



# Business License Tax Modernization

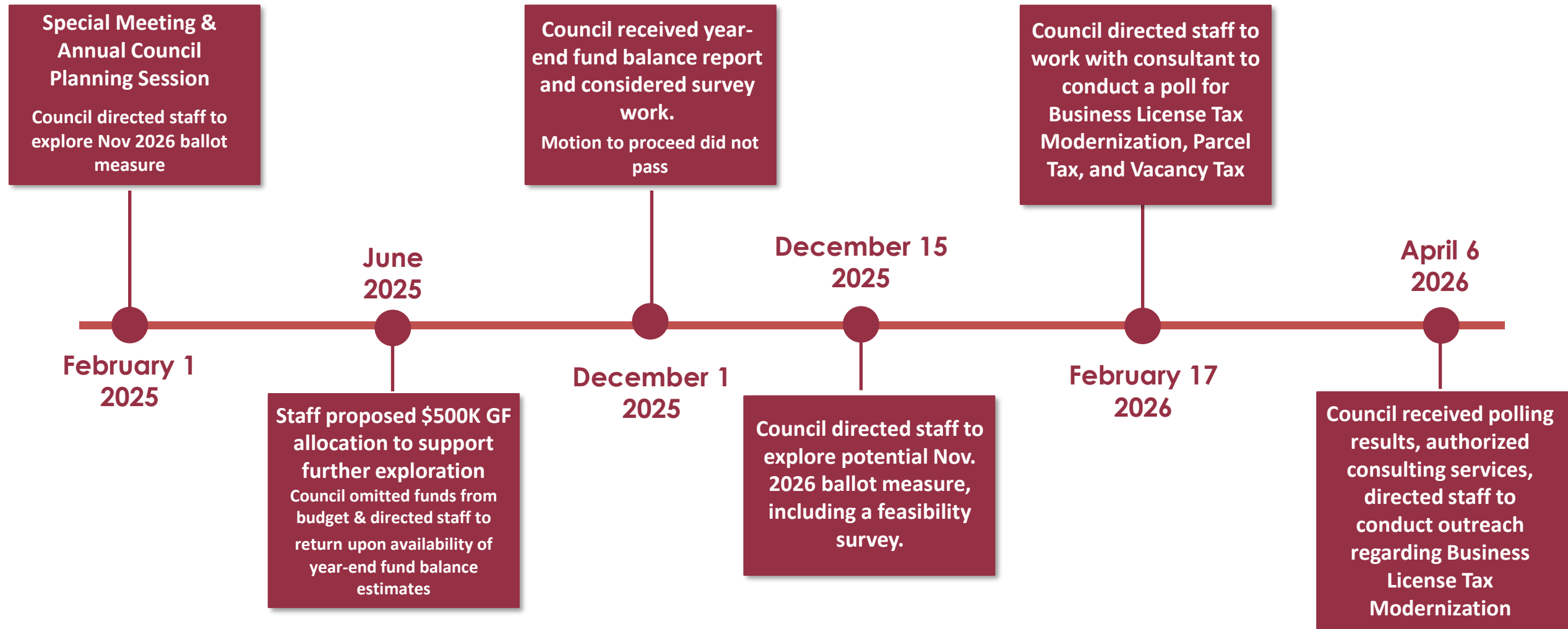
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**Exploring a Potential Nov. 2026  
Revenue Measure**

# Agenda

- Summary of prior actions
- Summary of outreach
- Fiscal context
- Regional context
- Overview of current model
- Overview of evaluated model
- Concerns & Observations
- Possible changes & other considerations
- Direction needed

# Previous Council Direction



# SUMMARY OF OUTREACH

- 4/7 - 4/30:** Staff commenced identifying and engaging relevant financial consultants and developing draft outreach materials
- 4/16:** Follow-up dialogue with Chamber of Commerce commences
- 5/11:** Staff presented project overview to Chamber of Commerce Executive Board and addressed questions
  - 5/20: Responded to Chamber follow-up questions via email
- 5/19:** Online survey portal launched: [www.sanleandro.org/welisten](http://www.sanleandro.org/welisten)
- 5/19:** Dedicated phone number posted for calls or texts
- 5/19:** Mailer and survey sent to 20,000+ residents
- 5/20 - 6/10:** Social media posts, videos + online ads posted using all City channels
- 5/28:** Informational webpage launched: [www.sanleandro.org/2026biztax](http://www.sanleandro.org/2026biztax)
- 5/29-6/2:** Outreach to Businesses + Public
  - Press release issued
  - Notice emailed to S.L. Business License database (7,200+ businesses) + housing providers
  - Email notification to business associations
  - Methods of public feedback highlighted:
    - Online survey
    - eComments
    - Email
    - Dedicated text + call line



