

File No. 120963

Committee Item No. 11

Board Item No. 1

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date 11/14/2012

Board of Supervisors Meeting

Date 12/4/12

Cmte Board

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Completed by: Victor Young Date November 9, 2012

Completed by: Victor Young Date 11-15-12

1 [Business & Tax Regulations Code - Improvement Districts: Longer Term When Assessments
2 Pledged to Bond, Lease, or Other Obligations; Alternative 2/3 Weighted Vote by Businesses]

3 **Ordinance amending San Francisco Business and Tax Regulations Code, Article 15:**
4 **Business Improvement Districts Procedure Code by amending Sections 1510 and 1511,**
5 **and by adding Section 1515, to provide for a district term of up to 40 years when**
6 **assessments are pledged or applied to pay any bond, financing lease (including any**
7 **certificates of participation therein), or other similar obligations of the City; authorize**
8 **the Board of Supervisors to require a weighted two-thirds (2/3) vote of business**
9 **owners to be assessed, based on ballots cast, as an alternative or additional procedure**
10 **for establishing a business improvement district and levying assessments; and clarify**
11 **existing provisions and update references to state law; and making a finding that**
12 **California Constitution, Article XIID does not apply to the levy of business**
13 **assessments authorized by Business and Tax Regulations Code, Article 15.**

14 NOTE: Additions are *single-underline italics Times New Roman font*;
15 deletions are *strike-through italics Times New Roman font*.
16 Board amendment additions are double-underlined Arial font;
17 Board amendment deletions are ~~strikethrough Arial font~~.

18 Be it ordained by the People of the City and County of San Francisco:

19
20 Section 1. The San Francisco Business and Tax Regulations Code is hereby amended
21 by amending Section 1510, to read as follows:

22 SEC. 1510. PURPOSE.

23 (a) State law provides procedures to form property and business improvement
24 districts and levy assessments. This Article provides authority for the City to ~~invoke~~ augment and
25 modify those state law procedures ~~and in addition to apply those procedures to residential property~~

1 ~~that would not be covered were the City to follow the state law exclusively. This Article incorporates~~
2 ~~the state law and then specifies how by authorizing~~ the Board of Supervisors ~~may choose to augment~~
3 ~~the state law provisions by choosing to do any of the following:~~

4 (1) ~~r~~Reduce the percentage of petitions required from owners in order to initiate
5 formation;

6 (2) ~~h~~Have the district encompass residential property, and to assess residential
7 property; ~~or~~

8 (3) ~~e~~Extend the term of the district to a maximum of 15 years, ~~unless a~~ or such longer
9 term as is authorized by state law; ~~or~~

10 (4) Extend the term of the district to a maximum of 40 years, if all or a portion of the
11 assessments will be pledged or applied to pay any bond, financing lease (including certificates of
12 participation therein), or other similar obligations of the City;

13 ~~(4-5)~~ authorize the district to rRecover through assessments the costs incurred in ~~its~~
14 formation of the district;

15 (6) Disestablish a district upon a supermajority vote of the Board of Supervisors; or,

16 (7) Require a weighted two-thirds (2/3) vote of business owners to be assessed, based on
17 ballots cast, as an alternative or additional procedure for establishing a business improvement district
18 and levying assessments on business owners.

19 In addition, this Article augments and modifies state law by: ~~authorizing the Board of~~
20 ~~Supervisors to disestablish a district upon a supermajority vote of the Board;~~ requiring the Clerk of
21 the Board of Supervisors to notify business owners in English, Cantonese and Spanish when a
22 petition for district formation is received; and setting minimum levels of representation by
23 business owners on the governing body of the ~~proposed district~~ owners' association that
24 administers, implements or provides the activities and improvements specified in the management
25 district plan.

1 (b) ~~Through proceedings u~~Under this Article, the Board of Supervisors may establish
2 property and business improvement districts and may finance ~~enhancements activities and~~
3 improvements through annual assessments apportioned among parcels of real property and/or
4 businesses within such districts. It is the intent of this Article to provide a vehicle for financing
5 ~~enhancements activities and improvements which that~~ supplement and complement existing
6 services and facilities. ~~District formation and assessment proceedings~~ The Board of Supervisors may
7 not ~~be initiated~~ establish any district or levy any assessment under this Article to ~~finance replacing~~
8 replace or supplanting existing City services. Nothing ~~herein in this Article~~ shall be construed
9 as prohibiting the establishment of districts or levying of assessments to finance local capital
10 improvements that are otherwise authorized under the City Charter, any other City ordinance, or
11 ~~any other state law of the State of California.~~

12
13 Section 2. The San Francisco Business and Tax Regulations Code is hereby amended
14 by amending Section 1511, to read as follows:

15 SEC. 1511. ~~SAN FRANCISCO PROCEDURAL AND SUBSTANTIVE~~ AUGMENTATION
16 AND MODIFICATION OF STATE LAW REQUIREMENTS GOVERNING PROPERTY AND
17 BUSINESS IMPROVEMENT DISTRICTS.

18 ~~In forming assessment districts that will fund improvements and services that confer special~~
19 ~~benefit on businesses, residential, commercial or residential and commercial property, t~~The Board of
20 Supervisors may elect to use the procedures set forth in California Streets & and Highways
21 Code Sections 36600 et seq. or may elect to use those procedures as modified ~~herein by this~~
22 Article, for the formation of property and business improvement districts and the levy of assessments
23 that will fund activities and improvements that confer benefits on businesses, and/or on residential,
24 commercial, or residential and commercial properties. ~~The Board of Supervisors shall be bound by,~~
25 ~~and comply with, the applicable state law governing the formation of property and business~~

1 ~~improvement and maintenance districts in all other respects not inconsistent with this Article when~~
2 ~~forming an assessment district to fund improvements and services that provide special benefits to~~
3 ~~businesses, commercial and/or residential property.~~

4 (a) Notwithstanding Streets ~~&~~ and Highways Code Section 36621(a) or any other
5 provision of state law to the contrary, the Board of Supervisors may initiate proceedings to
6 establish a property and business improvement district upon receipt of a petition signed by
7 property owners, business owners, or a combination of property owners and business owners
8 in the proposed district who will pay at least 30 percent of the assessments proposed to be
9 levied.

10 (1) The amount of assessments attributable to ~~property properties~~ and businesses
11 owned by the same owner that is in excess of ~~40~~ 25 percent of ~~the amount of~~ all assessments
12 proposed to be levied, shall not be included in determining whether the petition is signed by
13 the property owners, or business owners, ~~or combination of property owners and business owners,~~
14 ~~as the case may be,~~ who will pay the requisite 30 percentage or more of the total amount of
15 assessments proposed to be levied.

16 (2) Notwithstanding Streets and Highways Code Section 36623(b) or any other provision of
17 state law to the contrary. ~~Where~~ the Board of Supervisors initiates proceedings pursuant to this
18 subsection (a) to levy assessments on businesses, the Board shall conduct ~~a~~ the protest ballot
19 proceeding by ballot rather than by oral or written protests in accordance with Article XIII D of the
20 California Constitution notwithstanding any language to the contrary in Streets & Highways Code
21 Section 36623.

22 (b) Notwithstanding Streets ~~&~~ and Highways Code Section 36622(h) or any other
23 provision of state law to the contrary, the Board of Supervisors may form a district ~~authorized to~~
24 and levy assessments.

