



DATE: April 7, 2026

TO: Mayor and City Council

FROM: City Manager

SUBJECT: Potential Ballot Measure to Modernize the City of Hayward Business License Tax Ordinance

RECOMMENDATION

That the City Council receives this report on a potential modernization of the Business License Tax (BLT) ordinance, including results of public opinion research and business engagement efforts, and provides direction on the proposed framework for updating the ordinance and for returning next month for legislative action.

SUMMARY

The City of Hayward is currently evaluating potential modernization of its BLT structure. The current structure, which has remained largely unchanged since 1978, relies primarily on flat annual fees, employee counts, and limited gross receipts categories.

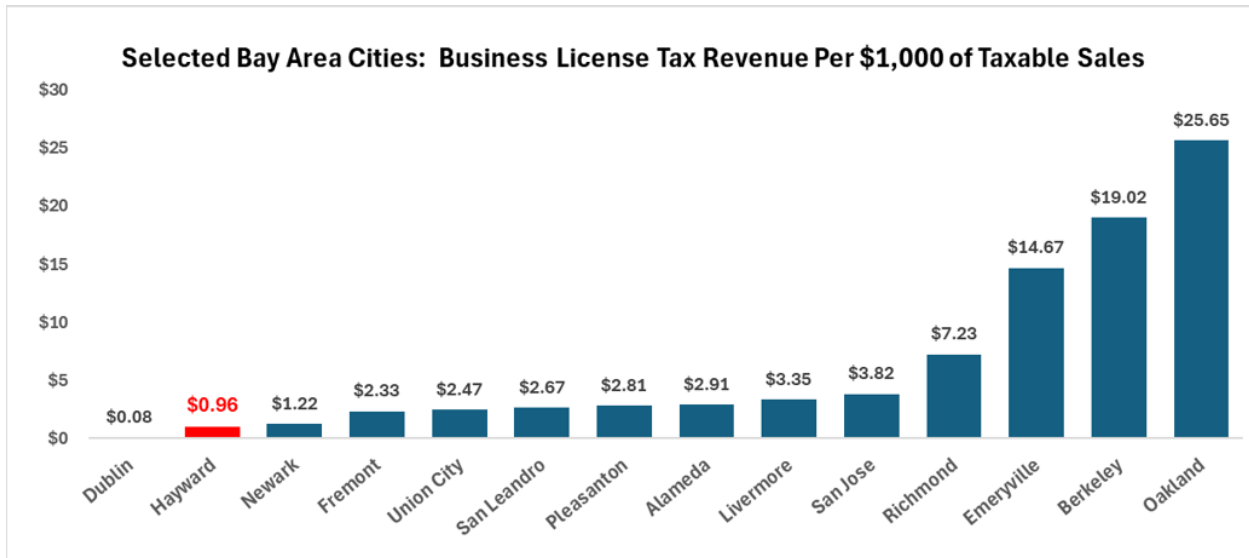
As part of this effort, staff have conducted research, engaged the Hayward business community, and commissioned public opinion polling to better understand feedback on potential updates to the tax structure. At this work session, staff will present the results of the public opinion polling conducted by FM3 Research, summarize feedback received through business engagement efforts, and present a refined proposed BLT framework informed by previous Council feedback received at the Budget Work Session held on February 28, 2026.

BACKGROUND AND DISCUSSION

The City of Hayward adopted the current business license tax structure on July 11, 1978. This current system generates approximately \$3.3 million in revenue from about 10,000 business license payers. The current tax structure is primarily based on flat annual fees applied by business categories, employee counts and limited gross receipt categories. As a result, many businesses within the same category pay similar taxes regardless of business size or revenue. 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 like data centers are not specifically captured in the City's current rate categories.

To support this effort, staff worked with Blue Sky Consulting Group to analyze the City’s current tax structure, compare it to neighboring and comparable jurisdictions, and develop a proposed tax structure that is more progressive and reflective of today’s business activity.

Initial analysis showed that, compared to neighboring jurisdictions, Hayward generates lower overall business license tax revenue, suggesting that the current structure may not fully capture the value of today’s business environment.



During the February 28 Budget Work Session, staff presented two potential proposals for Council consideration and feedback:

- A “Match Neighbors” scenario, which aligns Hayward’s tax rates more closely with surrounding jurisdictions; and
- A “7x Revenue Scenario” that raises 7x more revenue by significantly increasing rates across all categories which would put Hayward on par with BLT revenue collected by the City of Richmond but still below Emeryville, Berkeley and Oakland.

