



## CITY OF OAKLAND

**Zac Unger**

COUNCILMEMBER – DISTRICT ONE

**Janani Ramachandran**

COUNCILMEMBER – DISTRICT FOUR

CITY HALL · ONE FRANK OGAWA PLAZA · 2<sup>ND</sup> FLOOR · OAKLAND, CA 94612

### **RECOMMENDATION**

#### **ADOPT A RESOLUTION:**

- (1) CALLING AND GIVING NOTICE FOR THE HOLDING OF A SPECIAL MUNICIPAL ELECTION ON JUNE 2, 2026 FOR THE PURPOSE OF SUBMITTING TO THE VOTERS A MEASURE TO AMEND THE CITY'S BUSINESS TAX ORDINANCE (OAKLAND MUNICIPAL CODE CHAPTER 5.04) TO PROVIDE BUSINESS TAX EXEMPTIONS FOR CERTAIN SMALL BUSINESSES AND NEW BUSINESSES OPENING LOCATIONS IN COMMERCIAL SPACES; AND**
- (2) REQUESTING CONSOLIDATION OF THE SPECIAL MUNICIPAL ELECTION WITH THE STATEWIDE DIRECT PRIMARY ELECTION TO BE HELD IN THE CITY OF OAKLAND ON JUNE 2, 2026;**
- (3) DIRECTING THE CITY CLERK TO TAKE ANY AND ALL ACTIONS NECESSARY UNDER LAW TO SUBMIT THIS MEASURE TO VOTERS AT THE JUNE 2, 2026 ELECTION; AND**
- (4) MAKING APPROPRIATE CALIFORNIA ENVIRONMENTAL QUALITY ACT FINDINGS**

### **EXECUTIVE SUMMARY**

A thriving businesses sector is critical to creating a vibrant, economically resilient City. However, running a business in the City of Oakland can be difficult in the post-pandemic years. Small businesses, in every corner of the City, often struggle due to limited resources, and need a boost to stay afloat and contribute to the diverse fabric of Oakland's economic environment. New businesses need greater incentives to choose Oakland as their home, especially as other Bay Area cities offer competitive advantages. The City of Oakland has the opportunity to change this dynamic while boosting our economy, commercial activity, and job opportunities. We can accomplish this without imposing unbudgeted costs to our city's General Purpose Fund. In order

to help ease the burden on existing businesses, and to incentivize new businesses to come to Oakland, this proposed legislation can create relief for existing small businesses and incentives for new businesses as follows:

### ***Small Business Incentive***

- 1) Eliminate gross receipts tax for **small businesses** in classes A, B, E, G, and I, which do not gross more than \$1M in sales for the tax certificate year beginning January 1, 2027 and ending December 31, 2027.

### ***New Business Incentive***

- 2) Eliminate gross receipts tax in an amount not to exceed \$1M for all businesses (of any size) establishing a **new business** location in a commercial space in Oakland between January 1, 2027 and December 31, 2027 for the tax certificate year beginning January 1, 2028 and terminating December 31, 2028.

This legislation would go into effect 10 days after the passage by Oakland voters is declared by the City Council. Should the City Council find that these provisions have successfully helped support small and new business in the City of Oakland, the City Council may extend these programs on a yearly basis up to three times by a super-majority vote of the City Council (6 members).

## **BACKGROUND**

Often, public officials hear that businesses in Oakland do not feel supported by their local government. Our City faces a tough structural deficit and levels of crime that remain unacceptably high. Necessary permits, licenses, fees, insurance, and taxes can all be difficult requirements to navigate on top of rent payments and other operating expenses. While local government cannot easily offset costs like rent, labor, or utilities, it can offer relief through modified tax rates and incentives. This program is modeled in part after successful incentives implemented by other cities across California, including the City and County of San Francisco.

