



**CITY OF OAKLAND  
BLUE RIBBON EQUITABLE BUSINESS TAX TASKFORCE**

**SPECIAL MEETING  
Meeting Agenda  
Thursday, May 13, 2021  
6:00 PM  
Via Teleconference**

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Blue Ribbon Equitable Business Tax Taskforce Members:

Michael Katz  
Taison Kwamilele  
Cynthia Larsen – **Vice Chairperson**  
Jessica Moncada Kone  
Zain Oke  
Liz Ortega  
Daniel Swafford  
Ari Takata-Vasquez - **Chairperson**  
Minh Tsai  
Ben Wanzo  
Winter Williams

Task Force website: [City of Oakland | Blue Ribbon Equitable Business Tax Task Force](#)

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**Pursuant to the Governor's Executive Order N-29-20, Blue Ribbon Equitable Business Tax Taskforce Members, as well as City staff, will participate via phone/video conference, and no physical teleconference locations are required.**

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[+12532158782,,83616493506#,,,,\\*384984#](tel:+12532158782,,83616493506#,,,,*384984#)

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**PROVIDE PUBLIC COMMENT:** There are three ways to make public comment within the time allotted for public comment on an eligible Agenda item.

- **Comment in advance:** To send your comment directly to the Blue Ribbon Equitable Business Tax Taskforce and staff BEFORE the meeting starts, please send your comment, along with your full name and agenda item number you are commenting on, to [BlueRibbonTaskForce@oaklandca.gov](mailto:BlueRibbonTaskForce@oaklandca.gov). Please note that eComment submissions close one (1) hour before posted meeting time. All submitted public comment will be provided to the Task Force Members prior to the meeting.
- **By Video Conference:** To comment by Zoom video conference, click the “Raise Your Hand” button to request to speak when Public Comment is being taken on an eligible agenda item at the beginning of the meeting. You will then be unmuted, during your turn, and allowed to participate in public comment. After the allotted time, you will then be re-muted. Instructions on how to “Raise Your Hand” are available at: <https://support.zoom.us/hc/en-us/articles/205566129>, which is a webpage entitled “Raise Hand In Webinar.”
- **By Phone:** To comment by phone, please call on one of the above listed phone numbers. You will be prompted to “Raise Your Hand” by pressing STAR-NINE (“\*9”) to request to speak when Public Comment is being taken on a eligible agenda item at the beginning of the meeting. Once it is your turn, you will be unmuted and allowed to make your comment. After the allotted time, you will be re-muted. Instructions of how to raise your hand by phone are available at: <https://support.zoom.us/hc/en-us/articles/201362663>, which is a webpage entitled “Joining a Meeting by Phone.”

If you have any questions about these protocols, please e-mail [BlueRibbonTaskForce@oaklandca.gov](mailto:BlueRibbonTaskForce@oaklandca.gov)

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- 1. Roll Call and Determination of Quorum**
  - 2. Public Comment:** Speakers will be called on by the facilitator as speakers “raise their hand” through video conference or by telephone to speak on Agenda items. Comments for matters not on the Agenda will be taken during Open Forum. All speakers will be allotted a maximum of two minutes to address the Task Force, unless amended by the Chair.
  - 3. Approval of Draft Minutes from the April 22, 2021 Meeting**
  - 4. Informational Items:**
    - A. Presentation regarding the Potential Impacts from Changes To Business Tax**
  - 5. Action Items:**
    - A. Continued (from the 4/29/2021 Taskforce meeting) Ad Hoc Committee**  
**Assignments:** Continued from the April 29, 2021 meeting. The Task Force will discuss the work of Ad Hoc Committees
  - 6. Open Discussion - Task Force will continue discuss their business tax priorities and potentially delegate research items to staff and ad hoc committees for research and analysis.**
  - 7. Agenda Requests for Future Meetings**

Task Force Members may use this opportunity to address new issues for Task Force business. New items will be referred to an Ad Hoc Committee for action, outreach, research and/or deliberation or scheduled to a subsequent Task Force meeting.
  - 8. Open Forum**
  - 9. Adjournment**

The meeting will adjourn upon the completion of the Task Force’s business.
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**BLUE RIBBON EQUITABLE TASK FORCE  
ACTION MINUTES (DRAFT)  
THURSDAY, APRIL 22, 2021**

Meeting was called to order at 6:00 pm by Margaret O'Brien.

