

1 [Resolution to Establish the Tourism Improvement District.]

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3 **Resolution of Formation: Establishing a business-based business improvement**
4 **district to be known as the "Tourism Improvement District," ordering the levy and**
5 **collection of assessments against defined hotel businesses located in that district for**
6 **fifteen (15) years commencing January 1, 2009, subject to conditions as specified, and**
7 **making environmental findings.**

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9 WHEREAS, Pursuant to the Property and Business Improvement Law of 1994
10 (California Streets and Highways Code Sections 36600 et seq., the "Act"), as augmented by
11 Article 15 of the San Francisco Business and Tax Regulations Code ("Article 15"), Resolution
12 No. 430-08 "Resolution of Intention to form the Tourism Improvement District" was adopted by
13 the Board of Supervisors on October 28 and signed by the Mayor on October 30, 2008,
14 declaring the City's intention to establish this business-based business improvement district
15 and order the levy and collection of a multi-year assessment, and setting a time and place for
16 a public meeting and a public hearing (the "Resolution of Intention"); and,

17 WHEREAS, The Resolution of Intention for the Tourism Improvement District (the "TID"
18 or "District"), among other things, approved the Tourism Improvement District Management
19 District Plan dated October 27, 2008 (the "Management District Plan"), the form of Notice of
20 Public Meeting and Public Hearing, and the form of Assessment Ballots that are on file with
21 Clerk of the Board of Supervisors in File No. 081338; and,

22 WHEREAS, The Board of Supervisors caused notice of a public meeting and a public
23 hearing to be issued concerning the proposed formation of the TID and the proposed levy of
24 assessments against businesses located within the District for a period of fifteen (15) years
25 commencing January 1, 2009 and ending December 31, 2023; and,

1 WHEREAS, The Board of Supervisors caused the notice of public meeting and public
2 hearing and ballots to be mailed to the record business owner of each hotel business
3 proposed to be assessed within the District, as required by law; and,

4 WHEREAS, The Board of Supervisors has received and considered the Management
5 District Plan dated December 9, 2008, on file with the Clerk of the Board of Supervisors in File
6 No. 081338, which modifies the Management District Plan dated October 27, 2008 by
7 correcting the Zone designation for four hotels, and by further defining assessment and
8 collection procedures, cost reimbursement provisions, and related matters; and,

9 WHEREAS, A public meeting concerning the proposed formation of the TID and the
10 proposed levy of assessments within such District was held by the Board of Supervisors
11 Government Audit and Oversight Committee on November 17, 2008 at 10:00 a.m., in City Hall
12 Room 250, 1 Dr. Carlton B. Goodlett Place, San Francisco, California; and,

13 WHEREAS, At the public meeting, the testimony of all interested persons for or against
14 the proposed formation of the District, the levy of assessments on businesses within the
15 District, the extent of the District, and the furnishing of specified types of improvements,
16 services and activities within the District, was heard and considered; and,

17 WHEREAS, A public hearing concerning the proposed formation of the TID and the
18 proposed levy of assessments within such District was held on December 16, 2008, at 3:00
19 p.m., in the Board's Legislative Chambers, located on the Second Floor of City Hall, 1 Dr.
20 Carlton B. Goodlett Place, San Francisco, California; and,

21 WHEREAS, At the public hearing, the testimony of all interested persons for or against
22 the proposed formation of the District, the levy of assessments on businesses within the
23 District, the extent of the District, and the furnishing of specified types of improvements,
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1 services and activities within the District, was heard and considered, and a full, fair and
2 complete hearing was held; and,

3 WHEREAS, At the public hearing the Board of Supervisors heard and considered all
4 objections or protests to the proposed assessments, and the City's Director of the Department
5 of Elections in conjunction with the City's Treasurer and Tax Collector tabulated the
6 assessment ballots submitted and not withdrawn, in support of or in opposition to the
7 proposed assessments, and the Clerk of the Board determined that business owners
8 representing a majority of the assessments to be collected (weighted according to the
9 proportional financial obligation of each affected hotel business, in relation to the total
10 proposed assessments for the District) did not vote against formation of the District; and,

11 WHEREAS, In the opinion of the Board of Supervisors, the hotel businesses within the
12 District will be specially benefited by the improvements, services and activities funded by the
13 assessments, and no assessment has been imposed on any business which exceeds the
14 reasonable cost of the proportional special benefit conferred on that business; now therefore
15 be it

16 RESOLVED, that the Board of Supervisors declares as follows:

17 Section 1. FINDING OF NO MAJORITY PROTEST. The Board of Supervisors
18 hereby finds pursuant to California Streets and Highways Code §36623, that a majority
19 protest does not exist with respect to the formation of Tourism Improvement District. All
20 objections or protests both written and oral, are hereby duly overruled.

21 Section 2. ESTABLISHMENT OF DISTRICT. Pursuant to the Act and Article 15, a
22 business-based business improvement district designated as the "Tourism Improvement
23 District" is hereby established.

