



DATE: June 2, 2026

TO: Mayor and City Council

FROM: City Manager

SUBJECT Hayward Business License Tax: Adoption of Resolutions: (1) Establishing November 3, 2026, as the Date for an Election on a Proposed Ballot Measure Seeking Voter Approval of an Ordinance to Modernize the City of Hayward Business License Tax; (2) Requesting the Alameda County Board of Supervisors to Consolidate said Election with the Statewide General Election; (3) Establishing the Policy for Ballot Arguments for the Ballot Measure; and Finding that the Actions are Exempt from Environmental Review

RECOMMENDATION

That the City Council adopts the attached resolutions (Attachments II and IV) to:

1. Place a measure to modernize the City of Hayward Business License Tax Ordinance on the November 3, 2026, ballot,
2. Approve the proposed ballot question as it will appear on the ballot and the underlying ordinance to be enacted,
3. Request that the Alameda County Board of Supervisors consolidates the election for this measure with the established election on November 3, 2026,
4. Direct the City Attorney to develop an impartial analysis of the proposed measure,
5. Direct the City Clerk to conduct necessary activities related to this item,
6. Establish the policy for submitting ballot arguments,
7. Find that the actions are exempt from environmental review.

SUMMARY

The City of Hayward adopted its current Business License Tax (BLT) structure on July 11, 1978. The current tax structure is primarily based on flat annual fees applied by business categories, employee counts and limited gross receipt categories. Over time, changes in the local economy and business environments have prompted consideration of whether the structure reflects today's business landscape. For example, newer industries such as data centers are not specifically captured in the City's current rate categories.

At the January 20, 2026 work session on City revenue sources, Council gave direction to staff to explore modernizing the City's BLT structure, including comparing Hayward to neighboring jurisdictions and conducting polling. On April 7, staff presented the results from public

opinion polling, business engagement efforts, and a refined Business License Tax framework. At that meeting, Council directed staff to return with the legislative actions necessary to place the ballot measure at the November 3, 2026, election. The attached resolutions (Attachments II and IV) would formally place this measure on the ballot for voter consideration.

FISCAL IMPACT

Should Hayward voters approve the modernization of the Business License Tax, the City is projected to generate approximately \$16 million in total annual Business License Tax revenue. The current system generates approximately \$3.3 million in revenue from about 10,000 business license payers. If approved, this measure would generate an estimated increase of approximately \$12 million annually.

The cost of the election, including election of two Councilmembers subject to separate report and resolution is estimated at \$500,000. This amount has been incorporated into the Proposed Operating Budget for FY 2026-27.

BACKGROUND

On January 20, 2026, staff presented to City Council information about the City's general fund revenue sources, including the BLT. At that [Work Session](#), Council gave direction to staff to explore modernizing the City's BLT structure, starting with comparing Hayward to neighboring jurisdictions and conducting initial outreach to stakeholders.

At the February 28, 2026 Fiscal Sustainability Work Session, staff presented two potential proposals for Council consideration and feedback. Council expressed interest in exploring the "Match Neighbors" scenario, which aligns Hayward's tax rates more closely with surrounding jurisdictions and directed staff to conduct public opinion polling and business engagement to better inform the next phase of this effort.

Staff returned to Council on April 7 to present the results of public opinion polling and business engagement efforts, as detailed in the associated [staff report](#). At that meeting, Council expressed interest in pursuing the proposed tax framework and directed staff to return with legislative actions necessary to place the ballot measure at the November 3, 2026 ballot.

This topic was further discussed during the May 12th, 2026 Budget [Work Session](#), where staff presented an overview of the City's budget, including ongoing efforts to modernize the City's BLT Tax structure. During the discussion, Council expressed interest in learning more about modernization efforts taking place in neighboring jurisdictions and directed staff to meet with labor representatives to gather additional input on the proposed BLT tax framework.

DISCUSSION

Proposed BLT Structure

Based on Council feedback from the April 7, 2026 Work Session, staff conducted additional outreach with neighboring jurisdictions and met with labor representatives to discuss potential refinements of the proposed progressive rate structure. Based on these discussions, staff is bringing back a refined proposal that includes the addition of a new tax rate bracket for businesses with annual gross receipts exceeding \$50 million, as well as increased rates for Data Center and Residential and Nonresidential Rental classifications. Attachment V provides a comparison between the April 7th and updated June 2nd proposals.

