



Clearfield City

Business License Fee Study

January 2023



ZIONS PUBLIC FINANCE, INC.



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Overview

Business license fees are intended to cover the cost of:

- 1) issuing and overseeing business licenses (“base fee”); and
- 2) disproportionate costs that the City incurs from specific types of businesses (“disproportionate fee”). In this study, disproportionate costs have been calculated based on the increased demand for police services. Police demand has been measured based on the number of calls for service originating from various business types, as well as police inspections conducted for certain types of business.

The total business license fee is composed of both the base fee and disproportionate fee. Utah law (§10-1-203) specifically allows for these types of charges.

Base Fee. The base fee includes two parts:

- 1) Costs for labor and supplies directly associated with business licenses; and
- 2) Indirect costs for a fair share of other departments that provide some services to the business license department (i.e., administration, legal, HR, IT, etc.).

The City has undertaken a comprehensive study in order to understand these costs and has determined that the base cost for the renewal of most business licenses has increased from \$64 to over \$76 per year. New applications take more of staff time and the cost has therefore increased from \$75 per year to over \$177.

TABLE 1: BASE FEE COMPARISON

	Current Fees	Base Cost of Service
General Business License		
New	\$75	\$177.30
Renewal	\$64	\$76.30

A few categories of businesses, as identified in the study, have higher base fees due to a more time-intensive process for these businesses.

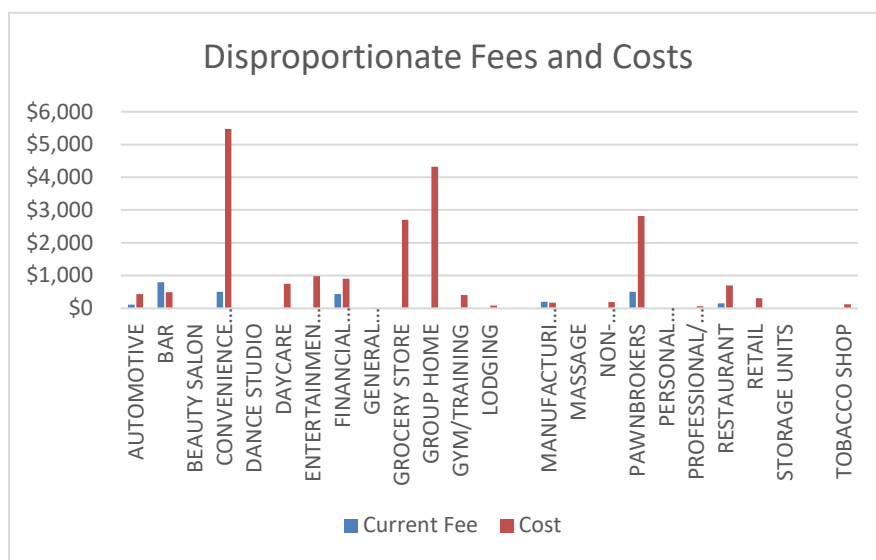
Disproportionate Fee. The disproportionate portion of the fee is based on increased calls for service by some business categories, as well as the average cost for the police department to respond to a call. The analysis shows that costs were highest for business groupings such as convenience stores, group homes, pawnbrokers and grocery stores. Utah law requires that all businesses in the same business category be charged the same business license fee. Therefore, the analysis conservatively does not include businesses with higher number of calls (i.e., statistical outliers) in the calculation of the disproportionate fee. However, all businesses in the grouping are charged the calculated disproportionate fee.

Disproportionate costs are shown in the table below and show a dramatic increase over the disproportionate fees currently charged by the City.

TABLE 2: DISPROPORTIONATE FEE COMPARISON

Business Category	Current Fee	Maximum Fee	% Captured
AUTOMOTIVE	\$115	\$437	26%
BAR	\$800	\$494	162%
BEAUTY SALON	\$0	\$0	N/A
CONVENIENCE STORE	\$500	\$5,476	9%
DANCE STUDIO	\$0	\$0	N/A
DAYCARE	\$10	\$752	1%
ENTERTAINMENT SERVICES	\$0	\$985	0%
FINANCIAL SERVICES	\$440	\$900	49%
GENERAL CONTRACTOR	\$0	\$12	0%
GROCERY STORE	\$0	\$2,701	0%
GROUP HOME	\$0	\$4,325	0%
GYM/TRAINING	\$0	\$403	0%
LODGING	\$0	\$89 per unit	0%
MANUFACTURING/WAREHOUSE/DISTRIBUTION	\$200	\$170	118%
MASSAGE	\$0	\$0	N/A
NON-PROFIT/NO FEE	\$0	\$188	0%
PAWNBROKERS	\$500	\$2,823	18%
PERSONAL SERVICES	\$0	\$0	N/A
PROFESSIONAL/BUSINESS SERVICES	\$0	\$67	0%
RESTAURANT	\$150	\$695	22%
RETAIL	\$0	\$307	0%
STORAGE UNITS	\$0	\$0 per unit	N/A
TOBACCO SHOP	\$0	\$127	0%

Disproportionate fees can also include the cost of inspections conducted by the City for some types of businesses such as those that sell beer and alcohol, pawnbrokers, etc.



Executive Summary

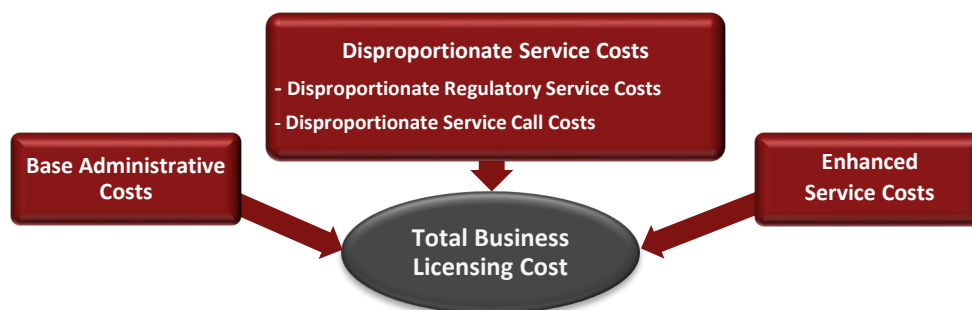
Zions Public Finance, Inc. (“ZPFI”) was retained by Clearfield City (“Clearfield” or the “City”) to complete an analysis of business licensing costs to meet the requirements of Utah law as established by Utah Code Annotated §10-1-203. Utah law allows municipalities to license businesses for the purpose of regulation and revenue but places a maximum on the business license fees charged equal to the cost of services provided by the City.

