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**Date:** July 13, 2020  
**To:** Council Colleagues  
**Re:** Amended Resolution for Business Tax Ordinance

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Council Colleagues,

We appreciate those who contributed to the first proposal for a transformed City of Oakland business tax system. We couldn't agree more that we are overdue for tax reform that leads to a more progressive system which supports our shared goals of (1) increasing city revenues, (2) reducing racial and other disparities, (3) modernizing and simplifying our tax code, (4) stimulating equitable economic development, and (5) creating more living wage jobs.

We are encouraged that an overwhelming majority of Oakland residents, businesses, and other stakeholders support these goals and have committed to helping us achieve them. We have also heard, however, that only 3 ½ weeks (June 18- July 14, 2020) to review, respond, and perform any reasonable analysis is insufficient to have confidence that the initial proposal is the best solution for a new progressive tax structure in Oakland.

Moreover, it is compelling that those same voices are understandably concerned about the impacts of the COVID-19 pandemic on our local Oakland economy. For example, the decision by Alameda County on Friday to no longer allow outdoor dining at restaurants was a significant setback to the many Oaklanders who were hoping for a speedy economic recovery and reopening. Many questions remain about the economic recovery we hope to see over the next 1-3 years, including:

1. What percentage of Oakland businesses will close their business as a result of COVID-19 and sheltering in place? In which industries?
2. For those businesses that do remain open, when will businesses regain their pre-COVID-19 revenues – especially in the industries hardest hit by the impacts of sheltering in Place – e.g., restaurants, hospitality, retail?

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3. How will sheltering in place impact the city’s business tax collection over the next two years?
4. How will a significant shift to working from home change the propensity for businesses to maintain their current real estate footprint, and possibly even relocate to another city?

These uncertainties contribute to the sentiment that it would be premature to vote on a tax reform proposal that has not been subjected to rigorous public deliberation and transparency compared to other cities where they have evaluated similarly significant tax reform proposals, e.g., San Francisco (2 years) and San Jose.

Given these considerations, we are proposing, an amendment to the Bas/Kalb/Thao proposal that acknowledges the rushed nature of the Council’s decision and the significant market uncertainty that we are facing, while still moving forward to realize business tax reform by 2023. (See the attachment to this memo)

Our proposal is as follows:

1. Amend the Bas/Kalb/Thao proposal to place the progressive, modern, and equitable business tax proposal on the ballot on the November 8, 2022 instead of the November 3, 2020 ballot.
2. Provide direction and authorization for the City Administrator to take all necessary action to ensure that we are prepared for the amended proposal to take effect in January 2023 – (the same effective date as the Bas/Kalb/ Thao proposal).
3. Establish a Blue Ribbon Commission to address the many outstanding questions and uncertainties still remaining after only 3 ½ weeks of public deliberation on the original proposal.

<b>Additional Analysis Which Will Be Conducted By The Blue Ribbon Commission on Progressive Business Tax System</b>	
<b>1</b>	The impact of the COVID-19 pandemic on business recovery and other impacts on business activity, employment, geographic location, and impact on business tax revenues. This analysis should consider the potential for tying future business tax increases for COVID-19 impacted businesses to an economic trigger such as the unemployment rate
<b>2</b>	The potential use of alternative tax structure models not already considered as a means of diversifying and broadening the tax base including the use of payroll tax, and value-added tax
<b>3</b>	The appropriate definition of a small business in Oakland, including whether or not the definition should be industry-specific, and how alternative definitions might affect the Oakland business landscape
<b>4</b>	The completion of an equity analysis including the possible procedures for using tax policy to repair harms of systemic racism, e.g., targeted tax breaks to



	businesses or sectors located in neighborhoods in need of services like grocery stores, banks, retail, and other investments
<b>5</b>	Alternatives for improved alignment between industry groupings in the tax classification system to include similarities between business activity, typical gross margins
<b>6</b>	A more detailed and thorough business mobility analysis to gauge a business’s propensity to relocate under a shifted tax burden, <i>according to Beacon Economics, “it is reasonable to assume that an Oakland firm may move across city limits to a neighboring jurisdiction with a lower tax rate and perhaps a simpler system”</i>
<b>7</b>	A comparison of proposed Oakland tax rates to those charged by neighboring Bay Area cities and other major US cities that are destinations for departing Oakland companies, broken down by industry
<b>8</b>	Additional means of providing small business tax relief such as the proposal of providing an exemption to businesses below a specified gross revenue threshold, including the potential operational cost savings to the city

By voting to place the progressive tax proposal on the ballot, we will demonstrate our commitment to a transformed tax system in 2023 (similar to the Bas/Kalb/Thao proposal) but we will also provide the additional time needed to engage a broad set of Oakland stakeholders in the public process of conducting a thorough and detailed analysis to increase the effectiveness, provide confidence, and increase support for a comprehensive progressive business tax reform.

The attached proposal was developed in consultation with the City Attorney’s office, as to form and legality, and the Department of Finance Revenue and Tax Division who confirmed their ability to operationalize a 2023 effective date for the proposed November 2022 ballot measure.

In addition to preparing this revenue enhancing measure for the ballot in 2022, we are excited that we will have other revenue enhancing measures on the ballot this November that could potentially yield more than \$60 million for the City of Oakland from the Schools & Communities First Act and the Alameda County Homelessness Bond.

We would also like to acknowledge the significant effort put into the initial draft of the progressive business tax reform by SEIU 1021, thanking them and the many City of Oakland workers for their commitment to strengthening the city of Oakland and partnering in the development of solutions that strengthen our city and enhance quality of life for Oakland city employees. This proposal is a sincere effort to build on the work you have started to set our city up for greater success that our city of Oakland employees can share in and benefit from along with Oakland residents.

Finally, we want to thank all of our colleagues for their diligent commitment to getting it right for our diverse, but unified Oakland community. We encourage you to support our proposal that will ensure all of our goals are met by a transformed, progressive, and equitable business tax



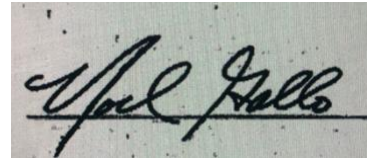
proposal which will take effect in 2023 after robust and well-informed analysis by the proposed Blue Ribbon Commission.

With deep respect and appreciation in service of Oakland.

Regards,



Larry Reid  
Vice Mayor  
Councilmember District 7



Noel Gallo  
Councilmember District 5



Loren Taylor  
Councilmember District 6

