



**CITY OF OAKLAND
BLUE RIBBON EQUITABLE BUSINESS TAX TASKFORCE**

**REGULAR MEETING
Meeting Agenda
Thursday, October 21, 2021
6:00 PM
Via Teleconference**

Blue Ribbon Equitable Business Tax Taskforce Members:

Adrianna Fike
Michael Katz
Tasion Kwamilele
Cynthia Larsen – **Vice Chairperson**
Zain Oke
Liz Ortega
Daniel Swafford
Ari Takata-Vasquez - **Chairperson**
Minh Tsai
Ben Wanzo
Winter Williams

Task Force website: [City of Oakland | Blue Ribbon Equitable Business Tax Task Force](#)

Pursuant to the Governor's Executive Order N-29-20, Blue Ribbon Equitable Business Tax Taskforce Members, as well as City staff, will participate via phone/video conference, and no physical teleconference locations are required.

PUBLIC PARTICIPATION

The Oakland Blue Ribbon Equitable Business Tax Taskforce encourages public participation in the online board meetings. The public may observe and/or participate in this meeting in several ways.

OBSERVE:

- To observe the meeting by video conference, please click on this link:
<https://us02web.zoom.us/j/83616493506?pwd=djZxTTRxc3FKSHR4aDUzYnJHQzQvZz09>
Passcode: 384984 at noticed time.

Instructions on how to join a meeting by video conference are available at:
<https://support.zoom.us/hc/en-us/articles/201362193>, which is a webpage entitled “Joining a Meeting”

- To listen to the meeting by phone, please call the numbers below at the noticed meeting time:
Dial (for higher quality, dial a number based on your current location):

One tap mobile :

[US: +16699006833,,83616493506#,,,,*384984#](tel:+16699006833,,83616493506#,,,,*384984#) or
[+12532158782,,83616493506#,,,,*384984#](tel:+12532158782,,83616493506#,,,,*384984#)

Or Telephone:

US: +1 669 900 6833 or +1 253 215 8782 or +1 346 248 7799 or +1 301 715 8592 or +1 312 626 6799 or +1 929 205 6099

Webinar ID: 836 1649 3506

Passcode: 384984

International numbers available: <https://us02web.zoom.us/j/kxadPAqUZ>

After calling any of these phone numbers, if you are asked for a participant ID or code, press #. Instructions on how to join a meeting by phone are available at: <https://support.zoom.us/hc/en-us/articles/201362663>, which is a webpage entitled “Joining a Meeting By Phone.”

PROVIDE PUBLIC COMMENT: There are three ways to make public comment within the time allotted for public comment on an eligible Agenda item.

- **Comment in advance:** To send your comment directly to the Blue Ribbon Equitable Business Tax Taskforce and staff BEFORE the meeting starts, please send your comment, along with your full name and agenda item number you are commenting on, to BlueRibbonTaskForce@oaklandca.gov. Please note that eComment submissions close one (1) hour before posted meeting time. All submitted public comment will be provided to the Task Force Members prior to the meeting.
- **By Video Conference:** To comment by Zoom video conference, click the “Raise Your Hand” button to request to speak when Public Comment is being taken on an eligible agenda item at the beginning of the meeting. You will then be unmuted, during your turn, and allowed to participate in public comment. After the allotted time, you will then be re-muted. Instructions on how to “Raise Your Hand” are available at: <https://support.zoom.us/hc/en-us/articles/205566129>, which is a webpage entitled “Raise Hand In Webinar.”
- **By Phone:** To comment by phone, please call on one of the above listed phone numbers. You will be prompted to “Raise Your Hand” by pressing STAR-NINE (“*9”) to request to speak when Public Comment is being taken on an eligible agenda item at the beginning of the meeting. Once it is your turn, you will be unmuted and allowed to make your comment. After the allotted time, you will be re-muted. Instructions of how to raise your hand by phone are available at: <https://support.zoom.us/hc/en-us/articles/201362663>, which is a webpage entitled “Joining a Meeting by Phone.”

If you have any questions about these protocols, please e-mail BlueRibbonTaskForce@oaklandca.gov

Do you need an ASL, Cantonese, Mandarin or Spanish interpreter or other assistance to participate? Please email SAzimi@oaklandca.gov or call (510) 238-2972 for TDD/TTY five days in advance.

¿Necesita un intérprete en español, cantonés o mandarín, u otra ayuda para participar? Por favor envíe un correo electrónico a SAzimi@oaklandca.gov o llame al (510) 238-2972 para TDD/TTY por lo menos cinco días antes de la reunión. Gracias.

您需要手語, 西班牙語, 粵語或國語翻譯服務嗎? 請在會議前五個工作日電郵 SAzimi@oaklandca.gov 或 致電 (510) 238-2972 TDD/TTY.

1. Roll Call and Determination of Quorum

2. Public Comment: Speakers will be called on by the facilitator as speakers “raise their hand” through video conference or by telephone to speak on Agenda items. Comments for matters not on the Agenda will be taken during Open Forum. All speakers will be allotted a maximum of two minutes to address the Task Force, unless amended by the Chair.

3. Action Item:

A. Adoption of Task Force’s Analyses and Recommendation Report

- Three Attachments (see below for explanation and use hyperlinks to access directly to the attachments):
 - Redlined version of the Use of Revenue draft section presented on 10/14/21
 - Redlined version of the Task Force’s draft report presented on 10/14/21
 - Final (clean) version of the Task Force’s draft report incorporating proposed edits.

4. Open Forum

5. Adjournment

The meeting will adjourn upon the completion of the Task Force’s business.

USE OF REVENUE

~~The Task Force considered how the funds raised by the proposed increases in tax rates should be spent and made the following recommendations:~~

~~*Creation of Business Advisory Board:*~~ To provide ongoing recommendations ~~and oversight of the~~ with respect to the City's disbursement of the additional revenues raised by the BLT and to support small businesses and contribute towards a thriving business community in the City of Oakland, the City Council should create a Business Community Advisory Board, modeled on the Community Advisory Board established in connection with the City's enactment of the Sugar-Sweetened Beverage Distribution Tax. This board should include members representing:

- 1) Businesses located within the City, including both new and well-established businesses from a wide range of sectors, including a representative from each council district. The make-up of the Advisory Board should be representative of the make-up of businesses located within the City.
- 2) Business organizations and alliances, especially those with broad and diverse membership bases.
- 3) Non-profit organizations, with particular focus on those providing research, advocacy, technical assistance, and educational services related to small business formation, employee empowerment, and sustainable and equitable economic growth.

The Task Force considered how the funds raised by the proposed increases in tax rates should be spent and made the following recommendations:

~~1)~~

~~2)1)~~ *Support of small business loan initiatives:* A portion of the additional revenue raised should be allocated for financial support of City's small business community through grants or loan programs.

~~3)2)~~ *Shared City resource for small businesses:* The City Council should consider funding a range of initiatives that would support the attraction and retention of businesses.

- a) Hiring additional City staff to conduct outreach to small businesses, market opportunities for support, and educate employees on the benefits of forming worker cooperatives.
- b) Further funding the City's Business Improvement Districts, which already perform much of this work and invest in district improvements.

~~4)3)~~ *Increased funding for city services:* To attract and retain businesses, the City Council should spend more on the services that keep commercial neighborhoods clean and welcoming, including, for example:

- a) Stricter enforcement of rules against illegal dumping, more timely street cleaning, and the placement of additional public litter receptacles.

b) Increased funding for [services and shelter for the homeless shelters](#).

4) *Making commercial retail space more accessible and affordable*: The City should look for ways to incentivize property owners to make retail space more accessible and affordable for small businesses.

5) *Provide sufficient additional resources needed for tax collection and enforcement. The City should provide sufficient additional staff and other resources to ensure adequate enforcement and collection of the business tax.*



City of
OAKLAND California



CITY OF OAKLAND

BLUE RIBBON EQUITABLE BUSINESS TAX

TASK FORCE

ANALYSES AND RECOMMENDATION REPORT

Members:

Ari Takata-Vasquez, Chair, (District 2); Cynthia Larsen, Vice Chair (Mayor); Tasion Kwamilele, (At Large) Winter Williams (District 1); Adrionna Fike (District 3); Daniel Swafford (District 4); Minh Tsai (District 5); Ben Wanzo (District 6); Zain Oke, (District 7); Michael Katz (Resolution Appointment 1/12/2021); Elizabeth Ortega, (Resolution Appointment 1/12/2021)

Date of Issuance: Thursday, October 21, 2021

CONTENTS

EXECUTIVE SUMMARY	1
BLUE RIBBON EQUITABLE BUSINESS TAX TASK FORCE TASKS AND FUNCTIONS	3
Background	3
Task Force Process.....	4
Task Force Support and Materials Reviewed	5
Community and Stakeholder Outreach	7
OVERVIEW OF CURRENT BUSINESS TAX STRUCTURE	7
TAX RATES IN COMPARABLE JURISDICTIONS	8
CITY COUNCIL PROPOSED BUSINESS TAX STRUCTURE	13
City Council’s new proposed tax rates	14
City Council’s proposed tax relief for small businesses.....	15
TASK FORCE PROPOSED TAX RATES	15
FISCAL AND ECONOMIC EFFECTS OF PROPOSED TAX CHANGES	17
Fiscal and Economic Effects of Proposed Changes.....	18
Impact of COVID-19.....	24
USE OF REVENUE	25

EXECUTIVE SUMMARY

On January 12, 2021, the Oakland City Council amended Resolution No. 88227, which created a limited duration 11-member Blue Ribbon Equitable Business Tax Task Force (“Task Force”) to, “after thorough analysis and extensive community and stakeholder engagement, deliver for Council adoption [by October 31, 2021] a comprehensive recommendation for a modernized progressive business tax structure that achieves the City’s goals for revenue enhancement, reduction of race and equity disparities, tax code modernization, equitable economic development, and living wage job creation.” The Task Force held its meetings between April and October 2021. The Task Force engaged various stakeholders during their meetings, reviewed economic data provided by City staff and the consulting team from the Blue Sky Consulting Group, and examined tax rates in comparable and neighboring jurisdictions.

At the meeting held on September 30, 2021, the Task Force voted by a vote of 7 ayes to 3 nays to approve a tiered or progressive rate structure in which larger businesses pay a higher rate relative to smaller businesses in the same category. Rates vary from \$0.45 per \$1,000 of gross receipts for grocers to \$15 per \$1,000 in payroll for large administrative headquarters firms. Under the adopted Proposal, approximately 20,000 of the smallest businesses in the City ([about 39% of all businesses](#)) would see a tax reduction averaging about \$60 while [approximately 1,500](#) larger business ([about 3% of all businesses](#)) would see ~~substantial~~ increases in taxes, [with substantial increases for the largest businesses](#). In addition, the Task Force Proposal would create a new administrative headquarters tax for large national firms with administrative functions in Oakland. This tax would apply in lieu of the regular payroll-based administrative headquarters tax for firms with more than 1,000 employees nationally and \$1 billion in revenue. The tax rate would be \$15 per \$1,000 of Oakland based payroll; [on average administrative, headquarters firms would see a tax increase of more than 760%](#).

[To provide ongoing recommendations with respect to the City’s disbursement of the additional revenues raised by the Business License Tax, the Task Force recommended that the City Council create a Business Community Advisory Board with broad representation reflecting the diversity of the City’s business community. The Task Force further recommended that the additional revenue be used for support of small business loan initiatives, funding a range of initiatives that would support the attraction and retention of businesses, increased funding to keep commercial neighborhoods clean and welcoming, efforts to make commercial retail space more accessible and affordable, and providing sufficient funding for collection and administration of the Business License Tax.](#)

If placed on the ballot by the City Council and approved by the voters, the proposal is expected to raise an additional \$32.7 million for the City of Oakland, with the substantial majority of these revenues coming from the City’s largest firms.

DRAFT

BLUE RIBBON EQUITABLE BUSINESS TAX TASK FORCE TASKS AND FUNCTIONS

Background

On January 12, 2021, the Oakland City Council amended Resolution No. 88227, which created a limited duration 11-member Blue Ribbon Equitable Business Tax Task Force (“Task Force”) to, “after thorough analysis and extensive community and stakeholder engagement, deliver for Council adoption [by October 31, 2021] a comprehensive recommendation for a modernized progressive business tax structure that achieves the City’s goals for revenue enhancement, reduction of race and equity disparities, tax code modernization, equitable economic development, and living wage job creation.”

The amended Resolution called for the Mayor and each Councilmember to appoint one Task Force member and stated that the make-up of the Task Force should consist, “to the greatest extent practicable,” of at least one member in each of the following categories but no more than two members representing any one category:

- a) the very small business community (gross receipts below \$2.5M);
- b) the small to mid-sized business community (gross receipts below \$10M);
- c) large businesses (gross receipts above \$25M);
- d) an organization which focuses on economic development, entrepreneurship, or business development, with experience working in the City of Oakland;
- e) an economic expert or tax professional who has experience analyzing economic trends and business tax structures; and
- f) a community organization or labor union who has experience with City budgets and/or City services.

All members of the Task Force serve a single term beginning on their respective date of appointment and ending on January 1, 2022 unless the Task Force and members’ terms of appointment are extended by appropriate Council action. A list of the Task Force members is presented in Figure 1.

FIGURE 1: BLUE RIBBON TASK FORCE MEMBERS

Task Force Member	District Council Member	Category
Ari Takata-Vasquez, Chair , Small Business Owner, Executive Director of Oakland Indie Alliance, Oakland Resident	District 2: Nikki Fortunato Bas	A
Cynthia Larsen, Vice Chair , Director, Corporate Tax at Blue Shield of CA	Mayor Schaaf	C E
Tasion Kwamilele , Schnitzer Steel, Oakland resident	At Large: Rebecca Kaplan	C
Winter Williams , Small Business Owner, prior banking background, Oakland Resident	District 1: Dan Kalb	A
Adrianna Fike , Member/Owner of Mandela Grocery Cooperative *	District 3: Carol Fife	A
Daniel Swafford , BID District Manager for Montclair and Laurel, Oakland Resident	District 4: Sheng Thao	D
Minh Tsai , Founder and CEO of HODO Foods	District 5: Noel Gallo	B
Ben Wanzo , College Professor. Incubator lab/small business, Oakland Resident	District 6: Loren Taylor	A D
Zain Oke , Small Business Owner and former tax consultant for Deloitte, Oakland Resident	District 7: Treva Reid	A
Michael Katz , Regional Organizer for East Bay Works, Oakland R resident	Resolution Appointment	F
Elizabeth Ortega , Executive Secretary-Treasurer for Alameda Labor Council	Resolution Appointment	F

* Member Fike replaced Member Jessica Moncada Konte.

Task Force Process

The Task Force held its meetings every other Thursday beginning on April 22, 2021 with the last meeting held on October 21, 2021. Pursuant to the Governor’s Executive Order N-29-20, these meetings were conducted virtually, with Task Force members, City staff, and the public attending via video conferencing software. Recordings of the Task Force meetings, along with related documents such as the posted agendas and minutes, are available on the City of Oakland’s website at <https://www.oaklandca.gov/boards-commissions/blue-ribbon-equitable-business-tax-task-force>.

To facilitate their work, the Task Force established ad hoc subcommittees to focus on specific areas of interest. These subcommittees met as needed (typically once during the weeks when no Task Force meeting was scheduled) and provided updates at subsequent Task Force meetings. Originally three subcommittees were formed:

- Committee A: Job Quality & Employment (Katz, Konte, Kwamilele and Oke)
- Committee B: Business Mobility, Real Estate, Attraction & Retention (Katz, Takata-Vasquez, Wanzo, and Williams)
- Committee C: Tax Categories & Implementation (Larsen and Swafford)

As of August 19, the Task Force disbanded the three existing subcommittees and created three new ad hoc subcommittees:

- Committee 1: Use of Funds (Swafford and Williams)
- Committee 2: Review of proposals called “City Council” and “City Council Alternate” (Katz, Kwamilele, Larsen and Ortega)
- Committee 3: Review of proposals from former Subcommittee C (Takata-Vasquez and Wanzo)

On September 16, the Task Force disbanded Subcommittees 2 and 3 and formed a new subcommittee to review the tax rates under consideration and provide additional guidance to the full Task Force:

- Committee 4: (Fike, Katz, Oke, Takata-Vasquez, and Wanzo)

Task Force Support and Materials Reviewed

Support for the Task Force was provided by City of Oakland staff and the Blue Sky Consulting Group. City staff and the consulting team provided the Task Force with relevant presentations and reports, including the July 8, 2020 report to the City Council prepared by City staff and the Beacon Economics report presented to the City Council on July 7, 2020.

