2024 LOCAL BALLOT MEASURES DEBRIEF

Three Case Studies in Business License Tax Proposals

CalCities City Manager's Conference, February 5, 2025

All 3 Cities:

San Mateo County
Council-Manager

South San Francisco

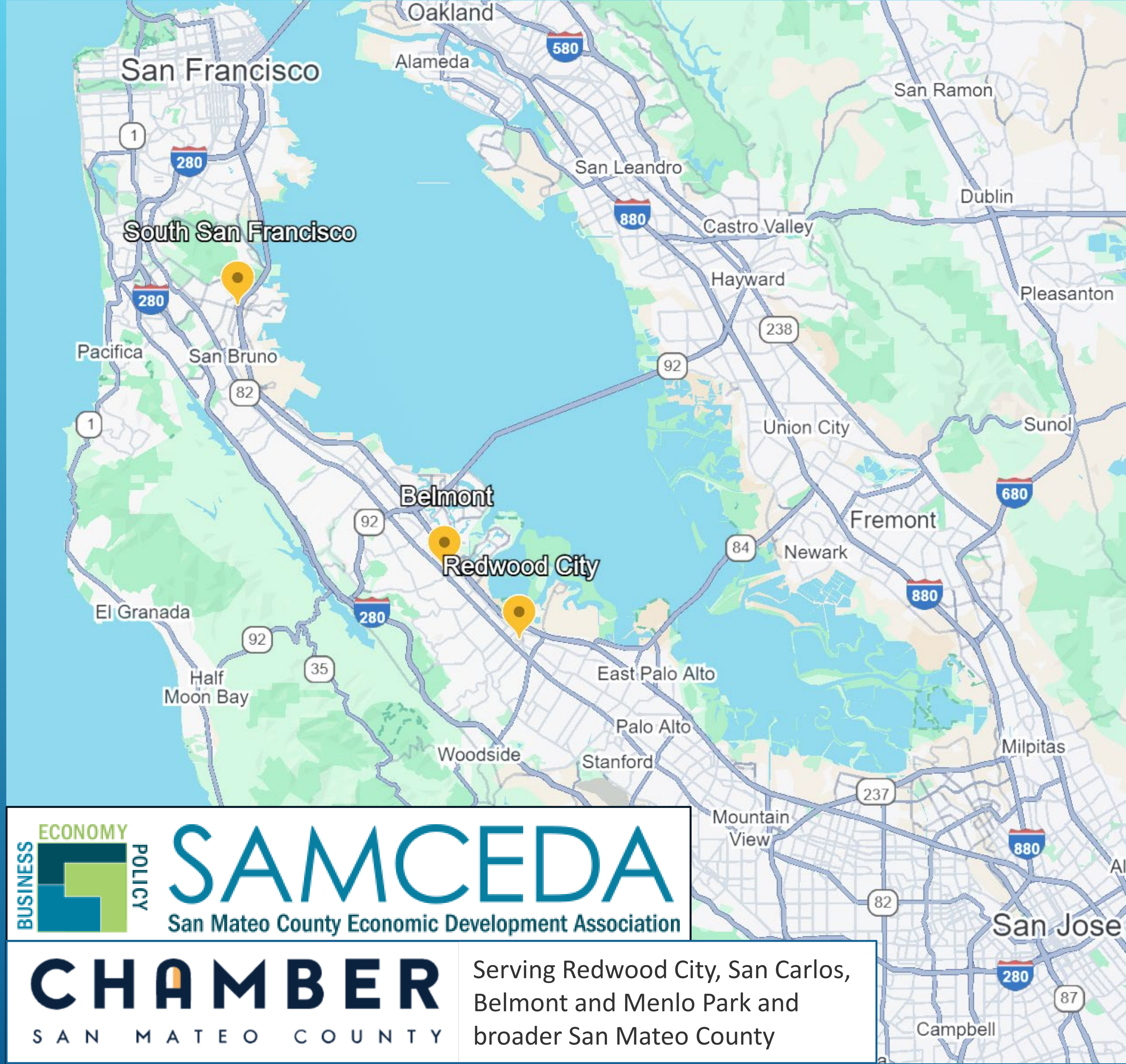
FTEs: 642
Pop: 63,000
Op Budget: $261 M
1-Yr CIP: $42.6 M
General Law