At the Budget Work Sessions, Council expressed interest in exploring the “Match Neighbors” structure and directed staff to conduct public opinion polling and business engagement to better inform the next phase of this effort.

Public Opinion Research (FM3 Poll Results)

Because a Business License Tax ordinance update would require voter approval, the City conducted a round of public opinion research to gauge voter support for a potential measure appearing on the November 3, 2026, general election ballot. To accomplish this, staff worked with a public opinion research consultant, FM3, to survey a representative sample of likely Hayward voters.

The survey of 625 likely voters was carried out in English and Spanish by telephone and online between March 10 and March 19. It found that 59 percent of voters said they would definitely or probably vote “yes” or leaned “yes” on the ballot question below, while 33 percent said they would definitely or probably vote “no” or leaned “no”. Eight percent said they were undecided.

Polled Ballot Question:

*“**Hayward Business License Tax Modernization.** Shall the measure updating the Hayward Business License Tax for the first time since 1978 to support core city services, including neighborhood police protection, firefighting, 911 response, libraries and pothole repair, generating an additional \$10.5 million annually, with a minimum annual tax of \$60 and rates ranging from \$0.30 to \$3.00 per \$1,000 of annual gross receipts, with higher rates for higher-grossing businesses, as stated in the ordinance, be adopted?”*

After survey respondents were provided general explanatory information about business license taxes, how long it has been since the Hayward tax had been updated, how revenue from the tax would be used, and how the updated BLT ordinance would be structured, support for the measure increased to the following:

TOTAL YES	68%
Definitely Yes	39%
Probably Yes	28%
Undecided, Lean Yes	2%
TOTAL NO	24%
Definitely No	5%
Probably No	6%
Undecided, Lean No	13%
UNDECIDED	7%

A simple majority of votes in favor (greater than 50 percent) is required for approval of a BLT ordinance update. All else being equal, the survey results give staff a high degree of confidence that likely Hayward voters in the November 2026 would vote to pass the ordinance update as presented in the survey. Staff also recommends carrying out a neutral program of public engagement and education to inform the community about the BLT ordinance, the changes proposed, and planned uses of the revenue.

Business Engagement Summary

In addition to a representative poll, staff conducted outreach to the Hayward business community in partnership with the Hayward Chamber of Commerce, Downtown Hayward Improvement Association (DHIA), and East Bay Rental Housing Association (EBRHA).

Engagement efforts included attending the Hayward Chamber of Commerce's Government Relations Committee in February and March to introduce the City's efforts to modernizing the BLT structure and to provide an update following the February 28 Budget Work Session.

Staff also distributed a qualitative survey to Hayward business license holders to gather feedback on potential updates to the BLT structure. The survey was shared through the City's business license database and partner organizations to capture a wide range of business perspectives.

154 businesses took the survey. Survey respondents were primarily small and established businesses, with approximately 68 percent reporting between 1-5 employees. In addition, most of the respondents had operated in Hayward for more than 10 years, indicating a strong representation of long-standing businesses. Responses also reflected a diverse mix of industries, with the largest share representing retail sales and professional services.

Key themes from business feedback included:

- Businesses emphasized the importance of maintaining a balanced approach that considered impacts on small businesses, which made up the majority of survey participants.
- Businesses had mixed feelings regarding whether the current BLT structure should be updated:
 - Roughly a third of survey respondents expressed neutral views, a third expressed agreement, and a third expressed disagreement.
- Businesses shared concerns about how overall increases in costs impact their ability to operate in Hayward and the Bay Area. These include taxes and fees, as well as recent increases in the cost of supplies, rent, and utilities.
- A majority of survey respondents reported moderate to extreme sensitivity to increases in the BLT, with roughly half indicating they are very or extremely sensitive to increases.

Proposed BLT Structure

Based on Council feedback from the February 28 Work Session, staff have refined the proposed "Match Neighbors" framework.

The framework proposes a gross receipts-based structure intended to better align tax obligations with business size and revenue. 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.

The table below shows the proposed tax rates by bracket of gross receipts and compares the proposal to the current law.

