File No. 121201

Committee Item No. 5
Board Item No. 12

COMMITTEE/BOARD OF SUPERVISORS
AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee **Date** 01/30/2013

Board of Supervisors Meeting **Date** February 5, 2013

Cmte	Board	
☐	☐	Motion
☒	☒	Resolution
☐	☐	Ordinance
☐	☐	Legislative Digest
☒	☒	Budget and Legislative Analyst Report
☐	☐	Legislative Analyst Report
☐	☐	Youth Commission Report
☐	☐	Introduction Form (for hearings)
☒	☒	Department/Agency Cover Letter and/or Report
☐	☐	MOU
☐	☐	Grant Information Form
☐	☐	Grant Budget
☐	☐	Subcontract Budget
☐	☐	Contract/Agreement
☐	☐	Form 126 – Ethics Commission
☐	☐	Award Letter
☐	☐	Application
☐	☐	Public Correspondence

OTHER **(Use back side if additional space is needed)**

☒	☒	Fiscal Responsibility and Feasibility Report (OEWD) January 8, 2013
☐	☐	
☐	☐	
☐	☐	
☐	☐	
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Completed by: Victor Young **Date** January 25, 2013
Completed by: Victor Young **Date** 1-31-13

AMENDED IN COMMITTEE
1/30/13

FILE NO. 121201 RESOLUTION NO.

[Finding of Fiscal Feasibility - Moscone Center Expansion Project]

Resolution finding that a project proposed by the City to expand and renovate the North and South exhibit halls of the Moscone Convention Center, including reconfiguring the North and South exhibit halls to create additional contiguous exhibit space, a new ballroom, new loading and building service space, and improvements to the landscaping, urban design, and public realm, within and adjacent to the North and South exhibit halls, is fiscally feasible and responsible under Administrative Code, Chapter 29.

WHEREAS, The Successor to the San Francisco Redevelopment Agency (the "Agency") owns and the City and County of San Francisco (the "City") leases from the Agency approximately 5 acres located at 720 Howard Street, which is currently improved with the North exhibit hall of the Moscone Convention Center ("Moscone North"), and approximately 10 acres located at 747 Howard Street, which is the South exhibit hall ("Moscone South") of the Moscone Convention Center; and

WHEREAS, The City, with the authorization of the Agency, and acting through its Department of Public Works ("DPW") and Office of Economic and Workforce Development ("OEWD"), and the San Francisco Tourism Improvement District Management Corporation ("SFTIDMC"), in its capacity as owners association on behalf of the San Francisco Tourist Improvement District ("TID"), proposes to build, finance and operate a development project consisting of the renovation and expansion of Moscone North and Moscone South (the "Project").

WHEREAS, The Project would reconfigure Moscone North and Moscone South to create up to 550,000 square feet of contiguous exhibit space, which would be accomplished by connecting existing space within the center, and constructing a new 35,000 to 75,000 gross square foot ballroom, up to 200,000 square feet of new convention and meeting space, and up to 100,000 square feet of loading and building service space, and

WHEREAS, The Moscone Center contributes significantly to the City's economy, generating $1.8 billion in spending in the City in 2011 from persons attending meetings, conventions and trade shows, and

WHEREAS, The Moscone Center is the smallest among 13 convention centers with which it is most competitive, and convention centers in at least two cities, Los Angeles and San Diego, have completed expansion or are in the process of expanding, while at least one, Las Vegas, is putting substantial capital into renovating the public spaces in and around its convention center; and

WHEREAS, The Moscone Center has reported record attendance in recent years, compounding the need for additional space, as San Francisco ranks particularly favorably among international convention attendees due to the large amount of direct air service to San Francisco International Airport, particularly from countries in Asia; and

WHEREAS, Meeting planners have reported that the current lack of contiguous space is a serious detriment to their ability to book Moscone Center and San Francisco, which has resulted in a loss of approximately $2 trillion in direct spending as a result of lack of available space for conventions with dates between 2010 and 2019, as these events instead booked convention centers in Chicago, Las Vegas, San Diego and other cities, taking with them delegate spending, tax revenue and other economic impact; and

WHEREAS, The Moscone Expansion Project will be financed via a partnership between the tourist hotel community and the City, with the tourist hotels located within the proposed Moscone Expansion District (the "District") paying their share of expansion-related costs out of special tax assessments, and the City paying its share of expansion-related costs out of general fund revenues or other funds and sources; and

WHEREAS, The District and City would each pledge revenues to pay principal, interest and related financing costs on payments of any bond, financing lease (including certificates of participation), or other similar obligations of the City that will be issued to facilitate the expansion, and based on this shared-cost scenario; and

WHEREAS, The City is expected to derive significant economic benefits in return for its financial commitment, as the Moscone Center Expansion Project would generate construction jobs, and additional economic activity in the form of increased spending for local businesses and increased tax revenue for the City; and

WHEREAS, Administrative Code Section 29.2 requires that, before submitting an environmental evaluation application (an "Environmental Application") to the Planning Department under Administrative Code Chapter 31 and the California Environmental Quality Act, Public Resources Code Sections 21000 and Guidelines for Implementation of the California Environmental Quality Act, Title 14, Division 6, Chapter 3 of the California Code of Regulations (collectively, "CEQA") related to the proposed Project, the sponsoring City department must procure from the Board of Supervisors a determination that the plan to undertake and implement the proposed Project is fiscally feasible and responsible; and

WHEREAS, Because the cost to construct the Project will exceed $25 million, the proposed Project is subject to the process set forth in Administrative Code Chapter 29 for the Board of Supervisors to determine whether the Project is fiscally feasible and responsible; and

WHEREAS, The Mayor's Office on Economic and Workforce Development has prepared a fiscal feasibility analysis for the proposed Project, which meets the requirements of Administrative Code Chapter 29.1 (the "Fiscal Feasibility Report"), which report is on file with the Clerk of the Board of Supervisors in File No. 121201, and is hereby incorporated by this reference as part of the Resolution as if fully set forth herein; and

WHEREAS, The Fiscal Feasibility Report shows that the Project would generate substantial fiscal benefits for the City, including thousands of jobs and tens of millions of dollars a year in tax and other revenues; and

WHEREAS, Under Administrative Code Section 29.3, DPW, OEWD, and TID have submitted to the Board of Supervisors a general description of the proposed Project, the general purpose of the proposed Project, and preliminary fiscal plan that consists of the Fiscal Feasibility Report; and

WHEREAS, The Board of Supervisors has reviewed and considered the general description of the proposed Project, the general purpose and intended public benefits of the proposed Project, the Fiscal Feasibility Report and other information submitted to it in connection with the Project and has considered: (1) the direct and indirect financial benefits of the Project to the City, including to the extent applicable cost savings or new revenues, including tax revenues, generated by the proposed Project; (2) the estimated costs of construction for the proposed Project; (3) the anticipated available funding sources for the proposed Project; (4) the long-term operating and maintenance costs of the proposed Project; and, (5) the debt load to be carried by the City and the District; now, therefore, be it

RESOLVED, That the Board of Supervisors finds that the plan to undertake and implement the proposed Project is fiscally feasible and responsible under San Francisco Administrative Code Chapter 29*, subject to the consideration and final approval by this Board* of the resolution of formation of the Moscone Expansion District located in Board of Supervisor's File No. 130043; and, be it

FURTHER RESOLVED, That under San Francisco Administrative Code Chapter 29, the Environmental Application for the Project may now be filed with the Planning Department and the Planning Department may undertake environmental review of the proposed Project as required by Administrative Code Chapter 31 and CEQA; and, be it

FURTHER RESOLVED, That the City will conduct environmental review of the proposed Project under CEQA and nothing in this resolution approves or implements the proposed Project or any of its related facilities, grants any entitlements for the proposed Project or includes any determination as to whether the City should approve the proposed Project; nor does adoption of this resolution foreclose the possibility of considering alternatives to the proposed Project, adopting mitigation measures or deciding not to approve the proposed Project after conducting appropriate environmental review under CEQA. Any development of the Project shall be conditioned on the receipt of all required regulatory approvals, including, but not limited to, approvals from various City and State regulatory agencies with jurisdiction, following completion of the CEQA process, including required public review.

Items 5, 6 and 7 - Files 12-1201, 13-0016 and 13-0015	Departments: Department of Public Works (DPW) Office of Economic and Workforce Development (OEWD) Convention Facilities Department , General Services Agency

EXECUTIVE SUMMARY

Legislative Objectives

- Resolution (File 12-1201) finding that the proposed expansion of the North and South exhibit halls in Moscone Convention Center is fiscally feasible and responsible in accordance with Administrative Code Chapter 29.
- Ordinance (File 13-0016) authorizing execution of Certificates of Participation (COPs) not to exceed $507,880,000 to finance the expansion of Moscone Convention Center; approving the form of the Trust Agreement; authorizing the selection of the Trustee; approving respective forms of a Property Lease and a Project Lease; authorizing the execution and delivery of Assessment Notes payable from Moscone Expansion District assessments to further secure principal, premium and interest evidenced and represented by the Certificates; granting general authority to City officials to take necessary actions; approving modifications to documents and agreements; and ratifying previous actions taken.
- Ordinance (File 13-0015) appropriating $507,880,000 of Certificates of Participation (COPs) proceeds to fund the Moscone Center Expansion Project in the General Services Agency, Office of the City Administrator for FY 2012-13 and placing these funds on Controller's Reserve pending issuance of the COPs or associated commercial paper used for cash flow purposes in FY 2012-13.

Key Points

- Administrative Code Chapter 29 requires that certain development projects be submitted to the Board of Supervisors for approval of the project's fiscal feasibility prior to submitting the project to the Planning Department for environmental review. The finding that the proposed expansion of Moscone Convention Center is fiscally feasible does not commit the Board of Supervisors to future approval of environmental findings under the California Environmental Quality Act (CEQA).
- Moscone Convention Center (Moscone North, South and West) currently includes a total of 1,043,000 gross square feet, which is proposed to increase to 1,414,000 square feet, an increase of 371,000 square feet, or 35%, at an estimated cost of up to $500 million, which would include (a) demolition of a portion of the existing support building at 3rd and Howard Streets and replacement with a larger building, (b) excavation and reconfiguring of the North and South halls to create additional contiguous exhibit space, (c) elimination of the front driveways for expanded useable space on Moscone North and South, and (d) improvements to the landscaping, streetscape and urban design.
- On November 20, 2012, the Board of Supervisors approved a Resolution of Intent (File 12-0989; Resolution 416-12) to form a new 32-year Moscone Expansion District (MED) and levy hotel assessments to support the proposed $500 million expansion of Moscone, which

will be considered by the Board of Supervisors on February 5, 2013, as a Committee of the Whole (File 13-0043), after the results of the hotel's election are determined.

Fiscal Impacts

- The not to exceed $500 million for the Moscone Expansion Project, with debt financing costs, is estimated to cost a total of $1,105,915,860, including (a) $5,238,860 of available General Funds, (b) $82,625,000 of available MED funds, (c) $21,536,000 for furniture, fixtures, equipment and additional rental costs, and (d) $996,516,000 for Certificates of Participation (COPs) total debt service (principal and interest).
- The total estimated $996,516,000 COPs debt service includes $483,695,000 of principal and $512,821,000 of interest based on a conservative 6% interest rate over 30 years, or an average annual debt service cost of $35,590,000. The COPs would be issued in 2017.
- The total $996,516,000 Moscone Convention Center Expansion COPs principal and interest cost would be repaid with (a) a conservatively estimated $699,212,000 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 proposed expansion of Moscone would: (1) yield annual additional tax revenues to the City of approximately $5.8 million in FY 2017-18 and up to $7.6 million in FY 2021-22; (2) generate an estimated 2,408 to 3,407 new one-time construction jobs and up to 945 ongoing, permanent jobs by FY 2021-22; (3) provide an estimated $382 million in construction expenditures, or an estimated $1,030 per square foot for 371,000 additional square feet; (4) be financed with $82,625,000 of available hotel assessment fees and $5,238,860 of available City General Funds, or approximately 8% of the total $1,105,915,860 project costs; (5) increase Moscone's ongoing maintenance and operating costs by approximately $1.3 million annually, to be paid by the City's General Fund; and (6) result in $996,516,000 COPs principal and interest expenses to be repaid with (a) conservative $699,212,000 from MED hotel assessments from 2013 through 2045, and (b) $297,304,000 of General Fund contributions from 2019 through 2047, ranging from $8,200,000 to $10,700,000 per year.
- The proposed fiscal feasibility is predicated on receiving an estimated total of $699,212,000 from the annual MED hotel assessments from 2013 through 2045 to fund the proposed Moscone Expansion Project, such that the proposed Moscone Expansion Project is not fiscally feasible without these additional annual hotel assessments. However, the decision to establish the MED and levy these additional hotel assessments will not be determined until February 5, 2013, when the ballots are tabulated and the Board of Supervisors sits as a Committee of the Whole.

Recommendations

- Amend the proposed resolution (File 12-1201) and the two proposed ordinances (Files 13-0016 and 13-0015) to add a Further Resolved clause that the Board of Supervisors finds the proposed Project is fiscally feasible and responsible subject to the approval by the Board of Supervisors to create and levy the associated MED hotel assessments (File 13-0043) on February 5, 2013, when the Board of Supervisors will consider this matter.
- Approve the proposed resolution and ordinances, as amended.

MANDATE STATEMENT

Chapter 29 of the City's Administrative Code requires Board of Supervisors approval of certain projects to determine the project's fiscal feasibility[1] prior to submitting the project to the Planning Department for environmental review if (a) the project is subject to environmental review under the California Environmental Quality Act (CEQA), (b) total project costs are estimated to exceed $25,000,000, and (c) construction costs are estimated to exceed $1,000,000.

Chapter 29 specifies five areas for the Board of Supervisors to consider when reviewing the fiscal feasibility of a project, including the (1) direct and indirect financial benefits to the City, (2) construction costs, (3) available funding, (4) long term operating and maintenance costs, and (5) debt load carried by the relevant City Department. Chapter 29 also limits the definition of "fiscal feasibility" to mean only that the project merits further evaluation and environmental review.

Charter Section 9.118 requires any agreement with a term of more than ten years or expenditures of more than $10,000,000 be subject to approval by the Board of Supervisors. The proposed issuance of not to exceed $507,880,000 Certificates of Participation requires the City to enter into an agreement which exceeds ten years and $10,000,000. In addition, Charter Section 9.105 requires that amendments to the Annual Appropriation Ordinance be approved by ordinance of the Board of Supervisors, subject to the Controller certifying the availability of funds.

BACKGROUND

Moscone Convention Center

The George Moscone Convention Center (Moscone) was originally constructed in 1981 as a single 300,000 square foot convention facility on Howard Street, which is now known as Moscone South between 3rd and 4th Streets, adjacent to Yerba Buena Gardens. Moscone expanded in 1992 with the addition of Moscone North and the Esplanade Ballroom and again expanded in 2003 with the addition of Moscone West and now encompasses over 20 acres of convention facility space on three adjacent blocks, as shown in Figure 1 below. Renovations of Moscone were recently completed in May of 2012, which included restroom, lobby and kitchen renovations, digital and telecom upgrades, elevator and escalator improvements, and new carpeting, painting and lighting at a cost of $56 million.

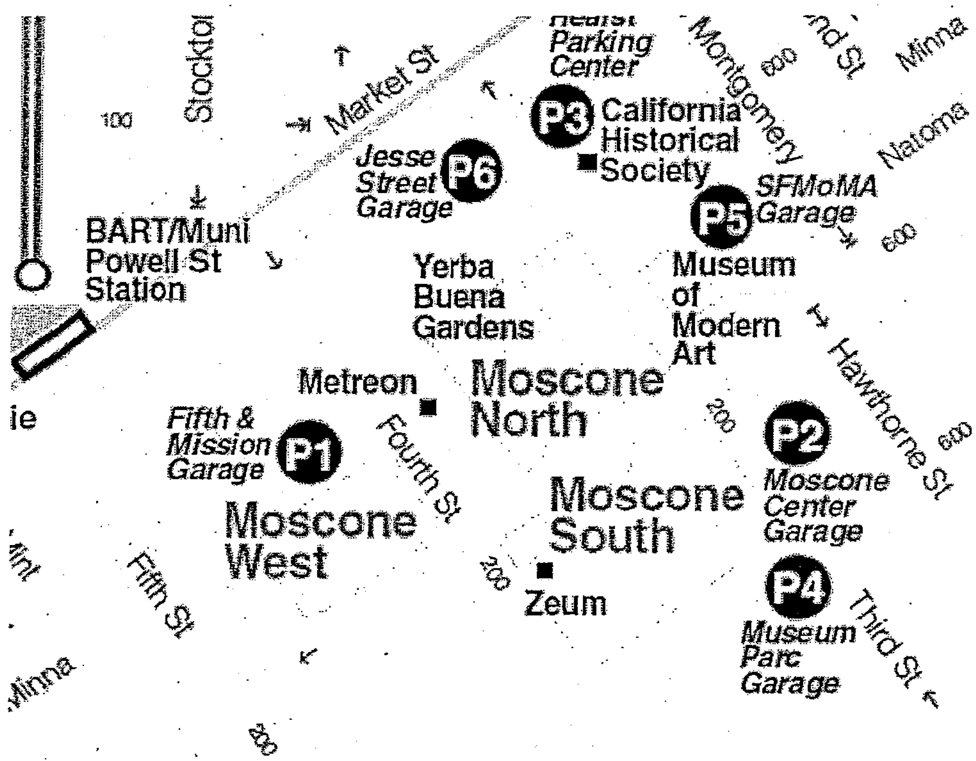
Moscone West currently includes a total of 774,000 gross square feet, comprising 380,154 square feet of rentable space plus 393,846 square feet of support space, which is not proposed to change under the proposed Moscone Expansion Plan. Moscone North and South currently

[1] Chapter 29 excludes various types of projects from the fiscal feasibility requirement, including (a) any utilities improvement project by the Public Utilities Commission, (b) projects with more than 75 percent of funding from the San Francisco Transportation Authority, and (c) projects approved by the voters of San Francisco.

includes a total of 1,043,000 gross square feet, comprising 583,135 square feet of rentable space plus 459,865 square feet of support space. Moscone North and South rentable space includes:

- 28,800 square feet of lobby area;
- 260,560 square feet of contiguous exhibit space in Moscone South;
- 138,684 square feet of exhibit space in Moscone North;
- 42,675 square feet of ballroom space at 3rd and Howard; and
- 112,416 square feet of meeting and flexible space in over 100 meeting rooms.

