



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Date: September 18, 2006
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Meeting Date: October 3, 2006

TO: Vancouver City Council

FROM: Chief License Inspector in consultation with the Director of Finance

SUBJECT: Year 2007 Business License Fee Amendments and Miscellaneous License By-law Amendments

RECOMMENDATION

- A. THAT with the exception of liveaboards and the charitable or non-profit categories detailed in Appendix B, Council approve an across-the-board increase in business license fees for Year 2007 of approximately 2.75 percent (when rounded) for an inflationary adjustment reflecting the estimated growth in City costs;
- B. THAT with the exception of liveaboards and the charitable or non-profit categories detailed in Appendix B, Council approve an additional 0.9 percent increase in business license fees for Year 2007 to create a full-time permanent Planning Analyst position in the License Office at an approximate annual cost of \$75,000 for salary/benefits, a one-time position start-up cost of \$5,000 and \$25,000 to cover public information/consultation costs and other related public communication programs. The new position would be subject to review and classification by Human Resources.
- C. THAT a new Vehicle Dealer license fee category be defined and the current "Auto Dealer" license fee category in Schedule A of License By-Law No. 4450 be replaced with Vehicle Dealer with a fee of \$128 per annum plus any increases approved by Council through the recommendations in this report.
- D. THAT a new Rental Dealer license fee category be defined and included in Schedule A of License By-Law No. 4450 with a fee of \$106 per annum plus any increases approved by Council through the recommendations in this report.

- E. THAT housekeeping amendments to the License By-Law discussed in this report be approved.
- F. THAT the Director of Legal Services be requested to prepare the necessary By-law amendments to the License By-law, generally in accordance with Appendix A, to be effective January 1, 2007.

GENERAL MANAGER'S COMMENTS

The General Manager of Community Services RECOMMENDS approval of A through F.

COUNCIL POLICY

It is Council policy that fees and charges be established on the basis of the cost of providing the associated services.

It is Council policy that new or expanded service costs be fully offset by expenditure reductions or new revenues.

PURPOSE

The purpose of this report is to seek Council approval for Year 2007 business license fees. A total fee increase of 3.65 percent (when rounded) is being recommended for all business license categories with the exception of liveboards and the charitable or non-profit categories in Appendix B. This increase represents a 2.75 percent inflationary adjustment reflecting the estimated growth in City costs and a 0.9 percent increase to fund a permanent Planning Analyst position in the License Office, associated one-time position start up cost and a cost for public information/consultation and related public communication programs. This report also recommends the deletion of a license category, the creation of two new license categories and miscellaneous housekeeping changes.

BACKGROUND

Inflationary Adjustments

In the fall of every year, the License Office prepares an administrative report to Council proposing an across-the-board inflationary adjustment in business license fees which reflects the estimated growth in City costs for the following year. Although this adjustment is appropriate for most businesses, a higher fee increase may be required for certain businesses that incur higher inspection or administrative costs or possess fees that are no longer appropriate in comparison to other Lower Mainland municipalities.

License By-law Amendments

In addition to license fee adjustments, the administrative report also allows staff to propose other miscellaneous amendments to the License By-law necessary to address outdated

regulations, increase the effectiveness of certain methods of conducting internal business and to incorporate some housekeeping adjustments.

DISCUSSION

Year 2007 Business License Fees

This report recommends that business license fees for year 2007 be increased by approximately 3.65 percent (when rounded). This includes a 2.75 percent inflationary adjustment reflecting the estimated growth in City costs and a 0.9 percent increase to fund a new permanent Planning Analyst position and to cover on-going public information/consultation costs and other related public communication programs. This increase would apply to all fee categories with the exception of liveboards and the charitable or non-profit categories detailed in Appendix B. Liveboard license fees are to be addressed in a separate report from Corporate Services.

In the past, a number of charitable and non-profit license categories have been assessed fees that are well below an amount required to recover costs. These fees are listed in Appendix B. As in previous years, no fee increase is recommended for these licenses.

