



CITY OF OAKLAND

AGENDA REPORT

DATE: January 7, 2020
TO: City Council and Members of the Public
FROM: Council President Nikki Fortunato Bas
President Pro Tempore Sheng Thao
SUBJECT: **Equitable Business Tax Blue Ribbon Task Force**

RECOMMENDATION

We respectfully request that the City Council, in accordance with its previous action and in order to raise revenue for the City's general purpose fund and create more equity and fairness in the City's business tax structure:

Adopt A Resolution Amending Resolution No. 88227, Which, Among Other Things, Directed City Council To Adopt An Ordinance Creating A Nine-Member Charter Section 601 Business Tax Blue Ribbon Commission, To Create An Eleven-Member Blue Ribbon Equitable Business Tax Task Force To Review, Analyze And Make Recommendations Regarding The Proposed Progressive, Modern And Equitable Business Tax Ordinance Approved By The City Council On July 14, 2020 For Placement On The November 8, 2022 Ballot And Appointing As Members Michael Katz, Regional Organizer For East Bay Works And Liz Ortega-Toro, Executive Secretary-Treasurer For Alameda Labor Council.

EXECUTIVE SUMMARY

On July 14, 2020, Council passed Resolution No. 88227, which, among other things, directed City Council to adopt an ordinance creating a nine-member Charter section 601 Business Tax Blue Ribbon Commission for the purpose of engaging in thorough analysis and community engagement to deliver for Council adoption 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.

While boards and commissions established pursuant to Charter section 601 are typically long-term boards and commissions which perform ongoing work for the City, this resolution provides amendments to create a limited duration eleven member Equitable Business Tax Blue Ribbon Task Force ("Task Force"). The resolution appoints as members Michael Katz and Liz Ortega-Toro, to represent the diverse Oakland community and provide expertise on equitable economic development and living wage job creation to complement future appointments to the

Task Force. The Task Force would fulfill the same functions as the previously contemplated Charter section 601 Business Tax Blue Ribbon Commission. All meetings of the Task Force shall be noticed and conducted in accordance with the Ralph M. Brown Act and Oakland's "Sunshine Ordinance" (Chapter 2.20 of the Oakland Municipal Code).

BACKGROUND / LEGISLATIVE HISTORY

Oakland's business tax structure has not been substantively updated since 2005. Oakland's current flat business tax structure imposes the same rates on businesses regardless of the amount of gross receipts they earn. Neighboring cities, including San Francisco, San Jose, and Richmond have adopted a progressive tax rate structure that imposes higher rates on businesses that earn more gross receipts. Updating the city's local business taxes to an equitable and progressive gross receipts tax structure, where smaller businesses pay less taxes, while larger businesses pay more, is an important avenue for revenue in a system that is antiquated.

A progressive tax rate structure would create a more equitable business environment for small businesses, which employ the majority of Oakland workers. Importantly, this progressive corporate gross receipts tax could result in approximately \$27 million in increased revenue to the City's General Purpose fund, which has been severely depleted by the COVID-19 pandemic and ensuing health and economic crises. An equitable, progressive corporate gross receipts tax is an important way for the City to invite the largest corporations in Oakland to pay their fair share and fund vital city services, which in turn creates a more desirable environment in the city for businesses, residents, and workers. This is our path towards a Just Recovery in Oakland.

ANALYSIS AND POLICY ALTERNATIVES

When Council passed Resolution No. 88227 on July 14, 2020, Council intended for the Business Tax Blue Ribbon Commission to be a short-term, limited duration commission created to obtain community feedback, conduct thorough analysis and provide recommendations for a modernized, progressive business tax ordinance to be placed on the November 8, 2022 ballot. It is not necessary to create a Commission pursuant to Charter section 601, which are typically long-term boards and commissions which perform on-going work for the City. This Task Force will serve a one year term for the 2021 calendar year. All meetings of the Task Force shall be noticed and conducted in accordance with the Ralph M. Brown Act and Oakland's "Sunshine Ordinance" (Chapter 2.20 of the Oakland Municipal Code).