Figure 1: Map of Moscone Convention Center



Source: Moscone Convention Center website.

Moscone is owned by the City and County of San Francisco and the Office of Community Investment and Infrastructure (the successor agency the San Francisco Redevelopment Agency). The Convention Facilities Department within the General Services Agency operates and maintains Moscone through contracts with (a) San Francisco Travel[2] to promote the City as a destination for conventions, meetings and tradeshows, and (b) Moscone Joint Venture[3], a private firm to manage the daily operations of Moscone.

Current Moscone Capital Expenses

Ms. Nadia Sesay, Director of the Office of Public Finance advises that, in order to pay for the initial construction of Moscone North and South, the former San Francisco Redevelopment Agency (SFRA) issued lease revenue bonds and to finance the construction of Moscone West, the City issued lease revenue bonds. Both the SFRA and the City subsequently refunded these initial lease revenue bonds, such that, as shown in Attachment I, the current long term Moscone obligations total approximately $370.4 million for the City. According to Ms. Sesay, the City is currently paying a total of approximately $30 million annually through 2019 declining to approximately $11 million through final maturity in 2030 from dedicated Hotel Tax revenues to repay these long term debt obligations related to Moscone.

In addition, as noted above, in May of 2012 the City completed a $56 million renovation of Moscone. Of the $56 million, $21 million was funded with Tourism Improvement District (TID) hotel assessments and $35 million from City General Funds. Ms. Sesay advises that the City used available funds, and issued commercial paper to fund the balance of these renovation costs, such that the City will be issuing an anticipated $45.5 of COPs to refund the commercial paper, to be repaid with an estimated $8.2 million annual General Fund contribution through 2018.

Proposed Expansion of Moscone Convention Center

According to Mr. John Noguchi, Director of the Convention Facilities Department, the existing three-building configuration of Moscone is effectively filled to capacity and cannot accommodate many of the existing convention market needs. As a result, Mr. Noguchi reports that it is difficult to retain or significantly grow the San Francisco convention market, without providing additional contiguous exhibition space and additional meeting rooms. Based on surveys conducted by the Moscone Joint Venture of the corporate convention users, medical and financial associations, as well as tradeshows, the Convention Facilities Department, working with the Office of Economic and Workforce Development, the Department of Public Works and the Controller's Office of Public Financing is proposing an estimated up to $500 million expansion of Moscone to:

[2] San Francisco Travel, previously known as the San Francisco Convention and Visitors Bureau, is a nonprofit organization which currently has an annual $1.2 million agreement with the City to promote San Francisco as a premier destination for conventions, meetings, events and leisure travel, funded through Grants for the Arts Hotel Tax revenues and the Office of Economic and Workforce Development General Fund revenues.

[3] Moscone Joint Venture, a private consortium of Spectator Management Group (SMG), currently has an eight-year agreement with the City, which extends through June 30, 2017, to manage the day-to-day operations of Moscone Convention Center at a FY 2012-13 budgeted cost of $28,481,068, paid by the City's General Fund.

- increase the overall gross square footage from 1,043,000 to 1,414,000, an increase of 371,000 square feet, within the existing Moscone perimeter;
- demolish a portion of the existing Esplanade building at 3rd and Howard Streets and construct a new 4-story building, including a new lobby, multipurpose meeting rooms, ballrooms and support spaces above ground;
- demolish the existing Moscone South lobby and replace with a new 2-story building that eliminates the front driveway area and provides an enlarged lobby, meeting rooms, ballroom, circulation and support space;
- expand Moscone South and Moscone North by excavating additional areas under Howard Street and retrofitting existing lower level support space to create enlarged contiguous exhibition spaces;
- eliminate front driveway area to convert Moscone North with new expanded lobby;
- construct a new foot access bridge across Howard Street to provide public and internal access between Moscone North and South buildings; and
- enhance Moscone's physical interface with the surrounding area by providing improvements to the landscaping, urban design and streetscape.

Existing Tourism Improvement District (TID)

In 2008, the Board of Supervisors working with the City's hotel community, approved a 15-year Community Benefit District, entitled the San Francisco Tourism Improvement District (TID), to authorize 0.75% to 1.5% assessments on all tourist hotel room revenues received from January 1, 2009 through December 31, 2024 in two separate zones, as shown in Table 1 below (File 08-1517). The revenues generated from these hotel assessments were specifically designated to San Francisco Travel for the (a) promotion of San Francisco as a tourism destination, (b) renovation of Moscone, which was completed in May of 2012, and (c) exploration of potential expansion of Moscone. While the collection of hotel assessment revenues for the promotion of San Francisco as a tourism destination will continue through December 31, 2024, the assessment revenues dedicated to the renovation of Moscone and the potential expansion of Moscone will terminate on December 31, 2013.

Table 1: Existing Tourism Improvement District (TID) and Proposed Moscone Expansion District Assessment Rates

Existing Tourism Improvement District	**Zone 1[4]**	**Zone 2[5]**
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
Proposed Moscone Expansion District		
Commencement of the Assessment (no earlier than July 1, 2013) - 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 30, 2045)	1.25% of gross revenues	0.3125% of gross revenues
Total Assessments on Hotels in Districts		
Prior to December 31, 2013	2.0% of gross revenues	1.3125% of gross revenues
January 1, 2014 – December 31, 2024	2.25% of gross revenues	1.0625% of gross revenues
January 1, 2025 – June 30, 2045	1.25% of gross revenues	0.3125% of gross revenues

Proposed Moscone Expansion District (MED)

On November 20, 2012, the Board of Supervisors, again working with the City's hotel community, approved a Resolution of Intent (File 12-0989; Resolution 416-12) to form a new 32-year Moscone Expansion District, including adopting the Management District Plan, approving assessment ballots, hotel assessment rates, budgets, allocation of funds, governance structure and scheduling a public hearing to be held on this matter. Table 1 above shows the

[4] Zone 1 is defined as 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.

[5] Zone 2 is defined as all tourist hotels west of Van Ness Avenue and South Van Ness Avenue and tourist hotels south of 16th Street.

proposed dates and rates of assessments on hotel gross revenues for the proposed Moscone Expansion District, and the total assessments from both the existing Tourism Improvement District and the proposed Moscone Expansion District over time. Revenues generated by the proposed additional hotel assessments over the proposed 32-year period would be used to support the proposed $500 million expansion of Moscone.

The Department of Elections sent ballots to all tourist hotels in the City subject to the proposed Moscone Expansion District assessments on December 7, 2012. All ballots are due back by February 5, 2013. On February 5, 2013, the Board of Supervisors will sit as a Committee of the Whole and hold a public hearing on a resolution (File 13-0043) to establish the Moscone Expansion District, levy assessments against defined hotel businesses located in that District for 32 years, provide for the determination, imposition, collection and enforcement of the assessments and making environmental findings. After this public hearing is closed, the Department of Elections will tabulate the hotel ballots, and if the results are positive, the Board of Supervisors could approve the establishment of the Moscone Expansion District and levying the proposed hotel assessments. If the assessments are approved by a weighted majority of the hotels, and by the Board of Supervisors under the proposed legislation (File 13-0043), as shown in Table 1 above, the Moscone Expansion District could commence imposing assessments as early as July 1, 2013.

On January 23, 2012, the Budget and Finance Committee held a hearing of persons interested in or objecting to the proposed establishment the Moscone Expansion District and ordering the levy and collection of assessments of hotel properties in the District (File 12-1230).

Status of the Moscone Expansion Project

According to Mr. Brook Mebrahtu, Senior Project Manager for the Department of Public Works (DPW), the Moscone Expansion Project would be overseen and managed by the Department of Public Works. Mr. Mebrahtu advises that the existing Tourism Improvement District (TID), working with the City in early 2012, issued a Request for Proposals (RFP), to complete the design for the proposed Moscone Expansion Project. Mr. Mebrahtu advises that seven architectural firms responded and based on qualifications five firms were interviewed[6] and a panel that included City and TID representatives evaluated the proposals and selected Skidmore Owens and Merrill (SOM) to complete the design using hotel assessment funds, with the initial phase, conceptual design, at a cost of $1.4 million. SOM is currently completing this conceptual design phase, which extended from May 2012 through January 2013.

Mr. Mebrahtu advises that in 2012, the City again working with the TID, issued a RFP for a Construction Manager/General Contractor (CMGC) to oversee the management and construction of the Moscone Expansion Project. According to Mr. Mebrahtu, the TID received five bids[7], and based on a similar evaluation process, on January 10, 2013, the TID awarded a $4.1 million initial pre-construction agreement to WebCor. Pre-construction activities are

[6] The five design firms interviewed were (1) HOK/Populous, (2) Fentress/Kwan Henmi, (3) Gensler/Michael Willis, (4) Heller Manus/Woods, and (5) SOM/Cavagnero.
[7] The five CMGC bids were from (1) Suffolk/Turner Construction, (2) Clark Construction, (3) Hunt Construction, (4) Hathaway Dinwiddie, and (5) WebCor.

anticipated to extend for 23 months from January 2013 through November 2014. Construction is then anticipated to extend for 38 months from December 2014 through February 2018. The overall Moscone Expansion Project is estimated to cost up to $500 million, with approximately $360 million for construction costs.

According to Mr. Mebrahtu, completion of the Moscone Expansion Project will be phased in order to minimize the disruption of operations of Moscone convention activities during the construction. In this regard, Mr. Mebrahtu advises that the first phase would include demolition of a portion of the existing Esplanade building at 3rd and Howard Streets in order to construct a new 4-story building, which would include a new lobby, multipurpose meeting rooms, ballrooms and support spaces above ground, which could be used while other portions of Moscone North and South are under construction. Mr. Adam Van de Water of the Office of Economic and Workforce Development (OEWD), notes that there is a 3-week window in late December 2014 to early January 2015, when no activities are scheduled at Moscone, such that this timeframe is critical to undertake major construction work on Moscone, in order to minimize the impact on Moscone revenues, operations and to complete construction on time.

DETAILS OF PROPOSED LEGISLATION

File 12-1201: Resolution finding that the proposed expansion and renovation of the North and South exhibit halls in the Moscone Convention Center, including reconfiguring the North and South exhibit halls to create additional contiguous exhibit space, a new ballroom, new loading and building service space and improvements to the landscaping, urban design and public realm, within and adjacent to the North and South exhibit halls, is fiscally feasible and responsible under Administrative Code, Chapter 29.

File 13-0016: Ordinance authorizing the execution and delivery of Certificates of Participation (COPs) evidencing and representing an aggregate principal amount not to exceed $507,880,000 to finance the costs of additions and improvements to the George R Moscone Convention Center; approving the form of Trust Agreement between City and Trustee; authorizing the selection of the Trustee by the Director of Public Finance; approving respective forms of a Property Lease and a Project Lease, each between the City and the Trustee for the lease and lease-back of all or a portion of the Moscone Center, including the Moscone Expansion Project to be constructed thereon; authorizing the execution and delivery of Assessment Notes payable from Moscone Expansion District assessments to further secure principal, premium, if any, and interest evidenced and represented by the COPs; granting general authority to City officials to take necessary actions in connection with this authorization, issuance, sale and delivery of the COPs and the Assessment Notes; approving modifications to documents and agreements; and ratifying previous actions taken in connection therewith.

File 13-0015: Ordinance appropriating $507,880,000 of Certificates of Participation (COPs) proceeds to fund the Moscone Center Expansion Project in the General Services Agency, Office of the City Administrator for FY 2012-13 and placing these funds on Controller's Reserve pending issuance of the COPs or associated commercial paper used for cash flow purposes in FY 2012-13.

MAJOR PARAMETERS

Table 2 below, prepared by the Budget and Legislative Analyst, summarizes the major parameters of the proposed Moscone Convention Center Expansion Project, incorporating provisions of the proposed resolution (File 12-1201) and the two proposed ordinances (Files 13-0015 and 13-0016):

Table 2: Summary of Proposed Moscone Expansion Project

Total Project Cost	- Up to $500,000,000
Debt Financing	- Request for up to $507,880,000 City Certificates of Participation (COPs); - City expects to issue $483,695,000 of COPs in Spring, 2017, with additional authorization to allow for fluctuations in interest rates and related reserve funds from time authorized by Board of Supervisors until actual issuance; - City anticipates issuing interim commercial paper to pay preliminary project costs as expenditures are incurred for design, planning and permitting.
Term of COPs	- 30 Years, from 2017 through 2047
Third-Party Trustee Agreement	- Agreement provides for terms of COPs, such as prepayment, default, and other administrative provisions; - Director of Public Finance would select third-party trustee based on lowest fees, and other criteria, based on competitive request for proposal or negotiations[8]; - City makes annual base rental payments to third-party trustee in amounts required to repay the COPs; - Third-party trustee holds proceeds from the sale of COPs, administers and disburses COP payments for costs incurred for the Moscone Expansion Project and enforces covenants and remedies, in event of default by City; - After COPs are fully repaid, trustee agreement would terminate.
Property Lease	- City would lease a portion of City-owned Moscone property, including the expansion project, to third-party trustee. - After COPs are fully repaid, property lease would terminate.
Project Lease	- City would lease-back the leased property (Moscone), together with the proposed Moscone expansion improvements that are financed with the proceeds from the COPs, from the third-party trustee. - After COPs are fully repaid, project lease would terminate.
Assessment Notes	- Issuance of Assessment Notes in an amount not to exceed the authorized COPs to validate (a) formation of the hotel assessment district, and (b) levy hotel assessments, to ensure that debt service is repaid primarily from assessments levied on hotels in the Moscone Expansion District and not the City's General Fund, in accordance with the District Management Plan.
City Capital	- $1,700,000 in FY 2012-13 for pre-development costs;

[8] Ms. Sesay advises that whether a competitive request for proposal or negotiated agreement is completed will be based on market conditions at the time of issuance.

Contributions from General Fund	- $3,538,860 in FY 2013-14 for project management costs; - $8,200,000 in FY 2019-20, increasing 3% per year through FY 2028-29; - $10,700,000 annually for remainder of term, or through 2047.
Moscone Expansion District Assessment Contributions	- 87.5% of hotel assessments would be allocated to Moscone Expansion Project, estimated to be approximately $17 million in FY 2013-14; - Percentage allocation to Project would decrease to 82.5% over time; - Over 32-year term of District, estimated to generate $829,073,000 contribution for Moscone Expansion Project although $699,212,000 estimated required contribution to repay the COPs.
Other Moscone Expansion District Assessment Allocations	- 1% of assessments toward Capital Reserve for future renovations and improvements of Moscone, which will increase to 6% over time; - 9% for a Moscone Convention Incentive Fund, to attract conventions and meetings to San Francisco, decreasing to 8% over time; - 2.5% for administration of Moscone Expansion District and operating contingency; - 1% beginning in 2018 for a Convention Sales and Marketing Fund.
Annual Debt Service Repayments and Shortfalls	- City's General Fund secures the repayment of the COPs; - City responsible to fund any annual shortfalls from the General Fund to finance debt service, to be repaid from future annual 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 contributions.

Not to Exceed $500 Million for Moscone Expansion Project

Table 3 below summarizes the total not to exceed $500,000,000 budget for the Moscone Expansion Project. Attachment II provided by Mr. Mebrahtu, provides additional detail on an initial preliminary $500,000,000 budget for the Moscone Expansion Project.

Table 3: Estimated Project Budget

Preconstruction, Construction, Demolition, Abatement	$388,246,465
Architecture, Engineering, Permits, Other Soft Costs	63,342,536
Site Control/Moving Expenses	1,800,000
Other Program Costs	33,780,000
Furniture, Fixtures and Equipment	12,831,000
Total Uses	**$500,000,000**

Total Costs of the Proposed Moscone Expansion Project

As shown in Attachment III, provided by Ms. Sesay, DPW's estimated cost of up to $500 million for the five-year Moscone Convention Center Expansion, with debt financing costs included, is projected to cost a total of $1,105,915,860, including (a) $5,238,860 of available General Funds, (b) $82,625,000 of available MED funds, (c) $21,536,000 for furniture, fixtures, equipment and additional rental costs, and (d) $996,516,000 for Certificates of Participation (COPs) total debt service, including issuance of the principal amount of $483,695,000 COPs, with interest expenses of an estimated $512,821,000.

Certificates of Participation (COPs)

Table 4 below, provided by Ms. Sesay, summarizes the sources and uses of the estimated $483,695,000 COPs.

