



City Council Ad Hoc Subcommittee Recommendations February 22, 2022

Item 7.a.





| Objectives for Meeting

- Confirm Subcommittee direction (per CC Reso)
 - Business License Tax (BLT)
 - 1/2 cent sales tax
- Support survey development
- Recommendation to City Council



| Strategic Plan

- **Fiscal Stability and Sustainability**

- Study and **prepare** for placement of a revenue measure for the November 2022 election that addresses the **expiration of the half-cent sales tax**; or, prepare for \$6.6 million in service cuts.
- Study the **benefits and opportunity to update the City's business license tax** for voter consideration.

- **Economic, Community Development, Public Safety**

- Analyze the **feasibility of transforming warehouses** to attract high-value industrial and commercial uses for the benefit of the community.

- **Education and Outreach**

- Conduct **outreach and community education** about the City services, financial resources, areas of cost, and impacts of failed ballot measures on city services

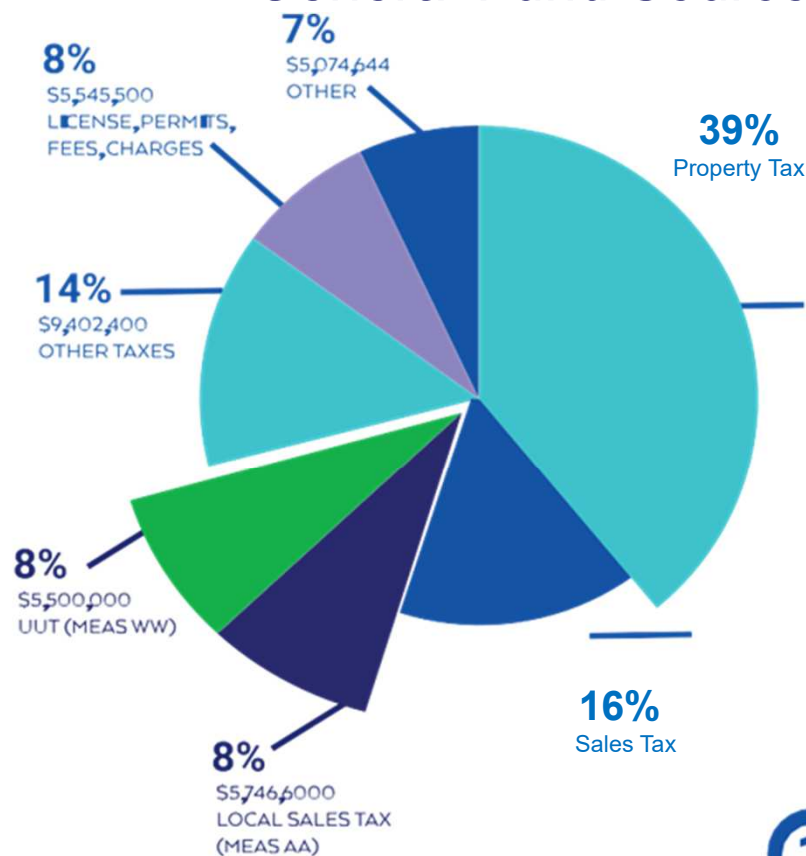


| Primary Sources for General Fund

Property tax



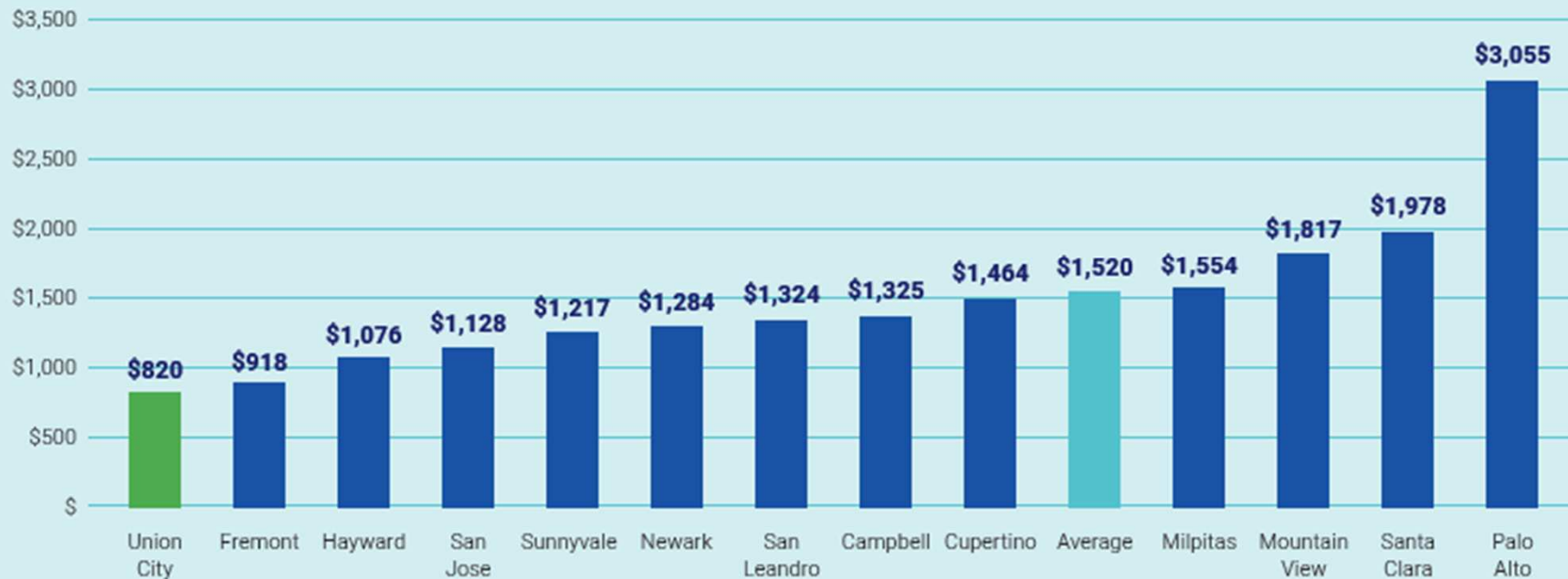
General Fund Sources





Union City – Lowest General Fund per Capita

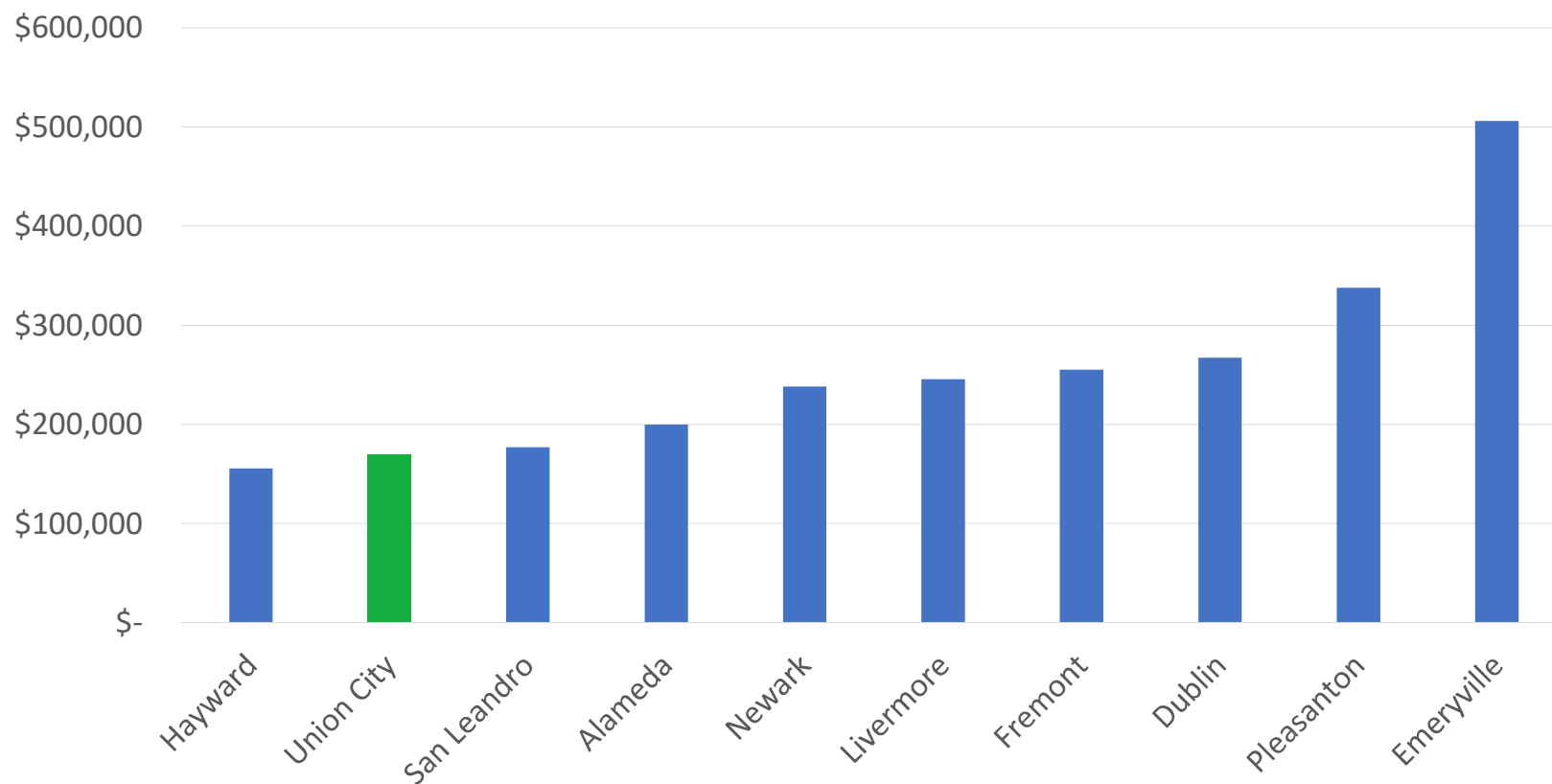
FY 2019-20 GENERAL FUND REVENUES PER CAPITA



* Source: Management Partners.