### ***San Francisco Programs See Success***

In 2021, in order to support and revive small business in the wake of the pandemic, the City and County of San Francisco created the “First Year Free Program.” This program covers business registration, permits, and other fees in the first year for new and expanding businesses.<sup>1</sup> Qualifying businesses must make no more than \$2M in gross receipts and cannot be a home-based business or short-term rental. Between November 2021 and December 2024, nearly 9,000 businesses took advantage of the program. Nearly 5,700 were new businesses and 3,333 were new locations of existing businesses.<sup>2</sup>

In 2024, San Francisco extended the small business category to those making under \$5M in gross receipts through Measure M. Most recently, San Francisco created a program offering new and

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<sup>1</sup> “First Year Free.” *Treasurer & Tax Collector*, 7 Apr. 2025, [sftreasurer.org/business/first-year-free#collapse-accordion-6005-4](https://sftreasurer.org/business/first-year-free#collapse-accordion-6005-4)

<sup>2</sup> Cisneros, Jose, “First Year Free Report to the Board of Supervisors June 10, 2024,” *Treasurer & Tax Collector, City and County of San Francisco*, <https://share.google/nejnYG4t15YbFIYEs>

relocating businesses in certain downtown zip codes tax credits of up to \$1M through 2028.

While it is impossible to know exactly how many businesses would have opened were it not for these programs, economic indicators show a steady recovery from the pandemic. San Francisco's Chief Economist Ted Egan said, "small businesses like restaurants, bars, [and] neighborhood services are growing. It is a slow recovery from COVID-19, but it is a recovery."<sup>3</sup>

## **ANALYSIS**

### ***Small Business Incentive***

Oakland is proud to have a small business community that contributes to the unique diversity of the cultural and economic landscape that we are known for. Almost 90% of businesses gross under \$1M and nearly 90% of businesses have 9 or fewer employees.<sup>4</sup> The categories impacted by this legislation represent 44% of all businesses in Oakland, and these businesses generate around \$1.6M in business tax revenue every year.

Figure 1 shows the categories of businesses that could take advantage of this program. While any business is valuable, these categories of businesses contribute to vibrant, walkable neighborhoods and include sectors hit hard by post-pandemic financial realities. Brick and mortar retail locations promote buying and supporting local business, but vacancy rates consistently hover around 4-5%. Oakland is the cornerstone of cultural creativity in the Bay Area, and yet Oakland's creative economy has contracted since 2019.<sup>5</sup> Encouraging the stability of these types of street-level businesses will generate a positive reinforcement loop of safety and economic vitality by increasing neighborhood foot traffic.

Individual businesses stand to receive anywhere between \$60 and \$4,100 in relief based on their gross receipts. This legislation will put these funds directly back in the pockets of small businesses, giving business owners more flexibility in how they use their dollars.

*Fig 1: Eligible Business Classes*

Class A	Retail Sales
Class B	Grocers
Class E	Business and Personal Services
Class G	Recreation and Entertainment

<sup>3</sup> Longstreet-Lipson, Madera, "Despite city hurdles, 230 businesses opened in SF last month," *Mission Local*, July 1, 2025, <https://missionlocal.org/2025/07/no-matter-the-challenges-small-biz-dreamers-continue-to-place-bets-in-san-francisco/>

<sup>4</sup> City of Oakland, Economic and Workforce Development, "Oakland 2024 Citywide Economic Assessment," <https://www.canva.com/design/DAGZwdWTKC4/yZ9jiEqoa93DeqqnvpFBQQ/edit>

<sup>5</sup> Oakland Metropolitan Chamber of Commerce, "Annual Oakland/East Bay Economic Indicators Report," March 2025. <https://www.oaklandchamber.com/wp-content/uploads/2025/03/Oakland-2025-Economic-Indicators-Report-Executive-Summary-pages.pdf>

Class I

Manufacturing

Note: The City of Oakland uses progressive business tax rates rather than flat rates. Business activity classifications can be found in municipal code section 5.04.130 and rates in section 5.04.205.

### **New Business Incentive**

The City of Oakland often states that we are “open for business,” but our existing policies and practices do not communicate this message strongly or widely enough. Any business opening in a neighboring city is a business that could have chosen to locate in Oakland. By offering one year free of gross receipts taxes, we can improve our chances of drawing these businesses to Oakland. In doing so, we trade one year of lost tax revenue for several years of future tax revenue - and economic activity that increases our foot traffic, attraction as a city to visitors and residents, job creation, and overall vibrancy. It is timely that we send the message to the business community that Oakland values and encourages businesses. This initiative goes hand in hand with permit streamlining, economic opportunity zones, safety ambassadors and other programs aimed at revitalizing business corridors throughout the City.