Table 4: Estimated Sources and Uses of Funds from COPs

Sources of Funds	
Certificates of Participation (COPs)	$483,695,000
Total Sources	**$483,695,000**
Uses of Funds	
Project Fund	$400,551,140
Controller's Audit Fund	798,610
Subtotal Project Fund Deposit	**$401,349,750**
Debt Service Reserve	35,592,500
Capitalized Interest Fund thru 9/20/18	41,114,075
Other Costs of Issuance	801,725
Other Underwriters Discount	4,836,950
Total Uses	**$483,695,000**

Ms. Sesay advises that the estimated $483,695,000 COPs are anticipated to be issued in the spring of 2017 for 30 years. Projected at a conservative 6% interest rate, the estimated $483,695,000 of principal would result in $512,821,000 of interest expense over the 30 years, a total of $996,516,000 or an average annual payment of $35,590,000. The proposed ordinance (File 13-0016) would approve the issuance of a not-to-exceed $507,880,000 Moscone Convention Center Expansion COPs. The Budget and Legislative Analyst questioned the additional authorization authority request totaling $24,185,000 ($507,880,000 less $483,695,000). Ms. Sesay advises that the Office of Public Finance is requesting this additional authorization, which reflects a 5% increase more than the current estimated issuance amount, to allow for fluctuations in interest rates and related reserve funds, including potentially significant additional capitalized interest expenses depending on when the COPs are issued.

The proposed ordinance (File 13-0015) would also appropriate up to the total not-to-exceed $507,880,000 of COPs proceeds to fund the Moscone Center Expansion Project and place these funds on Controller's Reserve pending issuance of the COPs or associated commercial paper used for cash flow purposes in FY 2012-13. According to Ms. Sesay, the proposed appropriation ordinance is being requested at this time in order to authorize the expenditures from the issuance of commercial paper in 2013 and allow expenditures from the subject hotel assessments.

Funding Sources and Amounts

As detailed in Attachment III and summarized in Table 5 below, the total $996,516,000 Moscone Convention Center Expansion COPs principal and interest cost would be repaid with (a) a conservatively estimated $699,212,000[9] or 70% from annual MED assessments from 2013 through 2045 assuming 87.5% of the assessments in 2013 declining to 82.5% of the assessments by 2023 at a 1.25% hotel assessment rate in Zone 1[10] and a .3125 hotel assessment rate in Zone 2, and (b) a total of $297,304,000 or 30% of annual City General Fund contributions from 2019 through 2047, ranging from $8,200,000 to $10,700,000 per year. Over the past five years, the City's General Fund has funded $8,200,000 annually for the Moscone Convention Center renovations, which will continue through 2018.

Table 5: Certificates of Participation Anticipated Repayments

COPs Repayments over 30 Years	Amounts	Percent
MED Hotel Assessments	$699,212,000	70%
City General Fund	297,304,000	30%
Total COP Repayments	**$996,516,000**	**100%**

As shown in Table 5 above, MED hotel assessments are assumed to cover $699,212,000 or 70% of the total COP repayments. However, in accordance with the MED Plan, the MED hotel assessments could generate a maximum allowable $5,766,814,000 over the 32-year term of the district, which assumes 10% annual increases. However, such 10% annual increases are not projected to occur, such that the actual collections are likely to be considerably less.

As also shown in Attachment III, 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 $6,315,000 in 2019 decreasing to $725,000 in 2026, which would be paid back through MED assessment surpluses in later years, as future hotel revenues and assessments increase. Under the MED's 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.

Ms. Sesay estimates MED surplus assessment revenues totaling $169,874,000 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 replenished through the term of the COPs, (b) to fund an estimated $25,487,000 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 $28,750,000 prior year deficits paid by the City and then reimbursed by MED, and (d) to fund an estimated $100,637,000 for potential additional expansions of the Moscone Convention Center in the future, as detailed in Attachment III.

[9] The estimated $699,212,000 to repay the COPs is in addition to the initially available $82,625,000 from the hotel assessments and an estimated $12,831,000 for furniture, fixtures and equipment.

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

FISCAL FEASIBILITY ANALYSIS

As discussed in the Mandate Statement Section above, Chapter 29 of the City's Administrative Code requires that certain projects be submitted to the Board of Supervisors for approval of the project's fiscal feasibility prior to submitting the project to the Planning Department for environmental review if: (a) the project is subject to environmental review under the California Environmental Quality Act (CEQA); (b) total project costs are estimated to exceed $25,000,000; and, (c) construction costs are estimated to exceed $1,000,000. Mr. Van de Water advises that if the Board of Supervisors approves the proposed resolution finding that the Moscone Expansion Project is fiscally feasible, the City will immediately proceed with environmental review in accordance with CEQA.

Chapter 29 of the City's Administrative Code specifies five areas for the Board of Supervisors to consider when reviewing the fiscal feasibility of a project, including: (1) direct and indirect financial benefits to the City; (2) construction costs; (3) available funding; (4) long term operating and maintenance costs; and (5) debt load carried by the relevant City Department. Chapter 29 also limits the definition of "fiscal feasibility" to mean only that the project merits further evaluation and environmental review. The finding that the proposed Moscone Convention Center project is fiscally feasible does not commit the Board of Supervisors to future approval of environmental findings under the California Environmental Quality Act (CEQA) or approval of any future contracts or agreements related to the Moscone Convention Center expansion and renovation project.

(1) Direct and Indirect Financial Benefits to the City

Direct Benefits

According to the San Francisco Travel Association (SF Travel)[11], a total of 16.35 million tourists visited San Francisco in 2011, spending approximately $8.46 billion, which generated a total of $526,271,694 of additional revenues for the City and County of San Francisco. Of this total 2011 tourist activity, SF Travel estimates that approximately 21 percent of the total spending or approximately $1.8 billion was related to conventions, trade shows and group meetings, or a calculated amount of approximately $110.5 million of tax and related revenues to the City.

On March 16, 2012, Jones Lang LaSalle Hotels (JLLH) submitted a comprehensive review[12] on the performance of Moscone's existing facilities, competitive environment, the potential for expansion and a hotel market analysis to the TID. This JLLH review concluded that the most likely scenario currently proposed for the Moscone Expansion Project would result in positive increased visitor spending in FY 2017-18 of approximately $56.6 million, resulting in additional

[11] San Francisco Travel Association's 2011 Visitor Industry Economic Impact Estimates, prepared by Economic Research Associates.

[12] Moscone Convention Center Expansion: Cost Benefit Phase II Analysis prepared for the San Francisco Tourism Improvement District Management, March 16, 2012.

tax benefits (hotel taxes, retail sales taxes and gross receipts taxes[13]) to San Francisco of approximately $5.8 million. Such visitor spending is projected to increase each year up to $76.8 million in FY 2021-22, which is estimated to generate additional annual tax benefits of $7.6 million to San Francisco.

Indirect Benefits

The JLLH review estimated a net increase of 3,480 local jobs from FY 2014-15 through FY 2021-22 would be created as a result of the proposed expansion of Moscone, primarily resulting from direct, indirect and induced visitor spending, or up to 945 annual jobs by FY 2021-22. In addition, based on the recent Controller's model estimates of 8.92 direct and indirect jobs created per $1 million of construction, and assuming an estimated $270 million to $382 million for construction of the proposed Moscone Expansion Project, this Project will generate an additional approximately 2,408 to 3,407 one-time construction related jobs.

(2) Construction Costs

As discussed above and detailed in Attachment II, the proposed Moscone Expansion Project is estimated to not exceed $500,000,000, including preliminary estimated costs of $381,726,465 for the principal construction contract, which includes (a) a construction escalator, (b) a design contingency, and (c) a construction contingency. Assuming total construction costs of $382 million, and based on the proposed Moscone Expansion Project resulting in an additional increase of 371,000 total square feet, the proposed Moscone Expansion Project construction alone will cost approximately $1,030 per square foot.

According to Mr. Mebrahtu, all of these costs are preliminary estimates. As the project proceeds, more detailed estimates, validation and refinements of projects costs will occur. Mr. Mebrahtu advises that if project costs are higher than estimated due to unforeseen conditions, prior to or after the commencement of the construction, the project will be scaled back, such that the completed project would not exceed $500 million.

Mr. Mebrahtu advises that a small portion of the improvements that were completed under the recent $56 million renovation of Moscone, such as the elevator and escalator upgrades, may need to be removed and reinstalled, as part of the Moscone Expansion Project. However, Mr. Mebrahtu notes that the recently renovated men's and women's restrooms in the existing Esplanade Ballroom support building at 3rd and Howard Streets would be demolished under the proposed Moscone Expansion Project. As of the writing of this report, there was no estimate of the cost of recent renovations, which would be required to be removed as part of the proposed Moscone Expansion Project.

(3) Available Funding

As discussed above and shown in Attachment III, DPW's estimated construction cost of up to $500 million for the five-year Moscone Convention Center Expansion is projected to be initially funded with (a) $5,238,860 of available City General Funds[14], and (b) $82,625,000 of available

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[13] This study actually computed Payroll Taxes, which were recently changed to gradually be replaced with Gross Receipts Taxes.

[14] 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.

MED funds[15]. The balance of the total estimated cost of $1,105,915,860 from all sources for the proposed Moscone Expansion Project would be funded with an initial estimated $67,493,140 of commercial paper to be repaid with issuance of longer term financing with an estimated $483,695,000 COPs. Therefore, a total of $87,863,860 ($5,238,860 plus $82,625,000), or approximately 8% of the total $1,105,915,860 project costs would be immediately available funds, subject to approval of the MED hotel assessment district.

(4) Ongoing Maintenance and Operating Costs

In FY 2011-12, the City received a total of $22,654,673 of operating income from Moscone, including rental income, catering and concession revenues and other operating revenues and incurred operating expenses totaling $26,883,055 for direct operations, management expenses and overhead. As a result, there was a net FY 2011-12 operating loss of $4,228,382, which was funded by the City's General Fund. The annual net operating loss is projected to increase to approximately $5,000,000 in FY 2012-13 and FY 2013-14, to be covered by the City's General Fund.

According to Mr. Noguchi, with completion of the proposed Moscone Expansion Project in 2018, annual operating income is projected to increase to a total of $35.5 million, with operating expenses increasing to a total of $41.8 million, or an estimated net operating loss of $6.3 million in FY 2017-18, an increase of approximately $1.3 million annually from the $5 million in FY 2012-13 and FY 2013-14. Such net operating losses are projected to continue and would need to be funded by the City's General Fund.

(5) Debt Load

As discussed above, the current long term Moscone debt obligations total approximately $370.4 million for the City, or annual payments of approximately $30 million through 2019, declining to approximately $11 million through 2030 from dedicated Hotel Tax revenues. In addition, the City recently completed a $56 million renovation of Moscone, to be funded with COPs to be issued in the near future, and repaid with TID hotel assessments plus an estimated $8.2 million of General Funds annually through 2018.

The proposed Moscone Convention Center Expansion is projected to be funded with an estimated $483,695,000 COPs for 30 years, at a conservative 6% interest rate, for a total cost of $996,516,000, including $483,695,000 of principal and $512,821,000 of interest, or an average annual payment of $35,590,000. The total $996,516,000 COPs principal and interest cost would be repaid with (a) a conservatively estimated total of $699,212,000 from annual MED assessments from 2013 through 2045, 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. 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 contributions of a maximum of $6,315,000 in 2019 decreasing to

[15] 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.

$725,000 in 2026, which would be paid back through MED assessment surpluses in later years, as future hotel revenues and assessments increase.

As discussed above, MED surplus assessment revenues totaling $169,874,000 would be used: (a) to fund a $15,000,000 Stabilization Fund, (b) to fund a $25,487,000 sinking fund, (c) to fund $28,750,000 of prior year deficits paid by the City, and (d) to fund $100,637,000 for potential additional expansions of the Moscone Convention Center.

The City and the Office of Community Investment and Infrastructure (successor agency to the SFRA) currently own Moscone and the City would own the proposed Moscone expansion area. In addition, the City would issue the proposed COPs, such that the City would ultimately be liable for repayment of the COPs debt. However, as noted above, as part of the proposed ordinance (File 13-0016) the City is including the issuance of Assessment Notes, which according to Mr. Mark Blake, Deputy City Attorney, would provide the legal underpinnings in the validation action relating to the (a) formation of the hotel assessment district, and (b) levy of the hotel assessments. Mr. Blake advises that a successful validation action will ensure that a portion of debt service on the COPs will be offset from assessments levied on hotels in the Moscone Expansion District.

CONCLUSIONS

Moscone Convention Center (Moscone North, South and West) currently includes a total of 1,043,000 gross square feet, which is projected to increase to 1,414,000 square feet, an increase of 371,000 square feet, or over 35%, at a cost of up to $500 million. Including the cost of financing, the not-to-exceed $500 million for the Moscone Expansion Project is estimated to cost a total of $1,105,915,860, including (a) $5,238,860 of available General Funds, (b) $82,625,000 of available MED funds, (c) $21,536,000 for furniture, fixtures, equipment and additional rental costs, and (d) $996,516,000 for Certificates of Participation (COPs) total debt service.

The $996,516,000 Moscone Convention Center Expansion COPs principal and interest cost would be repaid with (a) conservatively estimated $699,212,000 from annual MED assessments from 2013 through 2045, and (b) a total of $297,304,000 of City General Fund contributions from 2019 through 2047, ranging from $8,200,000 to $10,700,000 per year. 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 contributions of a maximum of $6,315,000 in 2019 decreasing to $725,000 in 2026, which would be paid back through MED assessment surpluses in later years, as future hotel revenues and assessments increase. Ms. Sesay estimates MED surplus assessment revenues totaling $169,874,000 would be used to pay back these shortfalls and fund necessary other reserve accounts.

Finding of Fiscal Feasibility

The proposed expansion of Moscone would:

(1) yield annual additional tax revenues to the City of approximately $5.8 million in FY 2017-18 up to $7.6 million in FY 2021-22;

(2) generate an estimated 2,408 to 3,407 new one-time construction jobs and up to 945 ongoing, permanent jobs by FY 2021-22;

(3) provide an estimated $382 million in construction expenditures for an additional 371,000 total square feet, or an estimated $1,030 per square foot;

(4) be financed with $82,625,000 of available hotel assessment fees, subject to separate approval based on the results from hotels ballots and by resolution of the Board of Supervisors and $5,238,860 of available City General Funds, or approximately 8% of the total $1,105,915,860 project costs;

(5) increase Moscone's ongoing maintenance and operating costs by approximately $1.3 million annually, to be paid by the City's General Fund; and

(6) result in total $996,516,000 COPs principal and interest cost to be repaid with (a) conservatively estimated $699,212,000 from MED hotel assessments from 2013 through 2045, and (b) $297,304,000 of General Fund contributions from 2019 through 2047, ranging from $8,200,000 to $10,700,000 per year.

Establishment of the Moscone Expansion District and Levying of Assessments

On November 20, 2012, the Board of Supervisors approved a Resolution of Intent (File 12-0989; Resolution 416-12) to form a new 32-year Moscone Expansion District, assessing hotels rates as shown in Table 1 above. The results of the voting on the election for this Moscone Expansion District will not be known until February 5, 2013, when the ballots are tabulated and the Board of Supervisors will consider approving a resolution to establish the Moscone Expansion District and levy the proposed hotel assessments (File 13-0043). However, the Budget and Finance Committee will be holding a public hearing and considering approval of the subject resolution to determine the fiscal feasibility and two proposed ordinances to issue COPs and appropriate the COP proceeds on January 30, 2013, prior to the determination of the outcome of the hotel assessment vote and approval by the Board of Supervisors. As discussed above, the proposed fiscal feasibility is predicated on receiving an estimated $82,625,000 of initially available hotel assessment revenues and a conservatively estimated $699,212,000 from these annual MED hotel assessments from 2013 through 2045 to fund the proposed Moscone Expansion Project.

Therefore, the Budget and Legislative Analyst advises that the proposed Moscone Expansion Project is not fiscally feasible without these additional annual hotel assessments. Therefore, the Board of Supervisors should not find the proposed Project fiscally feasible if (a) the Moscone Expansion District is not established, based on the results of the pending election by the hotels and (b) subsequently approved by resolution by the Board of Supervisors on February 5, 2013 (File 12-1201). Similarly, the Board of Supervisors should not approve the accompanying ordinances to authorize the issuance of up to $507,880,000 of COPs (File 13-0016) and appropriate the COP proceeds (File 13-0015), if the Moscone Expansion District is not approved on February 5, 2013.

However, if the hotel ballot results approve the creation of the proposed Moscone Expansion District and related assessments, which is subsequently approved by the Board of Supervisors, then based on the fiscal feasibility criteria and findings discussed above, the Budget and Legislative Analyst finds the proposed development to be fiscally feasible under Chapter 29 of the City's Administrative Code. Therefore, the proposed resolution and ordinances should be amended to clarify that approval is subject to approval of the proposed resolution (File 13-0043), which will not be determined by the Board of Supervisors until February 5, 2013.

RECOMMENDATIONS

1. Amend the proposed resolution (File 12-1201) and the two proposed ordinances (Files 13-0016 and 13-0015) to add a Further Resolved clause that the Board of Supervisors finds the proposed Project is fiscally feasible and responsible subject to the approval by the Board of Supervisors to create and levy the associated MED hotel assessments (File 13-0043) on February 5, 2013, when the Board of Supervisors will consider this matter.
2. Approve the proposed resolution and ordinances, as amended.