Belmont

FTEs: 145
Pop: 27,000
Op Budget: $77.1 M
1-Yr CIP: $25.4 M
General Law

Redwood City

FTEs: 602
Pop: 81,000
Op Budget: $373.3 M
1-Yr CIP: $75.1 M
Charter City



ECONOMY BUSINESS POLICY **SAMCEDA**
San Mateo County Economic Development Association

CHAMBER
SAN MATEO COUNTY

Serving Redwood City, San Carlos, Belmont and Menlo Park and broader San Mateo County

The Fine Line Between…

Minimize

- **Express Advocacy**
  - "Vote Yes/No"
  - Result-oriented
  - One-sided; emotional
  - Targeted
  - Timed to coincide with election events
  - Special appropriation
- **Impartial Information**
  - Factual - attribution
  - Both sides of the story (although not always)
  - Widely disseminated, not just to voters
  - Consistent with agency communication patterns
  - Consistent style, tenor, timing

RWG LAW

Excerpts from Craig Steele's presentation in 12/7/2023 CalCities webinar "The Do's and Don'ts of Ballot Measure Activities and Public Resources"

Permissible Uses of Public Resources

- **Resolution of support/opposition for measures**
- **Drafting a measure**
- **Pre-measure polling**
- **Impartial information**
  - Provide source, be aware of style, tenor, timing
- **Response to requests for information**
- **Voter registration and GOTV**

Excerpts from Craig Steele's presentation in 12/7/2023 CalCities webinar "The Do's and Don'ts of Ballot Measure Activities and Public Resources"

Prohibited Uses of Public Resources

Minimize

- **Production/printing of campaign literature**
- **Digital campaign advocacy**
  - But, *see* FPPC Opinion O-21-002
- **Campaign use of public equipment, facilities, supplies, technology**
- **Distribution of campaign material**
- **Favoritism/discrimination against particular message**
- **Mass mailings at public expense**

RWG LAW

Excerpts from Craig Steele's presentation in 12/7/2023 CalCities webinar "The Do's and Don'ts of Ballot Measure Activities and Public Resources"

Business License Tax Ballot Measure

CalCities City Managers Conference

Where in the world is South San Francisco?

South San Francisco Primer

Meat Packing

Ship Building

Biotechnology

South San Francisco Primer

City Type

- General Law

Form of Government

- Council-Manager

Population

- 64,600

Services

- Full Service

Sales Tax Rate Comparison | Why BLT?

9.875%

- Belmont
- Brisbane
- Colma*
- Daly City
- East Palo Alto
- Half Moon Bay*
- Pacifica
- Redwood City
- San Bruno
- South San Francisco

9.625%

- Burlingame
- San Mateo

9.375%

- Atherton
- Foster City
- Hillsborough
- Menlo Park
- Millbrae
- Portola Valley
- San Carlos
- Woodside

As of April 1, 2025

Sales Tax Ballot Measure Considerations | Why BLT?

Survey

- Sales Tax: 63.4%
- BLT: 57.7%

Approvals

- R&T: Council supermajority
- Legislative exemption

TOT Rate Comparison | Why BLT?

15.5%

- Menlo Park

15%

- Half Moon Bay
- Pacifica

14%

- Belmont
- Brisbane
- East Palo Alto
- Millbrae
- San Bruno
- San Carlos
- San Mateo
- South San Francisco*

13%

- Daly City

12%

- Burlingame
- Colma
- Redwood City
- Foster City

**** Plus a $2.50 per night/room Conference Center Tax***

TOT Considerations | Why BLT?

