



General Economic Development Committee Report

Date: January 14th, 2010
To: General Economic Development Committee
Through: Karolyn Kent, Deputy City Manager
From: William Jabjiniak, Economic Development Director
Subject: Business Registry

Purpose

The purpose of this report is to provide the General Economic Development Committee (GEDC) members information and seek direction on suggested improvements to the business registration requirements and processes in the City of Mesa.

Background

Mesa currently issues a Transaction Privilege Tax (TPT) license to those businesses that conduct taxable activities. In 2008 the Mesa City Council adopted Ordinance 4852 which amended the City Code to make all TPT Licenses issued by the City of Mesa valid for one calendar year (January 1st to December 31st), where all licenses expire at the same time. The Ordinance also reduced the application fee associated with the TPT license from \$50 to \$30 and instituted an annual renewal fee of \$20. Currently, only businesses operating in Mesa with activities that are subject to a Transaction Privilege Tax are required to obtain a TPT license from the City.

The following table illustrates some business types/activities that would typically require a TPT license in Mesa today and some that would not:

TPT Licensed Business	Non-TPT Licensed Business
Retail Sales	Attorneys
Restaurants & Bars	Doctors
Construction Contracting	Check Cashing
Advertising	Engineers
Amusement & Exhibition	Hospitals
Publishing	
Rental or Leasing Companies	

In January of 2007, the City Council adopted Ordinance 4789 which requires all businesses located in Mesa to obtain an annual Fire Safety Operational Permit (FSOP) for each business location. The Fire Safety Operational permit allows the applicant to conduct business within the City of Mesa and requires the applicant to provide business information annually as required by the fire code official. The Permit is valid for one year and does not apply to home based businesses. The fee for the FSOP permit is \$15 annually. The Ordinance also requires the fire department to charge fees for the fire inspections they conduct at businesses throughout Mesa. The inspection fee is based on a risk assessment (see table below).

Fire Safety Operational Permit and Fire Inspection Fee Schedule	
All Businesses FSOP	\$15 annually
Medium Risk Facility Inspection	\$150.00 bi-annually
High Risk Facility Inspection	\$250.00 annually
High Risk Facility > 12,000 SF Inspection	\$450.00 annually

In February 2009, staff asked the GEDC for direction on establishing a “business registry” in Mesa. The GEDC was asked to consider three important issues in relation to the “business registry” concept: 1) The process by which to gather accurate business information; 2) How to protect the interests of legitimate Mesa businesses; and 3) The assessment of an appropriate fee for gathering such information. Staff presented the GEDC with the various licensing options used across the Phoenix Metropolitan Area and the potential benefits associated with streamlining Mesa’s licensing process. The GEDC asked staff to continue researching this matter with the goal of creating a “one-stop” shop for business licensing in Mesa. Staff was specifically reminded of the importance of protecting the interests of legitimate Mesa businesses.

Discussion

Following the meeting with the GEDC in February 2009, staff took steps to analyze and review the business information currently available in the TPT and FSOP databases. A recent combination of the two databases yielded the following results:

- 14,270 entries with either a Fire and/or TPT address (excluding “Vacant” locations)

At the time of the analysis, the data source Economic Development used for business information (Claritas, Inc) estimated a total of 14,959 businesses in Mesa (excluding home-based businesses). Reference USA, an additional business information source, estimated a total of 14,845 businesses in Mesa (excluding home-based businesses). When the third-party estimates were compared with staff’s analysis (in particular, #2 above), it was clear there was not a large gap of missing business information. As a result of the analysis, staff focused primarily on streamlining the business licensing process, improving data quality, and creating an online licensing portal.

Streamlined Process:

In order to help streamline the business licensing process, staff has created the "Success Packet" for entrepreneurs looking to do business in Mesa. Within the packet entrepreneurs will find a TPT Application, FSOP Application, "Guide to Opening a Business in Arizona," a "Business Registration Guide" and a "Site Selection Guide." Mesa's "Success Packets" will be available in hard-copy at appropriate locations (Economic Development, Tax & Licensing, Development & Sustainability, etc) and online under the "Business" tab of Mesa's website.

Staff has recently reviewed and updated the "Guide to Opening a Business in Arizona." This online application is intended to provide step-by-step information and assistance for entrepreneurs interested in opening a business in Arizona. Amongst helpful tips and insight, the guide contains important contact information for governmental departments (Federal, State and Local) and community organizations aimed at helping the success of small businesses in Arizona. The application can be accessed through the City of Mesa Economic Development webpage:
http://mesaaz.gov/economic/Small_Business/Development/default

Staff created the "Business Registration Guide" to assist entrepreneurs with the business registration process at the City of Mesa. The guide identifies key questions for the entrepreneur to consider as they prepare for the licensing process.

Staff has updated the "Entrepreneur and Small Business City Process Check Sheet." Now called the "Site Selection Guide," this guide was updated with the intent of educating entrepreneurs on the critical information needed to conduct a comprehensive site analysis. The "Site Selection Guide" is designed to help entrepreneurs identify potential issues early in the process of securing a location to avoid costly and time consuming interactions with the City.

Data Quality:

As discussed in February 2009, accurate business information is important to a variety of organizations communitywide. Currently there is no clearinghouse for business information in Mesa. However, there are several data elements collected by the FSOP and TPT applications which could provide the basis for a business registry in Mesa. In the past, certain information has not been considered critical to either the TPT or FSOP application and has not been a requirement of approval. Moving forward, staff will continue to ask that all data fields be complete in order to process and approve TPT and FSOP applications. The combination of the TPT and FSOP databases will serve as an interim business registry.

Staff considered combining the TPT and FSOP applications onto a single form. Staff determined that in the short-term combining the two applications would require more resources than was readily available from a data entry standpoint as well as determining how to protect confidential customer information. Staff's long-term goal is to combine the two applications onto a single form and web application.

Online Licensing Portal:

Staff is proceeding with the Sales Tax & Licensing Project to procure and implement a solution for the issuance of sales tax licenses and the collection and tracking of sales tax. The City will be seeking a solution that can offer online applications and payments via the City's website.

Staff's long-term goal is to incorporate both the "Business Registration Guide" and the "Site Selection Guide" into an online interactive licensing application.

At this time, Staff does not recommend an additional fee to incorporate the above mentioned changes to the business registration requirements and processes.

Options

The General Economic Development Committee is being asked to give guidance on the following options to staff:

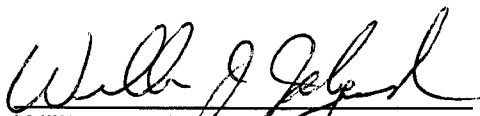
1.
 - a. Pursue implementation and marketing of "Success Packets" to entrepreneurs looking to open a business in Mesa.
 - b. Pursue incorporating an interactive licensing guide online.

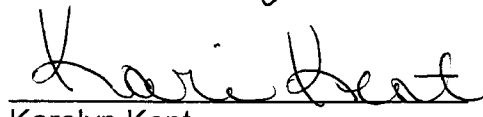
Or

2. Pursue no changes to the existing licensing process or requirements.

Coordinated With

Staff from the departments of the Tax & Licensing, Economic Development, Fire, Development and Sustainability and Budget collaborated to produce this report.


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