The eleven-member Task Force would fulfill the same functions as the previously contemplated Charter section 601 Business Tax Blue Ribbon Commission. The two members appointed in this resolution represent the broader Oakland community of residents and workers that would be impacted by the changes in city services and potential economic and workforce development. Michael Katz, an Oakland resident, provides expertise on workforce development and industry partnerships across four geographical service regions: Alameda

County, Oakland, Contra Costa County and Richmond, through East Bay Works. Liz Ortega-Toro, an Oakland resident, represents the broad Oakland and Alameda County community of residents and workers that would be impacted by changes in city services, through the Alameda Labor Council's membership of unions representing thousands of Oakland working families. Both individuals are well-suited, together with the other Task Force members, to help conduct analysis and community engagement to develop a comprehensive recommendation to City Council 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 remaining nine members of the Task Force will be appointed by each Councilmember and the Mayor. The name of each appointee along with a letter of interest describing the appointee's interest in and qualifications for serving on the Task Force shall be submitted to the City Administrator (or his designee) no later than two weeks after the passage of this Resolution. The letter of interest shall state whether the appointee is an Oakland resident and whether the appointee meets one or more of the criteria set forth in subsection 5 of the Membership and Selection Requirements of the Resolution and listed here:

1. To the greatest extent practicable, at least one (1) but no more than two (2) members of the Task Force shall represent one of the following criteria:
 - a. individuals representing the very small business community (those businesses with gross receipts below \$2.5M);
 - b. individuals representing the small to mid-sized business community (those businesses with gross receipts below \$10M);
 - c. individuals representing large businesses (those businesses with gross receipts above \$25M);
 - d. a member of 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 member of a community organization or labor union who has experience with City budgets and/or City services.

The City Administrator (or his designee) shall review the letters of interest to confirm that the composition of the Task Force is consistent with the above-noted requirements and criteria.

The duties and function of the Task Force include conducting thorough analysis and extensive community and stakeholder engagement and delivering for Council adoption a comprehensive recommendation for an equitable, 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.

As an alternative, in light of the fiscal situation of the City resulting from the COVID-19 pandemic, the Council could forego creating a Task Force and instead, the Finance Department could provide recommendations directly to the Council via Committee and Council meetings for deliberation.

Another alternative would be to create a Charter section 601 commission, but this is typically for long-standing commissions, would involve more costs and staff time to implement, and would take more time to initiate, thereby reducing the time for analysis and community engagement.

IMPLEMENTATION AND ADMINISTRATION

The Task Force will have its first meeting in February and provide analysis and policy recommendations to the Council of the economic impacts of the recommended business tax rates, in consultation with the City's Departments of Finance and Economic and Workforce Development by October 31, 2021. These updates would be submitted to the voters as an ordinance on the November 8, 2022 ballot. Should it pass with a simple majority vote, it would be effective as of January 1, 2023. This effective date allows the Finance Department necessary time to update its systems and procedures to conform with and implement these proposed updates to the gross receipts tax structure.

FISCAL IMPACT

The goal of revenue enhancement in the Task Force analysis and recommendations shall be to raise approximately \$27 million in revenue, as estimated in the Agenda Report of the July 14, 2020 resolution approved by Council. These additional funds would go into the City's general purpose fund, which has been severely depleted by the COVID-19 pandemic and ensuing health and economic crises. Recognizing the complexities of the economy as a result of the COVID-19 pandemic, the Task Force may explore potential plans for an incremental phase in of tax rates in order to ensure a strong and effective economic recovery from the COVID-19 pandemic.

Resolution No. 88227 authorized the City to allocate up to one-hundred thousand dollars (\$100,000) towards an economic consultant to provide technical assistance to the Task Force. Staff from the Departments of Finance and Economic and Workforce Development will assist with providing data and analysis to the Task Force. The Department of Finance would allocate staff to manage the Task Force administration.

PUBLIC OUTREACH / INTEREST

The authors met with individual businesses, business associations and other stakeholders about the proposed Equitable Business Tax Task Force, including the Oakland Chamber of Commerce, African American Chamber, Chinatown Chamber, Vietnamese Chamber, Latino Chamber, Jobs and Housing Coalition and League of Women Voters. The Refund Coalition, a

coalition of labor and community organizations that organize around the city budget, is engaged and supportive of this measure.

COORDINATION

The authors consulted with the Departments of Finance and Economic and Workforce Development and the City Administrator about this legislation. The Finance Department has issued an RFP for an economic consultant to assist with the function and goals of the Equitable Business Tax Task Force. The City Attorney's Office assisted with drafting this legislation.

SUSTAINABLE OPPORTUNITIES

Economic: The additional revenue generated from the equitable, progressive corporate gross receipts tax will bring the largest corporations in Oakland to pay their fair share and fund vital city services, which in turn creates a more desirable environment in the city for businesses, residents, and workers, and a path towards a Just Recovery in Oakland from the COVID-19 pandemic and ensuing health and economic crises. The increased revenue generated by this progressive tax would enable the City to maintain and increase its capacity to provide services from its general purpose fund, such as small business assistance, homelessness services and housing, street and sidewalk maintenance, trash collection and illegal dumping clean-up, fire safety, and community safety services.

Environmental: The additional revenue generated from the progressive gross receipts tax would be used to reduce trash and litter on the streets, address the environmental impacts caused by unsheltered/unhoused persons living in the City streets, and develop structural solutions to update and improve outdated and inefficient systems within City government.

