

7/12/2022

item 3



City of Santa Clara

**Discussion and Adoption of a Resolution Calling for a Municipal General Election and Ordering Consolidation with the Gubernatorial General Election for the Purpose of Submitting to the Voters a Business License Tax (BLT) Modernization Measure;
(Continued from July 5, 2022)**

July 12, 2022

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Background

- Staff presented draft resolution on July 5
- Council continued discussion on the Business License Tax (BLT) Modernization Measure to July 12, 2022 and asked staff to facilitate an ad hoc working group comprised of Councilmembers Chahal, Hardy and Park to further engage with the Chamber and any other stakeholders, regarding comments received on the proposed measure at the July 5, 2022 meeting
- Meetings with stakeholders held on July 6, July 8 and July 11
- Working Group met on July 8, reviewed data 7/8 through 7/10; met on July 11 and 12

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POST MEETING MATERIAL

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Business Tax:

Original Proposal – Projected Revenue \$9.8M*

Schedule for Businesses on Per Employee Count Basis, effective January 1, 2024

Employee Range	Business Tax Rate	Employee Range	# of Businesses	Estimated Revenue	Average per Business
1-4	\$75 plus \$15 per employee	1-4	3,838	\$ 366,315	\$ 95
5-9	\$135 plus \$30 per employee over 4	5-9	842	173,820	206
10-19	\$285 plus \$45 per employee over 9	10-19	559	268,620	481
20-49	\$735 plus \$60 per employee over 19	20-49	445	607,635	1,365
50-99	\$2,535 plus \$75 per employee over 49	50-99	151	591,135	3,915
100-249	\$6,285 plus \$90 per employee over 99	100-249	87	977,715	11,238
250-499	\$19,785 plus \$105 per employee over 249	250-499	34	1,053,945	30,998
500-999	\$46,035 plus \$120 per employee over 499	500-999	32	2,211,720	69,116
1000+	\$106,035 plus \$135 per employee over 999	1000+	15	3,218,490	214,566
			6,003	\$ 9,469,395	

*Total revenue includes approximately \$365,760 from rental units based on \$75 base and \$15 per unit tax



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Business Tax Original Proposal: Ballot Language

CITY OF SANTA CLARA BUSINESS LICENSE UPDATE / TAX EQUITY MEASURE To protect Santa Clara's financial stability and maintain essential services such as 911 emergency/public safety/crime reduction services, safe/clean public areas, pothole repair, parks and libraries, shall an ordinance to update Santa Clara's 1992 business license tax to \$75, increasing incrementally between \$15 to \$135 per employee or rental unit, with larger businesses paying more, generating approximately \$9,000,000 annually until ended by voters with independent financial audits, all funds staying local, be adopted?



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Business Tax Alternative #1: Flat Tax

- Projected Revenue: Approximately \$6 million (includes rental); Effective July 1, 2023, Rolling Implementation
- Flat tax of \$45 per employee or \$15 per rental unit
- Business with gross receipts < \$5,000 exempt
- Cap of \$350,000
- CPI, with cap of 5%
- Subsidies for companies

Employee Range	Subsidy per Business
0-4	\$ 30
5-9	75
10-19	100
20-49	200



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Business Tax Alternative #1: Flat Tax

Schedule for Businesses on Per Employee Count Basis

Employee Range	Business Tax Rate	Number of Employees Subject to Tax	Number of Businesses Subject to Cap	Revenue * (Includes Rental)
All employees including owner	\$45 per employee	127,619	1	\$6.0m

*Total revenue includes approximately \$300,000 from rental units based on \$15 per unit tax



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Business Tax Alternative #1: Flat Tax Ballot Language

CITY OF SANTA CLARA BUSINESS LICENSE UPDATE / TAX EQUITY MEASURE To protect Santa Clara's financial stability and maintain essential services including 911 emergency/public safety/crime reduction services, safe/clean public areas, pothole repair, parks and libraries, shall an ordinance to update Santa Clara's 1992 business license tax on businesses to \$45 per employee and on landlords to \$15 per rental unit, generating approximately \$6,000,000 annually, until ended by voters, with independent financial audits, all funds staying local, be adopted?