| Property Assessed Value Per Capita



Source: Alameda County Assessor, 2020-2021 Roll

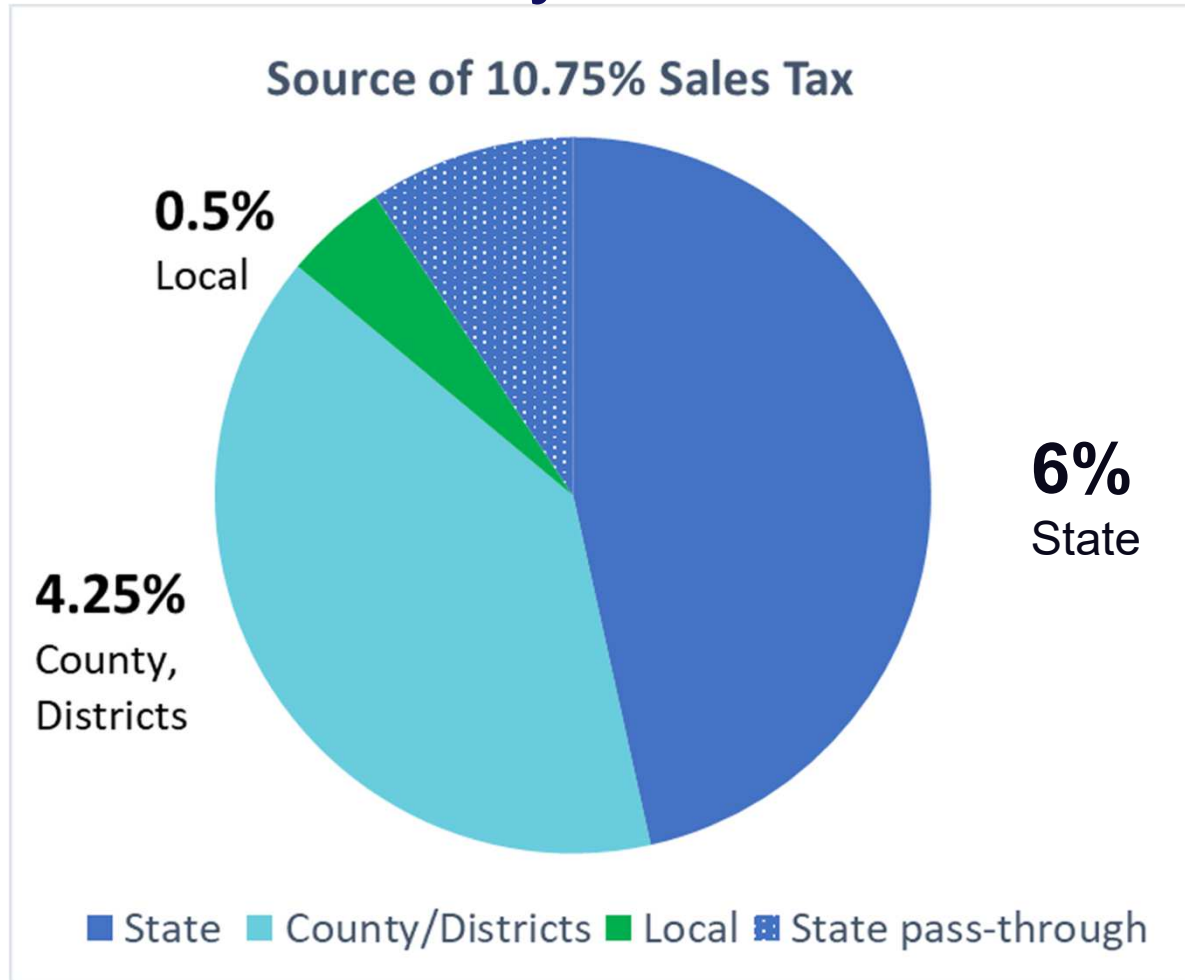


| Sales Tax Rates in Alameda County

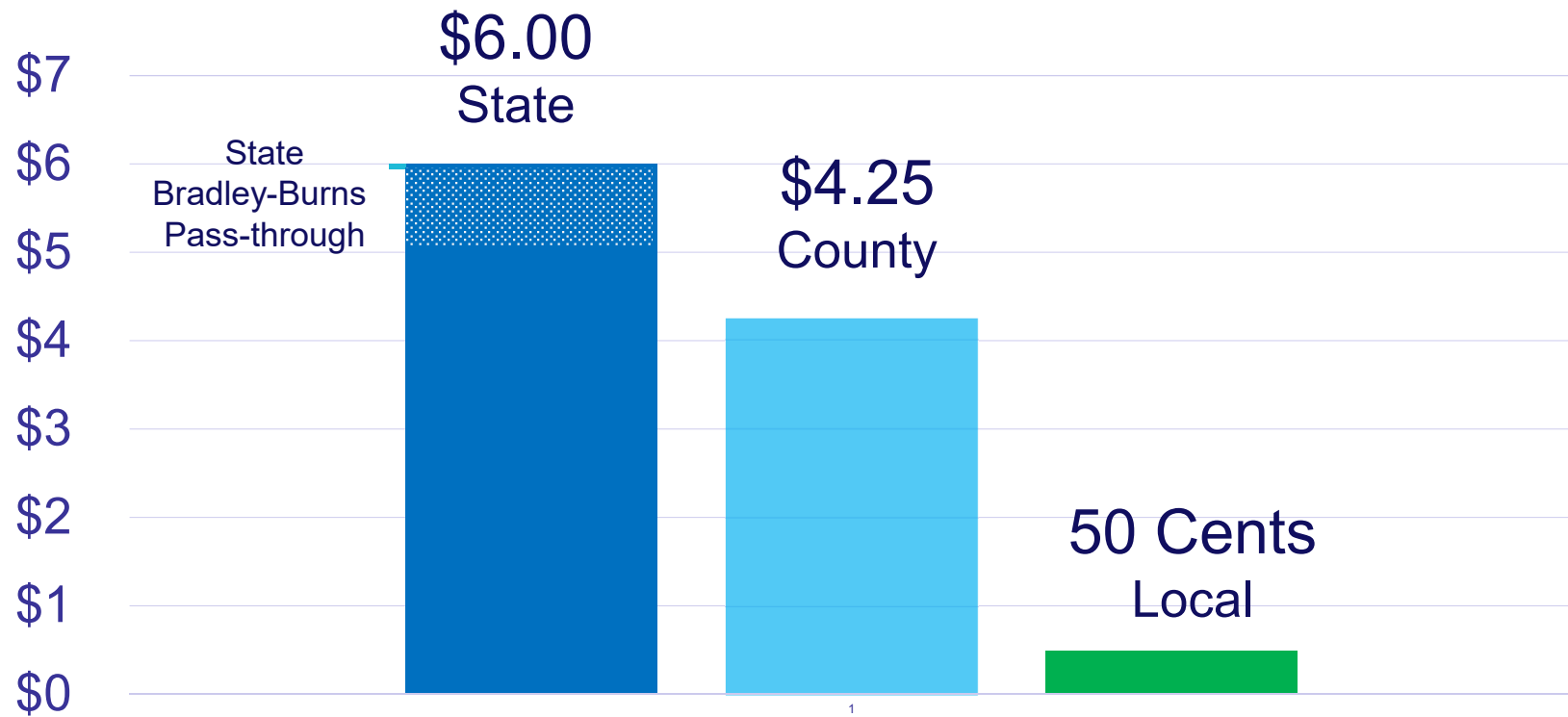
• Alameda	10.75%
• Albany	10.75%
• Hayward	10.75%
• Newark	10.75%
• San Leandro	10.75%
• Union City	10.75%
• Emeryville	10.50%

• Oakland	10.25%
• Berkeley	10.25%
• Livermore	10.25%
• Fremont	10.25%
• Dublin	10.25%
• Pleasanton	10.25%
• Piedmont	10.25%