City and County of San Francisco

Moscone Long Term Lease Obligations -- City as Lesee [1] and Redevelopment Agency Hotel Tax Revenue Refunding Bonds

	1992 Lease Revenue Bonds (North) [2]	2011B Moscone Refunding COP (North)[2]	2011A Moscone Refunding COP (South)[3]	2011 Hotel Occupancy Tax Revenue Refunding Bonds[4]	Total Long-term Obligations Debt Service	2008-1,-2 Finance Corporation Moscone Lease Revenue Bonds [5] (West)	All Moscone Long Term Obligations
FY	Total Debt Service	Total Debt Service	Total Debt Service	Total Debt Service	TOTAL DEBT SERVICE	Total Debt Service	GRAND TOTAL DEBT SERVICE
2013	12,820,000	2,971,400	1,268,850	3,172,400	20,232,650	9,700,385	29,933,035
2014	6,705,000	7,256,350	2,199,600	3,083,800	19,244,750	9,710,526	28,955,276
2015	ref. by 2002	13,957,550	2,293,150	5,100,350	21,351,050	9,711,429	31,062,479
2016	ref. by 2002	13,963,850	2,380,650	5,018,750	21,363,250	9,902,250	31,265,500
2017	ref. by 2002	13,957,250	2,471,050	4,945,350	21,373,650	9,914,170	31,287,820
2018	ref. by 2002	13,956,250	2,566,375	4,829,750	21,352,375	9,919,199	31,271,574
2019		9,998,875	2,674,625	5,995,750	18,669,250	10,081,281	28,750,531
2020			2,772,875	4,520,250	7,293,125	10,029,250	17,322,375
2021			2,797,750	4,497,000	7,294,750	10,167,138	17,461,888
2022			2,791,500	4,501,500	7,293,000	10,288,895	17,581,895
2023			2,789,500	4,492,000	7,281,500	10,196,539	17,478,039
2024			2,372,000	4,653,750	7,025,750	10,294,101	17,319,851
2025			2,398,500	4,677,750	7,076,250	10,375,534	17,451,784
2026						10,440,836	10,440,836
2027						10,490,009	10,490,009
2028						10,721,035	10,721,035
2029						10,729,883	10,729,883
2030						10,920,584	10,920,584
	19,525,000	76,061,525	31,776,425	59,488,400	186,851,350	183,593,043	370,444,393

1 1988 Lease Revenue Bonds RETIRED on July 1, 2004 by 1992 Bonds Cross-Over Refunding

2 1992 Current Interest Lease Revenue Bonds REFUNDED by 2002 Lease Revenue Bonds and REFUNDED by 2011B Moscone COP. Only CABS (no semi-annual interest) remain outstanding

3 1994 Lease Revenue Bonds REFUNDED by 2004 Lease Revenue Bonds and REFUNDED by 2011A Moscone COP.

4 2011 Hotel Occupancy Tax Revenue Refunding Bonds refunded the Series 1994 and 1998 Hotel Occupancy Tax Revenue Bonds

5 (a) Mandatory sinking fund principal amortization schedule assumes level debt service if the average coupon is a constant 3.25% (each series identical in structure). Please keep in mind the interest rate is an estimate and is subject to change.
(b) Liquidity fee is .7100% annually, based on outstanding par.
(c) Remarketing fee is .0725% annually, based on outstanding par.

Moscone Expansion Project Budget | Attachment II

Job No: 7731A					Date:
Project: Moscone Expansion Project					Location:
		Amount			% of CP&I (uon)
		CITY	MED	City+MED	
TOTAL PROGRAM BUDGET		404,544,001	95,456,000	500,000,000	100.0%
1. PRECON, CONSTRUCTION, DEMOLITION AND ABATEMENT		335,743,257	52,503,208	388,246,465	77.6%
	1.0 Misc./Other Construction			0	
	1.1 Principal Construction Contract			381,726,465	
	1.2 Hazardous Materials Construction/Abatement			0	
	1.3 EIR Mitigation Requirements			6,520,000	
	1.4 Reimbursables	2,000,000		2,000,000	
2. SOFT COST - 3. SITE CONTROL - 4. PROGRAM COSTS - 5. FF&E		68,800,744	42,952,792	111,753,536	22.4%
	2.0 ART ENRICHMENT	5,446,239	0	5,446,239	2%
	2.1 CLIENT DEPARTMENT SERVICES	900,000	1,519,000	2,419,000	0%
	2.2 DPW PROJECT MANAGEMENT	5,850,000	210,000	6,060,000	1.2%
	2.3 ADMINISTRATIVE SERVICES	2,330,000	300,000	2,630,000	
	2.4 REGULATORY AGENCY APPROVALS	8,486,505	197,792	8,684,297	
	2.5 A/E/C SERVICES	10,208,000	27,895,000	38,103,000	10.8%
3. SITE CONTROL		1,800,000	0	1,800,000	
4. OTHER PROGRAM COSTS		33,780,000	0	33,780,000	
	4.0 - Unallocated Program Reserve	33,780,000		33,780,000	
5. FURNITURE, FIXTURES & EQUIPMENT		0	12,831,000	12,831,000	

REF: G:\DATA\PROJECT\Moscone TID-DPW Preliminary budget Dec 2012.xlsx

Attachment III

MED - OPTION 28A: W FFE - PARTIAL FY 2014; MED 1.25% 2014 THRU 2047; CITY CONTR $8.2M, 3% GROWTH THRU 2028, $10.7M 2029-2047; Sinking Fund 2046-2047; FM 2047

Sources	Comm Paper	City Contr	MED Cash	MED for FFE	2017 COPs	Agg
City Funded Thru 2014-15	-	5.24	-	-	-	$ 5.24
MED Cash/Pay as You Go	-	-	82.63	-	-	82.63
FF&E	-	-	-	12.83	-	12.83
COP/CP Proj Dep	67.49	-	-	-	331.81	399.31
Total Sources	67.49	5.24	82.63	12.83	331.81	$ 500.00
Uses						
Total Construction						$ 500.00
Funding Gap						

				Comm Paper				Uses						Sources						Excess Revenue:			169,874,000
Fiscal Year	Construction Draw Down			CP Proj Draw(Retire)	Beg Period Agg CP	Cap Int 1.50%	End Period Agg CP	City Contr	Pay as You Go (MED Cash)	Furniture Fixtures & Equipment	COPs Debt Svc 6.00%	Add'l Rental (300,000)	Total Uses	City Contrib	MED Assessment for Expansion	City Contr 2018 & later $ 8,200,000	Total Sources	Net Impact	Fund Balance	[illegible] 15,000,000	[illegible]	[illegible]	[illegible]
0 2013	5,820,000	5,820,000	5,820,000	1,120,000	1,120,000	17,000	1,137,000	(1,700,000)	(3,000,000)	-	-	-	(4,700,000)	1,700,000	3,000,000 [1]	-	4,700,000	-	-	-	-	-	-
1 2014	16,800,000	16,800,000	16,800,000	426,140	1,563,140	23,000	1,586,140	(3,538,860)	(12,835,000)	-	-	-	(16,373,860)	3,538,860	12,835,000 [2]	-	16,373,860	-	-	-	-	-	-
2 2015	30,200,000	30,200,000	30,200,000	11,110,000	12,696,140	190,000	12,886,140	-	(19,090,000)	-	-	-	(19,090,000)	-	19,090,000	-	19,090,000	-	-	-	-	-	-
3 2016	74,499,000	74,499,000	74,499,000	54,837,000	67,723,140	1,016,000	68,739,140	-	(19,662,000)	-	-	-	(19,662,000)	-	19,662,000	-	19,662,000	-	-	-	-	-	-
4 2017	212,228,000			-	-	-	-	-	(20,252,000)	-	-	-	(20,252,000)	-	20,252,000	-	20,252,000	-	-	-	-	-	-
5 2018	153,975,000			-	-	-	-	-	(7,786,000)	(12,831,000)	-	(5,000)	(20,622,000)	-	20,622,000	-	20,622,000	-	-	-	-	-	-
6 2019	6,478,000			-	-	-	-	-	-	-	(35,592,000)	(300,000)	(35,892,000)	-	21,377,000	8,200,000	29,577,000	(6,315,000)	(6,315,000)	-	-	-	-
7 2020	-			-	-	-	-	-	-	-	(35,593,000)	(300,000)	(35,893,000)	-	22,021,000	8,446,000	30,467,000	(5,426,000)	(11,741,000)	-	-	-	-
8 2021	-			-	-	-	-	-	-	-	(35,590,000)	(300,000)	(35,890,000)	-	22,682,000	8,699,000	31,381,000	(4,509,000)	(16,250,000)	-	-	-	-
9 2022	-			-	-	-	-	-	-	-	(35,592,000)	(300,000)	(35,892,000)	-	23,362,000	8,960,000	32,322,000	(3,570,000)	(19,820,000)	-	-	-	-
10 2023	-			-	-	-	-	-	-	-	(35,592,000)	(300,000)	(35,892,000)	-	22,951,000	9,229,000	32,180,000	(3,712,000)	(23,532,000)	-	-	-	-
11 2024	-			-	-	-	-	-	-	-	(35,590,000)	(300,000)	(35,890,000)	-	23,639,000	9,506,000	33,145,000	(2,745,000)	(26,277,000)	-	-	-	-
12 2025	-			-	-	-	-	-	-	-	(35,587,000)	(300,000)	(35,887,000)	-	24,346,000	9,791,000	34,139,000	(1,748,000)	(28,025,000)	-	-	-	-
13 2026	-			-	-	-	-	-	-	-	(35,588,000)	(300,000)	(35,888,000)	-	25,078,000	10,085,000	35,163,000	(725,000)	(28,750,000)	-	-	-	-
14 2027	-			-	-	-	-	-	-	-	(35,591,000)	(300,000)	(35,891,000)	-	25,831,000	10,388,000	36,219,000	328,000	(28,422,000)	328,000	-	-	-
15 2028	-			-	-	-	-	-	-	-	(35,588,000)	(300,000)	(35,888,000)	-	26,605,000	10,700,000	37,305,000	1,417,000	(27,005,000)	1,417,000	-	-	-
16 2029	-			-	-	-	-	-	-	-	(35,592,000)	(300,000)	(35,892,000)	-	27,404,000	10,700,000	38,104,000	2,212,000	(24,793,000)	2,212,000	-	-	-
17 2030	-			-	-	-	-	-	-	-	(35,591,000)	(300,000)	(35,891,000)	-	28,226,000	10,700,000	38,926,000	3,035,000	(21,758,000)	3,035,000	-	-	-
18 2031	-			-	-	-	-	-	-	-	(35,588,000)	(300,000)	(35,888,000)	-	29,073,000	10,700,000	39,773,000	3,885,000	(17,873,000)	3,885,000	-	-	-
19 2032	-			-	-	-	-	-	-	-	(35,590,000)	(300,000)	(35,890,000)	-	29,945,000	10,700,000	40,645,000	4,755,000	(13,118,000)	4,123,000	632,000	-	-
20 2033	-			-	-	-	-	-	-	-	(35,589,000)	(300,000)	(35,889,000)	-	30,843,000	10,700,000	41,543,000	5,654,000	(7,464,000)	-	5,654,000	-	-
21 2034	-			-	-	-	-	-	-	-	(35,588,000)	(300,000)	(35,888,000)	-	31,769,000	10,700,000	42,469,000	6,581,000	(883,000)	-	6,581,000	-	-
22 2035	-			-	-	-	-	-	-	-	(35,589,000)	(300,000)	(35,889,000)	-	32,722,000	10,700,000	43,422,000	7,533,000	6,650,000	-	7,533,000	-	-
23 2036	-			-	-	-	-	-	-	-	(35,588,000)	(300,000)	(35,888,000)	-	33,704,000	10,700,000	44,404,000	8,516,000	15,166,000	-	5,087,000	3,429,000	-
24 2037	-			-	-	-	-	-	-	-	(35,592,000)	(300,000)	(35,892,000)	-	34,714,000	10,700,000	45,414,000	9,522,000	24,688,000	-	-	9,522,000	-
25 2038	-			-	-	-	-	-	-	-	(35,592,000)	(300,000)	(35,892,000)	-	35,756,000	10,700,000	46,456,000	10,564,000	35,252,000	-	-	10,564,000	-
26 2039	-			-	-	-	-	-	-	-	(35,589,000)	(300,000)	(35,889,000)	-	36,829,000	10,700,000	47,529,000	11,640,000	46,892,000	-	-	5,235,000	6,405,000
27 2040	-			-	-	-	-	-	-	-	(35,590,000)	(300,000)	(35,890,000)	-	37,934,000	10,700,000	48,634,000	12,744,000	59,636,000	-	-	-	12,744,000
28 2041	-			-	-	-	-	-	-	-	(35,591,000)	(300,000)	(35,891,000)	-	39,071,000	10,700,000	49,771,000	13,880,000	73,516,000	-	-	-	13,880,000
29 2042	-			-	-	-	-	-	-	-	(35,590,000)	(300,000)	(35,890,000)	-	40,244,000	10,700,000	50,944,000	15,054,000	88,570,000	-	-	-	15,054,000
30 2043	-			-	-	-	-	-	-	-	(35,590,000)	(300,000)	(35,890,000)	-	41,451,000	10,700,000	52,151,000	16,261,000	104,831,000	-	-	-	16,261,000
31 2044	-			-	-	-	-	-	-	-	(35,589,000)	(300,000)	(35,889,000)	-	42,695,000	10,700,000	53,395,000	17,506,000	122,337,000	-	-	-	17,506,000
32 2045	-			-	-	-	-	-	-	-	(35,588,000)	(300,000)	(35,888,000)	-	43,975,000	10,700,000	54,675,000	18,787,000	141,124,000	-	-	-	18,787,000
33 2046	-			-	-	-	-	-	-	-	(35,590,000)	(300,000)	(35,890,000)	-	-	10,700,000	10,700,000	(25,190,000)	115,934,000	-	-	-	-
34 2047	-			-	-	-	-	-	-	-	3,000	(300,000)	(297,000)	-	-	10,700,000	10,700,000	10,403,000	126,337,000	-	-	-	-
Total	500,000,000			67,493,140		1,246,000	-	(5,238,860)	(82,625,000)	(12,831,000)	(996,516,000)	(8,705,000)	(1,105,915,860)	5,238,860	929,710,000	297,304,000	1,232,252,860	126,337,000	-	15,000,000	25,487,000	28,750,000	100,637,000

BOARD of SUPERVISORS

City Hall
Dr. Carlton B. Goodlett Place, Room 244
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MEMORANDUM

TO: Mohammed Nuru, Director, Department of Public Works
Todd Rufo, Director, Office of Economic and Workforce Development
John Rahaim, Director, Planning Department
Tiffany Bohee, Executive Director, Successor Agency to the Redevelopment Agency

FROM: Alisa Miller, Clerk, Land Use and Economic Development Committee
Board of Supervisors

DATE: December 17, 2012

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Land Use and Economic Development Committee has received the following proposed legislation, introduced by Mayor Lee on December 11, 2012. This matter is being referred to your department informational purposes.

File No. 121201

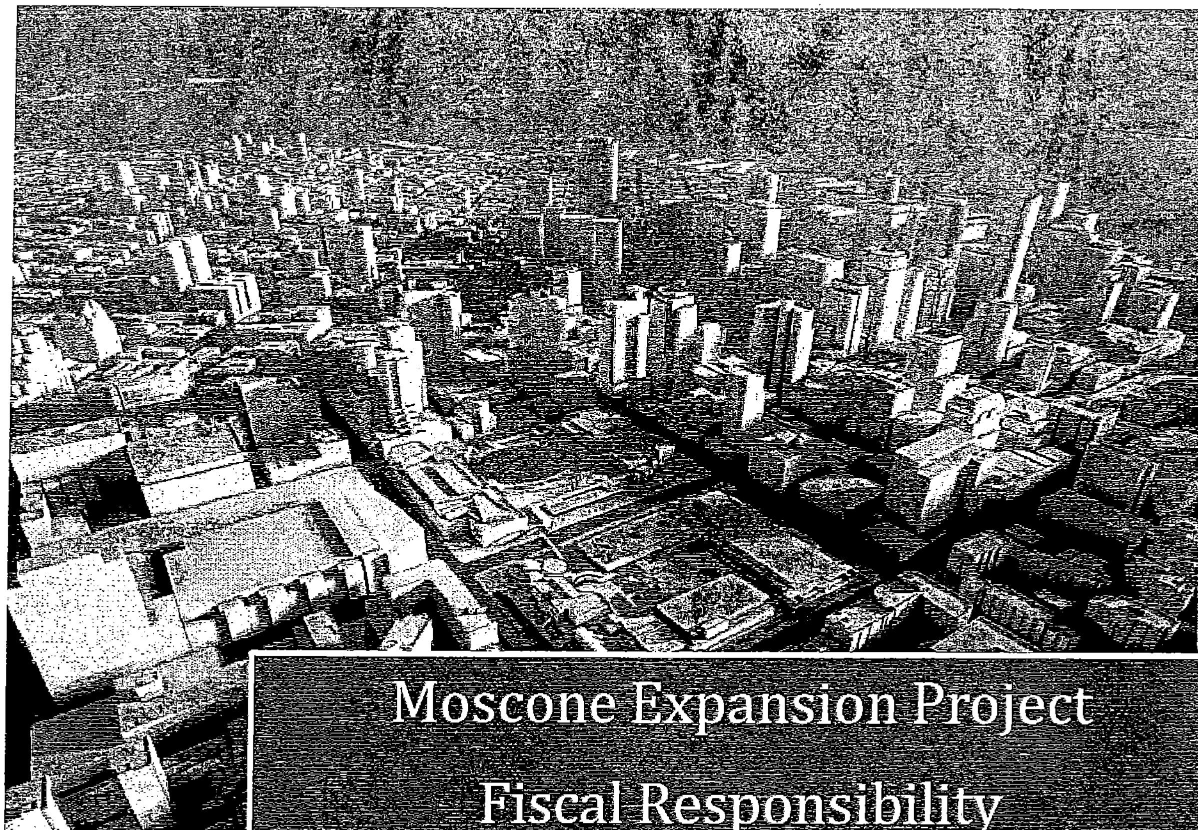
Resolution finding that a project proposed by the City to expand and renovate the North and South exhibit halls of the Moscone Convention Center, including reconfiguring the North and South exhibit halls to create additional contiguous exhibit space, a new ballroom, new loading and building service space, and improvements to the landscaping, urban design, and public realm, within and adjacent to the North and South exhibit halls, is fiscally feasible and responsible under Administrative Code, Chapter 29.