- 1. Roll Call:** Katz, Kwamilele, Larsen Oke, Ortega, Swafford, Takata-Vasquez, Tsai, Wanzo (arrived at 6:05) and Williams were present. Moncada-Kone arrived at 6:20 pm. Tsai was absent. There was a quorum.

Board Members provided a brief synopsis of their background.

Margaret O'Brien, City Revenue and Tax Administrator, introduced herself and other Oakland staff members: Huey Dang, Principal Revenue Analyst, Chuck Maurer, Principal Revenue Analyst; Jennifer Logue, Deputy City Attorney, Micah Hinkle, Deputy Director Economic & Workforce Development; and Mitesh Bhakta, Deputy City Attorney. She also introduced outside consultants, Matt Newman and Shawn Blosser who work at Blue Sky Consulting Group.

- 2. Public Comment** – No speakers.
- 3. Brown Act and Robert's Rules Training** – Mitesh Bhatka provided training on the Brown Act and how the Task Force would follow Robert's Rules pertaining to the procedure for motions. (Slides were included with agenda)
- 4. Action Items:**

**A. Election of Chair and Vice-Chairpersons**

*Board Member Larsen moved, seconded by Board Kwamilele to have Larsen serve as Vice Chair.*

*Board Member Takata-Vasquez moved, seconded by Board Member Swafford to have Takata Vasquez serve as Chair.*

*Board polled as follows: Katz, Moncada-Kone, Kwamilele; Larsen, Oke, Ortega, Swafford, Takata-Vasquez, Williams, Wanzo voted "aye." All ayes – motion carried.*

**B. Ad Hoc Committee Assignments**

Margaret O'Brien noted there may be a need for ad hoc committees.

*Board Member Ortega moved, seconded by Board Member Larsen to continue the ad hoc committee assignments until the next meeting.*

*Board polled as follows: Katz, Moncada-Kone, Kwamilele; Larsen, Oke, Ortega, Swafford, Takata-Vasquez, Williams, Wanzo voted "aye." All ayes – motion carried.*

## **C. Confirmation of Master Calendar & Regular Meeting Schedule**

Margaret O'Brien noted a calendar/schedule was included with the agenda and the board would need to vote on accepting it.

*Board Member Larsen moved, seconded by Board Member Katz to accept the master calendar and regular meeting schedule.*

*Board polled as follows: Katz, Moncada-Kone, Kwamilele; Larsen, Oke, Swafford, Takata-Vasquez, Williams, Wanzo voted "aye." Ortego no response. Nine ayes – motion carried.*

## **5. New Business**

### **A. Designing a progressive Business Tax**

Matt Newman with Blue Sky Consulting Group. He noted they were to assist when necessary. He provided a brief slide show of the revenues/taxes for the city.

*Board Member Takata-Vasquez moved, seconded by Board Member Larsen to extend the meeting.*

*Board polled as follows: Katz, Kwamilele; Larsen, Oke, Swafford, Takata-Vasquez, Williams, Wanzo voted "aye." Moncada-Kone, voted "nay." Ortego no response. One nay, eight ayes – motion carried.*

## **6. Agenda Requests for Future Meetings**

Margaret O'Brien stated the following items were topics: forecast of rental accounts, forecast of residential accounts, forecast of other accounts, retail, small local vs. chain, comps to other cities with regards to tax rates/gross receipt taxes, cost of doing businesses in other cities/states (i.e.: Texas); what is the cost of doing business in Oakland, and what was the basis of the \$27 million dollar figure.

Additional items added: clarity of process if items were adopted, add a layer of employment data; loss governing financial institution, tax holiday, exempt businesses, look at business mobility due to tax rate changes, and support for higher rates/lower rates.

## **7. Open Forum**

No Comment.

## **8. Adjournment**

Margaret adjourned the meeting at 8:17 p.m. Next meeting will be April 29, 2021 at 6:00 pm.

City of Oakland  
Finance Department



Blue Ribbon Equitable Business Tax Task Force  
Presentation

# Evaluating Potential Impacts from Changes to Oakland's Business Tax

May 13, 2021

Presented by  
Matthew Newman  
Blue Sky Consulting Group

# Overview

- ▶ Factors that influence business location decisions
- ▶ Considerations for changing the business tax
- ▶ Preliminary Oakland employment statistics
- ▶ Discussion and next steps

# Many factors influence business location decisions

Business location and expansion decisions are influenced by many factors—both economic and intangible:

