

# HEARST HOTEL INCENTIVE AGREEMENT

**Budget and Finance Committee**

*February 4, 2026*

# Proposed Legislation

## **Budget and Finance Committee, 2/4/2026**

- 251246: Hotel Development Incentive Agreement

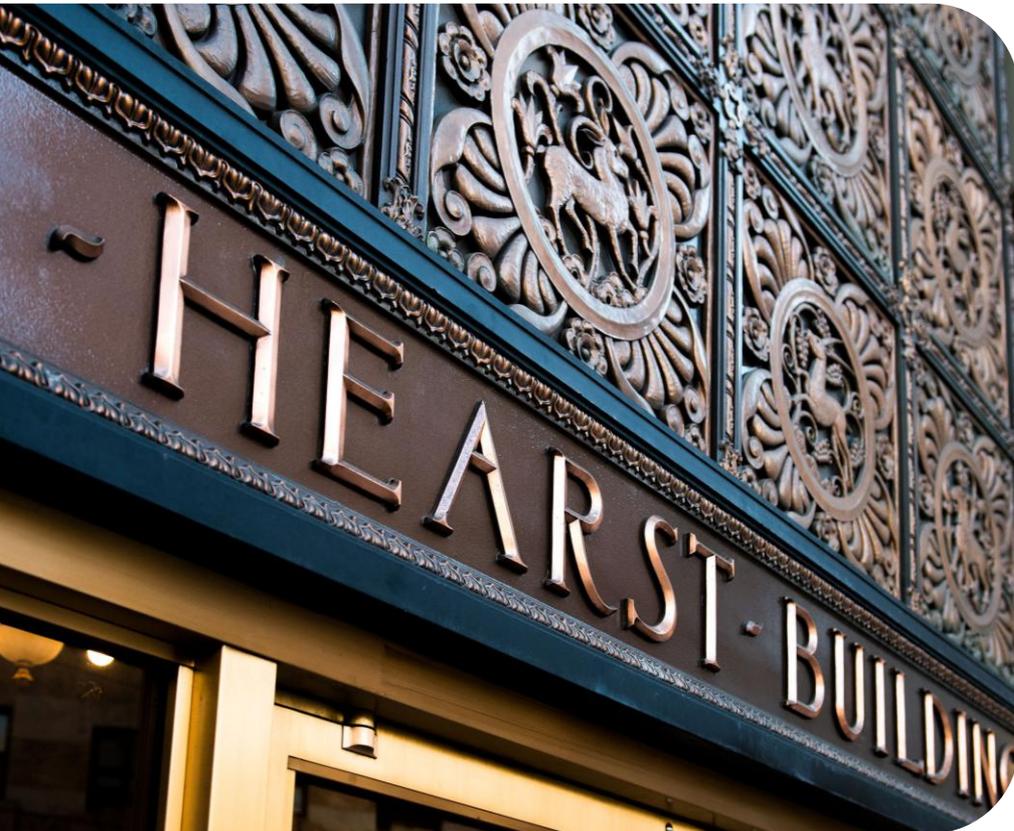
# POLICY GOALS

- Promote downtown revitalization efforts
- Accelerate economic recovery in the hotel sector

## Parameters for hotel incentive agreements:

- New hotels
- Projects with demonstrated and vetted finance gap
- 5-year deadline from agreement date to Certificate of Occupancy
- Subsidies are not to exceed 89.3% of annual TOT revenue, 20 years

# PROJECT OVERVIEW



- Adaptive reuse and significant rehabilitation of the Historic Hearst Building
- Located at Third Street and Market in the heart of downtown
- Currently underutilized as an office building (70% vacant)
- Project completion will result in a 113-key hotel
- Entitled in 2019 and is shovel-ready