On Page 3, Lines 22-24, it references a "Fiscal Feasibility Report," to be submitted by the Office of Economic and Workforce Development. Please forward a copy of the report as soon as it is available.

If you do wish to submit any additional reports or documentation to be included as part of the file, please send those to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c: Scott Sanchez, Zoning Administrator, Planning Department
Bill Wycko, Chief of Environmental Planning, Planning Department
AnMarie Rodgers, Legislative Affairs Manager, Planning Department
Joy Navarrete, Planning Department
Monica Pereira, Planning Department

Not a project per CEQA Guidelines Section 15060(c)(2).
Jeanie R. Purnell
December 17, 2012



Moscone Expansion Project

Fiscal Responsibility & Feasibility Report

January 8, 2013

Prepared by:

Office of Economic and Workforce Development
1 Dr. Carlton B. Goodlett Place, Room 448
San Francisco, CA 94102
(415) 554-6969

with assistance from the Department of Public Works; Convention Facilities; SMG; San Francisco Travel Association; Sares Regis; Skidmore, Owings & Merrill and Mark Cavagnero Associates.

Table of Contents

Executive Summary

Chapter 29 of the City's Administrative Code requires that the Board of Supervisors review certain development projects before the City's Planning Department may begin California Environmental Quality Act (CEQA) review of the proposed project. In particular, the Board of Supervisors must make a determination of a project's fiscal feasibility when its proposed construction budget exceeds $25 million and at least $1.0 million of the cost is paid by certain public monies.

This report provides information under Chapter 29, subsection 29.2, for the Board's consideration in evaluating the feasibility of a proposed expansion of the City's Moscone Center at 3rd and Howard Streets by the City and County of San Francisco and the Moscone Expansion District. The proposed expansion of the Moscone Center is early in its design and entitlement process. The City proposes to commence an approximately 12-month CEQA review of the project in early 2013, following the Board's finding of fiscal feasibility.

The George S. Moscone Convention Center ("Moscone') generates nearly $1.8 billion per year in local economic activity, or over one-fifth of the $8.5 billion San Francisco tourist economy and the over 71,000 jobs and $526 million in City revenues it generates. In addition to convention, exhibition, and meeting attendance, this spending fills hotel rooms, restaurants and retail centers, creates local jobs and generates millions of dollars in annual hotel, property, sales, income, gross receipts, payroll, utility user, and parking taxes for the City and County. However, despite two expansions in 1992 and 2003, Moscone still effectively operates at full capacity, cannot offer the contiguous space needs many organizers increasingly demand, and, according to an independent May 2012 analysis by Jones Lang LaSalle Hotels ("JLLH"), could lose up to $2 billion in foregone revenue over the next decade if not expanded.

Building on the success of the 2008 business improvement district ("BID") that renovated and marketed Moscone, the San Francisco hotel community and the Board of Supervisors have proposed the formation of a new Moscone Expansion District ("MED"). The primary purpose of the MED is to increase the square footage of rentable convention space and maximize Moscone's contiguous exhibition space while allowing for continuous revenue generating operation and improvement of its physical connection to the surrounding public realm.

The total expansion project budget is estimated at up to $500 million, financed by City-issued commercial paper and certificates of participation. The City's issuance of COPs for the expansion will have no adverse impact on San Francisco's debt capacity as debt service payments will be covered by MED collections from assessments of 0.3125% to 1.25% of gross hotel room revenue plus the City's contributions as detailed in the Management District Plan unanimously adopted by the Board of Supervisors on November 20, 2012. Together the MED assessments and General Fund contributions are capable of generating over $5 billion over the term of the MED, or over ten times the estimated construction cost of expanding Moscone. The City is responsible for payment of any annual shortfalls, which are eligible for repayment by future year MED assessment surpluses as described in the Management District Plan.

A May 2012 cost benefit analysis by JLLH concluded that an expansion scenario similar to the current proposal would have a net San Francisco economic benefit (both Moscone net operating income as well as total visitor spending impact) of $734,402,886 and a net increase in employment of 3,480 local jobs. This is in addition to the indirect benefits of marketing San Francisco as a convention and tourist destination and modernizing the streetscape to improve Moscone's connection to the surrounding neighborhood.

The Moscone Expansion Project, therefore, would significantly expand one of San Francisco's primary economic engines, would generate substantial net employment and financial benefits, and would do so without adversely exposing the City to added financial risk. In accordance with Chapter 29 of the Administrative Code, therefore, the Moscone Expansion Project is a prudent investment of public funds and a fiscally feasible and responsible undertaking. It leverages the shared goals of the City and the hotel industry to provide added capacity to Moscone, stimulate the local economy and reconnect Moscone to the surrounding South of Market neighborhood.

Introduction

Moscone Center

Originally constructed in 1981 as one single 300,000ft^2 exhibition hall at Moscone South, Moscone Center ("Moscone") expanded in 1992 with the addition of Moscone North and the Esplanade Ballroom and again in 2003 with the addition of Moscone West. In total Moscone is located on more than 20 acres in three large downtown city blocks south of Market beneath and to the southeast of Yerba Buena Gardens. Moscone North and South are connected by a concourse below Howard Street and are bound by Folsom Street to the South, Mission Street to the North and 3rd and 4th Streets to the East and West. Together they provide 540,000ft^2 of connected functional space, including over 100 meeting rooms, 120,000 ft^2 of lobby pre-function area and the largest contiguous exhibit hall: the 260,000ft^2 Halls A, B and C. Moscone West rises 110 feet above the northwestern corner of Howard and 4th Street providing an additional 300,000ft^2 of space.

Moscone is owned by the City and County of San Francisco, privately managed by the entertainment and convention center manager SMG, and booked by the San Francisco Travel Association ("SFTA") which serves as the City's convention and visitor's bureau.

Moscone is occupied an average of over 75% of any given year (the third highest occupancy rate of the top 25 convention markets according to Smith Travel Research's December 2011 Monthly Hotel Review), essentially full when factoring in holidays and move-in/move-out days. With many conventions repeating their bookings on both an annual and rotational basis, groups such as Oracle's Openworld conference, Salesforce.com's Dreamforce conference, RSA Security Conference, VMWare's VMWorld event, Semicon West (booked through 2027) and the American Geophysical Union (booked through 2029), Moscone Center is effectively booked many years into the future with the furthest reaching currently the American College of Obstetricians and Gynecologists in 2035. Attendance varies with the economy and the rotation of larger conventions, with a range of 919,000 to 1.279,000 attendees over the previous 5 fiscal years.

The Tourism Improvement District

In 2008, the San Francisco hotel community and the Board of Supervisors approved a fifteen-year Business Improvement District, entitled the San Francisco Tourism Improvement District ("TID"). The TID authorized a small assessment on tourist hotel room revenue in order to promote San Francisco as a meeting and tourism destination, renovate Moscone, and explore its potential expansion. In May of 2012 this public-private partnership completed a $56 million renovation of Moscone on time and on budget, all while keeping Moscone in continuous operation and earning Moscone LEED Gold status for its environmental construction practices.

The portion of the TID allocated to the renovation of Moscone is set to expire at the end of 2013 while the remaining portion, for hotel-specific marketing and sales programs and operational costs for the San

Francisco Travel Association and San Francisco Tourism Improvement District Management Corporation (SFTIDMC), will expire at the end of 2023.

The Moscone Expansion District

Building on the success of the TID, the San Francisco hotel community and the Board of Supervisors have proposed the formation of a new Moscone Expansion District ("MED"). As described in the Moscone Expansion Project below, the purpose of the MED is to allow San Francisco's convention market to expand and to meet the growing demand for more contiguous space than Moscone can currently offer.

On November 20, 2012 the Board of Supervisors unanimously adopted a Resolution of Intention (Resolution 416-12, File 12-0989) to form the MED along with a Management District Plan detailing the purpose, boundaries, assessment formula, annual operating budget, allocation of funds, timeline, duration, and governance of the MED. On December 7, 2012, the Department of Elections sent ballots to all tourist hotels subject to the MED assessment. If approved by a weighted majority of district hotels and a majority vote of the Board of Supervisors, the MED will begin imposing assessments as early as July 1, 2013. There are two proposed assessment zones: Zone 1 closest to Moscone which would pay 0.5% of gross room revenue from tourist rooms until the expiration of the Moscone renovation portion of the TID in December 2013 and 1.25% thereafter and Zone 2 west of Van Ness Avenue and South of 16th Street which would pay 0.3125%. If approved the MED would continue in effect for 32 years until 2045.

The Moscone Expansion Project

The purpose of the Moscone Expansion Project ("Project") is to plan for the future capacity, configuration and contiguous space needs of the Moscone Center and to ensure San Francisco's competitive position within the meetings, convention, and exhibitions industry. This will allow Moscone to retain its existing convention business, attract new reservations and more flexibly meet future demands for large, contiguous exhibitions.

While the Project is subject to change as the design evolves and it undergoes public and environmental review, the primary design objectives remain to:

- increase the square footage of rentable space,
- maximize contiguous exhibition space at below-grade footprint,
- phase construction to allow for continuous revenue generating operation of the Center, and
- improve Moscone's physical connection to the City of San Francisco through enhancements to the surrounding public realm.

The Project will be completed in phases to minimize interruption to existing reservations, traffic flow, and neighboring businesses and residents. The Project no longer proposes to expand east of Fourth Street and does not propose any physical changes beyond the existing Moscone perimeter.

The total Project budget is estimated at up to $500 million with approximately $360 million allocated to hard construction costs. See Site Plan in Exhibit A. Specifically the Project proposes to accomplish these design objectives by undergoing construction in the following sequence:

(1) Demolish the existing Esplanade Ballroom support building at 3rd and Howard Streets for a new 4-story building including replacement kitchen at lower level, and lobby, multipurpose space, meeting rooms, ballroom and associated prefunction, circulation and support spaces above grade;

(2) Retrofit the existing Gateway Ballroom below the Moscone South lobby into exhibition space and remove an existing approximately 60' by 250' unexcavated area under Howard Street to create new exhibition space;
(3) Demolish the existing South Lobby for a new 2-story building including a new enlarged south lobby, ballroom and associated prefunction, circulation and support spaces;
(4) Convert the existing Hall E beneath the Moscone North lobby into exhibition space and create a new, above grade Moscone North lobby to match the renovated street presence of Moscone South and potentially add two new levels above with additional meeting spaces.

Fiscal Feasibility

Chapter 29 of the Administrative Code

Chapter 29 of the City's Administrative Code requires that the Board of Supervisors review certain development projects before the City's Planning Department may begin California Environmental Quality Act (CEQA) review of the proposed project. In particular, the Board of Supervisors must make a determination of a project's fiscal feasibility when its proposed construction budget exceeds $25 million and at least $1.0 million of the cost is paid by certain public monies. This report provides information under Chapter 29, subsection 29.2, for the Board's consideration in evaluating the feasibility of a proposed expansion of the City's Moscone Center at 3rd and Howard Streets by the City and County of San Francisco and the Moscone Expansion District. Section 29.2 of the San Francisco Administrative Code lists five criteria to evaluate the fiscal feasibility of a project:

(1) Direct and indirect financial benefits of the project, including to the extent applicable cost savings or new revenues, including tax revenues generated by the proposed project;

(2) The cost of construction;

(3) Available funding for the project;

(4) The long term operating and maintenance cost of the project; and

(5) Debt load to be carried by the City department or agency.

Each of these criteria is discussed in the following sections.

The evaluation of fiscal feasibility, including financial benefits to the City, is preliminary, based on the best available information at hand during the planning stage of the Project. The information is subject to change as the project description is revised through the public and environmental review process and as the project team completes final design documents.

Financial Benefits of Moscone

Expanding Moscone brings both direct and indirect financial benefits to the City, from direct tax revenues to local employment and regional spending on transportation, accommodations, restaurants, retail and entertainment.

According to the SFTA's 2011 Visitor Industry Economic Impact Estimates, the tourism industry attracted 16.35 million visitors to San Francisco in 2011 that spent $8.46 billion, generating $526 million dollars in tax revenues for the City and County (see Table I) and supporting 71,403 local jobs.

Table I: 2011 San Francisco City Revenues Paid Directly by Visitor Industries	
Hotel Tax	$220,000,000
Property Tax	$159,609,179
Sales Tax	$ 67,730,679
Payroll/Gross Receipts Tax	$ 30,826,244
Utility Users Tax	$ 21,629,235
Lease Revenues and Airport Service Payments	$ 24,476,356
Other – Parking Tax, Fines, Rec Fees, etc.	$ 2,000,000
GRAND TOTAL: City Revenues	**$526,271,694**

Source: SFTA's 2011 Visitor Industry Economic Impact Estimates

As detailed in Table II below, conventions, trade shows and group meetings accounted for $1.79 billion, or 21 percent, of this spending, filling nearly 2.7 million local room nights in San Francisco hotels or approximately 27 percent of their nearly 10 million room night capacity. The over 650,000 convention visitors to San Francisco spent nearly $300/day for an average length of stay of over four days, contributing over $1.11 billion to the local economy. Association and exhibitor spending accounted for the remaining $677 million.

Table II: Calculation of 2011 Expenditures Related to Trade Shows and Conventions	
Attendees in SF hotels	656,330
Length of stay	4.1
Attendee room nights	2,690,953
Total citywide room nights	9,968,585
Spending/day	$294.84
SF hotel attendee spending	$793,413,141
Multiple occupancy factor	1.4
Total spending (direct) stayed in hotel	$1,110,778,398
Total association/exhibitor spending	$676,518,599
GRAND TOTAL: Convention Impact	**$1,787,296,997**

Source: SFTA's 2011 Visitor Industry Economic Impact Estimates

The Opportunity Cost of Not Expanding

Moscone User surveys conducted by the SFTA generally affirm the draw of San Francisco as a destination but some respondents noted dissatisfaction with the non-renovated areas and, in some cases, cited space constraints as a potential future impediment. This is affirmed by a survey conducted for the TID by Jones Lang LaSalle Hotels ("JLLH") which concluded that Moscone is smaller than the 12 convention centers it deemed most competitive, especially with regard to exhibit space[1]. Moscone has less than half the exhibit space per square foot of meeting space with 1.7 ft^2 compared to the competitive set's average of 4.3ft^2.

To quantify the loss in attendee spending due to Moscone Center space constraints, the TID contracted with JLLH to develop a Cost Benefit Analysis for the expansion of Moscone (see Exhibit B). JLLH weighted each reason for loss of a group in terms of how much the loss was related to space constraints and then multiplied this factor by the estimated direct spend for the lost groups. JLLH concluded that Moscone space constraints resulted in a direct spend loss of nearly $2.1 billion for the years 2010/11 through 2019/20 (see Table III below).

[1] The twelve competitor markets included San Diego, Los Angeles, Chicago, Orlando, Philadelphia, Atlanta, Washington D.C., Las Vegas, New Orleans, Boston, Anaheim, and Miami Beach.

Table III: $2B Assumed Loss in Direct Spend Due to Moscone Space Constraints (2010-2019)			
Reason	Assumed Factor Due to Space Constraints	Direct Spend of Lost Business per Category ($M)	Attributed Result of Loss in Direct Spend ($M)
First Option Went Definite	5%	$1,112	$56
Board Decision	15%	$3,110	$467
Change in Rotation	15%	$1,276	$191
Dates Not Available	10%	$1,715	$172
Does Not Meet Reqts	0%	$455	-
Economic Reasons	0%	$931	-
Space Constraints	100%	$950	$950
Other	25%	$887	$222
GRAND TOTAL			**$2,057**

Source: JLLH Moscone Center Expansion Cost Benefit Analysis – Phase II Analysis, May 25, 2012

JLLH also performed a regression analysis to determine the statistical correlation between convention attendance and several key economic indicators. The highest correlation resulted between convention attendance and San Francisco County gross metro product, hotel demand for core convention area hotels and San Francisco County wage and salary disbursements, all of which exhibited a correlation of 0.70 and above and underscored the importance of convention business to the local economy.

Direct Financial and Employment Benefits of Expansion

The 2012 JLLH study conducted an Economic Impact Analysis of five expansion schemes, one of which approximates what is currently proposed: the conversion of underutilized underground space beneath Howard Street to exhibition space along with the construction of a new 6-story building at the corner of Howard and Third. Using 2010 San Francisco County IMPLAN data to estimate direct, indirect and induced effects, the JLLH study concluded that this expansion would have a net economic impact (both Moscone net operating income as well as total visitor spending impact) of $734,402,886 to San Francisco through FY2025/26 and a net increase in employment of 3,480 local jobs through FY2021/22. See Table IV below, showing construction impacts from FY2014/15 into FY2016/17 with positive and growing net economic and employment impacts each year thereafter.

Table IV: Annual Incremental Economic Impact of Moscone Expansion, JLLH Scenario #2						
Fiscal Year	Convention	% Profit Margin	Convention Net Income	Visitor Spending Impact	Net Economic Impact	Net Employment (Direct, Indirect and Induced)
2013/14	0	(13.2%)	0	0	0	0
2014/15	($955,101)	(13.2%)	$5,434	($23,468,660)	($23,463,226)	(263)
2015/16	($785,918)	(13.2%)	$4,529	($19,081,096)	($19,667,167)	(221)
2016/17	$238,775	(11.0%)	$8,192	$5,628,571	$5,625,439	56
2017/18	$2,626,589	(8.0%)	$9,057	$62,243,276	$62,234,219	617
2018/19	$2,865,304	(7.0%)	$8,646	$68,608,717	$68,608,717	679
2019/20	$3,342,855	(6.0%)	$8,646	$80,915,294	$80,915,294	800
2020/21	$3,581,631	(6.0%)	$9,263	$87,649,147	$87,639,884	865
2021/22	$3,820,406	(6.0%)	$9,881	$94,513,826	$94,503,945	946
2022/23					$94,503,945	n/a
2023/24					$94,503,945	n/a
2024/25					$94,503,945	n/a
2025/26					$94,503,945	n/a
Net Economic & Employment Impact					**$734,402,886**	**3,480**

Source: JLLH Moscone Center Expansion Cost Benefit Analysis – Phase II Analysis, May 25, 2012

Indirect and Public Benefits to San Francisco

In addition to the direct fiscal and employment impacts to the local economy and General Fund, Moscone expansion will have indirect benefits to San Francisco and to the Yerba Buena neighborhood South of Market.