Additional presentations, prepared using the most recent Business License Tax (BLT) data and economic forecasts prepared by City staff and the Blue Sky Consulting Group, were also prepared and distributed to the Task Force members. Key materials prepared by City staff and the Blue Sky Consulting Group include the following:¹

April 22, 2021: Orientation materials including an overview of the Brown Act Sunshine Ordinance and Robert’s Rule of Order.

¹ All presentations and materials provided to the Task Force are available at the Task Force [website](#).

“Designing a Progressive Business Tax” presentation, including an overview of the City’s General Purpose Fund (GPF) revenue sources; detailed data for the BLT including the current BLT structure and historical actuals and current revenue forecasts; detailed information for the number of businesses, gross receipts reported, and tax revenues collected by business sector and business size; an overview of the Task Force’s goals and the economic trade-offs these goals may involve.

April 29, 2021: “Designing a Progressive Business Tax” updated presentation with historical data on the annual number of BLT accounts and BLT revenue by sector; comparative information on business tax structures and rates for other major California cities (e.g., San Jose and Los Angeles) and surrounding cities (e.g., Emeryville, Berkeley, and Richmond).

May 13, 2021: “Evaluating Potential Impacts from Changes to Oakland’s Business Tax” presentation with discussion of business mobility and factors that influence location decisions; review of economic literature on how businesses respond to tax changes and the impact these changes have on overall economic activity; Oakland job market statistics and data on the largest Oakland employers and employment by sector and size; considerations for the Task Force including what to consider when evaluating potential changes to the BLT rate structure.

May 27, 2021: “Blue Ribbon Equitable Business Tax Task Force” presentation with detailed data on the number of businesses, tax revenue collected, and gross receipts reported by sector and by size; illustrative examples of Oakland businesses of various types and sizes to show current business taxes in context of other financial data; estimates of the share of other Oakland tax revenues (e.g., property taxes, sales taxes, and transient occupancy taxes) from Oakland businesses, by business sector.

In addition, the Blue Sky Consulting Group developed a model to estimate the fiscal and economic impacts of changes to Oakland’s BLT rate structure. This model relies on the City’s BLT data as well as up-to-date forecasts of economic activity in Oakland to estimate BLT revenue. The model presents the overall estimated change in tax revenue under specified proposals, as well as detailed estimates of the changes to City BLT revenue by business sector and by business size. The model uses both a “static” analysis, which estimates the revenue change assuming no business response to the tax changes, and a “dynamic” analysis, which assumes businesses will respond to the tax changes. As such, it provides estimates not only of BLT revenue but also of changes in Oakland economic activity. This model was used extensively both at the Task Force

meetings and at the subcommittee meetings to analyze the original City Council proposal as well as alternatives suggested by members of the Task Force.

Community and Stakeholder Outreach

The Task Force engaged various stakeholders during their meetings. These included members of the business community in Oakland and representatives of the cities of Richmond and San Francisco. A list of the Task Force and subcommittee guest speakers is provided below.

- Council President Fortunato-Bas (Task Force Meeting, May 27)
- May Seto Wasem, owner of Grand Lake Kitchen (Subcommittee A, June 30)
- Kris Kwei, President at Oakland Kia / Managing Principal at Broadway Investors LLC (Subcommittee A, June 30)
- Barbara Leslie, President/CEO of Oakland Metropolitan Chamber of Commerce. (Task Force Meeting, July 22)
- Heidi Pickman, Vice President, Programs & Policy, of California Association of Micro Enterprise Opportunity (CAMEO) (Task Force Meeting, August 5)
- Edward Del Beccaro, Executive Vice President / SF Bay Area Regional Manager of TRI Commercial Real Estate Services, Inc. (Task Force Meeting, August 5)
- Antonio Banuelos, Revenue Manager, City of Richmond (Task Force Meeting, August 19)
- Ted Egan, Chief Economist, City & County of San Francisco (Task Force Meeting, September 2)
- Hilary Abell, Co-Founder, Project Equity (Task Force Meeting, September 16)

OVERVIEW OF CURRENT BUSINESS TAX STRUCTURE

The BLT applies to businesses located or operating within the City of Oakland. The current tax system classifies businesses into 22 separate categories, each with their own rate structure. For most businesses, taxes are based on the total gross receipts received by the business during a calendar year for economic activity in the City. Certain sectors pay BLT based on value added, employees, permits, or total Oakland payroll.

As shown in Table 1, tax rates vary from \$0.60 per \$1,000 in gross receipts for grocers to \$13.95 per \$1,000 for residential and commercial landlords. Many businesses, including retail businesses and restaurants, pay \$1.20 per \$1,000 in gross receipts (i.e., 0.12% of gross receipts). Many other businesses, including business & personal services firms and contractors, pay \$1.80

per \$1,000 in gross receipts. There is also a minimum tax payment of \$60. While the current tax structure applies varying rates across sectors, the same rate applies to all businesses within a given sector, regardless of their size.

FIGURE 2: TAX RATES AND MINIMUM PAYMENTS BY BUSINESS SECTOR (CURRENT LAW)

Code	Sector	Tax Basis	Minimum Tax	Tax per \$1,000
A	Retail Sales	Gross Receipts	\$60.00	\$1.20
C	Auto Sales	Gross Receipts	\$60.00	\$1.20
D	Wholesale Sales	Gross Receipts	\$60.00	\$1.20
I	Manufacturing	Value Added	\$60.00	\$1.20
J	Manufacturing (2)	Oakland Expenses	\$60.00	\$1.20
K	Admin Headquarters	Gross Payroll	\$60.00	\$1.20
T	Media Firms	Gross Receipts	\$60.00	\$1.20
W	Miscellaneous	Gross Receipts	\$60.00	\$1.20
B	Grocers	Gross Receipts	\$60.00	\$0.60
E	Business & Personal Services	Gross Receipts	\$60.00	\$1.80
H	Contractors	Gross Receipts	\$60.00	\$1.80
O	Commercial Rental - 5-Yr Exempt ^A	Gross Receipts	\$60.00	\$1.80
P	Hotel, Motel	Gross Receipts	\$60.00	\$1.80
F	Professional & Semi-Prof. Services	Gross Receipts	\$60.00	\$3.60
G	Recreation And Entertainment	Gross Receipts	\$60.00	\$4.50
L	Trucking & Transportation	Employees	None	N/A
M	Residential Rental	Gross Receipts	\$13.95	\$13.95
N	Commercial Rental	Gross Receipts	\$13.95	\$13.95
U	Utility Companies	Gross Receipts	\$60.00	\$1.00
X	Taxicabs	Permits	None	N/A
Y	Ambulances & Limousines	Vehicles	None	N/A
Z	Cannabis	Gross Receipts	\$60	N/A

Note: Categories shaded in grey are not subject to tax rate changes under the City Council’s proposal and were similarly not considered for modification by the Task Force (see City Council Proposed Business Tax Structure).

TAX RATES IN COMPARABLE JURISDICTIONS

The Task Force examined the tax rates charged to businesses in neighboring and comparable jurisdictions. These tax rates vary across the region. San Francisco and Richmond have recently adopted tiered or progressive rate structures, with tax rates that increase with business size (as measured by gross receipts). Other jurisdictions, such as Emeryville and Berkeley, have structures similar to the current system in Oakland, with businesses of all sizes paying the same rates. Some jurisdictions, such as Walnut Creek, Concord and Antioch have rates that decrease

with business size. Figure 3 presents a summary comparison of business tax rates and structures for selected comparable and neighboring jurisdictions. Figure 4 presents detailed tax rates by sector for selected jurisdictions.

DRAFT

FIGURE 3: BUSINESS TAX RATES FOR COMPARABLE JURISDICTIONS

City	Business Tax Type	Exemptions *	Rates
Oakland	Primarily GRT, some exceptions (e.g., employees, payroll, etc.)	Threshold limits (vary by category); Non-profits; some affordable housing; licensed family daycare <= 14 children	Range from \$0.60 (grocers) to \$13.95 (commercial and residential rental property) per \$1,000 Cannabis rates are progressive, \$1.20 to \$13.95 per \$1,000
Emeryville	GRT	Charitable organizations	For most businesses, \$1.00 per \$1,000; Commercial rent = \$3.50; Cannabis = \$60
Berkeley	Primarily GRT (similar to Oakland)	Wholly charitable organizations; Small businesses with government R&D grants	Rates range from \$0.60 (grocers) to \$4.50 per \$1,000 for most categories, with some much higher rates: Professional sporting events = \$100; Firearms and ammunition = \$150; Cannabis = \$25 to \$50
Richmond	Currently flat fee + tax per employee; Measure U (2020) implements GRT to take effect July 2021 and is described here(?)	Non-profits; small businesses < \$250K; affordable housing, some owner-occupiers room and ADU rentals if < 150% AMI; family daycare providers; hardship exemptions (1 yr. must apply)	Progressive system, rates are marginal and by category, most range between \$0.60 and \$2.00 (grocers) to \$3.60 to \$6.80 (professional services); Cannabis = \$50.00; Firearms = \$60 first \$2,500 then \$24; seems to pull from Oakland and Berkeley
San Francisco	Primarily GRT	Primarily non-profits	Progressive system, varies by category. (Note: Prop F (2020) modified categories and set rates for Jan 2021 w/annual increases through 2024). Most currently range from \$0.53 to \$9.10 per \$1,000 (Cannabis higher)
Los Angeles	Primarily GRT, some exceptions (e.g., Movie production = cost)	Non-profits; Small biz (< \$100K/yr.); Mutual funds; New auto dealers, Contractors < \$60K (\$153 flat fee)	Rates per \$1,000 range from \$1.01 (childcare provider & others) to \$4.25 (Professions & Occupations, others); Medical marijuana = \$60 per \$1,000
San Jose	Primarily num employees, some exceptions	Non-profits; Farmers within Santa Clara County selling own products in City	Base tax of \$203.85, most categories then taxed per employee starting at 3rd employee, progressive marginal tax (e.g., \$32.70 per employee for 3-35 employees, up to \$65.45 for 500+). All capped at \$163,745.
San Leandro	Flat fees, some categories add'l taxes (GR, headcount, sq ft)	Non-profits and most businesses with 3 or fewer employees within City	\$146.20 base for most businesses; GRT applied only to limited categories: Coin operated devices & towing (\$1.30); Firearms (concealed weapons & ammo) = \$44.00; parking lot (\$100)
Hayward	Limited GRT, most categories pay flat fees, per emp, per sq ft, etc.	Charities/non-profits; Peddlers or solicitors who are veterans, disabled, or indigent.	Most Retail/wholesale = up to \$373.35 fee if <\$3M, add'l GRT of \$0.11 for \$3M+ (some \$0.27 for \$400K+); Other rates at \$1.07 to \$1.33, Cannabis = \$70.
Walnut Creek	Most businesses may choose GRT or a flat rate + headcount	Charitable organizations; Minors (< 18 yrs.) with up to \$1,000 revenues	GRT of \$2.30 first \$10K then decreasing rate up to \$0.02 for revenues > \$10M; OR flat \$416.00 for 1 owner/partner + Add'l partners \$139.00 then \$28 per employee up to 300 then \$14 for above 300

City	Business Tax Type	Exemptions *	Rates
Concord	GRT (wholesale/retail, comm rents, contractors > \$204K); rest per employee or flat fee	Non-profits may qualify for no-fee business license	GRT: minimum \$25 up to \$25K revenues, then marginal GRT rates that decrease from \$0.90 to \$0.30 per \$1,000 at \$7.5M annual revenues; Varying rates per employee for most other categories
Antioch	GRT except per-unit for residential rentals	Non-profits	\$1.25 per \$1,000 up to \$1M, then add'l \$0.20 per \$1,000 of revenues > \$1M, Min of \$100 (\$25 home-based) Residential rental units = \$250/unit for Single-family, \$150/unit for multi-family
Pleasanton	GRT	Non-profits	Fees up to \$75 up to \$250K annual revenue, above that = \$0.30 per \$1,000.00
Fremont	GRT	Non-profits; Agricultural (non-retail); Part-time jobs (youths & seniors); Veterans	Most pay \$30 fee plus GRT per \$1,000 that varies from \$0.25 (retail) to \$1.50 (rec & entertainment). Charge extra \$0.30 for retail/wholesale in residential areas
Dublin	Fixed fees	Non-profits; Agricultural (non-retail); Attorneys; Part-time jobs (youths & seniors); Disabled veterans	\$94 new, \$26 renewal
<p><i>* California prohibits taxation by any local jurisdiction for certain entities including the following: (1) banks and financial corporations; (2) insurance companies; (3) persons engaging in business as a for-hire motor carrier of property; (4) persons engaging in intercity transportation as a household goods carrier; (5) charter-party carriers operating limousines that are neither domiciled nor maintain a business office within the taxing jurisdiction.</i></p>			

FIGURE 4: BUSINESS TAX RATES ⁽¹⁾ - SELECTED CITIES BY CATEGORY

Business Category		Oakland	Emeryville	Berkeley	Richmond ⁽²⁾	San Francisco ⁽²⁾	Los Angeles
A	Retail Sales	\$1.20	\$1.00	\$1.20	\$1.20 / \$3.20	\$1.05 / \$2.24	\$1.27
B	Grocers	\$0.60	\$1.00	\$0.60	\$0.60 / \$2.00	\$1.05 / \$2.24	\$1.27
C	Automobile Sales	\$1.20	\$1.00	\$1.20	\$1.20 / \$5.00	\$1.05 / \$2.24	(Exempt)
D	Wholesale Sales	\$1.20	\$1.00	\$1.20	(TBD)	\$1.05 / \$2.24	\$1.01
E	Business/Personal Services	\$1.80	\$1.00	\$1.80	\$1.80 / \$5.40	\$8.14 / \$10.08	\$1.27
F	Professional Services	\$3.60	\$1.00	\$3.60	\$3.60 / \$6.80	\$6.40 / \$8.96	\$4.25
G	Recreation/Entertainment	\$4.50	\$1.00	\$4.50	\$4.50 / \$5.00	\$4.20 / \$5.60	\$1.27 to \$2.55
H	Contractors	\$1.80	\$1.00	\$1.80	\$1.80 / \$3.00	\$4.20 / \$6.30	\$1.01
I	Manufacturing	\$1.20	\$1.00	\$1.20	\$1.20 / \$5.00	\$1.75 / \$6.65	\$4.25
J	Mfg. (unfinished good)	\$1.20	\$1.00	\$1.20	\$1.20 / \$5.00	\$1.75 / \$6.65	\$4.25
K	Admin Headquarters	\$1.20	\$1.00	\$1.20	\$1.20 / \$2.40	\$14.00 Biz Tax \$15.00 Homeless Tax ⁽³⁾	\$4.25
L	Taxicabs	\$180.00	\$200.00	\$215.00	\$180.00	\$1.75 / \$6.65	\$54.99
M	Residential Rental Property	\$13.95	\$1.00	\$10.81 (< 5 units) \$28.80 (5+ units)	\$10.81 (< 5 units) \$28.80 (5+ units)	\$4.42 / \$4.85	\$1.27
N	Commercial Rental Property	\$13.95	\$3.50	\$10.81	\$10.81 (< 5 units) \$28.80 (5+ units)	\$10.00 (warehouse) \$35.00 (other)	\$1.27
O	Commercial Rental(5-yr Exemption)	\$1.80	NA	NA	(1-yr exemption, lower rates)	NA	NA
P	Hotel/Motel	\$1.80	\$1.00	\$2.40 ⁽⁴⁾	\$1.80 / \$5.00	\$4.20 / \$5.60	\$1.27
T	Media Firms	\$1.20	\$1.00	\$2.40 ⁽⁴⁾	\$2.40 / \$4.80 ⁽⁴⁾	\$5.60 / \$7.84	\$1.01
U	Utility Companies	\$1.00	\$1.00	\$2.40 ⁽⁴⁾	\$2.40 / \$4.80 ⁽⁴⁾	\$4.20 / \$5.60	\$1.01
W	Miscellaneous	\$1.20	\$1.00	\$2.40	\$2.40 / \$4.80 ⁽⁴⁾	(varies)	(varies)
X	Ambulance, Limousines	\$75.00	\$200.00	\$215.00	\$75.00	\$1.75 / \$6.65	\$54.99
Y	Trucking/Transportation	\$72.00 (first), \$4.50 (201+)	\$1.00	\$2.40 ⁽⁴⁾	\$72.00 (first), \$4.50 (201+)	\$1.75 / \$6.65	\$88.69
Z	Cannabis	\$1.20 - \$95.00	\$60.00	\$25.00 / \$50.00	\$50.00	\$25.00 / \$50.00	\$10.00 to \$100.00
<i>(1) Rate is per \$1,000 in gross receipts except as noted by color coding:</i>		<i>(2) San Francisco and Richmond have adopted progressive GRT systems. For these cities, the min and max rates are presented (MIN/MAX). Note that Richmond's rates, which were passed by Measure U (2020) and will begin in 2021, represent the upper limit for the rates (the City Council has the authority to lower rates below these maximum rates). For San Francisco, some rates increase through 2024; the rates presented here are the rates set to take effect in 2024 unless otherwise noted.</i>					
<i>Value-added (per \$1,000)</i>		<i>(3) San Francisco's "Administrative Office" tax rate is the current (2021) rate and only applies to firms with 1,000+ U.S. employees and \$1 Billion or more in annual U.S. sales. San Francisco levies an additional 1.5% (\$15/\$1,000) Homelessness Tax on these firms.</i>					
<i>Local (In-City) Expenses (per \$1,000)</i>		<i>(4) These categories did not have a specific rate listed in the city's tax schedule and were therefore assigned the rate in the city's "Miscellaneous" category.</i>					
<i>Gross payroll (per \$1,000)</i>							
<i>Per permit or per Vehicle</i>							
<i>Per Owner/Officer/Employee</i>							

CITY COUNCIL PROPOSED BUSINESS TAX STRUCTURE

Prior to the creation of the Task Force, the City Council proposed a re-design of the Business Tax (the “City Council Proposal”) in 2020.² The City Council Proposal introduces a tiered or progressive rate structure for most business sectors, in which businesses with higher gross receipts totals pay higher rates relative to businesses in the same sector earning lower gross receipts. As shown in Figure 5, the affected sectors—i.e., those from which the City Council proposes raising additional revenue—account for roughly half of business tax revenues generated under the current tax code.

