

Dean, Jenny Divish, Fred Pecker

1.B. Announcements

None

2. DISCUSSION ITEMS

2.A. Minimum Wage Update

Councilmember Lee differentiated between Local and National Businesses and is asking for a recommendation for a policy that will work for all. Local businesses include restaurants, supermarkets and minority owned supermarkets. Local businesses are able to keep costs to a minimum and provide quality goods and services to the community. The employees of these local businesses may earn overtime and benefits however the owners may have a more difficult time in paying higher wages without increasing the cost to the community. National businesses are businesses such as WalMart and McDonalds and have the ability to pay higher wages. Councilmember Lee is recommending to staff to look at a two-tiered approach and have a range that Council will approve.

Councilmember Prola stated that studies have been done that prove that many small businesses are not hurt by increasing the minimum wage. Councilmember Prola stated that the two-tier should be decided on firm size. He would also like to determine what a “small business” is. Councilmember Prola would like to increase a minimum wage to \$12 to begin with in the first year or 20% increase, and in the 2nd year the large businesses can go up to \$15 with the small businesses going up gradually over two years.

Mayor Cutter would like for a survey to be sent out to local businesses within the month regarding minimum wage which should include the question on how increasing the minimum wage could possibly impact their business. The survey will serve as a notification to the businesses as well. Mayor Cutter would also like a report on the various types of business licenses classifications that are within the City, e.g. size of employees and category. Mayor Cutter also made it clear that Council should have direct input.

City Manager Zapata stated that a survey can be done to determine: when the increase would be implemented, if there should be a Consumer Price Index (CPI) adjustment included in Ordinance, sick leave and other benefits to be included and what if any are the exemptions? City Manager Zapata recommends reviewing current Ordinances from cities such as Oakland, Emeryville or Berkeley and using the Ordinance in which Council feels is best, as the basis to construct the survey questions. The other question Mr. Zapata raised was, who will approve the questions and how many languages should the survey be in?

Councilmember Prola stated that other cities implemented a higher minimum wage and were able to adjust with minimal to no impact. They adjust by adjusting prices or other means. Councilmember Prola believes survey is a delay and other cities have not done this. He stated that we cannot answer all questions for all businesses. There are too many people who are suffering in this city and there is a need to increase the minimum wage. Councilmember Prola stated if workers have more to spend they will spend more money in

the city.

Councilmember Prola requested that the Finance Committee review the draft Ordinance provided by City Attorney Pio Roda (based on Berkeley's Ordinance), in which some things were left out and that the Committee plug in the information that meets the needs of San Leandro and come back to the April 5th meeting with the items plugged in.

Councilmember Prola also stated that advising all the citizens should be done at the same time.

Mayor Cutter stated she wants to be thoughtful to all businesses in community and would like to get their involvement and would have a better product. What is the Council's input?

Councilmember Lee firmly believes in two-tier system. Local business hire full-time employees and national businesses do not and therefore can afford to pay more as they are the ones paying minimum wage

Mayor Cutter would like to come back to the next meeting with a sample ordinance and wants to notify businesses so they have an opportunity to speak.

City Manager Zapata confirmed the Committee's request that a minimum wage increase is coming to San Leandro and at this time, there should be public outreach but no survey. Also, staff is to bring a draft ordinance at the April 5, 2016 [meetings have been moved to the 1st Tuesday of the month beginning in April] Finance Committee meeting. At that time something will be recommended to go to Council for their input.

Mayor Cutter stated that there are certain issues that should remain separate e.g. sick leave.

Councilmember Prola requested that the current report be modified to show implementation of the minimum wage to reflect the year and not month.

Public Comments:

Doug Jones suggested the tier be between numbers of employees vs Local/National. McDonalds are franchises and therefore should be treated as a local business and not national. He also stated that local businesses typically focus on expenses but not the revenue, which both will increase. The idea that produce at a local supermarket would increase is not correct as produce companies are not in San Leandro and therefore would not be affected by the minimum wage increase.