- ▶ Cost of doing business
  - ▶ *Labor* -
    - ▶ Availability / cost
    - ▶ Labor regulations
  - ▶ *Occupancy costs / Rent* - More critical to businesses with large footprints (e.g., manufacturers) or high cost space (e.g. professional services firms' offices)
  - ▶ *Taxes*
    - ▶ e.g., business license, property taxes, and sales taxes vary across regions and states
    - ▶ e.g., corporation and personal income taxes vary across states
  - ▶ *Costs of inputs*
- ▶ Consumer demand - Proximity to and income of potential consumers
- ▶ Intangibles - Quality of life, municipal services, CEO / owner preferences



# Some businesses are more mobile than others

- ▶ *Are the business's customers local - or regional / national?*
  - ▶ Businesses that compete locally are less likely to move in response to cost increases, because cost increases (e.g. taxes) will affect all competitors and businesses need access to customers. Examples:
    - ▶ Local small retailers, restaurants, grocery stores, dry cleaners
  - ▶ But businesses with regional / national competitors are less able to pass on costs and may not need access to local customers. Examples:
    - ▶ Professional services, manufacturing, administrative headquarters
- ▶ *What are the costs of moving?*
  - ▶ Some businesses would pay especially high moving “penalties” or are unable to move locations. Examples:
    - ▶ Labor-intensive businesses may lose access to relevant labor pools
    - ▶ Landlords cannot move their buildings
    - ▶ Manufacturers with significant investments in fixed plant and equipment

# Do taxes matter? What the surveys say

Surveys indicate that businesses respond to taxes, but their findings vary:

- ▶ Taxes are never ranked as the most important factor—regardless of business size or sector—but they are consistently reported as more important than many other issues.
- ▶ Surveys indicate that the importance of tax rates varies by type of business but are inconsistent as to which sectors are most responsive to taxes, likely due to variations in the respondents surveyed and survey framing.

Survey	Tax change in County A
Karakaya, Canel (1998)	<p>Overall, business costs, including taxes, were ranked as the most important of six factor categories*</p> <ul style="list-style-type: none"> <li>• Retailers ranked state and real estate taxes fifth and sixth-most important, respectively, out of 27 total factors surveyed.</li> <li>• Consultants ranked these taxes seventh and ninth-most important.</li> <li>• All business sectors surveyed ranked tax rates as between “important” and “very important”**</li> </ul>
Kimelberg, Williams (2013)	<ul style="list-style-type: none"> <li>• Across 39 surveyed metrics, state taxes and financial incentives were ranked 7<sup>th</sup>, property taxes 12<sup>th</sup>, and other local taxes or financial incentives 14<sup>th</sup>.</li> <li>• Property tax rates and local incentives rated more important for office-based businesses and manufacturers.</li> </ul>
Brookings Institution (2000)	<p>Survey of site selection consultants finds that the importance of taxes and other costs vary by industry and by the maturity of the business, and that relative tax rates are usually a secondary consideration after more “basic” factors such as the training of the available labor force and real estate costs. However, they do find that “...taxes figure heavily into the equation is when a company is choosing among sites within a metropolitan area, where all the other factors are equal.”</p>

\*Factors were grouped into the following categories: costs (e.g., taxes), living (e.g., city services, recreation), accessibility (e.g., access to airport, shipping), resources (e.g., availability of unskilled labor), business environment (e.g., availability of suppliers, existence of competitors), and the availability of existing buildings.

\*\*Respondents ranked factors on a four-point scale: “0 = not important; 1 = important; 2 = very important; 3 = extremely important.” Across all industries, tax rates averaged between a 1.0 and 2.0.

# Do taxes matter? What the empirical research shows

- ▶ Studying the causal impact of tax rate changes is difficult.
  - ▶ It is not possible to run an experiment.
  - ▶ And looking at economic performance following rate changes may be misleading.
    - ▶ *Reverse causation* - Tax rates may be set *in response* to economic conditions.
    - ▶ *Statistical noise* - Rate changes may coincide with other events (recessions, demographic shifts, natural disasters)
  - ▶ To overcome this challenge, researchers analyze “county pairs”
  - ▶ If two neighboring counties share similar economies, and *only* one county changes its tax rate, any resulting divergence in employment or business creation may be attributed to the rate change.

\* E.g., Karakaya, Canel, “Underlying Dimensions of Business Location Decisions” (1998). Respondents ranked factors on a four-point scale: “0 = not important; 1 = important; 2 = very important; 3 = extremely important.” Across all industries, tax rates averaged between a 1.0 and 2.0.

\*\* For example, increasing the sales tax rate from 5% to 6% represents a 20% increase in the sales tax *rate*.