The SFTA will use a portion of MED assessment revenues (8-9%) to market San Francisco internationally to attract significant meetings, tradeshows and conventions. This will primarily drive convention business but will also fill local hotel rooms and restaurants[2], create demand for ancillary services and help drive San Francisco's economy by marketing it as a tourist destination.

As an example, the JLLH study compared visitor spending across eight categories for an average 3.5-day visit given no expansion (the "base case") to a projected attendance after the completion of all three expansion scenarios. While the Project only proposes two of the original three expansion scenarios (the Howard Street Connection and the Third Street Addition) and no longer considers a 4-story, 260,000gsf addition across Fourth Street, the results are nonetheless indicative. They are presented below in Table V.

Table V: Visitor Spending Impacts by Sector, Current vs. Fully Expanded Moscone (2012 $s)

Fiscal Year	$/Person over 3.5 days	No Expansion	Expansion Variance 2016/17	Expansion Variance 2018/19	Expansion Variance 2020/21
Lodging	$320.85	$383,269,657	$3,269,348	$78,464,358	$94,811,099
Restaurants in Hotels	$71.48	$85,382,952	$728,330	$17,479,908	$21,121,556
All Other Restaurants	$151.90	$183,288,290	$1,563,477	$37,523,445	$45,340,829
Retail	$138.13	$166,666,448	$1,421,690	$34,120,561	$41,229,011
Entertainment/Sightseeing	$89.75	$108,288,388	$923,716	$22,169,192	$26,787,774
Local Transportation	$33.23	$40,098,514	$342,046	$8,209,113	$9,919,345
Gas/Auto Services	$48.61	$58,646,876	$500,267	$12,006,402	$14,507,735
Car Rental	$16.82	$20,295,672	$173,125	$4,155,004	$5,020,630

Source: JLLH Moscone Center Expansion Cost Benefit Analysis – Phase II Analysis, May 25, 2012

The Project also contemplates a number of urban design and streetscape elements which are designed to both improve Moscone's connection to the surrounding neighborhood and to provide a number of bicycle, pedestrian and urban design improvements for neighboring residents and businesses. The design team is working closely with the Planning Department on its development of the Central Corridor Project (http://www.sf-planning.org/index.aspx?page=2557) so that any Moscone improvements to the public realm are completed in furtherance of the broader neighborhood goals for this growing community South of Market along the new Central Subway corridor.

Costs of Construction

The total cost of construction is estimated at up to $500 million. The San Francisco Tourism Improvement District Management Corporation (SFTIDMC) will select a Construction Manager/General Contractor early in the first quarter of 2013 to advise on the constructability of the design. The Department of Public Works will manage the construction process including fiscal oversight on the expenditure of public funds. Construction is anticipated to begin during a break in convention

[2] See JLLH's June 21, 2012 "Moscone convention Center Expansion Impact: Draft San Francisco Lodging Market Forecasting Study" which concluded that "future expansions of Moscone Center should have significant positive impact on the Revenue per Available Room (RevPAR) of hotels" and "the lodging sector is expected to be the greatest beneficiary in increased revenue dollars when compared to the other sectors on an individual basis."

reservations in December 2014 and to continue intermittently until mid-2018 with minimal disruption to planned Moscone reservations. This will result in a construction draw down schedule that begins in early calendar year 2013 and continues into calendar year 2018 (see Exhibit C).

Available Funding

As detailed more extensively in the Management District Plan, the Project relies on two sources of funding: Moscone Expansion District assessments on gross room revenue from tourist rooms and the City's General Fund.

If approved by a weighted majority of district hotels and a majority vote of the Board of Supervisors, MED assessments will generate an estimated maximum collection of $19,332,000 in the first year of the MED (FY2013/14) and will generate an estimated maximum allowable amount of $5,766,814,000 over its 32-year term. Annual increases are assumed to be 10% though actual collections may be significantly less than these maximums depending on actual annual gross tourist room revenues. Expansion related expenses – including planning, design, engineering, entitlement, project management, construction, and financing costs – account for 82.5% to 87.5% of the MED budget or a maximum of $4,773,568,080 as shown in Table VI below. The remaining 12.5% to 17.5% of the MED budget is allocated to annual renovation, business attraction, administration and reserve activities.

In its November 20, 2012 action the Board of Supervisors committed the following toward repayment of bonds issued for the project:

- Contribution of $8.2 million in FY2018/19 with an increase of 3% per year through FY2027/28 up to a cap of $10.7 million, with a continuing contribution of no less than $10.7 million per year for the remainder of the MED term.
- In addition, the City will fund shortfalls[3] in any given year for purposes of debt service, which will be repaid from surpluses in MED assessments, as detailed in the Management District Plan.

The FY2012/13 capital budget allocated $1,700,000 and the Project anticipates an additional $3,538,860 in FY2013/14 for project management costs in the early project stages.

Together these two sources are capable of generating up to a maximum allowable amount of over $5 billion over the term of the MED, or over ten times the estimated construction cost of expanding Moscone.

Table VI: Maximum Annual MED Assessment Revenue & Projected City Contribution FY2013-2045

Year	Fiscal Year	Maximum Collection	Expansion Allocation	Maximum Expansion Collection	City Contribution	Capital Reserve % and Maximum Collection	
0	2012/13	-	-	-	$1,700,000	-	-
1	2013/14	$19,332,000	87.50%	$16,915,500	$3,538,860[4]	1%	$193,320
2	2014/15	$29,597,500	87.50%	$25,897,813	-	1%	$295,975
3	2015/16	$32,557,000	87.50%	$28,487,375	-	1%	$325,570
4	2016/17	$35,812,500	87.50%	$31,335,938	-	1%	$358,125
5	2017/18	$40,388,500	86.50%	$34,936,053	-	1%	$403,885

[3] For purposes of this Project, "shortfall" means a fiscal year's debt service not covered by (a) the MED allocation to debt, plus (b) the City's $8.2 million - $10.7 million contribution.

[4] FY 2012/13 and FY2013/14 City contributions have been appropriated or are anticipated as part of the annual capital budget for the Department of Public Works to manage the preconstruction process.

6	2018/19	$45,528,500	86.50%	$39,382,153	$8,200,000	1%	$455,285
7	2019/20	$50,188,000	86.50%	$43,412,620	$8,446,000	1%	$501,880
8	2020/21	$55,207,000	86.50%	$47,754,055	$8,699,000	1%	$552,070
9	2021/22	$60,727,500	86.50%	$52,529,288	$8,960,000	1%	$607,275
10	2022/23	$67,356,500	82.50%	$55,569,113	$9,229,000	6%	$4,041,390
11	2023/24	$74,648,000	82.50%	$61,584,600	$9,506,000	6%	$4,478,880
12	2024/25	$82,112,500	82.50%	$67,742,813	$9,791,000	6%	$4,926,750
13	2025/26	$90,324,000	82.50%	$74,517,300	$10,085,000	6%	$5,419,440
14	2026/27	$99,356,500	82.50%	$81,969,113	$10,388,000	6%	$5,961,390
15	2027/28	$109,293,000	82.50%	$90,166,725	$10,700,000	6%	$6,557,580
16	2028/29	$120,222,500	82.50%	$99,183,563	$10,700,000	6%	$7,213,350
17	2029/30	$132,244,000	82.50%	$109,101,300	$10,700,000	6%	$7,934,640
18	2030/31	$145,468,000	82.50%	$120,011,100	$10,700,000	6%	$8,728,080
19	2031/32	$160,015,000	82.50%	$132,012,375	$10,700,000	6%	$9,600,900
20	2032/33	$176,017,000	82.50%	$145,214,025	$10,700,000	6%	$10,561,020
21	2033/34	$193,619,000	82.50%	$159,735,675	$10,700,000	6%	$11,617,140
22	2034/35	$212,981,000	82.50%	$175,709,325	$10,700,000	6%	$12,778,860
23	2035/36	$234,279,500	82.50%	$193,280,588	$10,700,000	6%	$14,056,770
24	2036/37	$257,707,500	82.50%	$212,608,688	$10,700,000	6%	$15,462,450
25	2037/38	$283,478,500	82.50%	$233,869,763	$10,700,000	6%	$17,008,710
26	2038/39	$311,826,500	82.50%	$257,256,863	$10,700,000	6%	$18,709,590
27	2039/40	$343,009,000	82.50%	$282,982,425	$10,700,000	6%	$20,580,540
28	2040/41	$377,310,000	82.50%	$311,280,750	$10,700,000	6%	$22,638,600
29	2041/42	$415,041,000	82.50%	$342,408,825	$10,700,000	6%	$24,902,460
30	2042/43	$456,545,500	82.50%	$376,650,038	$10,700,000	6%	$27,392,730
31	2043/44	$502,200,500	82.50%	$414,315,413	$10,700,000	6%	$30,132,030
32	2044/45	$552,420,500	82.50%	$455,746,913	$10,700,000	6%	$33,145,230
TOTAL		**$5,766,814,000**	-	**$4,773,568,080**	**$302,542,860**	-	**$327,541,915**

Source: Moscone Expansion District Management District Plan, updated November 14, 2012

Long Term Operating and Maintenance Costs of Project

Moscone funds operating and maintenance costs through two sources: TID hotel assessments and the General Fund. In May 2012 the TID completed a $56 million Moscone interior renovation which modernized the kitchen and all 24 bathrooms and replaced many of the airwalls, light fixtures, elevators, escalators, HVAC distributors, fire alarm controls, cool tower and interior finishes from paint to carpet and directional signage. While one-time in nature, all of these improvements extend the useful life of the building and decrease the annual expenditure necessary to keep the facility in a state of good repair.

In the current year (FY2012/13) the General Fund allocated nearly $77 million to Moscone, primarily for the operating contract with the convention center manager SMG, for property rent and debt service on previous expansions and for ancillary costs from utilities to insurance and professional services. Operating and maintenance (O&M) costs are included in the convention operator's contract along with

$119,606 in annual janitorial services costs and individual vendor contracts for maintenance of elevators, escalators, HVAC and kitchen equipment.

In addition to these existing O&M agreements, if approved by a weighted majority of district hotels and a majority vote of the Board of Supervisors, the new MED will contribute 1% of assessment revenues toward a new Capital Reserve Fund to pay for renovations of and improvements to the Moscone Convention Center complex. This percentage grows to 6% of assessment revenues in FY2022/23 when the allocation for expansion drops from 86.5% to 82.5% as shown in Table VI above and as the likelihood of future O&M needs increases.

Debt Load to Be Carried by City

The San Francisco Office of Public Finance Cash Flow Analysis (Exhibit C, attached) details the construction draw down schedule, sources, uses and excess revenue for the Moscone Expansion Project. As a means of bridging the gap between the annual revenues described in the previous section and the upfront construction costs, the City intends to issue commercial paper in 2013 followed by Certificates of Participation (COPs) beginning in January 2017. At a conservatively estimated 6.00% interest rate and accounting for costs of issuance, capitalized interest, and underwriter's discounts, this COP issuance results in annual debt service payments of $35.5 million beginning in FY 2018/19 or a total of $994,538,000 over the 30-year COP term.

The City's issuance of COPs for the expansion of Moscone will have no adverse impact on San Francisco's debt capacity. Debt service payments will be covered by MED assessment revenues plus the City's defined contributions beginning in FY2018/19, with the City paying any shortfalls arising in any given year. If MED assessment revenues accrue below the maximum allowable rate as estimated in Exhibit C, the City may need to cover annual shortfalls in the first eight years (FY2018/19 through FY2025/2026) up to an estimated maximum of $6,242,000 and an estimated cumulative fund balance over eight years of $28,184,000. This shortfall would be repaid by future year MED assessment surpluses as described in the Management District Plan.

Conclusion and Fiscal Feasibility Determination

The Moscone Center is already a strong contributor to the local economy with convention business accounting for $1.79 billion in local economic activity in 2011: fully 21 percent of San Francisco's tourism economy. However, strong demand for future bookings and more contiguous exhibition space demonstrate that Moscone must expand its square footage in order to remain competitive within the meetings, convention, and exhibitions industry.

Independent evaluations of the convention market show that Moscone has reached full capacity and could lose up to $2 billion in potential lost revenue if not expanded to keep up with market trends. Analysis of several expansion alternatives estimate that the Project would generate over $734 million in net financial benefits to San Francisco through FY2025/26 along with a net increase in employment of 3,480 local jobs through FY2021/22.

The City would issue commercial paper and Certificates of Participation to cover the estimated $500 million construction cost. Moscone Expansion District (MED) assessments on gross tourist room revenues plus General Fund contributions of $8.2 to $10.7 million per year beginning in FY2018/19 would cover the estimated annual $35 million debt service payments as further described in the Management District Plan (MDP) unanimously approved by the Board of Supervisors on November 20, 2012.

These two revenue sources significantly exceed the costs of construction over the 32-year term of the MED, would not impact the City's debt capacity, and therefore pose little risk to the City's General Fund other than its responsibility to cover annual shortfalls. While the San Francisco Office of Public Finance estimates that annual shortfalls could reach as high as $6.2 million in FY2018/19, these shortfalls would be reimbursed by future year MED assessments as described in the MDP.

An expanded Moscone Center would allow San Francisco to retain its existing convention business and provide the contiguous square footage to accommodate larger meetings or more flexibly accommodate multiple simultaneous bookings. It also provides the opportunity to make needed streetscape improvements, enhancing the Center's connection to the surrounding neighborhood and advancing elements of the Planning Department's Central Corridor Project.

As a long-term net producer of both financial benefits and new employment, the Moscone Expansion Project is a prudent investment of public funds and a fiscally feasible and responsible undertaking per Chapter 29 of the Administrative Code. It leverages the shared goals of the City and the hotel industry to provide added capacity to one of San Francisco's primary economic engines and offers the opportunity to re-envision and reconnect Moscone to the South of Market neighborhood growing up around it.

Exhibits

A. Site Plan – Moscone Expansion Project Study Area
B. "Moscone Convention Center Expansion, Draft Cost Benefit Phase II Analysis Prepared for San Francisco Tourism Improvement District Management", Jones Lang LaSalle Hotels, May 25, 2012
C. San Francisco Office of Public Finance Cash Flow Analysis

Exhibit A: Site Plan – Moscone Expansion Project Study Area

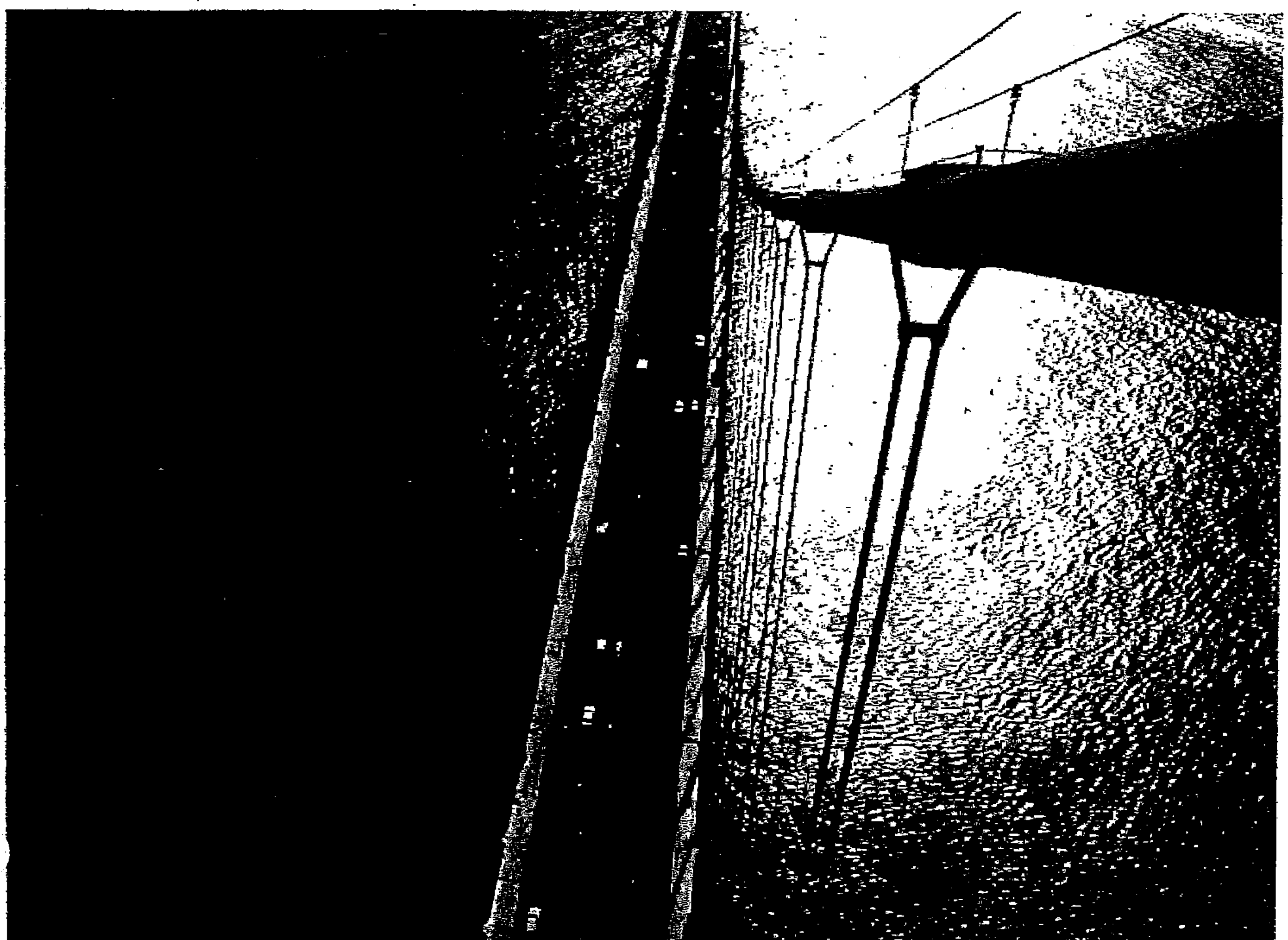
JONES LANG
LASALLE HOTELS®

Real value in a changing world

MOSCONE CONVENTION CENTER EXPANSION

Draft Cost Benefit Phase II Analysis Prepared for San Francisco Tourism Improvement District Management

May 25, 2012



May 25, 2012

Ms. Lynn Farzaroli
Senior Manager TID/Foundation
San Francisco Travel
201 Third Street, Suite 900
San Francisco, CA 94103

Re: ***Strategic Advisory Services – Moscone Expansion Cost Benefit Analysis – Draft Phase II Analysis***

Dear Ms. Farzaroli:

Jones Lang LaSalle Hotels ("JLLH"), a division of Jones Lang LaSalle Americas, Inc, is pleased to submit herewith our comprehensive draft review of the performance of the Moscone Center's existing facilities, competitive environment, potential for expansion and lodging market analysis. The information gleaned from the review process of the property and its market, along with the cost-benefit analysis conducted by JLLH and the assumptions stated herein, collectively form the basis of the conclusions and recommendations of this report. *It is to note that this Draft report only presents the conclusions related to the Economic Impact Analysis derived from increased attendance and visitor spend upon expansion of the Moscone Center facilities.*

Please do not hesitate to contact either of us if you have any questions regarding the report.