Full-Time Permanent Planning Analyst Position

Over the past two years, numerous licensing policy issues have been reviewed and reported to Council. This work has included licensing policy issues related to liquor establishments, animal control, vehicles for hire and general business licenses. Currently, License and Inspections has one permanent Policy Analyst position, therefore required assistance with on-going policy work is funded through temporary liquor license fees (this funding has ended), vacant positions and the temporary help budget. It has been inefficient to undertake this work through short temporary appointments as this scenario creates unnecessary demands on other staff and increases the requirement for repeated extensive training and office orientation for rotating policy staff.

Staff foresee a significant amount of licensing policy work continuing on a regular basis, with liquor licensing being the main focus for the first half of 2007. For this reason, staff recommends that a new position be created to assist with the many aspects of license policy development and review undertaken by the License Office. Expenses associated with this position include an approximate annual cost of \$75,000 for salary/benefits and a one-time position start-up cost of \$5,000. The new position would also be subject to review and classification by Human Resources.

In addition to the Planning Analyst position, a considerable amount of the policy work undertaken by the License Office requires public consultation/communication. Staff estimates that \$25,000 would be an adequate amount to cover the on-going public information/consultation requirements along with other related public communication programs for 2007. The actual amount will vary from year to year depending on the current projects.

The new Planning Analyst position and the cost of the public communication program is proposed to be funded through a 0.9 percent increase to business license fees, with the exception of liveboards and the charitable or non-profit categories detailed in Appendix B.

New Business License Categories

Currently, the License Office has an auto dealer business license for all businesses selling automobiles. However, over the past few years, the various types of vehicle retail businesses has expanded to include the sale of motorcycles, mopeds and other motor-powered vehicles. For this reason, staff propose that the Auto Dealer license category be replaced with a Vehicle Dealer category defined to include the sale of various types of vehicles. The Vehicle Dealer label is suggested to achieve consistency with the Zoning and Development By-Law. It is proposed that "Vehicle Dealer" be defined as: means a person who carries on the business of selling or renting motor vehicles including cars, trucks, motorcycles, mopeds, boats, recreation vehicles, and recreation trailers. This new business category is to replace the existing Auto Dealer in Schedule A with an annual license fee of \$128 plus any increases approved by Council through the recommendations in this report.

The License Office also issues rental licenses for all types of rental businesses, such as video rentals, equipment rentals, vehicle rentals, computer time rentals, etc. However, this business license category is not formally defined in the By-Law. Therefore, it is proposed that a new "Rental Dealer" business license be included in the License By-Law and defined as follows: means a person not otherwise defined herein who carries on the business of renting commodities directly to the public. This new business category is to be included in Schedule A with an annual license fee of \$106 plus any increases approved by Council through the recommendations in the report.

Housekeeping Items

In Section 13.2(5) of the License By-Law, reference to (6) is to be deleted since further to an amendment in July 2005, this reference is no longer required.

Furthermore, the heading in Schedule B under Part 1 is to be relocated under Part 2 and a new heading is to be included under Part 1 reading "Application fee for comments on a new liquor license or a permanent amendment to liquor license".

Business License Revenue from Liquor Serving Businesses

Earlier this year, staff estimated that additional revenue from processing fees for temporary amendments to provincial liquor licenses and the pro-rated revenue from businesses switching from the Standard Hours Liquor Establishment class of business license to the Extended Hours Liquor Establishment class of business license to be approximately \$363,000 (\$173,000 for temporary fees and \$167,000 for pro-rated annual business license fees). Actual revenue collected to date is approximately \$277,000 (\$247,000 in temporary fees and approximately \$30,000 in pro-rated annual business license fees). Fewer businesses applying for the Extended Hours Liquor Establishment class of business license is the reason why actual revenue did not meet the estimated revenue.

Staff expect that operators will continue to assess their business decision to extend or not extend their operating hours over the remainder of this year and into the first five months of 2007. Furthermore, License and Inspection staff plans to advise operators of how the Business Premises Hours of Regulation By-law will apply to their establishment early in the 2007 which will provide additional incentive for operators to make a final decision. Consequently, staff expect that additional operators will convert from the Standard Hours Liquor Establishment class of business license to the Extended Hours Liquor Establishment class of business license over the next 9 months (operators have until May 31, 2007 to apply through an expedited process with the Liquor Control & Licensing Branch).