^ Effects may be smaller for service-sector businesses and manufacturing, since many businesses in these sectors do not pay sales taxes.

^^ This study is limited to multi-state firms, so it has limited relevance for small or local businesses.

## Do taxes matter? Empirical research (cont.)

- ▶ Some studies find minor impacts (or fail to find a result at all), and there are large differences in findings between studies.
- ▶ But overall the research suggests taxes do play a role in business location and expansion decisions:

Study	Increase in Total Tax Burden / Specific Tax Rate	Economic impact
<b>Widely cited meta-analyses</b>		
Bartik (1991, 1994); Wasylenko (1997)	10% increase in <u>total</u> tax burden*	15% decline in employment (median finding)**
	10% increase in <u>total</u> tax burden*	16% decline in business creation / re-location (median finding)**
<b>More recent studies</b>		
Rohlin, Rosenthal, Ross (2012)	10% increase in sales tax rate (e.g. from 5% to 6%)	7.5% drop in <u>retail</u> business creation 2.5% drop <u>service</u> business creation^
Thompson, Rohlin (2017)	10% increase in sales tax rate	1% decline in employment
Ljungqvist, Smolyansky (2014)	10% increase in corporate tax rate	2.2% decline in corporate employment
Giroud, Rauh (2017)^^^	10% increase in corporate tax rate 10% increase in personal income tax rate	4.5% decline in corporate employment 2.5% decline in employment at pass-throughs (LLCs, partnerships)

\*A percentage change in a business's total tax burden will be more significant than a percentage change in just one specific tax rate.

\*\*Bartik's sample included 14 studies, and only nine found statistically significant impacts. Across these nine studies, five assessed rates of business creation or re-location, and four assessed employment impacts. Within each grouping, there are large differences in findings across studies. The declines shown here are the median finding within each group.

^ Effects may be smaller for service-sector businesses and manufacturing, since many businesses in these sectors do not pay sales taxes.

^^ This study is based on multi-state firms, so may have more limited relevance for small or local businesses.

# Preliminary Oakland Employment Statistics

- ▶ The task force has identified job quality and potential job gains/losses as important factors to consider when evaluating potential changes to Oakland's business tax
- ▶ Oakland businesses currently are required to report only the basis for business taxes (e.g., gross receipts, or total payroll, etc.)
  - ▶ No comprehensive data exist for number of employees or wages paid by Oakland businesses
  - ▶ Some data are available for selected businesses (e.g., largest, publicly-traded)
- ▶ Employment estimates can be calculated using public data
  - ▶ The Census' Survey of U.S. Businesses (SUSB) provides data for the SF-Oakland-Hayward MSA
  - ▶ Data include number of firms/establishments, total receipts, total payroll, and number of employees by firm size and by industry (NAICS up to 3 digits)
  - ▶ We have mapped the Oakland business tax categories to NAICS codes and used the reported gross receipts to construct preliminary employment estimates

# Current Top 10 Oakland Employers

Employer	2020			2011		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
Kaiser Foundation Health Plan, Hospitals, and Kaiser Permanente Medical Group	12,500+	1	6.9%			
County of Alameda	8,000+	2	4.4%	9,611	1	5.4%
Oakland Unified	5,000+	3	2.8%	5,570	2	3.1%
City of Oakland	4,500+	4	2.5%	4,073	5	2.3%
San Francisco Bart District	4,000+	5	2.2%			
State of California	3,500+	6	1.9%			
Children's Hospital & Research Center	2,500+	7	1.4%	2,070	9	1.2%
Southwest Airlines Co.	2,500+	8	1.4%			
Alameda County Medical Center	2,000+	9	1.1%			
Sutter Bay Hospitals and Foundation	2,000+	10	1.1%			
Peralta Community College District	1,000-1,500		0.8%	2,759	7	1.5%
World Savings & Loan Assn	N/A		N/A	4,389	3	2.4%
Cost Plus, Inc.	N/A		N/A	4,148	4	2.3%
Dreyer's Grand Ice Cream Inc	N/A		N/A	3,700	6	2.1%
Internal Revenue Service	N/A		N/A	2,500	8	1.4%
Itron	N/A		N/A	2,000	10	1.1%
<b>Total, Ten Largest Employers</b>	<b>46,500</b>		<b>26.5%</b>	<b>40,820</b>		<b>22.8%</b>

Source: City of Oakland Economic & Workforce Development Department.

