



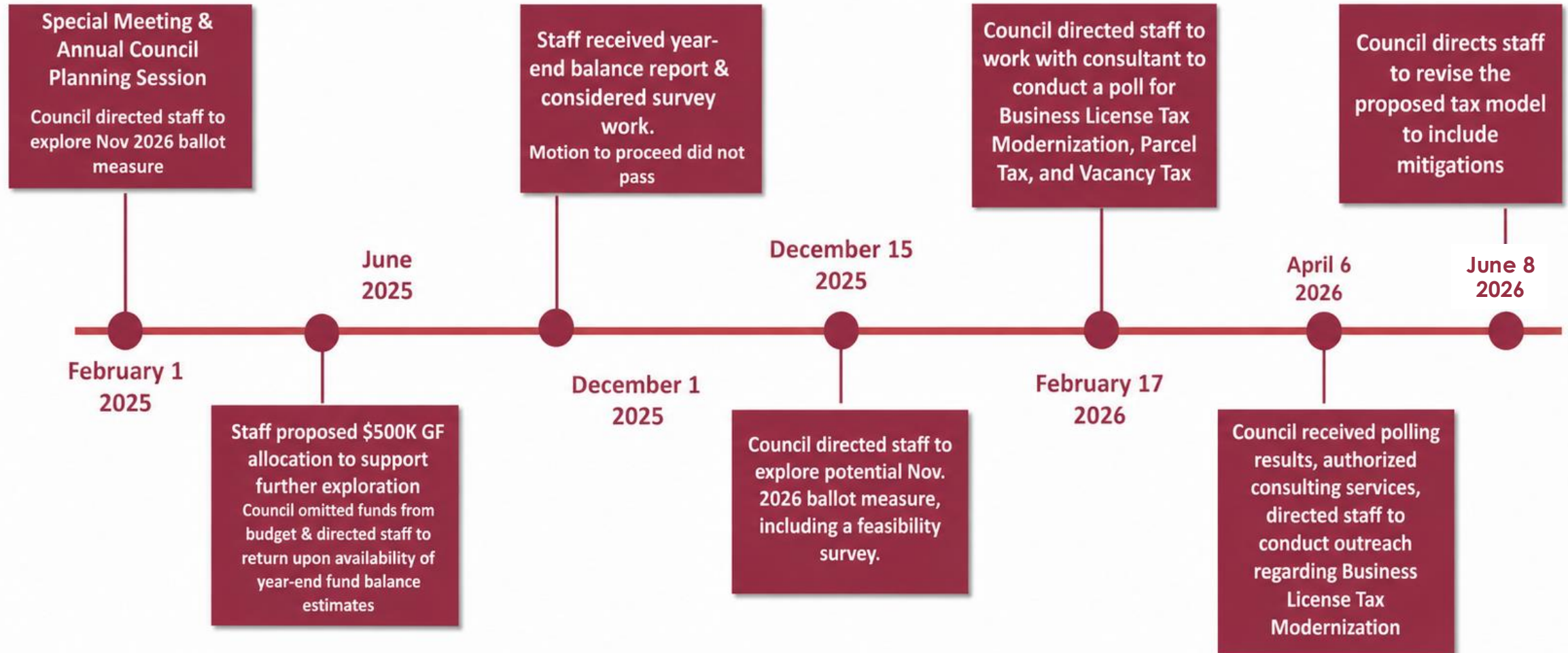
Business License Tax Modernization

**Council consideration of Placing a Revenue Measure
on the Nov. 2026 ballot**

Agenda

- Summary of previous Council direction
- Summary of outreach
- Council Q&A from 6/8 Council meeting
- Overview of current tax model
- Summary of Changes
- Recommended Action

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 follow-up questions via email

5/19: Online survey portal launched:
www.sanleandro.org/welisten

- Dedicated phone number posted for calls or texts
- Mailer and survey sent to 20,000+ residents

5/20 - 6/10: Outreach to Businesses + Public

- Informational webpage launched:
www.sanleandro.org/2026biztax
- Social media posts, videos + online ads posted
- 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

6/8: Council hosts special meeting to review draft tax model and receive feedback from business owners and the public, and directs staff to modify the tax model to incorporate mitigations

