



## **NOTICE OF PUBLIC HEARING** **AND ASSESSMENT BALLOT PROCEEDING**

**TO:** San Francisco Hotels and Short-term Residential Rentals

**FROM:** John Arntz, Director  
Department of Elections  
City and County of San Francisco

**SUBJECT:** Notice of Public Hearing and Assessment Ballot Proceeding to consider renewal and expansion of the business-based special assessment district, to be known as the “Tourism Improvement District”

The purpose of this notice is to provide you with information about an assessment ballot proceeding and public hearing being conducted by the Board of Supervisors, and its effect the business that you own. This notice is being sent to you in accordance with Resolution No. \_\_\_\_-\_\_\_\_, passed by the Board of Supervisors (a copy of which is enclosed), the Property and Business Improvement District Law of 1994 (California Streets and Highways Code §§ 36600 *et seq.*), California Government Code Section 54954.6, and San Francisco Business ad Tax Regulations Code Article 15.

Please be advised of the following:

- The Board of Supervisors will hold a public hearing on the proposed assessment at 3:00 p.m. on September 13, 2022 or as soon thereafter as the matter may be heard, in the Board’s Legislative Chambers, Second Floor, City Hall, 1 Dr. Carlton B. Goodlett Place, San Francisco, California, 94102. At this hearing, the Board will hear testimony regarding the proposed assessment. The reason for the assessment is to fund the business-based business improvement district (community benefit district) known as the “Tourism Improvement District”. The annual assessments would last for 15 years (January 1, 2024-December 31, 2038), the services will be implemented through December 31, 2038. The boundaries of the Tourism Improvement District are described in the enclosed Resolution passed by the Board of Supervisors.
- In accordance with Section 67.7-1 of the San Francisco Administrative Code, persons who are unable to attend the Public Meeting or Public Hearing on this matter may submit written comments to the City prior to the time the Public Meeting or Public Hearing begins. These comments will be made a part of the official public record in this matter, and shall be brought to the attention of the Board of Supervisors. Written comments should be addressed to Angela Calvillo, Clerk of the Board, San Francisco Board of Supervisors, Room 244, City Hall, 1 Dr. Carlton B. Goodlett Place, San Francisco, California, 94102.
- The reason for the assessment is to renew and expand a Property and Business Improvement District to be known as the “Tourism Improvement District” and levy a multi-year assessment on identified hotel and short-term residential rental businesses in the district. The



annual assessments would last for 15 years. The boundaries of the proposed Tourism Improvement District are described in the enclosed Resolution of Intention passed by the Board of Supervisors.

- The Tourism Improvement District will fund the business-related services, improvements and activities for the District:
  - 1) Sales, marketing, and promotional programs
  - 2) Administration and Personnel
  - 3) Industry Special Events, Administration of the TID, and Operating Contingency Reserve
  - 4) Moscone Convention Center Buy-Down Fund for Qualifying Events
- Examples of services, improvements, and activities to be funded under the budget category “Sales, Marketing, and Promotional programs” includes, but is not limited to: ad creation and media placement, meetings and convention sales, tourism programs and market research, administration and staffing of personnel responsible for providing this category of services, including without limitation to its satellite and contract offices and related costs, establishment and maintenance of adequate reserve funds.
- Examples of services, improvements, and activities to be funded under the budget category “Administrative and Personnel” include: expenses for staffing of operations, administrative services, professional support services and related costs.
- Examples of services, improvements and activities to be funded under the budget category “Industry Special Events, Administration of the TID, and Operating Contingency Reserve” include: hosting major industry events in San Francisco, and administrative costs and expenses related to the formation, renewal, operation and administration of the District. This includes hospitality industry special events, administrative, operation and professional support costs of the District and the non-profit corporation that administers the District, support services provided by the San Francisco Tax Collector’s office for collection, tracking and enforcement of the TID assessment, and the establishment and maintenance of contingency and reserve funds.
- Examples of services, improvements and activities to be funded under the budget category “Moscone Convention Center Buy-Down Fund for Qualifying Events” includes: funds to attract and provide support for qualifying events at the Moscone Convention Center.
- The proposed Tourism Improvement District will have a duration of 15 years, beginning on January 1, 2024. The term of the District is 15 years after the Commencement Date. The City’s tourist hotels and short-term residential rentals will be divided into two zones, based largely on geographic proximity to the Moscone Convention Center, including the anticipated increase on occupancy and room rates from the Convention Center and convention-related activities on tourist hotels within the two zones, and access and proximity to the regional and City transportation infrastructure.

Zone 1: Tourist hotels and short-term residential rentals with addresses:



- On or east of Van Ness Avenue
- On or east of South Van Ness Avenue, and
- On or north of 16<sup>th</sup> Street from South Van Ness to the Bay, including all tourist hotels and short-term residential rentals east of Van Ness Avenue as if it continued north to the Bay, and north of 16<sup>th</sup> Street as if it continued east to the Bay.