Note: Employment data for affiliated entities of Kaiser Permanente are combined. Percent of total employment is based on June 2020 employment of 180,700 and 2011 annual employment of 179,200 as reported by the California Employment Development Department.

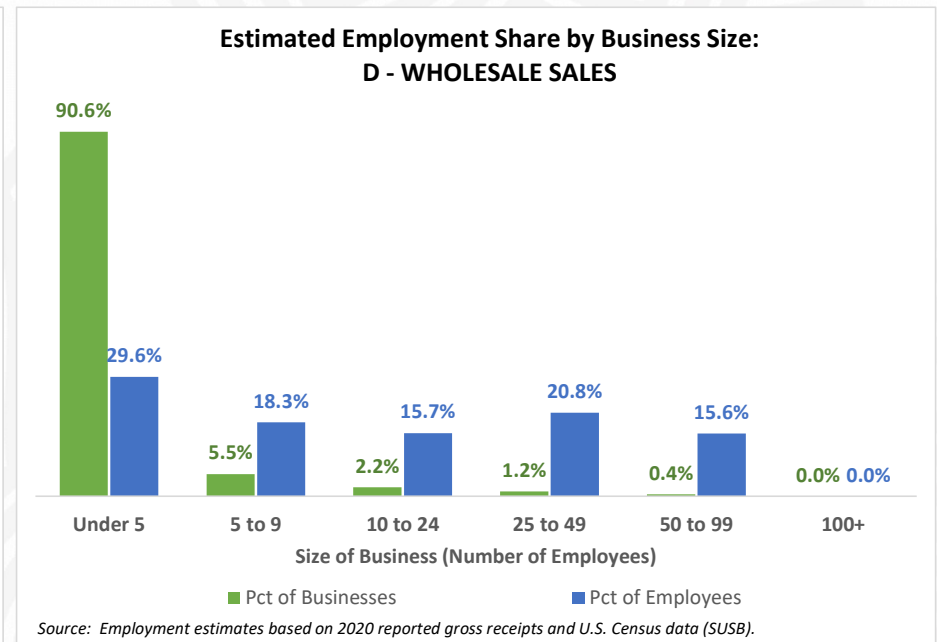
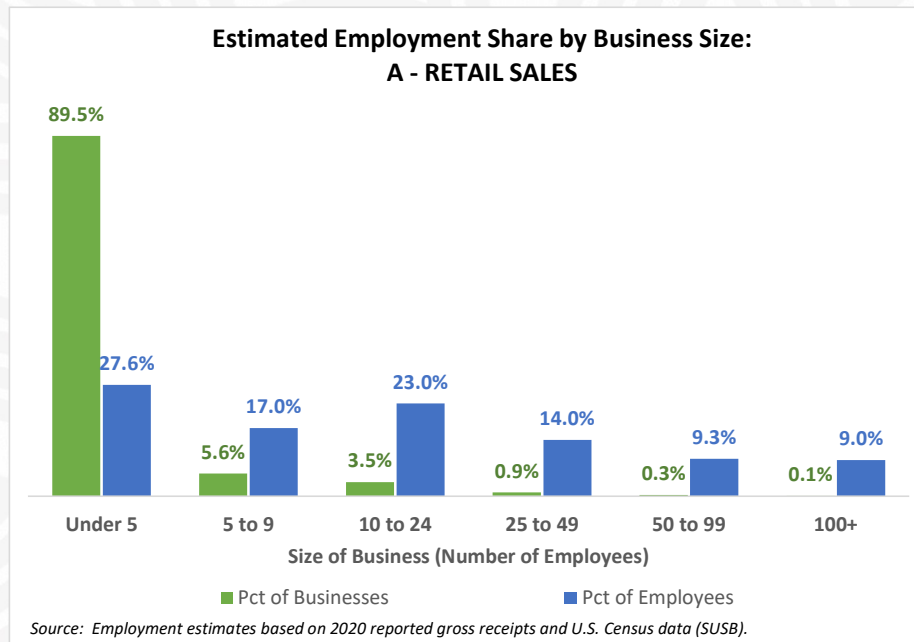
▶ According to the City of Oakland Comprehensive Annual Financial Report (2020), total Oakland employment is around 180,700

▶ In 2020 the top 10 employers accounted for 26.5% of all Oakland employment, up from 22.8% in 2011

▶ Most of the top 10 employers are exempt from paying business taxes (e.g., government)