6/24 – 7/6: Additional Outreach Performed

- Notice emailed to S.L. Business License database + housing providers
- Email notification to business associations
- Social media posts
- Updated website with the new model



COMMUNITY ENGAGEMENT FEEDBACK

- **997 Total Survey responses** (829 online + 168 via written two-way mailer)
 - 50.4% supported the City's Business License Tax Proposal
 - 47.1% had questions or concerns
 - 30% of whom requested more detailed information



Overall themes:

- Crime, homelessness, public safety, and street conditions were top concerns
- More details of the proposal needed
- Concerns about impacts on small businesses
- Some comments advocated for a better business environment (permitting, etc.), and highlighted the importance of business attraction & retention
- Some comments asked for better budget management and cost control
- Concerns about consumer price impacts stemming from increased annual taxes

COUNCIL QUESTIONS FROM 6/8 COUNCIL MEETING

1. What are the expected impacts on economic development?

- Some businesses would continue to see significant annual increases under the revised model, which are concerning.
- Additional time and analysis could further evaluate such impacts.

2. Could these funds be earmarked specifically for infrastructure?

- No, per requirements of state law.

3. Could the fee be structured so that no businesses see a fee decrease?

- While contrary to best practices, such a change is legal and feasible.

COUNCIL QUESTIONS FROM 6/8 COUNCIL MEETING (CONT'D)

4. Can this be structured in a way to look at profit margins - rather than gross receipts?

- No. The City cannot legally use a company's profit margins as the basis for taxation.

5. What does a “high paying employer” mean?

- There is no formal definition.

6. Where would a data center fit into this framework?

- Under the proposed tax model, a data center would be classified as industrial.

7. What about other emerging industries?

- The proposed consolidated business categories account for emerging industries in the modern economy. As new industries and business types emerge, they may be evaluated based on the type of business activity as defined in the new use types and placed in the appropriate category.

8. Can the measure incorporate factors such as climate change, use of energy or water etc.?

- Additional time and analysis would be required to address these policy issue areas.

CHANGES TO THE MODEL SINCE JUNE 8TH

- **Property rental and mobile home park** tax rates would remain unchanged.
Current rates:
 - Residential
 - Property rental & mobile homes: \$171 base fee + \$15.80/unit
 - Commercial
 - \$171 base fee + \$26.30/1,000 square feet
- Warehouses tax rates have been increased to \$4.50 per thousand dollars in gross receipts.
- For any business with annual gross receipts greater than \$50 million, the tax model incorporates a 25% rate discount.
- Public Utilities have been re-classified to have the same rate as manufacturers, per the requirements of California law



What it would look like:

Modified Tax Model in San Leandro

	A Categories	B Business Count	C Minimums	D Est. Gross Receipts	E 6/8 Model Rates per Thousand	F 6/8 Model Est. Annual Revenue	G 7/6 Revised Model Rates per Thousand*	H 7/6 Revised Model Est. Annual Revenue
1	Contractor	2,317	\$150.00	\$1,335,000,000	\$2.00	\$2,614,000	\$2.00	\$2,614,000
2	General/Retail	1,178	\$132.00	\$2,033,000,000	\$0.43	\$917,000	\$0.43	\$880,000
3	Industrial	378	\$132.00	\$2,021,000,000	\$0.45	\$910,000	\$0.45	\$882,000
4	Professional	856	\$264.00	\$972,000,000	\$2.50	\$2,457,000	\$2.50	\$2,072,000
5	Property Rental	2,761	N/A	N/A	\$2.25	\$567,000	Same as existing**	\$1,128,000
6	Service	1,309	\$264.00	\$646,000,000	\$2.00	\$1,408,000	\$2.00	\$1,408,000
7	Warehouse	58	\$132.00	\$91,000,000	\$1.00	\$91,000	\$4.50	\$405,000
8	Mobile Home Park	5	\$581.00	\$1,000,000	\$45 per space	\$33,000	Same as existing**	\$12,000
9	Exempt	134	\$0.00	\$0	\$0.00	\$0	\$0	\$0
10	GRAND TOTAL	8,996		\$7,341,000,000		\$8,997,000		\$9,401,000

* First \$25,000 of revenue exempted; Businesses with +\$50M in revenue discounted 25%

