



To: Honorable Members of the Oakland City Council
From: Budget Advisory Commission (BAC)
Subject: Recommendations on June 2026 \$40 million Tax Measure

Recommendations

1. **Progressive tiering: Develop a progressive parcel tax after exploring additional possible configurations.** Subject to data availability, consider tiers based on parcel size (land area), improved square footage, and/or number of residential units. Consider tiers for commercial and/or multifamily residential properties to address significant variations between building and parcel sizes, with a goal of supporting small businesses and mom-and-pop landlords. For example, consider commercial parcel tax tiers of less than 5,000 square feet, between 5,000 and 15,000 square feet, and greater than 15,000 square feet; or consider multifamily parcel tax tiers of 2-4 units, 5-10 units, and 10+ units.
2. **Independent oversight: Identify and assign an independent oversight body to provide public transparency into how parcel tax funds are expended.** This oversight body could be an existing city board, such as the Budget Advisory Commission (BAC); a new commission established specifically for this measure; or a request to the City Auditor's office to prepare audits of spending every 3 years. Neglecting to commit to a public oversight process, however, could further jeopardize the public's trust in the City Council.
3. **Civic engagement: Leverage the campaign to encourage public participation and improve transparency in the City's budget process.** Voters rarely approve funding measures in the same month that the City adopts a budget, and so the campaign will invite greater scrutiny into City spending and revenue mixes. At the same time, this can present an opportunity to drive resident engagement and feedback on the historically under-the-radar mid-cycle budget update.
4. **Additional funding & exclusions: Permit funding of lead-based paint abatement and exempt accessory dwelling units (ADUs) from unit counts for assessment purposes.** Oakland's Lead Safe Homes Program provides grants for very low-income, disabled, and/or senior households with children under 6 on the property, but may lack ongoing resources to mitigate lead safety risks that are a factor for antisocial and violent behavior. Allowing this measure to support lead paint abatement provides flexibility for Council in



future funding allocations. Additionally, Oakland has several policies intended to support and accelerate ADU approval and construction (such as a preapproval program), and exempting ADUs (especially new ADUs) from unit counts helps support City priorities around encouraging ADU construction.

Background and Overview

On June 11, 2025, City Council adopted the FY 2025-27 budget, which included \$40 million in revenue in FY 2026-27 from an as-yet proposed parcel tax, to be placed on the June 2026 ballot.

On September 30, 2025, the Finance and Management Committee received a report from the City Administrator entitled “Options To Raise Additional Ongoing \$40 Million In General Purpose Fund Revenues”, discussing potential funding approaches for the June 2026 ballot. This report evaluated changes to the business license tax, parking tax, transient occupancy tax, utility consumption tax, parcel tax, and real estate transfer tax as potential approaches to raise \$40 million to meet the anticipated budgetary needs. It noted that ad valorem (assessed property value) and sales taxes cannot be raised further due to restrictions in state law. The report also noted political and economic challenges with raising the business license tax, parking tax, transient occupancy tax, utility consumption tax, and real estate transfer tax, noting that the parcel tax was a “potentially more feasible approach for generating ongoing funds without disproportionately impacting economic activity.” The analysis and draft language for the parcel tax includes a very-low income (60% of area median income [AMI] or lower) and low-income senior (65+ and 80% of AMI or lower) exemption, as well as a 50% reduction for affordable housing projects.

On October 16, 2025, the Finance and Management Committee received a supplemental report from the City Administrator in response to questions raised during the September 30th meeting. This supplemental report evaluated the net effect of the proposed parcel tax relative to reductions in the Police and Fire Retirement System (PFRS) levy, revised tax structures for a variety of tax options, and potential additional tax options such as a commercial vacancy tax.

As the existing PFRS levy winds down, the city has an opportunity to propose new parcel taxes with minimal impact to homeowners’ tax bills. While the BAC does not support the practice of budgeting based on as-yet-proposed tax measures and shares public concerns about over-taxation, Council did adopt a budget expecting new revenue in 2026 and the reduction in PFRS rates does provide an opportunity to generate that revenue without meaningfully increasing the overall tax burden.