This study calculates the maximum business license fees allowable in Clearfield under current State law. The City Council may choose a fee lower than the maximum fee. If less than the maximum allowable fees are charged, the difference between the fee and the cost to the City will be covered through other revenue sources.

Factors the City may want to consider as it establishes new business license fees include:

- Percentage change to current fees;
- Dollar amount of change in fees;
- Correlation between proposed fees and the actual cost of services contained in this study;
- Recognition of other revenues generated by some business types (such as sales tax, real property tax, personal property tax, municipal energy tax, transient room tax, etc.); and
- The comparative/competitive fees in neighboring cities and towns

This study considers base administrative, disproportionate service costs, and enhanced services costs. When base costs, disproportionate costs, and enhanced service costs are added together, they represent the maximum amount the City may charge for business licenses.



Base Administrative Costs

Base administrative costs include the common costs incurred by all types of businesses to register, oversee, maintain records, and regulate licensed businesses within the City such as application, registration, issuance, etc.

Disproportionate Service Costs

There are two types of disproportionate service costs: disproportionate regulatory service costs and disproportionate service call costs.

Disproportionate Regulatory Service Costs

Disproportionate Regulatory service costs occur when a business incurs additional regulatory costs (beyond the base costs) for inspections or other regulatory services. These costs are in addition to the base administrative costs shown in the previous table.

Clearfield does not have any disproportionate regulatory costs which will be accounted for in this study.

Disproportionate Service Call Costs

Disproportionate service call costs include the cost of services for police calls above the base level of service multiplied by the cost per call. The base level of service is defined as the average annual¹ level of service provided to single-family, owner-occupied residences. Disproportionate service call costs are in addition to the base administrative cost for each business class.

Enhanced Service Costs

Enhanced service levels reflect a higher level of service provided by the City for a specific portion of the business community, whether it is a business class, business location, etc. Examples of enhanced service levels include more landscaping, hanging baskets, more or higher quality signage, increased police patrols (i.e., visible police presence), more frequent snow removal, etc. Generally, these types of services are increased in a particular geographic section of the City, such as downtown or the town center of a resort community, but they may also be specific to a particular type of business class, the number of employees in a company, etc.

Clearfield does not have any geographic areas or business classes for which the City provides enhanced service levels.

Total Licensing Costs

The total annual cost for a business license in Clearfield includes the base administrative and disproportionate service call costs. The total business license cost identified in this business license fee study is the *maximum amount* the City may charge for a business license. The disproportionate service call costs for police are the same regardless of whether the license is a renewal or a new application and may be charged annually.

Good Landlord Program

Clearfield City currently participates in the Good Landlord Program (GLP) which provides an opportunity for landlords to receive a discounted fee if training requirements are completed and certain obligations are met under the program. All landlords are eligible to participate in the program, but participation is not required.

Benefits to the City from the GLP may include elimination or a reduction of code violations, reduction of criminal activities, greater communication with property owners, neighbors, and landlords when issues

¹ Police call data was averaged over a two-year period, January 2020 – December 2021.

arise, and a greater quality of life for neighborhoods in areas that may possess a high volume of rental properties. Prior to 2017 the GLP provided some ability for the City to enforce and benefit from the program. However, after continual changes from the legislature, staff has experienced that the landlords who join the program currently receive a substantial cost savings, but the City no longer has any authority to tell the landlords who they can/cannot lease to or possess the ability to safeguard their residents as they once did. The current Good Landlord Program has become increasingly difficult to enforce and the administrative oversight required for maintaining the program is likely not being recovered through the current fees.

Introduction

Zions Public Finance, Inc. (“ZPFI”) was retained by Clearfield City to complete an analysis of business licensing costs to meet the requirements of Utah law as established by Utah Code Annotated §10-1-203. The law states that “...the legislative body of a municipality may license for the purpose of regulation and revenue any business within the limits of the municipality and may regulate that business by ordinance.”² Additionally, the law states that “the amount of a fee shall be reasonably related to the costs of the municipal services provided by the municipality.”³ In other words, business licensing fees charged may not exceed the amount necessary to reasonably regulate business activity, including the costs of disproportionate and enhanced levels of municipal services required by some business classes, geographic locations, etc.

While this study calculates the maximum business license fees allowable under current State law, the City Council may choose a lesser fee. If less than the maximum allowable fees are charged, the difference between the fee and the cost to the City will be made up through other revenue sources.

Clearfield currently requires all commercial businesses to obtain a business license. This study considers the three categories of business licensing which, when added together, equal the maximum amount the City may charge for business licenses. Specifically, these three categories include Base Administrative Costs, Disproportionate Costs (regulatory costs and services call costs); and Enhanced Service Costs. Each of these categories is explained in greater detail below.

Base Administrative Costs

Base administrative costs include the following standard labor costs: (i) business license application and registration process; (ii) issuance of license; (iii) collection of fees; (iv) maintenance of records; and (v) preparation of business reports and required verifications.

In order to estimate the base administrative costs of a business license, ZPFI’s source of information has been the City. Costs have been evaluated based on time spent by employees, wages and benefits for these employees, indirect costs, and department overhead such as supplies, computers, etc. Indirect costs include mayor & council, justice court, city manager, city recorder, legal, human resources, information technology, finance, customer service, and facilities maintenance.

The costs associated with licensing a business are determined by analyzing both employee costs and the time spent by each employee on business licensing procedures. Considering these two factors, a cost for each step in obtaining a business license can be determined. Added together, these costs equal the *base administrative costs* to the City for issuing a business license.

Employee Costs for Business Licensing

Direct business licensing costs include labor (wages & benefits) and department overhead costs (supplies, computers, etc.) for all personnel involved in issuing and overseeing business licenses.

² Utah Code Annotated §10-1-203(2)

³ Utah Code Annotated §10-1-203(5)(c)(ii)

The following Clearfield employee positions are directly involved in business licensing:

- Building Inspector
- City Planner
- Business License Official (Customer Service Center Manager or CSCM)
- Police Chief
- City Attorney

A direct cost per minute was calculated for each employee involved in the business licensing process based on their annual minutes worked using the following method:

TABLE 3: DIRECT COST PER MINUTE CALCULATION

Per Minute Cost	Calculation
Employee Labor Cost per Minute	$(Salary + benefits) / \text{employee total annual minutes worked}$
Department Overhead Cost per Minute (e.g., supplies, computers, etc.)	$\text{Department operations costs} / \text{total annual minutes worked}$
Direct Business License Cost per Minute	$\text{Employee labor cost per minute} + \text{department operations cost per minute}$

Table 2 shows the direct labor cost per minute for all employees involved in business licensing. All figures used in calculating direct costs were provided by the City.