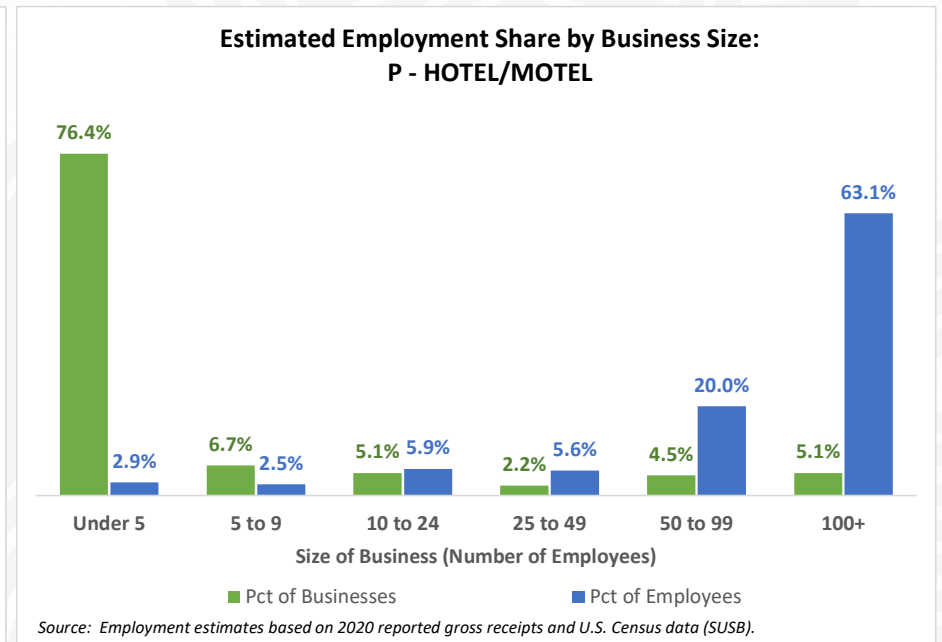
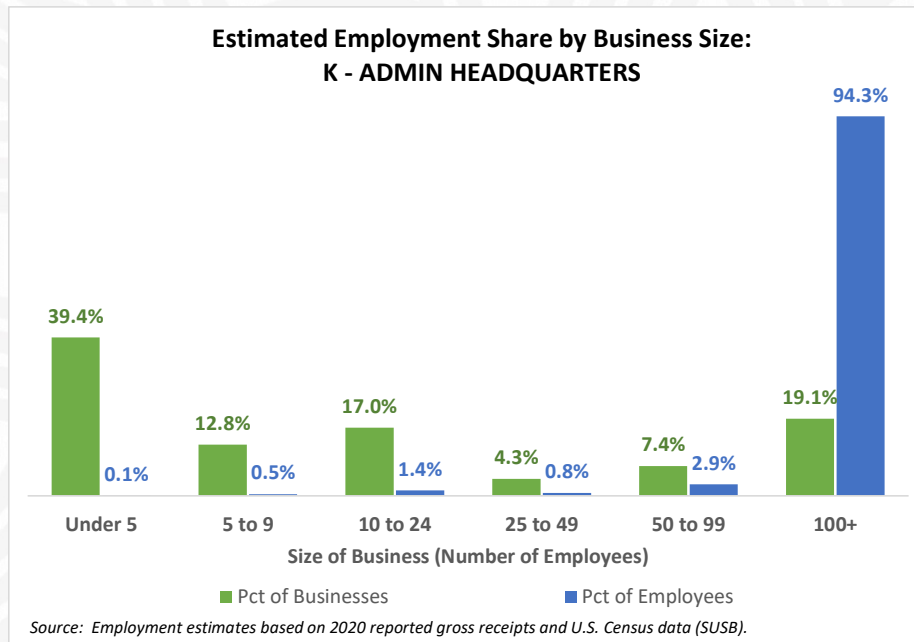
# Employment by Size of Business

- ▶ Oakland's Retail and Wholesale employment appears to be more concentrated among smaller businesses (~2/3 in firms with fewer than 25 employees)



