

Oakland Chamber of Commerce

Presentation on proposed changes to the
Oakland Business License Tax

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Oakland Chamber of Commerce

- 116 year history advocating for business in Oakland
- Largest business org in East Bay representing thousands of businesses and employees
- 85% small businesses
- Convener and advocate of Oakland BID Alliance
- Five Chambers-One Oakland
- Largest convener of non profit sector
- Develops workforce development, small business and public policy programming
- Local philanthropic advocate
- Progressive partner

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City Wide Community Coalition



Oakland BLT Timeline

November 2019: Research and Analysis
Commences



June 2020: Business Community
receives proposal



July 2020: Council action



April 2021: First Task force meeting

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Business License Tax Stated Objectives

- The BLT ballot proposal is a move to a more progressive tax structure.
- The proposal is designed to support small businesses by providing tax relief.
- Statements regarding fair share.

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Business License Tax – Relief or Revenue?

- The BLT ballot proposal is a move to a more progressive tax structure - **yes with the additional goal of raising \$27-\$40 million in additional revenues for the General Fund. (30-40%increase)**
- The proposal was designed to support small businesses by providing tax relief - **the data indicates small business tax relief is on average less than \$100 dollars annually.**
- Statements regarding fair share - **67% of local business would experience tax increase - Big businesses represent less than 1% of these.**

Categories	Current Oakland Tax Structure Revenue Collected per category	% Contribution to Total Revenue	No. of Businesses Per Category	% of Total No of Businesses per Category
\$0-\$158,000	\$ 15,937,108.89	19.91%	49,311	81.86%
\$158,001-\$10M	\$ 34,902,108.96	43.60%	10,539	17.50%
\$10M-\$25M	\$ 10,149,206.10	12.68%	260	0.43%
\$25M-\$50M	\$ 5,177,795.71	6.47%	73	0.12%
\$50M+	\$ 13,888,798.91	17.35%	53	0.09%

Category (0- \$158,000)	Current Oakland Tax Structure- Revenue Collected	No. of Businesses	% of Total No of Businesses in Oakland
Rental Accounts	\$ 13,602,545.83	26,834	44.55%
All Other Accounts	\$ 2,334,623.06	22,477	37.31%

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Oakland's Business Ecosystem

While the majority of *businesses* in Oakland are smaller, the majority of the *jobs* in Oakland are from large and mid-sized businesses. Any healthy local economy needs a balanced ecosystem of all sizes and sectors to complement each other.

Private Employment by Establishment Type City of Oakland			
Establishment Type	Total Employment (000s)	Annual Growth (%)	Share of Employment (%)
Establishment Size			
Less than 15 Employees	38.4	-12.2	27.4
15 to 24 Employees	12.8	-16.6	9.1
25 to 49 Employees	17.2	-16.8	12.2
50 to 150 Employees	28.3	-16.7	20.2
More than 150 Employees	43.6	-8.9	31.1
Establishment Average Wage			
Less than \$25,000	23.5	-27	16.7
\$25,000 to \$50,000	39.5	-19.7	28.1
More than \$50,000	77.5	-3.6	55.2
Source: California Employment Development Department			

Small Business Tax Force Survey

Challenging Aspect of Running a Small Business in Oakland (listed in order of votes)

- Lack of Government Advocacy for Small Business
- Cost of Doing Business
- Public Safety
- Cost of Employment
- Commercial Rents
- Lack of Qualified/Consistent Workforce
- Access to Capital

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Most asked question by business

- What services will I get for this tax increase?
- How is the city planning to spend the increase?
- Is the increase dedicated to supporting my business?

Hodo Tofu



- Anticipates 250 Employees by end of 2022
- 35 million expected revenue same year
- 65% employees live in Oakland
- Growing in West Oakland - new 50,000 sq ft lease
- 400% increase
- Being courted by other jurisdictions

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Impossible Foods

IMPOSSIBLE™

- Over 200 employees
- 30% Oakland residents
- Competitive wages
- Equity ownership in the company.
- Tax burden would increase from 300 percent to 1,600 percent
- East Oakland is first large-scale production facility, exclusively owned and operated.

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Z Hotel



Jack London Square

- Revenue 2019: 4 million
- 2020 Revenue approx: 800K
- 2018 Measure Z implementation” 46% increase in payroll costs
- 2021 implementation of Min wage - labor standards enforcement fee
- 2021 consideration of additional 2 dollar per room fee for hoteliers only
- TOT - one of highest in region
- Anticipated recovery 2023 or later

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AB&I Foundry



- 200 employees 1/3 Oakland residents
- Manufactured product in Oakland and Texas
- Raw materials purchased in Oakland
 - Ripple effect
- 300% increase
- Community focused

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Oakland Auto Dealers

- 50% reduction in dealerships over last 10 years
- Historically one of top five sources of Sales Tax Revenue
- Competing with neighboring jurisdictions with far less of a tax burden
- MSRP/Sticker Price margins in single digits
- Common slim margin or losses on sales - reliant on backend profits
- Theft, fires, and property damage have increased insurance costs

Oakland's Business Development and Tax Policy

- What types of industries do we want to attract to Oakland?
- How do we grow diverse jobs for our residents?
- What is cumulative costs of doing business in Oakland?
- What do we agree to lose to gain somewhere else?
 - *Professional service companies like law firms, engineering firms, research companies are highly mobile and even more so with an increasing number of employees able to work from home.*

Small Business Tax Force Suggested Next Steps

- Hear from a business in each category
 - BID Alliance
 - Partner Chambers
 - Black Cultural Zone
- Develop dedicated small business programs
- Consider tax incentives in discreet geographies
- What is business attraction strategy - underrepresented in taxable entities
- What is the small business case for a 40% increase?

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Recommended

- 2020 Beacon Financial Analysis Report
- City Auditor Report - City of Oakland Financial Condition For Fiscal Years 2012-2019
- Chamber Economic Studies www.oaklandchamber.com
- Industrial Lands baseline report - Council fall 2021
- Oakland General Plan - Council fall 2021

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