Business License Tax Modernization

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

City of San Leandro

February 1 2025

Special Meeting & Annual Council Planning Session

Council directed staff to explore Nov 2026 ballot measure

June 2025

Staff proposed $500K GF allocation to support further exploration

Council omitted funds from budget & directed staff to return upon availability of year-end fund balance estimates

December 1 2025

Council received year-end fund balance report and considered survey work.

Motion to proceed did not pass

December 15 2025

Council directed staff to explore potential Nov. 2026 ballot measure, including a feasibility survey.

February 17 2026

Council directed staff to work with consultant to conduct a poll for Business License Tax Modernization, Parcel Tax, and Vacancy Tax

April 6 2026

Council received polling results, authorized consulting services, directed staff to conduct outreach regarding Business License Tax Modernization

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

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

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

City of San Leandro

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

City of San Leandro

- 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

	2025-26		
Business Classification	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 businessess 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	$1,000,0000	$33,000
9	Exempt	134	$0.00	$0.00	0	$0	$0
10	**GRAND TOTAL**	**8,996**				**$7,341,000,000**	**$8,997,000**

*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	**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	$25,000	$31,000	$1,000	$16,000
4	**New Rate**	$27,000	$27,000	$320	$172,000	$45,000	$5,000	$125,000	$450	$50,000
5	**Difference**	$14,000	$23,000	-$480	$152,000	$13,000	-$20,000	$94,000	-$550	$34,000
6	**Percentage**	108%	575%	-60%	760%	41%	-80%	303%	-55%	213%

* *Numbers are rounded estimates only for illustrative purposes*

Concerns & Observations

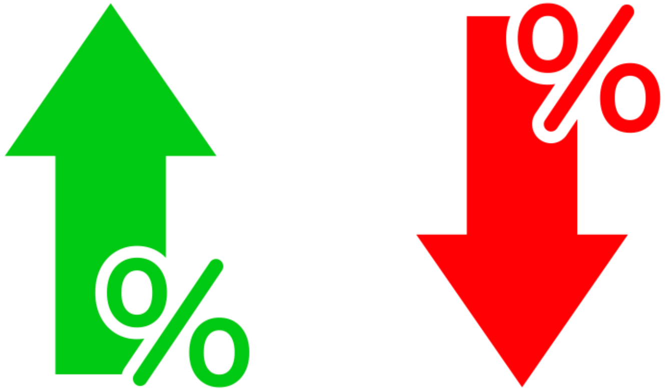
City of San Leandro

- **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