City of Emeryville
CALIFORNIA

MEMORANDUM

DATE: November 4, 2025

TO: LaTanya Bellow, City Manager

FROM: Sharon Friedrichsen, Finance Director
Brian Moura, Regional Government Services (Finance Consultant)

SUBJECT: **Study Session-Revenue Measures For 2026**

RECOMMENDATION

Staff recommends that the City Council hold a study session to review, discuss and provide direction on potential revenue measure(s) that could be included on the election ballot in November 2026.

BACKGROUND

The City Council held its annual Strategic Planning Session on March 21, 2025, where Council discussed and agreed to four multi-year broad goals and four top priorities for the coming year, including researching revenue measures for 2026 to address the City's General Fund budget challenges. This timeframe coincided with the development of the City's biennial budget for fiscal years 2025-2027.

The five-year General Fund forecast indicated a structural deficit whereby expenditures outpaced revenues resulting in a projected shortfall of $9.7 million in fiscal year ("FY") 2025-26 increasing upwards to $14.6 million in fiscal year 2029-30 absent transfers from reserves or other funds, significantly reduced expenditures and/or enhanced revenues.

As part of the budget deliberation process, the Budget Advisory Committee (BAC) met on May 8, 2025, to review the proposed biennial budget and long-term financial forecast. At that meeting, the BAC recommended that Council explore revenue measures that could be considered as part of the general election in November 2026.

The BAC recommended that a Business License Tax Update and a Citywide Parcel Tax or Citywide Community Facilities District (CFD) be given top priority when discussing these options with the community. The committee also recommended exploring an increase in the Transient Occupancy (Hotel) Tax as a third priority. Finally, the consideration of a ¼ Cent Transactions and Use (Sales) Tax and a 2% increase and the addition of video to the Utility Users Tax were given a lower priority, in that order, when considering bringing revenue measure options to the voters.

Since that time, staff have been working to update and finalize the revenue options and develop models for consideration to address the General Fund budget challenges. This staff report includes a synopsis of five revenue options and the recommendations from the BAC and the Budget and Governance Committee meetings held in September 2025.

DISCUSSION

Option 1: Business License Tax ($937,000 to $6.75 Million per year)
Under the City's current business license tax structure, most businesses are taxed at $1 per $1,000 in gross receipts. The City Budget estimates that Business License Tax will generate $6.6 million, or 14% of the General Fund revenue, in FY 2025-26.

The City contracted with HdL Companies to prepare a business tax study (Attachment A) that included a comparison with other comparable cities. In this study, HdL developed two models for consideration:

- Single Gross Receipts Rate of $1.5 per $1,000 and $2.0 per $1,000

These options feature a single Gross Receipts rate of $1.5 or $2.0 per $1,000 for all business categories. They also remove the current maximum or "cap" of the Business License Tax at $450,997.99. These options would generate an additional $937,000 (at a $1.5 per $1,000 rate) to $3,409,000 (at a $2.0 per $1,000 rate).

Tax Basis	Taxable Gross Receipts
Flat Rate	$25 Flat Rate (Up to $25,000 Gross Receipts)
Gross Receipts Tax	+ $1.50 per thousand dollars of Gross Receipts (0.0015 x Gross Receipts)

Number of Businesses	Total Taxable Gross Receipts	Current Revenues	Option 1: Tax Amount $1.50/thousand	Option 2: Tax Amount $2.00/thousand
3,190	$5.04 Billion	$6,561,000	$7,498,000	$9,970,000
		Increased Revenue	$937,000	$3,409,000

- Variable Gross Receipts Rate

These options feature variable Gross Receipts rates that are designed to provide a more progressive Business License Tax rate structure. Option 1 includes a reduction in the general and retail category from $1 per $1,000 to $0.75 per $1,000. Both options remove the current maximum or "cap" of the Business License Tax at $450,997.99. The variable gross receipts options would generate an additional $3,323,000 or $6,753,000 in revenue each year.

