



OPEN FOR (HOME-BASED) BUSINESS

**Updating
local zoning to
encourage
microenterprise**

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Technology advances and COVID-19 pandemic work-from-home experiences now encourage an unprecedented number of people to work from home and to start new home enterprises.

Home-based businesses as microenterprises, start-ups, and side hustles make up an important part of economic development in our communities. However, zoning regulations in communities often fail to match this new era of home-based businesses. The eye opener for the city of York, Nebraska, came when we discovered that many of the kinds of micro-businesses that we want to encourage in our community were technically illegal. According to a recent study of home-based business regulations by The Center for Growth and Opportunity at Utah State University, York was far from alone in needing to update our home occupation zoning rules.¹

It's difficult to assess the current scope of home-based businesses. A study in 2018 found that home-based businesses represented nearly one in six businesses in 2014.² Post-COVID, communities have seen dramatic increases in



Raúl Arcos Hawkins, business development specialist from the Center for Rural Affairs, presenting on Nebraska cottage food regulations for the York Home-Based Business Workshop. The session also provided training on marketing and sales tax compliance.

new business starts and in the number of people working from home in all types of businesses. Recent advances in cottage food laws and in technology open up even more opportunities for home-based businesses. According to the U.S. Census, annual applications for business starts increased by almost 20 percent from 2021 to 2022 in Nebraska alone.³ Home-based businesses likely represent

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many of these new business starts across the nation.

The inadequacies of York residential zoning for home enterprise came to light in 2022 when our county economic development director (Lisa Hurley, York County Economic Development Corporation) sat down with a York resident to set up a business plan for a small wood-working business





Tucker Gosselin of Monarch Woodworking operates out of a shed on his property.

that he planned to start in his garage. As a law-abiding, responsible entrepreneur, he asked her about the legal requirements for such a business in the city. A quick check of city zoning rules revealed that the business of interest was clearly not allowed by York's current zoning rules.

York did not have code enforcement officers roaming the streets checking for out-of-compliance home enterprises. However, the fact that home-based businesses were not legally allowed by existing zoning codes still posed barriers. The economic developer could not ethically say, "Don't worry about it, they don't enforce it anyway." A neighbor or competitor could challenge a non-conforming business under the old codes and the city would be pressed to enforce the out-of-date rules. A lender might ask for evidence from an aspiring entrepreneur that their business plan meets city zoning rules. To his credit, the entrepreneur did not want to start a business that violated city rules, so the out-of-date rules clearly posed an immediate barrier to him.

Shortly after her conversation with the woodworker entrepreneur, the economic developer emailed me a copy of our city's zoning restrictions on businesses in residential areas and recommended that we work together to update them. The definitions of occupations allowed in residential areas were clearly out of step with current business and microenterprise realities. We set out to change the zoning rules to make sure that York was supportive of home-based businesses in a way that was consistent with other

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residential zoning codes in our rural community.

York prides itself on a small-town quality of life with the added economic opportunities that come from its interstate location and industries. The zoning updates in York needed to reduce barriers while still protecting quality of life expectations for residentially zoned areas. Key considerations to protect the residential nature of these areas included restrictions against parking congestion, junky-looking yards, and large business signs. At the same time, to meet the aim of reducing barriers, we eliminated any lists that restricted the types of business that could locate in a residence and established home-based business as a permitless use in residential areas. If the home-based business meets the listed zoning standards, the city does not require a permit. The entrepreneur just jumps in and starts the business.

Figure 1 outlines the main components in the York home-based business zoning rules for our residential zoning areas. The zoning regulations

define this use and then assign this as a permissible use in our R-1, R-2, and R-3 areas.

Discussions with the planning commission and the city council to request the passage of these new zoning rules went smoothly. The recent example of a resident wanting to start a business in his home was compelling for them. Reminding the officials of the context of other city codes that regulate noise, sexually oriented businesses, and health and safety considerations helped them to keep the zoning codes as simple as possible.

The conversations between the city and the economic development corporation about encouraging home-based businesses in York started with the conversation about zoning, but have not ended there. The city and the economic development



association collaborated to host a home-based business workshop after the zoning regulations passed. This workshop included sessions on the cottage food rules in the state of Nebraska, marketing for

microenterprises, sales tax rules, and resources available through the economic development corporation to help home-based businesses thrive.

While business statistics have yet to adapt to adequately

count home-based business, municipalities can adapt to this new reality in our communities by reducing zoning barriers. Updating zoning regulations not only serves our residents who begin their own home-based business, but also protects our residents who work from home for larger enterprises. **PM**

Figure 1: York Home-based Business Ordinance Components

- (a) No more than three nonresident employees may be on site at once.
- (b) No more than three clients or customers may be on site at once. Section (b) does not apply to the use of a residential property for parties of up to four hours organized in a home to sell a particular type of good.
- (c) The Home-Based Business must operate exclusively within an enclosed structure on the property.
- (d) The operation of the Home-Based Business cannot be visible from the street.
- (e) The Home-Based Business must remain a secondary use to the site's primary (residential) use.
- (f) A single sign may be attached to the structure in which the Home-Based Business is operated, which sign must be 32 square feet or less. A single detached sign may be placed on the property on which the Home-Based Business is located, which sign must be 3 square feet or less.
- (g) Materials or products associated with the home occupation on the premises must be stored within an enclosed structure.
- (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 Home-Based Business must operate in compliance with all City, State and County health and safety regulations.

ENDNOTES AND RESOURCES

¹ A Survey of Home-Based Business Regulations, The Center for Growth and Opportunity at Utah State University, <https://www.thecgo.org/research/zoning-for-opportunity-a-survey-of-home-based-business-regulations/#history-of-hbb-regulation> (accessed November 26, 2022).

² Kevin Kane and William A. V. Clark, "Mapping the Landscape of Urban Work: Home-Based Businesses and the Built Environment," *Environment and Planning A: Economy and Space* (2018).

³ United State Census Bureau. 2022. Annual Business Applications by State and County. <https://www.census.gov/econ/bfs/index.html> (accessed November 26, 2022).

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