A resident of San Leandro and employee of Blue Bird Pizzeria stated that the owner pays \$11-\$13/hour and is able to use quality ingredients. He is able to spend more, eat out more in San Leandro with the better wages he is earning. He is a former employee of Walmart, in which he was making the State minimum wage. He believes that paying more than the current State minimum wage does not affect his current employer's business in negative manner.

Another resident of San Leandro questioned why a person must work overtime to make ends meet. Working overtime cuts into quality family time and people should not have to sacrifice

time with family.

Jenny Divish asked that Council continue to consider including a CPI factor to the minimum wage ordinance so that in a couple of years, we are not in the same situation.

Jim Kelly, resident, stated it is not just about business, it's also about the workers. The benefits of raising the minimum wage must be looked at and believes that it is a myth that business will suffer.

Pedro Salvador Sanchez (via translator) also stated he supports the increase to the minimum wage. Mr. Sanchez was forced to work many hours, at the State's minimum wage level. As the cost of living increase, his wage would not.

Augustine Rivera stated the ability to work overtime should not be a requirement to support your family. We work to live and we do not live to work. All of us need an opportunity to live. Mr. Rivera strongly supports an increase to minimum wage. Small businesses need to realize that if the worker has more money to spend, they will.

Guillermo [...] strongly supports for the \$15 minimum wage and asks all elected officials fulfill their promise to increase the minimum wage. He stated that unless business owners are forced to pay more, they won't. Guillermo also strongly denounced the two-tiered system. Oakland has allowed for non-profits such as Goodwill to be exempted. The exemption will allow companies like Goodwill to use the disabilities of people like his son to benefit by not having to pay higher minimum wage.

2.B. Discussion of Potential Local Revenue Measure for the November 2016 Ballot - Medical Cannabis

Eric Engelbart stated that City Council approved the first marijuana dispensary in September 2015 and is now considering a second dispensary. Currently, the City of San Leandro does not have a cannabis tax, which requires voter approval. Mr. Engelbart is asking that the Finance Committee instruct staff to begin the process to add on November ballot. Staff would need to know what rate should be. Mr. Engelbart provided samples of jurisdictions that have the tax. Voters in both San Jose and Santa Cruz passed ballot measures that approved a tax rate of up to 10%. Although both cities have the ability to charge a tax rate of 10%, they chose a lower rate of 7%. As with measure HH, staff will hire a pollster to survey the citizens. A cultivation urgency moratorium was passed. Would Council want to consider other cannabis related business, e.g. cultivation, and bakeries?

Councilmember Prola approves taking a cannabis tax measure to the voters in November.

Councilmember Lee is in favor of tax but has concerns for low income, senior citizens, and those on a fixed income (disability) that have a medical need. Prior to approving cultivation of marijuana, Councilmember Lee is asking for more information as he does not know enough to make a decision. There needs to be further education on the matter.

Mayor Cutter approves tax and agrees with polling the community. Mayor Cutter would like ensure that there is a basis to provide service for low income, fixed income, and senior citizens and wants to know if you those factors can be included in the tax rate. Mayor Cutter

instructed staff to come back with a time line and have a survey. Would this require a 2/3 vote or a 50% + 1? Mayor Cutter would like the funds to go to the General Fund and have Council designate where funds should be spent.

Councilmember Prola agrees with 50%+1. Does not believe a survey is necessary. He does not believe that there was a problem with the tax passing in any other City, other than Riverside. He does favor the flexibility of the rate and suggested having a sliding scale. As sales increase and the dispensary is making more revenue, increase the rate.

Rich stated 50%+1 is most common. Jurisdictions have adopted a lower % for medical and should the State pass the Recreation use of marijuana the City can consider implementing a higher tax rate for recreational use. Oakland has done this as well as Sacramento; 7% for medical and 10% for recreational.

Councilmember Lee supports the 10% maximum rate. What's important is giving dispensary time to adjust. If we oppose a rate, it will have to the following year. If we impose now, it will be difficult.

Mayor Cutter asked Mr. Engelbart, if the City were to impose a tax of 5%, would the dispensary that was approved by Council be allowed to sell both marijuana for both medical and recreational purposes, (question was hypothetical).

