



ADMINISTRATIVE REPORT

Report Date: May 28, 2013
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VanRIMS No.: 08-2000-20
Meeting Date: June 25, 2013

TO: Vancouver City Council
FROM: General Manager of Community Services
SUBJECT: Metro West Inter-Municipal Business Licence Pilot Program

RECOMMENDATION

- A. THAT Council approve the City of Vancouver's participation as a partner in a two-year pilot of an Inter-Municipal Business Licence (IMBL) Pilot Program with the City of Burnaby, Corporation of Delta, City of New Westminster, City of Richmond and City of Surrey as described in this report.
- B. THAT Council instruct the Director of Legal Services to bring forward the by-laws necessary to implement the IMBL Program, generally in accordance with this report.

REPORT SUMMARY

This report recommends that Vancouver participate in an Inter-Municipal Business Licence (IMBL) Pilot Program with Burnaby, Delta, New Westminster, Richmond and Surrey on the basis of the terms noted in this report for implementation October 1, 2013. The proposed IMBL Pilot Program will streamline the licensing process and allow the proposed group of businesses (construction trades and contractors) to operate in all of the participating six municipalities with a single licence. This initiative was developed in conjunction with the partner municipalities, Vancouver Economic Commission, Board of Trade and Ministry of Jobs, Tourism and Skills Training. This initiative, in addition to other related projects such as online licensing and simplifying licence categories, further supports the City's goal for streamlining regulatory processes and advances the City's Economic Action Strategy for promoting a robust business climate. If approved by Council, the Director of Legal Services will bring forward the by-laws for Council's consideration.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

Vancouver Economic Commission: Vancouver Economic Action Strategy 2011 - this initiative was highlighted in the City's first economic development strategy.

On January 17, 2012, Council passed a motion on improving the efficiency of the permitting process at City Hall, part of which proposed the following:

"THAT staff be directed to undertake a review of City regulations and permitting processes, with the goal of supporting local businesses through updated regulations, improved speed and greater efficiency of processes"

On January 15, 2013, Council passed the following motion with respect to an Inter-Municipal Business Licence proposal:

"THEREFORE BE IT RESOLVED THAT Council ask staff and the Vancouver Economic Commission to report on the status of the city's work, including the feasibility of a pilot program, developed in partnership with the Board of Trade and other interested municipalities, to implement a mobile business licensing program."

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The General Manager of Community Services RECOMMENDS approval of the above recommendations.

REPORT

Background/Context

The City's Corporate Business Plan and the Vancouver Economic Action Plan identify a long term strategic goal of ensuring that Vancouver's business climate is dynamic and robust. The Plan also identifies a short term strategy for a municipal regulatory review that supports local businesses and economic development in conjunction with the Vancouver Economic Commission. The IMBL initiative described in this report supports this strategic goal and short term strategy. It also advances the City's goal for streamlining regulatory processes.

Currently businesses such as contractors and trades that work in multiple municipalities must obtain business licences from each municipality that they work in. This is time-consuming, costly and is frequently raised by small businesses as a barrier to doing business in the Region.

An IMBL program allows business owners to buy a single IMBL licence (in addition to the licence they normally obtain from their home municipality) that entitles them to operate across the boundaries of participating municipalities within the IMBL agreement. This simplifies the licensing process for businesses and promotes a healthy regional economy.

There are some businesses working in multiple municipalities without a business licence. A simple streamlined IMBL process will encourage businesses to obtain an IMBL in order to allow

them to legally work in participating municipalities. As a result, licensing compliance in each of the participating municipalities is expected to increase.

An IMBL benefits various sectors as follows:

- Businesses - Savings in business time and money due to the streamlined process
- Citizens/Consumers - Greater choice in service providers
- Municipalities - Increased licensing compliance and the overall administrative efficiency

For the past several years, the Small Business Branch, Ministry of Jobs, Tourism and Skills Training has been encouraging and supporting municipalities to develop and implement IMBL Programs across British Columbia.

In 2012, the Economic Commissions of Richmond, Surrey and Vancouver initiated a discussion about a local pilot IMBL with staff from those three municipalities. By December 2012, the discussion expanded to include Burnaby, Delta and New Westminster. Staff from all six municipalities have been working cooperatively in partnership with the Economic Commissions, the Board of Trade and the Ministry of Jobs, Tourism and Skills Training on this initiative.

