



Information about Measure OO

Changes to Business License Tax

Overview

If enacted, Measure OO will modify the current business license ordinance related to the following:

- Reduce the business license tax for over 2,300 San Leandro businesses with three employees or fewer
- Modify the business license tax for parking lots, to charge 10 percent of gross receipts
- Modify the business license tax for warehouse, wholesale, and distribution uses, to charge \$100 per 1,000 square feet of space

The proposed modifications have been designed to better align the City's business license tax rates with City Council priorities to support small businesses located in San Leandro, while also incentivizing the productive use of the City's industrial areas, with an emphasis on job creation.

Small Business Discount:

- Applies to small businesses located in San Leandro with three or fewer employees.
- The per-employee fee, which ranges from \$38.50 to \$96.40, would be waived and businesses would only pay the base fee of \$128.20.*
- Results in a tax reduction for at least 2,300 small businesses located in San Leandro.

Parking Lot Rate Change:

- Applies to businesses that charge for the parking or storage of motor vehicles.
- Currently, parking lots pay the base fee of \$128.20 plus \$38.50 per parking space.*
- As proposed, parking lots would pay the base fee plus 10 percent of gross receipts.
- In comparison, the rate in the City of Oakland is currently 18.5% of gross receipts.

Warehouse, Wholesale & Distribution Rate Change:

- Applies to businesses whose *primary* activity is the storage or consolidation of materials, sale of merchandise at wholesale, or distribution of goods to retailers or consumers.
- Currently, these businesses pay the base fee of \$128.20 plus a per employee fee of \$38.50 to \$77.10 depending on the type of business.*
- As proposed, these businesses would pay the base fee plus \$100 per 1,000 square feet of overall building space.*
- Wholesale and distribution businesses that generate more than \$50,000 in annual sales tax revenue to the City of San Leandro would be exempt from the square footage fee and continue to pay the per employee fee.

**Note that all fees are subject to annual adjustments based upon the CPI (Consumer Price Index)*

Warehouse, Wholesale & Distribution Rate Change

What types of businesses does the change apply to?

Warehousing/Storage: Any person or firm engaged in providing and/or operating warehousing facilities primarily used for the storage and/or consolidating of items such as raw materials, private goods, and the intermediary storage of bulk goods intended for further distribution. This classification includes moving and furniture storage companies.

Wholesaling/Distribution – General: Any person or firm primarily engaged in selling merchandise to retailers; to other wholesalers for resale to individual consumers; or to industrial users for their own consumption or resale to individual consumers. This classification includes order-processing fulfillment centers, logistics businesses, and other facilities that provide for the repackaging and/or shipment of an on-site inventory of goods and products directly to retail/wholesale customers or retail stores. This classification also includes truck terminals, whose purpose is to provide for the consolidation, division and/or distribution of bulk goods through the use of large trucks and trailers, including cross-dock trucking uses.

Wholesaling/Distribution – Large Local Seller. Any person or firm which meets the parameters of a "Wholesaling/Distribution – General" and generates more than \$50,000 in sales tax payable to the City of San Leandro during the prior July 1 through June 30 fiscal year.

Why are these changes being proposed?

- The rationale for this proposed change is to better align the business license fee with the impact of warehouse, wholesale, and distribution businesses, much of which comes from the physical size of their business rather than the number of employees. Warehouse, wholesale and distribution businesses cause heavy wear on local streets through truck and delivery traffic, but generate relatively few jobs and limited business license revenue or sales tax.

How will these changes impact the amount of my business license tax?

- It depends on the size of the business and number of employees. While some warehouse, wholesale, and distribution businesses will see a reduction, most will see an increase. The size of the increase will be most significant for businesses that occupy a large building but employ just a few people.

How is a business' square footage calculated?

- Square feet means all of the space within the exterior walls of the building leased or owned by the business regardless of use. Square footage may be confirmed by a lease document, floor plan/blueprint, or other form of documentation approved by the Director of Finance.

What if I operate another type of business and have storage space within my building?

- Warehousing, wholesaling and distribution activities in connection with, and incidental to, a business licensed as a separate use category are *not* separate businesses for the purposes of the business license ordinance. Businesses will be issued business licenses and charged the business license tax based upon their primary business type.

For more information about Measure OO, visit: www.sanleandro.org/localmeasures