

ORDINANCE NO. C - _____

An ordinance relating to business registrations for social purpose corporations and Certified B Corporations; amending sections 08.01.020, 08.01.190, and 08.02.0206.

WHEREAS, in 2012, the Washington state legislature adopted legislation authorizing businesses to utilize the Social Purpose Corporation (“SPC”) form of organization; and

WHEREAS, similar to a Benefit Corporation, SPC is a corporate form that allows businesses to consider the social and environmental impacts of their decisions and integrate those impacts into their goals and business decisions, instead of the traditional standard of solely maximizing shareholders’ financial value; and

WHEREAS, under the SPC status, companies are required to make a commitment to pursue a social or environmental impact specified in its charter; and

WHEREAS, unlike Benefit Corporations, SPCs are not required to have a “general public benefit purpose” or operate in a full “triple-bottom-line” manner; and

WHEREAS, SPCs are required to notify potential investors that the corporation’s mission is not limited to earning a profit and must publish an annual public report that provides detail on the social purposes of the corporation’s goals; and

WHEREAS, SPCs do not currently receive any specific local, state, or federal tax benefits; and

WHEREAS, although Washington’s SPCs are not full Benefit Corporations, SPCs can meet the intent of the Benefit Corporation form by certifying through a third-party certifier such as B Lab’s B Corporation (B Corp), which allows SPCs to distinguish themselves from other companies who claim to be “green”, “sustainable”, or “socially conscious”. Any Washington company who certifies as a B Corp is making a formal commitment to operate in a full “triple-bottom-line” manner; and

WHEREAS, the interest in conscious capitalism continues to grow, and Benefit Corporations and B Corps are attracting investor support as a way to protect their businesses whose commitment to social and environmental responsibility is critical to the existence of the business and its response to market demand by customers and employees for sustainability and socially and environmentally conscious practices; and

WHEREAS, the city of Spokane is home to only a handful of SPCs and one Certified Benefit Corporation; and

WHEREAS, the City of Spokane intends to address the current lack of these types of businesses by crafting and implementing a clean slate incentive for new, established,

and relocating businesses that believe in sustainable business practices and are willing to back up their values through this business model.

NOW THEREFORE, the City of Spokane does ordain:

Section 1. That section 08.01.020 of the Spokane Municipal Code is amended to read as follows:

Section 08.01.020 Definitions

Words are to be given their usual meaning except the following terms and their derivations have the meaning given when used in this chapter. When not inconsistent with the context, words used in the present tense include the future, words in the plural include the singular, and words in the singular include the plural. The word “shall” is always mandatory and not merely directory.

- A. “Business” includes all activities, occupations, trades, pursuits, professions, and matters located or engaged in within the city with the object of gain, benefit, or advantage to the registrant or to another person or class, directly or indirectly.
- B. “Certified B Corporation” means any for-profit company certified by the non-profit B Lab to meet rigorous standards of social and environmental performance, accountability, and transparency.
- C. “Engaging in business” means commencing, conducting, or continuing in business, including delivery of goods and services, and the exercise of corporate or franchise powers, as well as liquidating a business when the liquidators thereof hold themselves out to the public as conducting such business.
- D. “Gross income” means the total income to the registering entity from engaging in business within the city without any deductions for taxes, bad debt, or other deductions. It is not computed separately for each individual partner, principal, employee, or other constituent part of the registrant.
- E. “Itinerant Vendor”, as used in this section is defined in SMC 10.40.010.
- F. “Nonprofit Corporation” or “Nonprofit Organization” means a corporation, organization or limited liability corporation:
 - 1. Formed and organized under chapter 24.03 RCW, and
 - 2. In accordance with Internal Revenue Code sections 501(c)(3) or 501(c)(4), and as hereafter amended.
 - 3. Where the term nonprofit organization is used, it is meant to include a nonprofit corporation or nonprofit limited liability corporation.

- G. "Personnel" means any person employed by or working for any business located within the city, and/or persons who perform any part of their duties within the city. This includes officer, owner, agent or other staff function.
1. All officers, agents, dealers, LLC members, etc., of a corporation or business trust, and all partners of a partnership are counted as personnel within this definition.
 2. A sole proprietor, owner and spouse are not counted as personnel.
 3. Each part-time or each temporary person must be counted as one personnel.
 4. Volunteers are not counted as personnel in determining the business registration fee.
- H. "Registrant" includes any person who:
1. Engages in business,
 2. Is required to have a business license and/or registration,
 3. Is liable for any license fee, registration fee, or tax, or
 4. Performs any act for which a license fee, registration fee, or tax is imposed by this chapter.
- I. "Social Purpose Corporation" means a corporation that has elected to be governed as a social purpose corporation under chapter 23B.25, RCW.