TABLE 4: DIRECT LABOR COST PER MINUTE

Employees by Department	Direct Cost per Hour	Direct Cost per Minute
Building Inspector	\$39.95	\$0.67
City Planner*	\$46.65	\$0.78
Business License Official (CSCM)	\$59.03	\$0.98
Police Chief	\$108.67	\$1.81
City Attorney	\$107.50	\$1.79

*There are two planners who directly process business license fees. This rate is a weighted rate which considers the percent of time each planner spends working on business license fees.

Department Operational Costs

There are additional costs associated with the operational support needed to handle the business licensing process. These additional costs include a portion of staff time spent on setting up new software and fees associated with business licensing software. These additional costs are combined with the direct labor and supply costs described above. A breakdown of these operational costs is found below.

TABLE 5: ADDITIONAL COST PER MINUTE – OPERATIONAL COSTS

	Annual Cost
Cost of Software	\$21,000
Cost per Minute	\$0.22

Indirect Costs

The following indirect costs were provided by Clearfield as the fair share of costs to be allocated to the business licensing process due to support from the departments listed below. These departments were selected because they provide support to the entire City. Other departments within the City may have had overhead within their respective departments, but that overhead was not considered because it did not relate to business licensing.

TABLE 6: TOTAL INDIRECT COSTS

Mayor & Council	\$408,075
Justice Court	\$490,463
City Manager	\$503,766
City Recorder	\$241,185
Legal	\$631,722
Human Resources	\$379,807
IT	\$982,022
Finance	\$587,253
Customer Service	\$296,681
Facilities Maintenance	\$832,656
TOTAL	\$5,353,630

Source: Clearfield City 2022-2023 Budget

Total indirect costs for the City were divided among each full-time equivalent (FTE) employee to calculate an indirect cost per minute. As shown in the following table, indirect cost per minute per FTE is \$0.24.

TABLE 7: TOTAL INDIRECT COSTS PER MINUTE

Indirect Costs to be Allocated	\$5,353,630
FTEs	179.5
Indirect Cost per FTE	\$29,825.24
Total Annual Hours Worked per FTE	2,080
Indirect Cost per Hour	\$14.34
Indirect Cost Per Minute	\$0.24

Employee Training Costs

There are also indirect costs within each department associated with business licensing. These indirect costs include a portion of staff time spent in staff meetings and trainings. The meeting and training costs are divided across all businesses based on the amount of time each employee spends on that business. A breakdown of this cost per minute for City employees who participate in trainings directly associated with business licensing is given below.

TABLE 8: ADDITIONAL COST PER MINUTE – MEETING AND TRAINING COSTS

Meetings and Trainings – Cost per Minute	
Building Inspector	\$0.03
City Planner	\$0.04
Business License Official	\$0.05
Police Chief	\$0.09
City Attorney	\$0.09

Summary of Direct and Indirect Costs per Minute

TABLE 9: SUMMARY OF TOTAL COSTS PER MINUTE

Total Costs per Minute	Building Inspector	City Planner	Business License Official	Police Chief	City Attorney
Direct Cost	\$0.67	\$0.78	\$0.98	\$1.81	\$1.79
Indirect Cost	\$0.24	\$0.24	\$0.24	\$0.24	\$0.24
Operational Costs	\$0.22	\$0.22	\$0.22	\$0.22	\$0.22
Training Cost	\$0.03	\$0.04	\$0.05	\$0.09	\$0.09
Total	\$1.16	\$1.28	\$1.50	\$2.36	\$2.34

Employee Time for Business Licensing

Each employee has a different role when reviewing business license applications. The following table summarizes each person's involvement per license type.

TABLE 10: EMPLOYEE TIME PER LICENSE IN MINUTES

	Building Inspector	City Planner	Business License Official	Police Chief	City Attorney
General Business License					
New	45	15	60	5	0
Renewal	5	5	40	0	0
Rental Dwelling License					
New	30	45	75	0	0
Renewal	5	5	40	0	0
Temporary or Seasonal Merchant License					
New - 180 Days	15	25	60	0	0
Cleaning Deposit	0	0	65	0	0
Mobile Food Vendor License					
New - 180 Days	0	25	60	0	0
Cleaning Deposit	0	0	65	0	0
Solicitor License					
New	0	0	75	30	15
Renewal	0	0	45	0	0
Identification Badge	0	0	15	0	0
Beer License					
New	45	15	60	30	15
Renewal	5	5	40	0	0

	Building Inspector	City Planner	Business License Official	Police Chief	City Attorney
Sexually Oriented Business License/Sexually Oriented Business Employee License					
New	15	25	90	30	20
Renewal	5	5	40	0	0
Firework Stand License					
New	15	15	60	0	10
Cleaning Deposit	0	0	65	0	0
Pawnbroker					
New	15	15	60	0	10
Renewal	5	5	40	0	0
Massage Therapist					
New	15	15	60	30	20
Renewal	5	5	40	0	0
Identification Badge	0	0	15		

Supply and Study Costs

The City has identified pertinent supplies to be included in the City's direct costs. The cost to conduct this business license fee study can also be included in the business licensing costs. It is assumed that the useful life of a business license study is approximately 5 years. The supply and study costs are then divided by the annual number of business licenses processed to arrive at an additional cost per license of \$4.26.

TABLE 11: SUPPLY AND STUDY COST PER LICENSE

Total Annual Supply Cost	\$3,625
Total Annual Study Cost	\$2,980
Total Number of Business Licenses	1,542
Cost per License	\$4.26

Base Administrative Costs

The following table outlines the total time and base administrative cost associated with each business license.