Zone 2: Tourist hotels and short-term residential rentals with addresses:

- West of Van Ness Avenue and South Van Ness Avenue, and
  - South of 16<sup>th</sup> Street.
- Tourist hotels and short-term residential rentals within the District will pay assessments based on the following formula. During the life of the District, the benefits that will accrue to each assessed business within each zone will correlate directly to the rate of assessments in that zone.

Zone1:

- With respect to gross revenue from tourist hotel rooms and short-term residential rentals generated during the period beginning January 1, 2024, or the effective Commencement Date of the assessment, if later, through the end of the Renewed Term, which is expected to be December 31, 2038, the assessment shall be 1.25% of gross revenue from tourist rooms.

Zone2:

- With respect to gross revenue from tourist hotel rooms and short-term residential rentals generated during the period beginning January 1, 2024, or the effective Commencement Date of the assessment, if later, through the end of the Renewed Term, which is expected to be December 31, 2038, the assessment shall be 1% of gross revenue from tourist rooms

Annual revenues generated from assessments will fluctuate over the life of the District based on actual gross revenues from tourist hotel rooms and short-term residential rentals, subject to the maximum assessments set forth in the Management District Plan. Any annual budget surplus or deficit will be rolled into the following year's TID budget.

The SFTIDMC Board of Directors (*TID Board*) will have the authority to alter the assessment rates, subject to the following: (i) assessment rates shall not be increased by more than 1% in either zone (*i.e.*, a cap of 2.25% in Zone 1 and of 2% in Zone 2), and shall not be reduced below the renewed District's initial rates (*i.e.*, a floor of 1.25% in Zone 1 and 1% in Zone 2); (ii) assessment rates may, but need not be changed in both Zones, but rates in Zone 1 must be at least 0.25% greater than rates in Zone 2; (iii) any changes in assessment rates shall be subject to approval by a supermajority of the TID Board, based on TID Board determination that additional assessment funds are needed to meet unforeseen or critical needs and costs of business attraction and retention for the specific benefit of the assessed business; and (iv) the TID Board must



reevaluate annually the basis of a decision to increase assessment rates. “Supermajority” for these purposes means 2/3 of the TID Board, including not less than a majority of the hotel representatives on the TID Board.

For purposes of calculating the TID assessment, “gross revenue from tourist rooms” means: the consideration received for occupancy valued in money, whether received in money or otherwise, including all receipts, cash, credits, and property of any kind or nature, without any deduction therefrom whatsoever. Gross revenue from tourist rooms will include only the following charges, regardless of how such charges are characterized:

- Charges for a guest room (including non-refundable deposits) regardless of whether the guest uses the room;
  - Charges for additional guests to occupy the room;
  - Charges for guaranteeing the availability of a room (sometimes referred to as guaranteed “no-show” charges), regardless of whether the guest uses the room (excluding event attrition fees and event cancellation fees paid by event organizers)
- Gross revenue from guest rooms does include:
    - Charges for guest rooms occupied by permanent residents, defined as: “Any occupant as of a given date who has or shall have occupied, or has or shall have the right of occupancy, of any guest room in a hotel for at least 30 consecutive days next preceding such date;”
    - Revenue from the lodging of airline crews, *i.e.*, lodging provided to airline cockpit and/or cabin crews pursuant to an agreement between a hotel and an airline, which is furtherance of or to facilitate such crews’ performance of their jobs for the airline, including layovers between flights; or
    - The City’s Transient Occupancy Tax collected on the room rent and remitted to the City;
    - Revenue from the San Francisco Moscone Expansion District assessment established in 2013, including any renewals or extensions thereof;
    - Charges for guest rooms located in youth hostels that are owned and operated exclusively by and for non-profit entities;
    - Charges for guest rooms that are subject to the room rate exemption for the San Francisco Transient Occupancy Tax under Article 7, section 506(c) of the San Francisco Business and Tax Regulations code, as amended from time to time; and
    - Charges for guest rooms located in non-profit, purely private social clubs that make guest rooms available only for the use of their members. The term “purely private social clubs” means nonprofit, private membership clubs, whose primary purpose is social, which are owned by a limited membership, and which do not advertise or promote the use of their facilities by the public. Further, entities that allow guest rooms to be occupied by non-members, including via reciprocal arrangements with other clubs or organizations or upon referral of a member, shall not constitute “purely private social clubs” as defined herein.
  - The estimated assessments shall be based on TID assessment collections from tourist hotels during 2019, and an extrapolation from TOT collections from short-term residential rentals during 2019. The weighted vote allocated to tourist hotels that did not exist in 2019, but which exist at the time of the balloting (if any), shall be based on the average TID assessment



paid by each tourist hotel in 2019 on a per-room basis. The weighted vote allocated to short-term residential rentals that did not exist in 2019, but which exist at the time of the balloting (if any), shall be based on the average TID assessment that would have been paid by each short-term residential rental had the TID assessment applied to short-term residential rentals in 2019.