City Attorney Pio Roda stated if recreation marijuana would be allowed, there would need to be an amendment to the ordinance.

Mr. Engelbart stated that a cannabis related tax and does not have to specify; the tax difference (5% for medical and 10% for recreational), it will depend on how ordinance is structured. It would be a local controlled issue. San Leandro has approved Harborside to be the dispensary and should they chose to sell marijuana for recreational purposes, Harborside will have to come back to the City and ask for permission.

Mayor Cutter confirmed that the City maintains control of who may or may not open up a dispensary. City Attorney Pio Roda confirmed.

Councilmember Prola stated that Harborside's agreed to designate 4% of gross funds to community benefits fund as well as donate additional 1% gross receipts of 10% net income. Councilmember Prola stated the rate should state up to 10% because he feels if we designate in the ballot measure, it may force some people to vote against it and should the future council wish to change it, they can change it.

Rich wants Harborside to comply with current approval and not with tax. And there is a condition that states if tax is approved the designated contribution amounts would go away.

Mayor Cutter - said her understanding is that Harborside will be opening soon and that would give us 5 months to see how much revenue is coming in and would help in deciding what the tax rate would be imposed at. Which would the City benefit more from? The contributions or the tax rate

Community Development Director Battenberg stated her department just received

Harborside's application and the earliest it will open may be September 2016.

City Attorney stated, should the City Council incline, the definition of cannabis related business to include cultivation to keep options open.

City Manager Zapata recommends staff do a poll, which would cost is \$25k; ask to see if the 2/3 makes sense and if to see if Community would like the funds to be designated. Godbe would be the person in charge of constructing the poll

Lee is supportive if it does not delay putting on ballot

Mayor Cutter asked where the funds for the research poll would come from.

City Attorney Pio Roda stated that the money used for the research is not in advance of a ballot because it has not qualified by Council to be on and therefore the City may use general funds.

Mayor Cutter inquired on how much it would cost to put on ballot.

Mr. Engelbart stated it is about \$15k and that is based on the amount spent on Measure HH.

2.C. Discussion of Potential Local Revenue Measure for the November 2016 Ballot - Transient Occupancy Tax (TOT)

Finance Director Baum provided a summary benefits to increasing the Transient Occupancy Tax. The recommendation is to increase from 10% to 12%. The 10% has been in place since 1994. Current the revenue is \$540k, less than 1% of general fund revenue. Due to the lack of available of hotel rooms and the increased of strength of economy, the time is right to increase. There are three other cities in Alameda County have higher than 10% tax rate; Oakland is 14% and both Emeryville and Berkeley are at 12%. Most cities in states of 10% or less but 91 cities have more. Oakland increased in 2009; they 70% yes vote and assigned revenue to arts and culture and education.

City Manager Zapata stated the main factor is location and that we are between airports and recommends the increase.

Councilmember Lee also supports the increase however asked, why only 12% and not 14%, and does this include Air BNB?

Director Baum stated, no this would not include Air BNBs; there are very few in the city, perhaps 50.

City Manager Zapata we could equalize ourselves with Oakland and raise to 14%

Councilmember Prola supports increase and stated we could start off at 12% and request 14% later.

Mayor Cutter supports the increase but would like to stay with 12%

City Manager Zapata stated we could request a range, 12% up to 14%

Councilmember Lee supports the range as it will benefit the City

Director Baum stated the increase of 12% would add approximately \$100k of revenue and an increase of 14% would be approximately \$200k.

City Manager Zapata will ask staff to begin working on this and bring to Council at a future date.

Mayor Cutter expressed concern that there may be too many taxes on the November ballot. The Cannabis Tax is a necessity and is worth placing on the ballot. She wants to make sure there is a benefit to the City and not anger the voters so they don't vote for anything. Mayor Cutter wants to make sure the citizens know this is not a tax to residents but to a service. Mayor Cutter will support the decision of the Council.

2.D. Business License Tax Adjustment

Community Development Director Battenberg considered challenges with business license and it's alignment with economic development goals. Staff recommends decreasing the business license tax of small business and increasing the business license tax of warehouses.