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1 Section 3. DESCRIPTION OF DISTRICT. The exterior boundaries of the Tourism
2 Improvement District are as set forth in the map contained in the Management District Plan on
3 file with the Clerk of the Board of Supervisors in File No. 081338, and incorporated herein by
4 reference. The exterior boundaries of the District, and the Zones within the District, are
5 described as follows:

- 6 • The District includes all tourist hotels generating revenue from tourist rooms that
7 operate in the City and County of San Francisco during the term of the District,
8 and so the exterior boundaries of the District are the same as the contiguous
9 boundary of the municipal corporation City and County of San Francisco.
- 10 • These tourist hotels are divided into two zones, Zone 1 and Zone 2:
 - 11 ◆ Zone 1 includes all tourist hotels with addresses on or east of Van Ness
12 Avenue, on or east of South Van Ness Avenue, and on or north of 16th
13 Street from South Van Ness to the Bay, including all tourist hotels east of
14 Van Ness Avenue as if it continued north to the Bay, and north of 16th
15 Street as if it continued east to the Bay.
 - 16 ◆ Zone 2 includes all tourist hotels with addresses west of Van Ness
17 Avenue and South Van Ness Avenue, and all tourist hotels south of 16th
18 Street.

19 Reference should be made to the detailed map and the list of businesses identified by
20 business name and street address in the Management District Plan, in order to determine
21 which hotel businesses are included in the District.

22 Section 4. FINDING OF BENEFIT. The Board of Supervisors hereby finds that the
23 hotel businesses within the District will be benefited by the improvements, services and
24 activities funded by the assessments to be levied.

1 Section 5. SYSTEM OF ASSESSMENTS. Annual assessments will be levied to pay
2 for the improvements, services and activities to be provided within the District, commencing
3 January 1, 2009 and continuing for fifteen years, ending December 31, 2023.

4 (a) The annual assessment proposed to be levied and collected for the first year of
5 the District (calendar year 2009) is \$27,000,000. The amount of the annual assessment to be
6 levied and collected for year two through year fifteen (calendar year 2010 through calendar
7 year 2023) may increase or decrease annually according to the gross revenue from tourist
8 rooms. The total maximum assessment that could be collected for years one through five of
9 the district, is \$182,043,000. The total maximum assessment that could be collected for years
10 six through fifteen of the district, is \$735,085,395. The total maximum assessment that could
11 be collected for years one through fifteen of the district, is \$917,128,395.

12 (b) The method and basis of levying and collecting the assessment shall be as set
13 forth in the Management District Plan. As provided in the Management District Plan,
14 assessments will be based on specified percentages of gross revenues from tourist rooms as
15 defined. The TID assessment payments will be submitted by hotels on a quarterly basis to
16 the City Treasurer and Tax Collector or his or her designee, or as otherwise designated by the
17 Board of Supervisors, based on the gross revenue collected for tourist guest rooms each
18 quarter during the calendar year. The hotels assessed by the TID will be billed quarterly
19 and/or will complete a quarterly assessment payment form provided by the City. The
20 assessments collected will be distributed to the District four (4) times per year pursuant to a
21 management contract between the City and the non-profit corporation that will manage the
22 District.

23 Section 6. USE OF REVENUES. The proposed business-related services,
24 improvements or activities for the District include two components: For years one through
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1 fifteen, marketing and promotions by the San Francisco Convention and Visitors Bureau; and
2 in addition, for years one through five, Moscone Convention Center upgrades and renovation
3 plus planning for possible expansion.

4 A. The fifteen-year San Francisco Convention and Visitors Bureau (SFCVB)
5 component will consist of:

6 1. Marketing and Promotions by the SFCVB for the benefit of tourist hotels,
7 including but not limited to:

- 8 • Satellite office operations and start up costs;
- 9 • Satellite office staffing;
- 10 • Marketing and promotions programs, such as enhanced print, radio, web
11 and television advertisement, improved event services, technological
12 improvements for online room booking; and
- 13 • Marketing and promotion staff oversight.
- 14 • These SFCVB marketing and promotions shall not be duplicative of
15 existing marketing and promotional programs funding by other Business
16 Improvement Districts and Community Benefit Districts in the City.

17 2. SFCVB Operations and Administrative Support.

18 3. SFCVB Contingency and Reserves.

19 4. Contingency/Reserves/Administration Costs of the TID:

- 20 • Will be used to cover unforeseen costs and escalation for services and
21 improvements listed under No. 1 – No. 3, above.
- 22 • Will be used to cover administrative costs and expenses related to the
23 administration of the new non-profit management corporation that will
24 administer the TID revenues, including but not limited to reimbursement

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1 of cost of services and other expenses to the City Treasurer and Tax
2 Collector, the Office of the City Attorney, the Controller's Office, and other
3 City departments, for audit, collection and disbursement of the
4 assessment and related administration functions. Administration,
5 assessment and enforcement functions related to the TID assessment
6 are contingent on the management contract between the City and the
7 TID.

