



October 24, 2018

The Kent Chamber of Commerce and the City of Kent have a long history of discussion regarding the B&O Tax. In 2012, it was originally designed in partnership with the Kent Chamber of Commerce to be a third leg of a funding stool for roads. Since then, the tax has morphed and has been a constant cause of contention between the City of Kent and the business community. We were able to maintain protection of this funding source for its original intent until last year, when the Council doubled the square footage tax to pay for Parks.

We recognize the need for discussion concerning City funding due to the “Fiscal Cliff” that the City is approaching. The business members of the Kent Chamber of Commerce are very concerned with the heavy and inequitable burden that the proposed increases impose upon them.

Earlier this year, the Kent Chamber was presented a “cost of doing business in Kent,” by City of Kent Economic Development. The report also showcased our neighbors: Auburn, Bellevue, Burien, Covington, Federal Way, Renton and Tukwila. In addition to the increasing tax burden to residents and businesses by county and state agencies, Kent, in relationship to our neighbors in this comparison, also has the highest: garbage, water utility, sewer utility, and stormwater utility taxes. Our neighboring cities, of Auburn, Covington, Federal Way, Tukwila, Fife, Milton, Edgewood, Puyallup, and Sumner do not have city B&O Taxes or square footage taxes. Only 44 of the 281 cities in Washington use this categorically unfair taxing system which taxes gross profits instead of considering the very slim margins and bottom line that businesses operate on. Even when a business loses money they still pay this tax, such as one of our member businesses who is moving out of Kent due to this issue. That business took a loss of \$148k yet still had to pay over \$1,000 in Kent B&O Tax, compounding an already dire problem.

Council has heard and will continue to hear from major employers that they love Kent, they want to operate their businesses here, they want to employ our residents and give back to our community. However, the aggressive tax increases that the City of Kent is proposing have and will cause businesses to move, rethink expansion, or close. How can we build a healthy economy when the City is putting forth increases that: (1) take the already doubled in 2017 square footage tax from \$0.03 square foot to \$0.15 square foot in 10 years; (2), take the B&O revenue rates to the maximum highest allowable level by the State in the categories of Wholesaling, Services; and (3) over double current rates for Manufacturing and Retailing?

The exodus of businesses has already begun and you have heard from major employers that they will also make plans to move. We are talking about thousands of jobs that will leave Kent, jeopardizing our

residents' jobs (both from the companies moving and from those businesses that are supported by the buying power of their employees).

We don't understand why there has not been an effort to collaborate with residents and businesses to find more sustainable solutions. The Kent Chamber made a request this summer after hearing from the residents at the "Budget Road Show" that they wanted to have these conversations along with us. This request was denied by the Mayor's office and the Council President. While the city's "Budget Road Shows" have been a positive tool to educate the public about the "Fiscal Cliff," there has not been any meaningful dialog between the City, residents and businesses regarding what is "Nice to Have" versus what we "Have to Have" when it comes to City Services.

Furthermore, running the City's reserve accounts at an astronomical 20+% when industry best practices from the Government Finance Officers Association are 4-8% as "Good" and 8-15% as "Strong" with over 15% being "Very Strong," along with imposing a 10-year commitment to business tax increases when we know that there will be additional funding and saving opportunities is unfair to businesses, stymies economic growth and stability, and erodes trust.

Please challenge yourselves, by coming to the table with us and the residents of Kent to determine what is really a priority and what we as a community are willing to pay for in City services, and what we, collectively, can live without in order to survive in this tax heavy climate in Washington.

We stand ready to work with you, we know we will have to make concessions with regards to tax increases – our door is open for that conversation. We realize we are now in the 11<sup>th</sup> hour, but we continue to reaffirm our commitment to being a partner in this discussion and hope that you will collaborate with your community and do this with us, not to us.

Thank You,

[Andrea Keikkala](#)

Andrea Keikkala  
CEO of the Kent Chamber of Commerce  
524 West Meeker, Suite 1  
Kent, WA 98032  
(253) 854-1770 ext. 140  
andreak@kentchamber.com