# Why We're Here: Fiscal Context



- **Funding challenges:**
  - Capital Projects
  - Infrastructure Needs
  - Public Safety
- **Finite revenues:**
  - General Fund (taxes, fees, grants)
  - Reserves
- **Unfunded Legacy Liabilities including:**
  - Pension and Other Post Employment Benefits (OPEB)
- **Cost savings alone may balance the City budget, but will not address all fiscal challenges and the significant areas of need (~\$300M+)**
- **Continued fiscal stability requires balanced approach:**
  - Expenditure reductions/controls + enhanced and new revenues

# WHY WE'RE HERE: REGIONAL CONTEXT



	1	2	3	4
	City	Tax Basis	Gross Receipts Model?	Notes
1	Alameda	Gross Receipts	Yes	Gross receipts-based tax structure for most businesses.
2	Albany	Employee-based	No	Primarily employee-based tax structure.
3	Berkeley	Gross Receipts	Yes	Gross receipts-based tax structure for most businesses.
4	Dublin	Flat Regulatory Fee	No	Primarily category-based business license tax.
5	Emeryville	Gross Receipts	Yes	Gross receipts-based tax structure for most businesses.
6	Fremont	Gross Receipts	Yes	Gross receipts-based tax structure for most businesses.
7	Hayward	Mixed	Partial	Tax varies by business type/employees and gross receipts.
8	Livermore	Mixed	Partial	Combination of gross receipts and gross expenses-based calculations.
9	Newark	Gross Receipts	Yes	Gross receipts-based tax structure for most businesses.
10	Oakland	Gross Receipts	Yes	Gross receipts-based tax structure for most businesses.
11	Piedmont	Gross Receipts	Yes	Gross receipts-based tax structure for most businesses.
12	Pleasanton	Gross Receipts	Yes	Gross receipts-based tax structure for most businesses.
13	San Leandro (current)	Mixed	Partial	Base fee + unit fee; gross receipts tax for cannabis and parking lot businesses
14	Union City	Gross Receipts	Yes	Gross receipts-based tax structure for most businesses.

# Steps Already Taken

## FY 2027 Mid-Cycle Budget Process:

- City closed the \$11.6 million structural deficit through ongoing budget reductions and minor revenue enhancements across upcoming three fiscal years (FY 2027-2029)
- FY 2027 Amended Budget (adopted 5/4/26):
  - ✓ \$0.6 million in revenue
  - ✓ \$6.4 million in operating expenditure + interfund transfer reductions

## FY 2028 & FY 2029 (Upcoming Biennial Budget Process):

- The FY 2027 mid-cycle budget process included proposed changes in FY 2028 and FY 2029 for consideration during the upcoming biennial budget process
- FY 2028 & FY 2029
  - ✓ \$0.1 million in revenue
  - ✓ \$4.5 million in operating expenditure + interfund transfer reductions

# Current Business License Model



- 30 classifications
- Annual tax =  
Base fee + unit fee (typically per # of employees or square footage)
- Available online:  
<https://www.sanleandro.org/340/Business-License>