There are several IMBL programs successfully operating in the Province including the Capital Region, Okanagan-Similkameen and North Shore. Locally, the Fraser Valley and Tri-Cities initiated pilot IMBL programs on January 1, 2013. These IMBL initiatives are summarized below in Table 1 below. From a volume perspective, the current economic activity in the IMBL proposal which is the subject of this report is larger than that of the other IMBL areas. Therefore, this initiative has the potential to be the largest in the Province once the program moves beyond the pilot phase.

Table 1 - IMBL initiatives in BC Regions

Program Details	Capital Region	Okanagan-Similkameen	North Shore	Fraser Valley	Tri-Cities
Initiation Year	2000	2004	2001	2013	2013
IMBL Fee	\$100	\$150	\$50	\$250	\$165
# of Municipalities	13	19	3	9	3
Revenue Model	No Sharing	No Sharing	Sharing	Sharing	Sharing
Program Expansion	Added 1 municipality	Added categories & 13 municipalities	Added new categories	N/A	N/A

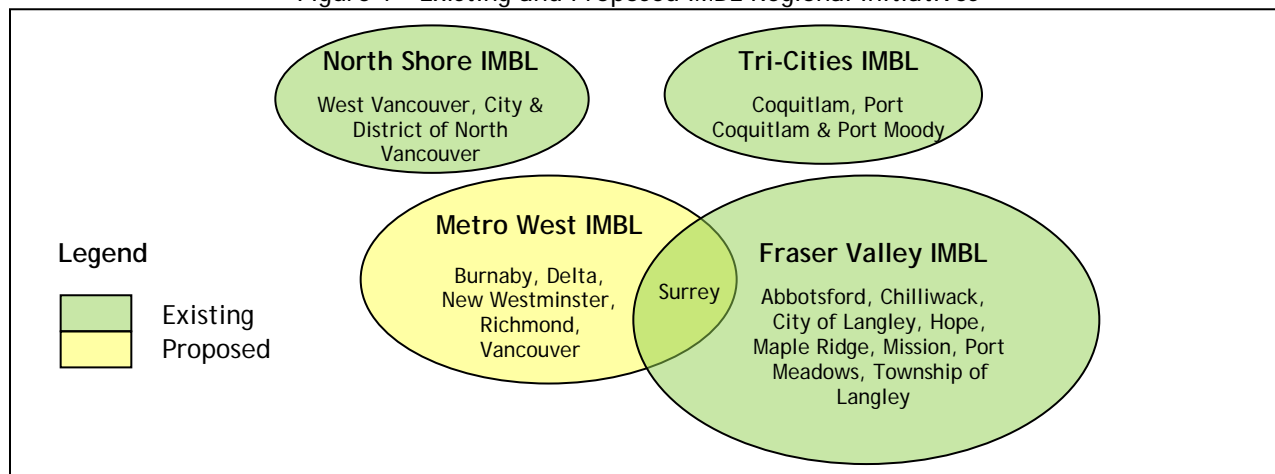
The Ministry and participating municipalities with existing IMBL programs have reported positive feedback from the business community when IMBL programs are initiated. Some participating municipalities in existing IMBL programs have indicated that some loss in licence revenue is acceptable and not as important as supporting the success of small businesses in their communities.

The three older programs (Capital Region, Okanagan-Similkameen and North Shore) have expanded their programs by adding to participating municipalities and/or adding new licence categories. North Shore IMBL participating municipalities meet regularly to discuss the inclusion of new business categories that are eligible for an IMBL. While the real extent of increased compliance is unknown for each IMBL program, the Okanagan-Similkameen IMBL has experienced an approximate 30 per cent increase in licensing compliance, with an overall \$250,000 regional revenue increase and no enforcement issues.

The recent Fraser Valley and Tri-Cities IMBL initiatives will be conducting their mid-year review at the end of June, 2013. As of June 4, 2013, the Fraser Valley IMBL initiative has sold 756 IMBL, which is approximately 50 per cent of expected IMBL sales. The Tri-Cities IMBL initiative has currently achieved approximately 38 per cent of the projected IMBL sales.

