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**SENATE BILL 5421**

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**State of Washington 69th Legislature 2025 Regular Session**

**By** Senators Shewmake, J. Wilson, Bateman, Chapman, Frame, Hasegawa, and Nobles

AN ACT Relating to allowing small business establishments in residential zones; adding a new section to chapter 35.21 RCW; adding a new section to chapter 35A.21 RCW; and creating a new section.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec.**  The legislature recognizes the essential role small businesses play in fostering community connections and supporting local economies. In Washington, small businesses make up 99.5 percent of all businesses and employ over 1,400,000 individuals, representing 49 percent of the state's workforce. Businesses that serve families, such as early learning, child care and education programs, and those that create community spaces, like neighborhood cafés, are critical to building strong social ties and vibrant, walkable neighborhoods that enhance residents' quality of life. Allowing certain small businesses to operate in residential zones can strengthen community bonds, support families, reduce emissions, and promote local employment and entrepreneurship. This legislation encourages cities and towns to facilitate the establishment of compatible small businesses within residential areas, contributing to vibrant, resilient neighborhoods while preserving their character and livability.

NEW SECTION. **Sec.**  A new section is added to chapter 35.21 RCW to read as follows:

(1) A city or town must allow neighborhood businesses to be permitted in any zone allowing residential uses, provided that the following conditions are met:

(a) The total gross floor area of the neighborhood business does not exceed the maximum limits specified in the definition of neighborhood business in subsection (3) of this section; and

(b) The neighborhood business does not include drive through facilities.

(2) Cities and towns may adopt regulations governing the following aspects of neighborhood businesses to ensure compatibility with surrounding residential areas, including reasonable limits related to:

(a) The hours of operation, as long as at least 12 hours of continuous operation is allowed, to minimize noise and disruption during nighttime hours, except as it relates to early care and education programs;

(b) Mitigation of noise levels, including soundproofing, amplified music, and outdoor activities during certain hours;

(c) The size, type, and placement of signage to prevent visual clutter and maintain the aesthetic character of the neighborhood;

(d) The timing and routing of deliveries to minimize traffic congestion and noise associated with freight activities;

(e) Neighborhood businesses located on a street or in an area where there is more than one means of egress for vehicle traffic to minimize congestion and ensure safety; and

(f) The sale and consumption of alcohol by neighborhood businesses, provided that such regulations do not impact businesses operating with existing licenses or permits for the sale of alcohol. Regulations governing the sale and consumption of alcohol by neighborhood businesses cannot be more restrictive than current liquor and cannabis board regulations.

(3) For the purpose of this section, "neighborhood business" means any of the following:

(a) An establishment that serves a limited menu of food items that may include alcohol, and has at least 500 square feet of gross floor area, not exceeding 2,000 square feet, and where outdoor seating is limited to no more than 30 percent of the gross floor area; (b) A retail establishment primarily engaged in the sale of groceries, household goods, or locally produced products, with a gross floor area not exceeding 10,000 square feet;

(c) A facility licensed by the department of children, youth, and families to provide regular early childhood education and early learning services for a licensed capacity to serve no more than 45 children for periods of less than 24 hours, and meets the square footage requirements based on licensed capacity. The department of children, youth, and families may adopt rules to implement neighborhood-based child care programs and may waive or adapt licensing requirements when necessary to allow for the operation of such neighborhood-based early learning programs; or

(d) A business providing professional services, such as accounting, legal, massage therapy, social work, or consulting services, with no more than three full-time equivalent employees and generating minimal noise or traffic.

NEW SECTION. **Sec.**  A new section is added to chapter 35A.21 RCW to read as follows:

(1) A code city must allow neighborhood businesses to be permitted in any zone allowing residential uses, provided that the following conditions are met:

(a) The total gross floor area of the neighborhood business does not exceed the maximum limits specified in the definition of neighborhood business in subsection (3) of this section; and

(b) The neighborhood business does not include drive through facilities.

(2) Code cities may adopt regulations governing the following aspects of neighborhood businesses to ensure compatibility with surrounding residential areas, including reasonable limits related to:

(a) The hours of operation, as long as at least 12 hours of continuous operation is allowed, to minimize noise and disruption during nighttime hours, except as it relates to early care and education programs;

(b) Mitigation of noise levels, including soundproofing, amplified music, and outdoor activities during certain hours;

(c) The size, type, and placement of signage to prevent visual clutter and maintain the aesthetic character of the neighborhood;

(d) The timing and routing of deliveries to minimize traffic congestion and noise associated with freight activities;

(e) Neighborhood businesses located on a street or in an area where there is more than one means of egress for vehicle traffic to minimize congestion and ensure safety; and

(f) The sale and consumption of alcohol by neighborhood businesses, provided that such regulations do not impact businesses operating with existing licenses or permits for the sale of alcohol. Regulations governing the sale and consumption of alcohol by neighborhood businesses cannot be more restrictive than current liquor and cannabis board regulations.

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(b) A retail establishment primarily engaged in the sale of groceries, household goods, or locally produced products, with a gross floor area not exceeding 10,000 square feet;

(c) A facility licensed by the department of children, youth, and families to provide regular early childhood education and early learning services for a licensed capacity to serve no more than 45 children for periods of less than 24 hours, and meets the square footage requirements based on licensed capacity. The department of children, youth, and families may adopt rules to implement neighborhood-based child care programs and may waive or adapt licensing requirements when necessary to allow for the operation of such neighborhood-based early learning programs; or

(d) A business providing professional services, such as accounting, legal, massage therapy, social work, or consulting services, with no more than three full-time equivalent employees and generating minimal noise or traffic.

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