
SENATE BILL 5421

State of Washington

69th Legislature

2025 Regular Session

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

Read first time 01/22/25. Referred to Committee on Local Government.

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

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

5 NEW SECTION. **Sec. 1.** The legislature recognizes the essential
6 role small businesses play in fostering community connections and
7 supporting local economies. In Washington, small businesses make up
8 99.5 percent of all businesses and employ over 1,400,000 individuals,
9 representing 49 percent of the state's workforce. Businesses that
10 serve families, such as early learning, child care and education
11 programs, and those that create community spaces, like neighborhood
12 cafés, are critical to building strong social ties and vibrant,
13 walkable neighborhoods that enhance residents' quality of life.
14 Allowing certain small businesses to operate in residential zones can
15 strengthen community bonds, support families, reduce emissions, and
16 promote local employment and entrepreneurship. This legislation
17 encourages cities and towns to facilitate the establishment of
18 compatible small businesses within residential areas, contributing to
19 vibrant, resilient neighborhoods while preserving their character and
20 livability.

1 NEW SECTION. **Sec. 2.** A new section is added to chapter 35.21
2 RCW to read as follows:

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

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

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

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

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

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

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

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

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

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

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

36 (a) An establishment that serves a limited menu of food items
37 that may include alcohol, and has at least 500 square feet of gross
38 floor area, not exceeding 2,000 square feet, and where outdoor
39 seating is limited to no more than 30 percent of the gross floor
40 area; (b) A retail establishment primarily engaged in the sale of

1 groceries, household goods, or locally produced products, with a
2 gross floor area not exceeding 10,000 square feet;

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

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

16 NEW SECTION. **Sec. 3.** A new section is added to chapter 35A.21
17 RCW to read as follows:

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

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

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

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

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

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

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

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

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

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

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

12 (a) An establishment that serves a limited menu of food items
13 that may include alcohol, and has at least 500 square feet of gross
14 floor area, not exceeding 2,000 square feet, and where outdoor
15 seating is limited to no more than 30 percent of the gross floor
16 area;

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

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

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

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