Section 2. That section 08.01.190 of the Spokane Municipal Code is amended to read as follows:

Section 08.01.190 Business Registration Fee Reduction

- A. Low Gross Income.
 Registrants whose gross income does not exceed eighteen thousand dollars (\$18,000) per calendar year or prorated for a partial calendar year are entitled to a reduced business registration fee as specified in SMC 08.02.0206. (~~Eighteen thousand dollars per calendar year~~)The amount stated in this section shall be adjusted annually pursuant to SMC 08.02.0206(G). Any applicant for a reduced fee registration must present sufficient proof of gross income to the city of Spokane taxes and licenses division that income earned from business activities in the city is below the limit required ((limits))by this section. Proof of income must be shown by a tax return filed within the previous twelve (12) months.
- B. Nonprofit Organizations.
 Nonprofit organizations are entitled to a reduced business registration fee as specified in SMC 08.02.0206. Any applicant for a reduced fee registration must present sufficient proof of nonprofit status as granted by the state or federal

government.

C. Social Purpose Corporations.

Social Purpose Corporations are entitled to a reduced business registration fee as specified in SMC 08.02.0206. Any applicant for a reduced fee registration must present sufficient proof the business is registered as a Social Purpose Corporation in the state of Washington.

D. Certified B Corporations

Certified B Corporations are entitled to a reduced business registration fee as specified in SMC 08.02.0206. Any applicant for a reduced fee registration must present sufficient proof the business is actively certified as a Certified B Corporation.

Section 3. That section 08.02.0206 of the Spokane Municipal Code is amended to read as follows:

Section 08.02.0206 Business Registration

- A. A regular business registration basic fee is one hundred thirteen dollars (\$113) per twelve-month period.
- B. The basic fee for a nonresident business registration is one hundred thirteen dollars (\$113) per twelve-month period.
- C. In addition to the basic registration fee, each business must pay an additional fee for each personnel, per license year, as follows (all personnel of a business are charged the same amount corresponding to the respective category of the total number of personnel defined below):
 - 1. Businesses with fewer than six personnel in total: Ten dollars per person.
 - 2. Businesses with six to ten personnel in total: Fifteen dollars per person.
 - 3. Businesses with more than ten personnel in total: Twenty dollars per person.
- D. Whenever there is a change of ownership, the holder of the registration must notify the Washington State business licensing service within thirty days of such event. The new owner must file an application with the Washington State business licensing service to acquire a new registration, as provided in chapter 8.01 SMC.
- E. For businesses qualifying under SMC 08.01.190(A) (low gross income businesses) for a reduced registration fee, the reduced business registration fee is one-half the basic registration fee, but all applicable personnel, inspection, or other applicable fees or charges apply in full.

- F. For businesses qualifying under SMC 08.01.190(B) (nonprofit organizations) for a reduced registration fee, the reduced business registration fee is one-half the basic registration fee. Nonprofit businesses are exempt from personnel fees.
- G. For businesses qualifying under SMC 08.01.190(C) (social purpose corporations) for a reduced registration fee, the reduced business registration fee is one-half the basic registration fee.
- H. For businesses qualifying under SMC 08.01.190(D) (Certified B Corporations) for a reduced registration fee, the reduced business registration fee is one-half the basic registration fee.
- I. Any Certified B Corporation certified by B Lab is exempt from personnel fees.
- J. Annual Fee Adjustment.
Effective January 1, 2011, and the first of January of each year thereafter, the ~~((various))~~ business registration fees set forth ~~((above))~~ in this section shall be adjusted by the ~~((city of Spokane treasurer's office for))~~ Chief Financial Officer by an amount equal to the consumer price index adjustment of the previous July – July U.S. All City Average (CPI-U and CPI-W). The newly determined amount shall be rounded up to the nearest dollar. In addition, the adjusted fees shall be presented to the ~~((city council))~~ City Council for approval and a copy of the approved fees filed with the ~~((city treasurer))~~ Chief Financial Officer before becoming effective. The annual fee adjustment provided for in this section shall not apply to the ~~((additional))~~ personnel fee ~~((per personnel set forth))~~ stated in ~~((subsection (C) of this section))~~ SMC 08.02.0206(C).

PASSED by the City Council on _____

Council President

Attest:

Approved as to form:

City Clerk

Assistant City Attorney

Mayor

Date

Effective Date

DRAFT