** Property Rental Rates - \$171 + \$15.80/unit residential & mobile home or \$26.30/1,000 sf commercial

Drilling down further: Revised (7/6) tax model in San Leandro*

	A	B	C	D	E	F	G	H	I	J
		Retail			Industrial			Service		
		Goods	Car Dealer	Restaurant	Manufacturing	Wholesale	Warehouse	Professional	Non-professional	Contractor
1	Gross Receipts	\$60 M	\$65 M	\$1 M	\$400 M	\$100 M	\$5 M	\$50 M	\$250 K	\$25 M
2	Employees	225	70	12	350	200	150	250	8	150
3	Current Rate	\$13,000	\$4,000	\$800	\$20,000	\$32,000	\$20,721	\$31,000	\$1,000	\$16,000
4	6/8 Model Rate	\$25,800	\$27,000	\$430	\$180,000	\$45,000	\$5,000	\$125,000	\$500	\$50,000
5	7/6 Revised Model*	\$19,350	\$20,963	\$430	\$135,000	\$33,750	\$22,500	\$93,750	\$500	\$50,000
6	Current vs. 7/6 Model Difference	\$6,350	\$16,963	(\$370)	\$115,000	\$1,750	\$1,779	\$62,750	(\$500)	\$34,000
7	Percentage change from current to 7/6 revised model	49%	424%	-46%	575%	5%	9%	202%	-50%	213%

* Numbers are rounded estimates only for illustrative purposes

* First \$25,000 of revenue exempted; Businesses with +\$50M in revenue discounted 25%

Estimated Business Taxes by City

(hypothetical examples in Bay Area cities)

	A	B Large Retail	C Auto Dealer	D Grocery	E Small Retail	F Restaurant	G Prof. Services	H Large Prof. Services	I Small Contractor	J Large Contractor	K Manufacturer
1	Employees	200	30	60	5	25	20	150	5	55	90
2	Gross Receipts	\$400 M	\$20 M	\$10 M	\$1.5 M	\$1.9 M	\$10 M	\$70 M	\$2 M	\$18 M	\$30 M
3	Current San Leandro	\$10,711	\$1,752	\$3,333	\$435	\$1,489	\$2,811	\$19,971	\$699	\$5,979	\$4,914
4	7/8 Model San Leandro	\$129,000	\$8,600	\$4,300	\$645	\$817	\$25,000	\$131,250	\$4,000	\$36,000	\$12,900
5	Current Hayward	\$107,999	\$2,243	\$1,143	\$404	\$512	\$13,267	\$93,067	\$80	\$167	\$133
6	Proposed Hayward	\$236,000	\$8,500	\$3,500	\$450	\$570	\$15,000	\$105,000	\$1,000	\$16,200	\$8,902
7	Fremont	\$100,300	\$5,030	\$2,530	\$405	\$505	\$13,030	\$91,030	\$295	\$1,895	\$9,030
8	Pleasanton	\$120,000	\$6,000	\$3,000	\$450	\$570	\$3,000	\$21,000	\$600	\$5,400	\$9,000
9	Alameda	\$160,000	\$8,000	\$4,000	\$600	\$760	\$4,000	\$28,000	\$800	\$7,200	\$4,845
10	Emeryville	\$400,000	\$20,000	\$10,000	\$1,500	\$1,900	\$10,000	\$70,000	\$2,000	\$18,000	\$30,000
11	Berkeley	\$480,000	\$24,000	\$6,000	\$1,800	\$2,280	\$36,000	\$252,000	\$3,600	\$32,400	\$14,536
12	Oakland	\$969,050	\$34,875	\$8,825	\$1,450	\$1,890	\$45,600	\$343,100	\$3,900	\$48,350	\$17,599

RECOMMENDED ACTION

It is recommended that the City Council either:

A) By majority vote, adopt the proposed resolution as-written, to place the business license tax modernization measure on the November 3, 2026 election ballot, and designate author(s) for ballot measure argument and rebuttal

or

B) Direct staff to continue additional fiscal analysis with the goal of bringing forward a proposed business license tax modification as part of the November 2028 election (i.e. the next regular election that is eligible for consideration of such a measure, in the absence of a City Council declaration of a fiscal emergency)

Note: Without 4 affirmative votes for any action, staff will cease all further efforts.