# Employment by Size of Business (cont.)

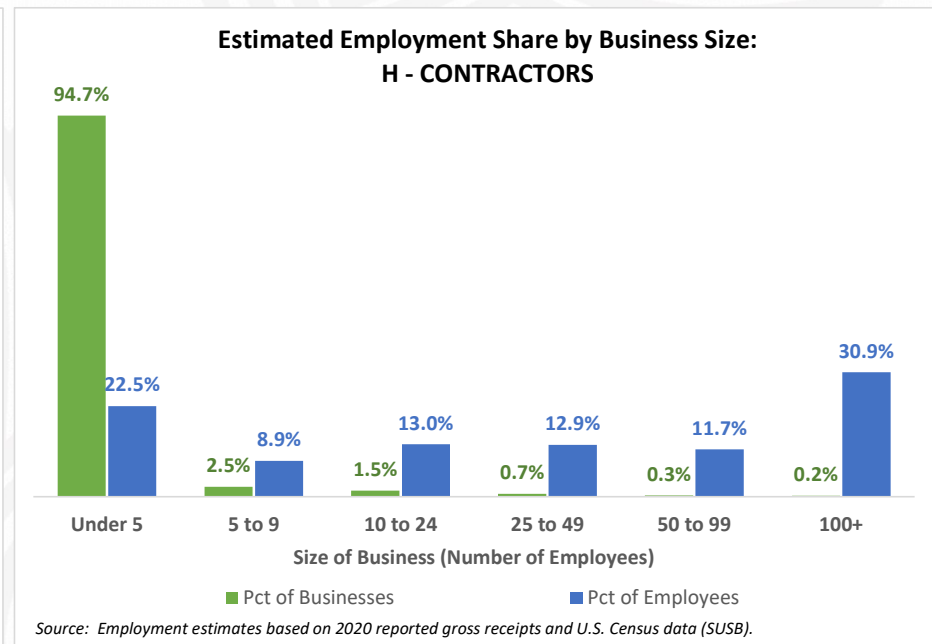
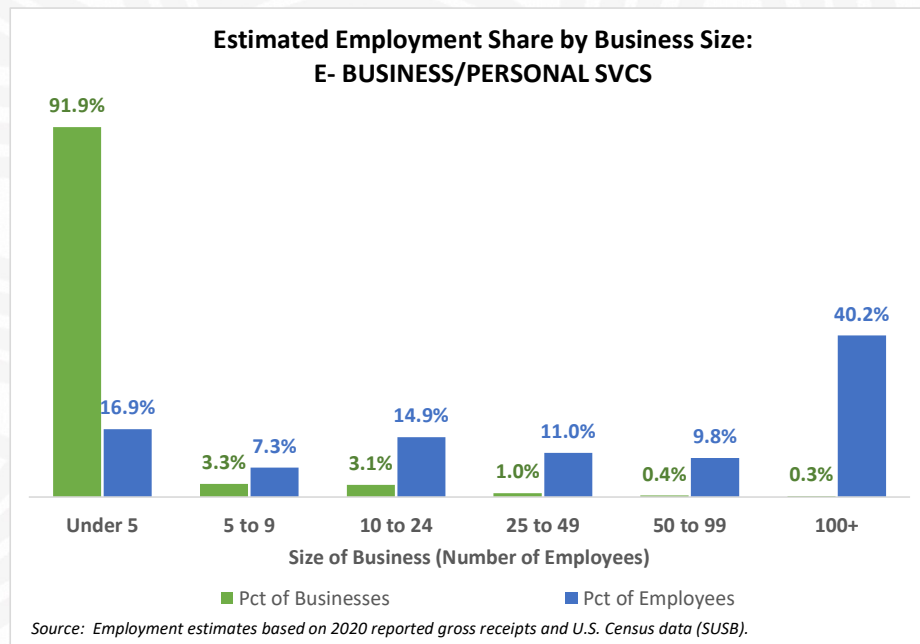
- ▶ Employment in categories such as “Administrative Headquarters” and “Hotel/Motel” is more heavily concentrated among the largest Oakland firms





## Employment by Size of Business (cont.)

- ▶ Employment in categories such as “Business/Personal Services” and “Contractors” appears to be distributed more evenly, though even for these a small number of large firms account for many Oakland jobs



# Employment by Size of Business - Summary

- ▶ Oakland businesses can be organized by the extent to which employment is concentrated among smaller firms vs. larger firms