- The estimated assessment is listed on the attached confidential *Notice of Estimated Assessment* prepared by the City and County of San Francisco, Office of the Treasurer/Tax Collector. **DO NOT** return this confidential *Notice of Estimated Assessment* with your ballot. The ballot and affidavit must be returned in the ballot envelope provided to the City and County of San Francisco by 12 Noon if delivered by mail to the address printed on the ballot return envelope, or by 3 PM if delivered in person at the Public Hearing on September 13, 2022.
- The assessment is estimated to generate approximately \$51,401,000 during the first year, with a maximum total assessment for years 1 through 15 of the District based on initial rates is \$1,633,151,000.00. The total maximum assessment that could be collected for years 1 through 15 of the District based on increased rates is \$2,749,146,000.00.

**TOTAL MAXIMUM AMOUNT OF ASSESSMENTS ON ALL PARCELS INCLUDED IN THE PROPOSED DISTRICT FOR EACH FISCAL YEAR, IN YEARS 2 THROUGH 15**

<b>YEAR</b>	<b>FISCAL YEAR</b>	<b>TOTAL MAXIMUM ANNUAL ASSESSMENT REVENUE BASED ON CURRENT RATES</b>	<b>TOTAL MAXIMUM ANNUAL ASSESSMENT REVENUE BASED ON INCREASED RATES</b>
1	2024	\$51,401,000	\$51,401,000
2	2025	\$56,542,000	\$96,434,000
3	2026	\$62,196,000	\$106,077,000
4	2027	\$68,415,000	\$116,685,000
5	2028	\$75,257,000	\$128,354,000
6	2029	\$82,782,000	\$141,189,000
7	2030	\$91,061,000	\$155,308,000



8	2031	\$100,167,000	\$170,839,000
9	2032	\$110,183,000	\$187,923,000
10	2033	\$121,202,000	\$206,715,000
11	2034	\$133,322,000	\$227,387,000
12	2035	\$146,654,000	\$250,126,000
13	2036	\$161,320,000	\$275,138,000
14	2037	\$177,452,000	\$302,652,000
15	2038	\$195,197,000	\$332,918,000
<b>Total</b>		<b>\$1,633,151,000</b>	<b>\$2,749,146,000</b>

## ASSESSMENT BALLOT PROCEDURES

Enclosed with this notice, you will find an assessment ballot. Please follow the directions on the assessment ballot to express your view on the proposed assessment. The following is a summary of the procedures governing the return and tabulation of ballots. More detailed information concerning the ballot procedures is set forth in the enclosed “Procedures for the Completion, Return and Tabulation of Ballots,” which is also available on the City’s website at [www.sfelections.org](http://www.sfelections.org).

1. You may mail or deliver your ballot to the Director of Elections at the Post Office Box location shown on the ballot, or submit the ballot in person at the Department of Elections, located at City Hall Room 48.
2. Ballots may be sent or delivered to the Director of Elections at any time, but **MUST** be received by the Director of Elections not later than the conclusion of the public input portion of the public hearing on September 13, 2022 in the Board’s Legislative Chambers, Second Floor, City Hall, 1 Dr. Carlton B. Goodlett Place, San Francisco, California, 94102, scheduled to commence at 3 p.m. or as soon thereafter as the matter may be heard. Depending on the nature and extent of public testimony, the public input portion of the hearing may not be concluded on that date, but may instead be continued to a later date. At any time prior to the conclusion of the public input portion of the hearing, you may withdraw your ballot and submit a new or changed ballot in place of the ballot previously submitted. If the public input portion of the hearing is continued to a later date, the deadline for submission of ballots will likewise be extended until the close of public input on that date.



3. The Director of Elections will pick up mailed ballots at 12 o'clock noon from the designated Department of Elections Post Office box on the date scheduled for the public hearing. To ensure that mailed ballots are received by the Director of Elections prior to the conclusion of the public input portion of the hearing, mailed ballots must be received by the Director of Elections by 12 o'clock noon on September 13, 2022. Mailed ballots received after 12 o'clock noon on the date scheduled for the public hearing will only be counted if the public input portion of the hearing is continued to a later date and the ballots are received by the Director of Elections prior to the conclusion of the public input portion of the hearing.
4. Only ballots with original signatures - not photocopies of signatures - will be accepted.
5. The Director of Elections will not accept or tabulate a ballot:
  - which is a photocopy without an original signature;
  - which is unsigned;
  - which lacks an identifiable "yes" or "no" vote; or
  - which appears to have been tampered with based upon its appearance or method of delivery.
6. The assessment ballot shall be treated as a disclosable public record during and after the tabulation of the assessment ballots.
7. At the conclusion of the public input portion of the public hearing, the Director of Elections will tabulate the ballots, including those received during the public input portion of the public hearing. If the number of ballots received at the hearing is such that it is not feasible to accurately tabulate the ballots that day, the Board of Supervisors may continue the meeting to a later date for the purpose of obtaining the final tabulation.
8. The Board of Supervisors will not impose the assessment if there is a majority protest. A majority protest exists if, upon the conclusion of the hearing, ballots submitted in opposition to the assessment exceed the ballots submitted in favor of the assessment. Ballots shall be weighted according to the proposed financial obligation of the affected business.

**Should you have any questions, please call or write to:** Mr. Cuong Quach, Department of Elections, Room 48, City Hall, 1 Dr. Carlton B. Goodlett Place, San Francisco, California, 94102. Telephone: (415) 554-4342.