Also, Economic Development worked with Finance to see where business license tax has been over collecting as well as under-collecting. Upon review it appears as though parking lots is an area where we are under-collecting. The City of San Leandro has one airport parking lot, Espresso. Although several years ago, the City increased the parking lot rates to \$37.52/space, and it increased revenue up to \$71k, the City of Oakland charges 18%. Espresso parking has approximately 1900 spaces there is an opportunity increasing fee to a % of gross receipts. If the tax was amended to charge 10% of gross receipts, the revenue can increase around \$500k and if we increase to 15%, the revenue can be \$750k. The Tech Campus will also have parking available for a fee of \$2/space/day to BART riders. It would not be reasonable to charge the Tech Campus \$37.52/space. Therefore amending the tax to a % of gross receipts would be equitable for all parking lots.

Councilmember Lee would like to understand the data from parking lots in Oakland. If we shift the cost closer to Oakland, they will park in Oakland. What is the optimal number?

Councilmember Prola knows people that park at Espresso because it is much cheaper. If we go up to 10% gross receipts, it is still cheaper and it's not any further.

Mayor Cutter agrees parking needs to be equitable. There was a question as to the charge to BART and Director Battenberg stated that BART is not subject to our tax as they are a public entity and they own their own land.

City Manager Zapata stated that Measure HH is to maintain existing services. These other taxes are proposed to look at expanding services. Looking at the future shoreline development without appropriate revenue we will have to look at general fund. City Manager Zapata stated staff is looking for guidance on the tax measures and expressed the need to increase revenue for future projects.

Economic Development Manager Kay stated that increasing the tax rates is revenue positive but it is also aligning policy. He sees an opportunity to give a break to small business. Staff proposes that we remove the per employee charge for businesses with 3 or fewer employees and only charge base fee. Warehouses are huge facility. Staff is proposing to switch to a per square foot like we do with commercial rental business. Charging \$100/1000 square ft. will generate about \$300k and potential add \$200k if we add distribution to the fees. It would be shifting the burden from small businesses and adding accountability to businesses that have trucks on the street.

Mayor Cutter asked if there could be a potential problem by stating some businesses pay less because of the square footage, as is what happened with the school district that was going to charge a house one fee and an apartment another fee.

City Attorney Pio Roda could not comment at this time.

Mr. Kay stated that the City currently charges different rates, e.g. parking lots pay per space

Councilmember Lee also supports the change. Questioned if a small business that had 3 employees that are family members, are they included. Budget & Compliance Manager Perini stated yes they are included.

Councilmember Prola supports change.

City Manager Zapata stated this call also be part of the poll.

Mayor Cutter again stated she wants to make certain the citizens are aware that this is not a tax to all.

3. PUBLIC COMMENTS

None.

4. COMMITTEE MEMBER COMMENTS

None.

5. ADJOURN

The meeting was adjourned at 6:36 p.m.

**CITY OF SAN LEANDRO
CITY COUNCIL INTERNAL COMMITTEE MEETING SIGN-IN SHEET**

NAME OF CITY COUNCIL INTERNAL COMMITTEE	DATE OF MEETING
Finance Committee	March 15, 2016

Signing-in on this sheet is not required for participation. Information provided below may be used for notification and/or follow-up.

NAME	AGENCY/MAIL ADDRESS	TELEPHONE NUMBER	EMAIL ADDRESS
1. Jim Profa	SL City Council	on file	→
2. Cynthia Balleberg	City of SL	x 3352	
3. Will Fuentes	COSL	x 3360	wfuentes@sanleandro.org
4. Mary Ann Ferrini	Finance	3324	
5. Jenny DNVSH	UFCW		Jdivish@ufcw.org
6. Fred Beckner	ILWU		
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CITY OF SAN LEANDRO

MEMORANDUM

DATE: March 15, 2016

TO: City Council Finance Committee

FROM: Chris Zapata, City Manager

BY: Eric Engelbart, Deputy City Manager

SUBJECT: Cannabis Tax Discussion

SUMMARY AND RECOMMENDATION

Staff recommends that the Finance Committee direct City staff to proceed forward with the next steps necessary for the City Council to bring before San Leandro voters a cannabis-related business tax on the November 8, 2016 ballot.