TABLE 12: BASE ADMINISTRATIVE COSTS

	Maximum Fee
General Business License	
New	\$177.30
Renewal	\$76.30
Rental Dwelling License	
New	\$208.86
Renewal	\$76.30
Temporary or Seasonal Merchant License	
New - 180 Days	\$143.42
Cleaning Deposit	\$101.49
Mobile Food Vendor License	
New - 180 Days	\$125.99
Cleaning Deposit	\$101.49
Solicitor License	
New	\$222.54
Renewal	\$71.57
Identification Badge	\$26.70
Beer License	
New	\$271.57
Renewal	\$76.30
Sexually Oriented Business License/Sexually Oriented Business Employee License	
New	\$306.11
Renewal	\$76.30
Firework Stand License	
New	\$154.07
Cleaning Deposit	\$101.49
Pawnbroker	
New	\$154.07
Renewal	\$76.30
Massage Therapist	
New	\$248.44
Renewal	\$76.30
Identification Badge	\$26.70

Based on legislation passed in 2017, license fees for home occupation businesses may only be charged when the “combined offsite impact of the home-based business and the primary residential use materially exceeds the offsite impact of the primary residential use alone.”⁴ This means only home occupations that create an impact on the residential area through business operations can be charged a business license fee. The City has elected to charge home occupation fees, but has provided a home-based business licensing fee exemption for business that meet the following criteria:

- No customers will visit the home;
- The business will not create dust, noise, odors, or other detrimental impact to surrounding properties; and
- There will be no outdoor storage associated with the business.

However, the City may still require a business license (without a fee) for home-based businesses which meet the exemptions and can charge a fee to home occupations that requests a license when they otherwise would not be required to obtain one.⁵

Disproportionate Costs

Disproportionate service costs include the additional costs which some businesses incur because of: 1) additional regulatory services provided, such as inspections; and 2) responses to service calls compared to the base level of service. There are, therefore, two types of disproportionate service costs: 1) disproportionate regulatory service costs; and 2) disproportionate service call costs.

Disproportionate regulatory service costs include the cost of services for business-related paperwork, administrative oversight, special regulations, and inspections that are in addition to the services common to all businesses included in the base administrative cost. For example, additional regulatory services are required by some classes of businesses such as day-cares, assisted living, and other special care facilities.

Disproportionate service call costs include the cost of services for police calls above the base level of service provided by these departments. In order to identify disproportionate service levels, ZPFI has interviewed City officials and service providers and has obtained data regarding calls for service from the City.

According to Utah Code Annotated §10-1-203(5)(c)(i), “Before the governing body of a municipality imposes a license fee on a business that causes disproportionate costs of municipal services under Subsection (5)(a)(i)(C)(I), the legislative body of the municipality shall adopt an ordinance defining for purposes of the [fee] tax under Subsection (5)(a)(i)(C)(I) the costs that constitute disproportionate costs and the amounts that are reasonably related to the costs of the municipal services provided by the municipality.”

⁴ Utah Code §10-1-203(7)

⁵ SB-158, effective May 8, 2018

Cities are allowed under Utah Code to collect disproportionate business licensing fees for the following municipal services:

- Police
- Fire/EMS
- Storm Water Runoff
- Traffic Control
- Parking
- Transportation
- Beautification
- Snow Removal

Clearfield will only consider disproportionate police services in this study. Therefore, disproportionate services rendered may include police calls for service and business-related paperwork, administrative oversight, special regulations, inspections, calls for service, and other services performed for specific types of businesses. To calculate disproportionate costs, the *base level* of service for police must first be established. There are two types of disproportionate costs appropriate to this study – disproportionate regulatory costs and disproportionate police call costs.

Disproportionate Regulatory Costs

Regulatory service costs occur when a business incurs additional regulatory costs (beyond the base costs) for inspections or other regulatory services.

Clearfield does not have any disproportionate regulatory costs which will be accounted for in this study.

Disproportionate Service Call Costs

Disproportionate service call costs include the cost of services for police calls above the base level of service provided by police. The *base level* of service is the average level of service calls to owner-occupied residences. Calls for police services were obtained from Clearfield City for the 2-year period from January 2020 to December 2021. The call data was then analyzed to calculate the number of calls to owner-occupied residential units. The number of calls to owner-occupied single-family residential units was averaged over the 2-year period.⁶ The average annual number of calls to owner-occupied single-family residential units was then divided by the total number of owner-occupied single-family residential units to determine the *base level* of service calls for police. This per unit base level of service is referred to as the *base level service call ratio*. The disproportionate service call costs are calculated by multiplying the average level of police calls for each commercial business and residential rental type above the base level service call ratios by the cost per call for police services.

The annual *base level service call ratio* for police calls was determined to be an average of 0.483054 calls per owner-occupied single-family residence per year.

TABLE 13: RESIDENTIAL CALL DATA – BASE LEVEL SERVICE CALL RATIO FOR POLICE

	Police
Residential Calls for Service – 2-year annual average	3,050
Single Family Residential Units	6,314
Base Calls per Residential Unit	0.483054

⁶ A 2-year average minimizes the effect of a call volume spike that could occur over a one-year period.

The average annual police service call ratio per business in each business class was calculated by dividing the average annual number of calls in each business class by the total number of businesses in the business class. Service call ratios for commercial businesses that are higher than the *base level* of service call ratio are considered disproportionate. To calculate the disproportionate service call ratio, the base level of service ratio was subtracted from the average calls per commercial business class.

Police costs per call were determined by taking the budgeted amount for police services and dividing that number by the total number of police calls for service within the City (traffic calls included). The City has confirmed that about 56.50% of costs included in the budgeted amount are directly related to service calls.

TABLE 14: POLICE COST PER CALL FOR SERVICE

	Amount
2022-2023 Police Budget	\$5,725,089
Estimated Percentage of Time Spent on Responding to Police Calls	56.50%
Annual Police Calls (all calls, including traffic calls)	13,195
Police Cost per Call	\$245.14

Table 13 summarizes the disproportionate police service call costs by business class in Clearfield. The average residential calls per unit (0.483054) is subtracted from the average number of police calls per business type in order to calculate the disproportionate police calls per business type. The number of disproportionate calls, by business type, is then multiplied by the cost per call (\$245.14) to arrive at the disproportionate cost per business type. Due to the nature of the Lodging and Storage Units business categories, businesses within these categories are charged on either a per room or per unit basis. This allows the City to more fairly assess the disproportionate impact those businesses have on City services since their rooms and units are more comparable to the residential base unit than the overall business itself.

