COUNCILMEMBER CHRIS CATE
CITY OF SAN DIEGO
SIXTH DISTRICT

MEMORANDUM

DATE: **June 11, 2015**

TO: **Councilmember Myrtle Cole, Chair, Economic Development and Intergovernmental Relations Committee**

FROM: **Councilmember Chris Cate**

SUBJECT: **Amendments to Home-Based Business Regulations**

The City of San Diego (City) is at the forefront of innovation and entrepreneurship. With a close proximity to international markets, strategic connection to the largest land border crossing in the world, a strong military presence, established high tech and life science clusters, and an idyllic climate, San Diego is positioned to produce a vibrant environment of prosperity and opportunity. Ranking third in global patent intensity, San Diego is home to a new generation of entrepreneurs and innovators from across the world. Like many successful companies before them, these individuals are creating new products, designs, and concepts that are impacting San Diego's local economy, often from the confines of their living rooms and garages. According to the U.S. Small Business Administration, 50 percent of all businesses in the United States are based out of someone's home. Impactful companies like Apple, Hershey's, Mary Kay Cosmetics, and Ford have all started as a home-based business.

San Diego is home to approximately 35,000 home-based businesses. These small businesses represent a wide range of industries including: engineering, technical services, business and information, finance and insurance, and health services. However, the City's current regulatory environment is a critical barrier to the expansion of these enterprises. Existing regulations prohibit the hiring of employees and the conducting of business transactions on-site unless an initial deposit of $5,000 is submitted to the Development Services Department to process a Neighborhood Use Permit (NUP). In today's competitive business world, finding the necessary funds to support this municipal process can be a burden on small businesses and an obstruction to growth and expansion. To promote job creation and strengthen San Diego's local economy, I request Development Services staff consider amendments within the 10th Update to the Land Development Code.

Section 141.03080 should be amended to allow for:

- One (1) employee or partner on the premises between the hours of 7:00 a.m. and 7:00 p.m.;
- Home-based businesses should be allowed up to six (6) customers on the premises by appointment between the hours of 7:00 a.m. and 7:00 p.m.;
- Applicants may deviate from these amendments by obtaining the necessary discretionary approval.

In addition, Development Services staff should explore all options to reduce the initial NUP deposit.

In Attachment "A", I have included a strikeout version of my recommendations for your consideration. Please see Attachment "B" for a complete list of citywide home-based businesses categorized by one (1) employee or less across a variety of industry sectors.

I request that this item be docketed for discussion at the next available Economic Development and Intergovernmental Relations Committee meeting.

CC:ic

cc: Honorable Mayor Kevin L. Faulconer
Honorable Members of the Economic Development and Intergovernmental Relations Committee
Robert Vacchi, Director, Development Services Department

Attachment A

§141.0308 Home Occupations

Home occupations are businesses conducted by residents on the *premises* of their homes. Home occupations are permitted as a limited use in the zones indicated with an "L" in the Use Regulations Tables in Chapter 13, Article 1 (Base Zones) subject to the following regulations. ~~Home occupations that do not comply with~~ An applicant may deviate from the requirements in Section 141.0308~~(j)~~ (k) through ~~(l)~~ (m) ~~may be permitted with~~ by obtaining approval of a Neighborhood Use Permit ~~subject to Section 141.0308(m)~~ in accordance with Section 126.0203.

(a) Home occupations are permitted only as *accessory uses* to a residential use.

(b) Any products produced for sale must be manufactured by hand or grown on the *premises*.

(c) The home occupation shall not result in the elimination or the reduction of required off-street parking.

(d) *Signs* advertising the home occupation are not permitted. Other advertising shall not include the address of the *premises*.

(e) Home occupations, except for horticultural uses permitted in Chapter 13, Article 1, Division 3 (Agricultural Base Zones) and Division 4 (Residential Base Zones), shall be conducted within an enclosed *structure* on the *premises*.

(f) Materials or products associated with the home occupation on the *premises* must be stored within an enclosed *structure*.

(g) Indoor storage of materials or products associated with the home occupation shall not exceed 1,000 cubic feet for the entire *premises* or any more restrictive limitations imposed by the Building and Housing Codes or the County Health Department.

(h) The operation of the home occupation shall be consistent with permitted residential uses, shall not create any conditions that amount to a *public nuisance*, and shall not be detrimental to the residential neighborhood by causing increased noise, traffic, lighting, odor, or by violating any applicable ordinances or laws.

(i) The resident of the *premises* shall not rent space to others in association with a home occupation.

(j) Only a resident of the *premises* may engage in a home occupation on the *premises*. ~~Nonresident partners, employees, or customers are not permitted on the *premises*.~~

~~(k) All sales of products and the performance of all service or work that requires the presence of a partner, employee, or customer shall take place off the *premises*.~~

~~(l) Only one vehicle for business-related purposes is permitted on the *premises* or on any adjacent residentially zoned area. This vehicle may not exceed a one-ton carrying capacity and may not be a tow truck.~~

~~(m) The following exceptions to the regulations in Section 141.0308(j), (k), and (l) may be permitted with a Neighborhood Use Permit:~~

~~(1)~~ (k) Home offices may have a maximum of one employee or partner on the *premises* during the hours between ~~8:00~~ 7:00 a.m. and ~~5:00~~ 7:00 p.m., Monday through Friday~~;~~.

~~(2)~~ (l) Home offices may have a maximum of one customer on the *premises* at a time, by appointment only, between the hours of 7:00 a.m. and ~~5:00~~ 7:00 p.m., Monday through Friday~~; and~~. Home offices shall not host customers on the *premises* more frequently than one customer within a 2 hour time period.

~~(3) Home occupations may have more than one vehicle for business- related purposes.~~

(m) Vehicle trips to and from the *premises* for business-related purposes shall be limited to the extent feasible. A maximum of one vehicle for business-related purposes is permitted on-street in the adjacent residentially zoned area.

(1) Business-related vehicles may not exceed a one-ton carrying capacity.

(2) Tow-trucks are not a permitted home occupation vehicle.

Attachment B

Sector	Number of HBBs
Engineering/Scientific/Technical Services	5176
Personal Services	5118
Business & Information	4792
Retail	3023
Real Estate & Housing	2071
Transportation	1890
Arts & Related	1633
Health Services	1617
Education	1508
Construction/Utilities/Contracting/Materials	1390
Finance & Insurance	1199
Other Business Services	942
Repair and Maintenance	747
Agriculture & Forestry/Wildlife	686
Other Recreation/Entertainment	658
Safety/Security & Legal	644
Food & Hospitality	579
Motor Vehicle	434
Wholesale	412
Tax Exempt/Nonprofit/Religious/Social	404
Video/Audio/Record Production	246
Manufacturing	238
Apparel & Related	147
Other	132
Rentals	106
Agents/Managers	49
Natural Resources/Environmental	32
Waste Management	29
Telecom & Related	27
Government/Public Administration & Related	4