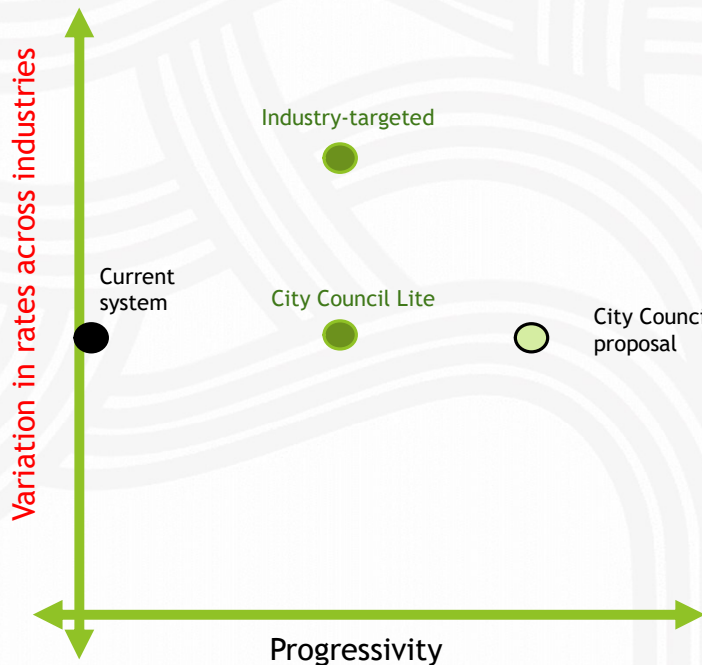
Share of Employment by Size of Business (Number of Employees)								
	Under 5	5 to 9	10 to 24	25 to 49	50 to 99	100+	< 50	50+
<i>Employment Primarily in Smaller Firms (&lt;50):</i>								
A - RETAIL SALES	27.6%	17.0%	23.0%	14.0%	9.3%	9.0%	81.7%	18.3%
D - WHOLESALE SALES	29.6%	18.3%	15.7%	20.8%	15.6%	0.0%	84.4%	15.6%
F - PROFESSIONAL/SEMI-PROFESSIONAL	23.3%	11.6%	17.1%	14.6%	9.3%	24.0%	66.7%	33.3%
M,N,O - RES & COMM RENTAL PROPERTY	71.7%	6.2%	10.6%	7.2%	4.2%	0.0%	95.8%	4.2%
<i>Employment Primarily in Larger Firms (50+):</i>								
B - GROCERS	10.8%	6.5%	7.1%	9.6%	33.8%	32.2%	34.0%	66.0%
C - AUTOMOBILE SALES	1.4%	0.7%	6.9%	4.9%	57.2%	28.9%	13.9%	86.1%
G - RECREATION/ENTERTAINMENT	6.3%	3.7%	4.9%	8.1%	4.5%	72.4%	23.0%	77.0%
P - HOTEL/MOTEL	2.9%	2.5%	5.9%	5.6%	20.0%	63.1%	16.9%	83.1%
T - MEDIA FIRMS	3.2%	0.0%	6.0%	9.2%	9.0%	72.6%	18.4%	81.6%
U - UTILITY COMPANIES	5.4%	8.2%	7.0%	8.0%	8.0%	63.4%	28.6%	71.4%
<i>Employment Distributed Roughly Equally across Smaller and Larger Firms:</i>								
E - BUSINESS/PERSONAL SVCS	16.9%	7.3%	14.9%	11.0%	9.8%	40.2%	50.1%	49.9%
H - CONTRACTORS	22.5%	8.9%	13.0%	12.9%	11.7%	30.9%	57.4%	42.6%

# Discussion questions for task force

- ▶ Which sectors could or should be taxed more?
  - ▶ Typical industry profit margins (ability to absorb some/all of tax increase)
  - ▶ Ability to pass on costs to customers without losing market share
  - ▶ Costs of moving
- ▶ How progressive should Oakland's new business tax be?
  - ▶ More progressivity puts more costs on larger businesses while easing relative burden on smaller businesses
  - ▶ A broader base—with lower top rates—may lessen risk of larger businesses leaving the city
- ▶ The current system:
  - ▶ Single rate for each industry - regardless of business size
  - ▶ But different rates for different industries

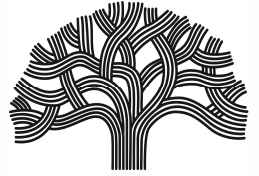
# Possible new models

An updated business tax could vary in degree of progressivity *within* each business category, and in the extent to which rates differ *across* categories



- ▶ Example Alternative 1 - City Council proposal:
  - ▶ Roughly preserves the existing business category classifications
  - ▶ Increases rates for large businesses, offers small rate cut for small businesses
- ▶ Example Alternative 2 - Broader based:
  - ▶ Utilizes same business categories and relative differences in rates as City Council
  - ▶ Reduces progressivity to mitigate possible economic impacts
- ▶ Example Alternative 3 - Industry-targeted:
  - ▶ Targets rate hikes at the business categories determined to be the *least mobile*
  - ▶ Within business categories, may introduce progressive rates

City of Oakland  
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# Discussion