Categories*	Minimum Rate	Option 1	Option 2
Contractor	$25 Flat Rate (Up to $25,000 Gross Receipts)	0.002 X Gross	0.003 X Gross
General/Retail		0.00075 X Gross	0.001 X Gross
Property Rental		0.0035 X Gross	0.004 X Gross
Services		0.002 X Gross	0.003 X Gross
Professional		0.003 X Gross	0.004 X Gross
Exempt	$0	$0	$0

Business Type	Number of Businesses	Est. Taxable Gross Receipts	Current Taxes	Variable Gross Receipts Option 1 Est. Revenue	Variable Gross Receipts Option 2 Est. Revenue
Contractor	719	$379 Million	$481,000	$745,000	$1,108,000
General/Retail	337	$1.76 Billion	$2,059,000	$1,325,000	$1,764,000
Property Rental	1,072	$418 Million	$1,312,000	$1,406,000	$1,602,000
Professional	429	$1.54 Billion	$1,713,000	$4,566,000	$6,087,000
Services	566	$1.1 Billion	$1,213,000	$1,842,000	$2,755,000
Exempt	67	$0	$0	$0	$0
Totals	**3,190**	**$5.04 Billion**	**$6,561,000**	**$9,884,000**	**$13,314,000**
			Increased Rev.	$3,323,000	$6,753,000

As noted in the attached report from HdL, each model has identified strengths and weaknesses to be considered. A business license tax is considered a general-purpose tax and thus would require a simple majority approval by the voters.

Option 2: Citywide Parcel Tax ($3.5 Million to $5 Million per year)
The City contracted with NBS to research options related to forming a Citywide Community Facilities District or levying a Citywide Parcel Tax (Attachment B).

Community Facility Districts (“CFD”) can either be coterminous with a city’s boundary or include a subset of an agency and, similar to a Parcel Tax, have a flexible methodology regarding the tax structure. Both are special taxes and require a 2/3 voter approval.

However, a CFD has potential drawbacks including:
- Primarily fused to finance infrastructure and/or specific services
- More administratively burdensome to form, requires liens on property to be recorded and more disclosure reporting than a parcel tax.

For these reasons, NBS recommends that a Citywide CFD not be considered, and the discussion of property based special taxes focus on a Parcel Tax instead. Staff agrees with this recommendation.

A Parcel Tax is a non-ad valorem, or non-value based, tax on parcels of property. It can either include a flat amount per parcel or building square footage or establish different rates based on land use.

As noted in the NBS analysis, the tax rate for a Parcel Tax to generate $3.5 million to $5 million in revenue per year could be set in several different ways:

- Single Tax Rate per Parcel

This model is based on a single tax rate per parcel regardless of land use type. It varies from $721 to $1,030 per year to generate $3.5- $5 million in new revenue.

Tax Per Parcel - Rates				
Taxable Parcels	**$3.5M Revenue**	**$4M Revenue**	**$4.5M Revenue**	**$5M Revenue**
4,859	**$721**	**$824**	**$927**	**$1,030**

- Tax Rate per Building Square Foot

Using a building square footage model, the Parcel Tax would range from $0.185 per square foot ($3.5 million annual revenue) to $0.26 per square foot ($5 million annual revenue). Using the average building square footage in Emeryville, this equates to an annual residential parcel tax of $356 and an annual commercial parcel tax of $7,234 as shown in the second table below.

Tax Per Building Square Foot				
Building Square Feet	**$3.5M Revenue**	**$4M Revenue**	**$4.5M Revenue**	**$5M Revenue**
19,331,876	**$0.185**	**$0.21**	**$0.23**	**$0.26**

Tax Per Bldg Sq Ft – Revenue by Land Use						
Land Use	**# of Taxable Parcels**	**Total Bldg Sq Ft**	**Average Bldg Sq Ft**	**Per Bldg Sq Ft Rate**	**Average Tax per Land Use**	**Annual Revenue**
Residential	4,010	7,621,930	1,923	$0.185	$356	$1,410,057
Non-Residential	812	11,709,946	39,104	0.185	7,234	2,166,340
Vacant	0	0	0	0.185	0	0
Totals	**4,822**	**21,311,079**				**$3,576,397**