1 (1) ~~f~~For a maximum term of up to 15 years, ~~except where a~~ or such longer term as is
2 authorized by state law; or,

3 (2) For a maximum term of up to 40 years, if all or a portion of the assessments will be
4 pledged or applied to pay any bond, financing lease (including any certificates of participation
5 therein), or other similar obligations of the City. Such assessments may be pledged or applied to pay
6 such obligations commencing when the assessments are levied, or such later date as the Board of
7 Supervisors shall determine.

8 (c) Notwithstanding Streets & and Highways Code Section 36632(~~b-c~~) or any other
9 provision of state law to the contrary, the Board of Supervisors may: (1) establish an
10 ~~assessment~~ district pursuant to this Article that encompasses properties zoned for residential
11 use; and (2) levies levy assessments upon such properties; and (3) funds improvements and
12 ~~services~~ activities that benefit such properties ~~specialy benefit, properties zoned for residential use.~~

13 (d) Notwithstanding any provision of state law to the contrary, The Board of Supervisors
14 may authorize an ~~assessment~~ district formed pursuant to this Article to recover through
15 assessments the costs incurred in forming the district, including but not limited to:

16 (1) The costs of preparation of the management district plan and engineer's report
17 required by state law;

18 (2) The costs of circulating and submitting the petition to the Board of Supervisors
19 seeking establishment of the district;

20 (3) The costs of printing, advertising and the giving of published, posted or mailed
21 notices;

22 (4) ~~Compensation of any engineer or attorney employed to render~~ The costs of engineering,
23 consulting, legal or other professional services provided in proceedings under this Article or
24 Streets & and Highways Code Sections 36600 et seq.; and
25

1 (5) Costs ~~associated with~~ of any ballot proceedings required by this Article 15 or other
2 law for approval of a new or increased assessment.

3 ~~If the district will be authorized~~ In order to recover these costs, the management district
4 plan required pursuant to Streets ~~& and~~ Highways Code Section 36622 shall specify the
5 formation costs eligible for recovery through assessments, the schedule for recovery of those
6 costs, and the basis for determining the amount of the additional assessment for recovery of
7 such costs, including the maximum amount of the additional assessment, expressed either as
8 a dollar amount, or as a percentage of the underlying assessment.

9 (e) Notwithstanding Streets ~~& and~~ Highways Code Section 36670 or any other
10 provision of state law to the contrary, the Board of Supervisors may, by a supermajority vote of
11 eight or more members, notice a hearing and initiate proceedings to disestablish for any
12 reason a district formed after ~~the effective date of this section~~ April 4, 2004. Where the Board of
13 Supervisors seeks to disestablish a district in circumstances not authorized under Streets
14 ~~& and~~ Highways Code Section 36670, both the resolution of intention to disestablish the
15 district and any final resolution to disestablish the district shall ~~be subject to~~ require a
16 supermajority vote of no fewer than eight ~~or more~~ members.

17 (f) ~~This paragraph shall not be applicable~~ The Board of Supervisors, however, may not
18 disestablish a district under Section 1511(e) or Streets and Highways Code Section 36670 or any other
19 provision of law, where the district has there are any outstanding bonded indebtedness, financing
20 lease (including any certificates of participation therein), or other similar obligations of the City,
21 payable from or secured by assessments levied within the district.

22 (g) Notwithstanding Streets and Highways Code Section 36640 or any other provision of
23 state law to the contrary:

24 (1) The Board of Supervisors may, in the resolution to establish the district, determine and
25 declare that any bond, financing lease (including any certificates of participation therein), or other

1 similar obligations of the City, shall be issued to finance the estimated costs of some or all of the
2 proposed improvements or activities described in such resolution, pursuant to the City Charter, City
3 ordinances or state law, as the Board may determine; and

4 (2) The amount (including interest) of any City bond, financing lease (including any
5 certificates of participation therein) or other similar obligations, may not exceed the estimated total of
6 (A) revenues to be raised from the assessments over the term of the district, plus (B) such other monies,
7 if any, to be available for such purpose, in each case determined as of the date such obligations are
8 issued or incurred.

9 (f-h) The management district plan submitted for each proposed district to be funded
10 by assessments on property and subject to under this Article shall ~~set forth minimum requirements to~~
11 ensure adequate representation on the governing body of the owners' association, of business
12 owners located within the district who do not own, or have an ownership interest in,
13 commercial property located within the district. Not less than 20 percent of voting members of
14 the ~~governing body of the district~~ owners' association shall be such business owners. Where
15 warranted by the circumstances in a proposed district, the Board of Supervisors may require
16 that the management district plan provide a greater level of business owner representation.
17 This subsection (h) shall not limit the authority of the Board of Supervisors to require ~~that the~~
18 incorporation of any other item or matter ~~be incorporated~~ into the management district plan
19 ~~pursuant to under~~ Streets & ~~and~~ Highways Code Section 36622(l) or other applicable law.

20 (g-i) ~~Not less~~ No fewer than 30 days after the Clerk of the Board receives a complete
21 petition seeking formation of a district pursuant to this Article, the Clerk shall mail notice to all
22 businesses located within the proposed district holding a current registration certificate issued
23 by the Tax Collector. The notice shall be in English, Spanish and Cantonese, and shall inform
24 the recipients ~~that~~;

1 (1) That a petition for formation of a property and business improvement district has
2 been received;

3 (2) That if the district is formed, ~~it would authorize~~ assessments will be levied against
4 property and/or businesses in the district; ~~and~~

5 (3) ~~That~~ formation of the district is subject to the approval of the Board of
6 Supervisors following public hearings and a ~~vote~~ ballot proceeding by owners of the property,
7 businesses, or both, subject to the assessment; and.

8 (4) ~~The notice shall also describe how~~ recipients may obtain further information about
9 the petition and proposed district.

10
11 Section 3. The San Francisco Business and Tax Regulations Code is hereby amended
12 by adding Section 1515, to read as follows:

13 SEC. 1515. ALTERNATIVE OR ADDITIONAL PROCEDURE FOR ESTABLISHING A
14 PROPERTY AND BUSINESS IMPROVEMENT DISTRICT -- REQUIRING WEIGHTED TWO-THIRDS
15 VOTE.

16 (a) If so provided in the Resolution of Intention and the Resolution to Establish, as an
17 alternative or additional procedure for establishing a business and property improvement district and
18 levying assessments on business owners, the Board of Supervisors may require a weighted two-thirds
19 (2/3) vote of the business owners proposed to be assessed, based on ballots cast. The votes shall be
20 weighted according to each business owner's estimated assessments in relation to the total estimated
21 assessments proposed to be levied on all business owners in the proposed district. The vote shall not be
22 effective unless business owners representing at least 50 percent of the total estimated assessments
23 proposed to be levied on all business owners in the district cast ballots.

24 (b) The Board of Supervisors hereby finds and determines that the business owners proposed
25 to be assessed, with votes allocated as provided in subsection (a), constitute the "electorate" for

1 purposes of Article XIIC §2(d) of the California Constitution as and to the extent that provision
2 applies to the levy of assessments on businesses pursuant to this Article.
3

4 Section 4. This section is uncodified.

5 Finding Regarding Business Owner Assessments, and California Constitution Article
6 XIID.

7 The Board of Supervisors hereby finds and determines that the levy of assessments on
8 business owners pursuant to this Article 15 is not subject to the provisions of Article XIID of
9 the California Constitution, because the assessments (1) are not on real property, (2) are not
10 on persons as an incident of property ownership, and (3) are not for special benefits conferred
11 on real property, all within the meaning of such Article XIID.