To be eligible for this incentive, the business cannot have had a physical location in the City for the prior two tax years; acquiring an existing business will not trigger the exemption.

**To be eligible for either incentive, existing business tax accounts must be in good standing. This means that the business (or individual) must have made timely, complete payments during the prior two business tax years (if they have been established for so long) and must not have a delinquent account for any other reason.**

### **FISCAL IMPACT**

There will be no fiscal impact in this current budget cycle.

In anticipation of this legislation, the Oakland City Council set aside \$3M for this program as part of the FY 2025-2027 Adopted Budget passed in June, 2025. This is approximately double the amount we anticipate foregoing in business tax. Should the City Council wish to extend this program, approximately \$1.6M should be set aside annually.

*Fig 2: Gross Receipts & Number of Businesses for Businesses Grossing <\$1M*

Tax Type	Gross Receipts \$0-\$500,000		Gross Receipts \$500,001-\$750,000		Gross Receipts \$750,001-\$1M	
	Tax Paid	Number of Accounts	Tax Paid	Number of Accounts	Tax Paid	Number of Accounts
A - RETAIL SALES	\$ 309,521	3,000	\$ 126,630	254	\$ 137,909	188
B - GROCERS	\$ 9,406	81	\$ 9,663	32	\$ 6,150	14
E - BUSINESS/PERSONAL SVCS	\$ 533,295	4,615	\$ 135,609	178	\$ 128,820	107
G - RECREATION/ENTERTAINMENT	\$ 83,234	344	\$ 15,627	6	\$ 15,376	4
I - MANUFACTURING	\$ 45,071	384	\$ 23,035	32	\$ 11,164	12
<b>Totals</b>	<b>\$ 980,527</b>	<b>8,424</b>	<b>\$ 310,564</b>	<b>502</b>	<b>\$ 299,418</b>	<b>325</b>
<b>Total Tax Paid All Categories</b>	<b>\$ 1,590,510</b>					

By helping to stabilize current small businesses and incentivizing new businesses to come to Oakland, this program stands to grow the City’s business tax base. With a larger tax base, the City can expect to receive more business tax revenue long-term.

## **SUSTAINABLE OPPORTUNITIES**

### ***Economic***

The primary goal of the proposed legislation is to revitalize Oakland's economy by bringing in new enterprises with brick and mortar locations, as well as to support the small business that contribute greatly to the cultural and economic fabric of the Town. Doing so will boost revenues that will flow to the city, create new job opportunities and sustain existing jobs, reduce the number of vacant storefronts, and improve Oakland's attraction to visitors while retaining our current population.

### ***Environmental***

Many of Oakland's neighboring cities have been able to attract new businesses in the green economy, which creates new jobs in an important sector that has positive impacts for environmental sustainability for our futures.

### ***Race & Equity***

Many of Oakland's small businesses are owned and operated by Black, Indigenous, and People of Color (BIPOC) communities. Oakland is home to an incredible array of ethnic and immigrant communities that spread our cultural values and support the livelihoods of our diverse residents. In every corner of the city, we have economic corridors that are stimulated by small businesses run by communities of color, and this legislation will support these small businesses with necessary economic relief, as well as invite new minority-owned businesses to fill up vacant storefronts all over Oakland.

## **PUBLIC OUTREACH & COORDINATION**

Multiple small business organizations, labor groups, and community organizations were consulted in the development of this legislation.

This legislation was crafted with support from the Oakland Mayor's Office, and with guidance from the Oakland City Attorney's Office and Finance Department. For questions, please contact Keara O'Doherty, Chief of Staff to Zac Unger ([kodoherty@oaklandca.gov](mailto:kodoherty@oaklandca.gov)), or Iris Merriouns, Chief of Staff to Councilmember Janani Ramachandran ([imerriouns@oaklandca.gov](mailto:imerriouns@oaklandca.gov)).

Respectfully submitted,



Zac Unger



Janani Ramachandran