BACKGROUND

On September 8, 2015, the City Council awarded the City's first medical cannabis dispensary permit to Harborside San Leandro. At the October 5, 2015 and November 2, 2015 regular City Council meetings, several members of the Council expressed interest in modifying the adopted ordinance to facilitate the approval of a second dispensary. Then on December 21, 2015, the Council unanimously adopted a motion directing staff to bring forward amendments to the adopted Medical Cannabis Dispensary Ordinance to permit the second dispensary. As part of that action, the Council also directed the Rules Committee to develop a process for selecting the business team who would be authorized to operate that second dispensary. On January 13, 2016, the Rules Committee considered the matter and its recommendations were then discussed by the City Council and adopted at its February 16, 2016 meeting.

DISCUSSION

In light of the fact that the City of San Leandro does not presently have in place a gross receipts tax on sales of cannabis (which is commonplace in other California jurisdictions that have allowed dispensaries to operate), the City negotiated a financial commitment from Harborside San Leandro to contribute 4% of its gross receipts to a community benefits fund, 80% of which would be donated to local non-profit organizations. In addition, the dispensary will voluntarily donate another 1% of gross receipts (estimated to generate \$71,800 in 2017) and 10% of net income (estimated to generate \$45,000 in 2017) to the City of San Leandro.

As part of the analysis that was also considered by the City Council at its September 8, 2015 meeting, the City also indicated that it intended to further explore a gross receipts tax in lieu of the above negotiated commitments.

Now that the November 8, 2016 ballot is approaching, City staff requests direction from the Finance Committee regarding the following questions:

- 1) Shall City staff proceed with the steps necessary for the City Council to ask San Leandro voters to authorize a cannabis tax?*
- 2) If the answer to question 1 is yes, at what rate shall that tax be imposed? [staff recommends exploring up to 10% gross receipts, which could be phased-in over time from 5%]*
- 3) Shall City staff explore the retention of a pollster and/or strategist to assist in developing informational materials in advance of such an election?*

In order to assist in resolving these questions, the following attachments are provided:

- A) Summary of Cannabis Gross Receipts Taxes in California
- B) Sample ballot questions
- C) Suggested timeline for Approval of Tax Measures

Attachment A

Summary of Various Cannabis Gross Receipts Taxes in California

Election	Measure	City	Tax Rate	Vote Results	Votes in Favor	Total Votes
11/2/2010	Measure V	Oakland	5% gross receipts (medical); 10% (non-medical)	70.50%	74,413	105,561
11/2/2010	Measure U	San Jose	up to 10% gross receipts*	78.30%	184,305	235,297
11/2/2010	Measure N	La Puente (LA County)	10% gross receipts	68.30%	4,141	6,061
11/2/2010	Measure C	Sacramento	4% (medical); 10% (commercial if legalized by Prop 19)	71.70%	83,906	117,065
11/2/2010	Measure I	Stockton	2.5% (medical); 10%(non-medical if legalized)	66.60%	35,961	53,993
11/2/2010	measure S	Berkeley	2.5% gross receipts	83%	33,260	40,085
11/2/2010	measure Q	Albany	2.5% gross receipts	84.34%	4,983	5,908
11/2/2010	Measure V	Richmond	5% gross receipts	78.40%	23,030	18,050
11/2/2010	Measure H	Rancho Cordova	10% (non-profit); 12%-15% (commercial if legalized)	68.20%	10,865	15,926
11/6/2012	Measure S	Needles	up to 10% gross receipts	81.10%	962	1,186
11/6/2012	Measure BB	Santa Ana	2% gross receipts	65.90%	22,147	33,639
5/21/2013	Measure D	Los Angeles	6% gross receipts	63.00%		
11/4/2014	Measure L	Santa Cruz	up to 10% gross receipts*	82.20%	13,894	16,901
11/4/2014	Measure Z	Blythe (Riverside County)	up to 15% gross receipts	45.30%	835	1,845

* San Jose currently charges 7%

*Santa Cruz currently charges 7%

MEMORANDUM

TO: Members of the San Leandro City Council Finance Committee
FROM: Eric Engelbart, Deputy City Manager
DATE: March 15, 2016
RE: Medical Cannabis Tax

Copied below are samples of ballot questions related to cannabis taxes.