12
13 Section 5. This section is uncodified.

14 Application of Ordinance to Any Proposed Districts.

15 The amendments to Article 15 of the San Francisco Business and Tax Regulations
16 Code set forth above in Sections 1 – 3 shall apply to the formation of any district and levy of
17 assessments where the Board of Supervisors adopts the resolution of intention and/or the
18 resolution to establish after the introduction but prior to the effective date of this Ordinance;
19 and the adoption of any such resolution of intention and/or resolution to establish and all other
20 actions leading to the formation of any such district and the levy of assessments therein are
21 hereby ratified, approved and confirmed.

22
23 //

24 //
25

1 Section 6. This section is uncodified.

2 Scope of Amendment.

3 In enacting this Ordinance, the Board of Supervisors intends to amend only those
4 words, phrases, paragraphs, subsections, sections, articles, numbers, punctuation marks, or
5 any other constituent parts of the Business and Tax Regulations Code that are explicitly
6 shown in this Ordinance as additions, deletions, Board amendment additions, and Board
7 amendment deletions, in accordance with the "Note" that appears under the official title of the
8 Ordinance.

9
10 Section 7. This section is uncodified.

11 Effective Date.

12 This Ordinance shall become effective 30 days after the date of enactment.

13
14
15
16 APPROVED AS TO FORM:
17 DENNIS J. HERRERA, City Attorney

18 By:


19 Marie Corlett Blits
20 Deputy City Attorney

LEGISLATIVE DIGEST

[Business & Tax Regulations Code - Improvement Districts: Longer Term for Assessments Pledged to Bond, Lease, or Other Obligations; Alternative 2/3 Weighted Vote by Businesses]

Ordinance amending San Francisco Business and Tax Regulations Code Article 15 "Business Improvement Districts Procedure Code" by amending Sections 1510 and 1511, and by adding Section 1515, to: (1) provide for a district term of up to 40 years when assessments are pledged or applied to pay any bond, financing lease (including any certificates of participation therein), or other similar obligations of the City; (2) authorize the Board of Supervisors to require a weighted two-thirds (2/3) vote of business owners to be assessed, based on ballots cast, as an alternative or additional procedure for establishing a business improvement district and levying assessments; and (3) clarify existing provisions and update references to state law; and by making a finding that California Constitution Article XIII D does not apply to the levy of business assessments authorized by Business and Tax Regulations Code Article 15.

Existing Law

The state Property and Business and Improvement Act of 1994 (California Streets and Highways Code §36600 *et seq.*, or "1994 Act") authorizes boards of supervisors to create assessment districts and levy assessments on business and/or property for specified periods of time. The process starts with proposed assessees' submission of weighted petitions reflecting each petitioner's share of the total proposed assessment. After an opportunity for assessees to protest, in which each assessee's ballot is weighted according to the percentage of all district assessments that business or property owner will pay, the Board of Supervisors may, in the absence of a majority protest, form the district and levy the assessments. The 1994 Act also allows the Board of Supervisors to contract with an owners non-profit corporation to manage a district.

City Business and Tax Regulations Code Article 15 "Business Improvement Districts Procedure Code" ("Article 15") provides certain optional modifications and augmentations to the 1994 Act. For example, Article 15: allows institution of formation proceedings by the Board of Supervisors upon submission of 30% weighted petitions by proposed assessees, instead of the 50% required under state law; and allows a 15-year district term, instead of the (initial) 5-year term or (renewed) 10-year terms that the state law allows.

The City has formed 12 such currently extant assessment districts under the state law and Article 15. Each such district is managed under a contract the Board of Supervisors has approved between the City and an owners non-profit corporation.

Amendments to Current Law

The proposed ordinance would amend Article 15 to:

- (1) Authorize a district term of up to 40 years when assessments are pledged or applied to pay any bond, financing lease (including any certificates of participation therein), or other similar obligations of the City;
- (2) Authorize the Board of Supervisors to require an alternative or additional procedure as a pre-requisite for establishing a business-based district and levying assessments (which procedure would not apply to a property-based district). Under this alternative/additional procedure businesses that will pay at least 50% of the total estimated assessments in the district must cast weighted ballots; and at least two-thirds (2/3) of the weighted vote must approve the establishment of the district and levy of assessments. The proposed ordinance would define the business owners subject to the proposed business assessment with their weighted votes, as the "electorate" for purposes of California Constitution Article XIIC §2(d) (which requires a 2/3 vote of the electorate to approve a special tax) as and to the extent that provision applies to the levy of assessments on businesses pursuant to San Francisco Business and Tax Regulations Code Article 15; and,
- (3) Clarify existing provisions, and update references to state law (including Ordinance Section 1511(c)).

<p>Items 10 and 11 Files 12-0989 and 12-0963</p>	<p>Department: Office of Economic and Workforce Development, Department of Public Works Treasurer/Tax Collector Department of Elections Controller's Office of Public Finance</p>
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EXECUTIVE SUMMARY

Legislative Objective

- File 12-0989: The proposed resolution would (a) declare the Board of Supervisors intention to establish the Moscone Expansion District, a business improvement district and to levy a multi-year assessment on defined hotel businesses in the District; (b) approve the Management District Plan; (c) order and set a time and place for a public meeting and a public hearing; (d) approve the form of the Notice of Public Meeting and Public Hearing and Assessment Ballots; and (e) direct the Clerk of the Board of Supervisors to give notice of the public meeting and public hearing.
- File 12-0963: The proposed ordinance would amend the Business and Tax Regulation Code Article 15 "Business Improvement Districts Procedure Code" to (a) provide for a district term of up to 40 years when assessments are pledged or applied to pay for obligations of the City; (b) authorize the Board of Supervisors to require a weighted 2/3 vote (based on ballots cast) of business owners to be assessed, as an alternative or an additional procedure for establishing a business improvement district and levying assessments; and (c) clarify existing provisions and update references to State law.

Fiscal Impacts

- The Department of Public Works estimates the Moscone Convention Center Expansion Project will cost up to \$500 million and extend for approximately five years.
- To fund the \$500 million Moscone Convention Center Expansion Project, the City would use available and proposed Moscone Expansion District (MED) hotel assessment funds and City funds, through the issuance of Certificates of Participation (COPs) in 2017 for 30 years, at a conservative 6% interest rate. The total estimated \$994,538,000 cost for the Certificates of Participation (COPs) includes \$482,735,000 of principal and \$511,803,000 of interest over 30 years. The Board of Supervisors would be required to approve a subsequent resolution to issue the estimated \$482,735,000 Moscone Convention Center Expansion COPs.
- The total \$994,538,000 Moscone Convention Center Expansion cost would be repaid with (a) an estimated total of \$929,710,000 from annual MED assessments from 2013 through 2045 assuming a 1.25% hotel assessment rate in Zone 1 and a .3125 hotel assessment rate in Zone 2, and (b) a total of \$297,304,000 of annual City General Fund contributions from 2019 through 2047, ranging from \$8,200,000 to \$10,700,000 per year. The City would also be obligated to fund any annual shortfall to finance debt service, which would be repaid from future annual MED hotel assessment surpluses.

Policy Consideration

- The existing TID that levies an assessment on the same tourist hotels and directs funds to the Moscone Center renovation expansion will overlap with the proposed MED for a period of up to six months (earliest commencement date of July 1, 2013 through December 31, 2013).