Race and Equity: The City's current gross receipts tax structure is flat--very large businesses are taxed at the same rate as very small businesses. The majority of businesses in Oakland are very small, and many are owned by women, Black, Latino, and Asian immigrants, and other people of color. The proposed structure is an equity reform, which would update the City's flat tax into an equitable, progressive system, where smaller businesses pay less taxes, while larger businesses pay more. It would add resources to increase vital city services for residents and businesses in Oakland, while making the City's business tax structure fairer.

ACTION REQUESTED BY THE CITY COUNCIL

We respectfully request that the City Council, in order to raise revenue for the City's general purpose fund and create more equity and fairness in the City's business tax structure: Adopt A Resolution Amending Resolution No. 88227, Which, Among Other Things, Directed City Council To Adopt An Ordinance Creating A Nine-Member Charter Section 601 Business Tax Blue Ribbon Commission, To Create An Eleven-Member Blue Ribbon Equitable Business Tax Task Force To Review, Analyze And Make Recommendations Regarding The Proposed Progressive, Modern And Equitable Business Tax Ordinance Approved By The City Council

Council President Nikki Fortunato Bas and President Pro Tempore Sheng Thao
Subject: Equitable Business Tax Blue Ribbon Task Force

On July 14, 2020 For Placement On The November 8, 2022 Ballot And Appointing As
Members Michael Katz, Regional Organizer For East Bay Works And Liz Ortega-Toro,
Executive Secretary-treasurer For Alameda Labor Council.

For questions regarding this report, please contact Miya Saika Chen, Chief of Staff, Office of
Council President Nikki Fortunato Bas, at mchen@oaklandca.gov.

Respectfully Submitted,



Nikki Fortunato Bas
Council President, District 2



Sheng Thao
President Pro Tempore, District 4

Attachments:
Statement of Interest Michael Katz
Statement of Interest Liz Ortega-Toro

January 5, 2020

Dear Mayor Schaaf and esteemed Councilmembers,

As a longtime Oakland resident invested in the well-being and resilience of the Oakland community, it is an honor and privilege to submit this letter of interest for an appointment to the City of Oakland's Blue Ribbon Equitable Business Tax Task Force.

My professional background is well-suited to bring valuable expertise and perspective to the mission and goals of the Task Force. I am a former Oakland public school teacher; a graduate of the UC Berkeley Department of City and Regional Planning; and currently, the Regional Organizer for the East Bay Regional Planning Unit, one of fourteen State-designated economic and workforce development areas.

As Regional Organizer for the East Bay Regional Planning Unit, I lead a partnership of the East Bay's four Workforce Development Boards serving Alameda County and the City of Oakland and Contra Costa County and the City of Richmond, respectively. In this capacity, I lead strategic planning, partnership development and stakeholder engagement. Core to this work are our partnerships with industry in sectors driving the regional economy and generating employment opportunities and with the East Bay's local and regional economic development entities.

I have also worked with a number of Oakland-based organizations working on economic, environmental and other social justice issues, including the Ella Baker Center for Human Rights, Urban Habitat, Urban Strategies Council, Oakland Community Land and PolicyLink.

I believe my unique experience, skills and commitment to the Oakland community would be an asset to the City's Blue Ribbon Equitable Business Tax Task Force and I look forward to the opportunity.

Regards,
Michael Katz

January 6, 2020

Dear Mayor Schaaf and esteemed Councilmembers,

As a longtime labor leader that is invested in the well-being and resilience of the Oakland community, it is an honor and privilege to submit this letter of interest for an appointment to the City of Oakland's Blue Ribbon Equitable Business Tax Task Force.

For more than 20 years, I have worked with labor unions and community organizations to advance economic opportunity, social justice, and immigrants' rights. My professional background will bring valuable expertise and perspective to the mission and goals of the Task Force.

In my current position with the Alameda County Labor Council, I work to represent the interests of over 135,000 union members. These union members work in a broad range of jobs in both the public and private sectors. Our members will be directly impacted by the decisions made by this task force and their needs and concerns must be heard.

My past professional experience has given me a detailed understanding of policy making, prior to coming to the Alameda Labor Council, I was the Statewide Political Director for AFSCME Local 3299, the University of California's largest employee union. As political director, I helped to develop and pass important legislation which prevented contracting out of service jobs at the University of California.

Serving as a member of the Alameda County Workforce Development Board has given me insight into the concerns of employers. On this board, I worked collaboratively with employers, education leaders and community organizations to help provide resources for those looking for employment.

My experiences, skills and commitment to Oakland would be an asset to the City's Blue Ribbon Equitable Business Tax Task Force and I look forward to the opportunity.

Regards,
Elizabeth Ortega -Toro