



AGENDA REPORT

TO: Jestin D. Johnson
City Administrator

FROM: Monica Davis
Deputy City Administrator

SUBJECT: SUPPLEMENTAL – Report With A
List Of Options To Raise An
Additional Ongoing \$40 Million In
General Purpose Fund Revenues

DATE: October 16, 2025

City Administrator Approval


Jestin Johnson (Oct 16, 2025 16:04:32 PDT)

Date: October 16, 2025

RECOMMENDATION

Staff Recommends That City Council Receive An Informational Report With A List Of Options To Raise An Additional Ongoing \$40 Million In General Purpose Fund Revenues Via An Ordinance To Adopt Or Increase A Tax Effective July 1, 2026, To Provide Ongoing Resources For Public Safety Services And To Maintain Key Equipment, IT Systems, And 911 Investments.

REASON FOR SUPPLEMENTAL

This supplemental report is issued in response to questions raised during the September 30, 2025, Finance & Management Committee Meeting regarding the informational report on potential options to generate an additional ongoing \$40 million in General Purpose Fund revenues, projected to take effect in FY 2026-27. Additional analysis was requested on the following items:

1. The net effect of a proposed new parcel tax on single-family homes relative to reductions in the Police and Fire Retirement System (PFRS) levy.

Council Member Brown's requests

2. Revised Real Estate Transfer Tax (RETT) rate structure.
3. Change to raise the Utility Consumption Tax (UCT) on natural gas from 7.5% to 9.0% and reduce the UCT on electricity from 7.5% to 7.0%.

Council Member Wang's requests:

4. Progressive Parcel Tax
5. E-Commerce Delivery Tax: per package excise tax / or tax on Amazon or grocery deliveries

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6. Pollution/Diesel Tax: industrial emissions tax
7. Utility Users Tax (Over a Baseline): a tax on utility consumption (electricity, water, gas, etc.) applied only to usage above a defined baseline, ensuring that standard low- and middle-income household consumption is excluded. This should be limited to high-volume users and large commercial consumers.
8. Undeveloped Land Tax: different from the vacancy parcel tax this taxes undeveloped land zoned for residential/mixed-use that has sat idle
9. Commercial Vacancy Tax: Specifically targeting long-term vacant storefronts to encourage leasing. Our current vacancy parcel tax is not robust enough to incentive commercial landlords, compared to San Francisco
10. Vaping and Tobacco Tax: a targeted excise tax on e-cigarettes, vaping, and tobacco products.
11. Congestion Pricing around Lake Merritt: a fee charged to vehicles entering designated zones around Lake Merritt during peak hours.
12. Alcohol Tax: a targeted excise tax on alcohol products.
13. Luxury Sales Tax Surcharge

Analysis:

1. Net Effect of a Proposed New Parcel Tax on Single-Family Homes Relative to Reduced PFRS Levy

The PFRS levy is an ad valorem tax, meaning it is based on assessed property value, while a proposed new parcel tax would be a flat fee per parcel. As PFRS pension bonds mature over the coming years, the ad valorem tax override that finances these obligations is being phased down. Last year, the override was reduced from the maximum 0.15% to 0.0705%, thus reducing the corresponding revenue collected in FY 2024-25 to approximately \$79.54 million compared to \$149.26 million collected in FY 2023-24. At the current PFRS rate, the average single-family home assessment is \$437. To achieve revenue targets of \$40 million, \$50 million, and \$60 million under a new flat parcel tax, single-family home levies would be approximately \$224, \$280, and \$336, respectively. The corresponding break-even home assessed values—where the flat parcel tax equals the current PFRS ad valorem levy—would be \$317,730 for a \$40M parcel tax, \$397,163 for \$50M, and \$476,596 for \$60M.

Under these scenarios, assuming the current PFRS ad valorem rate was eliminated, and the new parcel tax was implemented:

- **\$40M target (\$224 levy):** 63% of single-family homes would pay less under the new flat parcel tax
- **\$50M target (\$280 levy):** 56% of single-family homes would pay less
- **\$60M target (\$336 levy):** 50% of single-family homes would pay less

Because PFRS liabilities are nearly fully funded, the ad valorem Pension Tax Override will continue winding down. The levy is expected to decline sharply—by up to 94% in future years—reducing revenue to approximately \$5 million annually. This would lower the ad valorem rate from 0.0705% to 0.0044% and result in an average per property annual assessment of approximately \$27.48. Adding this to the single-family home levy amounts mentioned above, the combined levy would increase as follows to meet the funding targets: from \$224 to \$251 to raise \$40 million, from \$280 to \$307 for \$50 million, and from \$336 to \$363 to reach \$60 million.