Recommendations

- Approve the proposed ordinance (File 12-0963).
- Amend the proposed resolution (File 12-0989) on page 6, line 13 to reflect the revised estimated \$19,332,000 of hotel assessments to be collected in FY 2013-14, the first year of the proposed new Moscone Expansion District, instead of \$21,045,500.
- Amend the proposed resolution (File 12-0989) on page 6, line 17 to state that the total maximum assessment that could be collected for the entire 32-year term of the proposed new Moscone Expansion District (MED) would be \$5,766,814,000, instead of \$6,458,235,000.
- Approve the proposed Amendment of the Whole (File 12-0989), which will be introduced at the November 14, 2012 Budget and Finance Committee Meeting to include the specific City commitments that are specified in the revised MED Management District Plan that are not included in the proposed resolution.
- Approval of the proposed resolution (File 12-0989), as amended, is a policy decision for the Board of Supervisors.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

In accordance with Section 2.105 of the City's Charter, any amendments to the City's Business and Tax Regulations Code are subject to approval by ordinance of the Board of Supervisors.

In accordance with California Government Code Section 53753, and the California Property and Business Improvement District Law of 1994 (Part 7 of Division 18 of the California Streets and Highway Code, commencing with Section 36600), augmented by Article 15 of the City's Business and Tax Regulations Code, the Board of Supervisors may initiate proceedings to establish a property and/or business improvement district and levy assessments on such properties and/or businesses for specified periods of time, when certain requirements are met.

Background

Community Benefit Districts

Property or business improvement districts, referred to as Community Benefit Districts, are defined geographical areas within which property owners or business owners vote to approve self-assessments to fund additional services. The additional property or business improvement

district funded services supplement various services provided by the City and can include additional capital improvements, cleaning and safety measures, beautification, marketing and a variety of other services to develop and promote the area. The funds from these property or business improvement districts are administered by non-profit organizations that are established by (a) the steering committee members who lead the formation of the district, or (b) the property and/or business owners who are assessed within the district, subject to the Board of Supervisors approval of agreements between the City and the non-profit organization.

The City’s Office of Economic and Workforce Development’s (OEWD) Community Benefit Districts Program oversees the City’s property and business improvement districts. According to Ms. Lisa Pagan, Project Manager for OEWD, the existing 12 San Francisco Community Benefit Districts (CBD), previously approved by the Board of Supervisors, include: (1) Castro/Upper Market, (2) Central Market, (3) Civic Center, (4) Landside - Fisherman’s Wharf, (5) Portside - Fisherman’s Wharf, (6) Mission Miracle Mile, (7) Noe Valley, (8) Ocean Avenue, (9) North of Market/Tenderloin, (10) Union Square, (11) Yerba Buena, and (12) Tourism Improvement.

Existing Tourism Improvement District

In 2008, the Board of Supervisors approved a Community Benefit District, entitled the San Francisco Tourism Improvement District (TID), to cover all tourist hotels, including hotels, motels, bed and breakfasts, etc. that generate revenue from tourist rooms in the City and County of San Francisco for the 15-year term from January 1, 2009 through December 31, 2024. The TID is divided into the following two zones based primarily on geographic proximity to the Moscone Convention Center and access to regional and City transportation infrastructure:

Zone 1: includes all tourist hotels on or east of Van Ness Avenue or South Van Ness Avenue and north of 16th Street from South Van Ness to the Bay;

Zone 2: includes all tourist hotels west of Van Ness Avenue and South Van Ness Avenue and tourist hotels south of 16th Street (see Attachment I).

As shown in Table 1 below, for the first five years of the TID term (January 1, 2009 through December 31, 2013) Zone 1 tourist hotels are assessed 1.5 percent of the hotel’s gross revenues and Zone 2 tourist hotels are assessed 1 percent of the hotel’s gross revenues. In years 6-15 of the TID term (January 1, 2014 through December 31, 2024) the tourist hotels in Zone 1 will be assessed 1 percent of the hotel’s gross revenues and tourist hotels in Zone 2 will be assessed 0.75 percent of the hotel’s gross revenues.

Table 1: Existing Tourism Improvement District (TID) Assessment Rates

	Zone 1	Zone 2
Years 1-5 (January 1, 2009 – December 31, 2013)	1.5 % of gross revenues	1% of gross revenues
Years 6-15 (January 1, 2014 – December 31, 2024)	1% of gross revenues	0.75% of gross revenues

For the first five years of the TID term, (a) two-thirds of the assessments are allocated to hotel-specific marketing and sales programs, and the associated operational costs of the San Francisco Travel Association (SF Travel)¹ and the non-profit San Francisco Tourism Improvement District Management Corporation (SFTIDMC), which manages the TID; and (b) one-third of the assessments are allocated to the renovation and upgrade of the Moscone Convention Center and for planning, engineering, design and entitlements for the possible expansion of the Moscone Convention Center. In years 6-15 of the TID, the assessments will only be allocated to hotel-specific marketing and sales programs, and the associated operational costs of SF Travel and SFTIDMC, and no funds would be allocated to the Moscone Convention Center renovations.

As shown in Attachment II, provided by Ms. Lynn Farzaroli, TID Program Director, SF Travel, in FY 2012-2013, the TID is projected to assess and collect from the hotels in the TID between \$25,720,000 and \$28,120,000 in annual revenues and these revenues are anticipated to be used for (a) \$16,885,000 to \$18,490,000 for SF Travel marketing, operations, promotions, and administrative support, and contingencies, (b) \$8,335,000 to \$9,130,000 for Moscone Convention Center Services and Improvements, which includes recent renovations and upgrades to Moscone Center North, South and West and design and planning for the proposed expansion of the Moscone Convention Center, and (c) \$500,000 for TID Administration, contingencies and reserves, managed by SFTIDMC.

Moscone Convention Center Renovations and Expansion Plan

The City owns the existing Moscone Convention Center, which includes Moscone South, Moscone North, and Moscone West, with 700,000 square feet of exhibition, meeting and multi-purpose space. Moscone Convention Center renovations were recently completed in May of 2012, which included restroom, lobby and kitchen renovations, digital and telecom upgrades, elevator and escalator improvements, and new carpet, paint and lighting, at an estimated cost of \$56,000,000. The total estimated cost of \$56,000,000 was financed with an estimated \$21 million of TID hotel assessment funds and \$35 million of City Certificates of Participation (COPs).

On September 25, 2012, OEWD submitted a new Business Improvement District (BID), for a proposed new Moscone Expansion District (MED) Management District Plan, to the Board of Supervisors as part of the proposed resolution (File 12-0989). According to Ms. Pagan, OEWD will be submitting a revised Moscone Expansion District (MED) Management District Plan, dated November 14, 2012, to the Board of Supervisors for the proposed resolution (File 12-0989). According to the initial and revised MED Management District Plans, the City's convention attendees and exhibitors comprise nearly 30 percent of overnight hotel guests. However, according to the MED Management Plan, the existing three-building configuration of Moscone Center is effectively filled to capacity and cannot accommodate many of the existing convention market needs. As a result, OEWD and the MED Management Plan report that it is

¹ The San Francisco Travel Association (SF Travel) is a private, not-for-profit membership organization, formerly the San Francisco Convention and Visitors Bureau, which promotes San Francisco as a destination for individual travelers, groups, domestic and international association and corporate meetings and conventions.

difficult to retain or significantly grow the San Francisco convention market, without providing additional contiguous meeting and exhibit space.