Respectfully submitted,

Andrea Grigg
Senior Vice President
Jones Lang LaSalle Hotels

Harry Schoening
Managing Director
Jones Lang LaSalle

Cc: Greg Hartmann
Amelia Lim
Lauro Ferroni
Tù-Uyen Do

Contents

1 Executive Summary

1.1 Scope of Work

Jones Lang LaSalle Hotels ("JLLH") has been engaged by the San Francisco Tourism Improvement District Management Corporation ("TID") to perform a cost/benefit and return on investment analysis in connection with the contemplated expansion of the Moscone Convention Center ("Moscone Center"). This Draft report only presents the conclusions related the Economic Impact Analysis derived from increased attendance and visitor spend upon expansion. To arrive at the conclusions presented herein, JLLH has undertaken the following scope of work:

- **Review of Existing Facility Performance,** to include analysis of on-the-books events, booking patterns, utilization rates and user profile, interviews of key personnel, development of a SWOT analysis to inform the future attendance projections for the various contemplated expansion scenarios;
- **Survey of Competitive Environment and Potential for Expansion,** to include the study of expansions implemented at comparable convention centers, survey of competitive supply, interviews with competitive convention center managers and research on how the proposed facility can fill a market niche;
- **Analysis of San Francisco Lodging Market,** to include historic analysis of supply and demand, assessment of the impact that previous Moscone Center expansions have had on hotel revenue, and regression analysis of attendance figures to key economic metrics;
- **Expansion Economic Impact Analysis,** to include attendance projections for a variety of expansion scenarios, forming the basis for determining the economic impact on visitor spending and Moscone Center facility.

1.2 Key Findings – Review of Existing Facility Performance

The Moscone Center is located in San Francisco's SOMA / Yerba Buena district. The convention center is comprised of three main buildings, Moscone North and Moscone South, which are connected underground, and Moscone West, a free-standing building.

Moscone South opened in 1981, and consists of 260,600 s.f. of exhibit space. Moscone North opened in 1992, adding 181,400 s.f. of exhibit space to the facility. The latest addition is Moscone West which features 96,700 s.f. of exhibit space.

The Moscone Center is owned by the City and County of San Francisco. The Moscone Center is privately managed by SMG, an entertainment and convention center venue manager. Convention business for the center is booked by San Francisco Travel which serves as the city's conventions and visitors' bureau.

Attendance data analyzed by JLLH highlights that Moscone Center convention attendee levels can fluctuate considerably from year to year. The volatility in attendance is driven by economic changes along with the schedule of rotations of the center's largest groups. Consistent with other convention centers in large U.S. cities, the convention calendar has a significant impact on lodging market performance and economic output.

The JLLH Consulting Team reviewed Moscone Center annual reports, definite group booking reports and lost business reports in order to determine booking patterns, utilization rates, user profile by business sector, average spend and space utilization. This analysis was employed to inform future attendance projections and the cost benefit analysis of the various expansion scenarios.

Attendance trends: The two largest business sectors of groups that convene at the Moscone Center are High Tech/Computer and Medical, together accounting for two thirds of attendees.

Average Gross Exhibit Space Used per Attendee: The amount of gross exhibit space used per attendee approximated 40 s.f. in FY 2010/2011. For groups booked in future years, the metric generally marks a gradual decline, suggesting that more attendees are convening in the same amount of space—a trend which generally supports that an addition of exhibit space is warranted.

Average Direct Spend per Attendee: From FY 2011/2012 onward, per-attendee direct spend is expected to remain flat/mark a slight decrease.

Average Number of Event Days per Convention: JLLH concluded that the Moscone Center is currently not exposed to any significant convention industry trends whereby the average length of a convention is increasing or decreasing substantially.

Summary of Previous User Surveys

In an attempt to uncover other trends or insight for its attendance projections and subsequent economic impact calculations, JLLH also evaluated existing Moscone User surveys. Surveys reviewed generally indicate users' satisfaction with San Francisco Travel from a convention sales aspect and affirm the draw of San Francisco as a destination. Furthermore, some respondents noted dissatisfaction with the non-renovated areas of the Moscone Center; and, in some cases, respondents cited space constraints as a potential future impediment.

Analysis of Key Lost Groups

To quantify the loss in attendee spend due to Moscone Center space constraints based on the lost business report provided by San Francisco Travel, JLLH established a methodology whereby each reason for loss of a group was assigned a factor in terms of how much the loss was related to space constraints. This factor was multiplied by the estimated direct spend for the groups lost due to that particular reason. The analysis leads to the conclusion that the total assumed loss in direct spend resulting from Moscone Center space constraints and related categories is $2.1 billion for the years 2010/2011 through 2019/2020.

Reason - JLLH Adapted Categories	JLLH Assumed Factor in Being Related to Space Constraints	Direct Spend of Lost Business per Category ($M)	Attributed Result of Loss in Direct Spend ($M)
First Option Went Definite	5%	$ 1,112	$ 56
Board Decision	15%	$ 3,110	$ 467
Change in Rotation	15%	$ 1,276	$ 191
Dates Not Available	10%	$ 1,715	$ 172
Does Not Meet Center Requirements	0%	$ 455	$ -
Economic Reasons	0%	$ 931	$ -
Space constraints	100%	$ 950	$ 950
Other	25%	$ 887	$ 222
Total Assumed Loss in Direct Spend due to Space Constraints (Groups Lost from 2010-2019)			$ 2,057

Source: Jones Lang LaSalle Hotels

1.3 Key Findings – Survey of Competitive Environment and Potential for Expansion

JLLH evaluated competitive convention centers in the U.S. In summary, the Moscone Center is smaller than the 12 convention centers that JLLH deemed most competitive to it, especially with regard to exhibit space: the Moscone Center has 1.7 s.f. of exhibit space per square foot of meeting space, while the competitive set's average is 4.3 s.f. of exhibit space per square foot of meeting space—supporting the case for an addition of exhibit space at the Moscone Center.

JLLH independently demonstrated that a market growth rate applied to the current number of attendees warrants the addition of exhibit space at the Moscone Center in the future. JLLH demonstrated that by FY 2021/2022, the growth in attendance will warrant an additional minimum 120,000 s.f. of exhibit space.

Competitive Convention Center Expansions: Impact on Lodging Market

JLLH studied the impact that substantial expansions of the 12 competitive convention centers had on their respective lodging markets. The analysis yielded a measurable impact that the various convention center expansions had on hotel revenue: the three years after a convention center expansion was completed saw an annual RevPAR growth premium of 2.6 percentage points (compared to if no expansion took place). This analysis shows that an expansion of a convention center can enhance hotel RevPAR across the relevant market areas.

Filling Market Niche with Expansion

JLLH examined how the proposed expansion can fill a market niche to lead to a competitive advantage. Elements for success include:

- Allow for natural light where possible.
- The additional exhibit space should be contiguous with the Moscone Center's largest exhibit hall.
- Any additional buildings should be physically connected with Moscone North/South.

1.4 Key findings – Analysis of San Francisco Lodging Market

There are currently 224 hotels in San Francisco with a total of approximately 34,300 guest rooms, roughly 25,000 of which are within walking distance of the Moscone Center. No new supply has entered San Francisco since 2008, a stark contrast to other major U.S. gateway markets.

San Francisco Lodging Market Outperformed Post Previous Moscone Expansions

Having demonstrated on a *national* basis that convention center area hotels generally garner higher revenue growth after a convention center expansion (compared to the long term average), JLLH analyzed the impact to RevPAR three to five years after the year of expansion for *San Francisco specifically.*

The three-year post expansion real RevPAR compounded annual growth rate ranged from 5.4% to 8.4%, and the five-year post expansion real RevPAR CAGR ranged from 7.8% to 12.1%. These growth rates generally exceed the 6.6% long-term real RevPAR CAGR that the city's core convention center hotels experienced, and as such supports that significant Moscone Center expansions have led to higher real RevPAR growth than witnessed during non-expansion periods.

Gross Metro Product and Hotel Demand Correlated to Convention Attendance

JLLH performed a regression analysis between convention attendance hotel demand, RevPAR, retail sales revenues, wage and salary disbursements, gross metro product, air passenger traffic, leisure and hospitality employment and hotel tax revenues. The highest correlation resulted between convention attendance and San Francisco County gross metro product, hotel demand for core convention area hotels and San Francisco County wage & salary disbursements, all of which exhibited a correlation of 0.70 and above, exhibiting the relatively strong relationship between convention attendance and economic factors in San Francisco.

1.5 Key findings – Expansion Economic Impact Analysis

JLLH conducted an economic impact analysis of the various Moscone Center expansion scenarios to address the business case for optimum expansion of the current facilities. JLLH forecast impact based on projected incremental income to the expanded facility and economic impact derived from incremental visitor spending.

Evaluation of Various Expansion Scenarios

JLLH projected the growth in attendance from FY 2011/2012 through FY 2025/2026 for a variety of expansion scenarios, summarized below:

Moscone Center Expansion Scenarios		
Scenario	Component(s)	Saleable Space (s.f.)
1	Moscone East Construction	170,150
2	Third Street Addition and Howard Street Connector Expansion	206,700
3	Third Street Addition and Moscone East Construction	269,850
4	Howard Street Connector Expansion and Moscone East Construction	277,150
5	All Three Expansions	376,850

JLLH first calculated organic growth rates in Moscone Center attendance assuming no expansion in space. An assumed growth rate of 2.5% per annum was applied to the attendance for FY 2010/2011.

JLLH subsequently calculated attendance projections for the three expansion scenarios detailed below, along with all possible combinations thereof. JLLH took the organic attendance growth figures (capped at a space utilization rate of 2.2 as described in the body of the report), and calculated the induced demand, expressed as number of groups multiplied by average historic group size. The final projected attendance figures for each of the expansion cases thus represent organic growth, plus induced demand, minus displaced demand.

Calculation of Economic Impact Scenario

JLLH studied the economic impact that various expansion scenarios are expected to yield. To compute the full economic impact of the various expansion scenarios, JLLH relied on data from IMPLAN. IMPLAN's multipliers consist of three types of impact: direct, indirect and induced effects. Direct effects are those related to the initial spending in the economy, and indirect effects measure the additional businesses needed to purchase goods and services to produce the product purchased by the direct effect. Induced effects are the response by an economy to the initial change causing further local economic activity.

In computing the full economic impact per the above-referenced methodology, JLLH calculated the impact of incremental Moscone Center Net Operating Income and incremental visitor spending. JLLH excluded the economic impact from the construction from the construction itself in the analysis of the five expansion scenarios.

Economic Impact Summary

The table below shows the forecasted net economic impact and employment change summary for each scenario:

Economic Impact - Visitor Spending & Moscone Center Facility				
Ranking	Scenario	Components	Net Economic Impact	Change in Employment
1	5	All Three Expansions	$1,434,098,880	6,878
2	4	Howard Street Connector Expansion and Moscone East Construction	$1,331,026,465	6,616
3	3	Third Street Addition and Moscone East Construction	$802,700,493	3,682
4	2	Third Street Addition and Howard Street Connector Expansion	$794,402,886	3,480
5	1	Moscone East Construction	$699,631,255	3,412

Based on the economic impact analysis from visitor spending and taking into account the Net Operating Income from the Moscone Center operations, Scenario 5 with all three expansions yielded the highest net economic impact with the highest change in employment.

Impact on Hotel Market Occupancy

JLLH projected future hotel demand, assuming no supply increases to core convention center hotels, to demonstrate how increased attendance associated with the recommended expansion will likely warrant the addition of new hotel supply in the future.

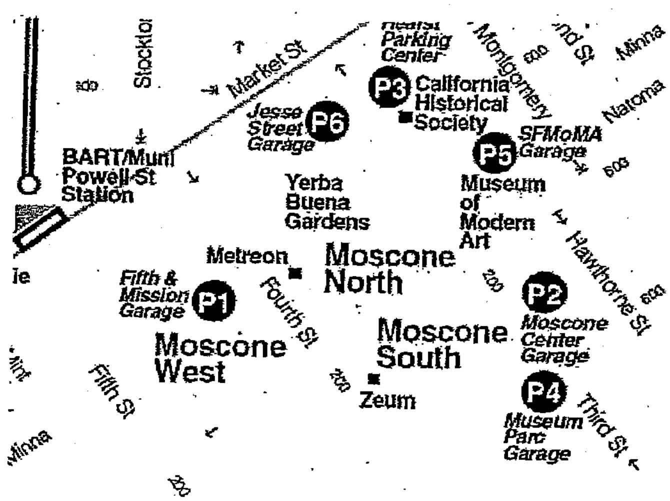
Based on the projection methodology detailed in the body of the report, the rise in convention attendees amid minimal supply increases is expected to be limited by an annual occupancy likely not to exceed low to mid 80s occupancy levels given the weekly and seasonal cyclical periods of lower demand such as Sundays and holidays. These cyclical limitations indicates that a high degree of lodging demand will go unaccommodated and/or be turned away toward hotels outside of San Francisco or diverted from their trip all together. Therefore, based on the incremental convention center attendance resulting from the various expansion scenarios, there is strong evidence to suggest that the market will be able to support the addition of new hotel stock over the medium term. The addition of hotel rooms, whether part of an official convention center headquarters hotel, or another hotel in the immediate area, will have an additional positive impact on area employment, economic impact, tax revenues and forecasted Internal rates of return beyond what is quantified in this report.

2 Review of Existing Facility Performance

2.1 Property Overview

The Moscone Center is located in San Francisco's SOMA / Yerba Buena district. The convention center is comprised of three main buildings, Moscone North and Moscone South, which are connected underground, and Moscone West, a free-standing building. The three buildings comprise of approximately two million square feet of building area. The center is named after George R. Moscone, a former mayor of San Francisco. There are approximately 25,000 hotel rooms within walking distance of the convention center.

Moscone South opened in 1981, and consists of 260,600 s.f. of exhibit space in Halls A, B and C. Moscone North opened in 1992, adding 181,400 s.f. of exhibit space in Halls D and E. This addition is connected to Moscone South via underground corridors and meeting space. The latest addition to the center is Moscone West, a stand-along building located one-half block to the west of the other two buildings. Moscone West features 96,700 s.f. of exhibit space on the first level.



Source: Moscone Center website

The Moscone Center is owned by the City and County of San Francisco. The Moscone Center is privately managed by SMG, an entertainment and convention center venue manager. Convention business for the center is booked by San Francisco Travel which serves as the city's conventions and visitors' bureau.

The JLLH Consulting Team performed a comprehensive review of the historic performance of the Moscone Center by analyzing annual reports, definite group booking reports and lost business reports in order to determine booking patterns, utilization rates, user profile by business sector, average spend and space utilization. This analysis was used to inform the Moscone Center and future projections and the cost benefit analysis of various expansion scenarios.

JLLH toured the North, South and West buildings of the Moscone Center on January 20, 2012, viewing both front-of-house and back-of-house areas. JLLH was able to visually inspect non-renovated areas and renovated spaces, along with Moscone West, the newest building of the Moscone Center. JLLH also viewed the Third Street Garage (from the outside) which represents a potential expansion site for Moscone East.

In addition, JLLH held in-person meetings and interviews with senior personnel from the Moscone Center and San Francisco Travel, to include the Senior Manager of the TID Foundation, the EVP & Chief Customer Officer of San Francisco Travel, the VP of Convention Sales for San Francisco Travel and the Assistant General Manager of the Moscone Center. Content from these meetings was central in informing JLLH's recommendations and is summarized in JLLH's files.

In order to ensure a complete review and assessment of the Moscone Center, JLLH also obtained background on the operating structure of the Moscone Center and the center's collaboration with San Francisco Travel and the TID during these meetings. JLLH confirmed that the Moscone Center's mandate to achieve maximum economic impact for the City of San Francisco supersedes its objective to itself turn an operating profit. As such, the Moscone Center often operates at a net operating income loss, which is typical of convention centers across the country.

