementation and enforcement of a city business license would happen. Mayor Caster answered that the City would strive for a complaint-driven system, meaning that if there was a legitimate complaint, there would be a cease and desist order handed out until the complaint was investigated and resolved. He added that he doesn't plan on hiring any enforcement officers if the city business license is implemented.

- B. City Lands
Memorandum from Community Development Director as backup

Community Development Director Engebretsen noted that one of the strategic goals of the Commission is to engage in land planning for city property, as well as the larger problems of constraints on the Spit and within the Central Business District. She added that the Commission should think of this a pre-training for the land allocation plan, and also comprehensive plan conversations. She walked the Commission through the various tools that are available on the Kenai Peninsula Borough parcel viewer.

INFORMATIONAL MATERIALS

- A. City Manager's Report
- B. City of Homer Newsletter
- C. EDC Strategic Plan 2024-2025
- D. EDC Meeting Calendar
- E. Homer Comprehensive Plan Rewrite Open House Flyer

Chair Marks noted the informational materials, and Commissioner Hasche volunteered to deliver the EDC report to Council at Council's March 26th meeting.

COMMENTS OF THE AUDIENCE

Scott Adams, city resident, stated that he's pleased to see the City is going to be able to get some funding for the HERC, but questioned why the facility can't be used for something other than destruction. He spoke briefly on the misconception that people in Homer don't communicate, citing a post on Facebook regarding the short-term rental ordinance that garnered roughly 300 comments from people in or around Homer. Lastly, he shared that he doesn't foresee any pushback from the public on the city business license.

Ms. Engebretsen reported that the City is going to spend \$5,000 on some patching of the roof to keep nursing the building along in order to keep using it. She added that the City is hopeful to receive grant funding for the HERC repairs.

H. Planning Updates

Ms. Engebretsen stated that they've been working hard in the planning office to get the software for zoning permits up and running. She noted that this is the same software that would be used for short-term rentals and business licenses should they go into effect. She also reported that the transportation plan will be up for public hearing with the Planning Commission on May 1st. She briefed the Commissioners on the public hearing that the Planning Commission held on April 3rd in regards to another proposed childcare facility in Homer.

PUBLIC HEARING

PENDING BUSINESS

A. Business License
Memorandum from Community Development Director as backup

Chair Marks noted that the City Council passed a resolution directing the EDC to consider the creation of a City business license. She directed the Commissioners to the amended resolution in the packet and noted the changes that had been made. She turned the floor over to Community Development Director Engebretsen, who stated that she felt the Commission needed to decide how much time and effort they want to put into the idea of a City business license.

Chair Marks asserted that she didn't want the Commission to take on this concept if there aren't valid reasons for doing so in the community. She added that both Mayor Castner and Councilmember Venuti seem to think there is a need for a City business license.

Commissioner Brown provided a synopsis of comments made by Councilmembers at the City Council meeting the night prior to the EDC's meeting. According to Ms. Brown, there was an overall disapproval from Councilmembers regarding the creation of a City business license. She added that her opinion was she felt it would be a waste of the Commission's time, especially considering the fact that there isn't a lot of support from Council or the community.

Commissioner Arevalo suggested that the two champions for the idea of a business license provide a list of things that they would like to see come as a result of the implementation of a City business license.

Commissioner Kim voiced that he feels it is worth the Commission's time to investigate the creation of a City business license given that the Commission is here for the economic development of the City. He added that from a cost-benefits perspective, the benefits outweigh the costs, and therefore he is in favor of discussing the idea of a City business license more in-depth.

Commissioner Brown reiterated Commissioner Arevalo's previous comments about needing to know what this is going to accomplish for the City.

Commissioner Brennan stated that she didn't understand the purpose behind the City business license since realizing that there would be no means of enforcement. She added that she was on board with the idea of a business license at the previous meeting, but was a little disappointed to receive the direction from City Council without any foreseen benefits for businesses.

Commissioner Hasche provided that he had informally asked members of the community about the potential of a City business license after the last meeting, and stated that most people are surprised the City doesn't already require a business license. He added that the overall sentiment of the community seems to be "if it isn't broke, don't fix it."

Commissioners agreed that if they had a concise list of potential benefits to the City that the business license would create, they then would be more open to assessing the creation of such a license. Community Development Director Engebretsen suggested creating an outline with scheduled tasks for the Commission to work on at various future EDC meetings. There was general consensus from the Commission that more clarity was needed regarding why the City wants to implement a business license, and that further discussion was necessary regarding a business license.

B. Comprehensive Plan

Community Development Director Engebretsen noted that there was a great open house event two weeks ago. She added that Agnew::Beck will be launching a six-week survey within the coming weeks, and that the consultants will be making their second community visit during the second week of May. Visiting that week will enable the consultants to attend meetings with City Council, the EDC, the Planning Commission, and the Parks Art Recreation and Culture Advisory Commission, in addition to meeting with other user groups and City departments.

NEW BUSINESS

A. Alaska Small Business Development Center Small Business Advisory Funding

Community Development Director Engebretsen informed the Commission that she requested this in her budget request to the City Manager. She provided a brief background on the small business development center and how it is funded. She added that the request for this year is \$12,000, and that the City has funded anywhere from \$10,000-25,000 in the past.

HASCHE/KIM MOVED TO RECOMMEND THE CITY COUNCIL FUND THE ALASKA SMALL BUSINESS DEVELOPMENT CENTER HOMER BUSINESS ADVISORY IN THE AMOUNT OF \$12,000.

Commissioner Kim voiced his support for the funding, stating that every dollar the City invests pays tenfold. He inquired about the possibility of partnering with Robert Green at the Small Business Development Center to amplify Mr. Green's influence.