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Business Tax Alternative #2: Flat Tax Hybrid \$45 / \$60 per employee

- Projected Revenue: Approximately \$6.5 million; Effective July 1, 2023, Rolling Implementation
- Flat tax of \$45 per employee up to 499 employees; \$60 per employee for 500+ employees
- \$15 per rental unit
- Business with gross receipts < \$5,000 exempt
- Cap of \$350,000,
- CPI, with cap of 5%
- Subsidies for companies

Employee Range	Subsidy per Business
0-4	\$ 30
5-9	75
10-19	100
20-49	200



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Business Tax Alternative #2: Flat Tax Hybrid \$45 / \$60 per employee

Schedule for Businesses on Per Employee Count Basis

Employee Range	Business Tax Rate	Number of Businesses Subject to Cap	Estimated Revenue
1-499	\$45 per employee		\$ 3,065,715
500+	\$22,455 plus \$60 per employee over 499	2	3,105,340
			\$ 6,171,055

*Total revenue of \$6.5 million includes approximately \$300,000 from rental units based on \$15 per unit tax

Business Tax Alternative #2: Flat Tax Hybrid \$45 / \$60 per employee

To protect Santa Clara's financial stability and maintain essential services including 911 emergency/public safety/crime reduction services, safe/clean public areas, pothole repair, parks and libraries, shall an ordinance to update Santa Clara's 1992 license tax on businesses to \$45 per employee, increasing to \$60, with larger businesses paying more, and on landlords to \$15 per rental unit, generating approximately \$6,500,000 annually, until ended by voters, with independent financial audits, all funds staying local, be adopted?

Business Tax: Benchmarking Alternatives

City	Single Employee	5 Employees	50 Employees	100 Employees	250 Employees	1,000 Employees	2,500 Employees	5,000 Employees
Mountain View	\$75	\$95	\$445	\$4,195	\$15,445	\$84,195	\$271,695	\$584,195
San Jose	\$210	\$313	\$2,023	\$4,304	\$12,855	\$61,343	\$164,048	\$171,301
Santa Clara – Original Proposal	\$90	\$165	\$2,610	\$6,375	\$19,890	\$106,170	\$308,670	\$350,000
Santa Clara – Flat Tax \$45 / emp.	\$45	\$225	\$2,250	\$4,500	\$11,250	\$45,000	\$112,500	\$225,000
Santa Clara – Flat Tax Hybrid \$45 / \$60 per employee	\$45	\$225	\$2,250	\$4,500	\$11,250	\$52,515	\$142,515	\$292,515
Sunnyvale*	\$42	\$72	\$720	\$1,439	\$3,598	\$13,671	\$13,671	\$13,671

* Last major update in 2005, on current workplan to update



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Business Tax: Alternatives

Alternatives	Range	Cap	Revenue	Approx. Position Reduction Still Necessary to Balance Budget
Santa Clara – Current Proposal	\$15 increments	\$350,000	\$9.8 M*	(72)
Santa Clara – Flat Tax \$45 per emp.	\$45	\$350,000	\$6.0 M*	(97)
Santa Clara – Flat Tax Hybrid \$45 / 60 per emp.	\$45 - \$60	\$350,000	\$6.5 M*	(94)

* Includes rental unit tax revenue



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Recommendations

1. Adopt a resolution ordering submission of a ballot measure to the qualified electors of the City; calling for a Special Municipal Election to be held in the City of Santa Clara on Tuesday, November 8, 2022, for the purpose of submitting to City voters a measure modernizing the City's Business License Tax; requesting consolidation with the Gubernatorial General Election and election services from Santa Clara County; directing the City Attorney to prepare an impartial analysis; setting priorities for ballot arguments; and approval of the draft amendment to the Santa Clara City Code to incorporate the proposed changes if the measure is approved by the voters.