Combining the reduced PFRS ad valorem rate of 0.0044% with the proposed flat parcel taxes would result in:

- **\$40M parcel tax target:** 61% of single-family homes paying less
- **\$50M parcel tax target:** 54% of single-family homes paying less
- **\$60M parcel tax target:** 47% of single-family homes paying less

2. Council Member Brown’s requested information on a revised Real Estate Transfer Tax (RETT) rate structure.

Councilmember Brown requested a revenue analysis based on the proposed RETT rate changes:

\$300,000 or less -- Remain at 1.0%.

\$300,001 to \$1,500,000 -- Remain at 1.5%.

\$1,500,001 to \$2,000,000 - from 1.5% to 2.0%.

\$2,000,001 to \$3,000,000 -- from 1.75% to 2.50%.

\$3,000,001 to \$5,000,000 -- from 1.75% to 3.0%.

\$5,000,001 to \$10,000,000 -- from 2.50% to 3.50%.

\$10,000,001 to \$25,000,000 -- from 2.50% to 4.0%.

Over \$25,000,000 -- from 2.5% to 4.5%.

Based on this analysis, implementing the Real Estate Transfer Tax (RETT) tax rates considered would lead to a substantial increase in projected revenue, averaging \$24.99 million more per year over the three fiscal years reviewed. **Table 2** below compares actual RETT revenues under the current rate structure with the revenues that would have been generated if the rates considered had been applied to the same property transfers between FY 2022-23 and FY 2024-25. The figures reflect only the recorded transfers for each year and do not include any related RETT revenues that may arise from enforcement actions or adjustments related to delinquencies. It’s important to note that higher tax rates could potentially reduce the number of future transfers, which may impact revenue. RETT revenues are highly volatile, and Oakland

has recently experienced a downturn due to rising interest rates, which have slowed property transactions. A substantial RETT rate increase could further reduce activity in the City's real estate market, making this revenue source unreliable for ongoing funding.

Table 2: RETT Revenues Under The Rate Structure Change Considered

Year	FY 2022-23	FY 2023-24	FY 2024-25 Preliminary	Total	Average
Current Tax Rate	75,548,846	57,774,676	92,745,093	226,068,615	75,356,205
Considered Tax Rate	99,028,068	72,322,690	129,693,487	301,044,246	100,348,082
Increase / Decrease	23,479,222	14,548,015	36,948,394	74,975,631	24,991,877
Increase / Decrease %	31.08%	25.18%	39.84%	33.16%	32.03%

3. Council Member Brown's requested information possible proposal to change to raise the Utility Consumption Tax (UCT) on natural gas from 7.5% to 9.0% and reduce the UCT on electricity from 7.5% to 7.0%.

The Utility Consumption Tax (UCT) is charged on users of a given utility, primarily electricity, natural gas, cable television, and telephone. The City tracks the amount of UCT received under three categories, Energy which is composed of Gas and Electric, Telecom, and Other. As shown in **Table 3** below, Energy accounts for approximately 56% of total UCT revenues on average over the past three fiscal years.

Table 3: Energy Percentage of UCT Revenues

Fiscal Year	Total UUT Collected	Energy Amount	Energy Percentage of UUT	Telecom Amount	Other Amount
FY 2024-25 Preliminary	69,055,618	30,470,872	44%	25,509,631	13,888,254
FY 2023-24	63,820,246	41,253,537	65%	13,072,194	9,301,747
FY 2022-23	64,728,679	38,785,527	60%	8,626,293	17,301,073
Average	65,868,181	36,836,645	56%	15,736,040	13,497,024

Public data from PG&E indicates that, on average over the past three fiscal years, electricity accounts for approximately 75% of PG&E's monthly utility charges, while gas accounts for the remaining 25%. **Table 4** below presents PG&E energy data by quarter for Oakland ZIP codes during this period.