Alameda County Sales Tax

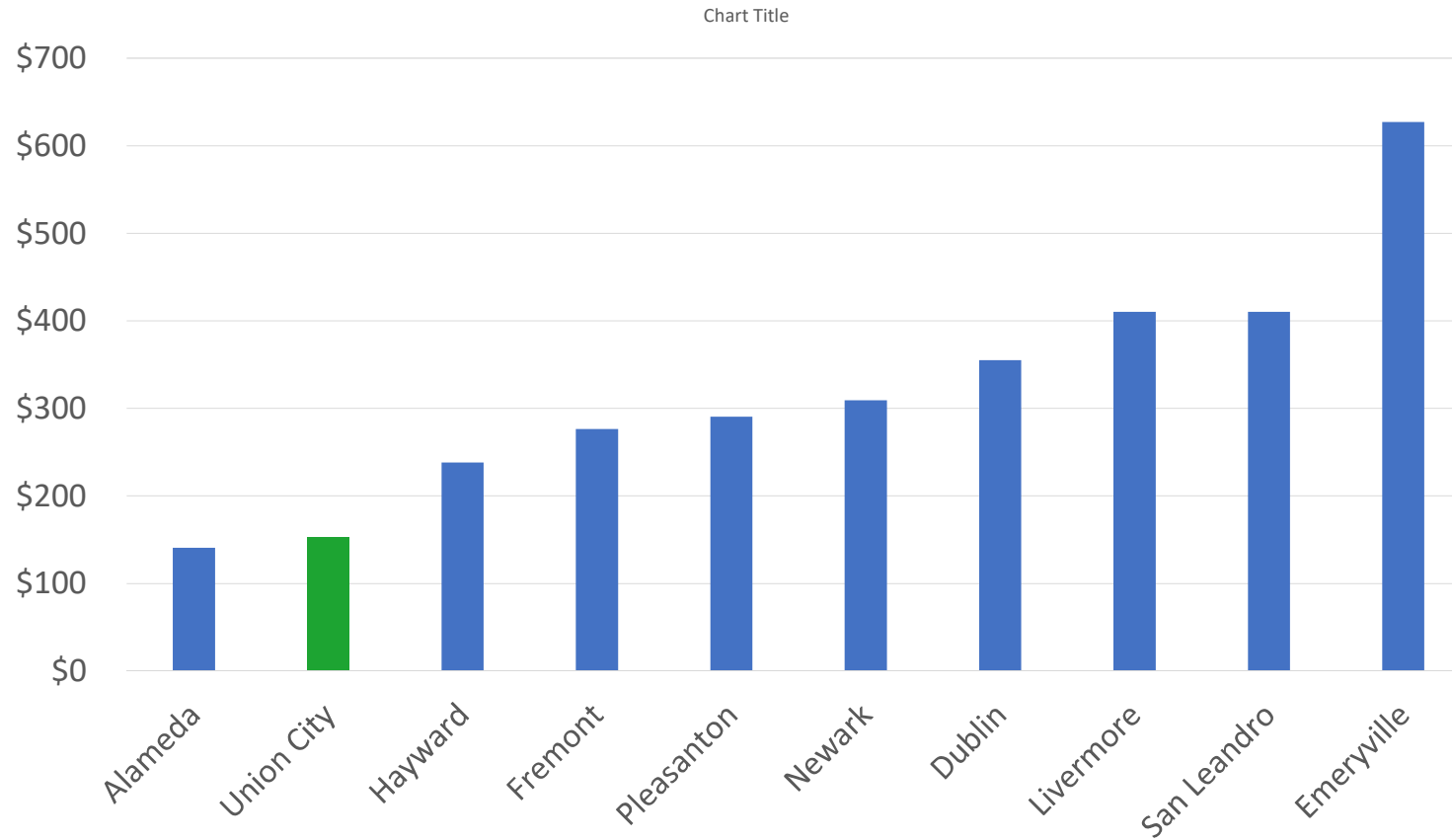


Breakdown of taxes per \$100



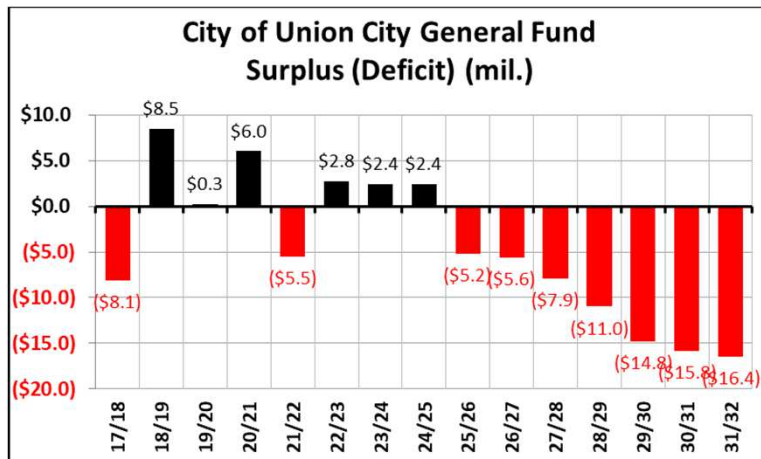
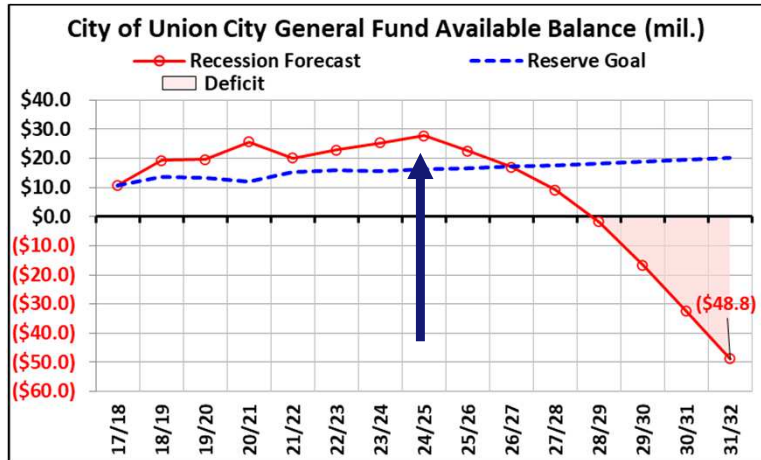


Union City Per Capita Sales Tax



Source: MuniServices/Avenu Insights, 2021Q3

Long-term Budget Projections



- Budget stability until ½ cent sales tax expiration in 4/2025
- Revenue measure - 2024 ballot is last opportunity to address \$6.6M gap
- If successful in 2022, will avoid 'fiscal cliff'
- Extension will begin in 2025



| Why now to extend sales tax?

- Waiting until 2024 will create fiscal cliff
- 2024 election will likely see competitive revenue measures from region and county
- Impact of loss of \$6.6M w/o replacement
 - Deferred maintenance of streets and facilities
 - Budget cuts and service cuts
 - Workforce retention
- Historic support for sales tax
- Captures on-line sales as retail markets shifts
- Captures trade area



| Use of funds

- **Sales Tax \$6.6 Million =**
 - **2** fire stations, or
 - **26** police officers, or
 - **8** police officers, plus
 - Non-profit grant funding (Centro, Tiburcio Vasquez, housing, seniors)
 - Social services (seniors and youth)
 - Recreational services (sports, classes, community centers)
 - Parks and street maintenance (fields, courts, streets)