Proximity to SFO + number of hotels

Occupancy and room rate recovery

SSF BLT Basics

Basis

- Base + Flat Per Employee Rate

Current Revenue Generated

- $3.2M in FY 2023-24

Last updated by voters

- 2008

General Fund FY 2024-25 Deficit

- $11M ($145M budget)

SSF BLT Measure Timeline

2021
- BLT analysis performed
- Opted to move forward with a different ballot measure

2023
- Nov: Revenue Enhancement Study Session
- Nov: Community Survey

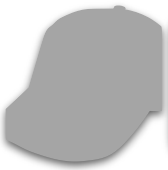
2024
- Jan: Survey results presented
- Mar-Apr: Updated BLT analysis + gross receipts analysis
- May: Present analysis to Council
- June-July: Outreach
- July: Council vote

Motivations

Motivation

- Existing BLT was regressive
- Remove the cap (~$1M)
- Simplification of BLT categories
- Subject all residential rentals to BLT
- Generate ~$2.6M in additional revenue

Challenges



SAMCEDA opposition to cap removal

Didn’t complete a second community survey: results were close with margin of error

No ballot measure advisor/consultant

Short runway for outreach

Campaign was slow

Other Considerations

Shift to gross receipts basis + short runway

Gross receipts basis + apportionment

Timing of other local cities considering BLT measures + their caps

Largest employer opposed ballot measure in prior election

Outreach Strategy

Largest Employers

- One business with >10,000 employees

Chamber of Commerce

- Only SSF; not multiple cities

Other Stakeholders

- California Life Sciences
- BioCom California

Outcome

Passed by over 80%

Actual Revenue

Doesn't solve our structural deficit

THANK YOU

Business License Tax Ballot Measure

City of South San Francisco

CalCities City Managers Conference

Business License Tax Update
November 2024 Ballot Measure

CITY OF BELMONT

City of Belmont Background

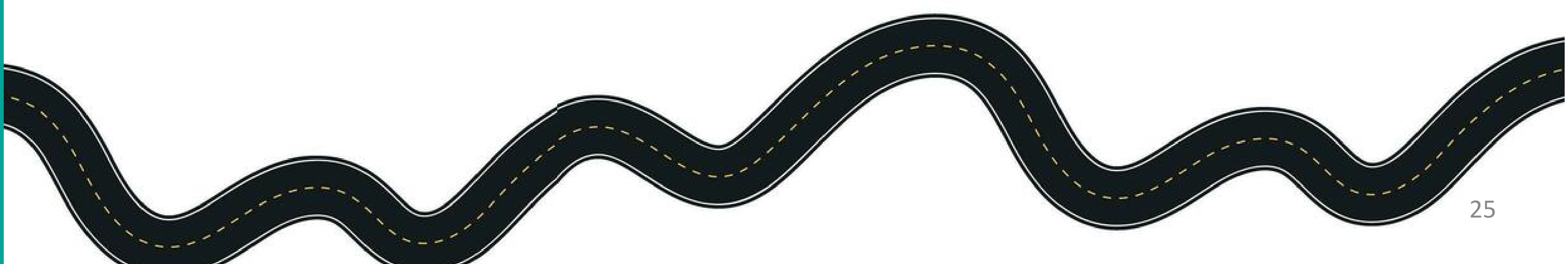
- Residential community, population 27,000
- Midway between San Francisco and San Jose
- Limited commercial development, several large-scale projects in pipeline
- 2,100 business licenses issued annually
  - 1,000 Belmont-based businesses
  - 275 home-based businesses

Why Did We Need an Updated Tax Model?

- Our business license program was outdated, originally established in 1976 and last updated in 1990
- Our $341 minimum tax was much higher than nearby cities
- Our tax was inequitable by design – small businesses paid much higher effective tax rates than larger revenue businesses
- Council directed staff to modernize the program to address any imbalances while remaining revenue neutral
- To capitalize on future business growth from pipeline development

The Long and Winding Road to the Ballot

- First attempt to update business license tax initiated in November 2019 with goal of getting it on November 2020 ballot
- Due to COVID, Council pulled the 2020 ballot run
- Effort reinitiated in May 2021 with extensive business outreach conducted through June 2022
- Late in the game opposition from a few well-connected business owners led Council to pull ballot item at 11th hour
- Third and final attempt reinitiated in November 2023
- Extensive business outreach conducted through ballot placement in July 2024