Table 4: PG&E Energy Data Based on Oakland Zip Codes¹

Energy Type	FY22Q1	FY22Q2	FY22Q3	FY22Q4	FY23Q1	FY23Q2	FY23Q3	FY23Q4	FY24Q1	FY24Q2	FY24Q3	FY24Q4	3 Year Quarterly Average	3 Year Monthly Average
Gas \$	187	108	74	182	237	130	87	145	192	110	84	149	140	47
Electricity \$	250	395	397	403	405	351	395	394	456	444	412	451	396	132
Total	437	503	471	585	643	481	482	538	647	554	496	600	536	179
Gas %	43%	21%	16%	31%	37%	27%	18%	27%	30%	20%	17%	25%	26%	25%
Electricity %	57%	79%	84%	69%	63%	73%	82%	73%	70%	80%	83%	75%	74%	75%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

If the rate changes considered are implemented—raising the UCT rate on natural gas from 7.5% to 9.0% and lowering the rate on electricity from 7.5% to 7.0%—the resulting impact on UCT revenue from Energy (which makes up approximately 56% of total UCT revenue) would be a net decrease of approximately \$50,000 compared to the preliminary UCT collected in the previous fiscal year. This estimate assumes that within the Energy category, electricity accounts for 75% of revenue and natural gas accounts for 25%. **Table 5** below shows the projected impact on UCT revenue for FY 2024–25 based on these assumptions.

Table 5: FY 2024-25 UCT Revenue Estimate Under Considered Alternative Gas and Electricity UCT Rates

Category	Gas	Electricity	Total	Notes
Energy UUT Allocation	25%	75%	100%	On average, Energy represented 56% of the UUT over the past three years
Energy UCT \$	9,520,897	29,308,036	38,828,933	56% of FY 2024-25 UUT preliminary year end actual
Energy UCT Change	+20% (from 7.5% → 9.0%)	-7% (from 7.5% → 7.0%)		-
Energy UCT Adjusted	11,425,076	27,354,167	38,779,244	
Adjustment / Difference	1,904,179	-1,953,869	-49,689	Net Effect

¹ Gas figures are based on PG&E's residential baseline rates per therm (100,000 British Thermal Units (BTUs) as reflected on PG&E's Schedule G1, effective October 1, 2025, including both procurement and transportation charges. Electricity figures are based on PG&E's Tier 1 residential baseline rates as reflected on PG&E's Schedule E1, effective September 1, 2025.

4. Progressive Parcel Tax:

According to the California Constitution, “the maximum amount of any ad valorem tax on real property shall not exceed one percent (1%) of the full cash value of such property” (Article XIII, Section 1(a)). Furthermore, it states that “Cities, counties, and special districts, by a two-thirds vote of the qualified electors of such district, may impose special taxes on such district, except ad valorem taxes on real property...” (Article XIII, Section 4). Therefore, parcel taxes—which are a form of special tax—may not be imposed in a progressive manner based on property values, as this would classify them as prohibited ad valorem taxes.

A parcel tax can be structured to vary based on property use or size. **Table 6** below presents an example of a progressive parcel tax, where single-family homeowners would pay less than owners of multi-unit residential or non-residential properties. In this scenario, assuming no exemptions, the tax would be set at \$150 per parcel for single-family homes, \$200 per unit for multi-unit residential properties, and \$200 per 6,400 square feet for non-residential parcels. This structure would generate revenue exceeding the \$40 million target, as illustrated in **Table 6**.

Table 6: Sample Progressive Parcel Tax Structure

Use Type	Levy	Yearly Revenue Estimate
Single Family Home	\$150 per parcel	9,467,700
Multi-Unit Residential	\$200 per unit	25,670,400
Non-Residential Parcels	\$200 per 6400 SF	8,161,456
Total		43,299,556

5. E-Commerce Delivery Tax: per package excise tax / or tax on Amazon or grocery deliveries

No information is publicly available showing that a delivery tax for e-commerce specifically has been levied in the United States. However, Colorado and Minnesota have implemented a state-wide delivery fee for tangible goods in general, including e-commerce. Other States considering this fee include Hawaii which has explored or introduced proposals for a 50-cent fee on deliveries, Indiana has considered a bill that would allow counties to impose their own delivery fees, Maryland proposed a 75-cent fee on retail deliveries, Mississippi is considering a 30-cent fee per transaction, Nebraska has explored proposals for a 27-cent fee, Washington has considered a fee of approximately 30 cents per online order, and a bill has been introduced in New York to impose a 25-cent surcharge on online deliveries within New York City. Notably, these proposals and enacted fees have all emerged at the state level, underscoring that the authority to impose and administer delivery-related charges—whether framed as taxes or fees—typically resides with state governments rather than cities (even the surcharge proposal for New York City was introduced at the state level, specifically in the New York State Legislature).