FIGURE 5: FY 2019-20 REVENUES RAISED, BY SECTOR

Affected Sectors			Unaffected Sectors		
A	Retail Sales	\$4,558,922	L	Trucking & Transportation*	\$82,430
C	Auto Sales	\$850,949	M	Residential Rental	\$20,902,935
D	Wholesale Sales	\$2,678,348	N,O	Commercial Rental	\$13,726,051
I, J	Manufacturing	\$898,972	X	Taxicabs*	\$25,020
K	Admin Headquarters	\$1,173,484	Y	Ambulances & Limousines*	\$4,223
T	Media Firms	\$462,635	Z	Cannabis	\$11,593,521
W	Miscellaneous	\$25,813	NP	Non-Profit	\$20,778
B	Grocers	\$516,842			
E	Business & Personal Services	\$5,142,362			
H	Contractors	\$7,415,619			
P	Hotel, Motel	\$459,185			
F	Prof. & Semi-Professional Services	\$18,419,956			
G	Recreation And Entertainment	\$1,291,082			
U	Utility Companies	\$786,275			
TOTAL		\$44,702,100	TOTAL		\$46,354,958

* The Task Force was presented with information regarding the changes to the Trucking & Transportation, Taxicabs, and Ambulance & Limousine sectors proposed by Council Member Kalb but did not take any action on these proposals.

According to analysis prepared by the City Finance Department, the City Council Proposal would have raised an estimated \$27 million in additional revenue in FY 2018-19 (assuming no change in business activity in the City due to the tax increase). By FY 2023-24—the first year of full implementation if the voters were to approve this proposal in November 2022—the proposal would add a projected \$34.7 million over current law, a 34% increase in taxes collected over the status quo system and a 72% increase in revenue from the affected sectors.

² Adam Benson, “Equitable Business Tax Update,” July 8, 2020. This memo assesses the fiscal impacts of two separate City Council proposals. For purposes of this memorandum, the City Council’s proposal is the one referred to as “Proposal 2” in the Department of Finance memorandum.

City Council's new proposed tax rates

For all business categories impacted by the City Council Proposal, progressively increasing marginal tax rates are imposed across five new tax brackets (see Figure 6). For the retail and wholesale sales sectors, the proposed tax rates imposed on the lowest bracket of gross receipts (from \$0 to \$1 million) are lower than the rates imposed on those sectors under current law. For most other sectors, small businesses would face an increase in taxes. For example, businesses with less than \$1 million in gross receipts in the Administrative Headquarters, Miscellaneous, and Contractors sectors would see an increase of over \$1.00 per \$1,000 relative to each sector's current rate.

Across all sectors except for retail and wholesale sales, the marginal rates imposed at the highest bracket (above \$50 million in gross receipts) are at least twice as high as the sector's current rate. For the Auto Sales, Manufacturing, Administrative Headquarters, and Miscellaneous sectors, this top rate is over four times greater than the sector's current rate.

The City Council Proposal largely generates additional revenue by shifting the business tax burden onto larger businesses. Those receiving over \$50 million in gross receipts annually in FY 2023-24 would account for \$21.4 million in additional revenue—nearly two-thirds of the total additional revenue raised. The proposal reduces taxes on businesses with less than \$250,000 in gross receipts by over \$1.5 million, due to two new tax relief measures proposed for small businesses.

FIGURE 6: CITY COUNCIL PROPOSAL

Sector	Current Law, Tax per \$1,000	City Council Proposal – Tax Rates by Bracket (Gross Receipts, mil \$)				
		\$0 – \$1.0	\$1 – \$2.5	\$2.5 - \$25	\$25 - \$50	Over \$50
Retail Sales	\$1.20	\$0.75	\$1.00	\$1.25	\$1.50	\$2.00
Auto Sales	\$1.20	\$1.25	\$2.25	\$3.25	\$4.25	\$5.25
Wholesale Sales	\$1.20	\$0.75	\$1.00	\$1.25	\$1.50	\$2.00
Manufacturing	\$1.20	\$1.25	\$2.25	\$3.25	\$4.25	\$5.25
Admin Headquarters	\$1.20	\$3.50	\$4.50	\$5.50	\$6.50	\$7.00
Media Firms	\$1.20	\$1.80	\$2.80	\$3.80	\$4.80	\$5.00
Miscellaneous	\$1.20	\$3.50	\$4.50	\$5.50	\$6.50	\$7.00
Grocers	\$0.60	\$0.60	\$1.00	\$1.25	\$1.50	\$2.00
Business & Personal Services	\$1.80	\$2.00	\$3.00	\$4.00	\$5.50	\$6.00
Contractors	\$1.80	\$3.00	\$3.50	\$4.00	\$4.50	\$5.00
Hotel, Motel	\$1.80	\$1.80	\$2.80	\$3.80	\$4.80	\$5.00
Prof. & Semi-Prof. Servs	\$3.60	\$4.00	\$4.50	\$5.00	\$5.50	\$7.50
Recreation & Entertainment	\$4.50	\$4.50	\$4.60	\$4.70	\$4.80	\$5.00
Utility Companies	\$1.00	\$1.80	\$2.80	\$3.80	\$4.80	\$5.00

City Council’s proposed tax relief for small businesses

The City Council Proposal includes two measures that would reduce tax bills for small businesses.

1. *Maximum tax payment for small businesses:* Businesses that both (i) receive annual gross receipts of less than \$250,000; and (ii) are not in the residential property, commercial property, or cannabis sectors, may make an “alternative” tax payment of \$100 rather than the calculated payment under the City Council Proposal’s standard rates.
2. *Elimination of the minimum payment:* The City Council Proposal would eliminate the standard minimum payment of \$60 that under current law applies to most business sectors.

TASK FORCE PROPOSED TAX RATES

At the meeting held on September 30, 2021, the Task Force voted by a vote of 7 ayes (Katz, Fike, Oke, Ortega, Swafford, Takata-Vasquez, Wanzo) to 3 nays (Kwamilele, Larsen, Williams) to approve a rate proposal with the following characteristics:³

³ Member Minh Tsai was not in attendance and did not vote.

1. A tiered or progressive rate structure in which larger businesses pay a higher rate relative to smaller businesses in the same category. Rates vary from \$0.45 per \$1,000 of gross receipts for grocers to \$15 per \$1,000 in payroll for large administrative headquarters firms.
2. Seven distinct marginal tax brackets with gross receipts up to the bracket threshold taxed at the bracket rate, and revenue over the bracket threshold taxed at the higher rate in the next bracket.
3. A net tax reduction for some of the smallest businesses in the City, averaging about \$60 for approximately 20,000 businesses. This reduction is comprised of a lowering of the minimum payment from \$60 to \$50 for some businesses, and a reduction relative to current rates for other small businesses in some categories.
4. The creation of a new administrative headquarters tax for large national firms with administrative functions in Oakland. This tax would apply in lieu of the regular payroll-based administrative headquarters tax for firms with more than 1,000 employees nationally and \$1 billion in revenue. The tax rate would be \$15 per \$1,000 of Oakland based payroll.

The specific tax rates are presented in Figure 7 below.

FIGURE 7: TASK FORCE PROPOSAL

Sector	Current Law, Tax per \$1,000	Task Force Proposal – Tax Rates by Bracket (Gross Receipts, mil \$)						
		\$0 - \$1.0	\$1 - \$2.5	\$2.5 - \$10	\$10 - \$25	\$25 - \$50	\$50 - \$75	Over \$75
Retail Sales	\$1.20	\$0.90	\$1.08	\$1.25	\$1.50	\$1.75	\$2.00	\$2.50
Auto Sales	\$1.20	\$1.20	\$1.25	\$1.50	\$1.75	\$2.00	\$2.25	\$2.75
Wholesale Sales	\$1.20	\$1.08	\$1.14	\$1.25	\$1.50	\$1.75	\$2.00	\$2.50
Manufacturing	\$1.20	\$0.90	\$1.20	\$2.25	\$2.75	\$3.00	\$3.25	\$4.80
Admin Headquarters	\$1.20	\$3.50	\$4.50	\$5.00	\$5.50	\$6.00	\$6.50	\$7.00
Media Firms	\$1.20	\$1.80	\$2.80	\$3.20	\$3.80	\$4.80	\$5.00	\$5.50
Miscellaneous	\$1.20	\$3.50	\$4.50	\$5.00	\$5.50	\$6.00	\$6.50	\$7.00
Grocers	\$0.60	\$0.45	\$0.54	\$1.00	\$1.35	\$1.50	\$1.75	\$2.00
Business & Pers. Svcs	\$1.80	\$1.62	\$1.71	\$3.25	\$4.00	\$5.00	\$5.25	\$6.00
Contractors	\$1.80	\$1.80	\$2.75	\$4.00	\$4.50	\$5.00	\$5.50	\$6.00
Hotel, Motel	\$1.80	\$1.62	\$1.71	\$3.80	\$4.80	\$5.00	\$5.25	\$5.50
Prof. & Semi-Prof. Svcs	\$3.60	\$3.24	\$3.42	\$5.00	\$5.00	\$5.50	\$6.50	\$7.50
Recr. & Entertainment	\$4.50	\$4.50	\$4.70	\$4.70	\$4.70	\$4.80	\$5.00	\$5.50
Utility Companies	\$1.00	\$4.00	\$4.50	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00

FISCAL AND ECONOMIC EFFECTS OF PROPOSED TAX CHANGES

The task force reviewed estimated fiscal and economic impacts of the proposed tax changes, compared both to current law and the City Council Proposal. The estimated fiscal and economic impacts considered by the Task Force were based on analysis conducted by City staff and the Blue Sky Consulting Group showing that business responsiveness to tax rates depends on the cost of locating elsewhere and the nature of the customers served by the business, among other factors. For instance, businesses in some sectors functionally cannot “move” locations. Construction contractors, for example, must pay business taxes on the gross receipts derived from projects located inside City borders, regardless of where the contractor’s offices are located. Similarly, restaurants, grocery stores, dry cleaners, and other locally-serving retailers and service providers need to be near customers and therefore are less likely to move in response to a tax change. In contrast, professional service firms, for example, can relocate more easily to offices in other jurisdictions if business conditions (including tax rates) make such a move more attractive. Firms that sell primarily to customers outside of the City, such as manufacturers, may not be able to pass on tax increases to customers since competing firms located outside of the City are not impacted by the tax increase.

For the Task Force’s purposes, estimation of the additional tax revenue generated by a given tax proposal was subject to both “static” and “dynamic” scoring. Under a static model, taxpayers do not adjust their behavior in response to changes in tax rates. Static estimates of future revenues generated by the City’s business tax, therefore, assume that the City’s economic growth is the same whether current rates remain in effect or are replaced with a tax increase. Static scoring likely overestimates the revenue generated by a business tax increase, since it fails to account for revenues lost due to businesses choosing to relocate or expand outside the City in response to the increase in rates. However, such a scoring provides a baseline for comparing across proposals. Under a dynamic model, by contrast, the fiscal analysis accounts for behavioral changes on the part of taxpayers (i.e. some taxpayers relocate, grow more slowly, expand outside of the City or choose to locate in a different jurisdiction in response to the tax increase).

For purposes of estimating the revenues generated by the proposals considered by the Task Force, three separate estimates are provided:

- The Static Scenario shows the estimated tax revenues generated by each proposal given an assumption that the City’s business sectors would grow at the same rate regardless of whether the current rates remain in effect or are replaced with higher tax rates.
- The Constant Elasticity Scenario shows the revenues that would be generated if all businesses respond in the same way to a tax increase; specifically, estimates were developed based on an elasticity of -0.2, indicating that if a given tax proposal raises the total state and local tax burden (including estimated property and state income taxes) on

a business by 10%, the business's projected gross receipts will be reduced by 2% relative to the gross receipts projected under the Static Scenario.

- The Variable Elasticity Scenario estimates the likely effects of a proposal based on the theory that larger increases in taxes produce a larger response from businesses. Under this scenario, small changes in taxes are estimated to produce a small change in economic activity (elasticity of -0.1) while larger changes in taxes produce a larger change in economic activity (elasticity of -0.6).

Fiscal and Economic Effects of Proposed Changes

Figure 8 presents the estimated revenue to be generated from both the City Council Proposal and the Task Force Proposal. As shown in Figure 8, under the Static Scenario, the City Council Proposal would generate \$34.7 million in additional revenue in FY 2023-24 while the Task Force Proposal would generate \$35.7 million. Under the Variable Elasticity Scenario, which takes into account the likely response of businesses to the tax change, the City Council Proposal is estimated to generate \$30.78 million compared with \$32.72 under the Task Force Proposal.

FIGURE 8: ESTIMATED REVENUE FROM TASK FORCE PROPOSAL

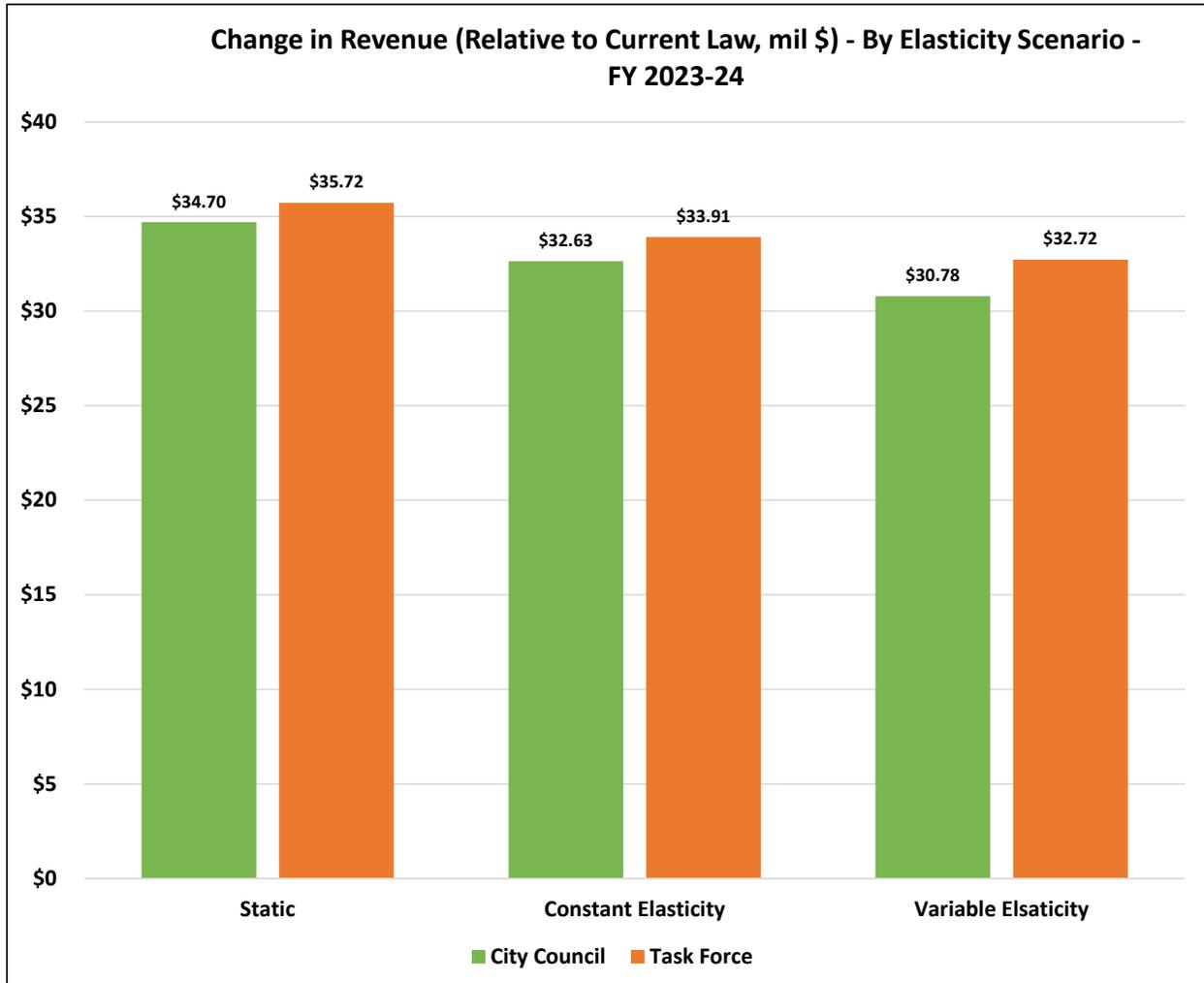


Figure 9 shows the estimated change in jobs likely to result from each proposal. Under the Constant Elasticity Scenario, which assumes the same response across all businesses, the net reduction in jobs would be approximately 1,300 under both the City Council and the Task Force Proposals. Under the Variable Elasticity Scenario, which estimates a larger business reaction to larger tax increases, the City Council Proposal is estimated to result in a reduction of about 2,300 jobs compared with a reduction of about 2,250 jobs under the Task Force Proposal.⁴

⁴ Note that the City's private sector employment is approximately 200,000.