| Replacement of \$6.6 million revenue

- 10 New Hotels (\$660,000 in TOT)
- 2.5 Union Landings
- 3,828 New Homes at \$1,000,000 each (not in RDA area)
- 10 cannabis stores with sales tax rev. of \$600,000 each
- BLT increase of at least 4 times over current rates



| Business License Tax

- **Subcommittee reviewed the BLT = likely < \$2.9M**
- Staff tested BLT to local businesses
- Based on actuals, when available, and 'industry standards'
- Significant increase
 - 2x, 3x, and 4x for most businesses, including small businesses and retail (Ex. \$261 to 1,000; 38,700 to \$90,000)
 - Up to 17x increase on warehouse (Ex. \$3,870 to \$64,900)
- Much higher BLT when compared to nearby cities



General Businesses: Retail/Wholesale/Hotel/Misc. Proposed Rates Comparison Table

General Businesses: Retail/Wholesale/Hotel/Misc.	Union City	HdL Model 4	Fremont	Newark	San Leandro
Small Service Station	\$ 602	\$ 1,400	\$ 380	\$ 1,111	\$ 278
Medium Service Station	\$ 1,720	\$ 4,000	\$ 1,030	\$ 1,501	\$ 366
Medium Wholesaler	\$ 430	\$ 1,000	\$ 347	\$ 1,051	\$ 761
Large Wholesaler	\$ 51,600	\$ 120,000	\$ 34,839	\$ 18,215	\$ 15,555
Large Retail Store	\$ 38,700	\$ 90,000	\$ 22,530	\$ 14,311	\$ 1,595
Large Service Station	\$ 2,580	\$ 6,000	\$ 1,530	\$ 1,801	\$ 585
Hotel	\$ 2,150	\$ 2,500	\$ 744	\$ 1,239	\$ 849