Local level data (city by city) is rarely published for parcel delivery volumes which makes the effectiveness of the tax difficult to analyze. The Progress Chamber, a nonprofit organization based in Colorado published initial findings of the implementation of the state-wide delivery

fee in Colorado in a report titled “The Negative Economic Impacts of Retail Delivery Fees”² (the report). The report noted that Retail delivery fees place an added financial burden on consumers, especially those with lower incomes. Because these fees are charged at a flat rate regardless of the purchase amount, they function like a regressive tax—everyone pays the same fee, but it takes up a larger share of income for lower-income households. This makes the system particularly unfair to disadvantaged communities. Small and local businesses are also disproportionately affected. Since the fee is a fixed dollar amount, it represents a higher percentage of the total cost for lower-priced items, making these businesses less competitive and discouraging customers from choosing more affordable options.

Higher delivery fees also lead to reduced consumer spending. When the cost of delivery rises, people tend to cut back on purchases, which in turn hurts the broader economy—especially small, local businesses that rely on regular customer demand. The report also indicated that in 2023, the State of Colorado collected \$14.8 million in retail delivery fees from prepared meals alone. This increase in cost led to 407,456 fewer takeout orders and \$12.2 million in lost restaurant sales. Overall, Colorado consumers paid \$89 million in retail delivery fees that year, if those funds had been used for goods and services instead, it could have supported the creation of 712 jobs and generated \$35.2 million in wages across various industries in the state, according to the report.

Table 7 below displays the revenue generated from retail delivery fees and the number of deliveries in Colorado between July 2022 and May 2024, as provided on the report.

Table 7. Revenue Generated in Colorado from Retail Delivery Fees

Colorado Retail Delivery Fees	FY 2022–2023	FY 2023–2024 Through May 2024
Total Revenues	75,919,293	84,990,830
Number of Deliveries	281,182,568	303,538,679

The 2020 US Census recorded Colorado’s population as 5,782,171, making the number of deliveries per capita approximately 48 in FY 2022-23, and 52 in FY 2023-24 through May.

Assuming the same per capita ratios for Oakland, with a population of 433,797 according to the 2020 US Census, would have resulted in approximately 20,822,256 deliveries in FY 2022-23 and 22,557,444 in FY 2023-24 (not e-commerce specific). To have generated \$40 million in revenues for each of those two years, the delivery fee for Oakland would have needed to be roughly \$1.92 per package in FY 2022-23 and \$1.77 per package in FY 2023-24(not e-commerce specific).

² Pham, N. D., & Donovan, M. (2024, September). The Negative Economic Impacts of Retail Delivery Fees. ndp | analytics. <https://progresschamber.org/wp-content/uploads/2024/08/Retail-Delivery-Fees-White-Paper-Econ-Impact-CHOP.pdf>

In FY 2023–24, Oakland received \$61.74 million in total sales tax revenue, including \$12.66 million (20.5%) from the Alameda County Sales Tax Pool, which captures revenue from transactions where the point of sale is unclear, such as many online purchases. Amazon is estimated to contribute approximately 10% of Oakland's share of the County pool, or approximately 2% of the total annual sales tax collected. While e-commerce activity continues to grow, Amazon's relatively small share of overall sales tax revenue suggests that any new tax targeting online sales may result in relatively modest additional revenue for the city.

6. Pollution/Diesel Tax: industrial emissions tax

A local pollution or diesel tax targeting industrial emissions is potentially feasible but comes with significant legal and regulatory limitations. A city may propose an excise or business license tax aimed at emissions or diesel use; however, such a tax must comply with constitutional requirements, avoid preemption by state or federal law, and meet nexus and reasonableness standards. Importantly, cities cannot regulate or tax in areas where the state or federal government holds exclusive authority—such as air quality standards, which fall under the jurisdiction of the California Air Resources Board (CARB) and the U.S. Environmental Protection Agency (EPA). Any local tax must also avoid conflicting with existing state environmental regulations or fuel taxes. As a result, implementing such a tax would require extensive legal analysis and coordination with external regulatory agencies to ensure compliance.

In California, emissions from stationary sources—such as oil refineries, auto body shops, and dry cleaners—are regulated by 35 local air pollution control districts under CARB's oversight. In the Bay Area, this responsibility lies with the Bay Area Air Quality Management District (BAAQMD). BAAQMD already imposes fees on stationary sources of pollution. For context, its FY 2024–25 budget includes \$46.3 million in property taxes, \$67.0 million in permits and fees, \$158.6 million in grants, \$9.6 million in other revenue, and \$9.7 million in transfers from reserves, totaling \$291.1 million in revenue, of which \$113.3 million corresponds to taxes, permits, or fees.