FIGURE 9: ESTIMATED CHANGE IN JOBS

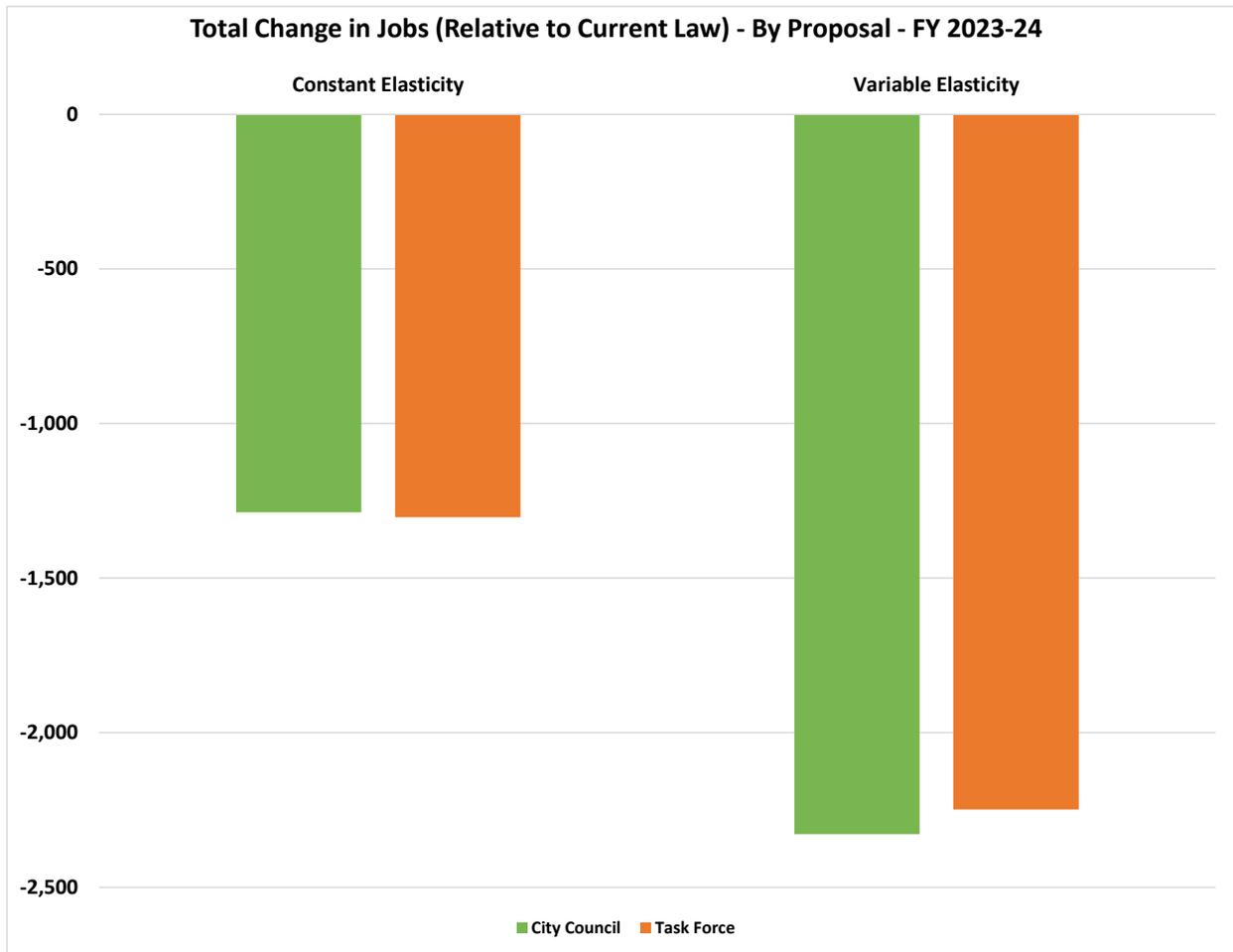


Figure 10 shows the extent to which the current tax system, the City Council Proposal and the Task Force Proposal rely on the largest 10 taxpayers to generate revenue. Under current law, these 10 taxpayers are expected to account for 11.3% of tax revenue from the sectors affected by the Task Force Proposal. Both the City Council Proposal and the Task Force Proposal would rely more heavily on these 10 taxpayers, who would account for 18.1% and 22.0% of revenue, respectively.

FIGURE 10: PERCENT OF REVENUE FROM LARGEST 10 TAXPAYERS

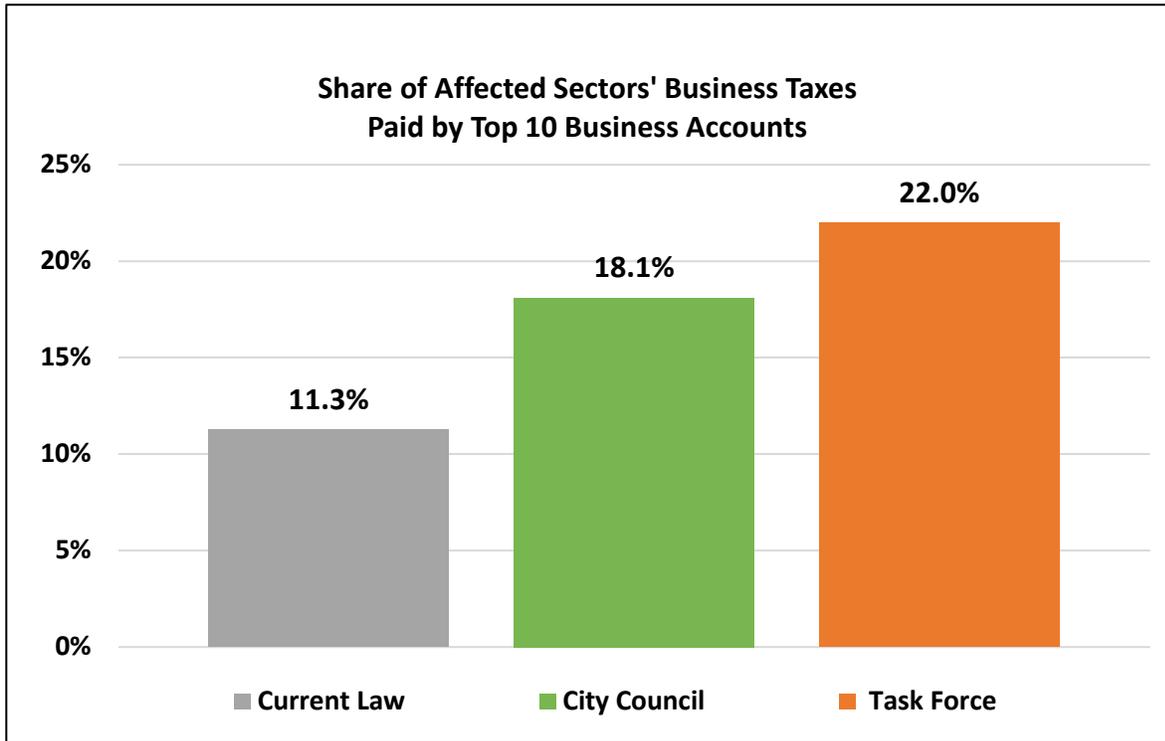


Figure 11 shows the estimated increase in taxes for affected sectors. Under both the City Council Proposal and the Task Force Proposal, the retail sector would experience an overall reduction in taxes, although the City Council Proposal would reduce taxes on this sector more. Relative to the City Council Proposal, the Task Force proposal would increase taxes less on the automobile sales, manufacturing, grocery, business and personal services, contactors, and professional services sectors. Tax increases would be somewhat higher relative to the City Council Proposal for the wholesale, media, recreation and entertainment, and utility sectors. Both proposals would significantly increase taxes on administrative headquarters companies, with taxes increasing by more than 400% under the City Council Proposal and more than 760% under the Task Force Proposal.

FIGURE 11: ESTIMATED CHANGE IN TAX PAYMENTS

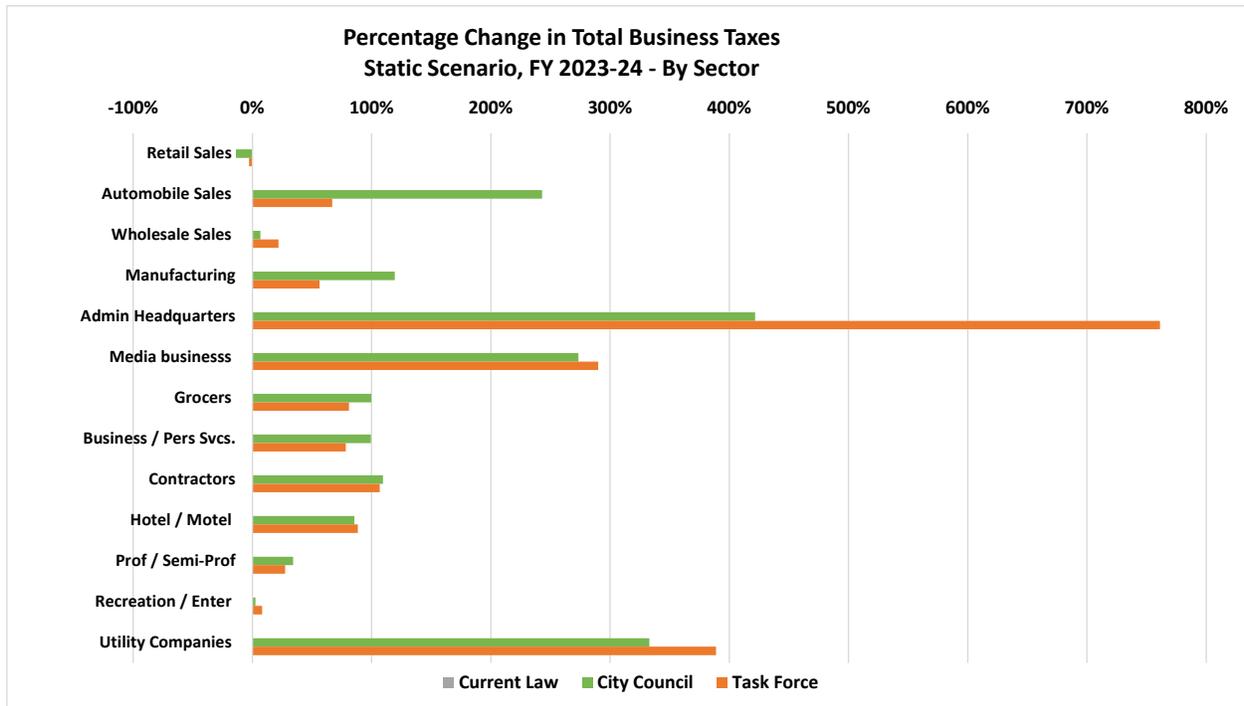


Figure 12 shows the change in taxes by firm size. Both the City Council and the Task Force Proposals would result in small reductions in taxes for the smallest firms (less than \$250,000 in gross receipts). Taxes for businesses with between \$250,000 and \$1 million in gross receipts would increase modestly under both proposals. Similarly, both proposals would significantly increase taxes for businesses with more than \$100 million in gross receipts or Oakland payroll, which represent the largest 24 firms in the City. Specifically, the City Council Proposal would raise an additional nearly \$16 million from these firms while the Task Force Proposal would raise nearly \$20 million from these firms.

FIGURE 12: CHANGE IN TAXES BY FIRM SIZE

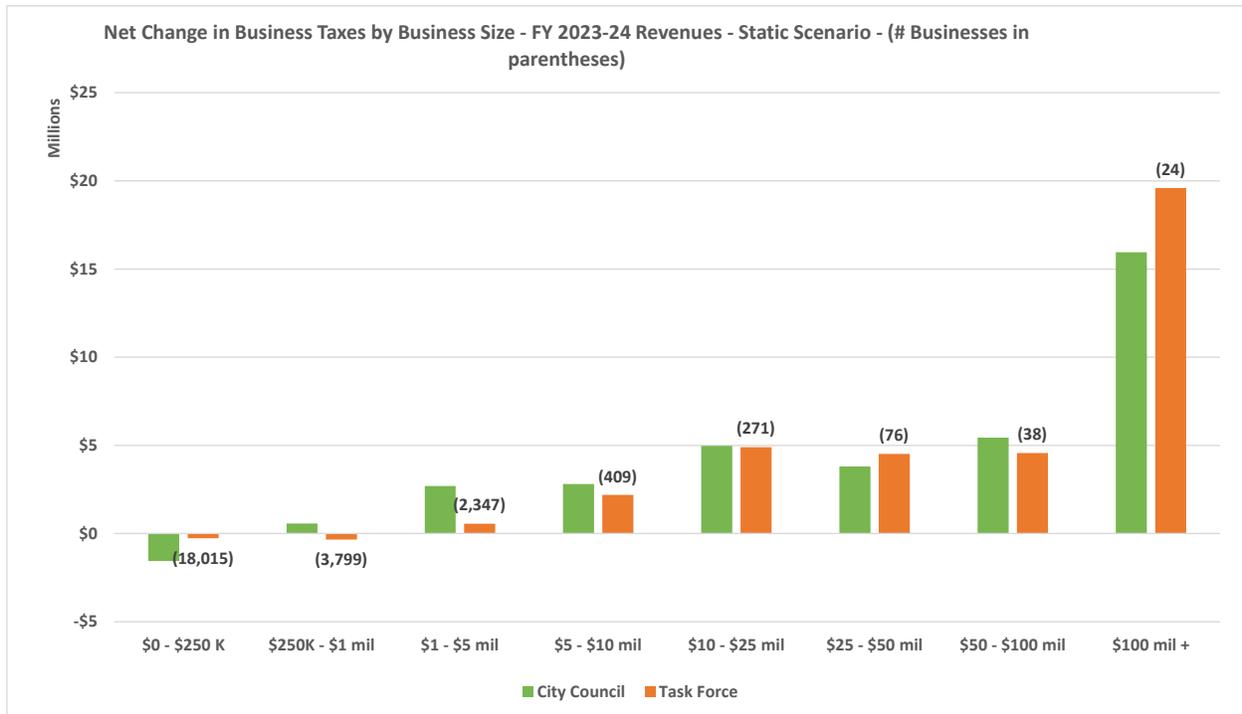


Figure 13 shows the likely tax reduction for the smallest firms in the City. Under the City Council Proposal, an estimated 17,466 firms would receive a net reduction in taxes, with an average reduction of \$138 annually. Under the Task Force Proposal, an estimated 20,779 firms would receive an average reduction in taxes of \$62 annually.