Figure 1 below shows the participating municipalities of existing and proposed IMBL Programs in the local region.

Figure 1 - Existing and Proposed IMBL Regional Initiatives



Strategic Analysis

Staff from Burnaby, Delta, New Westminister, Richmond, Surrey, and Vancouver have agreed on the implementation details for a pilot IMBL program, referred to as the Metro West Inter-Municipal Business Licence Pilot Program. The terms of the pilot program were developed with the objectives of streamlining the licensing process for construction trades and contractors (e.g. electricians, plumbers, etc.) doing work in more than one municipality while maintaining revenue neutrality for participating municipalities. The main terms for the proposed pilot program are summarized below in Table 2.

Table 2 - Proposed terms for Metro West IMBL Pilot Program

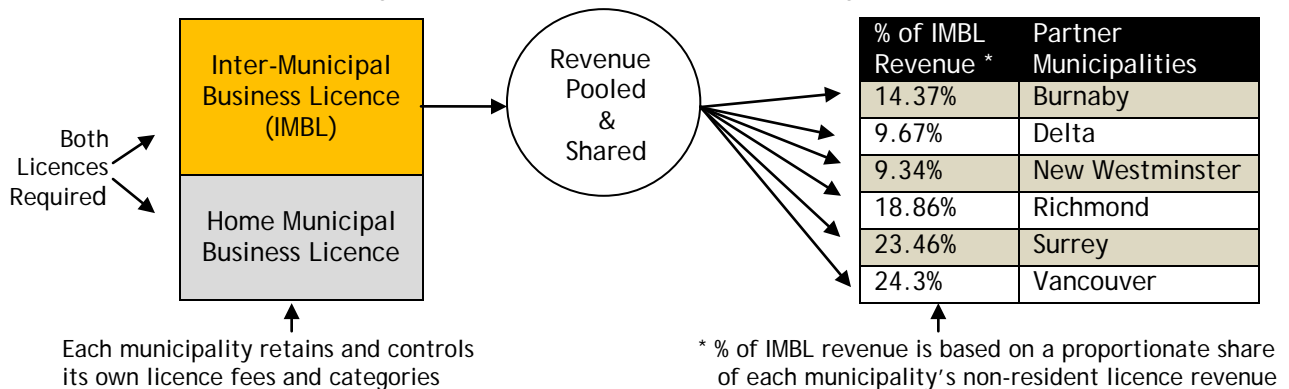
	Proposed terms
Municipalities	• Burnaby, Delta, New Westminister, Richmond, Surrey, and Vancouver
Term	• October 1, 2013 to December 31, 2015 (27 months)
Eligible businesses	• Trades contractor or other professional related to the construction industry
Licence Structure	<ul style="list-style-type: none"> • Businesses obtain business licenses in the home municipality (no change) • IMBL must be purchased from home municipality where the business is physically located • IMBL Fee: \$250 • IMBL entitles contractor to work in any participating municipality • Municipalities retain control over their license categories and fees • Contractors with an IMBL must comply with all local by-law requirements of participating municipalities

Revenue Sharing	<ul style="list-style-type: none"> IMBL revenues are shared on the basis of the current proportionate share of each City's non-resident licence revenue
Enforcement	<ul style="list-style-type: none"> Any participating municipality may suspend or revoke a contractor's IMBL Any licence appeals will be heard by the Council of the municipality suspending or revoking the licence
Database	<ul style="list-style-type: none"> Shared, supported & funded by the Province

Under the IMBL pilot, a contractor would obtain a licence in the municipality they are based in (home municipality) as they normally do. The contractor then has the option of buying the IMBL from their home municipality for an additional fee that entitles the contractor to work in any of the other participating municipalities. The IMBL must be purchased from the home municipality where the business is physically located.

The Provincial Ministry of Jobs, Tourism and Skills Training provided analysis to support the implementation of the Metro West IMBL Pilot Program. This analysis has determined that an IMBL fee of \$250 results in overall revenue neutrality for the program. In order to distribute the IMBL revenue in a manner that results in a positive cash flow for all municipalities, the participating municipalities agreed to use one of the revenue sharing models developed by the Province where the IMBL revenue will be pooled and distributed based on the proportionate share of each City's current non-resident licence revenue. This revenue sharing concept is shown below in Figure 2.