Oakland Measure V – November 2, 2010

Shall the Oakland Municipal Code be amended to increase the business tax rate for “Medical Cannabis Businesses” from \$18 per \$1,000 of gross receipts to \$50 per \$1,000 of gross receipts, and creating a new “Non-Medical Cannabis Business Tax” of \$100 per \$1,000 of gross receipts, with all proceeds placed in the City’s General Fund to be used for any governmental purpose? (50% + 1 votes needed)

San Jose – Measure U – November 2, 2010

In order to provide funding for essential City services such police, fire, emergency response, street maintenance, pothole repair, parks, libraries and youth and senior programs, shall an ordinance be adopted to impose a tax at a rate of up to 10% of gross receipts on marijuana businesses in San Jose, subject to existing independent financial audits, with all revenue controlled by the City?

Possible Ballot Language for Consideration in San Leandro:

Shall the San Leandro Municipal Code be amended to establish a gross receipts tax for “Cannabis-Related Businesses” of up to \$100 per \$1,000 of gross receipts, with all proceeds placed in the City’s General Fund to be used for any governmental purpose? (50% + 1 votes needed)

Office of the City Clerk

Suggested Timeline for City Council Approval of Tax Measures

California Elections Code § 9222 allows members of the City Council to submit an initiative to be voted on at a regular or special election. All material for the ballot must be submitted to the Alameda County ROV no later than the 88th day before the election, or **August 12, 2016**.

The City Attorney must prepare an impartial analysis of the measure showing the effect of the measure on existing law and the operation of the measure. The analysis shall include a statement indicating the measure was placed on ballot by the governing body of the city.

The 88th day deadline for the upcoming November 8, 2016 election is Friday, **August 12, 2016**. As the City Council is in recess during the month of August, below are dates and a suggested timeline for submission of information to the City Council.

Council should adopt resolutions calling for the election and placing measures on the ballot at a City Council meeting prior to the summer recess.

July 18, 2016 is the last regular city council meeting before the summer recess and the last regular city council meeting before the August 12, 2016 deadline. Once the council approves the resolution calling for the election, it should be noted that the City Attorney must have sufficient time to prepare a legal analysis to submit by the August 12th deadline.

Based on approval of ballot measures at the **July 18th** city council meeting, the following suggested dates apply:

August 17, 2016 Suggested last day to submit direct arguments to the City Clerk

August 24, 2016 Suggested last day to submit rebuttal arguments to the City Clerk

CITY OF SAN LEANDRO

MEMORANDUM

DATE: March 15, 2016

TO: Finance Committee

FROM: Chris Zapata, City Manager

BY: David Baum, Finance Director

SUBJECT: Discussion of Potential Local Revenue Measure for the November 2016 Ballot - Transient Occupancy Tax

SUMMARY AND RECOMMENDATION

Staff recommends that the Finance Committee approve the increase in the transient occupancy tax (TOT) from the current 10% to 12%.

BACKGROUND

On July 1, 1994, the City's TOT commenced. In fiscal year 2014-15, the City collected \$540,000 in transient occupancy taxes. The TOT is used to fund the City's basic operating costs and represents less than one percent of General Fund revenues.

DISCUSSION

One of the City Council's goals is to place San Leandro on a firm foundation for long-term fiscal sustainability. Increasing the TOT to 12% could enable the City to add more than \$100,000 per year for the City's General Fund operations. If approved by Council and at least 50% of voters in November, customers who choose to stay in lodging located in San Leandro would pay an additional \$2 of tax on a \$100-a-night hotel bill.

Most cities in Alameda collect TOT at the 10% rate or less. However, three cities – Oakland 14%, Berkeley 12% and Emeryville 12% -- collect TOT at a higher rate. Statewide, 435 cities collect TOT at the 10% rate or below. However, 91 cities collect TOT at rates greater than 10%.