FIGURE 13: SMALL BUSINESS TAX REDUCTION

TAX BREAKS FOR SMALL BUSINESSES		
	City Council	Task Force
Businesses with Tax Cut of \$100+		
# Businesses Benefitting	5,665	3,675
Avg. Tax Cut	(\$328)	(\$255)
Total Cost	(\$1,856,797)	(\$938,452)
Businesses with Tax Cut of < \$100		
# Businesses Benefitting	11,801	17,104
Avg. Tax Cut	(\$47)	(\$21)
Total Cost	(\$550,023)	(\$351,067)
All Businesses with Tax Cut		
# Businesses Benefitting	17,466	20,779
Avg. Tax Cut	(\$138)	(\$62)
Total Cost	(\$2,406,820)	(\$1,289,520)

Impact of COVID-19

The COVID-19 pandemic, which began in early 2020, resulted in steep and sudden increases in unemployment and reductions in economic activity in the City of Oakland and across the country as many businesses closed to prevent the spread of the infection. This had a negative impact on many of the City’s most important revenue sources, including the BLT as well as the sales tax, Transient Occupancy Tax, and parking-related revenues.

Some of the negative economic impacts of the pandemic were partially mitigated by state and federal programs such as the Paycheck Protection Program, which allowed many Oakland businesses to remain open even as their revenue fell, and increased unemployment benefits for Oakland residents, which provided crucial funds for Oakland families to meet their basic needs and allowed these individuals to continue to patronize local businesses. These programs offered critical support over the past 18 months and likely prevented even worse economic and fiscal outcomes.

Going forward, the impact of the pandemic and the related shift to remote work remains uncertain. To the extent business travelers choose video conferences over in-person meetings, consumers continue to prefer online to in-person shopping, and commuters telecommute rather than return to in-person work, the City’s economy will continue to suffer, and with it the City’s revenue receipts.

The estimated fiscal and economic effects considered by the Task Force envision a return to pre-pandemic levels of economic activity for most sectors by the first year of full implementation of the proposed tax rate changes (i.e. 2023-24), although some continued telework is anticipated and travel is not expected to return to pre-pandemic levels for several years. To the extent telework persists at its current high level, or business and leisure travelers do not eventually return to the city's hotels, shops, and restaurants, the results considered by the Task Force may be overly optimistic. Additionally, while the dynamic scenarios capture expected losses from business exits, City revenues are highly sensitive to the departure of a small number of the largest firms. Therefore, actual losses driven by exits may be larger than predicted.

USE OF REVENUE

To provide ongoing recommendations with respect to the City's disbursement of the additional revenues raised by the BLT and to support small businesses and contribute towards a thriving business community in the City of Oakland, the City Council should create a Business Community Advisory Board, modeled on the Community Advisory Board established in connection with the City's enactment of the Sugar-Sweetened Beverage Distribution Tax. This board should include members representing:

- 1) Businesses located within the City, including both new and well-established businesses from a wide range of sectors, including a representative from each council district. The make-up of the Advisory Board should be representative of the make-up of businesses located within the City.
- 2) Business organizations and alliances, especially those with broad and diverse membership bases.
- 3) Non-profit organizations, with particular focus on those providing research, advocacy, technical assistance, and educational services related to small business formation, employee empowerment, and sustainable and equitable economic growth.

The Task Force considered how the funds raised by the proposed increases in tax rates should be spent and made the following recommendations:

- 1) *Support of small business loan initiatives:* A portion of the additional revenue raised should be allocated for financial support of City's small business community through grants or loan programs.
- 2) *Shared City resource for small businesses:* The City Council should consider funding a range of initiatives that would support the attraction and retention of businesses.

-
- a) Hiring additional City staff to conduct outreach to small businesses, market opportunities for support, and educate employees on the benefits of forming worker cooperatives.
 - b) Further funding the City's Business Improvement Districts, which already perform much of this work and invest in district improvements.
- 3) Increased funding for city services: To attract and retain businesses, the City Council should spend more on the services that keep commercial neighborhoods clean and welcoming, including, for example:
- a) Stricter enforcement of rules against illegal dumping, more timely street cleaning, and the placement of additional public litter receptacles.
 - b) Increased funding for services and shelter for the homeless.
- 4) Making commercial retail space more accessible and affordable: The City should look for ways to incentivize property owners to make retail space more accessible and affordable for small businesses.
- 5) Provide sufficient additional resources needed for tax collection and enforcement. The City should provide sufficient additional staff and other resources to ensure adequate enforcement and collection of the business tax.

~~[To Be Added After Discussion by Task Force]~~



City of
OAKLAND California



CITY OF OAKLAND

BLUE RIBBON EQUITABLE BUSINESS TAX

TASK FORCE

ANALYSES AND RECOMMENDATION REPORT

Members:

Ari Takata-Vasquez, Chair, (District 2); Cynthia Larsen, Vice Chair (Mayor); Tasion Kwamilele, (At Large) Winter Williams (District 1); Adrionna Fike (District 3); Daniel Swafford (District 4); Minh Tsai (District 5); Ben Wanzo (District 6); Zain Oke, (District 7); Michael Katz (Resolution Appointment 1/12/2021); Elizabeth Ortega, (Resolution Appointment 1/12/2021)

Date of Issuance: Thursday, October 21, 2021

CONTENTS

EXECUTIVE SUMMARY	1
BLUE RIBBON EQUITABLE BUSINESS TAX TASK FORCE TASKS AND FUNCTIONS	2
Background	2
Task Force Process.....	3
Task Force Support and Materials Reviewed	4
Community and Stakeholder Outreach	6
OVERVIEW OF CURRENT BUSINESS TAX STRUCTURE	6
TAX RATES IN COMPARABLE JURISDICTIONS	7
CITY COUNCIL PROPOSED BUSINESS TAX STRUCTURE	11
City Council’s new proposed tax rates	12
City Council’s proposed tax relief for small businesses.....	13
TASK FORCE PROPOSED TAX RATES	13
FISCAL AND ECONOMIC EFFECTS OF PROPOSED TAX CHANGES	14
Fiscal and Economic Effects of Proposed Changes.....	15
Impact of COVID-19.....	21
USE OF REVENUE	22

EXECUTIVE SUMMARY

On January 12, 2021, the Oakland City Council amended Resolution No. 88227, which created a limited duration 11-member Blue Ribbon Equitable Business Tax Task Force (“Task Force”) to, “after thorough analysis and extensive community and stakeholder engagement, deliver for Council adoption [by October 31, 2021] a comprehensive recommendation for a modernized progressive business tax structure that achieves the City’s goals for revenue enhancement, reduction of race and equity disparities, tax code modernization, equitable economic development, and living wage job creation.” The Task Force held its meetings between April and October 2021. The Task Force engaged various stakeholders during their meetings, reviewed economic data provided by City staff and the consulting team from the Blue Sky Consulting Group, and examined tax rates in comparable and neighboring jurisdictions.

At the meeting held on September 30, 2021, the Task Force voted by a vote of 7 ayes to 3 nays to approve a tiered or progressive rate structure in which larger businesses pay a higher rate relative to smaller businesses in the same category. Rates vary from \$0.45 per \$1,000 of gross receipts for grocers to \$15 per \$1,000 in payroll for large administrative headquarters firms. Under the adopted Proposal, approximately 20,000 of the smallest businesses in the City (about 39% of all businesses) would see a tax reduction averaging about \$60 while approximately 1,500 larger business (about 3% of all businesses) would see increases in taxes, with substantial increases for the largest businesses. In addition, the Task Force Proposal would create a new administrative headquarters tax for large national firms with administrative functions in Oakland. This tax would apply in lieu of the regular payroll-based administrative headquarters tax for firms with more than 1,000 employees nationally and \$1 billion in revenue. The tax rate would be \$15 per \$1,000 of Oakland based payroll; on average administrative, headquarters firms would see a tax increase of more than 760%.

To provide ongoing recommendations with respect to the City’s disbursement of the additional revenues raised by the Business License Tax, the Task Force recommended that the City Council create a Business Community Advisory Board with broad representation reflecting the diversity of the City’s business community. The Task Force further recommended that the additional revenue be used for support of small business loan initiatives, funding a range of initiatives that would support the attraction and retention of businesses, increased funding to keep commercial neighborhoods clean and welcoming, efforts to make commercial retail space more accessible and affordable, and providing sufficient funding for collection and administration of the Business License Tax.

If placed on the ballot by the City Council and approved by the voters, the proposal is expected to raise an additional \$32.7 million for the City of Oakland, with the substantial majority of these revenues coming from the City’s largest firms.

BLUE RIBBON EQUITABLE BUSINESS TAX TASK FORCE TASKS AND FUNCTIONS

Background

On January 12, 2021, the Oakland City Council amended Resolution No. 88227, which created a limited duration 11-member Blue Ribbon Equitable Business Tax Task Force (“Task Force”) to, “after thorough analysis and extensive community and stakeholder engagement, deliver for Council adoption [by October 31, 2021] a comprehensive recommendation for a modernized progressive business tax structure that achieves the City’s goals for revenue enhancement, reduction of race and equity disparities, tax code modernization, equitable economic development, and living wage job creation.”

The amended Resolution called for the Mayor and each Councilmember to appoint one Task Force member and stated that the make-up of the Task Force should consist, “to the greatest extent practicable,” of at least one member in each of the following categories but no more than two members representing any one category:

- a) the very small business community (gross receipts below \$2.5M);
- b) the small to mid-sized business community (gross receipts below \$10M);
- c) large businesses (gross receipts above \$25M);
- d) an organization which focuses on economic development, entrepreneurship, or business development, with experience working in the City of Oakland;
- e) an economic expert or tax professional who has experience analyzing economic trends and business tax structures; and
- f) a community organization or labor union who has experience with City budgets and/or City services.

All members of the Task Force serve a single term beginning on their respective date of appointment and ending on January 1, 2022 unless the Task Force and members’ terms of appointment are extended by appropriate Council action. A list of the Task Force members is presented in Figure 1.

FIGURE 1: BLUE RIBBON TASK FORCE MEMBERS

Task Force Member	District Council Member	Category
Ari Takata-Vasquez, Chair , Small Business Owner, Executive Director of Oakland Indie Alliance, Oakland Resident	District 2: Nikki Fortunato Bas	A
Cynthia Larsen, Vice Chair , Director, Corporate Tax at Blue Shield of CA	Mayor Schaaf	C E
Tasion Kwamilele , Schnitzer Steel, Oakland resident	At Large: Rebecca Kaplan	C
Winter Williams , Small Business Owner, prior banking background, Oakland Resident	District 1: Dan Kalb	A
Adrionna Fike , Member/Owner of Mandela Grocery Cooperative *	District 3: Carol Fife	A
Daniel Swafford , BID District Manager for Montclair and Laurel, Oakland Resident	District 4: Sheng Thao	D
Minh Tsai , Founder and CEO of HODO Foods	District 5: Noel Gallo	B
Ben Wanzo , College Professor. Incubator lab/small business, Oakland Resident	District 6: Loren Taylor	A D
Zain Oke , Small Business Owner and former tax consultant for Deloitte, Oakland Resident	District 7: Treva Reid	A
Michael Katz , Regional Organizer for East Bay Works, Oakland Resident	Resolution Appointment	F
Elizabeth Ortega , Executive Secretary-Treasurer for Alameda Labor Council	Resolution Appointment	F

* Member Fike replaced Member Jessica Moncada Konte.

Task Force Process

The Task Force held its meetings every other Thursday beginning on April 22, 2021 with the last meeting held on October 21, 2021. Pursuant to the Governor’s Executive Order N-29-20, these meetings were conducted virtually, with Task Force members, City staff, and the public attending via video conferencing software. Recordings of the Task Force meetings, along with related documents such as the posted agendas and minutes, are available on the City of Oakland’s website at <https://www.oaklandca.gov/boards-commissions/blue-ribbon-equitable-business-tax-task-force>.

To facilitate their work, the Task Force established ad hoc subcommittees to focus on specific areas of interest. These subcommittees met as needed (typically once during the weeks when

no Task Force meeting was scheduled) and provided updates at subsequent Task Force meetings. Originally three subcommittees were formed:

- Committee A: Job Quality & Employment (Katz, Konte, Kwamilele and Oke)
- Committee B: Business Mobility, Real Estate, Attraction & Retention (Katz, Takata-Vasquez, Wanzo, and Williams)
- Committee C: Tax Categories & Implementation (Larsen and Swafford)

As of August 19, the Task Force disbanded the three existing subcommittees and created three new ad hoc subcommittees:

- Committee 1: Use of Funds (Swafford and Williams)
- Committee 2: Review of proposals called “City Council” and “City Council Alternate” (Katz, Kwamilele, Larsen and Ortega)
- Committee 3: Review of proposals from former Subcommittee C (Takata-Vasquez and Wanzo)

On September 16, the Task Force disbanded Subcommittees 2 and 3 and formed a new subcommittee to review the tax rates under consideration and provide additional guidance to the full Task Force:

- Committee 4: (Fike, Katz, Oke, Takata-Vasquez, and Wanzo)

Task Force Support and Materials Reviewed

Support for the Task Force was provided by City of Oakland staff and the Blue Sky Consulting Group. City staff and the consulting team provided the Task Force with relevant presentations and reports, including the July 8, 2020 report to the City Council prepared by City staff and the Beacon Economics report presented to the City Council on July 7, 2020.

Additional presentations, prepared using the most recent Business License Tax (BLT) data and economic forecasts prepared by City staff and the Blue Sky Consulting Group, were also prepared and distributed to the Task Force members. Key materials prepared by City staff and the Blue Sky Consulting Group include the following:¹

April 22, 2021: Orientation materials including an overview of the Brown Act Sunshine Ordinance and Robert’s Rule of Order.

“Designing a Progressive Business Tax” presentation, including an overview of the City’s General Purpose Fund (GPF) revenue sources; detailed data for the BLT including the current BLT structure and historical actuals and current

¹ All presentations and materials provided to the Task Force are available at the Task Force [website](#).

revenue forecasts; detailed information for the number of businesses, gross receipts reported, and tax revenues collected by business sector and business size; an overview of the Task Force’s goals and the economic trade-offs these goals may involve.

April 29, 2021: “Designing a Progressive Business Tax” updated presentation with historical data on the annual number of BLT accounts and BLT revenue by sector; comparative information on business tax structures and rates for other major California cities (e.g., San Jose and Los Angeles) and surrounding cities (e.g., Emeryville, Berkeley, and Richmond).

May 13, 2021: “Evaluating Potential Impacts from Changes to Oakland’s Business Tax” presentation with discussion of business mobility and factors that influence location decisions; review of economic literature on how businesses respond to tax changes and the impact these changes have on overall economic activity; Oakland job market statistics and data on the largest Oakland employers and employment by sector and size; considerations for the Task Force including what to consider when evaluating potential changes to the BLT rate structure.

May 27, 2021: “Blue Ribbon Equitable Business Tax Task Force” presentation with detailed data on the number of businesses, tax revenue collected, and gross receipts reported by sector and by size; illustrative examples of Oakland businesses of various types and sizes to show current business taxes in context of other financial data; estimates of the share of other Oakland tax revenues (e.g., property taxes, sales taxes, and transient occupancy taxes) from Oakland businesses, by business sector.

In addition, the Blue Sky Consulting Group developed a model to estimate the fiscal and economic impacts of changes to Oakland’s BLT rate structure. This model relies on the City’s BLT data as well as up-to-date forecasts of economic activity in Oakland to estimate BLT revenue. The model presents the overall estimated change in tax revenue under specified proposals, as well as detailed estimates of the changes to City BLT revenue by business sector and by business size. The model uses both a “static” analysis, which estimates the revenue change assuming no business response to the tax changes, and a “dynamic” analysis, which assumes businesses will respond to the tax changes. As such, it provides estimates not only of BLT revenue but also of changes in Oakland economic activity. This model was used extensively both at the Task Force meetings and at the subcommittee meetings to analyze the original City Council proposal as well as alternatives suggested by members of the Task Force.

Community and Stakeholder Outreach

The Task Force engaged various stakeholders during their meetings. These included members of the business community in Oakland and representatives of the cities of Richmond and San Francisco. A list of the Task Force and subcommittee guest speakers is provided below.

- Council President Fortunato-Bas (Task Force Meeting, May 27)
- May Seto Wasem, owner of Grand Lake Kitchen (Subcommittee A, June 30)
- Kris Kwei, President at Oakland Kia / Managing Principal at Broadway Investors LLC (Subcommittee A, June 30)
- Barbara Leslie, President/CEO of Oakland Metropolitan Chamber of Commerce. (Task Force Meeting, July 22)
- Heidi Pickman, Vice President, Programs & Policy, of California Association of Micro Enterprise Opportunity (CAMEO) (Task Force Meeting, August 5)
- Edward Del Beccaro, Executive Vice President / SF Bay Area Regional Manager of TRI Commercial Real Estate Services, Inc. (Task Force Meeting, August 5)
- Antonio Banuelos, Revenue Manager, City of Richmond (Task Force Meeting, August 19)
- Ted Egan, Chief Economist, City & County of San Francisco (Task Force Meeting, September 2)
- Hilary Abell, Co-Founder, Project Equity (Task Force Meeting, September 16)

OVERVIEW OF CURRENT BUSINESS TAX STRUCTURE

The BLT applies to businesses located or operating within the City of Oakland. The current tax system classifies businesses into 22 separate categories, each with their own rate structure. For most businesses, taxes are based on the total gross receipts received by the business during a calendar year for economic activity in the City. Certain sectors pay BLT based on value added, employees, permits, or total Oakland payroll.