Next Steps

November 2022 Election

Action Required	November Election Cycle
Council Adopts Resolution to Place Measure on Ballot and Call for Election	July 12, 2022
Arguments due to City Clerk's Office	July 26, 2022
Rebuttals due to City Clerk's Office	August 5, 2022
City Attorney draft an Impartial Analysis	August 5, 2022
Deadline to submit resolution to County Registrar of Voters by 5 p.m.	August 12, 2022
Deadline to submit Arguments to County Registrar of Voters by 5 p.m.	August 16, 2022
Deadline to submit Rebuttals & Impartial Analysis to ROV by 5 p.m.	August 23, 2022

The seal of the City of Santa Clara, California, is circular. It features a central illustration of a mission-style building with a red roof and a bell tower, set against a blue sky with clouds and a green field. The year "1852" is inscribed below the building. The outer ring of the seal contains the text "CITY OF SANTA CLARA CALIFORNIA" at the top and "THE MISSION CITY" at the bottom, separated by small dots.

City of Santa Clara

**Discussion and Adoption of a
Resolution Calling for a Municipal
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Consolidation with the
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the Purpose of Submitting to the
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Modernization Measure;
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July 12, 2022

Santa Clara Parks Impact Fees

June 20, 2014
Page 2

Adopted June 24, 2014

Table A—Comparable Parkland Acquisition & Dedication Ordinances

City	Municipal Code Titles (Date)	Type	
		Quimby—LOS	MFA
Campbell	Park Impact Fees and Land Dedication Subdivisions (1994)	Yes — 3.0	
Cupertino	Parkland Dedication Ordinance (1986, 2011)	Yes — 3.0	Yes
Fremont	Development Impact Fees (1990)	Yes — 5.0	Yes
Gilroy	Public Facilities Impact Fees (2004)		Yes
Milpitas	Dedication of Land or Payment of Fee or Both, for Recreational Purposes (1976, 1998, 2001)	Yes — 3.5	
Morgan Hill	Development Impact Mitigation Fees (1993, 2003, 2009)		Yes
Mtn. View	Park Land Dedication or Fees In Lieu Thereof (1997)	N/A — 3.0	Yes
Palo Alto	Parkland Dedication or Fees In Lieu Thereof (2006)	Yes — 5.0	
San Jose	Parkland Dedication Ordinance (1988)	Yes — 3.0	
	Park Impact Ordinance (1992)		Yes
Santa Clara	Dwelling Unit Tax (1969) \$15 1st bedroom+\$5 add, max \$50/unit	No — 2.4	No
Sunnyvale	Park & Open Space Dedication (1986, 1999, 2009, 2011)	Yes — 4.25	Yes

1

Total Fees Collected Comparisons

In Lieu Fee Revenue Comparisons. The City relies upon its Dwelling Unit Tax adopted in 1969 and development agreements or other general fund sources to fund park acquisition and development. The City's ability to fund acquisition and development of future parkland and recreation facilities to meet growth needs is further limited by the method and amount of the fee. **The City's fee is based on a set 1969 "per bedroom" amount of \$15 for the first bedroom, \$5 for each additional bedroom, and limited to \$50 per housing unit. Even if corrected for inflation, in 2014 values, the \$15 fee is \$96.90 and \$5 is \$32.30.** Comparable cities

fees are set by rationally based formulas that take into consideration variables such as the type of housing (single family/multi-family) and occupant density (average persons per unit), and the Fair Market Value of land. Using such formulas, comparable cities are receiving from about \$5,000 dollars per unit in Morgan Hill, to almost \$39,000 per unit in North San Jose. In terms of total revenues generated from development for parkland acquisition, the City of Santa Clara ranked lowest in FY 2012-13 with less than \$895

Table B—Comparable Cities' Fees Collected FY 2012-13	
Campbell	\$618,323
Cupertino	\$2,484,000
Fremont	\$2,671,792
Morgan Hill	\$1,601,885
Mtn. View	\$13,268,690
Palo Alto	\$1,284,000
San Jose	\$24,100,000
Santa Clara	\$895
Sunnyvale	\$3,330,249

When accounting for inflation, a **3 bedroom single Family residence** would pay
 $\$96.90 + 32.30 + 32.30 = \text{\textbf{\$161.50}}$

"The City of Santa Clara has accumulated less than \$9,500 in total over the past five (5) fiscal years, and dedicated 1 acres of parkland."