TABLE 15: DISPROPORTIONATE POLICE CALLS FOR SERVICE

Business Category	Disproportionate Police Calls	Disproportionate Cost per Business
AUTOMOTIVE	1.78	\$437
BAR	2.02	\$494
BEAUTY SALON	(0.21)	\$0
CONVENIENCE STORE	22.34	\$5,476
DANCE STUDIO	(0.15)	\$0
DAYCARE	3.07	\$752
ENTERTAINMENT SERVICES	4.02	\$985
FINANCIAL SERVICES	3.67	\$900
GENERAL CONTRACTOR	0.05	\$12
GROCERY STORE	11.02	\$2,701
GROUP HOME	17.64	\$4,325
GYM/TRAINING	1.64	\$403
LODGING	0.36 per room	\$89 per room

Business Category	Disproportionate Police Calls	Disproportionate Cost per Business
MANUFACTURING/WAREHOUSE /DISTRIBUTION	0.69	\$170
MASSAGE	(0.48)	\$0
NON-PROFIT/NO FEE	0.77	\$188
PAWNBROKERS	11.52	\$2,823
PERSONAL SERVICES	(0.01)	\$0
PROFESSIONAL/BUSINESS SERVICES	0.27	\$67
RESTAURANT	2.84	\$695
RETAIL	1.25	\$307
STORAGE UNITS	(0.47) per unit	\$0 per unit
TOBACCO SHOP	0.52	\$127

Rental complexes were also analyzed for any disproportionate costs associated with different-sized complexes. This disproportionate analysis categorized rental complexes by residential types. The disproportionate cost associated with each rental category is shown in the table below.

TABLE 16: DISPROPORTIONATE POLICE CALLS FOR SERVICE – RENTAL CATEGORY

Rental Category	Disproportionate Police Calls per Unit	Disproportionate Cost per Business per Unit
Single Family	0.26	\$64
Duplex	(0.16)	\$0
Tri/Quad Plex	0.15	\$37
Multi-Housing	0.09	\$21
Mobile Home	0.23	\$56

The tables above show the maximum disproportionate fee per business category that the City could impose based on the disproportionate cost associated with each business class. The City may choose not to impose the maximum fee for disproportionate police calls shown in Table 13 and Table 14. If less than the maximum allowable fees are charged, the difference between the fee and the cost to the City will be covered through other revenue sources.

Factors the City may want to consider as it establishes new business license fees include:

- Percentage change to current fees;
- Dollar amount of change in fees;
- Correlation between proposed fees and the actual cost of services contained in this study;
- Recognition of other revenues generated by some business types (such as sales tax, real property tax, personal property tax, municipal energy tax, transient room tax, etc.); and
- The comparative/competitive fees in neighboring cities and towns

Enhanced Service Costs

Enhanced service levels reflect a higher level of service for a specific portion of the business community, whether it is a business class, business location, etc. Examples of enhanced service levels include more landscaping, hanging baskets, more or higher quality signage, increased police patrols (i.e., visible police presence), more frequent snow removal, etc. Generally, these types of services are increased in a particular geographic section of the City, such as downtown or the town center of a resort community, but they may also be specific to a particular type of business class, the number of employees in a company, etc.

Clearfield does not have any geographic areas or business classes for which the City provides enhanced service levels.

Total Licensing Costs

The total annual cost for a business license in Clearfield includes the base administrative and disproportionate service call costs. The total business license cost identified in this business license fee study is the *maximum amount* the City may charge for a business license. The disproportionate service call costs for police are the same regardless of whether the license is a renewal or a new application and may be charged annually.

The following tables show the current licensing fees compared to the maximum fees calculated in this study. The percentage represents the cost covered by the City's current fees. Anything over 100% means the fee will need to be reduced as current fees are collecting more than the cost of service. Anything less than 100% means the cost of administering business licenses and providing services to those businesses is not being covered under the current fee.

TABLE 17: BASE ADMINISTRATIVE COSTS – CURRENT FEE AND MAXIMUM FEE CALCULATION COMPARISON

	Current Fee	Maximum Fee	Percent Captured
General Business License			
New	\$75.00	\$177.30	42%
Renewal	\$64.00	\$76.30	84%
Rental Dwelling License			
New	\$190.00	\$208.86	91%
Renewal	\$64.00	\$76.30	84%
Temporary or Seasonal Merchant License			
New - 180 Days	\$120.00	\$143.42	84%
Cleaning Deposit	\$100.00	\$101.49	99%
Mobile Food Vendor License			
New - 180 Days	\$120.00	\$125.99	95%
Cleaning Deposit	\$100.00	\$101.49	99%

	Current Fee	Maximum Fee	Percent Captured
Solicitor License			
New	\$215.00	\$222.54	97%
Renewal	\$64.00	\$71.57	89%
Identification Badge	\$15.00	\$26.70	56%
Beer License			
New	\$138.00	\$271.57	51%
Renewal	\$64.00	\$76.30	84%
Sexually Oriented Business License/Sexually Oriented Business Employee License			
New	\$200.00	\$306.11	65%
Renewal	\$64.00	\$76.30	84%
Firework Stand License			
New	\$120.00	\$154.07	78%
Cleaning Deposit	\$100.00	\$101.49	99%
Pawnbroker			
New	\$138.00	\$154.07	90%
Renewal	\$64.00	\$76.30	84%
Massage Therapist			
New	\$178.00	\$248.44	72%
Renewal	\$64.00	\$76.30	84%
Identification Badge	\$15.00	\$26.70	56%

TABLE 18: DISPROPORTIONATE POLICE CALLS FOR SERVICE – CURRENT FEE AND MAXIMUM FEE CALCULATION COMPARISON

Business Category	Current Fee	Maximum Fee	Percent Captured
AUTOMOTIVE	\$115	\$437	26%
BAR	\$800	\$494	162%
BEAUTY SALON	\$0	\$0	N/A
CONVENIENCE STORE	\$500	\$5,476	9%
DANCE STUDIO	\$0	\$0	N/A
DAYCARE	\$10	\$752	1%
ENTERTAINMENT SERVICES	\$0	\$985	0%
FINANCIAL SERVICES	\$440	\$900	49%
GENERAL CONTRACTOR	\$0	\$12	0%
GROCERY STORE	\$0	\$2,701	0%
GROUP HOME	\$0	\$4,325	0%
GYM/TRAINING	\$0	\$403	0%

Business Category	Current Fee	Maximum Fee	Percent Captured
LODGING	\$0	\$89 per unit	0%
MANUFACTURING/WAREHOUSE/DISTRIBUTION	\$200	\$170	118%
MASSAGE	\$0	\$0	N/A
NON-PROFIT/NO FEE	\$0	\$188	0%
PAWNBROKERS	\$500	\$2,823	18%
PERSONAL SERVICES	\$0	\$0	N/A
PROFESSIONAL/BUSINESS SERVICES	\$0	\$67	0%
RESTAURANT	\$150	\$695	22%
RETAIL	\$0	\$307	0%
STORAGE UNITS	\$0	\$0 per unit	N/A
TOBACCO SHOP	\$0	\$127	0%

Good Landlord Program Analysis and Recommendations

The Good Landlord Program (GLP) provides an opportunity for landlords to receive a discounted fee if training requirements are completed and certain obligations are met under the program. Clearfield City currently participates in the Good Landlord Program. According to Clearfield's Good Landlord Incentive Program, all landlords are eligible to participate in the Program, but participation is not required. Landlords who choose to participate will receive a significant discount on license fees and disproportionate service fees.