As shown in Table 1, tax rates vary from \$0.60 per \$1,000 in gross receipts for grocers to \$13.95 per \$1,000 for residential and commercial landlords. Many businesses, including retail businesses and restaurants, pay \$1.20 per \$1,000 in gross receipts (i.e., 0.12% of gross receipts). Many other businesses, including business & personal services firms and contractors, pay \$1.80 per \$1,000 in gross receipts. There is also a minimum tax payment of \$60. While the current tax structure applies varying rates across sectors, the same rate applies to all businesses within a given sector, regardless of their size.

FIGURE 2: TAX RATES AND MINIMUM PAYMENTS BY BUSINESS SECTOR (CURRENT LAW)

Code	Sector	Tax Basis	Minimum Tax	Tax per \$1,000
A	Retail Sales	Gross Receipts	\$60.00	\$1.20
C	Auto Sales	Gross Receipts	\$60.00	\$1.20
D	Wholesale Sales	Gross Receipts	\$60.00	\$1.20
I	Manufacturing	Value Added	\$60.00	\$1.20
J	Manufacturing (2)	Oakland Expenses	\$60.00	\$1.20
K	Admin Headquarters	Gross Payroll	\$60.00	\$1.20
T	Media Firms	Gross Receipts	\$60.00	\$1.20
W	Miscellaneous	Gross Receipts	\$60.00	\$1.20
B	Grocers	Gross Receipts	\$60.00	\$0.60
E	Business & Personal Services	Gross Receipts	\$60.00	\$1.80
H	Contractors	Gross Receipts	\$60.00	\$1.80
O	Commercial Rental - 5-Yr Exempt [^]	Gross Receipts	\$60.00	\$1.80
P	Hotel, Motel	Gross Receipts	\$60.00	\$1.80
F	Professional & Semi-Prof. Services	Gross Receipts	\$60.00	\$3.60
G	Recreation And Entertainment	Gross Receipts	\$60.00	\$4.50
L	Trucking & Transportation	Employees	None	N/A
M	Residential Rental	Gross Receipts	\$13.95	\$13.95
N	Commercial Rental	Gross Receipts	\$13.95	\$13.95
U	Utility Companies	Gross Receipts	\$60.00	\$1.00
X	Taxicabs	Permits	None	N/A
Y	Ambulances & Limousines	Vehicles	None	N/A
Z	Cannabis	Gross Receipts	\$60	N/A

Note: Categories shaded in grey are not subject to tax rate changes under the City Council’s proposal and were similarly not considered for modification by the Task Force (see City Council Proposed Business Tax Structure).

TAX RATES IN COMPARABLE JURISDICTIONS

The Task Force examined the tax rates charged to businesses in neighboring and comparable jurisdictions. These tax rates vary across the region. San Francisco and Richmond have recently adopted tiered or progressive rate structures, with tax rates that increase with business size (as measured by gross receipts). Other jurisdictions, such as Emeryville and Berkeley, have structures similar to the current system in Oakland, with businesses of all sizes paying the same rates. Some jurisdictions, such as Walnut Creek, Concord and Antioch have rates that decrease with business size. Figure 3 presents a summary comparison of business tax rates and structures for selected comparable and neighboring jurisdictions. Figure 4 presents detailed tax rates by sector for selected jurisdictions.

FIGURE 3: BUSINESS TAX RATES FOR COMPARABLE JURISDICTIONS

City	Business Tax Type	Exemptions *	Rates
Oakland	Primarily GRT, some exceptions (e.g., employees, payroll, etc.)	Threshold limits (vary by category); Non-profits; some affordable housing; licensed family daycare <= 14 children	Range from \$0.60 (grocers) to \$13.95 (commercial and residential rental property) per \$1,000 Cannabis rates are progressive, \$1.20 to \$13.95 per \$1,000
Emeryville	GRT	Charitable organizations	For most businesses, \$1.00 per \$1,000; Commercial rent = \$3.50; Cannabis = \$60
Berkeley	Primarily GRT (similar to Oakland)	Wholly charitable organizations; Small businesses with government R&D grants	Rates range from \$0.60 (grocers) to \$4.50 per \$1,000 for most categories, with some much higher rates: Professional sporting events = \$100; Firearms and ammunition = \$150; Cannabis = \$25 to \$50
Richmond	Currently flat fee + tax per employee; Measure U (2020) implements GRT to take effect July 2021 and is described here(?)	Non-profits; small businesses < \$250K; affordable housing, some owner-occupiers room and ADU rentals if < 150% AMI; family daycare providers; hardship exemptions (1 yr. must apply)	Progressive system, rates are marginal and by category, most range between \$0.60 and \$2.00 (grocers) to \$3.60 to \$6.80 (professional services); Cannabis = \$50.00; Firearms = \$60 first \$2,500 then \$24; seems to pull from Oakland and Berkeley
San Francisco	Primarily GRT	Primarily non-profits	Progressive system, varies by category. (Note: Prop F (2020) modified categories and set rates for Jan 2021 w/annual increases through 2024). Most currently range from \$0.53 to \$9.10 per \$1,000 (Cannabis higher)
Los Angeles	Primarily GRT, some exceptions (e.g., Movie production = cost)	Non-profits; Small biz (< \$100K/yr.); Mutual funds; New auto dealers, Contractors < \$60K (\$153 flat fee)	Rates per \$1,000 range from \$1.01 (childcare provider & others) to \$4.25 (Professions & Occupations, others); Medical marijuana = \$60 per \$1,000
San Jose	Primarily num employees, some exceptions	Non-profits; Farmers within Santa Clara County selling own products in City	Base tax of \$203.85, most categories then taxed per employee starting at 3rd employee, progressive marginal tax (e.g., \$32.70 per employee for 3-35 employees, up to \$65.45 for 500+). All capped at \$163,745.
San Leandro	Flat fees, some categories add'l taxes (GR, headcount, sq ft)	Non-profits and most businesses with 3 or fewer employees within City	\$146.20 base for most businesses; GRT applied only to limited categories: Coin operated devices & towing (\$1.30); Firearms (concealed weapons & ammo) = \$44.00; parking lot (\$100)
Hayward	Limited GRT, most categories pay flat fees, per emp, per sq ft, etc.	Charities/non-profits; Peddlers or solicitors who are veterans, disabled, or indigent.	Most Retail/wholesale = up to \$373.35 fee if <\$3M, add'l GRT of \$0.11 for \$3M+ (some \$0.27 for \$400K+); Other rates at \$1.07 to \$1.33, Cannabis = \$70.
Walnut Creek	Most businesses may choose GRT or a flat rate + headcount	Charitable organizations; Minors (< 18 yrs.) with up to \$1,000 revenues	GRT of \$2.30 first \$10K then decreasing rate up to \$0.02 for revenues > \$10M; OR flat \$416.00 for 1 owner/partner + Add'l partners \$139.00 then \$28 per employee up to 300 then \$14 for above 300
Concord	GRT (wholesale/retail, comm rents, contractors > \$204K); rest per employee or flat fee	Non-profits may qualify for no-fee business license	GRT: minimum \$25 up to \$25K revenues, then marginal GRT rates that decrease from \$0.90 to \$0.30 per \$1,000 at \$7.5M annual revenues; Varying rates per employee for most other categories

City	Business Tax Type	Exemptions *	Rates
Antioch	GRT except per-unit for residential rentals	Non-profits	\$1.25 per \$1,000 up to \$1M, then add'l \$0.20 per \$1,000 of revenues > \$1M, Min of \$100 (\$25 home-based) Residential rental units = \$250/unit for Single-family, \$150/unit for multi-family
Pleasanton	GRT	Non-profits	Fees up to \$75 up to \$250K annual revenue, above that = \$0.30 per \$1,000.00
Fremont	GRT	Non-profits; Agricultural (non-retail); Part-time jobs (youths & seniors); Veterans	Most pay \$30 fee plus GRT per \$1,000 that varies from \$0.25 (retail) to \$1.50 (rec & entertainment). Charge extra \$0.30 for retail/wholesale in residential areas
Dublin	Fixed fees	Non-profits; Agricultural (non-retail); Attorneys; Part-time jobs (youths & seniors); Disabled veterans	\$94 new, \$26 renewal
<p><i>* California prohibits taxation by any local jurisdiction for certain entities including the following: (1) banks and financial corporations; (2) insurance companies; (3) persons engaging in business as a for-hire motor carrier of property; (4) persons engaging in intercity transportation as a household goods carrier; (5) charter-party carriers operating limousines that are neither domiciled nor maintain a business office within the taxing jurisdiction.</i></p>			

FIGURE 4: BUSINESS TAX RATES ⁽¹⁾ - SELECTED CITIES BY CATEGORY

Business Category		Oakland	Emeryville	Berkeley	Richmond ⁽²⁾	San Francisco ⁽²⁾	Los Angeles
A	Retail Sales	\$1.20	\$1.00	\$1.20	\$1.20 / \$3.20	\$1.05 / \$2.24	\$1.27
B	Grocers	\$0.60	\$1.00	\$0.60	\$0.60 / \$2.00	\$1.05 / \$2.24	\$1.27
C	Automobile Sales	\$1.20	\$1.00	\$1.20	\$1.20 / \$5.00	\$1.05 / \$2.24	(Exempt)
D	Wholesale Sales	\$1.20	\$1.00	\$1.20	(TBD)	\$1.05 / \$2.24	\$1.01
E	Business/Personal Services	\$1.80	\$1.00	\$1.80	\$1.80 / \$5.40	\$8.14 / \$10.08	\$1.27
F	Professional Services	\$3.60	\$1.00	\$3.60	\$3.60 / \$6.80	\$6.40 / \$8.96	\$4.25
G	Recreation/Entertainment	\$4.50	\$1.00	\$4.50	\$4.50 / \$5.00	\$4.20 / \$5.60	\$1.27 to \$2.55
H	Contractors	\$1.80	\$1.00	\$1.80	\$1.80 / \$3.00	\$4.20 / \$6.30	\$1.01
I	Manufacturing	\$1.20	\$1.00	\$1.20	\$1.20 / \$5.00	\$1.75 / \$6.65	\$4.25
J	Mfg. (unfinished good)	\$1.20	\$1.00	\$1.20	\$1.20 / \$5.00	\$1.75 / \$6.65	\$4.25
K	Admin Headquarters	\$1.20	\$1.00	\$1.20	\$1.20 / \$2.40	\$14.00 Biz Tax \$15.00 Homeless Tax ⁽³⁾	\$4.25
L	Taxicabs	\$180.00	\$200.00	\$215.00	\$180.00	\$1.75 / \$6.65	\$54.99
M	Residential Rental Property	\$13.95	\$1.00	\$10.81 (< 5 units) \$28.80 (5+ units)	\$10.81 (< 5 units) \$28.80 (5+ units)	\$4.42 / \$4.85	\$1.27
N	Commercial Rental Property	\$13.95	\$3.50	\$10.81	\$10.81 (< 5 units) \$28.80 (5+ units)	\$10.00 (warehouse) \$35.00 (other)	\$1.27
O	Commercial Rental(5-yr Exemption)	\$1.80	NA	NA	(1-yr exemption, lower rates)	NA	NA
P	Hotel/Motel	\$1.80	\$1.00	\$2.40 ⁽⁴⁾	\$1.80 / \$5.00	\$4.20 / \$5.60	\$1.27
T	Media Firms	\$1.20	\$1.00	\$2.40 ⁽⁴⁾	\$2.40 / \$4.80 ⁽⁴⁾	\$5.60 / \$7.84	\$1.01
U	Utility Companies	\$1.00	\$1.00	\$2.40 ⁽⁴⁾	\$2.40 / \$4.80 ⁽⁴⁾	\$4.20 / \$5.60	\$1.01
W	Miscellaneous	\$1.20	\$1.00	\$2.40	\$2.40 / \$4.80 ⁽⁴⁾	(varies)	(varies)
X	Ambulance, Limousines	\$75.00	\$200.00	\$215.00	\$75.00	\$1.75 / \$6.65	\$54.99
Y	Trucking/Transportation	\$72.00 (first), \$4.50 (201+)	\$1.00	\$2.40 ⁽⁴⁾	\$72.00 (first), \$4.50 (201+)	\$1.75 / \$6.65	\$88.69
Z	Cannabis	\$1.20 - \$95.00	\$60.00	\$25.00 / \$50.00	\$50.00	\$25.00 / \$50.00	\$10.00 to \$100.00
<i>(1) Rate is per \$1,000 in gross receipts except as noted by color coding:</i>		<i>(2) San Francisco and Richmond have adopted progressive GRT systems. For these cities, the min and max rates are presented (MIN/MAX). Note that Richmond's rates, which were passed by Measure U (2020) and will begin in 2021, represent the upper limit for the rates (the City Council has the authority to lower rates below these maximum rates). For San Francisco, some rates increase through 2024; the rates presented here are the rates set to take effect in 2024 unless otherwise noted.</i> <i>(3) San Francisco's "Administrative Office" tax rate is the current (2021) rate and only applies to firms with 1,000+ U.S. employees and \$1 Billion or more in annual U.S. sales. San Francisco levies an additional 1.5% (\$15/\$1,000) Homelessness Tax on these firms.</i> <i>(4) These categories did not have a specific rate listed in the city's tax schedule and were therefore assigned the rate in the city's "Miscellaneous" category.</i>					
Value-added (per \$1,000)							
Local (In-City) Expenses (per \$1,000)							
Gross payroll (per \$1,000)							
Per permit or per Vehicle							
Per Owner/Officer/Employee							

CITY COUNCIL PROPOSED BUSINESS TAX STRUCTURE

Prior to the creation of the Task Force, the City Council proposed a re-design of the Business Tax (the “City Council Proposal”) in 2020.² The City Council Proposal introduces a tiered or progressive rate structure for most business sectors, in which businesses with higher gross receipts totals pay higher rates relative to businesses in the same sector earning lower gross receipts. As shown in Figure 5, the affected sectors—i.e., those from which the City Council proposes raising additional revenue—account for roughly half of business tax revenues generated under the current tax code.

FIGURE 5: FY 2019-20 REVENUES RAISED, BY SECTOR

Affected Sectors		Unaffected Sectors		
A	Retail Sales	\$4,558,922	L Trucking & Transportation*	\$82,430
C	Auto Sales	\$850,949	M Residential Rental	\$20,902,935
D	Wholesale Sales	\$2,678,348	N,O Commercial Rental	\$13,726,051
I, J	Manufacturing	\$898,972	X Taxicabs*	\$25,020
K	Admin Headquarters	\$1,173,484	Y Ambulances & Limousines*	\$4,223
T	Media Firms	\$462,635	Z Cannabis	\$11,593,521
W	Miscellaneous	\$25,813	NP Non-Profit	\$20,778
B	Grocers	\$516,842		
E	Business & Personal Services	\$5,142,362		
H	Contractors	\$7,415,619		
P	Hotel, Motel	\$459,185		
F	Prof. & Semi-Professional Services	\$18,419,956		
G	Recreation And Entertainment	\$1,291,082		
U	Utility Companies	\$786,275		
TOTAL		\$44,702,100	TOTAL	\$46,354,958

* The Task Force was presented with information regarding the changes to the Trucking & Transportation, Taxicabs, and Ambulance & Limousine sectors proposed by Council Member Kalb but did not take any action on these proposals.

According to analysis prepared by the City Finance Department, the City Council Proposal would have raised an estimated \$27 million in additional revenue in FY 2018-19 (assuming no change in business activity in the City due to the tax increase). By FY 2023-24—the first year of full implementation if the voters were to approve this proposal in November 2022—the proposal would add a projected \$34.7 million over current law, a 34% increase in taxes collected over the status quo system and a 72% increase in revenue from the affected sectors.

² Adam Benson, “Equitable Business Tax Update,” July 8, 2020. This memo assesses the fiscal impacts of two separate City Council proposals. For purposes of this memorandum, the City Council’s proposal is the one referred to as “Proposal 2” in the Department of Finance memorandum.

City Council’s new proposed tax rates

For all business categories impacted by the City Council Proposal, progressively increasing marginal tax rates are imposed across five new tax brackets (see Figure 6). For the retail and wholesale sales sectors, the proposed tax rates imposed on the lowest bracket of gross receipts (from \$0 to \$1 million) are lower than the rates imposed on those sectors under current law. For most other sectors, small businesses would face an increase in taxes. For example, businesses with less than \$1 million in gross receipts in the Administrative Headquarters, Miscellaneous, and Contractors sectors would see an increase of over \$1.00 per \$1,000 relative to each sector’s current rate.