- 8 • Includes payment of up to \$400,000 to cover costs incurred in forming the
9 TID, including costs incurred by the TID steering committee, the San
10 Francisco Convention & Visitors Bureau and by the City and County of
11 San Francisco during the formation process. Such reimbursable costs
12 include, for example, costs arising out of or related to preparation of the
13 management plan, development of the petitions and ballots,
14 administration of the election process related to the petition and ballots,
15 setting up the TID assessment billing and collection systems by the City
16 and County of San Francisco, reimbursement of actual costs to the City
17 Treasurer and Tax Collector, and related attorney and consultant fees,
18 consistent with Section 1511(d) of the San Francisco Business and Tax
19 Regulations Code.

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21 B. The five-year Moscone Convention Center component will consist of:

- 22 1. Renovation and upgrades, including capital improvements to Moscone Center
23 North, South and West, such as state of the art technology upgrades and various structural
24 projects.

- 1 2. Monitoring of TID funds provided for the improvements to Moscone Center.
- 2 3. Design, engineering, planning and entitlements (permits issued by the Planning
- 3 Department or other regulatory agencies) activities, and services pertaining to the proposed
- 4 expansion of Moscone Center as a whole, such as architectural engineering fees for the
- 5 proposed expansion.
- 6 4. Contingency/Reserves for unforeseen costs and escalation for improvement
- 7 areas listed under No. 1 and No. 2 above; and for a proportionate share of the TID
- 8 administrative costs and expenses related to the administration of the new non-profit
- 9 management corporation that will administer the TID revenues, including but not limited to
- 10 reimbursement of cost of services and other expenses to the City Treasurer and Tax Collector
- 11 and other City departments for audit collection and disbursement of the assessment and
- 12 related administration functions. Administration, assessment and enforcement functions
- 13 related to the TID assessment are contingent on the management contract between the City
- 14 and the TID.

15 The above improvements, services and activities will be funded by the levy of the

16 assessments. The revenue from the levy of the assessments within the District shall not be

17 used to provide improvements, services or activities outside the District or for any purpose

18 other than the purposes specified in this Resolution and the Management District Plan (MDP),

19 including MDP Appendices.

20 Section 7. AUTHORITY TO CONTRACT. The Board of Supervisors may contract

21 with a separate private non-profit entity to administer the improvements, services and

22 activities set forth in Section 6. Any such entity shall hold the funds it receives from the City

23 and County of San Francisco ("City") in trust for the improvements, services and activities set

24 forth in Section 6. Any such entity that holds funds in trust for purposes related to the contract

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1 shall deliver, at no expense to the City, a balance sheet and the related statement of income
2 and cash flows for each fiscal year, all in reasonable detail acceptable to City, reviewed by a
3 Certified Public Accountant (CPA); this review shall include a statement of negative assurance
4 from the CPA. In addition, or alternatively, the Controller or the Mayor's Office of Economic
5 and Workforce Development may in their discretion require the private entity to deliver, at no
6 expense to the City, an annual independent audit report by a Certified Public Accountant of all
7 such funds. The CPA review and/or audit may be funded from assessment proceeds as part
8 of the general administration of the District. At all times the Board of Supervisors shall
9 reserve full rights of accounting of these funds. The Mayor's Office of Economic and
10 Workforce Development shall be the City agency responsible for coordination between the
11 City and the District.

12 Section 8. AMENDMENTS. The businesses in the District established by this
13 Resolution shall be subject to any amendments to the Act and Article 15.

14 Section 9. RECORDATION OF NOTICE AND DIAGRAM. The County Clerk is
15 hereby authorized and directed to record a notice and an assessment diagram pursuant to
16 Section 36627 of the California Streets and Highways Code following adoption of this
17 Resolution.

18 Section 10. LEVY OF ASSESSMENT. The adoption of this Resolution and
19 recordation of the notice and assessment diagram pursuant to Section 36627 of the California
20 Streets and Highways Code constitutes the levy of an assessment in each of the fifteen years
21 covered by the District Management Plan. The assessments shall be submitted by hotels on
22 a quarterly basis to the City Treasurer and Tax Collector or his or her designee, or as
23 otherwise designated by the Board of Supervisors, based on the gross revenue collected for
24 tourist guest rooms each quarter during the calendar year. The hotels assessed by the TID
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1 will be billed quarterly and/or will complete a quarterly assessment payment form provided by
2 the City. The assessments collected will be distributed to the District four (4) times per year
3 pursuant to a management contract between the City and the non-profit management
4 corporation that will manage the District.

5 Section 11. ENVIRONMENTAL FINDINGS. The Planning Department has
6 determined that the actions contemplated in this Resolution are in compliance with the
7 California Environmental Quality Act (California Public Resources Code sections 21000 et
8 seq.). Said determination is on file with the Clerk of the Board of Supervisors in File No.
9 081338 and is incorporated herein by reference.

10 Section 12. MANAGEMENT DISTRICT PLAN. The Board of Supervisors hereby
11 approves the Management District Plan dated December 9, 2008, on file with the Clerk of the
12 Board of Supervisors in File No. 081338, which modifies the Management District Plan dated
13 October 27, 2008 by correcting the Zone designation for four hotels, and by further defining
14 assessment and collection procedures, cost reimbursement provisions, and related matters.

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