CITY OF SAN LEANDRO  
FINAL BUSINESS LICENSE FEE SCHEDULE  
EFFECTIVE JULY 1, 2025 - JUNE 30, 2026

Business Classification	2025-26		
	Annual Base Fee	Unit Fee	Unit Fee Basis
Automobile Wrecking	\$ 856.90	\$ -	Flat/Annual
Bingo	\$ 171.00	\$ -	Flat/Annual
Carnival	\$ 171.00	\$ 316.20	Flat/Daily
Christmas Trees/Pumpkin Patch	\$ 856.90	\$ -	Flat/Annual
Coin Operated Device	\$ 171.00	\$ 1.70	Per \$1,000 of gross receipts
Commercial Advertising	\$ 856.90	\$ -	Flat/Annual
Contractor	\$ 171.00	\$ 105.60	Per each owner and each employee
Dance Hall	\$ 856.90	\$ -	Flat/Annual
Firearms Dealer	\$ 171.00	\$ 5.20	Per \$100 of Gross Receipts attributable to the sales of firearms capable of being concealed upon the person and ammunition for such firearms, excluding sales to public agencies
Fortune Telling	\$ 856.90	\$ -	Flat/Annual
Itinerant Merchant	\$ 171.00	\$ 54.50	Flat/Weekly
Manufacturing	\$ 171.00	\$ 52.70	Per each owner and each employee
Miscellaneous	\$ 171.00	\$ 52.70	Per each owner and each employee
Mobile Food Vendors	\$ 171.00	\$ -	Flat/Annual
Nonresidential Property Rental	\$ 171.00	\$ 26.30	Per 1,000 square feet
Residential Property Rental	\$ 171.00	\$ 15.80	Per each unit or space
Parking Lot	\$ 171.00	\$ 118.00	Per \$1,000 of gross receipts
Pawnbroker	\$ 856.90	\$ -	Flat/Annual
Peddler/Solicitor	\$ 171.00	\$ 52.70	Per each owner and each employee
Professional	\$ 171.00	\$ 132.00	Per each owner and each employee
Public Utilities	\$ 171.00	\$ 52.70	Per each owner and each employee
Recreation and Entertainment	\$ 171.00	\$ 105.60	Per each owner and each employee
Retail	\$ 171.00	\$ 52.70	Per each owner and each employee
Secondhand Dealer	\$ 856.90	\$ -	Flat/Annual
Service	\$ 171.00	\$ 105.60	Per each owner and each employee
Towing	\$ 171.00	\$ 1.70	Per \$1,000 of gross receipts
Warehouse/Storage	\$ 171.00	\$ 137.00	Per 1,000 square feet
Waste Disposal Site	\$ 171.00	\$ 2.40	Per ton
Wholesale/Distribution - General	\$ 171.00	\$ 137.00	Per 1,000 square feet
Wholesale/Distribution - Large local seller	\$ 171.00	\$ 52.70	Per each owner and each employee, if sales tax revenue to the City is ≥ \$50,000 based on prior fiscal year
Zoning fees for new businesses and home occupation	\$ 126.00	\$ -	Flat rate for new businesses based in San Leandro

# Current Business License Model (cont'd)



This chart summarizes the current business license environment in San Leandro, including:

- Categorized types of businesses
- Number of licensed businesses per category
- Total revenue derived by each category

	1 Categories	2 Business Count	3 FY2026 Charged*
1	Contractor	2,317	\$1,114,000
2	General/Retail	1,178	\$745,000
3	Industrial	378	\$720,000
4	Professional	856	\$821,000
5	Property Rental	2,761	\$1,128,000
6	Service	1,309	\$1,878,000
7	Warehouse	58	\$239,000
8	Mobile Home Park	5	\$12,000
9	Exempt	134	\$0.00
10	GRAND TOTAL	8,996	\$6,657,000

\*Based on licenses with an expiry date between 7/1/2025-6/30/2026

# BUSINESS LICENSE TAX MODERNIZATION



## *Preliminary analysis of potential tax modernization assumes:*

- Initial model utilized Union City, CA business license tax modernization; authorized at the Nov. 2024 election
- Consolidate and simplify business categories (from approx. 30 categories to 9 categories)
- First \$25,000 of gross revenue exempted
- New funds could be directed by the City Council towards:
  - Road Construction and Repair
  - Public Safety
  - Emergency Preparedness
  - Recreation & Parks
  - Addressing Homelessness
  - Other citywide needs