Across all sectors except for retail and wholesale sales, the marginal rates imposed at the highest bracket (above \$50 million in gross receipts) are at least twice as high as the sector’s current rate. For the Auto Sales, Manufacturing, Administrative Headquarters, and Miscellaneous sectors, this top rate is over four times greater than the sector’s current rate.

The City Council Proposal largely generates additional revenue by shifting the business tax burden onto larger businesses. Those receiving over \$50 million in gross receipts annually in FY 2023-24 would account for \$21.4 million in additional revenue—nearly two-thirds of the total additional revenue raised. The proposal reduces taxes on businesses with less than \$250,000 in gross receipts by over \$1.5 million, due to two new tax relief measures proposed for small businesses.

FIGURE 6: CITY COUNCIL PROPOSAL

Sector	Current Law, Tax per \$1,000	City Council Proposal – Tax Rates by Bracket (Gross Receipts, mil \$)				
		\$0 – \$1.0	\$1 – \$2.5	\$2.5 - \$25	\$25 - \$50	Over \$50
Retail Sales	\$1.20	\$0.75	\$1.00	\$1.25	\$1.50	\$2.00
Auto Sales	\$1.20	\$1.25	\$2.25	\$3.25	\$4.25	\$5.25
Wholesale Sales	\$1.20	\$0.75	\$1.00	\$1.25	\$1.50	\$2.00
Manufacturing	\$1.20	\$1.25	\$2.25	\$3.25	\$4.25	\$5.25
Admin Headquarters	\$1.20	\$3.50	\$4.50	\$5.50	\$6.50	\$7.00
Media Firms	\$1.20	\$1.80	\$2.80	\$3.80	\$4.80	\$5.00
Miscellaneous	\$1.20	\$3.50	\$4.50	\$5.50	\$6.50	\$7.00
Grocers	\$0.60	\$0.60	\$1.00	\$1.25	\$1.50	\$2.00
Business & Personal Services	\$1.80	\$2.00	\$3.00	\$4.00	\$5.50	\$6.00
Contractors	\$1.80	\$3.00	\$3.50	\$4.00	\$4.50	\$5.00
Hotel, Motel	\$1.80	\$1.80	\$2.80	\$3.80	\$4.80	\$5.00
Prof. & Semi-Prof. Servs	\$3.60	\$4.00	\$4.50	\$5.00	\$5.50	\$7.50
Recreation & Entertainment	\$4.50	\$4.50	\$4.60	\$4.70	\$4.80	\$5.00
Utility Companies	\$1.00	\$1.80	\$2.80	\$3.80	\$4.80	\$5.00

City Council’s proposed tax relief for small businesses

The City Council Proposal includes two measures that would reduce tax bills for small businesses.

1. *Maximum tax payment for small businesses:* Businesses that both (i) receive annual gross receipts of less than \$250,000; and (ii) are not in the residential property, commercial property, or cannabis sectors, may make an “alternative” tax payment of \$100 rather than the calculated payment under the City Council Proposal’s standard rates.
2. *Elimination of the minimum payment:* The City Council Proposal would eliminate the standard minimum payment of \$60 that under current law applies to most business sectors.

TASK FORCE PROPOSED TAX RATES

At the meeting held on September 30, 2021, the Task Force voted by a vote of 7 ayes (Katz, Fike, Oke, Ortega, Swafford, Takata-Vasquez, Wanzo) to 3 nays (Kwamilele, Larsen, Williams) to approve a rate proposal with the following characteristics:³

1. A tiered or progressive rate structure in which larger businesses pay a higher rate relative to smaller businesses in the same category. Rates vary from \$0.45 per \$1,000 of gross receipts for grocers to \$15 per \$1,000 in payroll for large administrative headquarters firms.
2. Seven distinct marginal tax brackets with gross receipts up to the bracket threshold taxed at the bracket rate, and revenue over the bracket threshold taxed at the higher rate in the next bracket.
3. A net tax reduction for some of the smallest businesses in the City, averaging about \$60 for approximately 20,000 businesses. This reduction is comprised of a lowering of the minimum payment from \$60 to \$50 for some businesses, and a reduction relative to current rates for other small businesses in some categories.
4. The creation of a new administrative headquarters tax for large national firms with administrative functions in Oakland. This tax would apply in lieu of the regular payroll-based administrative headquarters tax for firms with more than 1,000 employees nationally and \$1 billion in revenue. The tax rate would be \$15 per \$1,000 of Oakland based payroll.

³ Member Minh Tsai was not in attendance and did not vote.

The specific tax rates are presented in Figure 7 below.

FIGURE 7: TASK FORCE PROPOSAL

Sector	Current Law, Tax per \$1,000	Task Force Proposal – Tax Rates by Bracket (Gross Receipts, mil \$)						
		\$0 - \$1.0	\$1 - \$2.5	\$2.5 - \$10	\$10 - \$25	\$25 - \$50	\$50 - \$75	Over \$75
Retail Sales	\$1.20	\$0.90	\$1.08	\$1.25	\$1.50	\$1.75	\$2.00	\$2.50
Auto Sales	\$1.20	\$1.20	\$1.25	\$1.50	\$1.75	\$2.00	\$2.25	\$2.75
Wholesale Sales	\$1.20	\$1.08	\$1.14	\$1.25	\$1.50	\$1.75	\$2.00	\$2.50
Manufacturing	\$1.20	\$0.90	\$1.20	\$2.25	\$2.75	\$3.00	\$3.25	\$4.80
Admin Headquarters	\$1.20	\$3.50	\$4.50	\$5.00	\$5.50	\$6.00	\$6.50	\$7.00
Media Firms	\$1.20	\$1.80	\$2.80	\$3.20	\$3.80	\$4.80	\$5.00	\$5.50
Miscellaneous	\$1.20	\$3.50	\$4.50	\$5.00	\$5.50	\$6.00	\$6.50	\$7.00
Grocers	\$0.60	\$0.45	\$0.54	\$1.00	\$1.35	\$1.50	\$1.75	\$2.00
Business & Pers. Svcs	\$1.80	\$1.62	\$1.71	\$3.25	\$4.00	\$5.00	\$5.25	\$6.00
Contractors	\$1.80	\$1.80	\$2.75	\$4.00	\$4.50	\$5.00	\$5.50	\$6.00
Hotel, Motel	\$1.80	\$1.62	\$1.71	\$3.80	\$4.80	\$5.00	\$5.25	\$5.50
Prof. & Semi-Prof. Svcs	\$3.60	\$3.24	\$3.42	\$5.00	\$5.00	\$5.50	\$6.50	\$7.50
Recr. & Entertainment	\$4.50	\$4.50	\$4.70	\$4.70	\$4.70	\$4.80	\$5.00	\$5.50
Utility Companies	\$1.00	\$4.00	\$4.50	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00

FISCAL AND ECONOMIC EFFECTS OF PROPOSED TAX CHANGES

The task force reviewed estimated fiscal and economic impacts of the proposed tax changes, compared both to current law and the City Council Proposal. The estimated fiscal and economic impacts considered by the Task Force were based on analysis conducted by City staff and the Blue Sky Consulting Group showing that business responsiveness to tax rates depends on the cost of locating elsewhere and the nature of the customers served by the business, among other factors. For instance, businesses in some sectors functionally cannot “move” locations. Construction contractors, for example, must pay business taxes on the gross receipts derived from projects located inside City borders, regardless of where the contractor’s offices are located. Similarly, restaurants, grocery stores, dry cleaners, and other locally-serving retailers and service providers need to be near customers and therefore are less likely to move in response to a tax change. In contrast, professional service firms, for example, can relocate more easily to offices in other jurisdictions if business conditions (including tax rates) make such a move more attractive. Firms that sell primarily to customers outside of the City, such as manufacturers, may not be able to pass on tax increases to customers since competing firms located outside of the City are not impacted by the tax increase.

For the Task Force’s purposes, estimation of the additional tax revenue generated by a given tax proposal was subject to both “static” and “dynamic” scoring. Under a static model, taxpayers do not adjust their behavior in response to changes in tax rates. Static estimates of future revenues

generated by the City's business tax, therefore, assume that the City's economic growth is the same whether current rates remain in effect or are replaced with a tax increase. Static scoring likely overestimates the revenue generated by a business tax increase, since it fails to account for revenues lost due to businesses choosing to relocate or expand outside the City in response to the increase in rates. However, such a scoring provides a baseline for comparing across proposals. Under a dynamic model, by contrast, the fiscal analysis accounts for behavioral changes on the part of taxpayers (i.e. some taxpayers relocate, grow more slowly, expand outside of the City or choose to locate in a different jurisdiction in response to the tax increase).

For purposes of estimating the revenues generated by the proposals considered by the Task Force, three separate estimates are provided:

- The Static Scenario shows the estimated tax revenues generated by each proposal given an assumption that the City's business sectors would grow at the same rate regardless of whether the current rates remain in effect or are replaced with higher tax rates.
- The Constant Elasticity Scenario shows the revenues that would be generated if all businesses respond in the same way to a tax increase; specifically, estimates were developed based on an elasticity of -0.2, indicating that if a given tax proposal raises the total state and local tax burden (including estimated property and state income taxes) on a business by 10%, the business's projected gross receipts will be reduced by 2% relative to the gross receipts projected under the Static Scenario.
- The Variable Elasticity Scenario estimates the likely effects of a proposal based on the theory that larger increases in taxes produce a larger response from businesses. Under this scenario, small changes in taxes are estimated to produce a small change in economic activity (elasticity of -0.1) while larger changes in taxes produce a larger change in economic activity (elasticity of -0.6).

Fiscal and Economic Effects of Proposed Changes

Figure 8 presents the estimated revenue to be generated from both the City Council Proposal and the Task Force Proposal. As shown in Figure 8, under the Static Scenario, the City Council Proposal would generate \$34.7 million in additional revenue in FY 2023-24 while the Task Force Proposal would generate \$35.7 million. Under the Variable Elasticity Scenario, which takes into account the likely response of businesses to the tax change, the City Council Proposal is estimated to generate \$30.78 million compared with \$32.72 under the Task Force Proposal.

FIGURE 8: ESTIMATED REVENUE FROM TASK FORCE PROPOSAL

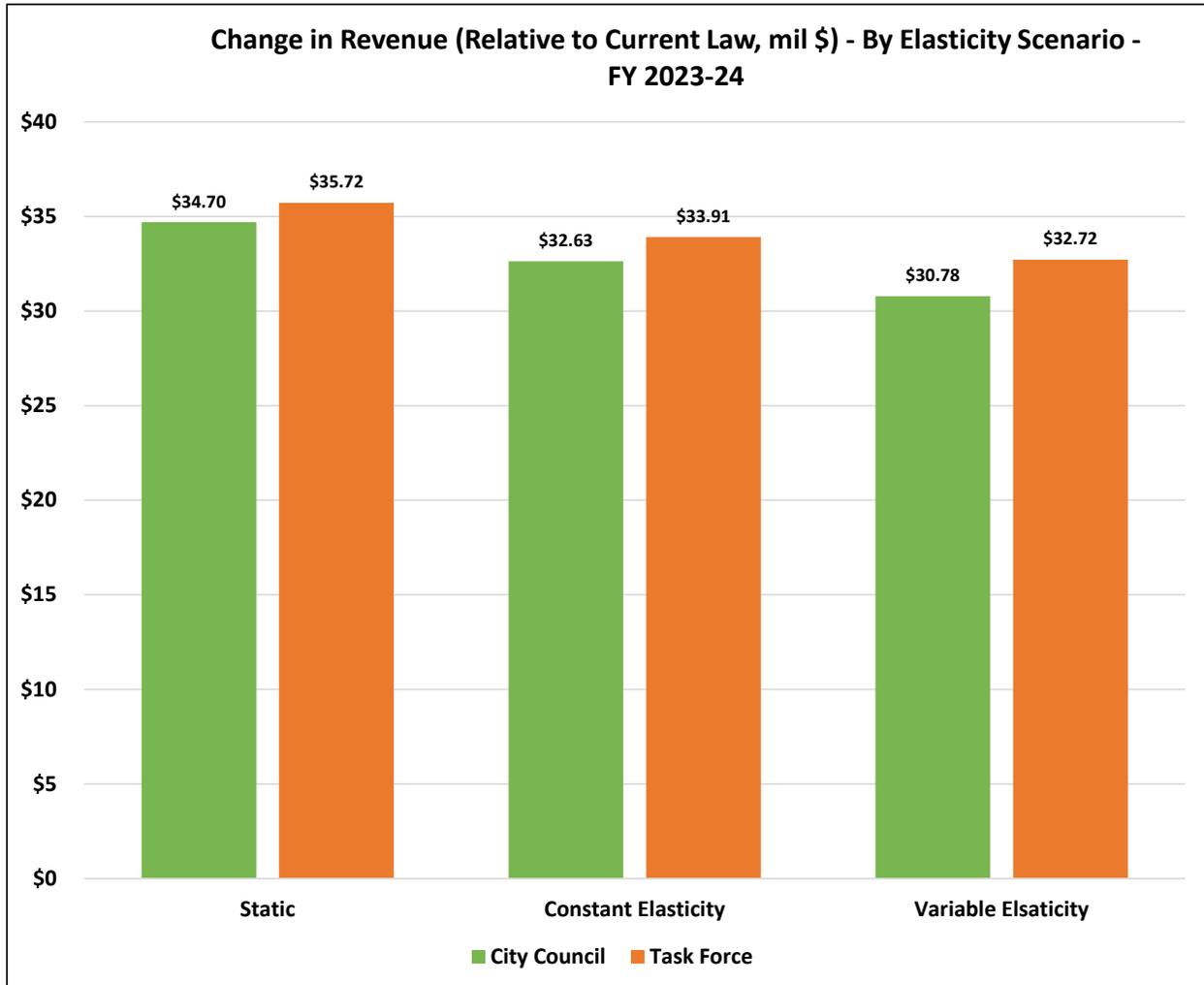


Figure 9 shows the estimated change in jobs likely to result from each proposal. Under the Constant Elasticity Scenario, which assumes the same response across all businesses, the net reduction in jobs would be approximately 1,300 under both the City Council and the Task Force Proposals. Under the Variable Elasticity Scenario, which estimates a larger business reaction to larger tax increases, the City Council Proposal is estimated to result in a reduction of about 2,300 jobs compared with a reduction of about 2,250 jobs under the Task Force Proposal.⁴

⁴ Note that the City’s private sector employment is approximately 200,000.

FIGURE 9: ESTIMATED CHANGE IN JOBS

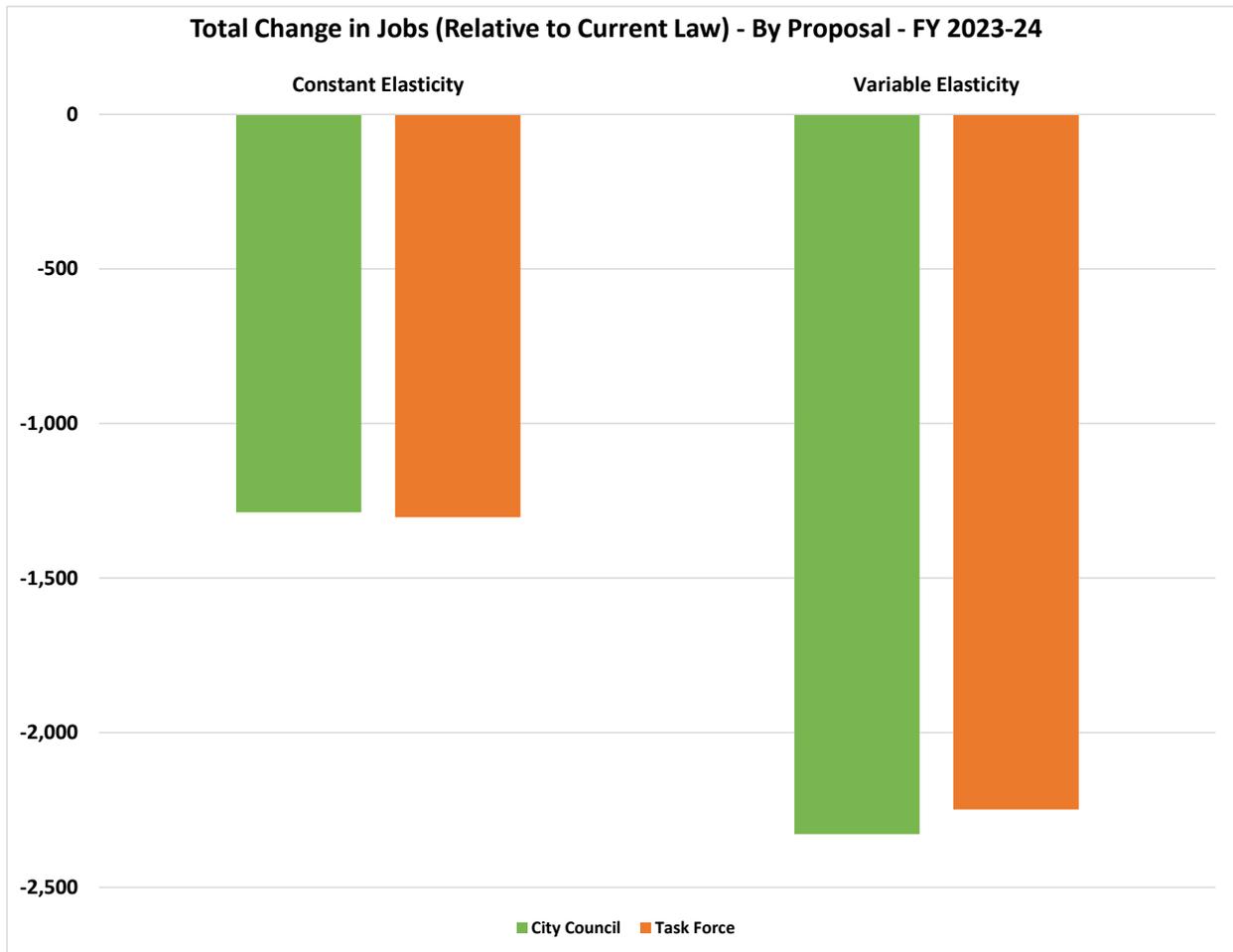


Figure 10 shows the extent to which the current tax system, the City Council Proposal and the Task Force Proposal rely on the largest 10 taxpayers to generate revenue. Under current law, these 10 taxpayers are expected to account for 11.3% of tax revenue from the sectors affected by the Task Force Proposal. Both the City Council Proposal and the Task Force Proposal would rely more heavily on these 10 taxpayers, who would account for 18.1% and 22.0% of revenue, respectively.