The State currently has a cap-and-trade program which is a statewide system designed to reduce greenhouse gas emissions that contribute to climate change. It works by setting a limit (or "cap") on the total amount of emissions allowed from large polluters, like power plants, oil refineries, and factories. These companies must buy permits, called allowances, for each ton of carbon dioxide they emit. The state gives out a limited number of these permits, and the total number goes down each year, forcing companies to pollute less over time. If a company reduces its emissions and holds enough allowances to cover their emissions each year, it can sell extra permits to other companies, creating a market for pollution rights. The money from these sales goes into a state fund that supports clean energy, public transportation, and other climate projects. The goal is to make polluting more expensive and reward cleaner choices, while using the funds to help communities and fight climate change.

7. Utility Users Tax (Over a Baseline): a tax on utility consumption (electricity, water, gas, etc.) applied only to usage above a defined baseline, ensuring that standard low- and middle-income household consumption is excluded. This should be limited to high-volume users and large commercial consumers.

It is rare for cities to have a tiered Utility Users Tax (UUT) structure with tax rates that increase based on consumption tiers. While many municipalities have UUTs, the most common approaches to address high-volume users are different rates for residential and commercial customers and exemptions for baseline consumption. PG&E's public "Energy Data Request / Public Datasets" portal provides only aggregated consumption data and does not include tiered usage breakdowns. Detailed tier-level data—such as daily usage by meter and tier attribution—is maintained privately due to customer confidentiality, and public datasets are intentionally aggregated to prevent identification of individual behavior.

A 2011 decision published by the California Public Utilities Commission, titled Decision Regarding Residential Rate Design (D.11-05-047), includes the following tables. More recent data on tier-based residential rate structures does not appear to be publicly available.

Table 8: PG&E Schedule E1 Tiered Rates as of January 1, 2011³

1/1/2011 Rate Design - Schedule E-1	Sales Forecast (kWh)	% of Sales Forecast (kWh)	Rate per kWh	Progressive Rate Increase	Cumulative Rate Increase vs Tier 1
Tier 1	12,987,910,127	61%	\$0.12		0%
Tier 2	2,291,968,697	11%	\$0.14	13.7%	13.7%
Tier 3	3,220,528,085	15%	\$0.28	101.4%	115.1%
Tier 4	2,700,992,738	13%	\$0.39	39.2%	154.3%

Assuming the same proportional increases outlined in **Table 8** are applied to the preliminary FY 2024–25 Utility Users Tax (UUT) energy revenues presented in **Table 5**—and assuming no change in overall energy usage—this would result in approximately \$15 million in additional revenue.

³ California Public Utilities Commission. (2011, May 26). Decision Regarding Residential Rate Design (D.11-05-047). https://docs.cpuc.ca.gov/PUBLISHED/FINAL_DECISION/136349-06.htm

Table 9: FY 2024-25 Revenue Growth Increase Proportional to Tier Rate Increases on PG&E's 1/1/2011 Rate Design

Tiers	FY 2024-25 Energy Portion	% of UUT Energy Portion	Cumulative Rate Increase vs Tier 1	FY 2024-25 Energy Portion Resulting Increase	Difference
Tier 1	23,786,481	61%	0%	23,786,481	0
Tier 2	4,197,586	11%	13.7%	4,771,996	574,410
Tier 3	5,898,180	15%	115.1%	12,687,035	6,788,855
Tier 4	4,946,686	13%	154.3%	12,577,114	7,630,428
Total	38,828,933			53,822,626	14,993,693

However, this assumes that charges for taxpayers in Tier 3 would be more than double those in Tier 2, and that Tier 4 charges would be 154% higher than those in Tier 1—assumptions that may not be reasonable. **Table 10** below presents a more moderate example of tiered percentage increases, while maintaining the same energy usage proportions across tiers. In this scenario, Tier 2 users are taxed at a rate 10% higher than Tier 1 users, Tier 3 users at 25% higher, and Tier 4 users at 50% higher than Tier 1. This tiered structure would generate approximately \$4.37 million in additional revenue compared to the preliminary FY 2024–25 UUT estimates.

Table 10: Impact of Sample Tier Base Rate Increases to FY 2024-25 UUT Preliminary Actuals

Tiers	FY 2024-25 Energy Portion	% of UUT Energy Portion	Cumulative Rate Increase vs Tier 1	FY 2024-25 Energy Portion Resulting Increase	Difference
Tier 1	23,786,481	61%	0%	23,786,481	0
Tier 2	4,197,586	11%	10%	4,617,345	419,759
Tier 3	5,898,180	15%	25%	7,372,725	1,474,545
Tier 4	4,946,686	13%	50%	7,420,029	2,473,343
Total	38,828,933			43,196,580	4,367,647