Finally, because of the small number of operators that applied for the Extended Hours Liquor Establishment class of business license, revenue will not match projections made earlier this year. Only 45 out of a possible 250 licenses, representing roughly 10,000 of 65,800 liquor primary seats, have applied for the Extended Hours Liquor Establishment class of business license. As a result, staff expect that the business license fees from the Extended Hours Liquor Establishments will increase revenue from bar businesses in 2007 by approximately \$76,000, not the previous projection of \$250,000.

However, staff are not recommending adjusting the business license fees to resolve the potential shortfall at this time for the following reasons:

1. the industry is still in transition (although staff now have a much higher certainty of the final landscape, there is still a high probability of future change which can affect any proposed fee structure);
2. liquor serving businesses incurred an above average fee increase in 2002 when the business license fee structure was changed from a flat rate system to the present per seat system (this change generated approximately \$250,000 in additional revenue each year since 2002); and
3. approximately \$881,000 were collected this year (2006) in licensing fees from liquor serving businesses (Restaurants with Dining Lounge - \$450,000, Standard Hours LE's - \$154,000, Extended Hours LE's - \$30,000 and temporary processing fees - \$247,000).

Staff will report back on the final outcome of the revised fees in the fall of 2007.

FINANCIAL IMPLICATIONS

The proposed inflation adjustment fee of 2.75 percent for Year 2007 business license fees (with the exception of liveboards and the charitable or non-profit categories detailed in Appendix B) will result in additional 2007 business license revenue of approximately \$319,000.

The proposed 0.9 percent increase for Year 2007 business license fees (with the exception of liveboards and the charitable or non-profit categories detailed in Appendix B) to cover one additional staff person and public consultation expenses will result in a further approximate \$104,000 in offsetting license revenue.

CONCLUSION

Business license fees are adjusted annually to ensure full cost recovery of City administration and enforcement costs. This report recommends an across-the-board increase (with the exception of liveboards and non-profit and charitable organizations) of 2.75 percent for Year 2007 for inflationary cost increases resulting in the growth of City expenses, plus an additional 0.9 percent to fund a new permanent full-time Planning Analyst position in the License Office and cover public communication and information program expenses. This results in a total increase of 3.65 percent in business license fees for 2007.

Finally, this report recommends the deletion of a business license category, the creation of two new business license categories and miscellaneous housekeeping changes.

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DRAFT LICENSE BY-LAW AMENDMENTS

In Section 2 - Definitions, include the following two definitions:

- Vehicle Dealer - means a person who carries on the business of selling or renting motor vehicles including cars, trucks, motorcycles, mopeds, boats, recreation vehicles and recreation trailers.
- Rental Dealer - means a person not otherwise defined herein who carries on the business of renting commodities directly to the public.

In Section 13.2 (5), delete reference to (6).

In Schedule A, Business License, with the exception of the liveboards and the charitable or non-profit categories in Appendix B, increase the license fees by the percentage approved by Council through the recommendations in this report. (ie. 2.75 percent inflationary increase and 0.9 percent to fund a new permanent full-time Planning Analyst position in the License Office and cover public communication/information program expenses).

In Schedule A, delete the "Auto Dealer" business license category along with the corresponding fees.

In Schedule A, include the following two new business license categories with the corresponding license fees as indicated:

- Vehicle Dealer - \$128 per annum plus any increases approved by Council through the recommendations in this report.
- Rental Dealer - \$106 per annum plus any increases approved by Council through the recommendations in this report.

In Schedule B, Miscellaneous Service Fees, relocate the existing heading under Part 1 as the heading under Part 2 and include a new heading under Part 1 to read "Application fee for comments on a new liquor license or a permanent amendment to liquor license".

Current Exceptions to Fee Increases

It is recommended that fees for the following license categories not be increased. Historically these fees have remained constant.

Blind Peddler	\$1 per annum
Blind Retail Dealer	\$1 per annum
C.N.I.B. Concession Stand	\$1 per annum
Community Association or similar organization incorporated under the Societies Act	\$2 per annum
Farmer's Market	\$10 per annum
Junior Achievement of BC	\$10 per annum
Soliciting for Charity	\$10 per annum