The MED Management Plan states that a new BID, entitled the Moscone Expansion District (MED), if approved by the Board of Supervisors and the City's tourist hotels, would be established to partially fund through the imposition of additional assessments on the tourist hotels located in the MED, the design, engineering, planning, entitlements, and construction of the proposed expansion of the Moscone Convention Center. According to Mr. Edgar Lopez of the Department of Public Works (DPW), DPW is currently planning for the expansion of the Moscone Convention Center. Mr. Lopez advises the proposed Moscone Center expansion is anticipated to be constructed over five years and is estimated to cost up to \$500 million.

State Proposition 26

State Proposition 26, approved by California voters on November 2, 2010, (a) broadens the definition of a 'tax' to include any levy, charge, or exaction paid by taxpayers, (b) requires local governments to prove that the charge does not cover anything more than the reasonable costs of the government activity, and (c) government activity funded by charges should benefit only the individuals and entities that pay the charges. However, Proposition 26 specifically exempted "benefit assessments and property-related charges" that meet certain provisions of Article XIID of the California Constitution.

DETAILS OF PROPOSED LEGISLATION

File 12-0963: The proposed ordinance would amend the City's Business and Tax Regulations Code Article 15 Business Improvement Districts Procedure Code to (a) provide for future business improvement districts terms of up to 40 years, for assessments on business owners to be pledged or applied to pay for obligations of the City; (b) authorize the Board of Supervisors to require a weighted two-thirds (2/3) vote based on ballots cast from business owners to be assessed, as an alternative or an additional procedure for establishing a Business Improvement District and levying assessments; and (c) clarify existing provisions and update references to State law.

Currently, the City's Business Improvement Districts Procedure Code (Article 15) provides for terms of up to 15 years for proposed business improvement districts. Under the proposed ordinance, this up to 15-year term could be extended to allow up to 40-year terms, or an additional 25 years, if all or a portion of the assessments will be pledged to pay any bond, financing lease, including certificates of participation, or other similar obligations of the City. According to Ms. Pagan, allowing this longer up to 40-year term for new business improvement districts is intended to enable new business improvement districts to approve assessments that could pay for longer term debt issued by the City or by the assessment districts, such as bonds or certificates of participation that often extend for 30 or more years.

Under the proposed ordinance, the Board of Supervisors could also require an alternative or additional procedure as a pre-requisite for establishing a business improvement district and levying assessments. According to Ms. Marie Blits of the City Attorney's Office, under this alternative/additional procedure, businesses in the improvement districts that collectively would

pay at least 50 percent of the total estimated weighted assessments would be required to cast ballots in the ballot election; and at least two-thirds (2/3) of the weighted assessment votes could be required by the Board of Supervisors to approve the establishment of the district and levy the assessments. Ms. Blits explains that this additional provision provides the Board of Supervisors with another tool to establish a business-based assessment district.

As the proposed ordinance is permissive regarding (a) extending the length of the term from 15 years to 40 years and (b) providing alternative procedures for establishing a business improvement district, depending on the specified terms and procedures approved for each future business improvement district, and the related amount of debt and obligations incurred, will determine each future business improvement district's financial impacts.

File 12-0989: The proposed resolution would (a) declare the Board of Supervisors intention to establish the Moscone Expansion District as a new Business Improvement District; (b) levy assessments on defined hotel businesses in the District for 32 years from the commencement date, estimated to be no earlier than July 1, 2013; (c) approve the Management District Plan; (d) order and set a time and place for a public meeting and a public hearing; (e) approve the form of the Notice of Public Meeting and Public Hearing and Assessment Ballots; and (f) direct the Clerk of the Board of Supervisors to give notice of the public meeting and public hearing as required by law.

The proposed resolution declares the intent to establish a new Moscone Expansion District (MED) that includes all hotels located in the district that generate revenue from tourist rooms that operate in the City and County of San Francisco from approximately July 1, 2013 to approximately June 31, 2045. As with the existing Tourism Improvement District discussed above, the proposed Moscone Expansion District would be divided into two zones: Zone 1 would include all tourist hotels on or east of Van Ness Avenue or South Van Ness Avenue and north of 16th Street; and Zone 2 would include all tourist hotels west of Van Ness Avenue and South Van Ness Avenue and south of 16th Street.

According to the revised proposed November 14, 2012 Management District Plan, as shown in Table 2 below, in Zone 1, following the commencement of the assessment, or approximately July 1, 2013 until December 31, 2013, all tourist hotels would be assessed 0.5% of the hotel's gross revenues and from January 1, 2014 through the term of the MED, or 32 years following the commencement date, such hotels would be assessed 1.25% of the hotel's gross revenues from tourist rooms. The assessment of tourist hotels in Zone 2 would remain unchanged for the entire 32 years, at 0.3125% of the hotel's gross revenues from tourist rooms². The two zones are based primarily on geographic proximity to the Moscone Convention Center and access to regional and City transportation infrastructure, such that the hotels closer to the Moscone Convention Center pay a higher assessment rate based on greater benefit due to the proximity of the Center.

² The initial Management District Plan dated September 25, 2012 reported that Zone 1 assessments would range from 1.0% to 1.4% and Zone 2 assessments would range from 0.25% to 0.35%, to be determined by mutual consent between the City and the assessed hotels.

Table 2
Proposed Moscone Expansion District (MED) Hotel Assessment Rates

	Zone 1	Zone 2
Commencement of the Assessment (no earlier than July 1, 2013) ³ – December 31, 2013	0.5 % of gross revenues	0.3125% of gross revenues
January 1, 2014 – 32 Years from Commencement of the Assessment (approximately June 31, 2045)	1.25% of gross revenues	

Under the proposed resolution, the Moscone Expansion District assessments would be used to provide funds for the expenditures to be incurred by the City and County of San Francisco for the following:

- Planning, design, engineering, entitlement, construction, project management and related services for expansion of the Moscone Convention Center, including related payments for any bond, financing lease (including certificates of participation) or similar obligations of the City;
- Funding of a Moscone Convention Center Incentive Fund, to attract significant meetings, tradeshows and conventions to San Francisco via offset of rental costs;
- Funding of a Moscone Convention Center Sales & Marketing Fund to provide increased funding for sales and marketing of convention business, with a focus on generating increased revenues for hotels that pay the assessment;
- Funding of capital improvements and renovations, including a capital reserve fund to cover future upgrades and improvements to the Moscone Convention Center;
- Allocation of funds to pay for District formation, operation and administration and to establish and maintain a contingency reserve; and
- Funding of expenses for development and implementation of future phases of the expansion Master Plan, if there are funds available in excess of those needed for Phase One.

Under the proposed resolution, the Department of Elections (DOE) would mail out ballots to all hotels located in the City subject to assessment in the proposed district. Under the proposed resolution, the Treasurer/Tax Collector would assign the weighted assessment to each hotel based on proprietary room rent data, based on information reported by hotels in 2011 and then

³ In accordance with the proposed resolution, the Commencement Date will be the later of (a) July 1, 2013 or (b) the first day of the calendar quarter after a final judgment is entered by a court validating the issuance of City indebtedness for the Moscone Expansion Project, and related establishment of the District and levy of the assessments.

analyze the final election results. Following a 45-day ballot election period, a final public hearing, tentatively set for January 29, 2013, would be held by the Board of Supervisors. If ballots are received from the larger hotels that represent collectively at least 50 percent of the total estimated assessments, and at least two-thirds (2/3) of the returned weighted ballots⁴ vote in favor of the establishment of the MED and levy of assessments (that is the alternative procedure)⁵, the Board of Supervisors may proceed with establishing the MED through a separate resolution that would be subject to future Board of Supervisors approval. The proposed resolution only provides for the intent to establish the MED and subsequent legislation would be required to establish the MED, subject to Board of Supervisors approval.