8. Undeveloped Land Tax: different from the vacancy parcel tax, this taxes undeveloped land zoned for residential/mixed-use that has sat idle

Oakland has already implemented Measure W, the Oakland Vacant Property Tax ("VPT"), which includes taxing undeveloped parcels \$6,000 per year. The measure taxes residential,

non-residential, and undeveloped parcels \$6,000 per parcel, and taxes condominium, duplex, or townhouse unit under separate ownership \$3,000 per unit, and parcels with ground floor commercial activity allowed but vacant \$3,000 per unit. There is no publicly available evidence that an undeveloped land tax—distinct from a vacancy parcel tax—has been implemented in other jurisdictions, suggesting it remains an untested tool within current property tax frameworks. **Table 11** below outlines measures adopted in various jurisdictions aimed at encouraging land development and reducing underutilization, including Oakland's own Vacant Property Tax.

Table 11: Land Development Incentives Tax Measures (Land Value Tax or Vacant Property Tax)

City	Policy Type	Key Features	Goal	Status/Outcome
Pittsburgh, PA	Split-Rate LVT	Taxed land at a higher rate than buildings (2:1 ratio at peak)	Discourage speculation, promote development	Repealed in 2001; mixed results, but often cited as a U.S. LVT case study
Detroit, MI	LVT Pilot	Shifting tax burden from buildings to land in select neighborhoods	Combat vacancy, encourage infill development	Pilot launched in 2023; early stages of implementation
Oakland, CA	VPT (Measure W)	Annual tax on vacant parcels unused >50 days/year	Fund housing/homeless services, reduce blight	In effect since 2020; enforcement and exemptions are ongoing challenges
Washington, DC	VPT via Tax Rate	Higher property tax rates for vacant (5x) and blighted (10x) properties	Deter neglect, promote productive land use	Active policy; includes public registry and inspection-based enforcement

Table 12 presents the number of parcels and their corresponding lot square footage for taxable properties listed in Alameda County's Tax Roll as either Residential, or Vacant with a Residential or Mixed-Use designation, where no buildings are present, and the living area is recorded as 0 square feet.

Table 12: Parcels with 0 Sq Ft Living Area – Residential or Mixed-Use Designation

Tax Roll Category	# of Taxable Parcels with 0 SF Living Area	Lot SF Totals	Average Lot SF
Residential	864	13,188,534	15,265
Vacant (W Residential/ Mix Use Description)	2,485	44,520,684	17,916
Total	3,349	57,709,218	17,232

Based on the information presented in **Table 12**, **Table 13** provides estimates of the parcel tax assessments required to generate the \$40 million revenue target. It includes the estimated flat tax per parcel, the estimated tax per square foot of lot area, and the estimated average tax per property, which is calculated based on the per square foot assessment method and assumes an even distribution across all parcels. The estimate assumes full compliance and no exemptions.

Table 13: Parcels with 0 Sq Ft Living Area – Residential or Mixed-Use Designation

Revenue Target	Assessment Needed Per Parcel (Flat Tax)	Assessment Needed Per SF	Average Assessment Per Property (Based on SF)
\$40 million	\$11,944	\$0.69	\$2,321

9. Commercial Vacancy Tax: Specifically targeting long-term vacant storefronts to encourage leasing. Our current vacancy parcel tax is not robust enough to incentive commercial landlords, compared to San Francisco

Oakland has already implemented Measure W, the Oakland Vacant Property Tax ("VPT"), which includes taxing parcels with ground floor commercial activity allowed, but vacant, \$3,000 per unit.

Senate Bill 789 is a proposed California law that would require owners of commercial real estate to report whether their properties were vacant during the previous year. The goal is to collect data about how much commercial space is sitting unused and why. Property owners would need to register with the state and file a yearly report that includes details like how long the space was empty, why it was vacant, and whether it was under renovation or affected by legal or environmental issues. If they fail to file the report, they could be fined \$100 per property. The information would be made public in an anonymous, ZIP code-level format. Earlier versions of the bill included a vacancy tax, but that part was removed after backlash from business groups and legal concerns.