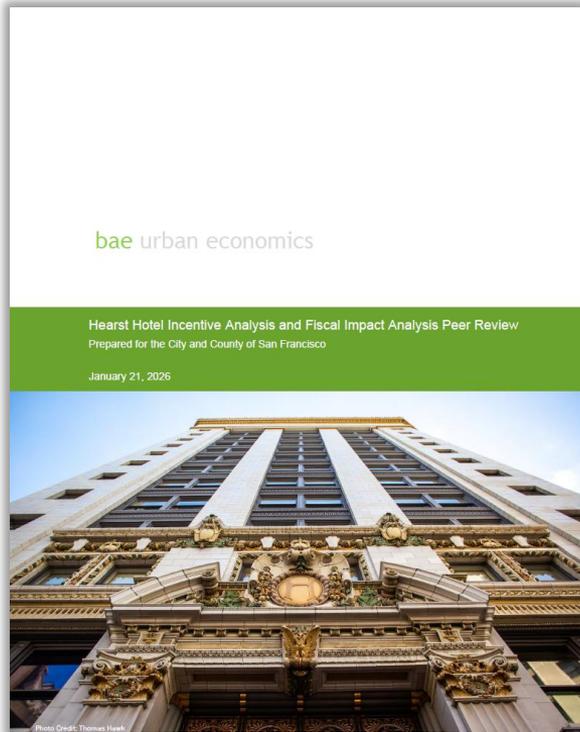
# HOTEL INCENTIVE AGREEMENT



# Hotel Incentive Agreement

- Incentive payments calculated based on a percentage of actual new hotel tax (TOT) generated by project, for up to 20-year period after hotel occupancy
- Enables feasibility of a new hotel
- City retains full 10.7% of TOT revenue that is dedicated to arts and culture (Prop E, 2018)
- Developer bears risk of hotel underperformance

# Hotel Incentive Agreement Fiscal Impact Analysis



Summary Table 3: Combined Annual Fiscal Impact (2025\$)

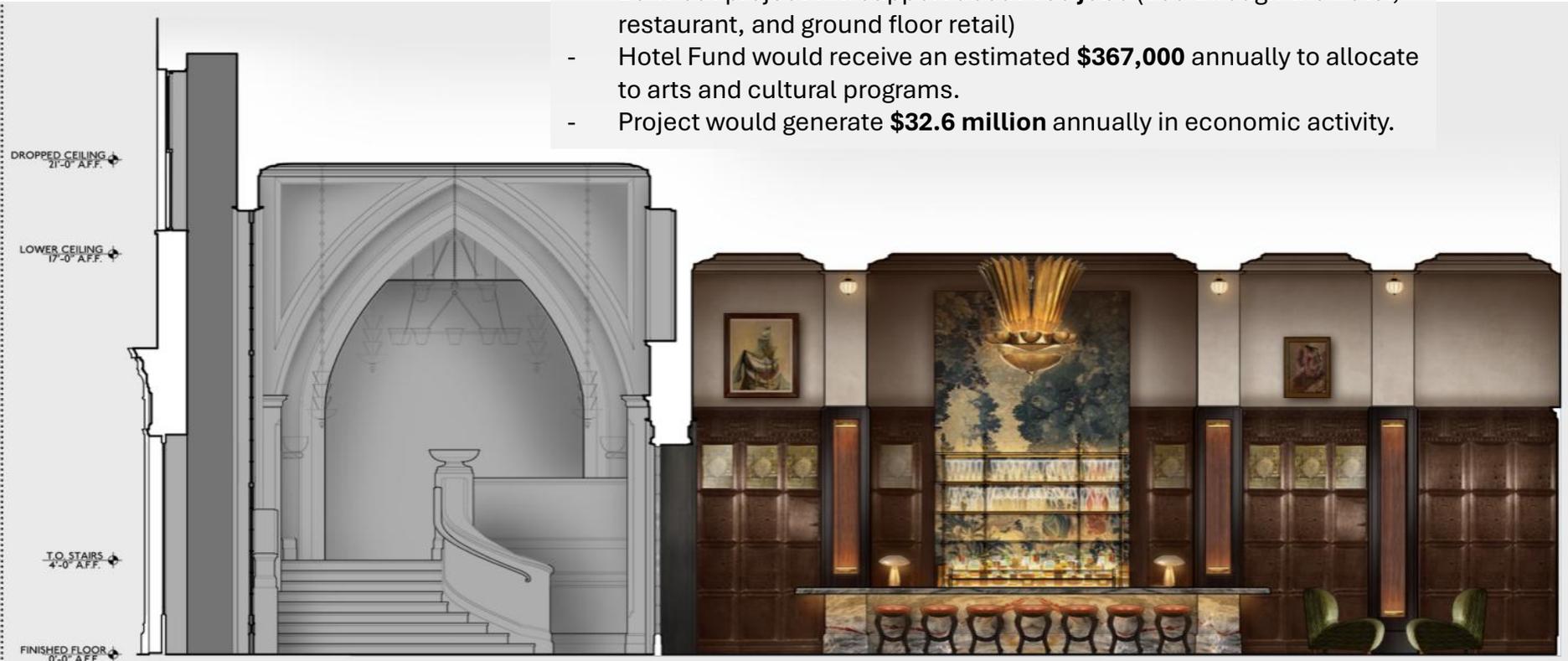
Revenue / Expense Category	TOT Incentive Period (Years 1 - 20)	Post TOT Incentive Period (Years 21 Onward)
Net Annual Impact on General Fund	\$713,000	\$2,897,000
Net Impact on MTA	\$157,000	\$450,000
Revenue to Special Funds (1)	\$93,000	\$93,000
Other Voter-Approved Baseline Funding (2)	\$64,000	\$649,000
<b>Total Fiscal Impact</b>	<b>\$1,028,000</b>	<b>\$4,090,000</b>