New Match Neighbors vs Current Law

TAX CATEGORY	Payers	Gross Receipts (2026 \$)*	Tax Rates by Bracket				Tax Revenue (2026 \$)		Avg Tax Rate (per \$1,000)			
			Min tax	Alt Payroll Tax	\$0 mil - \$5 mil	\$5 mil - \$10 mil	\$10 mil - \$25 mil	\$25 mil +	Current Law	New Match Neighbors	Current Law	New Match Neighbors
Retail Sales	1,341	\$2,917,255,148	\$60	\$0.70	\$0.30	\$0.40	\$0.50	\$0.60	\$694,021	\$1,377,962	\$0.24	\$0.47
Grocers	58	\$311,466,346	\$60	\$0.70	\$0.30	\$0.40	\$0.50	\$0.60	\$36,695	\$132,638	\$0.12	\$0.43
Automobile Sales	103	\$671,723,379	\$60	\$0.70	\$0.30	\$0.40	\$0.50	\$0.60	\$71,859	\$346,169	\$0.11	\$0.52
Wholesale Trade/Warehouse	701	\$4,646,990,288	\$60	\$0.70	\$0.50	\$0.60	\$0.70	\$0.80	\$549,313	\$3,100,484	\$0.12	\$0.67
Manufacturing (Value Add)	365	\$1,474,924,344	\$60	\$0.70	\$0.60	\$0.80	\$0.90	\$1.00	\$390,021	\$1,299,352	\$0.26	\$0.88
Business/Personal Svcs	1,537	\$920,476,690	\$60	\$0.70	\$0.50	\$1.00	\$1.25	\$1.50	\$169,286	\$704,892	\$0.18	\$0.77
Professional Svcs	1,376	\$1,419,045,992	\$60	\$0.70	\$1.50	\$1.50	\$1.50	\$1.50	\$1,027,473	\$2,246,783	\$0.72	\$1.58
Contractors	2,107	\$700,214,941	\$60	\$0.70	\$0.50	\$0.90	\$1.15	\$1.25	\$191,275	\$400,589	\$0.27	\$0.57
Hotel/Motel	19	\$28,944,004	\$60	\$0.70	\$0.30	\$0.40	\$0.45	\$0.50	\$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	\$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	\$111,582	\$364,440	\$0.19	\$0.63
Data Centers	6	\$34,574,216	\$60	\$0.70	\$2.50	\$2.50	\$2.50	\$2.50	\$2,359	\$86,491	\$0.07	\$2.50
Miscellaneous	44	\$17,208,925	\$60	\$0.70	\$2.50	\$2.50	\$2.50	\$2.50	\$3,481	\$45,296	\$0.20	\$2.63
Commercial Rental	1,107	\$740,542,575	\$60	\$0.70	\$3.00	\$3.00	\$3.00	\$3.00	\$221,232	\$2,238,437	\$0.30	\$3.02
Residential Rental (4+ Units)	515	\$282,637,889	\$60	\$0.70	\$3.00	\$3.00	\$3.00	\$3.00	\$86,982	\$852,077	\$0.31	\$3.01
Residential Rental (1-3 Unit)	4,858	\$154,719,415	\$60	\$0.70	\$3.00	\$3.00	\$3.00	\$3.00	\$0	\$464,158	\$0.00	\$3.00
Total	14,466	\$15,042,736,931	Total Estimated Base Taxes (excluding penalties)						\$3,564,937	\$14,034,809	\$0.24	\$0.93
			Estimated Penalties						\$95,866	\$377,417		
			Total Estimated Business Tax Revenue						\$3,660,804	\$14,412,226		

* Represents estimated gross receipts for payers not currently reporting gross receipts

The proposed structure includes the following:

1. A minimum tax payment of \$60 applicable to all businesses, to ensure a baseline contribution across all business types and cover the City's costs in processing business license tax renewals and customer service functions.
2. An alternative payroll tax of \$0.70 per \$1,000 of payroll, for businesses that do not report gross receipts in Hayward but have employees working within the City. This ensures that businesses benefiting from operating in Hayward contribute to City services, even if their revenue is generated elsewhere.
3. A tax rate based on gross receipts. Since the February work session, staff added an additional gross receipts category for businesses generating between \$5 million and \$10 million annually. This added tier creates a more gradual progression between mid-sized and larger businesses.