Timeline for 2024 Ballot Placement

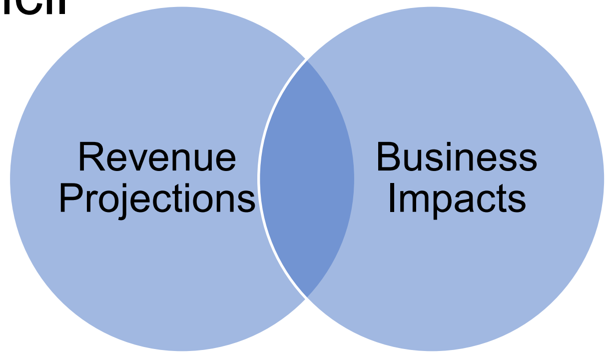
- November 2023 – City Council Study Session
- January 2024 – City Council Subcommittee formed
- February 2024 – Business Stakeholder Forums Round 1
  - Introduced concept of business license tax update; listening sessions; no tax model proposed
- March/April 2024 – Business Focus Groups and Survey
  - Tested 3 alternative tax models
- April 2024 – City Council tax model selection
- May 2024 – Business Stakeholder Forums Round 2
- June 2024 – City Council direction to proceed
- July 2024 – City Council ballot placement resolution
- November 2024 ballot

How Did We Ensure Business Feedback?

- Direct emails
- eNewsletter & social media
- Chamber Communications
- Postcard mailer
- Door-to-door and word of mouth
- 3 business forums *(42 participants)*
- 3 focus groups *(11 participants)*
- Business survey *(120 participants)*

Data Used for Decision Making

- 3 models evaluated by businesses/Council
  - Employee/real estate unit
  - Gross receipts by category
  - Tax table (e.g., $10k-$50k = $75)



- Consultant projected estimated revenues to City for each model, relying on business revenue estimates (challenging to quality control)
- Staff developed a tax calculator tool to allow businesses to test their payments due under each model without sharing revenue information with the City
- A table of rates under each model for hypothetical businesses helped the City Council evaluate model differences

Business Tax Calculator

Alternative Business License Tax Calculator

NOTE: Final proposed models and rates have NOT been identified. This tool is intended to help businesses evaluate the impact of DRAFT alternative models only, providing critical feedback to inform any future model.

To calculate the cost of a business license tax for your business under three DRAFT alternatives, **please complete the yellow fields for each model for the Business Type that is appropriate for your business.** You will only need to provide one input for each model. The green fields will then display the anticipated tax under each model.

Model A Rate Calculator

Businesses will enter the input for only their business type. Each business should be choose only one type. Total employee count equals all people working in a business minus one for a sole owner.

Business Type	Input needed	Input	Rate	Manual Calculation
Businesses with 25 or fewer employees	Total Employee Count	x	#VALUE!	$200 + ($75 x number of employees)
Businesses with 26 or more employees	Total Employee Count	x	#VALUE!	$200 + ($75 x 25) + ($50 x number of employees over the 25 employees)
Commercial Property Owner/Manager	Square Feet of Commercial Space	x	#VALUE!	$200 + ($0.25 x Sqft)
Residential Property Owner/Manager	Residential Units	x	#VALUE!	$200 + ($60 x Number of Units)

Model B Rate Calculator

Businesses will enter the input for only the relevant type of business. Each business should be assigned to only one business type.

