

MOTION BY SUPERVISORS SHEILA KUEHL AND CHAIR HILDA L. SOLIS

May 3, 2016

The Board of Supervisors (Board) recently affirmed its commitment to economic development and to strengthening partnerships with the business community, particularly in the unincorporated areas of Los Angeles County. From the newly invigorated Department of Consumer and Business Affairs to the business services offered by our Community and Senior Services (CSS) Workforce Development group, from new financial products from the Community Development Commission (CDC) to streamlining the permitting approval process, the County is working to focus, market and more effectively deliver resources to our business community and their employees. A unified voice from the business community and worker advocates supported the Board's adoption of a Wage Enforcement Program that creates a level playing field for business and protects workers from wage theft and other violations.

While the Board would like to equitably and effectively serve all unincorporated area businesses with these programs, the County of Los Angeles (County) has no single, comprehensive source of data on the number and characteristics of businesses in our unincorporated areas, where the County acts as the local municipal services

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provider. The County Assessor, using 2014 Personal Property Tax filings, estimated that there are approximately 15,000 businesses, churches and governmental and social welfare agencies in unincorporated LA County, distributed within 314 different business and activity categories. The County's primary engagement and communication with the business community is through the Business License Ordinance, administered by the Treasurer and Tax Collector (TTC). The TTC currently licenses 7,100 businesses across 110 individual license categories – only about half of our unincorporated area businesses. Aside from this licensing, the County does not currently have a mechanism to understand the needs of or to connect with our businesses.

On November 17, 2015, the Board of Supervisors directed the Treasurer and Tax Collector, County Counsel and the Chief Executive Officer to submit a report on business licensing, registration and permitting processes in the 88 cities in Los Angeles County to understand how our business licensing approach compares to the rest of the region. The Board was interested in understanding the relative feasibility of a comprehensive process to reach the unincorporated area business community, both to achieve more responsive service delivery and to administer effective wage enforcement protocols. The TTC submitted the report, with the requested analysis and options for consideration, on March 25, 2016. The report noted that 82 of the County's 88 cities (93%) license every and all businesses within their borders, 3 cities (3.4%) license no businesses (Calabasas, Industry, Rolling Hills) and 3 contract cities (3.4%) operate under the County's framework and license only certain businesses (Malibu, Santa Clarita, Westlake Village). Business regulation typically falls into one of two categories: (1) a regulation model (11% of 88 cities), based primarily on health, welfare and/or safety considerations, and (2) a revenue model (47% of 88 cities), based primarily on

revenue generation, through a combination of gross receipts, square footage, per-employee or flat taxes. The remaining 42% of cities employ a hybrid model, based on a stated intent to both regulate and generate revenue.

A Business Registration Program could be designed to balance effective service to the business community and cost recovery, and still offer the unincorporated areas a competitive advantage over many cities in the region, which may have higher taxes and license fees. The Department of Consumer and Business Affairs (DCBA) is spearheading various initiatives to support the local business community, including establishing a Small Business Concierge and launching a Small Business Initiative, and is educating businesses and conducting outreach, workshops, and focus groups, particularly within the small business community. DCBA would be well-served by a registration tool that will enable them to start collecting information from businesses that would support effective implementation of a comprehensive businesses services program. Although the intent of a Business Registration Program is not revenue generation, a well-designed program would both cover its costs as well as provide incentives to businesses that sign up early and regularly renew.

The County's Business License model, based on the protection of health, welfare and safety of the public, is not well-understood by many businesses and features licenses that average \$430 for initial issuance and \$240 for renewals. The County is now in a good position to create a reasonable, low-fee registration program as well as to reintroduce our licensing program and its benefits to the business community. In 2015, the Treasurer and Tax Collector began a multi-year process to review and update the various provisions of County Code Title 7, the Business License Ordinance. The TTC expects to begin conducting updated fee studies, for the first time since 2002, for the

County's 110 types of business licenses. Business license fees do not currently include any cost recovery for wage theft enforcement. Because DCBA begins implementing the County's new Wage Enforcement Program on July 1, 2016, the County should immediately consider licensing a select number of new business categories and/or conducting updated fee studies for those that are known to have high rates of wage violations, including garment manufacturing (60.1% wage violation rate), restaurants (27.0%) and car repair and car wash facilities (17.6%).

**WE, THEREFORE, MOVE** that the Board of Supervisors direct the Treasurer and Tax Collector and the Department of Consumer and Business Affairs, in consultation with the Community and Senior Services Department's Workforce Development Business Services Unit, the Community Development Commission's Economic Development and Business Services Program, the Chief Executive Officer, County Counsel, and any other appropriate departments, to:

1. Submit a proposal for Board consideration within 120 days to begin implementing a new Business Registration Program which would include all businesses in unincorporated Los Angeles County, except those already subject to the Business License Program. The implementation proposal should include and/or reflect:
  - a) An estimate of the time required to develop the new program, an implementation timeline and a recommendation on additional staff and resources needed.
  - b) A preliminary outreach plan, to be updated prior to program implementation, that would enable County Departments to uniformly communicate the benefits, including County business support and

services, of registering or licensing all businesses in the unincorporated areas.

- c) Consultation and feedback from representatives of the business community, consistent with the collaboration demonstrated in DCBA's recent Small Business Initiative and business utilization programs.
- d) A plan for the first round of program registrations, initial new business registration thereafter and annual registration renewals.
- e) A preliminary estimate, prepared in consultation with the Auditor-Controller, of the new fee for business registration, which should, to the extent authorized by law, support cost recovery for business assistance and wage enforcement programs implemented by the Department of Consumer and Business Affairs. If appropriate, CSS and CDC programs offering business assistance should also be considered in this analysis.
- f) A plan to develop an on-line registration and annual renewal system, to eliminate the need for businesses to submit "paper and pencil" applications or to travel to a County office to submit forms. Though this may be a phased approach, this on-line portal should ultimately be integrated with other efforts by County departments to support online permitting and licensing so that our Business Registration, Business Licensing, Business Permitting and other business assistance programs are linked and easy to find and navigate.
- g) A plan to streamline business registration with unincorporated area businesses' Local Small Business Enterprise (LSBE) certification with the

Department of Consumer and Business Affairs, to minimize duplicative registration with two different County programs.

- h) An evaluation of and recommendations on options for early adoption fee waivers or ongoing fee waivers for small businesses or frequent users of Department of Consumer and Business Affairs, Community and Senior Services, Community Development Commission or other County business assistance programs.
  - i) A recommendation on including home-based businesses in the program.
2. Submit a proposal for Board consideration within 45 days to gather standardized information on businesses in both the license program and the proposed registration program, including number and occupational categories of employees, industrial classification of business, relevant County services and resources utilized and other information needed to effectively serve the business community and enforce the new Minimum Wage. The report should include:
- a) A proposal to start information collection no later than July 1, 2016, when the Department of Consumer and Business Affairs begins its Small Business Initiative and Wage Enforcement Program.
  - b) An evaluation of options to treat this initial data collection from businesses, particularly small businesses, as a pre-registration program valid until up to at least July 1, 2017.
3. Submit a proposal for Board consideration within 120 days, with supporting analysis, to license a select number of new business categories and/or conduct updated fee studies for those that are known to have high rates of wage violations and/or wage theft, such as garment manufacturing (60.1% wage

violation rate), restaurants (27.0%), car repair and car wash facilities (17.6%) and nail salons.

S:KK/Business Registration