Utah State Code *10-1-203.5* allows municipalities to create a disproportionate rental fee and a disproportionate rental fee reduction. The rental fee reduction is a condition of complying with the requirements of a Good Landlord Training Program. State Code defines the Good Landlord Training Program as a program offered by a municipality to encourage business practices that are designed to reduce the disproportionate cost of municipal services to residential rental units by offering a disproportionate rental fee reduction for any residential landlord who: (i)(A) completes a landlord training program provided by the municipality; or (B) is an exempt landlord; (ii) implements measures to reduce crime in rental housing as specified in a municipal ordinance or policy; and (iii) operates and manages rental housing in accordance with an applicable municipal ordinance.⁷

Benefits to the City from the Program may include elimination or a reduction of code violations, reduction of criminal activities, greater communication with property owners, neighbors, and landlords when issues arise, and a greater quality of life for neighborhoods with a high volume of rental properties.

⁷ <https://le.utah.gov/xcode/Title10/Chapter1/10-1-S203.5.html>

Current Good Landlord Program

The City currently requires landlords to agree to the following requirements to participate in the Good Landlord Program:

- Tenant Screening
 - All tenants must be screened prior to move-in. This screening includes:
 - criminal background check
 - credit check
 - income/employment verification
 - driver's license or state identification
 - rental references
 - application
- Tenant Selection
 - The following criteria must be considered as a minimum requirement and landlords must refuse to rent to any prospective tenants or occupants who:
 - Provide false information to the landlord on the application or otherwise; or
 - Have been convicted of a felony for which the individual has not been released from probation or parole; or
 - Have been convicted of a felony for which the individual has been released from probation or parole, but for which the conviction date occurred less than four years from the date of tenancy.
 - The landlord must also execute a valid, written Lease Agreement with each tenant which includes the provisions listed in the Landlord Training Packet
- Landlord Training
 - Landlord agrees to attend a City-approved landlord training program every two years
- Administrative Code Violations and Unreasonable Calls for Service
 - Landlord agrees to keep all rental dwelling units free of any and all City Code violations including building, zoning and fire code violations. The landlord also agrees to take corrective actions to address problems arising from repeated, unreasonable calls for service.
- Towing Obligations
 - It is required that landlords notify the City Police Department before towing a vehicle from the property unless the vehicle blocks an entrance or an exit. The name and contact information of the towing company must be posted in two conspicuous places to ensure the information is readily available.
- The following tasks may also be required at the request of the City
 - Submit written response to written notification from the City within 5 business days
 - Participate in any electronic notification systems to the extent the landlord is able
 - Provide the City with any and all landlord contact information requested
 - Commence evictions of tenants that jeopardize the landlord's membership status in the program when legally permissible

- Provide the City with documentation that proves their compliance with the program agreement

Penalties for failing to abide by the agreed terms in the current Good Landlord Program Agreement included the issue of citations for any code violations as well as immediate termination from the Good Landlord Program. Termination from the program included the requirement of the landlord to pay the full amount of the disproportionate service fee as well as any fines associated with the violations. Penalties also included the suspension or revocations of the landlord's business license. If a landlord was terminated from the program, they could have applied for readmission at the start of a new license period; however, due to changes in regulatory standards the enforcement of the GLP penalties have become a challenge for the City.

Good Landlord Programs in Other Communities

The Program has been implemented in several communities across the Wasatch Front. Several examples are shown in the table below.

TABLE 19: PARTICIPATING COMMUNITIES

Participating Communities
<i>Ogden City</i>
<i>Salt Lake City</i>
<i>North Salt Lake</i>
<i>South Salt Lake</i>
<i>Roy City</i>
<i>City of Taylorsville</i>
<i>Midvale City</i>
<i>City of West Jordan</i>
<i>South Ogden City</i>
<i>Sunset City</i>
<i>Centerfield City</i>

While most of the cities listed previously follow the same core requirements set by Clearfield in terms of tenant screening and selection, there are several that have implemented additional requirements in their programs which may be beneficial additions to the City's program. It should be noted that some of these requirements are likely listed in the respective city's code, but the City felt it was beneficial to specifically list them as requirements in their program agreements. The list below highlights some of the additional requirements imposed by other cities.

- **Salt Lake City**
 - Requires nondiscrimination and fair housing as provided in local, state, and federal law
 - Prohibits retaliation against any tenant as a result of reporting violations of a lease agreement, rental dwelling management agreement, or the Good Landlord Program
 - Requires the landlord to track annual occupancy denials and evictions, and provide a record thereof to the City on request
 - Requires the rental dwelling owner, or owner's agent, to provide contact information to tenants and to meet in person with the tenants at least once annually to discuss any questions or concerns

- **South Salt Lake City**
 - Requires that Crime Prevention through Environmental Design (CPTED) be practiced on the premises

- **City of Taylorsville**
 - Requires rental dwellings to have:
 - one operable sink, toilet, tube, and shower free from leaks with hot water of at least 110 degrees Fahrenheit
 - at least one operable smoke detector for each room that is occupied or intended for sleeping purposes
 - operable heating facilities sufficient to heat dwelling to at least 72 degrees Fahrenheit.
 - Kitchen with at least one sink, free of leaks, and a cooking oven or stove
 - no insects
 - locks to all exterior doors
 - appropriate garbage receptacles
 - two hard surface, off-street parking spaces for each rental dwelling unit
 - Encourages annual meetings for rental dwelling tenants, initiated by landlord or the landlord's agent, to discuss concerns and review rental dwelling licensing rules
 - Prohibits retaliation against tenant as a result of reporting violations of a lease agreement, rental dwelling management agreement, or the Good Landlord Program

- **City of West Jordan**
 - All properties must be maintained in a manner that will:
 - prevent fire hazard
 - prevent infestation by insects and rodents
 - prevent induction of hazardous pollutants into the air
 - prevent spreading of vegetation that threatens the public wellbeing
 - enhance the appearance of the property, increase property values, and encourage neighborhood creation and maintenance within the city
 - improve the city's image, property values, and neighborhood success
 - lawfully dispose of cutting from grass, weeds, and solid waste
 - effectively secure any vacant structure
 - lawfully dispose of any unsightly objects or structures
 - promptly remove or erase graffiti on any structure located on the premises
 - Entry upon proper request by City officer to inspect and enforce the Good Landlord Program