Business Type	Input needed	Input	Rate	Manual Calculation
Retail/Restaurant	Gross receipts from prior tax year	x	**#VALUE!**	Gross Receipts ÷ $1,000 x $0.30 (Note: $25 min.)
Professional/Professional Services	Gross receipts from prior tax year	x	**#VALUE!**	Gross Receipts ÷ $1,000 x $1.00 (Note: $25 min.)
Contractors	Gross receipts from prior tax year	x	**#VALUE!**	Gross Receipts ÷ $1,000 x $1.00 (Note: $25 min.)
Other Services	Gross receipts from prior tax year	x	**#VALUE!**	Gross Receipts ÷ $1,000 x $0.75 (Note: $25 min.)
Commercial Rental Property	Gross receipts from prior tax year	x	**#VALUE!**	Gross Receipts ÷ $1,000 x $1.00 (Note: $25 min.)
Residential Rental Property	Gross receipts from prior tax year	x	**#VALUE!**	Gross Receipts ÷ $1,000 x $0.50 (Note: $25 min.)

Model C Rate Calculator

*Businesses with gross receipts of **$3 million** or less will pay the applicable flat rate from this table:*

Minimum Gross Receipts	Maximum Gross Receipts	Flat Rate
$0	$10,000	$25
$10,001	$50,000	$75
$50,001	$100,000	$150
$100,001	$300,000	$250
$300,001	$500,000	$325
$500,001	$800,000	$550
$800,001	$1,000,000	$750
$1,000,001	$2,000,000	$1,000
$2,000,001	$3,000,000	$1,200

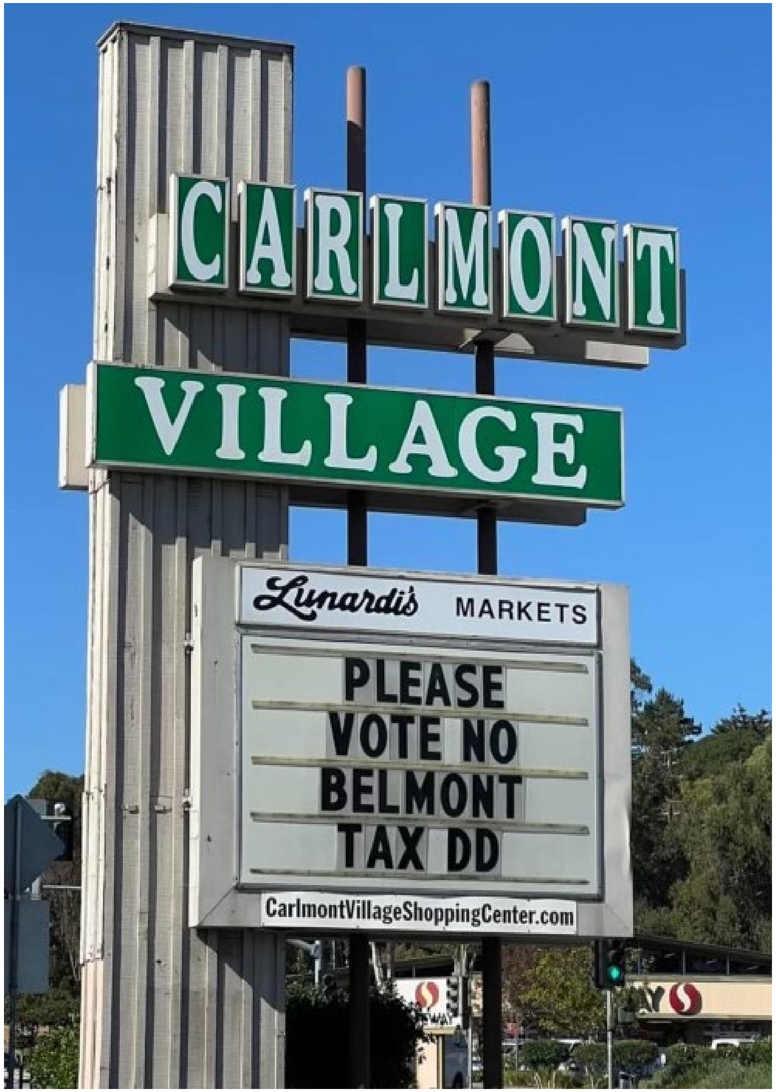
Model Comparison: Hypothetical Businesses