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City/Area	Single Family	Multi Family	Secondary Residential Unit <700sqft
North San Jose	\$38,900	\$34,800	\$5,900
<i>Santa Clara (Quimby Act Fee)</i>	<i>\$34,849 *</i>	<i>\$26,918 *</i>	<i>\$4,575 *</i>
<i>Santa Clara (Mitigation Fee Act)</i>	<i>\$29,764 *</i>	<i>\$22,990 *</i>	<i>\$3,900 *</i>
Mountain View	\$25,000	\$25,000	n/a
Downtown San Jose	\$21,600	\$19,300	\$3,250
West San Jose	\$19,500	\$17,400	\$2,950
Campbell	\$17,105	\$17,105	n/a
Cupertino	\$15,750	\$9,100	n/a
Fremont	\$11,578	\$9,500	\$3,196
Palo Alto	\$10,639	\$6,964	\$3,521
South San Jose	\$8,700	\$7,700	\$1,300
Morgan Hill	\$4,987	\$4,805	n/a
Sunnyvale	\$69/sf	\$69/sf	\$69/sf

Comparable cities' fees are actuals adopted by resolution. *Santa Clara values are proposed based on the maximum amount justified in the *New Housing Development Impact Nexus Study*; see tables 9a and 9b. If the ordinance is approved, Council will adopt an annual fee resolution to set actual fees to be charged using Fair Market Value. See ordinance 17.35.040.

Single Family MFA: \$29,764 / \$161.50 = 184.3 = 18,430 %

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 City of Santa Clara The Center of Community Possible							
Current & Proposed Fees							
Proposed In-Lieu Fees FY2020/22							
Housing		Quimby			MFA		
Area	Type	Current	Proposed	% Diff.	Current	Proposed	% Diff.
95050	SF	\$40,588	\$51,567	27%	\$36,044	\$45,828	27%
	MULTI	\$32,688	\$41,530		\$29,028	\$36,908	
95051	SF	\$42,913	\$55,214	28.7%	\$38,059	\$48,989	28.7%
	MULTI	\$34,561	\$44,468		\$30,651	\$39,454	
95054	SF	\$43,296	\$52,570	21.4%	\$38,390	\$46,697	21.6%
	MULTI	\$34,869	\$42,338		\$30,918	\$37,609	

Current calculation uses 2017 land values & 50% park improvement value
Proposed calculation uses 2020 land value & 75% park improvement value

Santa Clara's MFA is 2.6 acres / 1000 residents and Sunnyvale's is 5.0 acres

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Item 3

Carina Navarrete

Subject: FW: For Council Meeting 7/12/2022 PLEASE READ MY COMMENT OUTLOUD for Head Tax item #3

Importance: High

From: Linda Leca <linda@marianis.com>

Sent: Monday, July 11, 2022 10:12 AM

To: Clerk <Clerk@santaclaraca.gov>

Cc: Linda Leca <lcalinda2001@yahoo.com>

Subject: For Council Meeting 7/12/2022 PLEASE READ MY COMMENT OUTLOUD for Head Tax item #3

Hello and good evening:

My name is Linda Leca, and I am the General Manager at Mariani's Restaurant and Inn.

I have been working at Mariani's Inn for the past 23 years. Many of you know me from working at Mariani's and as a resident of Santa Clara for the past 11 years.

My husband's small business was recently one of the casualties of the pandemic and had to close. Not unlike many other businesses that have found themselves in similar situations due to our being isolated to our homes and not supporting local businesses as a result.

At Mariani's we are in a similar situation where the revenue stream had stopped, and we are now faced with an uncertain future which is still under discussions within the Mariani Family.

Other businesses are barely surviving due to the difficulties in getting staff help to run and support their businesses. Business owners are now having to depend on family members to work long hours due to the shortage of help available to support their businesses. Some are paying more for hourly workers in order to attract them to work for their store and in some cases wage bidding wars are taking place between competing businesses. The cost of their products are increasing as a result of this practice as well as being hit with inflation that continues to affect all our financial planning not only in all our personal lives, but our businesses as well.