- Tax Rate by Land Use

This model would set the Parcel Tax by land use. It would be set at a flat rate of $50 to $125 per year for residential parcels and $0.27 to $0.34 per square foot for commercial parcels as shown in the tables below:

Tax Rate by Land Use				
Residential Per Unit	**$3.5M Revenue**	**$4M Revenue**	**$4.5M Revenue**	**$5M Revenue**
7,872	$50	$75	$100	$125
Non-Residential per Bldg Sq Ft				
11,692,206	$0.27	$0.29	$0.32	$0.34

Tax by Land Use – Revenue by Land Use						
Land Use	**# of Taxable Parcels**	**# of Units**	**Total Bldg Sq Ft**	**Rate**	**Average Tax per Parcel**	**Annual Revenue**
Residential	4,010	7,872	7,621,930	$50 per Unit	$50 – SFR/Condo $983 – MFR	$393,600
Non-Residential	812	0	11,709,946	0.27 per Bldg Sq Ft	$4,345	3,161,685
Vacant	0	0	0	0		0
Totals	**4,822**		**21,311,079**			**$3,555,285**

Option 3: Local ¼ Cent Transactions & Use (Sales) Tax

State law limits the amount of transactions and use tax that can be charged in each City and County. Emeryville voters approved a 0.25% transactions and use tax in 2020 (Measure F). There is room for an additional 0.25% increase in this tax in Emeryville before reaching the allowable limit.

A transactions and use tax is similar to a sales tax on the sale or use of goods. However, it is based on the point of receipt or use, rather than the point of sale. This means for example that if an Emeryville resident purchases a car outside of the City, the City will still receive the tax if the vehicle was registered in Emeryville or if goods purchased online

Jurisdiction	Rate
Alameda	10.75%
Albany	10.75%
Emeryville- Proposed	10.75%
Hayward	10.75%
Newark	10.75%
San Leandro	10.75%
Union City	10.75%
Emeryville- Current	**10.50%**
Alameda County	10.25%
Berkeley	10.25%
Dublin	10.25%
Fremont	10.25%
Livermore	10.25%
Oakland	10.25%
Piedmont	10.25%
Pleasanton	10.25%

are delivered to addresses in Emeryville, the City receives the tax. This tax impacts all taxable transactions made in Emeryville by businesses, residents, employees, and visitors.

The current combined sales tax rate, including Measure F, in Emeryville is 10.50%. The combined sales tax rate in neighboring cities varies from 10.25% to 10.75% as reflected in the table to the left.

Based on Measure F projections, the ¼ cent tax could generate an additional $2.25 million a year. However, this tax is more volatile than other options as it is often tied to other economic factors. If the revenue is used for general purposes, the transactions and use tax requires a simple majority approval by the voters.

Option 4: Transient Occupancy (Hotel) Tax
A transient occupancy (hotel) tax (“TOT”) of 12% is assessed on guests (not the hotel) for staying in a “hotel” in Emeryville for dwelling, lodging, or sleeping purposes for less than 30 days or less. Currently hotel operators self-report and remit payment to the City.

City TOT is budgeted at $5.5 million in FY 2025-26. Other neighboring cities asses TOT that range from 8% to 14% as illustrated in the table to the right. An increase in the rate has the potential for visitors to decide to stay in other cities with a lower rate.

City	County	Rate
Emeryville- Proposed	Alameda	14.0%
Hayward	Alameda	14.0%
Oakland	Alameda	14.0%
San Francisco	San Francisco	14.0%
San Leandro	Alameda	14.0%
Berkeley	Alameda	12.0%
Emeryville- Current	**Alameda**	**12.0%**
Alameda	Alameda	10.0%
Albany	Alameda	10.0%
Fremont	Alameda	10.0%
Newark	Alameda	10.0%
Union City	Alameda	10.0%
Dublin	Alameda	8.0%
Livermore	Alameda	8.0%
Pleasanton	Alameda	8.0%

An increase of 2% in the TOT rate in Emeryville is estimated to generate an additional $900,000 a year in revenue. However, it is volatile, and, like transactions and use tax, often tied to economic factors and consumer demand and preference.

