



# AGENDA REPORT

City Attorney's Office  
Finance Department

<b>DATE:</b>	December 17, 2024
<b>TO:</b>	Mayor Martinez and Members of the City Council
<b>FROM:</b>	Dave Aleshire, City Attorney Andrea Miller, Finance Director Antonio Banuelos, Revenue Manager
<b>Subject:</b>	Ordinance Creating New Business Activity Classification, "Class Q – Automobile Dealerships" and the Corresponding Rates
<b>FINANCIAL IMPACT:</b>	The financial impact of creating this new classification and rate structure will result in a decrease of approximately \$500,000 in Business Tax Revenue in the General Fund. No adjustment is proposed to the FY2024-2025 Business Tax Budget, as staff believes the decrease in this particular class will be made up in tax revenue collected from businesses in other classes.
<b>PREVIOUS COUNCIL ACTION:</b>	July 2, 2024
<b>STATEMENT OF THE ISSUE:</b>	The proposed Ordinance will create a new Business Activity, Class Q – Automobile dealerships and the corresponding rates.
<b>RECOMMENDED ACTION:</b>	INTRODUCE an ordinance (first reading) amending Chapter 7.04.103 of the Richmond Municipal Code by creating a new Business Activity Classification, Class Q – Automobile Dealerships, and the corresponding rates – City Attorney's Office (Dave Aleshire 510-620-5454/Andrea Miller 510-620-6790).

**DISCUSSION:**

City Council placed Measure U on the November 3, 2020 ballot and was approved by the voters. Measure U changed the business tax calculation methodology to be based on gross receipts, replacing the prior methodology, which was based on a business's number of employees.

In June 2022, a group of Hilltop auto dealers submitted a letter to the City contending the Measure U business license tax, as applied to automobile dealerships, was discriminatory. In October 2022, the Hilltop auto dealers group filed a complaint against the City, challenging the constitutionality of Measure U.

On July 2, 2024, to resolve the action and avoid the time and expense of additional litigation, the City Council approved a settlement agreement (“Settlement Agreement”) with the Hilltop auto dealers and authorized staff to proceed with an ordinance amending Measure U to create a separate class for automobile dealerships. See Attachment 1.

Prior to this proposed action, Measure U (Richmond Municipal Code 7.04) contained sixteen (16) Business Activity Classifications but did not include Auto Dealerships as a separate business activity classification class. City staff is requesting to amend the Measure U ordinance to comply with the terms of the Settlement Agreement by adding, Class Q - Automobile Dealerships in section 7.04.130 of the Richmond Municipal Code as follows:

**7.04.130 Business Activity Classifications Class**

<b>Class</b>	<b>Industry</b>
<b>A</b>	Retail Sales
<b>B</b>	Grocers
<b>C</b>	<del>Automobile Sales</del> , Manufacturing
<b>D</b>	Recreation and Entertainment
<b>E</b>	Hotel/Motel
<b>F</b>	Construction contractor
<b>G</b>	Business and personal services
<b>H</b>	Professional/semi-professional service
<b>I</b>	Administrative headquarters (payroll based, not gross receipts)
<b>J</b>	Miscellaneous
<b>K</b>	Residential and Commercial Rentals
<b>L</b>	Cannabis
<b>M</b>	Firearms Ammunition
<b>N</b>	Taxi and limousine service
<b>O</b>	Transportation, trucking
<b>P</b>	Wholesale

<b>Q</b>	<b>Automobile Dealerships</b>
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Additionally, in accordance with the Settlement Agreement the ordinance amendment will provide for this new class to be assigned a new business tax rate as follows:

**7.04.205 Tax Rates for Class A through Class J, Class P, and Class Q — Progressive Rates**

(k) Class Q. Business engaged in Class Q business activities shall pay a business tax as follows:

If annual gross is:	Then the business tax is:
Not over \$1,000,000	\$1.00 per \$1,000 of annual gross receipts
Over \$1,000,000 but not over \$2,500,000	\$1,000, plus \$1.30 per \$1,000 of annual gross receipts over \$1,000,000
Over \$2,500,000 but not over \$25,000,000	\$2,950, plus \$1.60 per \$1,000 of annual gross receipts over \$2,500,000
Over \$25,000,000 but not over \$50,000,000	\$38,950, plus \$1.90 per \$1,000 of annual gross receipts over \$25,000,000
Over \$50,000,000	\$86,450, plus \$2.20 per \$1,000 of annual gross receipts over \$50,000,000

While any amendment to Measure U that would increase the rate of taxation is subject to approval by a vote of the voters, the City Council has the authority to adopt modifications that decrease the rate of taxation, which applies to the proposed amendment.

It is important to note that in the Settlement Agreement, the City agreed that if it fails to enact the new Class Q business license tax, then for each payment of Measure U tax by any of the Hilltop Auto Dealers that were part of the Settlement Agreement, the City will refund the amount paid in excess of what would have been due under the new Class Q business license tax rates set forth above.

City staff will start mailing the 2025 Business Tax Renewal notices during the first week of January 2025.

- DOCUMENTS ATTACHED:**  
Attachment 1 – Settlement Agreement  
Attachment 2 – Redline Ordinance  
Attachment 3 – Final Ordinance