The refined proposal also reflects modernization efforts taking place in neighboring cities, such as San Leandro and Newark, which are also considering BLT modernization measures for the November 2026 ballot. Figure 1 compares the estimated tax rates generated under the proposed tax framework with neighboring jurisdictions. As shown below, the updated proposal keeps the City's generally aligned with the revenue generation of surrounding jurisdictions, while supporting long-term business retention and competitiveness locally.

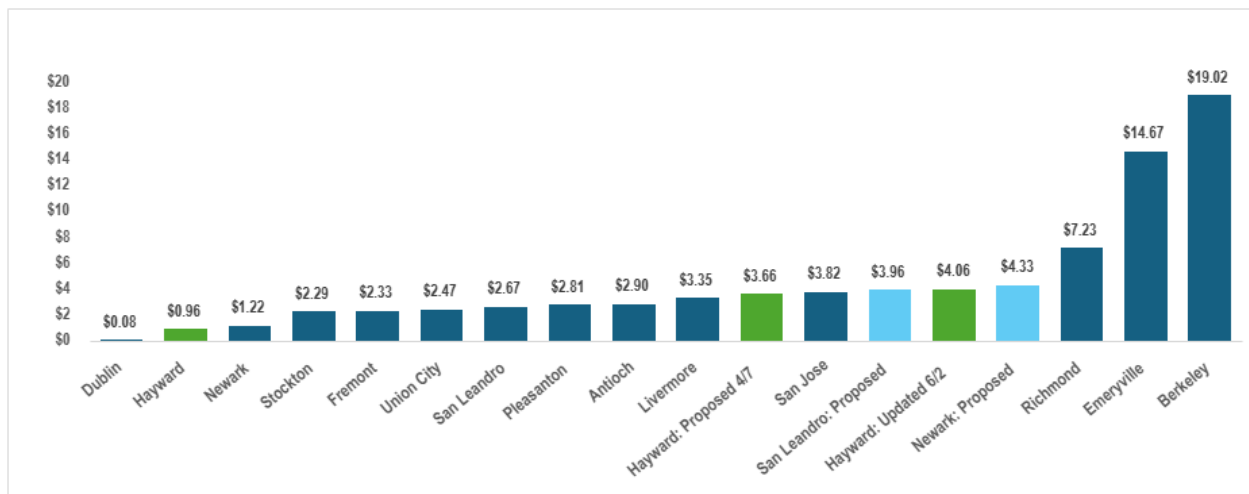


Figure 1. Estimated Business License Tax Rates per \$1,000 of Gross Receipts Across Selected Jurisdictions and Proposed Modernization Framework

Similar to the previously discussed “Match Neighbors” framework, the proposed structure transitions the City toward a gross receipts-based structure intended to better align tax obligations with business size and revenue and overall economic activity occurring within the City. This approach differs from the City’s current structure, which relies largely on flat fees and limited categories, toward a more progressive framework that reflects differences in business scale and economic activity.

Proposed Ballot Language

Based on direction from Council during our last work session, staff recommend placement of the following ballot language before Hayward voters:

<p>HAYWARD BUSINESS LICENSE TAX MODERNIZATION: Shall the measure updating the Hayward Business License Tax for the first time since 1978, to support general city services, including neighborhood police protection, firefighting, 911 response, libraries, and pothole repair, generating an additional \$12 million annually until repealed, with a minimum tax of \$60 and rates from \$.30 to \$3.75 per \$1,000 of gross receipts, with higher rates for higher-grossing businesses, as stated in the ordinance, be adopted?</p>	YES
	NO

Proposed BLT Ordinance Amendment

The proposed ordinance would modernize the City’s BLT structure for the time since 1978 by transitioning from a system of flat annual fees and employee counts toward a more progressive gross receipts-based framework.

The proposed ordinance includes the following key elements:

Modernized Definitions and Administrative Framework

The ordinance updates and modernizes business activity definitions and classifications to provide clearer and more standardized categorization of business activity.

The ordinance also updates provisions related to annual license periods, payment schedules, penalties, interest, apportionment methodologies, and administrative authority to support implementation of the updated structure, including provisions allowing for apportionment of gross receipts attributable to business activity occurring within the City.

Updated Business Activity Classifications

The ordinance establishes standardized business activity classifications (Class A through Class J) to replace the City’s structure that contained dozens of individual business categories and fee schedules. It also replaces numerous outdated business-specific categories, such as card rooms, peddlers, and various trades and occupations into broader business activity categories.

