



CITY COUNCIL AGENDA REPORT



DEPARTMENT: City Manager and City Attorney

MEETING DATE: May 5, 2020

PREPARED BY: Craig Steele, City Attorney

AGENDA LOCATION: AR-1

TITLE: Issuance of Provisional Business Licenses and Waiver of Penalties and Interest on Unpaid Business License Taxes for Businesses Affected by the COVID-19 Pandemic during the Existence of the Local Emergency, Resolution No. 2020-36

OBJECTIVE: To consider directing the Director of Community Development to issue provisional business licenses and temporarily defer penalties and interest on unpaid business license taxes upon written request from businesses economically impacted by the COVID-19 public health emergency.

BACKGROUND: The State of California is currently in a state of emergency related to the spread of the COVID-19 virus. The City of Monrovia and Los Angeles County have issued similar emergency orders. Recognizing the high likelihood of the COVID-19 virus spreading at a rapid rate, the Los Angeles County Public Health Officer issued a countywide health order for residents to remain “safer at home” until further notice.

The Centers for Disease Control and Prevention, the California Department of Health, and the Los Angeles County Health Officer have all issued recommendations including, but not limited to, social distancing, canceling or postponing large group events, working from home, and other precautions to protect public health and prevent transmission of this communicable virus. Local businesses have been closed or, at a minimum, adversely impacted by these orders. A temporary deferral of business license taxes may help some businesses weather the economic storm.

ANALYSIS: Business licenses are due to renew and business license taxes are due annually on a rolling basis. The City’s business license program generates two types of revenue – a business license application fee (\$62,000) and the business license tax (\$740,000). Together, the program generates approximately \$802,000 annually to help the City provide vital local services. A temporary deferral of tax payments due during the current emergency would impact approximately 5-10% of existing and new businesses, resulting in a delay in the City receiving up to \$80,200 in deferred revenue. Currently, the Municipal Code provides that business license taxes are delinquent after 30 days, and authorizes the Director of Community Development to revoke business licenses for unpaid business license taxes. The proposed resolution would temporarily direct the Director to not revoke or suspend licenses for unpaid taxes when the business notifies the Director that the failure to pay is a result of the impacts of the COVID-19 crisis. The resolution would give the Director the discretion to issue a provisional business license and defer tax payments for up to 90 days without penalty, with an additional 90 day extension possible.

ENVIRONMENTAL IMPACT: None.

FISCAL IMPACT: There would be a fiscal impact on the City from the delayed receipt of revenue, although that impact is difficult to calculate due to uncertainties about the length of the emergency and the number of businesses that will defer payments. It should be noted this action does not eliminate the

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fees but simply defers them. The City will still receive the tax revenue and apply it to the same fiscal year.

OPTIONS: The following options are presented for consideration:

1. Adopt the resolution giving a temporary delegation of authority to the Director of Community Development.
2. Take no immediate action and allow the Director to enforce the existing provisions of the City's Municipal Code.
3. Provide further direction to staff.

RECOMMENDATION: Pleasure of the City Council.

COUNCIL ACTION REQUIRED: If the City Council decides to allow for the deferral of business license taxes, the appropriate motion would be a motion to adopt Resolution No. 2020-36.

RESOLUTION NO. 2020-36

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MONROVIA, CALIFORNIA, AUTHORIZING THE DIRECTOR OF COMMUNITY DEVELOPMENT TO ISSUE PROVISIONAL BUSINESS LICENSES AND WAIVE PENALTIES AND INTEREST ON UNPAID BUSINESS LICENSE TAXES FOR BUSINESSES AFFECTED BY THE COVID-19 PANDEMIC DURING THE EXISTENCE OF THE LOCAL EMERGENCY

WHEREAS, the City Manager of Monrovia, Acting as Emergency Services Director has proclaimed the existence of a local emergency on March 13, 2020, as defined by Government Code § 8558(c) related to the ongoing COVID-19 pandemic, which proclamation was later ratified by the Monrovia City Council on March 17, 2020; and

WHEREAS, the conditions of extreme peril to the safety of persons and property that exist within this City and Los Angeles County as a result of the spread of the COVID-19 virus justify a continued state of emergency; and

WHEREAS, the existence of State and County “stay at home” orders have drastically impacted local businesses; and

WHEREAS, the City Council intends to provide assistance to local businesses during this time of public health and economic hardships.

NOW, THEREFORE BE IT RESOLVED, by the City Council that:

1. Notwithstanding Section 5.10.020(B) of the Monrovia Municipal Code, the Director of Community Development shall **not** revoke any business license for failure to pay delinquent business license taxes, business application fees or business improvement district assessments that became due after the date the local emergency was proclaimed, if the failure to pay is a result of the economic impacts of the COVID-19 local emergency, subject to all of the following conditions:

a. The business must timely file an application for a business license or business license renewal.

b. The business must notify the Director or his designee in writing that the business is unable to timely pay business license taxes due.

c. The business must agree, in writing, to pay the business license tax due to the City within ninety (90) days of the original due date (“deferral period”) and must actually make such payment.

d. The penalties set forth in Chapter 5.10 of the Monrovia Municipal Code shall not accrue until the first applicable date after the deferral period granted by this Resolution expires.

e. The Director shall issue a provisional business license to any business that qualifies under the provisions of this resolution and may, in his or her reasonable discretion, extend the deferral period at the request of the business once for a period not to exceed an additional ninety (90) days.

2. The local emergency authority delegated under this resolution shall expire without further action when the termination of the local emergency is proclaimed by the City Council. There shall be no further protection for delinquent business license tax payments following the expiration of this Resolution.

3. The City Clerk shall certify to the adoption of this Resolution.

PASSED, APPROVED, AND ADOPTED this 5th day of May, 2020.

Tom Adams, Mayor

ATTEST:

APPROVED AS TO FORM:

Alice D. Atkins, MMC, City Clerk
City of Monrovia

Craig A. Steele, City Attorney
City of Monrovia