Figure 2 - Recommended Revenue Sharing IMBL Model



Each municipality will retain control over its licence fees. If licence enforcement becomes necessary, any participating municipality will have the ability to suspend or revoke an IMBL, as they currently do for their home municipal business licence.

Staff representatives from the participating municipalities have agreed to implement the IMBL pilot on October 1, 2013 and commencement of the pilot will require that the Councils of the participating municipalities all adopt the same IMBL By-law.

A Communication Plan will be developed in conjunction with the other municipalities and the Ministry of Jobs, Tourism and Skills Training to maximize awareness and uptake of the program. This will include website updates, notification of trades associations, a press conference and notification of eligible contractors through the City's licence renewal process. Also to encourage initial uptake of the IMBL in the City of Vancouver, contractors applying for the IMBL in 2013 will be granted an extended licence that expires at the end of 2014.

The success of the program will be monitored by staff from participating municipalities periodically and any necessary changes will be reported back to Council. While the pilot is underway, staff will contact counterparts in municipalities from other IMBL pilot programs to consider possible expansions to the program both geographically and in the number of business types that are eligible for the program. Ultimately, a Regional IMBL is considered a worthwhile goal.

Financial

The proposed fee of \$250 and the revenue sharing model will mitigate the financial risk associated with the IMBL initiative. This financial model balances the revenue losses from non-resident contractors that will no longer purchase a Vancouver business licence with revenue gains from contractors that purchase the IMBL. It is based on the conservative assumption that contractors with two or more licences will purchase an IMBL.

Table 3 below shows the anticipated net financial impact for Vancouver and for the partnership with the proposed revenue sharing model. Financial Services have done a sensitivity analysis of the proposed revenues, and based upon the assumptions outlined in Table 3, and using the current non-residence licences as a baseline, it is expected that revenue neutrality is maintained at various levels of uptake of the new IMBL.

Table 3 - Net Financial Impact

Province's Financial Analysis - Assumptions	Revenue Implication @\$250 Fee	
	Vancouver	6 Municipalities
Revenue Gains:		
• IMBL Sales	\$186,942	\$769,250
• Home businesses licenses purchased by businesses licensed in other cities but not their home city	\$15,158	\$102,766
Revenue Loss:		
• Non-resident businesses will no longer purchase licence from each city they work in	(\$197,299)	(\$811,867)
Revenue Implications - Gain	\$4,801	\$60,149

The analysis of the net financial impact in Table 3 is based on the conservative assumption that there will be no increased uptake in license applications from this group. Based on the experience in Okanagan-Similkameen, it is expected that contractors with single licences in the Metro West IMBL will be motivated to purchase an IMBL because it will be easy to purchase an IMBL from their home municipality that will allow them to work in all participating municipalities. Furthermore, some contractors may consider the opportunity to expand their business opportunities in the Region. As such, staff believe that it is reasonable to expect a potential increase in compliance which could result in a slight gain in licence revenue by the end of the two-year pilot program.

There are no material costs identified to implement the Metro West IMBL pilot program. Any minor costs, such as costs for printing notification and promotional notices, will be incorporated into the current operating budget. The computer system upgrades required for the IMBL issuance will be incorporated within the funding and scope of Permits and Licencing project, which has already been approved by Council.

CONCLUSION

The implementation of a Metro West Inter-Municipal Business Licence (IMBL) pilot program will advance the City's long term strategic goal of ensuring that Vancouver's business climate is dynamic and robust. Likewise, it will support the short term strategy for a municipal regulatory review that strengthens local businesses and economic development.

This initiative will provide a good opportunity for the six participating municipalities (Burnaby, Delta, New Westminster, Richmond, Surrey and Vancouver) to pilot a streamlined approach to licensing contractors doing work in multiple municipalities. This will benefit businesses by streamlining licensing regulations and saving time and costs, which will encourage economic development in the Region and will help increase licensing compliance. Staff will monitor the pilot and report back to Council as changes to the program are recommended. Ultimately, a regional IMBL is a goal worth considering and staff will continue discussions with municipal counterparts in other regions on this possibility.

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