- **Sunset City**
 - Rental dwelling requirements
 - Landlord has paid any outstanding civil penalties assessed against the landlord for failing to correct a notice of violation applicable to the landlord's rental dwelling
 - Provide at least one operable sink, toilet, tub, and shower
 - Provide at least one operable smoke detector
 - Provide operable heating facilities
 - Assure rental dwelling is free from insects, termites, and rodents
 - Provide at least 2 off street parking spaces with hard surfaces for each unit



- Tenant interaction
 - Provide the owner’s tenants with a telephone number and e-mail address which tenants may use to contact the owner
 - Landlord shall respond within a reasonable time
 - Meet in person with the owner’s tenants at least once annually
 - Provide tenants the internet address to Utah Legal Services
 - Provide tenants a signed copy of the management agreement
- **Centerfield City**
 - Inspections: City officials shall be permitted to make an inspection to enforce this agreement or the City Code, and may enter any building or may enter upon any premises during regular business hours
 - Real Property Maintenance: All real property used for a rental dwelling unit will have proper landscaping, regular cleaning, securing, ongoing repair, and maintenance of the premises

Recommendations

The City’s current Good Landlord Program meets most of the State’s requirements as laid out in Utah Code 10-1-203.5; however, the section on “Tenant Selection” will need to be either readdressed or revoked as it does not comply with Utah Code 10-1-203.5 (3)(b) which states that “A municipality may not... require a residential landlord to deny tenancy to an individual based on the individual’s criminal history, unless a facility that houses parolees upon release from prison or houses probationers who have violated terms of their probation is located within the municipality.”

Interviews with City staff have indicated that the current Good Landlord Program has become increasingly difficult to enforce and that the administrative oversight required for maintaining the program is likely not being recovered through the current fees. In order to bring the program back into a more beneficial status to both the City and landlords participating in the program, it is recommended that the City consider reducing the requirements set forth in the Good Landlord Program to the minimum requirements set in the State Code.

It is also recommended that the City consider reducing the discount offered to program participants. The current discount for a single-family rental is 89% and 90% for a multi-family rental with a fee of only \$7 per unit for both rental categories. This discount is generally similar to discounts offered by other cities offering a disproportionate rental discount associated with a Good Landlord Program. Additional information on comparable Good Landlord Program Disproportionate Fee discounts can be found in Appendix B. This large discount ultimately results in the City funding the disproportionate costs through other funds which these rentals impose on the City.

The table below shows what the new discounted rate for participation in the Good Landlord Program would be based on different percent discounts uniformly enacted across all rental types.

TABLE 20: FUTURE DISCOUNT RATE OPTIONS

Rental Category	Maximum Disproportionate Fee	Discount Rate		
		60%	70%	80%
Single Family	\$64	\$25	\$19	\$13
Duplex	\$0	\$0	\$0	\$0
Tri/Quad Plex	\$37	\$15	\$11	\$7

Rental Category	Maximum Disproportionate Fee	Discount Rate		
		60%	70%	80%
Multi-Housing	\$21	\$9	\$6	\$4
Mobile Home	\$56	\$22	\$17	\$11

Another option available to the City is to consider forgoing a GLP entirely. According to State Code, this would mean that the City would need to cease disproportionate rental fees altogether if an alternative disproportionate rental fee reduction is not provided. The following analysis shows what removing the current disproportionate rental rate would mean for the City in financial terms.

TABLE 21: COST ANALYSIS OF REMOVING GLP AND DISPROPORTIONATE RENTAL FEES

2021 Rental Base Fee	Number of Licenses	Fee	Total
New License	1	\$190.00	\$190.00
New GLP License	43	\$30.00	\$1,290.00
Renewal License	358	\$64.00	\$22,912.00
Base Total			\$24,392.00
2021 Rental Disproportionate Fee	Number of Units	Fee	Total
Single Family	82	\$66.50	\$5,453.00
Single Family (GLP)	318	\$7.00	\$2,226.00
Duplex	27	\$12.50	\$337.50
Duplex (GLP)	81	\$3.00	\$243.00
Tri/Quad Plex	7	\$92.00	\$644.00
Tri/Quad Plex (GLP)	236	\$9.00	\$2,124.00
Multi-Housing	0	\$67.00	\$0.00
Multi-Housing (GLP)	2,825	\$7.00	\$19,775.00
Mobile Home	43	\$49.50	\$2,128.50
Mobile Home (GLP)	375	\$7.00	\$2,625.00
Disproportionate Total			\$35,556.00
2021 TOTAL			\$59,948.00
Rental Base with New Maximum Fee	Number of Licenses	Fee	Total
New License	44	\$208.86	\$9,189.84
Renewal License	358	\$76.30	\$27,315.40
NEW TOTAL			\$36,505.12
Difference			(\$23,442.88)

The analysis shows that in 2021, it is estimated that the City collected approximately \$60,000 through rental base and disproportionate fees. If the City removed the disproportionate rental fee altogether in the future, this would result in a reduction in the collection amount of \$23,442.88. However, it should be noted that the maximum rental base fee amount of about \$36,500 has been calculated to cover the true cost of

administering the rental business license fees. Therefore, the real implications of not charging a disproportionate rental fee would mean all costs associated with providing a disproportionate level of service in terms of calls for service to rental properties will be covered through funds other than fees collected from license holders.

As stated previously, interviews with City staff have indicated that there are substantial administrative costs associated with the GLP that cannot be collected through business license fees. Forgoing or reducing the GLP may help the City reduce or eliminated the increased cost that administering the program incurs.

Recommendations

There are three options for the City as it considers how to move forward with administering its GLP:

- Option 1 – Continue the Good Land Program
 - The City may choose to continue administering the GLP into the future with small changes to bring the program back into alignment with the State’s updated requirements. This can result in slightly higher revenues if the City reduces the discount rate offered to GLP participants. However, the increased time and costs spent on administering the GLP will continue.
- Option 2 – Discontinue the Good Land Program and consider a more proactive approach to code enforcement
 - The City may choose to discontinue the GLP and forgo collecting a disproportionate service call fee on rental units. This would result in slightly lower revenues from the rental fees as outlined in Table 19, but the substantial administrative costs of administering the GLP would be eliminated. It may also benefit the City to consider a more proactive approach to code enforcement to impose penalties on rental properties who are repeat offenders of code violations. These fees can be reduced or waived based on the property owner’s participation in a management plan to correct the code violations moving forward.