*Note: Totals may not sum due to rounding.*

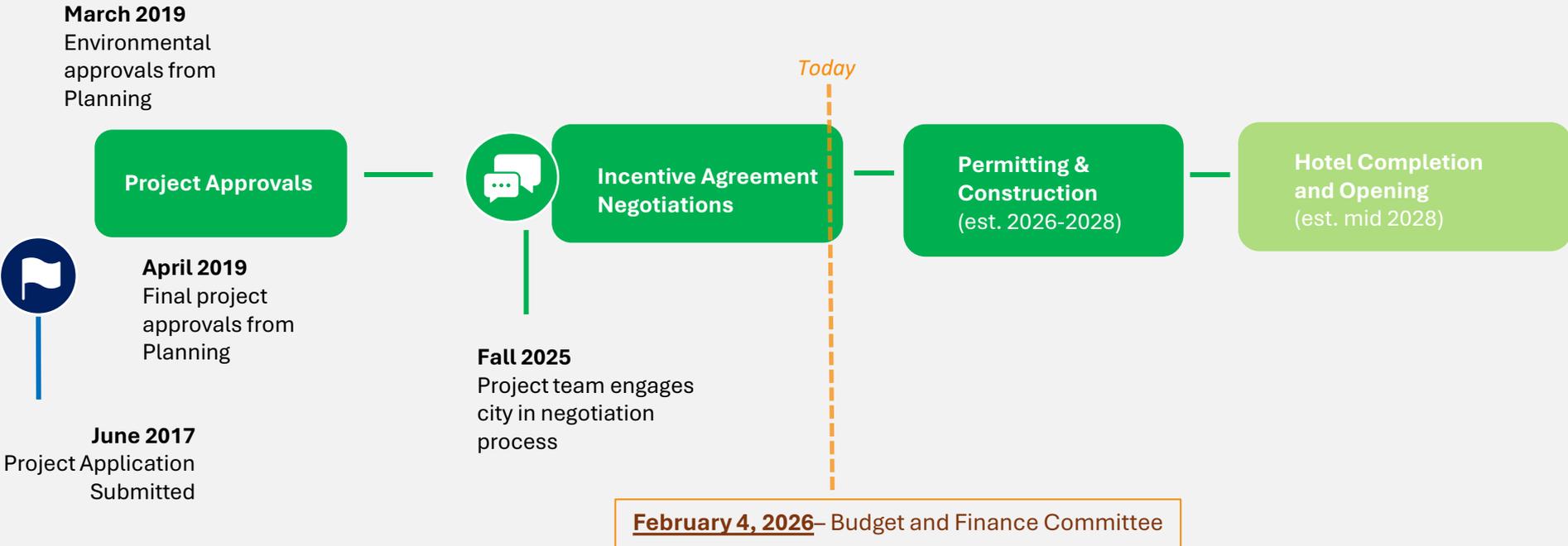
- Peer review of pro forma, project feasibility gap, and fiscal impact by City's financial consultant
- Confirms net fiscal benefit

# Fiscal Impact Analysis Findings

- New net property tax revenue of **\$577,000** annually (more than ten times existing revenue)
- After rebate period ends, general fund revenue from TOT will be **\$3.1 million** annually.
- Built-out project will support about **150 jobs** (100 through the hotel, restaurant, and ground floor retail)
- Hotel Fund would receive an estimated **\$367,000** annually to allocate to arts and cultural programs.
- Project would generate **\$32.6 million** annually in economic activity.



# Approval and Construction Timeline



A photograph of a grand, ornate hallway with high ceilings, arched doorways, and multiple chandeliers. The lighting is warm and golden. A semi-transparent white box is overlaid in the center of the image, containing text.

**Thank you!**

OEWD Project Manager: Maggie Mattson  
[margaret.mattson@sfgov.org](mailto:margaret.mattson@sfgov.org)