San Francisco enforces a tax on certain ground-floor commercial spaces that remain vacant (unused, uninhabited, or unoccupied) for more than 182 days in a year in designated commercial or neighborhood transit districts. Owners (or tenants/subtenants, in some cases) must file a vacancy return annually even if claiming an exemption. The tax rate depends on how long the property has been vacant: in the first eligible year it's \$250 per linear foot of street frontage, rising to \$500 if vacant two years in a row, and \$1,000 per foot after three years. Exemptions exist, such as for nonprofit owners, or when a building permit or conditional use permit is in process, or after disasters. The policy aims to reduce empty storefronts, incentivize activation of commercial corridors, and put revenue into the Small Business Assistance Fund. Although the tax was originally set to begin in 2021, its implementation was delayed due to the COVID-19 pandemic. Collections resumed in the 2022 tax year. The [voter information pamphlet](#) had projected modest annual revenues—described as a “de minimis” amount, up to a maximum of \$5 million, with the potential for more during economic downturns. A report from ABC7 News on May 29, 2025, noted that

the Office of the Treasurer and Tax Collector has received approximately \$5⁴ million in payments from those complying with the tax since it went into effect in 2022.

10. Vaping and Tobacco Tax: a targeted excise tax on e-cigarettes, vaping, and tobacco products.

Berkeley is one of the few jurisdictions that has adopted a local excise tax on vaping products. In 2016, voters approved Measure D, which imposes a tax of \$0.10 per milligram of nicotine in both refillable and pre-filled vaping products. The measure was intended to support public health programs, including youth vaping prevention and tobacco regulation enforcement. However, no public data has been released on the amount of revenue collected since the tax took effect, making it difficult to assess their fiscal impact.

In recent years, Bay Area cities have increasingly shifted their focus from taxation to restricting access to certain tobacco and vaping products—particularly flavored ones. These regulatory actions are intended to protect public health and reduce youth usage, but they may also reduce potential tax revenues by limiting the sale of taxable products.

San Francisco became the first major U.S. city to implement a full ban on flavored tobacco products, including menthol cigarettes and flavored vapes in 2019. Later that year, Proposition C appeared on the ballot as an attempt to overturn the ban and allow regulated sales of vaping products to adults but was rejected by voters, upholding the city's e-cigarette sales ban.

Berkeley followed with a similar ban in 2019. While the Measure D tax in Berkeley remains in effect for non-flavored nicotine products, the ban on flavored products likely reduces the overall volume of taxed sales.

Oakland implemented its own flavored tobacco ban in 2020. Oakland Municipal Code Section 5.91.030(C), states:

“It shall be a violation of this Chapter for any tobacco retailer or any of the tobacco retailer's agents or employees to sell or offer for sale, or to possess with intent to sell or offer for sale, any flavored tobacco product.”

At the county level, San Mateo County is currently the only Bay Area county to adopt a countywide ordinance restricting flavored tobacco and vaping product sales in unincorporated areas.

11. Congestion Pricing around Lake Merritt: a fee charged to vehicles entering designated zones around Lake Merritt during peak hours.

Significant legal and equity questions still need to be addressed to determine the viability of a congestion pricing program around Lake Merritt. No general statewide law clearly

⁴ Melendez, L. (2025, May 30). Remember that vacant storefront tax in San Francisco? Here's how that's going. ABC7 San Francisco. <https://abc7news.com/post/remember-vacant-storefront-tax-san-francisco-heres-how-going/16588700/>

authorizes all California cities to implement congestion pricing on local streets or highways, so Oakland must first determine whether it has the legal authority to proceed or if special legislation or coordination with regional or state agencies is required. Implementation may also require a traffic study or environmental review to evaluate potential impacts and comply with legal requirements. In addition, any proposed program must carefully consider its equity impacts—particularly on low-income and local residents who could be disproportionately affected.

A local example of congestion pricing is the Treasure Island Transportation Management Act (California Streets & Highways Code § 1967.5), which authorizes congestion pricing for vehicles entering or exiting Treasure Island via the Bay Bridge. Financial projections for Treasure Island estimate approximately \$33 million⁵ in toll revenue over the first five years, with operating costs of around \$16–18 million in that same period. However, there is no publicly available data showing actual toll revenues yet.

The Bay Bridge introduced congestion pricing in 2010, charging higher tolls during peak hours to manage demand. Early studies showed some success, with shifts in travel times and reduced delays. In April 2020, the program was suspended due to the pandemic, as traffic had already declined significantly and the toll variation was no longer seen as necessary. Since then, tolls have remained flat throughout the day.

As of now, New York City is the only U.S. city to have implemented a congestion pricing program. Launched in January 2025, the program charges most vehicles \$9 to enter Manhattan south of 60th Street during peak hours, aiming to reduce traffic and fund mass transit improvements. However, the program has faced significant challenges. In February 2025, the U.S. Department of Transportation rescinded its approval, citing concerns about the financial burden on working-class individuals and the lack of free highway alternatives. This decision has led to legal disputes, according to public information available online, the Metropolitan Transportation Authority is planning to challenge the move in court.