Given the lack of available hotel rooms in San Leandro combined with the strength in the current economy, the time seems right to raise the rate. This proposed tax increase would be brought to voters at the November 2016 ballot along with the proposed medical cannabis tax and adjustments to the City's business license tax adjustments. High voter turnout is expected due to the election of the US President on the same ballot.

CITY OF SAN LEANDRO

MEMORANDUM

DATE: March 15, 2016
TO: Finance Committee
FROM: Katie Bowman, Business Development Specialist
SUBJECT: Business License Update Discussion

SUMMARY AND RECOMMENDATION

Staff requests that the Finance Committee provide feedback on proposed updates to business license fees related to small businesses, as well as warehouse and wholesale/distribution centers.

DISCUSSION

As a part of the current business license update process, Business Development staff are evaluating potential changes to the business license fee structure for small businesses, warehouses, and wholesale/distribution businesses. The goal of these updates is to lessen the burden of business license fees for the smallest businesses, as well as make the fees for large warehouses and distribution centers better reflect their impact and the City's policy goals.

Existing Business License Fees

Base fee of \$125 per business, plus:

- Retail, Manufacturing, Wholesale/Distributors, Utility	\$37.52 per employee
- Service (incl Warehouse), Contractor, Rec/Entertainment	\$75.14 per employee
- Professional	\$93.96 per employee

Proposed changes are:

1. Waive the per-employee fee for businesses with 3 or less employees (they will continue to pay the base fee of \$125)
 - o Results in an estimated \$300,000 reduction in business license fee revenue
2. Base the fees for warehouses and wholesale/distribution centers on building square footage rather than number of employees, charging \$100 per thousand square feet
 - o Results in an estimated \$300,000 - \$500,000 increase in business license fee revenue

Small Businesses:

The majority of businesses licensed by the City are small, with around 2,500 having 3 or less employees (excluding property rental businesses and businesses located outside of San Leandro). In speaking with these small businesses, staff often hears that business license fees are onerous, particularly as compared with some surrounding communities that provide accommodations for small businesses. In general, these businesses currently pay \$37 - \$93 per

employee, as well as a base fee of \$125. At these rates, businesses with three employees will pay \$235 - \$408 per year for their Business License Fee. As proposed, these smallest businesses would only pay the base rate of \$125. The fiscal impact of this change is estimated to be a reduction in revenue of approximately \$300,000.

Warehouses & Distribution Centers:

A large amount of commercial property in the City is utilized for warehousing and wholesale/distribution (approximately 16.5 million square feet). Fees for the many warehouses and wholesale/distribution centers in the City are comparatively low and do not appropriately account for the impact of these businesses. While they are charged by employee, they have low employment per square foot. On average, warehouses have 1 employee per 5,000 square feet (as compared to 1 employee per 1,000 square feet for manufacturing). The result is notably low business license fees averaging \$500 - \$1,500. Charging by square foot for warehouse and wholesale/distribution uses will better align the fee structure with the City’s goal of encouraging employment-intensive uses rather than the storage of goods. Additionally, the existing fees for warehouse/distribution uses do not reflect the fact that they create a high volume of truck traffic, creating an adverse impact on congestion the condition of the City’s road network.

Small Business Discount

Waive employee fee for businesses with 3 or less employees

Revenue from Businesses with 3 or less employees:	\$560,000
- Base Fee	<u>\$200,000</u>
Per Employee Fee (Decrease in Revenue)	\$300,000

Applies to businesses that charge by employee in the following categories: Consulting, Contractor, Manufacturing, Professional, Recreation/Entertainment, Retail, and Service

Warehouse, Distribution, & Wholesale Rate Change

Restructure rates for businesses with large square footage and small employment, charging \$100/1,000sf rather than by employee

	Warehouse	Wholesale/Distributor	Total
Current Fee - by Employee	\$50,000	\$150,000	\$200,000
Fee by Area (\$100/1000sf)	\$350,000	\$350,000	\$700,000
Increase in Revenue	\$300,000	\$200,000	\$500,000