Although not specified in the proposed resolution, the City and the MED would enter into a Memorandum of Understanding that will outline specific roles and responsibilities for the management of the proposed new Moscone Expansion District. According to the revised Management District Plan, the new Moscone Expansion District would be managed by the non-profit San Francisco Tourism Improvement District Management Corporation (SFTIDMC), which is the same organization that manages the existing San Francisco Tourism Improvement District (TID).

FISCAL IMPACTS

Initial City Costs of Election

Under the proposed resolution, the Department of Elections (DOE), with the help of the City's Treasurer/Tax Collector's Office, would conduct a special ballot election of the tourist hotels in the City. Mr. John Arntz, Director, Department of Elections advises that the special ballot election is estimated to cost \$5,000. According to Ms. Pagan, OEWD will reimburse DOE for such costs to conduct the special election from OEWD's existing annual General Fund budget for the CBD/BID technical assistance program. Additionally, according to Mr. Greg Kato, Policy and Legislative Manager, Treasurer/Tax Collector's Office, the relatively minor one-time cost for the Treasurer/Tax Collector's Office to calculate the weighted assessment votes would be reimbursed by the Office of Economic and Workforce Development.

Estimated Assessments from the Proposed Moscone Expansion District

In accordance with the proposed resolution, the annual assessment to be levied and collected for the first year of the proposed new Moscone Expansion District is estimated at \$21,045,500. However, the proposed revised Management District Plan reflects an estimated \$19,332,000 of hotel assessments to be collected in FY 2013-14, the first year of the proposed new Moscone Expansion District, as shown in Attachment III. Therefore, the Budget and Legislative Analyst recommends that the proposed resolution be amended on page 6, line 13 to reflect the revised estimated amount of \$19,332,000 to be levied and collected in the first full year.

⁴ The 'weight' of each ballot in the ballot election will be determined by the assessment each hotel will pay into the MED compared to the total assessment estimated to be collected as calculated by the assessment formula in the MED Management Plan.

⁵ This threshold also meets the California Streets and Highways Code §36623(b) requirement that there is no majority protest to establish an improvement district and levy assessments.

According to both the initial and revised Management District Plans, the amount of the annual assessments to be levied and collected from Year 2 through Year 32 may increase or decrease annually based on actual gross revenues from tourist rooms, however, the maximum assessment amount reflects annual 10% increases, such that the actual annual collections may be significantly less than this maximum amount. The proposed resolution on page 6, line 17 states that the total maximum assessment that could be collected for the entire 32-year term of the proposed new Moscone Expansion District would be \$6,458,235,000. However, the proposed revised Management District Plan identifies a total maximum of \$5,766,814,000 of hotel assessment funds over the 32-year term that could be collected. Therefore, the Budget and Legislative Analyst recommends that the proposed resolution be amended on page 6, line 17 to reflect the revised estimated maximum amount of \$5,766,814,000.

As shown in Attachment III, and discussed in the revised Management District Plan, of the total \$19,332,000 estimated assessments to be collected in the first year, 87.5% or \$16,915,500 of these assessments would be used for Moscone Center Expansion development activities, which would include funding for planning, design, engineering, project management, construction and financing costs, such as payments on bonded indebtedness, financing lease (including principal and interest on any certificates of participation), or other similar obligations.

In addition, an additional 1% or \$193,320 of the assessments in the first year would fund a capital reserve fund to pay for future renovations and improvements for Moscone Convention Center. The MED would also provide funding of an estimated (a) 9% or \$1,739,880 in the first year for a Moscone Convention Incentive Fund, to be used to help attract important meetings to San Francisco, and (b) 2.5% or \$483,300 in the first year for administration of the MED and operating contingency reserve. The Treasurer/Tax Collector's Office will administer the assessment for the MED and be reimbursed from these administrative funds. According to the Management District Plan, these percentage allocations would change over the 32-year term of the proposed MED, such that the Moscone Convention Center development funding would decrease from 87.5% to 82.5%, while the Capital Reserve Fund for Moscone would increase from 1% to 6%.

According to the revised MED Management Plan, subject to approval of the Board of Supervisors, the City and County of San Francisco would commit to payments of the following amounts, including debt service:

- City contribution of \$8,200,000⁶ in FY 2019-20, with an increase of 3% per year through FY 2028-29 up to a maximum of \$10,700,000 annually, with a continuing contribution of no less than \$10,700,000 annually for the remainder of the term; and
- City contributions would fund any annual shortfall to finance debt service, which would be repaid from future annual MED hotel assessment surpluses. Annual shortfall is defined as the FY debt service not covered by (a) the MED allocation to debt plus (b) the City's above-noted \$8,200,000 - \$10,700,000 annual contribution.

⁶ Currently, the City pays the TID \$8,200,000 annually for the recent Moscone renovations.

The Budget and Legislative Analyst notes that these specific City commitments are not included in the proposed resolution. Therefore, the proposed resolution should be amended to include these specific requirements, as stated in the revised MED Management Plan. Ms. Pagan advises that an Amendment of the Whole is currently being drafted by the City Attorney and will be introduced at the Budget and Finance Committee on November 14, 2012 to address these and the above-noted recommendations. These City contributions would be used for payment on any bonded indebtedness, financing lease (including principal and interest on any certificates of participation) or other similar obligations of the City issued to finance related professional consulting, architectural and other professional fees, and construction and issuance costs.

As shown in Attachment IV, provided by Ms. Nadia Sesay, Director of the Controller's Office of Public Finance, DPW's estimated construction cost of up to \$500 million for the five-year Moscone Convention Center Expansion is projected to be funded with (a) \$5,238,860 of available General Funds⁷, (b) \$82,635,000 of available MED funds⁸, and (c) an initial estimated \$67,490,000 of commercial paper to be repaid with an issuance of an estimated \$482,735,000 certificates of participation. Ms. Sesay advises that the estimated \$482,735,000 certificates of participation would be issued in 2017 for 30 years, at a conservative 6% interest rate, for a total cost of \$994,538,000, excluding the initial contributed funds. The total estimated \$994,538,000 includes \$482,735,000 of principal and \$511,803,000 of interest over the 30-years. Ms. Sesay notes that the Board of Supervisors would be required to approve a subsequent resolution to issue the estimated \$482,735,000 Moscone Convention Center Expansion certificates of participation.

As shown in Attachment IV, the total \$994,538,000 Moscone Convention Center Expansion certificate of participation principal and interest cost would be repaid with (a) an estimated total of \$929,710,000 from annual MED assessments from 2013 through 2045 assuming a 1.25% hotel assessment rate in Zone 1⁹ and a .3125 hotel assessment rate in Zone 2, and (b) a total of \$297,304,000 of annual City General Fund contributions from 2019 through 2047, ranging from \$8,200,000 to \$10,700,000 per year. As noted above, over the past five years, the City's General Fund has funded \$8,200,000 annually for the Moscone Convention Center renovations.