To help illustrate how Hayward's current and potential BLT structure compares to neighboring jurisdictions, the table on the next page provides estimated tax amounts across a range of representative business types and sizes. The amounts shown for each category are an example based on the gross receipts shown in the top row. For example, the tax amounts listed for large retail are for a sample business with gross receipts of \$400 million annually.

These estimates are based on standard assumptions for employe counts and gross receipts to allow for side-by-side comparisons across cities. As such, they are intended for illustrative purposes and may not reflect the exact tax obligation for a specific business.

Estimated Business Taxes by City:

	Large Retail	Small Retail	Restaurant	Professional Services Firm	Large Professional Services Firm	Small Contractor	Large Contractor	Manufacturer	Auto Dealer	Residential Rental (50 Units)	Grocery	Hotel/Motel (84 rooms)
Employees	200	5	25	20	150	5	55	90	30	N/A	60	15
Gross Receipts	\$400,000,000	\$1,500,000	\$1,900,000	\$10,000,000	\$70,000,000	\$2,000,000	\$18,000,000	\$30,000,000	\$20,000,000	\$1,700,000	\$10,000,000	\$2,500,000
Estimated Business Taxes by City:												
Hayward:												
Current Law	\$107,999	\$404	\$512	\$13,267	\$93,067	\$80	\$167	\$133	\$2,243	\$566	\$1,143	\$674
Old Match Neighbors	\$197,000	\$450	\$570	\$15,000	\$105,000	\$1,000	\$13,940	\$8,690	\$7,500	\$3,400	\$3,500	\$750
New Match Neighbors	\$236,000	\$450	\$570	\$15,000	\$105,000	\$1,000	\$16,200	\$8,902	\$8,500	\$5,100	\$3,500	\$750
San Leandro	\$10,711	\$435	\$1,489	\$2,811	\$19,971	\$699	\$5,979	\$4,914	\$1,752	\$961	\$3,333	\$962
Fremont	\$100,030	\$405	\$505	\$13,030	\$91,030	\$295	\$1,895	\$9,030	\$5,030	\$2,240	\$2,530	\$2,530
Pleasanton	\$120,000	\$450	\$570	\$3,000	\$21,000	\$600	\$5,400	\$9,000	\$6,000	\$510	\$3,000	\$750
Alameda	\$160,000	\$600	\$760	\$4,000	\$28,000	\$800	\$7,200	\$4,845	\$8,000	\$1,000	\$4,000	\$420
Emeryville	\$400,000	\$1,500	\$1,900	\$10,000	\$70,000	\$2,000	\$18,000	\$30,000	\$20,000	\$1,700	\$10,000	NA *
Berkeley	\$480,000	\$1,800	\$2,280	\$36,000	\$252,000	\$3,600	\$32,400	\$14,536	\$24,000	\$48,960	\$6,000	\$27,025
Oakland	\$969,050	\$1,450	\$1,890	\$45,600	\$343,100	\$3,900	\$48,350	\$17,599	\$34,875	\$23,715	\$8,825	\$4,950
Richmond	\$1,228,600	\$2,000	\$2,640	\$43,500	\$372,000	\$4,500	\$61,650	\$34,300	\$58,750	\$48,960	\$11,850	\$6,000

* Emeryville requires hotels to pay \$1.00 per thousand dollars of gross receipts only for revenue not subject to its 12% transient occupancy tax. Industry sources indicate 95% of self-service hotel revenues are room revenues. (<https://wolffgramm.com/education/understanding-the-economics-of-hotels/>)

Seeking Council Feedback

At this work session, staff is seeking Council feedback on this proposed BLT rate structure after hearing the results from public opinion research and business engagement efforts. In addition, staff is seeking direction on legislative action to be brought back to Council in May for a placement on the November 3, 2026, ballot.

FISCAL IMPACT

There is no fiscal impact as a result of receiving this report. If staff is directed to proceed with the proposed fee structure and the ballot measure passes, the City is projected to generate approximately \$14 million in annual BLT revenue, which is an increase of roughly \$10 million over collections under the current law.

NEXT STEPS

Based on Council feedback, staff are prepared to return next month with ordinance language and the actions necessary to place an extension measure on the November 3, 2026, ballot.

Prepared by: Irene Perez, Management Analyst II
 Chuck Finnie, Communications & Marketing Officer

Recommended by: Mary Thomas, Assistant City Manager

Approved by:



Jennifer Ott, City Manager