If the revenue is used for general purposes, the transactions and use tax requires a simple majority approval by the voters.

Option 5: Utility Users Tax Update & Expansion

The City of Emeryville imposes a 5.5% Utility Users Tax (UUT) on the consumption of utility services including electricity, gas, water, and telecommunications. UUT revenues are budgeted at $4.8 million in FY 2025-26.

UUT Rates in neighboring cities range from 1.0% to 10%. Some neighboring cities also charge UUT taxes on Video and Water utilities. These utilities are not included in the current Emeryville UUT Ordinance. Both the increase in the rate and the inclusion of video require a simple majority approval by the voters.

Jurisdiction	Electric	Gas	Telecom	Cable/Video
Richmond	10.0%	10.0%	9.5%	9.5%
Albany	9.5%	9.5%	6.5%	
El Cerrito	8.0%	8.0%	8.0%	8.0%
Pinole	8.0%	8.0%	8.0%	
Alameda	7.5%	7.5%	7.5%	7.5%
Berkeley	7.5%	7.5%	7.5%	7.5%
Emeryville-Proposed	**7.5%**	**7.5%**	**7.5%**	**7.5%**
Oakland	7.5%	7.5%	7.5%	7.5%
Piedmont	7.5%	7.5%	7.5%	
Vallejo	7.5%	7.5%	7.5%	7.5%
San Pablo	7.0%	7.0%	7.0%	7.0%
Alameda County	6.5%	6.5%	6.5%	6.5%
Hercules	6.0%	6.0%	6.0%	6.0%
San Leandro	6.0%	6.0%	5.7%	5.7%
Emeryville-Current	**5.5%**	**5.5%**	**5.5%**	
Hayward	5.5%	5.5%	5.5%	5.5%
Union City	5.0%	5.0%	5.0%	5.0%
Newark	3.5%	3.5%	3.5%	3.5%
Pleasant Hill			1.0%	

Options for the UUT include:

- Including Cable TV and Streaming Services in the Utility Users Tax Ordinance would generate an additional $350,000 per year, consistent with the practice in several neighboring cities.
- Increasing the UUT rate from 5.5% to 7.5%, which is consistent with the 7.5% rate currently in place in 5 of the neighboring cities as shown in the table above, would generate an additional $1,900,000 per year.
- Increasing or Eliminating the Maximum or “Cap” on UUT currently at $75,000 per year, although the estimated revenue still needs to be determined. The City’s UUT analysis firm does not have access to the information needed for this review and City staff would need to request the information from utility providers. Since UUT was ranked as a lower priority revenue option in the past, this analysis has not been undertaken to date.

Committee Recommendations and Other Considerations

The revenue options were presented first to the Budget Advisory Committee and then subsequently to the Budget and Governance Committee. As part of the presentation, staff also included a framework of criteria to assist in evaluating and formulating recommendations regarding the revenue measures. Such factors included:

- Adequacy: Will the measure generate sufficient and sustainable revenue?
- Consistency or Stability: What are the drivers of the revenue, and would it be volatile and fluctuate significantly?
- Competitiveness or Economic Benefit: Does the tax maintain or enhance regional competitiveness? Does it promote economic development and minimize disruption to the taxpayer?
- Equity: Who does the tax impact? Is the fiscal burden spread appropriately?
- Legal: What is the likelihood of a legal challenge?
- Simplicity and Transparency: Does not require multiple ballot measures (voter confusion and fatigue). Is it easy to find information on the revenue/tax structure and understand how it operates?
- Voter approval: What is the historical likelihood of passage?

Budget Advisory Committee Recommendations

The BAC held a special meeting on September 16, 2025, to discuss the potential revenue options. The Committee unanimously provided the following recommendations:

- Business License Restructure: The Committee supported the "Variable Gross Receipt Option 2". This option includes lower rates for general/retail compared to other business categories; includes the elimination of a cap and is estimated to generate an additional $6.8 million in revenue, or a total of approximately $13.3 million in annual revenue.