As also shown in Attachment IV, during the first eight years of these future repayments from 2019 through 2026, there could potentially be insufficient revenues generated by the hotel assessments, such that the City would be required to make additional net impact contributions of a maximum of \$6,242,000 in 2019 decreasing to \$654,000 in 2026, which would be paid back through MED assessment surpluses in later years, as future hotel revenues and assessments increase. Under the proposed revised Management District Plan, the City would have the discretion to apply any annual MED assessment surpluses as are in the best interests of the City. As shown in Attachment IV, Ms. Sesay estimates MED surplus assessment revenues totaling \$171,215,000 would be applied as follows: (a) to fund a \$15,000,000 Stabilization Fund, which would be used in any year when lower than expected MED collections are received, to be

⁷ The FY 2012-13 budget appropriated \$1,700,000 of General Fund revenues and the FY 2013-14 budget is anticipated to include \$3,538,860 of General Fund revenues for the Moscone Convention Center Expansion Project.

⁸ Of the total estimated \$82,625,000, \$3,000,000 is available from the existing TID and the remaining \$79,625,000 would come from new hotel assessments under the proposed new TID over the first five years.

⁹ Zone 1 hotel assessments through December 31, 2013 would remain at the currently proposed rate of 0.5% of gross revenues.

replenished through the term of the COPs, (b) to fund an estimated \$25,416,000 sinking fund to make debt service payments in the two years beyond the term of the District in 2046 and 2047, (c) to fund an estimated \$28,184,000 prior year deficits paid by the City and then reimbursed by MED, and (d) to fund an estimated \$102,615,000 for potential additional expansions of the Moscone Convention Center in the future.

POLICY CONSIDERATIONS

Overlap of the Existing Tourism Improvement District (TID) and the Proposed Moscone Expansion District (MED)

The existing TID, as previously approved by the Board of Supervisors that levies an assessment on the same tourist hotels and directs funds to the Moscone Center renovation expansion will overlap with the proposed MED for a period of up to six months (earliest commencement date of July 1, 2013 through December 31, 2013). As discussed above, for the first five years of the existing TID term, one-third of the assessments are being allocated to the recently completed renovation and upgrade of the Moscone Convention Center and for planning, engineering, and design for the possible expansion of the Moscone Convention Center. The first five years of the existing TID term expires on December 31, 2013.

If the proposed MED begins to assess tourist hotels as early as July 1, 2013, the same hotels will be subject to both assessments to fund the Moscone Convention Center renovations and expansion for an overlapping period of six months. As shown in Table 3 below, Zone 1 tourist hotels would be assessed a total of 2.0% of gross revenues and, Zone 2 tourist hotels would be assessed a total of 1.3125% of gross revenues for the period of up to six months following the commencement of the MED and December 31, 2013.

Table 3

Overlap of the Existing Tourism Improvement District (TID) and the Proposed Moscone Improvement District (MED) Assessment Rates for the Six-Month Period from July 1, 2013 Through December 31, 2013

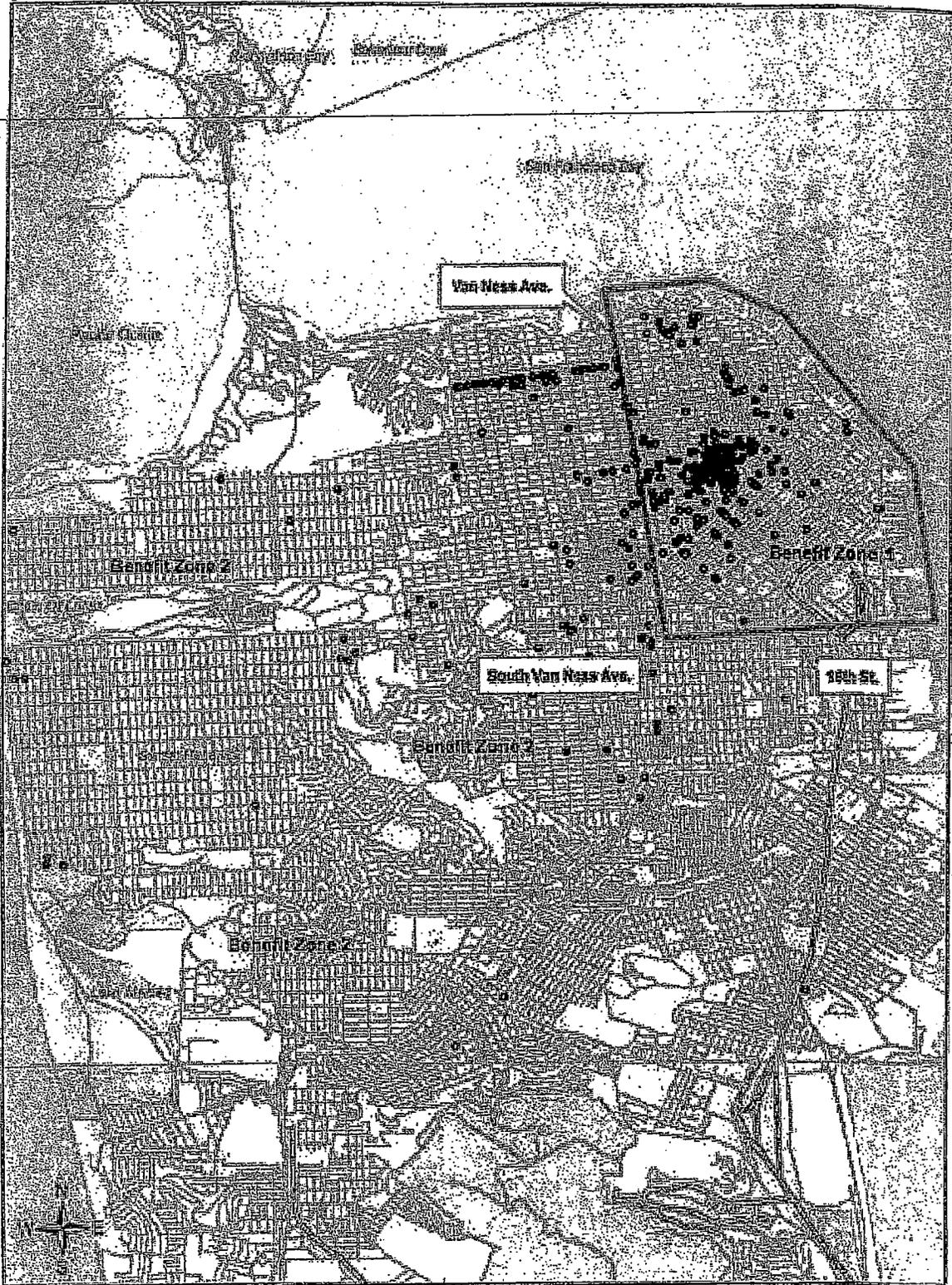
	Zone 1	Zone 2
Existing Tourism Improvement District (TID)	1.5 % of gross revenues	1% of gross revenues
Proposed Moscone Expansion District (MED)	0.5 % of gross revenues	0.3125% of gross revenues
Total Assessment	2.0 % of gross revenues	1.3125% of gross revenues

According to Ms. Pagan, the hotels will be notified of this overlapping assessment. In addition, Ms. Pagan advises that because the billing and collection process takes approximately two quarters to complete, the new hotel assessment revenues collected between July and December of 2013 will be needed to pay for the initial development costs incurred in January of 2014, such that the project would be potentially delayed, if assessments were not implemented as currently proposed.