The proposed categories are:

- Retail Sales and Utility
- Wholesale Sales, Transportation, and Warehousing
- Manufacturing
- Business and Personal Services
- Professional/Semi-Professional Services
- Construction Contractor
- Hotel and Motel
- Data Center

- Miscellaneous
- Residential and Nonresidential Rental

The ordinance also includes updated definitions and classifications related to utilities, data centers, warehousing operations, and other business types to better reflect modern business activity within the City.

Transition to Gross Receipts-Based and Progressive Tax Structure

The ordinance introduces a new gross receipts-based methodology that transitions away from the current structure that was primarily based on flat fees and employee counts.

The ordinance establishes gross receipts brackets for most business classifications using the following thresholds:

- Up to \$5 million
- \$5 million to \$10 million
- \$10 million to \$25 million
- \$25 million to \$50 million
- Over \$50 million

Other key elements of the new structure include:

- A minimum tax payment of \$60 applicable to all businesses, to ensure a baseline contribution across all business types;
- Tiered gross receipts rates ranging from \$0.30 to \$3.75 per \$1,000 of annual gross receipts, with higher rates applied to businesses with higher gross receipts;
- Authority for the Tax and License Administrator to determine apportionment of gross receipts attributable to business activity occurring within the City; and
- A definition for businesses under common ownership to ensure that related entities under common control are treated as a single economic enterprise, so the progressive rate structure applies based on the true scale of business activity within the City.

The table below provides a summary of the proposed business activity classifications and corresponding gross receipts-based tax rates included in the proposed ordinance.

TAX CATEGORY	Payers	Gross Receipts (2026 \$)*	Alt Proposal							Tax Revenue (2026 \$)		Average Effective Tax Rate (per \$1,000)	
			Min tax	Alt Tax Payroll	Bracket 1	Bracket 2	Bracket 3	Bracket 4	Bracket 5	Current Law	Alt Proposal	Current Law	Alt Proposal
					\$0 mil - \$5 mil	\$5 mil - \$10 mil	\$10 mil - \$25 mil	\$25 mil - \$50 mil	\$50 mil +				
Retail Sales	1,341	\$2,917,255,148	\$60	\$0.70	\$0.30	\$0.40	\$0.50	\$0.75	\$1.00	\$694,021	\$1,742,255	\$0.24	\$0.60
Grocers	58	\$311,466,346	\$60	\$0.70	\$0.30	\$0.40	\$0.50	\$0.75	\$1.00	\$36,695	\$136,839	\$0.12	\$0.44
Automobile Sales	103	\$671,723,379	\$60	\$0.70	\$0.30	\$0.40	\$0.50	\$0.75	\$1.00	\$71,859	\$454,177	\$0.11	\$0.68
Wholesale Trade/Warehouse	701	\$4,646,990,288	\$60	\$0.70	\$0.50	\$0.60	\$0.70	\$0.80	\$1.00	\$549,313	\$3,235,516	\$0.12	\$0.70
Manufacturing (Value Add)	365	\$1,474,924,344	\$60	\$0.70	\$0.60	\$0.80	\$0.90	\$1.00	\$1.10	\$390,021	\$1,323,451	\$0.26	\$0.90
Business/Personal Svcs	1,537	\$920,476,690	\$60	\$0.70	\$0.50	\$1.00	\$1.25	\$1.50	\$1.75	\$169,286	\$716,308	\$0.18	\$0.78
Professional Svcs	1,376	\$1,419,045,992	\$60	\$0.70	\$1.50	\$1.50	\$1.50	\$1.50	\$1.75	\$1,027,473	\$2,264,055	\$0.72	\$1.60
Contractors	2,107	\$700,214,941	\$60	\$0.70	\$0.50	\$0.90	\$1.15	\$1.25	\$1.50	\$191,275	\$400,589	\$0.27	\$0.57
Hotel/Motel	19	\$28,944,004	\$60	\$0.70	\$0.30	\$0.40	\$0.50	\$0.60	\$1.00	\$8,282	\$9,215	\$0.29	\$0.32
Utility Companies	8	\$145,564,178	\$60	\$0.70	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$1,075	\$365,827	\$0.01	\$2.51
Trucking/Transportation	320	\$576,448,601	\$60	\$0.70	\$0.50	\$0.60	\$0.70	\$0.80	\$1.00	\$111,582	\$364,440	\$0.19	\$0.63
Data Centers	6	\$34,574,216	\$60	\$0.70	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$2,359	\$103,769	\$0.07	\$3.00
Miscellaneous	44	\$17,208,925	\$60	\$0.70	\$1.50	\$2.00	\$2.50	\$2.50	\$2.50	\$3,481	\$28,299	\$0.20	\$1.64
Commercial Rental Property	1,107	\$740,542,575	\$60	\$0.70	\$3.75	\$3.75	\$3.75	\$3.75	\$3.75	\$221,232	\$2,792,953	\$0.30	\$3.77
Residential Rental Property (4+ Unit)	515	\$282,637,889	\$60	\$0.70	\$3.75	\$3.75	\$3.75	\$3.75	\$3.75	\$86,982	\$1,063,845	\$0.31	\$3.76
Residential Rentals (1-3 Units)	4,858	\$154,719,415	\$60	\$0.70	\$3.75	\$3.75	\$3.75	\$3.75	\$3.75	\$0	\$580,198	\$0.00	\$3.75
Total	14,466	\$15,042,736,931	Total Estimated Base Taxes (excluding penalties)							\$3,564,937	\$15,581,735	\$0.24	\$1.04
			Estimated Penalties							\$95,866	\$419,016		
			Total Estimated Business Tax Revenue							\$3,660,804	\$16,000,751		