These two options have been identified as potential courses of action for the City. Other alternatives may also be viable options for the City as it considers the most efficient and reasonable way to ensure the community maintains a high standard of living.

Appendix A – Business License Fee Comparisons

BUSINESS LICENSE FEE COMPARISONS

Business Class	Clearfield (Maximum)	Layton	Syracuse	West Point	Clinton	Kaysville
General Business License						
New	\$177.30	\$120	\$100	\$110	\$152	\$80
Renewal	\$76.30	\$120	\$100	\$110	\$152	\$80
Rental Dwelling License						
New	\$208.86	\$40	N/A	\$110	\$207	N/A
Renewal	\$76.30	\$40	N/A	\$110	\$207	N/A
Temporary or Seasonal Merchant License						
New - 180 Days	\$143.42	\$40	\$125	\$285	\$76	\$100
Cleaning Deposit	\$101.49	N/A	\$300	N/A	\$150	N/A
Mobile Food Vendor License						
New - 180 Days	\$125.99	\$35	\$100	\$35	\$152	\$80
Cleaning Deposit	\$101.49	N/A	N/A	N/A	\$150	
Solicitor License						
New	\$222.54	\$35	\$150	\$50	\$152	\$60
Renewal	\$71.57	\$35	\$150	\$50	\$152	\$60
Identification Badge	\$26.70	N/A	N/A	N/A	\$10	N/A
Beer License						
New	\$271.57	\$120	\$250 (A) \$350 (B)	\$110	\$175 Single Event; \$250 Off-Premise; \$500 On-Premise	\$75 Off-Premise \$200 On-Premise
Renewal	\$76.30	\$120	\$250 (A) \$350 (B)	\$110	\$175 Single Event; \$250 Off-Premise; \$500 On-Premise	\$75 Off-Premise \$200 On-Premise

Business Class	Clearfield (Maximum)	Layton	Syracuse	West Point	Clinton	Kaysville
Sexually Oriented Business License/Sexually Oriented Business Employee License						
New	\$306.11	\$240	\$950	\$135	\$193 - \$319	\$500
Renewal	\$76.30	\$240	\$950	\$135	\$193 - \$319	\$500
Firework Stand License						
New	\$154.07	\$40	\$125	\$110	\$152 + \$300 Inspection Fee	\$350
Cleaning Deposit	\$101.49	N/A	\$300	N/A	\$150	N/A
Pawnbroker						
New	\$154.07	\$100	\$450	\$110	\$152	\$80
Renewal	\$76.30	\$100	\$450	\$110	\$152	\$80
Massage Therapist						
New	\$248.44	\$120	\$100	\$110	\$152	\$80
Renewal	\$76.30	\$120	\$100	\$110	\$152	\$80
Identification Badge	\$26.70	N/A	N/A	N/A	\$10	\$80

DISPROPORTIONATE SERVICE FEE COMPARISONS – BUSINESS CLASSES

Business Class	Clearfield (Max Fee)	Layton	Syracuse	West Point	Clinton	Kaysville
AUTOMOTIVE	\$437	\$100	Fire Inspection = \$100	\$0	Fire Inspection Fee = \$59	\$0
BAR	\$494	\$700		\$300		\$0
BEAUTY SALON	\$0	\$100		\$0		\$0
CONVENIENCE STORE	\$5,476	\$100		\$250		\$0
DANCE STUDIO	\$0	\$100		\$0	Police Services = \$27	\$0
DAYCARE	\$752	\$100		\$0		\$0
ENTERTAINMENT SERVICES	\$985	\$100		\$200	\$0	\$0
FINANCIAL SERVICES	\$900	\$100		\$0	Building Inspection Fee = \$59	\$0
GENERAL CONTRACTOR	\$12	\$100		\$0		\$0
GROCERY STORE	\$2,701	\$100		\$350 (w/ Alcohol)	\$0	\$0
GROUP HOME	\$4,325	\$100		\$0	Comm. Safety Inspection = \$55	\$0
GYM/TRAINING	\$403	\$100		\$0		\$0
LODGING	\$89 per room	\$100 per business		\$400 per business		\$0

Business Class	Clearfield (Max Fee)	Layton	Syracuse	West Point	Clinton	Kaysville
MANUFACTURING/WAREHOUSE /DISTRIBUTION	\$170	\$100		\$250		\$0
MASSAGE	\$0	\$100		\$0		\$0
NON-PROFIT/NO FEE	\$188	\$100		\$0		\$0
PAWNBROKERS	\$2,823	\$50		\$900		\$0
PERSONAL SERVICES	\$0	\$100		\$0		\$0
PROFESSIONAL/BUSINESS SERVICES	\$67	\$100		\$0		\$0
RESTAURANT	\$695	\$100		\$200 (w/ Alcohol)		\$0
RETAIL	\$307	\$100		\$0		\$0
STORAGE UNITS	\$0 per unit	\$100		\$0		\$0
TOBACCO SHOP	\$127	\$150		\$0		\$0

DISPROPORTIONATE SERVICE FEE COMPARISONS – RENTAL CATEGORIES

Rental Categories	Clearfield (Max Fee)	Layton	Syracuse	West Point	Clinton	Kaysville
Single Family	\$64	\$3	N/A	\$15	N/A	N/A
Duplex	\$0	\$3	N/A	\$15	N/A	N/A
Tri/Quad Plex	\$37	\$3	N/A	\$15	N/A	N/A
Multi-Housing	\$21	\$3	N/A	\$15	N/A	N/A
Mobile Home	\$56	\$3	N/A	\$15	N/A	N/A

Appendix B– Good Landlord Discount in Other Communities

GOOD LANDLORD PROGRAM DISPROPORTIONATE FEE DISCOUNT IN OTHER CITIES

	Current Fee	GLP Discounted Rate	Discount
Salt Lake City	\$342.00	\$20.00	94%
Ogden City	\$83.00	\$8.00	90%
City of West Jordan	\$171.00	\$21.00	88%
South Salt Lake	\$151.00	\$30.00	80%
Midvale City	\$33.00	\$7.00	79%
City of Taylorsville	\$70.00	\$15.00	79%
South Ogden City	\$40.00	\$10.00	75%
North Salt Lake	\$115.00	\$29.00	75%
Roy City	\$33.00	\$8.50	74%
Centerfield City	\$27.00	\$10.00	63%

*Note: Like Clearfield, many cities have multiple categories for rental units. This table reflects the Good Landlord Program discount for multi-unit rentals with 3+ units.