RECOMMENDATIONS

1. Approve the proposed ordinance (File 12-0963).
2. Amend the proposed resolution (File 12-0989) on page 6, line 13 to reflect the revised estimated \$19,332,000 of hotel assessments to be collected in FY 2013-14, the first year of the proposed new Moscone Expansion District, instead of \$21,045,500.
3. Amend the proposed resolution (File 12-0989) on page 6, line 17 to state that the total maximum assessment that could be collected for the entire 32-year term of the proposed new Moscone Expansion District (MED) would be \$5,766,814,000, instead of \$6,458,235,000.
4. Approve the proposed Amendment of the Whole (File 12-0989), which will be introduced at the November 14, 2012 Budget and Finance Committee Meeting to include the specific City commitments that are specified in the revised MED Management District Plan that are not included in the proposed resolution.
5. Approval of the proposed resolution (File 12-0989), as amended, is a policy decision for the Board of Supervisors.

San Francisco Tourism Improvement District



Map City Services Inc. 12/20/2022

TID Budget | 2012-13

FY 2012-2013 Collections

SF Travel Moscone TID Total

TID TID Operations Budget

Calendar Year
2011 Collections

Budget 0	\$16,885,000	\$8,335,000	\$500,000	\$24,450,000
Budget 1	\$17,690,000	\$8,730,000	\$500,000	\$25,720,000
Budget 2	\$18,490,000	\$9,130,000	\$500,000	\$26,920,000
				\$28,120,000

**Proposed Annual Operating Budget, including Improvements and Activities,
and categories of expenditures**

(The FY 2013/14 projected budget is set forth below.¹² Annual budgets for subsequent years will be outlined in annual reports prepared by SFTIDMC and submitted to the Board of Supervisors as required by applicable law.)

<i>Improvements and Activities</i>	<i>Percent of Budget Allocated to Types of Activities</i>	<i>Budget</i>
<p><u>Development Activities</u></p> <ul style="list-style-type: none"> • Planning, design, engineering, entitlement, project management and related development services for the Project, which it is projected will include reconfiguration of existing non-contiguous space to create up to 550,000 gsf of contiguous exhibit space, and new meeting rooms, ballroom, and loading and service spaces. • Construction costs for of the expansion of the Moscone Convention Center as noted above. • Financing costs related to the Project, including those associated with the payments of any bond, financing lease (including certificates of participation), or other similar obligations of the City. 	87.5%	\$16,915,500
<p><u>Renovation Activities</u></p> <ul style="list-style-type: none"> • Funding of a capital reserve to pay for future renovations of and improvements to the Moscone Convention Center complex, to include capital improvements, but not including general maintenance or general repairs. • Surplus funds in this category at the conclusion of any year may be transferred to other MED categories of expenditures upon a majority vote of the board of directors of the MED owners association. 	1%	\$193,320

¹² The FY 2013/2014 projected annual budget assumes that the District Commencement Date is no later than July 1, 2013, and thus reflects a full twelve months of assessment revenue. The proportionate allocation of District funds among budget categories for the life of the District is set forth in Table 2.

<p>Convention Business Attraction Activities</p> <ul style="list-style-type: none"> Funding of a Moscone Convention Center Incentive Fund (MCCI Fund), which will be used to attract significant meetings, tradeshow and conventions to San Francisco. 	9%	\$1,739,880
<ul style="list-style-type: none"> Surplus funds in this category at the conclusion of any year may be transferred to other MED categories of expenditures upon a majority vote of the board of directors of the MED owners association. Funding of a Moscone Convention Center Sales and Marketing Fund, to be used by San Francisco Travel Association in the sales, marketing and promotion of the Convention Center to meeting, convention and event planners and customers. These funds will augment current general convention promotional funding, and will be used to generate increased revenue for hotels that pay the assessment via targeted sales and marketing of the Convention Center to clients who can book some or all of the space. Funds for this category will be allotted beginning in year 5. Surplus funds in this category at the conclusion of any year may be transferred to other MED categories of expenditures upon a majority vote of the board of directors of the MED owners association. 	0%	\$0
<p>Administration of the MED and Operating Contingency Reserve These funds will be used to cover administrative costs and expenses related to the operation and administration of the District, including, for example:</p> <ul style="list-style-type: none"> Payment of the operational and administrative expenses of SFTIDMC in its capacity as owners association of MED Reimbursement of the cost of services and other expenses to the City Treasurer and Tax Collector, the Office of the City Attorney, the Controller's Office, and other City departments for audit, collection, enforcement, and disbursement of the assessment, and related administrative functions. Administration, assessment and enforcement functions related to the MED assessment, which are contingent on the management contract between the City and the MED. Surplus funds in this category at the conclusion of any year may be transferred to other MED categories of expenditures upon a 	2.5%	\$483,300

majority vote of the board of directors of the MED owners association.		
Total	100%	\$19,332,000



SMALL BUSINESS COMMISSION
OFFICE OF SMALL BUSINESS



CITY AND COUNTY OF SAN FRANCISCO
EDWIN M. LEE, MAYOR

October 4, 2012

Ms. Angela Calvillo, Clerk of the Board
Board of Supervisors
City Hall room 244
1 Carlton B. Goodlett Place
San Francisco, CA 94102-4694

File No. 120963 [Business and Tax Regulations Code - Improvement Districts: Longer Term When Assessments Pledged to Bond, Lease, or Other Obligations; Alternative 2/3 Weighted Vote by Businesses]

Small Business Commission Recommendation: **No Recommendation**

Dear Ms. Calvillo:

On October 2, 2012 the Small Business Commission received a referral for BOS File No. 120963. The 30 day hold on this ordinance has been waived and the Commission understands that this item will be before the Budget and Finance Committee as soon as October 17, 2012. Since the Commission's next regularly scheduled meeting is after this date, the Commission is unable to make a formal recommendation on this ordinance.

As a general policy, the Commission requests that all legislation referred to the SBC be heard before the Commission prior to being scheduled in committee. However, considering the time-sensitive nature of this ordinance and the codes affected, the Commission is making an exception to our policy as this legislation does not have a direct regulatory impact or negative job effect to small businesses.

In lieu of a formal hearing prior to this legislation being considered at the Board of Supervisors, the Small Business Commission will hold an informational hearing at an upcoming regularly scheduled meeting.

Sincerely,

Regina Dick-Endrizzi
Director, Office of Small Business

Cc: Jason Elliott, Mayor's Office
Lisa Pagan, Office of Economic and Workforce Development
Supervisor Carmen Chu

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *for* Mayor Edwin M. Lee *JE*
RE: Business & Tax Regulations Code - Improvement Districts: Longer Term
When Assessments Pledged to Bond, Lease, or Other Obligations;
Alternative 2/3 Weighted Vote by Businesses
DATE: September 25, 2012

Attached for introduction to the Board of Supervisors is the ordinance amending San Francisco Business and Tax Regulations Code Article 15 "Business Improvement Districts Procedure Code" by amending Sections 1510 and 1511, and by adding Section 1515, to: (1) provide for a district term of up to 40 years when assessments are pledged or applied to pay any bond, financing lease (including any certificates of participation therein), or other similar obligations of the City; (2) authorize the Board of Supervisors to require a weighted two-thirds (2/3) vote of business owners to be assessed, based on ballots cast, as an alternative or additional procedure for establishing a business improvement district and levying assessments; and (3) clarify existing provisions and update references to state law; and making a finding that California Constitution Article XIII D does not apply to the levy of business assessments authorized by Business and Tax Regulations Code Article 15.

I request that this item be calendared in Budget and Finance Committee.

Should you have any questions, please contact Jason Elliott (415) 554-5105.

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