Effective Date and Implementation

If approved by voters, the ordinance would become effective following certification of the November 3, 2026 election results. The updated BLT rates would apply beginning January 1, 2027, and would be calculated using calendar year 2026 gross receipts.

Environmental Review

The adoption of the attached Resolutions is exempt from review under the California Environmental Quality Act (Public Resources Code §§ 21000 et seq., "CEQA," and 14 Cal. Code Reg. §§ 15000 et seq., "CEQA Guidelines"). Under CEQA Guidelines section 15378(b)(4), the resolution contained in Attachment II is not a project within the meaning of CEQA because the ballot measure would create a government funding mechanism that does not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment. If revenue from the tax were used for a purpose that would have either such effect, the city would undertake the required CEQA review for that particular project.

Adoption of the resolution contained in Attachment III to establish the policy for ballot arguments is exempt from CEQA review pursuant to CEQA Guidelines section 15378(b)(5) as an organizational or administrative activity that will not result in a direct or indirect physical change to the environment.

Furthermore, the resolutions contained in Attachment II and Attachment III are subject to the "common sense" exemption contained in section 15061(b)(3) of the CEQA Guidelines in that it can be seen with certainty that there is no possibility that adoption of the resolutions may have a significant effect on the environment.

PUBLIC CONTACT

Staff conducted public outreach and stakeholder engagement efforts related to the modernization measure, including public opinion polling, a business engagement survey, and

meetings with local business stakeholder groups. Additional details regarding these outreach efforts are included in the April 7, 2026, Council Work Session [Staff Report](#). Additionally, the City met with labor representatives in May to discuss potential refinement of the proposed tax framework.

NEXT STEPS

If Council adopts the resolution placing the measure on the November 3, 2026, ballot, staff will work closely with the City Clerk and City Attorney to submit all of the required documentation to the County Registrar of Voters by the deadline. The City Attorney will also draft the impartial analysis of the measure for submittal.

Below is a schedule of other key dates related to a November 3, 2026 election:

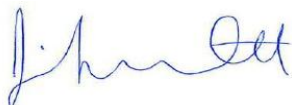
Date	Action
August 3, 2026	Deadline to file City Attorney Impartial Analysis with City Clerk
August 7, 2026	Deadline to file with County Board of Supervisors and Alameda County Registrar of Voters the ballot measure question, ballot measure full text, and City Attorney Impartial Analysis (EC 9280-9287)
August 10, 2026 (noon, 12pm)	Last day to file direct arguments with City Clerk (EC 9282, 9286)
August 10-20, 2026	Public review period for direct arguments (EC 9295)
August 14, 2026 (noon, 12pm)	Last day to file rebuttal arguments with City Clerk (EC 9285, 9286)
August 14 -24, 2026	Public review period for rebuttal arguments (EC 9295)
August 24, 2026	Deadline to submit direct and rebuttal arguments to the Alameda County Registrar of Voters

EC = Election Code

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Approved by:



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