I have heard many discussions of the head tax being added to all businesses in Santa Clara as proposed by City Staff. I also understand that the Business License tax had not been updated or at least stayed in step with inflation and now, due to the General Funds' shortfall, City Staff and Council are looking at ways to reduce the general fund's gap by taxing the local small, medium and larger size businesses.

In the end, it will be Santa Clarans that will suffer the consequences of the head tax with the already inflated costs that will be passed on to all of us. Then the cycle begins with businesses suffering due to losing their loyal customers who can't afford to eat, buy or use the services of those businesses in Santa Claraand will go to neighboring cities to enjoy a

lower cost for any goods and services.....and the City losses by not enjoying the sales tax or the business-to-business tax that would have otherwise been generated in Santa Clara.

Please come to some compromise in meeting somewhere in the middle. Businesses understand the plight the City is in but don't put it back on the businesses as the answer to the City's bailout. Please reach a compromise.

Thank you

Linda Leca

Carina Navarrete

From: KJ KJ <kj@ascendtechnologies.net>
Sent: Tuesday, July 12, 2022 3:02 PM
To: Clerk
Cc: Admin, Ascend Technology
Subject: PLEASE READ MY COMMENT OUT LOUD AT 7/12 CITY COUNCIL MEETING FOR HEAD TAX AGENDA ITEM NO.3
Attachments: 7.12.22 City Council Statement Kawser Jamal .docx.pdf

Dear Sir ,

Here it is attached

Re: PLEASE READ MY COMMENT OUT LOUD AT 7/12 CITY COUNCIL MEETING FOR HEAD TAX AGENDA ITEM NO.3

If you need to reach me my contact is 501-786-2720

Kawser Jamal (KJ)

--

KJ

Founder and CEO

Ascend Technology Inc.

Silicon Valley-San Jose | Dallas | Little Rock

USA- Canada-Singapore-Dubai-UAE- India-Bangladesh

Global Corporate Headquarters Office:

Ascend Technology Inc

1879 Lundy Avenue, Suite 289

San Jose, California 95131

Office: 1-888-782-2361 Ext 101

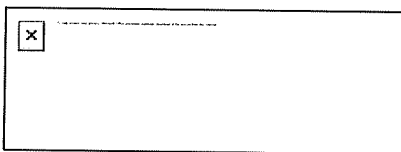
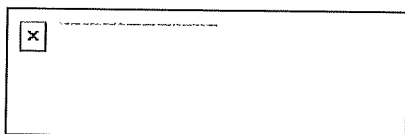
Cell: 1-501-786-2720

Fax: 1-888.782.2361

Email : kj@ascendtechnologies.net

Web: www.ascendglobaltech.com

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City of Santa Clara
City Council Meeting
Tuesday, July 12, 2022

Hello and good evening Madam Mayor Lisa Gillmor, City Councilmembers and City Manager Batra:

My name is Kawser Jamal (KJ for short) , and I am the CEO of Ascend Technologies where we have offices throughout the world and in Santa Clara.

I established Ascend Technologies over _19___years ago, and I have been a resident of Santa Clara for the past ___8___ years and formed the Ascend Santa Clara office in 2015.

As a business owner, I would support a Business License tax increase since it hadn't been updated to coincide with inflation over the past 30 years.

With that said however, the City Counciland sure you all have taken this under advisement with the situation as it exists for many businesses in Santa Clara that have been struggling to make ends meet due to the pandemic.

I have witnessed the impact firsthand on a local scale, but on a global scale as well. Other companies have not been as fortunate as Ascend Technologies who were not able to withstand the COVID impacts and had to take more drastic actions. Some closing their businesses while others significantly reduce their overhead by cutting staff and just getting by.

A compromise should be established on the Business License Tax so businesses can continue to enjoy the business-friendly environment in the City of Santa Clara and services it provides. Anything beyond a gradual increase would be unsustainable for some businesses and could change the whole completion of Santa Clara being a business-friendly City.

Thank you

A handwritten signature in black ink, appearing to read 'Kawser Jamal'.

Kawser Jamal(KJ)
Ascend Technology Inc
5201 Great America Pkwy., Suite 320, Santa Clara, CA 95054

Carina Navarrete

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