Rate decrease I rate increase

Hypothetical Business	Current Rate	Model A *(Employee/ Unit/Sqft)*	Model B *(Gross Receipts)*	Model C *(Tiered Flat/ Hybrid)*
Home-Based Small Business *(0 Employees; $20,000)*	**$341**	**$200**	**$25**	**$75**
Home-Based Prof. *(0 Employees; $125,000)*	**$341**	**$200**	**$125**	**$250**
Sole Proprietor Prof. *(0 Employees; $1,700,000)*	**$341**	**$200**	**$1,700**	**$1,000**
Contractor *(0 Employees; $75,000)*	**$341**	**$200**	**$75**	**$150**
Small Residential Rental *(4 units; $120,000)*	**$341**	**$440**	**$60**	**$250**
Commercial Rental *(50,000 sqft; $3,500,000)*	**$413**	**$12,700**	**$3,500**	**$1,700**
Small Restaurant *(3 Employees; $450,000)*	**$446**	**$425**	**$135**	**$325**
Mid-Sized Contractor *(3 Employees; $225,000)*	**$446**	**$425**	**$225**	**$250**
Professional Office *(10 Employees; $2,100,000)*	**$691**	**$950**	**$2,100**	**$1,200**
Mid-Sized Restaurant *(20 Employees; $1,900,000)*	**$1,041**	**$1,700**	**$570**	**$1,000**
Large Residential Rental *(50 units; $1,500,000)*	**$1,850**	**$3,200**	**$750**	**$1,000**
Big Retailer *(80 Employees; $15,000,000)*	**$3,141**	**$4,825**	**$4,500**	**$4,800**
Bio Tech R&D *(200 Employees; $50,000,000)*	**$7,341**	**$10,825**	**$50,000**	**$48,200**
Total Est. City Revenue	***$1.10M***	***$1.13M***	***$1.15M***	***$1.18M***

Bumps in the Road

- Chamber of Commerce was fundamentally against using a gross receipts model regardless of the rates
- Majority of business community did not oppose measure but would not serve as champions, even those facing significant rate reductions
- Prominent shopping center owner posted signage in opposition at highly visible intersection



Success Indicators

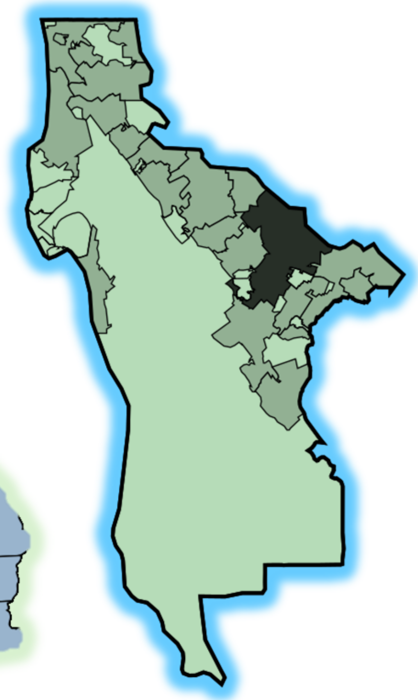
- No arguments in opposition filed on the ballot
- No lawn signs placed around town either for or against
- Local newspaper endorsed passage
- Multiple adjacent communities also had similar ballot measures
- Luck of the draw? Good year for local tax measures regionally
- Passed with 85% of the vote


CITY OF
BELMONT
Thank you
www.belmont.gov/businessupdate


REDWOOD CITY
CLIMATE BEST BY GOVERNMENT TEST

About Redwood City, CA

Located midway between San Francisco and San Jose, with a population of 81,000.



- Urban setting
- Access to high-speed rail
- Full-service city
- General Fund Budget of $185 Million
- 7,000 businesses
- Current development pipeline
    - 9 M sq/ft office/life science
    - 3,600 residential units

The Problem

$83M Lost Revenues during Pandemic

Expected Deficits

FY 2024/2025	FY 2025/2026
$7M (balanced with one-time funding)	$9M

Costs continue to rise.

Mindful that businesses are still affected.

Urgency to identify new or greater revenues.