There was no further discussion.

VOTE: NON-OBJECTION: UNANIMOUS CONSENT.

H. Housing Update

Chair Marks reported that the MAPP (Mobilizing for Action through Planning and Partnerships) housing for the assessment needs survey has been extended through September.

I. Planning Update

Community Development Director Engebretsen reported that there will be a vacancy on the Planning Commission in the near future.

PUBLIC HEARING

PENDING BUSINESS

A. Business Licenses

Community Development Director Engebretsen provided a brief summary of Resolution 24-039(A) that was recently adopted by City Council, which provides direction to the EDC regarding the creation of a business license. She requested each Commissioner to pick a task that they would like to work on for the purpose of discussing the potential for a business license at the EDC's August work session.

Tasks were assigned to Commissioners as follows:

- **Task #2:** Potential costs of licensure for business – **Commissioner Young**
- **Task #5:** How can the City engage with the State of Alaska Division of Corporations, Business and Professional Licensing and not duplicate the services available and information collected by that entity – **Commissioner Brown**
- **Task #7:** Consideration of a “no cost program” for data collection purposes only – **Commissioner Young**
- **Task #8:** Challenges and benefits of local business licensing programs in other Alaska communities – **Chamber Director Anderson**
- **Task #10:** What are the other existing licenses required in City limits and how will those licenses be affected, changed, streamlined, or overlap – **Commissioner Brennan**

NEW BUSINESS

A. Cruise Ships

Community Development Director Engebretsen noted that City Council adopted Resolution 24-048, which requests the EDC to develop an understanding of City/Municipal cruise ship policies from other communities. Discussion topics included:

- Cruise ship tourism and policies in Juneau, Alaska
- Friday, June 28th cruise ship landing
- Distinguishing the difference between large and small cruise ships
- Potential expansion of the Port and Harbor

G. HERC Update

Community Development Director Engebretsen noted that the City of Homer is an awardee of some State of Alaska Brownfield funding. She added that the Parks Art Recreation & Culture Advisory Commission has been tasked to see what can be done about cleaning up the two buildings on-site at the HERC.

H. Housing Update

Chair Marks noted that she should have an update to provide at the next meeting. She added that the group met on August 6th, but that the subcommittee didn't meet.

I. Planning Update

Community Development Director Engebretsen stated that the Comprehensive Plan is moving forward. She noted that all the Commissions will have a synopsis of the community survey results in the near future. She encouraged Commissioners and members of the public to participate in both the business and visitor surveys. She concluded her update by informing the Commission that Agnew::Beck will visit in October for Community Visit #3 and presentation of future growth scenarios.

PUBLIC HEARING

PENDING BUSINESS

A. Business Licenses

Memorandum EDC-24-011 from Community Development Director as backup

Community Development Director Engebretsen recalled the tasks that were divvied up among Commissioners and City Staff to investigate pertaining to business licenses at the previous meeting. Together, the Commission and Ms. Engebretsen reviewed the tasks, reporting on each of their assigned items, including:

- Potential cost of licensure for businesses
- Potential cost for the City to administer a program
- Outreach to the Chamber of Commerce and the business community
- How the City of Homer can engage with the State of Alaska
- Potential for a no cost business licensing program
- Challenges and benefits of implementing a business licensing program
- Specialty licenses and permits
- Pros and cons of a business licensing program

Ms. Engebretsen volunteered to summarize a list of pro and cons regarding business licensing from the EDC in a memo to Council. She stated that she would bring it back to the next meeting for any edits that the Commission wishes to make to the memo.

AREVALO/YOUNG MOVED THAT THE CITY COUNCIL INVESTIGATE HARBOR SPECIFIC OPTIONS TO ACCOMPLISH THE GOALS OF SOLVING PROBLEMS IDENTIFIED REGARDING NON-HOMER BUSINESS OPERATING OUT OF THE HOMER HARBOR INSTEAD OF PURSUING A GENERAL BUSINESS LICENSE APPLICABLE TO ALL BUSINESSES.

There was no further discussion.

Chair Marks requested that the Clerk perform a roll-call vote.

VOTE: YES: AREVALO, BRENNAN, MARKS, YOUNG & ZUBEK

Motion carried.

B. EDC Bylaws

Memorandum from Community Development Director as backup

Community Development Director Engebretsen noted that this was the second time that the Bylaw revisions were in front of the Commission, adding that Bylaw amendments must be seen twice by the Commission before being forwarded to City Council for approval. She reviewed the changes that had been made, and Chair Marks subsequently requested a motion and second.

YOUNG/BRENNAN MOVED TO FORWARD THE AMENDED EDC BYLAWS TO CITY COUNCIL FOR APPROVAL.

There was no discussion.

VOTE: NON-OBJECTION: UNANIMOUS CONSENT.

Motion carried.

C. Cruise Ships

Memorandum EDC-24-012 from Community Development Director as backup

Community Development Director Engebretsen recalled that the EDC had been assigned two tasks regarding cruise ships: develop and understand municipal cruise ship policies from other municipalities, and engage in a conversation with the Chamber of Commerce and other stakeholders about the effects of the cruise ship industry on the local businesses and the community to help inform any potential City policy development.

The Commission agreed to hold a worksession regarding cruise ships to start at 4:30 p.m. on September 10th, prior to the start of the regular meeting.

AREVALO/YOUNG MOVED TO SUSPEND THE RULES TO ALLOW PATTY RELAY TO SPEAK.

There was no discussion.

VOTE: NON-OBJECTION: UNANIMOUS CONSENT.

Motion carried.