# What it would look like: Union City Gross Receipts Model in San Leandro

	1 Categories	2 Business Count	3 Minimums	4 Rates per Thousand*	5 Actual Rates*	6 Estimated Gross Receipts	7 Est. Annual Revenue
1	Contractor	2,317	\$150.00	\$2.00	0.002	\$1,335,000,000	\$2,614,000
2	General/Retail	1,178	\$132.00	\$0.43	0.00043	\$2,033,000,000	\$917,000
3	Industrial	378	\$132.00	\$0.45	0.00045	\$2,021,000,000	\$910,000
4	Professional	856	\$264.00	\$2.50	0.0025	\$972,000,000	\$2,457,000
5	Property Rental	2,761	\$154.00	\$2.25	0.00225	\$242,000,000	\$567,000
6	Service	1,309	\$264.00	\$2.00	0.002	\$646,000,000	\$1,408,000
7	Warehouse	58	\$132.00	\$1.00	0.001	\$91,000,000	\$91,000
8	Mobile Home Park	5	\$581.00	\$45 per space	\$45 per space	\$1,000,000	\$33,000
9	Exempt	134	\$0.00	\$0.00	0	\$0	\$0
10	<b>GRAND TOTAL</b>	<b>8,996</b>				<b>\$7,341,000,000</b>	<b>\$8,997,000</b>

\*Model is based on the recently adopted rates by Union City which exempts the first \$25,000 in gross receipts.

\*Revenue projections updated since 2/17/2026 Council meeting based on revised estimates provided by tax consultant

# Drilling down further: Union City Gross Receipts Model in San Leandro\*

		1 Retail			2 Industrial			3 Service		
		A Goods	B Car Dealer	C Restaurant	A Manufacturing	B Wholesale	C Warehouse	A Professional	B Non- professional	C Contractor
1	<b>Gross Receipts</b>	\$60 M	\$65 M	\$1 M	\$400 M	\$100 M	\$5 M	\$50 M	\$250 K	\$25 M
2	<b>Employees</b>	225	70	12	350	200	150	250	8	150
3	<b>Current Rate</b>	\$13,000	\$4,000	\$800	\$20,000	\$32,000	\$25,000	\$31,000	\$1,000	\$16,000
4	<b>New Rate</b>	\$27,000	\$27,000	\$320	\$172,000	\$45,000	\$5,000	\$125,000	\$450	\$50,000
5	<b>Difference</b>	\$14,000	\$23,000	-\$480	\$152,000	\$13,000	-\$20,000	\$94,000	-\$550	\$34,000
6	<b>Percentage</b>	108%	575%	-60%	760%	41%	-80%	303%	-55%	213%

\* Numbers are rounded estimates only for illustrative purposes

# CONCERNS & OBSERVATIONS

- **San Leandro has a many notable large businesses that could see significant increases in rates:**
  - 30+ businesses with over 150 employees
  - 20+ businesses with over \$50 million in annual revenue
  - Current *rates for large businesses range* between \$8,000 - \$200,000
  - Potential *new rates for large businesses range* between \$10,000 - \$248,000
  - Current lowest and highest rates for *any* business type: \$171 - \$200,640
  - Estimated new lowest and highest rates for *any* business type: \$132 - \$270,000
  - Some percentage increases of 200% - 700%
- **Total revenue derived under Union City model exceeds earlier forecasts**
- **Smaller businesses are anticipated to see a lesser impact**
- **Some business types would see an annual decrease**



# POSSIBLE MITIGATIONS

- **Potential Options to Mitigate Impacts**

- Refine rates for highly impacted businesses categories
- Phase-in of changes or max. increase/year
  - Examples:
    - Phase in implementation over 2 to 4 years
- Explore maximum level of gross receipts subject to taxation
- Explore modified exemption thresholds
  - Exemptions or reduced rates for key categories or business types prioritized in the City's adopted *Economic Development Strategy*:
    - Manufacturing
    - Research & development
    - Large sales tax generators
    - High-paying large employers
    - Housing providers

# POLICY CONSIDERATIONS

## **Gross receipts models seek to right-size taxes to address use of city resources**

- Professional and other services don't generate sales tax
- Business operations can impact city infrastructure including:
  - Pavement condition
  - Parking
  - Run-off

## **Tax changes should balance potential impacts to businesses**

- Retention
- Growth
- Hiring
- Expansion

# COUNCIL DIRECTION NEEDED

- Provide direction on modifications to the model to better incentivize business retention, growth, hiring and expansion
- If so directed, staff will bring forward a draft ordinance in July for placement on the November 3, 2026 ballot