The parcel tax proposal seems to be the most feasible and reliable option. In particular, the BAC supports the request from Councilmember Wang to explore a progressive parcel tax. Additional structuring work could help make it more progressive, lowering the burden on small businesses and mom-and-pop landlords (and potentially homeowners) while still meeting the city's revenue targets and avoiding excessive impacts to larger businesses.

Current Situation and Its Effects

As found in the FY25-27 Oakland Resident Budget Survey, Oaklanders are extremely frustrated, with satisfaction with local government at a record low (~25%).

Satisfaction is even lower amongst likely voters: according to the October 2025 Oakland Chamber of Commerce survey of likely November 2026 voters, 79% rank the City's financial stability as an extremely or very serious problem, higher than the cost of living or illegal dumping. Public safety services and emergency response times are the highest fiscal priority for voters.

Likely voters also support efforts to grow Oakland's economy, including 70%+ support for tax incentives for businesses to locate in Oakland and/or for the City to provide fiscal support directly to small businesses.

However, the City Council has just 27% total favorability rating, and a mere 13% of likely voters believe the Council is doing a good or excellent job.

Together, this suggests that there could be support for a parcel tax to fund public safety services, but voters may have concerns about the impacts on local businesses. In addition, with near-record-low levels of trust in City Council, there is a significant risk that voters would not trust Council to implement and oversee the measure appropriately, especially given an ongoing history of Council failing to meet the budgeting or other requirements of existing tax measures. Based on BAC experience, voters also lack the detailed information necessary to have informed perspectives on the various trade-offs involved in the City's budgeting process.

Rationale for Recommendations

Applying tiered parcel tax rates should result in a more progressive apportionment of tax burden across Oakland's residents and businesses. It also lays the groundwork



for potentially transitioning to a standard approach of square-footage based parcel taxes across both commercial and residential sectors. By reducing tax burden on small businesses, the city reduces risk of incentivizing them to leave the City.

As the City of Oakland rebuilds trust with its residents, transparency and accountability are paramount. The BAC strongly urges the City to proactively establish a mechanism for accountability on how the funds are utilized through regular reporting to residents on expenditures and outcomes through an independent body, either the BAC or a new dedicated entity, or through regular reports by the City Auditor.

In addition, the BAC urges the City and Council to engage and educate the residents of Oakland on the critical City funding needs, the equity benefits of the proposed approach, and the transparency measures enacted along with the measure to ensure accountability.

Finally, the BAC recommends the Council consider two policy adjustments around lead paint and ADUs to the current proposed “Resolution On The City Council's Own Motion Submitting To The Voters At The June 2, 2026 State Primary Election, An Ordinance To Adopt A Special Parcel Tax To Maintain Essential Services Including Public Safety, And To Maintain Key Equipment, It Systems, And 911 Investments, And Other Municipal Services; And Directing The City Clerk To Take All Actions Necessary Under Law To Prepare For The June 2, 2026 State Primary Election.”:

1. Lead exposure in childhood is linked to increased likelihood of arrests, violent crime, and antisocial behavior in adulthood^{1,2,3}. The BAC recommends Council consider lead paint abatement as an allowable use of proceeds aligning with the objective of “Reduce homicides, robberies, car jackings, and other incidences of gun violence.”

¹ Talayero MJ, Robbins CR, Smith ER, Santos-Burgoa C. The association between lead exposure and crime: A systematic review. *PLOS Glob Public Health*. 2023 Aug 1;3(8):e0002177. doi: 10.1371/journal.pgph.0002177. PMID: 37527230; PMCID: PMC10393136. <https://pmc.ncbi.nlm.nih.gov/articles/PMC10393136>

² John Paul Wright, Bruce P. Lanphear, Kim N. Dietrich, Michelle Bolger, Lisa Tully, Kim M. Cecil, Catherine Sacarellos, Developmental lead exposure and adult criminal behavior: A 30-year prospective birth cohort study, *Neurotoxicology and Teratology*, Volume 85, 2021. <https://www.sciencedirect.com/science/article/abs/pii/S0892036221000143>