- Parcel Tax: The Committee recommendation using the "Tax by Land Use" model for a parcel tax. The recommendation is based on a target of generating $5 million, including a cap of $100 for residential parcels, and allowing for an income-based exemption, including using documentation such as the PG&E CARE program for the exemption. NBS has created a model noted below that estimates the rate structure assuming 1,100 residential exemptions.

Tax Rate by Land Use- Committee Recommendation					
Residential Per Unit	**$3.5M Revenue**	**$4M Revenue**	**$4.5M Revenue**	**$5M Revenue**	**$5M Committee Recommendation**
7,872	$50	$75	$100	$125	**$100**
Non-Residential per Bldg Sq Ft					
11,692,206	$0.27	$0.29	$0.32	$0.34	**$0.37**

- Transactions and Use Tax: The Committee recommended no increase to TUT citing economic concern of the impact of a 10.75% sales tax on consumers.
- Transient Occupancy Tax: The Committee supported an increase, up to a 14%, contingent on feedback from hotel managers. City staff are meeting with hotel operators and will incorporate their comments into the study session.
- Utility Users Tax: The Committee recommended no increase to the UUT citing economic impact to consumers, especially giving increased electricity and utility costs already.

Budget and Governance Committee Recommendations
The Budget and Governance Committee held a special meeting on September 18, 2025, to discuss the revenue measures. The Committee made the following recommendations:

- Business License Tax: The Committee supported the variable gross receipts rate (Option 2), which includes removing the existing cap.
- Parcel Tax: The Committee supported the land use rate model (option 3 on the presentation), including a flat rate of $75-100 on residential parcels and square footage rate basis for commercial properties, with an income-based exemption modeled after PG&E CARES program in which those that qualify would just need to prove their eligibility for the other program.
- Transactions and Use Tax: The Committee agreed with the BAC recommendation and did not support an increase in this tax.
- Transient Occupancy Tax: The Committee also would like to poll the hoteliers regarding an increase to the transient occupancy tax.
- Utility Users Tax: The Committee concurred with the BAC and did not recommend an increase to the UUT given current utility costs.

Next Steps
City Council will hold a study session on November 4, 2025, to provide preliminary direction to staff regarding the revenue measures. Upon receiving direction, staff will then return with an action item to confirm moving forward with revenue measure(s), outline a timeline and strategies, including authorization for the possible engagement with a consultant for community surveying.

Should Council provide direction to move forward with a ballot measure, community surveying would occur by the spring of 2026. Staff work would occur during the spring and summer months related to drafting ballot language, resolutions and corresponding ordinances. The finalized ballot measure(s) and other documents must be submitted to the County the first week of August 2026 to be included on the ballot for the November 2026 election. Depending on the specific revenue measure, and contingent on the approval of the electorate, the City would recognize any increased revenue related to the measure(s) between January-April 2027.

FISCAL IMPACT

There is no additional fiscal impact associated with discussing the revenue options. Should Council provide direction to move forward with a revenue measure(s), there would likely be costs associated with community surveying and outreach, which is estimated at $150,000. In 2021, the City Council approved a similar contract for revenue measure feasibility analysis, including surveying, for a cost of $63,250.

STAFF COMMUNICATION WITH THE PUBLIC

Based upon recommendations provided by both the Budget and Governance Committee and Budget Advisory Committee, City staff have met with hotel operators to discuss the potential impacts of a two percent increase in the transient occupancy tax.

CONFLICT OF INTEREST

There are no known conflicts.

CONCLUSION

This study session is directly aligned with the Council priority to research revenue measures as a possible precursor to the placement of a revenue measure on the ballot for November 2026.

PREPARED BY: Sharon Friedrichsen, Finance Director

APPROVED AND FORWARDED TO THE CITY COUNCIL OF THE CITY OF EMERYVILLE:

LaTanya Bellow, City Manager

ATTACHMENTS

- Attachment A – HdL Business License Study Presentation
- Attachment B – NBS Special Tax Analysis Report