Professionals Services: Proposed Rates Comparison Table

Professionals Services	Union City	HdL Model 4	Fremont	Newark	San Leandro
Dental Office	\$ 261	\$ 832	\$ 324	\$ 382	\$ 696
Gymnasium/Healthclub	\$ 261	\$ 1,030	\$ 390	\$ 468	\$ 3,446



Property Rentals 3 Units or More: Proposed Rates Comparison Table

Property rentals (3 units or more) including commercial leasing properties. Excluding the rent program.	Union City	HdL Model 4	Fremont	Newark	San Leandro
4 Unit	\$ 152	\$ 439	\$ 242	\$ 137	\$ 199
Apartment Complex	\$ 5,300	\$ 31,472	\$ 13,689	\$ 2,387	\$ 5,426
Commercial Leasing Company	\$ 2,580	\$ 8,950	\$ 3,930	\$ 1,261	\$ 2,312
Commercial Leasing Company	\$ 12,900	\$ 44,950	\$ 19,530	\$ 3,061	\$ 10,975



General Services: Proposed Rates Comparison Table

General Services	Union City	HdL Model 4	Fremont	Newark	San Leandro
Hair salon	\$ 261	\$ 695	\$ 390	\$ 468	\$ 806
Nail Salon	\$ 261	\$ 479	\$ 282	\$ 328	\$ 1,246



Warehouse/Distribution: Proposed Rates Comparison Table

Warehouse/Distribution	Union City	HdL Model 4	Fremont	Newark	San Leandro
Small Warehouse	\$ 130	\$ 250	\$ 30	\$ 9	\$ 374
Medium Warehouse	\$ 198	\$ 3,350	\$ 30	\$ 92	\$ 3,113
Large Warehouse	\$ 3,870	\$ 64,900	\$ 290	\$ 1,800	\$ 22,966



| Top Sales Tax Generators

Top Sales Tax Generators	Union City	HdL Model 4	Fremont	Newark	San Leandro
Large Retail Store	\$ 38,700	\$ 90,000	\$ 22,530	\$ 14,401	\$ 1,595
Large Retail Store	\$ 25,800	\$ 60,000	\$ 15,030	\$ 9,901	\$ 8,970
Large Wholesaler	\$ 4,300	\$ 15,000	\$ 3,780	\$ 3,151	\$ 1,814
Large Retail Store	\$ 12,040	\$ 28,000	\$ 7,030	\$ 5,101	\$ 1,946
Large Retail Store	\$ 18,490	\$ 43,000	\$ 10,780	\$ 7,351	\$ 5,458
Medium Service Station	\$ 2,580	\$ 6,000	\$ 1,530	\$ 1,801	\$ 366
Medium Distributor	\$ 774	\$ 1,800	\$ 480	\$ 1,171	\$ 410
Large Wholesaler	\$ 2,021	\$ 7,000	\$ 1,780	\$ 1,951	\$ 1,595
Large Service Station	\$ 2,580	\$ 6,000	\$ 1,530	\$ 1,801	\$ 629
Large Rental Agency	\$ 3,010	\$ 7,000	\$ 1,780	\$ 1,951	\$ 1,946



| Business License Tax

- **Conclusion**

- Better data needed
 - Careful review of local impact
 - Establish a fair license that addresses city economic development goals and policies
 - Does not fully replace ½ cent sales tax
 - Outreach plan
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- Work with EDAT and Council to target future election cycle



| Subcommittee Recommendation

- Slower path on BLT
 - Collect data
 - Prepare modeling to match economic development goals
 - Outreach to businesses
 - Target 2024 election cycle
- Survey community for ½ cent sales tax extension