The Approach

AUG '22	NOV '23	APR '24	JUL '24	NOV '24
RWC Finance & Audit Sub-committee discuss broad range of potential revenue options.	City Council directs staff to evaluate two options: update BLT or establish Real Estate Transfer Tax.	City Council directs staff to research feasibility of voter approval for updating BLT (polling & outreach).	City Council votes to place update to BLT on the ballot.	Voters approve update to Redwood City BLT by 84%.

RWC Business License Tax

EXISTING REDWOOD CITY BUSINESS LICENSE TAX	
Year Adopted	1967
Registration Fee	$86
Additional tax per FT employee	$57
Additional tax per PT employee	$31
Residential rental units	$31 per unit
Commercial rental property	$31 per 1,000 square feet (sq. ft.)
Maximum Tax (cap)	$7,121 for FY 2024/2025
Revenue	$2.6M annually

Issues with BLT

- **BLT Modernization:**
  - City's model was outdated
  - Impact on small businesses
  - Many Jobs today are more "professional" in nature
  - Maximum payment or Cap was too low at $7,100

- **Council Direction in April 2024:**
  - Further investigate a Gross Receipts Model
    - Polling
    - Outreach to the business community and other stakeholders

Engagement with Businesses

Early engagement started in November 2023

Comprehensive engagement from April to July 2024

20 stakeholder meetings
25 one-on-meetings with business owners

Group/Meetings	Dates
Small Business Roundtable – 1st meeting	April 23, 10am
Housing Providers	April 30, 12pm
Residential Brokers	May 7, 10am
Commercial Brokers	May 9, 3pm
Small Business Roundtable – 2nd meeting	May 15, 11am & 12pm
Car Dealerships	May 17, 9am
Affordable Housing Developers	May 21, 10am
Advisory Boards, Commissions, and Committees (BCCs), Neighborhood Association Leaders, & Former City Council Members	May 22, 6pm
Large Business (Tech)	May 23, 11:30am
Large Business (Life Science)	May 28, 9am
Large Business (Retail)	May 28, 11am
Large Business (Professional Services)	May 28, 1:30pm
Large Business (Property Owner/Developer)	May 28, 3:30pm
Port of Redwood City	June 13, 10am
Community Collaborative for Children's Success	June 17, 12-1:30pm
Library, Parks, and Arts Support Groups	June 20, 5:30pm
Fun after 50 (Seniors)	June 25, 11am-12pm
Small Business Roundtable – 3rd meeting	July 9, 1pm

Community Engagement

Values City services

Businesses **willing** to support to avoid serve reductions

Concern about **complicated gross receipts** model

Concern about rising **cost** of **gross receipts** model

Desire for **certainty** (**cap** or maximum payment)

Small businesses currently **overburdened**

The Big Pivot

Evident Gross Receipts Model was a non-starter

Made decision to pivot back to per-employee structure

Developed rate schedule resulting in comparable revenue

Updated BLT Structure

UPDATED REDWOOD CITY BUSINESS LICENSE TAX		
Category	Registration Fee	Per Employee Rate
Commercial/Retail	$90	$10 - $80
Contractors	$90	$150
Services	$90	$130
Professional Services	$90	$175 - $250
Rental Residential	$90	$31 per unit
Rental Commercial	$90	$75 per 1,000 SF
Maximum Payment	$250,000	NA

Net New Revenue: $7.7 Million

Key Takeaways

- **Establish City Council AD HOC:**
  - Ensures frequent direction leading up to Council consideration
- **Comprehensive Outreach Strategy:**
  - Important to help land on final policy decisions
- **Identify Lead Negotiator:**
  - Helps with refining recommendations to the AD HOC
- **Understand Comparable Jurisdictions:**
  - Eliminate the argument that businesses will leave
- **Be Strategic with Exemptions:**
  - Limit some stakeholder groups from challenging the measure
  - In RWC, exempted deed-restricted housing, and all child care facilities
- **Consider Phase-in of New Fee:**
  - 50% reduction year 1

Thank you.