



City of Santa Ana
20 Civic Center Plaza, Santa Ana, CA 92701
Staff Report
December 20, 2022

TOPIC: Home Occupation Permit Fee Resolution

AGENDA TITLE:

Adopt a Resolution Approving a Reduced Home Occupation Permit Fee for Home-Based Businesses/Home Occupations Operating from Residential Premises within the City

RECOMMENDED ACTION

Adopt a resolution approving a reduced Home Occupation Permit Fee for businesses operating from residential premises within the city, lowering the permit fee from \$320.00 per permit to \$50.32 per permit.

DISCUSSION

Section 41-192.3 of the Santa Ana Municipal Code requires that every business operating from residential premises within the City secure a Home Occupation Permit ("HOP") and comply with all applicable provisions of the City's Municipal Code relating to home-based businesses/home occupations. Since the original establishment of a HOP in 1982, home-based businesses and the gig economy have grown significantly, especially in recent years. Over the passage of time, the fee charged for a HOP has increased in tandem with the Certificate of Occupancy fee. Historically, the City of Santa Ana (when compared to neighboring municipalities in the County), has had considerably higher Certificate of Occupancy and Home Occupation Permit fees.

For FY 2022-23 and in time for the adoption of the Miscellaneous Fee Schedule, the Planning & Building Agency ("PBA") with City Council approval, restructured the Certificate of Occupancy ("COO") fee for new businesses operating from commercial premises within the City from a single charge per Certificate of Occupancy to a two-tier system. The Tier 1 cost of a Certificate of Occupancy for businesses occupying less than 5,000 square feet of commercial area is \$134.24 per certificate issued (including planning and inspection), and the Tier 2 cost for all other commercial occupancies (including planning and inspection) remained at \$499.36 per certificate.

The approved restructuring of the COO fee prompted Staff to evaluate the current work effort in the HOP process and look for opportunities to streamline and cost savings similar to the recent review of COO process. The City's new cost to issue a Home Occupation Permit, based on a streamlined approach, is \$50.32. These efforts to streamline the

process for applicants will bring the fee into better alignment with surrounding cities in Orange County.

In addition to restructuring business license tax rates, Measure W contains a Tax Holiday component for unlicensed, past-due, and under-assessed businesses. One of the aims of the Tax Holiday Program is to reach out to the underground economy that exists in the form of home-based businesses. Home-based businesses must apply for and receive an approved HOP before they apply for a Santa Ana Business License. Reducing the HOP fee for Santa Ana home-based businesses is in keeping with the spirit of Measure W, which is namely to make it easier and more affordable for small and home-based businesses to obtain a business license. Therefore, staff recommends approval of the new HOP fee rate of \$50.32, a decrease of \$269.68 from the current fee rate of \$320.

ENVIRONMENTAL IMPACT

There is no environmental impact associated with this action.

FISCAL IMPACT

The City currently collects roughly \$35,000 per year for Home Occupation Permits. At this time, it is difficult to anticipate the impact to revenue. Through the efforts of the tax holiday, staff expects more home-based businesses to begin complying with the City's Ordinance. Therefore, the overall impact of more home-based businesses paying less may be immaterial.

EXHIBIT(S)

1. Resolution
2. Miscellaneous Fee Calculation – Planning and Building Agency – Home Occupation Permit

Submitted By: Minh Thai, PBA Executive Director
Kathryn Downs, FMSA Executive Director

Approved By: Kristine Ridge, City Manager