FIGURE 10: PERCENT OF REVENUE FROM LARGEST 10 TAXPAYERS

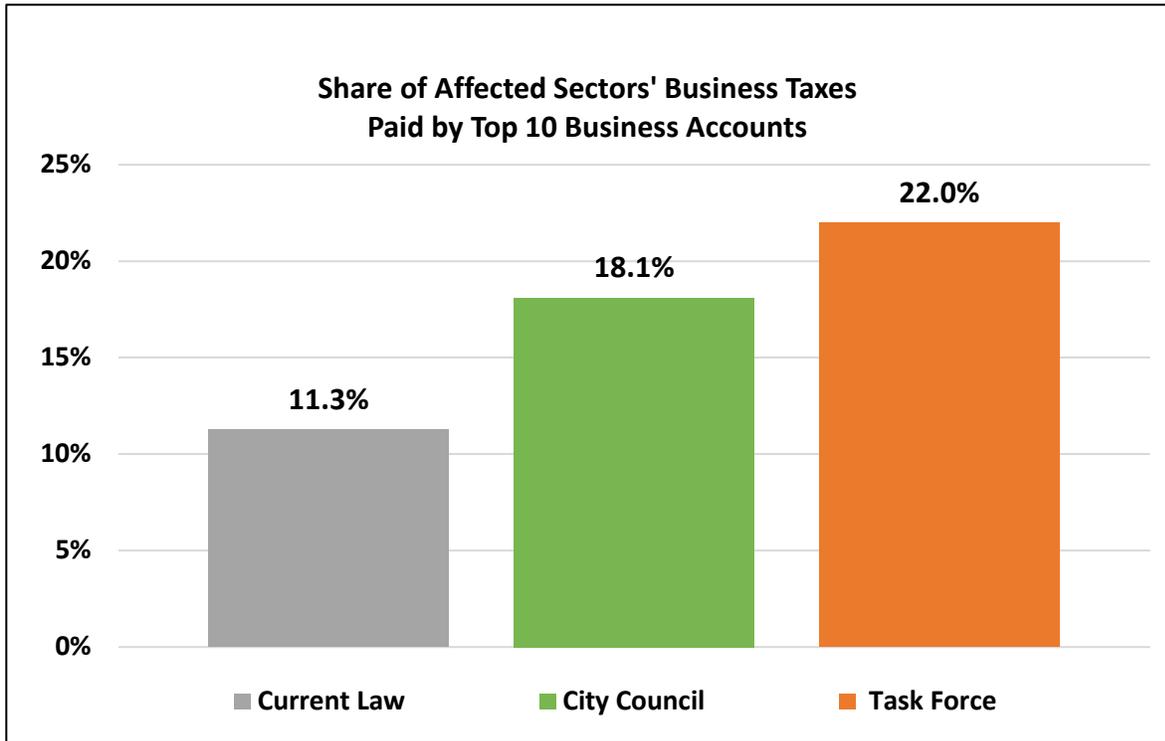


Figure 11 shows the estimated increase in taxes for affected sectors. Under both the City Council Proposal and the Task Force Proposal, the retail sector would experience an overall reduction in taxes, although the City Council Proposal would reduce taxes on this sector more. Relative to the City Council Proposal, the Task Force proposal would increase taxes less on the automobile sales, manufacturing, grocery, business and personal services, contactors, and professional services sectors. Tax increases would be somewhat higher relative to the City Council Proposal for the wholesale, media, recreation and entertainment, and utility sectors. Both proposals would significantly increase taxes on administrative headquarters companies, with taxes increasing by more than 400% under the City Council Proposal and more than 760% under the Task Force Proposal.

FIGURE 11: ESTIMATED CHANGE IN TAX PAYMENTS

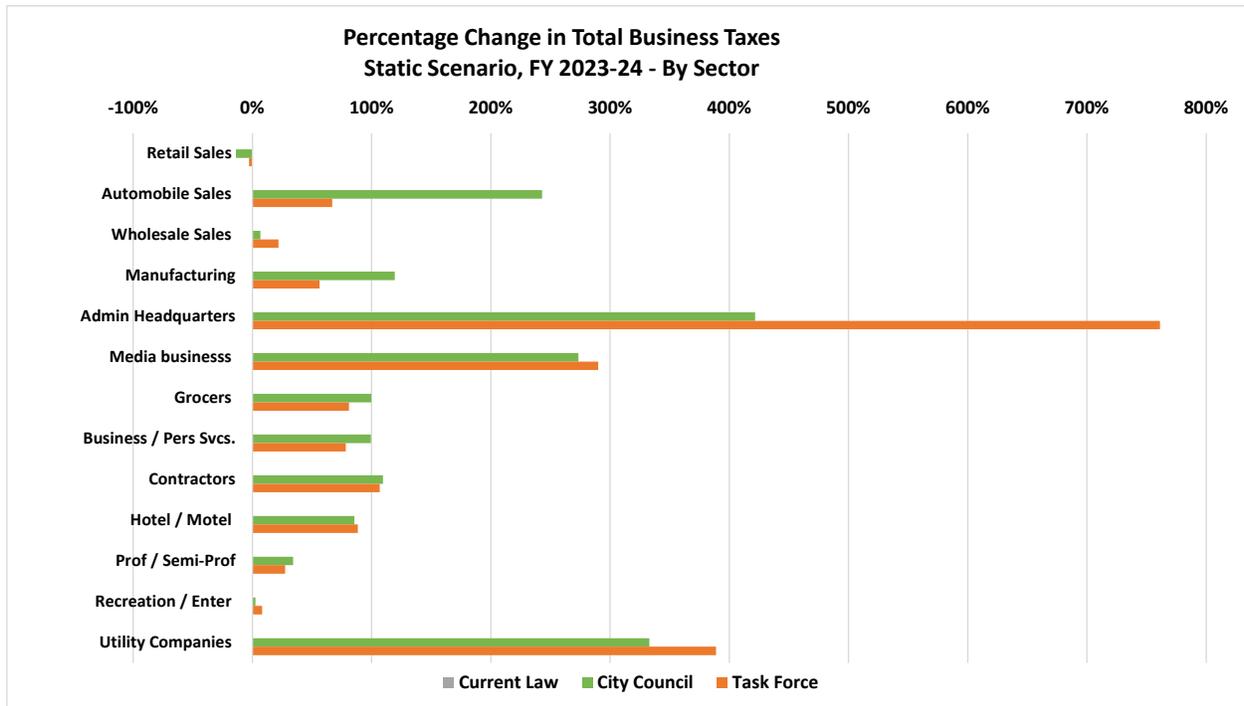


Figure 12 shows the change in taxes by firm size. Both the City Council and the Task Force Proposals would result in small reductions in taxes for the smallest firms (less than \$250,000 in gross receipts). Taxes for businesses with between \$250,000 and \$1 million in gross receipts would increase modestly under both proposals. Similarly, both proposals would significantly increase taxes for businesses with more than \$100 million in gross receipts or Oakland payroll, which represent the largest 24 firms in the City. Specifically, the City Council Proposal would raise an additional nearly \$16 million from these firms while the Task Force Proposal would raise nearly \$20 million from these firms.

FIGURE 12: CHANGE IN TAXES BY FIRM SIZE

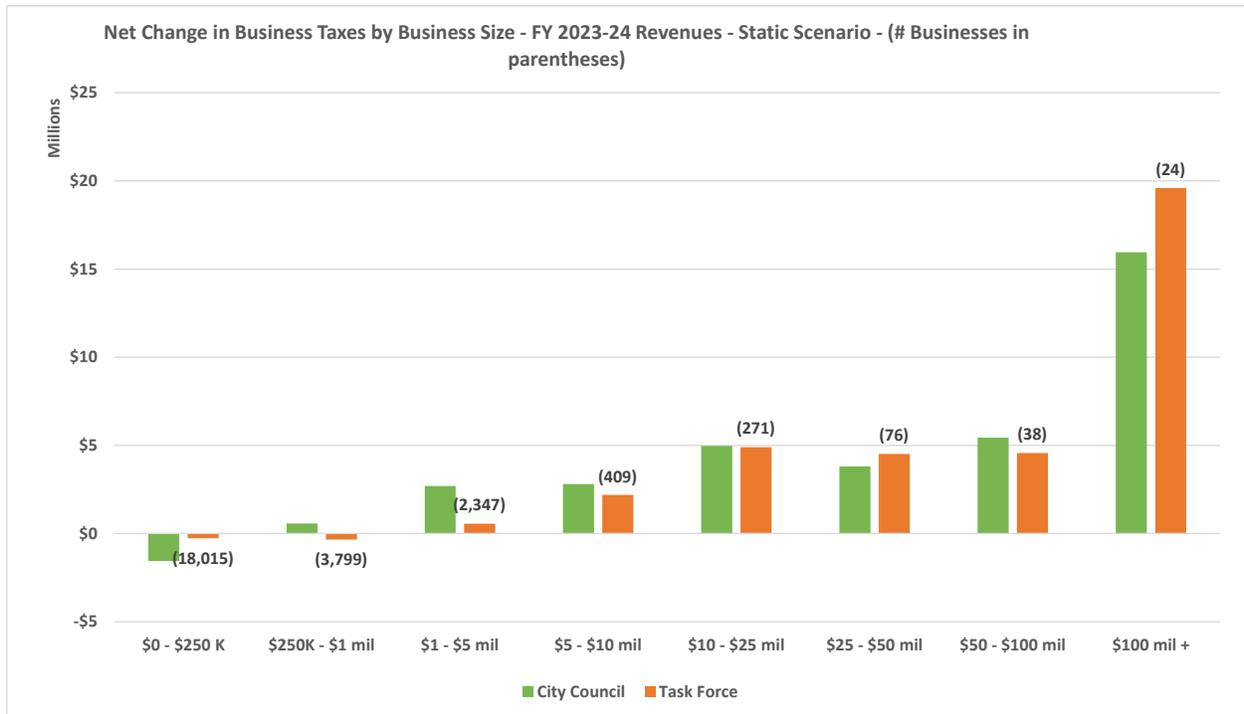


Figure 13 shows the likely tax reduction for the smallest firms in the City. Under the City Council Proposal, an estimated 17,466 firms would receive a net reduction in taxes, with an average reduction of \$138 annually. Under the Task Force Proposal, an estimated 20,779 firms would receive an average reduction in taxes of \$62 annually.

FIGURE 13: SMALL BUSINESS TAX REDUCTION

TAX BREAKS FOR SMALL BUSINESSES		
	City Council	Task Force
Businesses with Tax Cut of \$100+		
# Businesses Benefitting	5,665	3,675
Avg. Tax Cut	(\$328)	(\$255)
Total Cost	(\$1,856,797)	(\$938,452)
Businesses with Tax Cut of < \$100		
# Businesses Benefitting	11,801	17,104
Avg. Tax Cut	(\$47)	(\$21)
Total Cost	(\$550,023)	(\$351,067)
All Businesses with Tax Cut		
# Businesses Benefitting	17,466	20,779
Avg. Tax Cut	(\$138)	(\$62)
Total Cost	(\$2,406,820)	(\$1,289,520)

Impact of COVID-19

The COVID-19 pandemic, which began in early 2020, resulted in steep and sudden increases in unemployment and reductions in economic activity in the City of Oakland and across the country as many businesses closed to prevent the spread of the infection. This had a negative impact on many of the City’s most important revenue sources, including the BLT as well as the sales tax, Transient Occupancy Tax, and parking-related revenues.

Some of the negative economic impacts of the pandemic were partially mitigated by state and federal programs such as the Paycheck Protection Program, which allowed many Oakland businesses to remain open even as their revenue fell, and increased unemployment benefits for Oakland residents, which provided crucial funds for Oakland families to meet their basic needs and allowed these individuals to continue to patronize local businesses. These programs offered critical support over the past 18 months and likely prevented even worse economic and fiscal outcomes.

Going forward, the impact of the pandemic and the related shift to remote work remains uncertain. To the extent business travelers choose video conferences over in-person meetings, consumers continue to prefer online to in-person shopping, and commuters telecommute rather than return to in-person work, the City’s economy will continue to suffer, and with it the City’s revenue receipts.

The estimated fiscal and economic effects considered by the Task Force envision a return to pre-pandemic levels of economic activity for most sectors by the first year of full implementation of

the proposed tax rate changes (i.e. 2023-24), although some continued telework is anticipated and travel is not expected to return to pre-pandemic levels for several years. To the extent telework persists at its current high level, or business and leisure travelers do not eventually return to the city's hotels, shops, and restaurants, the results considered by the Task Force may be overly optimistic. Additionally, while the dynamic scenarios capture expected losses from business exits, City revenues are highly sensitive to the departure of a small number of the largest firms. Therefore, actual losses driven by exits may be larger than predicted.

USE OF REVENUE

To provide ongoing recommendations with respect to the City's disbursement of the additional revenues raised by the BLT and to support small businesses and contribute towards a thriving business community in the City of Oakland, the City Council should create a Business Community Advisory Board, modeled on the Community Advisory Board established in connection with the City's enactment of the Sugar-Sweetened Beverage Distribution Tax. This board should include members representing:

- 1) Businesses located within the City, including both new and well-established businesses from a wide range of sectors, including a representative from each council district. The make-up of the Advisory Board should be representative of the make-up of businesses located within the City.
- 2) Business organizations and alliances, especially those with broad and diverse membership bases.
- 3) Non-profit organizations, with particular focus on those providing research, advocacy, technical assistance, and educational services related to small business formation, employee empowerment, and sustainable and equitable economic growth.

The Task Force considered how the funds raised by the proposed increases in tax rates should be spent and made the following recommendations:

- 1) *Support of small business loan initiatives:* A portion of the additional revenue raised should be allocated for financial support of City's small business community through grants or loan programs.
- 2) *Shared City resource for small businesses:* The City Council should consider funding a range of initiatives that would support the attraction and retention of businesses.
 - a) Hiring additional City staff to conduct outreach to small businesses, market opportunities for support, and educate employees on the benefits of forming worker cooperatives.
 - b) Further funding the City's Business Improvement Districts, which already perform much of this work and invest in district improvements.

-
- 3) *Increased funding for city services:* To attract and retain businesses, the City Council should spend more on the services that keep commercial neighborhoods clean and welcoming, including, for example:
 - a) Stricter enforcement of rules against illegal dumping, more timely street cleaning, and the placement of additional public litter receptacles.
 - b) Increased funding for services and shelter for the homeless.
 - 4) *Making commercial retail space more accessible and affordable:* The City should look for ways to incentivize property owners to make retail space more accessible and affordable for small businesses.
 - 5) *Provide sufficient additional resources needed for tax collection and enforcement.* The City should provide sufficient additional staff and other resources to ensure adequate enforcement and collection of the business tax.