³ Anthony Higney, Nick Hanley, Mirko Moro, The lead-crime hypothesis: A meta-analysis, *Regional Science and Urban Economics*, Volume 97, 2022. <https://www.sciencedirect.com/science/article/pii/S0166046222000667>



2. In order to continue to support new housing construction of smaller, “missing middle”-style homes, the BAC recommends that Council consider excluding ADUs (especially newly built ADUs) from the unit count on a given parcel. For instance, if a single family home adds (or has) an ADU on the same parcel, that parcel would remain subject to the single family home rate rather than the multi-unit rate. Multifamily properties which add (or have) ADUs would not increase the unit count they are taxed on.

Fiscal Impacts of Recommendation

Some staff time is required to evaluate additional tax options. Restructured parcel taxes should still generate the same amount of revenue, but may require some one-time technology costs to set up the data and tax levy systems.

Future Considerations

The City has two levers to increase revenue: volume (economic activity) and rates. Implementing an additional parcel tax is a rate-based measure that provides medium-term fiscal sustainability. However, there are limits to Oaklanders’ appetite and capacity for new tax measures. The BAC encourages the City and Council to further pursue long-term measures that combined would be more progressive, efficient, and sustaining. Some suggestions from BAC members are included below:

Make Oakland’s future revenue streams more progressive

1. Conduct a cost/benefit analysis on implementing a default tiered per-square-footage parcel tax structure that graduate rates by property size, potentially with exemptions for small properties or low-income homeowners and tiering by number of units owned by a given entity.

Make Oakland’s existing funds more efficient

1. Explore ballot measure(s) to adjust earmarked funds allocations, improving budget flexibility without net tax increases
2. Streamline procurement policies, processes, and acquisition strategies to increase competition for city contracts and reduce overall cost

Generate more revenue by growing Oakland’s economic base⁴

1. Lift outdated restrictions that impose unnecessary barriers to new businesses
2. Fast-track permitting for priority business categories (e.g. life sciences, retail, food and beverage, light industrial)

⁴ The Budget Advisory Commissions includes these long-term recommendations in alignment with the Oakland General Plan July 2025 “Oakland for All: Options for How We Stabilize and Grow” report.



3. Further invest in engaging residents and business owners to improve targeted corridors through business improvement districts, block clubs, etc.
4. Expand calendar of events found “only in Oakland” to promote city vibrancy, attract more visitors, and reduce tax leakage from loss of large businesses and cultural events in nearby jurisdictions.

Alternative Actions Considered

BAC considered taking no action and allowing Council to move forward without BAC’s input, but determined that equity considerations warranted BAC input.

BAC considered increases to the Real Estate Transfer Tax (RETT), particularly for high-value properties, but determined RETT volatility makes it best suited for one-time expenditures. Increasing tax rates on the sale of large properties would not improve the stability of that revenue source and may adversely affect new housing construction, running contrary to other City goals.

BAC considered alternative tax structures, but concurred with the City Administrator that a parcel tax was likely more stable and less impactful to other economic activity.

Equity Impacts

A tiered parcel tax is more progressive and improves equity outcomes for small businesses and mom-and-pop landlords, by better aligning the parcel tax levy with the value of the parcel. The BAC is cognizant that being mom-and-pop landlords and small business owners is a generational wealth-building effort, which is particularly important to foster for historically marginalized communities. As the City continues scenario analysis in the design of the parcel tax, the BAC encourages the Finance Department to work with the Director of Race and Equity to mitigate disproportionate tax burden on these communities. Lead paint hazards also disproportionately affect Latino and Black communities, as found in the “Racial Equity Impact Analysis: Eliminating Lead Paint Hazards in Oakland and Alameda County” report from 2021⁵.

Contact Information

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⁵ “Racial Equity Impact Analysis: Eliminating Lead Paint Hazards in Oakland & Alameda County”, September 2011. https://cao-94612.s3.us-west-2.amazonaws.com/documents/Lead-Paint-REIA_9-23-21_FINAL.pdf