Oakland recently implemented the Lake Merritt Parking Meter Pilot Program, installing meters on the lake-facing sides of select streets to improve equitable access and manage high weekend parking demand. By increasing turnover and discouraging long-term vehicle storage, the program helps more visitors access the park throughout the day. Like the measure considered aimed at addressing traffic congestion, the pilot program also reflects a strategic approach to managing public space more efficiently in the Lake Merritt area while generating revenue.

12. Alcohol Tax: a targeted excise tax on alcohol products.

Under California's Alcoholic Beverage Tax Law, specifically Section 32010, the state imposes a uniform excise tax on the sale of beer, wine, and distilled spirits. This state-level

⁵ Michael Cabanatuan, Motorists could soon have to pay to enter and exit Treasure Island, San Francisco Chronicle, November 15, 2021, <https://www.sfchronicle.com/bayarea/article/Motorists-could-soon-have-to-pay-to-enter-and-16804289.php>

tax is in lieu of any county, municipal, or district taxes on these alcoholic beverages. The law prohibits local governments from levying additional excise taxes on alcohol sales.

Additionally, Article XX of the California Constitution grants the State the exclusive authority to collect license fees or occupation taxes related to the manufacture, importation, and sale of intoxicating liquors. Section 22 of Article XX states that “The State of California, subject to the internal revenue laws of the United States, shall have the exclusive right and power to license and regulate the manufacture, sale, purchase, possession and transportation of alcoholic beverages within the State...”

13. Luxury Sales Tax Surcharge

Oakland has reached the maximum allowable combined sales and district tax rate of 10.75% under California law, meaning the city cannot implement any additional tax that would be classified as a sales or use tax without special legislative approval to raise that cap. Therefore, if a luxury tax is being considered, it must be structured in a way that does not fall under the definition of a sales or use tax administered by the California Department of Tax and Fee Administration (CDTFA). To stay within legal limits, the tax must be designed as a separate excise tax or special local tax, which is not subject to the same cap restrictions. Importantly, the tax would need to be collected and administered separately from the CDTFA’s sales tax system, either by the city or through a designated process.

An example of a viable approach which imposed the tax only on transactions that exceed a defined value threshold is the Los Angeles’ Measure ULA, also known as the “Mansion Tax,” which imposes a real estate transfer tax of 4% on sales between \$5 million and \$10 million and 5.5% on sales above \$10 million. Since its approval by voters in November 2022, Measure ULA has generated approximately \$439⁶ million in revenue as of October 31, 2024, according to the Los Angeles Times. This revenue funds affordable housing, homelessness prevention, and tenant assistance programs. While initial projections estimated annual revenues between \$600 million and \$1.1 billion, the actual collections fall below the higher end of estimates. Oakland’s current real estate transfer tax uses a tiered structure that already progressively imposes higher tax rates on higher-value properties compared to lower-value ones.

Locally, the San Francisco’s “Overpaid Executive Tax,” effective 2022, is a gross receipts surcharge on companies where the highest-paid executive earns more than 100 times the median employee salary. This tax raised roughly \$206⁷ million in its first full fiscal year (2022–2023). Oakland has fewer large firms and likely far fewer executives with extreme pay, so the same tax would raise much less.

⁶ Southern California News Group. (2024, November 4). Which L.A. neighborhoods have paid the most ‘mansion tax’? Los Angeles Times. <https://www.latimes.com/california/story/2024-11-04/which-neighborhoods-have-paid-the-most-mansion-tax>

⁷ The Center Square. (2024, August 15). San Francisco’s “overpaid executive tax” generates \$206 million in first fiscal year. https://www.thecentersquare.com/california/article_7629c9a2-b0c6-11ee-ada6-43264075afa9.html

Jestin D. Johnson, City Administrator

Subject: SUPPLEMENTAL – Report With A List Of Options To Raise An Additional Ongoing \$40 Million In General Purpose Fund Revenues

Date: October 16, 2025

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ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Receive An Informational Report With A List Of Options To Raise An Additional Ongoing \$40 Million In General Purpose Fund Revenues Via An Ordinance To Adopt Or Increase A Tax Effective July 1, 2026, To Provide Ongoing Resources For Public Safety Services And To Maintain Key Equipment, IT Systems, And 911 Investments.

For questions regarding this report, please contact Nicole Welch, Revenue and Tax Administrator, at (510) 238-7025.

Respectfully submitted,

Monica Davis

[Monica Davis \(Oct 15, 2025 16:44:17 PDT\)](#)

MONICA DAVIS

Deputy City Administrator