JLLH also established during the above-referenced meetings that it is the Moscone Center's policy to generally not hold any public shows at the center, the exception being the San Francisco International Automobile Show. This event takes place each November and typically draws up to 300,000 attendees which purchase a ticket to enter the show, thus marking a significant difference from other convention attendees (delegates) who attend a convention due to their affiliation with a certain company, association or business sector.

Representatives from San Francisco Travel and the TID stated that the Moscone Center is unlikely to consider holding more public shows such as the auto show. Therefore, JLLH did not consider this scenario in its recommendations or projections.

2.2 Current Usage of Moscone North, South and West

Since Moscone North and South are connected, they can be marketed as one space for a large event or divided up into two separate buildings for two separate groups. The newest addition, Moscone West, was originally built as a stand-alone facility and to level out hotel room occupancy, since hotel occupancy in the market generally declines during the move-in and move-out days of the convention period. The original intent was to fill up Moscone West during Moscone North and South's move-in and move-out days in order to maximize the market's hotel occupancy. According to Moscone Center's General Manager, although Moscone West's bookings ended up not coinciding with Moscone North and South's move-in and move-out days, it did increase the usage of all three buildings.

Moscone West has been a success due to its flexible space with moveable walls for exhibit space, general sessions and spacious meetings, 28-foot high ceilings, natural light, and great design and acoustic. The only complaints received for Moscone West are the lack of connection to Moscone North and South and the lack of office space, but there are plans to convert some meeting space into several office space for clients use.

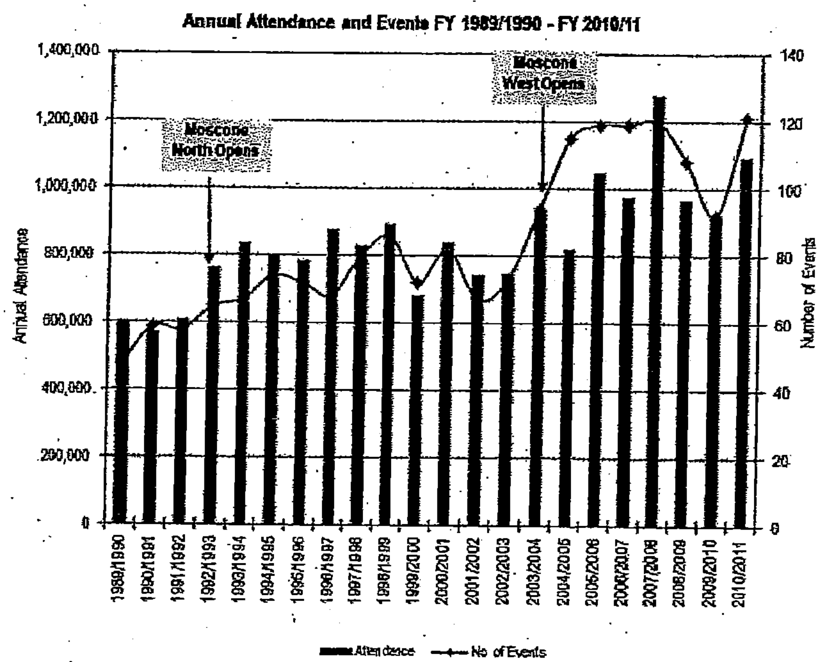
JLLH evaluated whether Moscone West could be marketed as a stand-alone facility following an expansion of the Moscone Center. From reviewing definite booking reports, JLLH notes that Moscone West is in some instances already being used to accommodate groups on a self-sufficient basis, meaning that all activities are housed in Moscone West without making use of Moscone North and Moscone South. This represents a considerable benefit, because it allows for separate meetings to be going on automatically, without creating any conflicts of cross-over in the same building.

The construction of Moscone East would likely result in a similar scenario whereby events could be held in the facility on a stand-alone basis. If Moscone East were to be built, the Moscone Center could theoretically house three groups simultaneously: one in Moscone North/South, a second program in Moscone West, and a third event in Moscone East.

But for large groups, no matter which of the expansion scenarios is selected, Moscone West will continue to be required to accommodate the needs of the group. JLLH therefore does not deem it strategic to permanently market Moscone West as a stand-alone facility, but rather recommends continuing to use it as a stand-alone facility when it best fits the needs of a given group.

2.3 Moscone Center Historic Attendance and Event Volume

JLLH conducted a thorough analysis of the Moscone Center's historic performance and definite groups on the books. San Francisco Travel provided JLLH with the annual attendance and number of events from FY 1989/1990 through FY 2010/2011, displayed in the chart below.



Source: Moscone Center management (SMG)

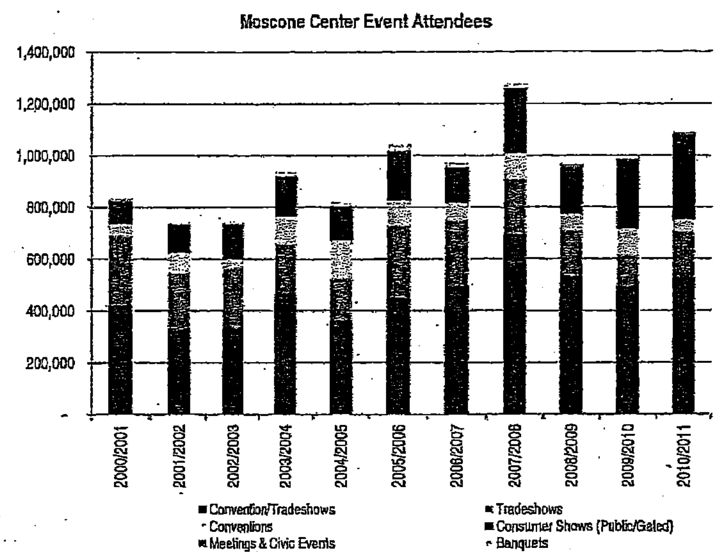
JLLH was provided with Moscone Center Annual Reports for FY 1990/1991 onward. Overall attendance reached an interim peak of 894,600 during 1998/1999. Attendance thereafter dipped slightly in 1999/2000, but the volume of convention attendees increased in 2000/2001 to 839,400. This time period marked the height of the technology boom in the San Francisco area, which was a driver for technology-related conventions. Consistent with national trends, convention attendance declined following the events of 9/11 and the ensuing economic downturn.

In San Francisco, the dip in the technology sector further contributed to an ongoing slowdown in convention attendance. As is described in more detail in Section 4 of this report, San Francisco experienced a longer and deeper lodging market downturn following 9/11 than most other large U.S. markets, and convention center attendance figures mirror this trend. The Moscone Center's attendance hit trough levels in FY 2001/2002 at 744,700 attendees, and FY 2002/2003 showed an increase of only 3,000 attendees. Moscone West opened at the end of FY 2002/2003, and total attendance increased by 25% in FY 2003/2004.

Amid accelerating economic growth, annual attendance increased to a then record-high in FY 2005/2006 of 1,046,300 attendees. Due to the rotation of several large groups, FY 2006/2007 saw a 7% decline in attendance, but attendees thereafter grew to an all-time high of 1,279,000 in FY 2007/2008. The economic downturn then contributed to a 24% attendance decline in FY 2008/2009 and a further 5% dip in FY 2009/2010 to 919,800 attendees. Attendance rose by 19% in FY 2010/2011 to reach 1,093,000, representing the highest level in four years, but still 15% below the record FY 2007/2008 peak.

Attendance data analyzed by JLLH highlights that Moscone Center convention attendee levels can fluctuate considerably from year to year. The volatility in attendance is driven by economic changes along with the schedule of rotations of the center's largest groups. Consistent with the convention center in many large U.S. cities, the convention calendar has a significant impact on lodging market performance and economic output.

The annual reports contain more detailed attendance data based on type of event, which JLLH plotted for 2000/2001 onward to show additional detail in the chart below. The largest subcategory of convention attendance as defined by San Francisco Travel is the Convention/Tradeshows category, which comprises roughly 50% of total attendance each year. The next-largest categories are Tradeshows and Consumer Shows (Public/Gated). Consumer Shows include public shows such as the San Francisco Automobile Show.



Source: Moscone Center annual reports

2.4 Profile of Facility Users and Associated Trends

Following the review of the annual aggregate figures, JLLH conducted a more detailed analysis of both historic group bookings since FY 2001/2002 along with definite bookings on the books through FY 2019/2020 based on a report provided by San Francisco Travel.

This definite booking report contained data on 766 meetings. The overall attendance figures in this report do not necessarily match the overall attendance figures stated in the Moscone Center's annual reports for previous years because a number of confidential conventions were omitted from the detail report furnished by San Francisco Travel. The number of groups listed for FY 2001/2002 and FY 2002/2003 was considerably sparser than for the subsequent years; the data for these years was included only where it did not skew the findings. The report did not contain the headquarters location of the group nor did it state the point of origin of the attendees so JLLH did not analyze this.

JLLH conducted an analysis of the definite booking report to tabulate data and establish trends in the following categories by year and primary business sector:

- Attendance
- Average gross exhibit space used per attendee
- Average direct spend per attendee
- Average number of event days per convention

JLLH drew comparisons to national trends in the meetings industry where appropriate. JLLH synthesized information from the *2012 Meetings Market Trends Survey*, an online survey completed by 805 meeting planners to assess the macro perspective in the meetings industry and inform findings about overall issues the industry faces. The number of responses collected for the survey (805 responses) is considered a statistically significant number.

According to the survey, the three largest challenges that meeting planners expect to face in 2012 are increasing costs, a lower budget, and declining attendance. These concerns were consistent with themes picked up during the Moscone user interviews and competitive convention center management interviews.

The *2012 Meetings Market Trends Survey* also summarized meeting planners' main overall perceived threats to the meetings industry going forward. Economic pressures were the most frequent response, accounting for 70% of responses. The other selections received far fewer responses. Only one in ten respondents cited virtual meetings as a threat to the industry.

Lastly, JLLH reviewed the most likely changes that meeting planners expect to see in the future based on the survey. The methodology for this question was unclear as the responses did not total 100%, but JLLH nonetheless reviewed the most frequent responses. Among the most common responses was "more complicated contract negotiations", often due to organizations' desire to monitor budgets and mitigate risk. Meeting planners and convention center managers that JLLH interviewed also cited this as a prominent trend that is likely here to stay.

Another common response in the *2012 Meetings Market Trends Survey* was the "greater emphasis on ROI", which again is consistent with responses gathered during JLLH's interviews. Another frequent reply was that meeting planners concurrently cited "less entertainment" along with "more meeting sessions per day" as trends for the future. This implies that meetings' programs are getting fuller and condensed in order to focus more on the business purpose.

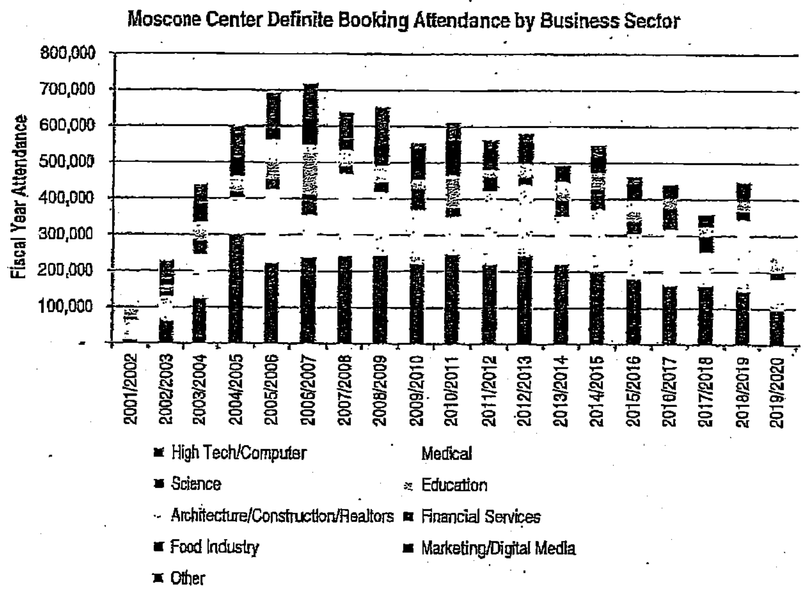
JLLH deems the review of the *2012 Meetings Market Trends Survey* as an important component in assessing the national meetings industry broadly and the Moscone Center user profile specifically. Following the above review of high-level trends, JLLH presents below the user profile analysis with regard to the Moscone Center specifically.

Attendance Trends

As a basis for conducting an informed projection for future convention center attendance, JLLH analyzed Moscone Center annual attendance by business sector. The definite bookings reported provided by San Francisco Travel contained a category titled "Meeting Account Market Segment", which classified each group as Association, Corporate or Trade Shows & Expositions business. For the Association and Corporate business, a business sector was identified, but JLLH often deemed the categories as too broad and/or not mutually exclusive. Moreover, 16% of the groups were classified as Trade Shows & Expositions without mention of business sector.

JLLH therefore attributed each group to one of nine business sector categories defined by JLLH to more accurately capture the business industry attributable to the group: High Tech/Computer, Medical, Science, Education, Architecture/Construction/Real Estate, Financial Services, Food Industry, Marketing/Digital Media and Other. Public shows, such as the annual San Francisco International Auto Show, along with the Major League Baseball DHL All-Star FanFest held in 2007 were excluded from the analysis as these groups are driven by different business factors and have a less significant economic impact on the surrounding hotels.

The two largest business sectors of groups that convene at the Moscone Center are High Tech/Computer and Medical, together accounting for two thirds of attendees during the time frame studied. Based on interviews with competitive convention center managers, these two sectors are considered among the most lucrative in terms of economic spend.

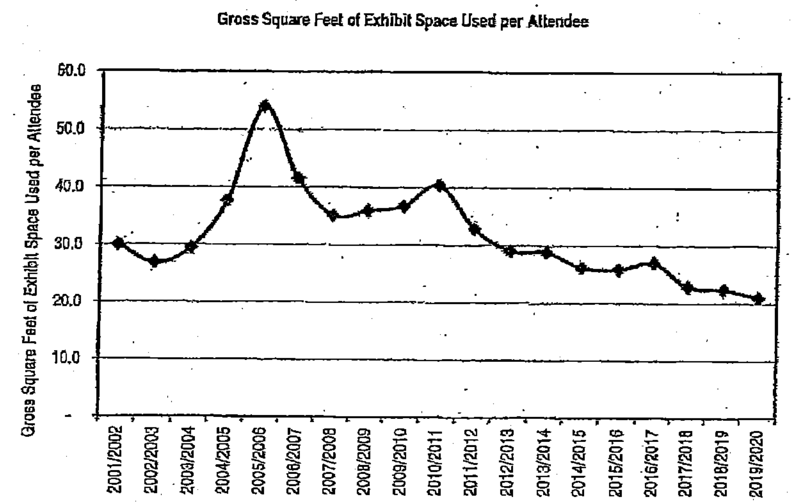


Source: San Francisco Travel, Definite Booking Pace Report

JLLH calculated the standard deviation by which annual attendance varied from all years, and determined that the attendance count in the High Tech/Computer business sector generally was most volatile. The business sector with the second greatest standard deviation was the Medical sector. JLLH however cautions that this analysis is influenced greatly by the completeness of the data. Any omitted (confidential) groups can skew the volatility of the group, and as such did not assign much weight to the volatility of groups in its analysis.

<u>Average Gross Exhibit Space Used per Attendee</u>

JLLH analyzed the average gross exhibit space used per attendee as a basis for its attendance projections. The definite booking report stated which buildings the groups occupied (Moscone North/South/West). JLLH considered the exhibit space square footage of the space(s) in question and divided it by total attendance for the group. The chart below depicts average gross exhibit space square footage occupied by attendee averaged across all business sectors.



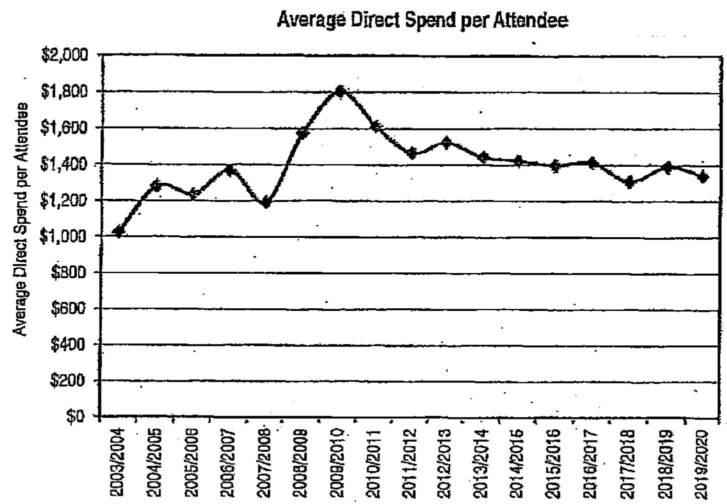
Source: San Francisco Travel, Definite Booking Pace Report

The amount of gross exhibit space used per attendee peaked in FY 2005/2006 at 54 s.f. per attendee and thereafter has generally marked a softening. For groups booked in future years, the metric thereafter generally marks a gradual decline, suggesting that more attendees are convening on the same amount of space—a trend which generally supports an addition in exhibit space is warranted for the Moscone Center. When comparing attendees per exhibit space in the most recent year, Moscone Center was the second highest out of the competitive set, only after Las Vegas.

Average Direct Spend per Attendee

JLLH evaluated the average direct spend per attendee based on the definite group booking report. According to San Francisco Travel, the direct spend category refers to spending in San Francisco only and is comprised of the following three categories: a) local spending on lodging, dining, entertainment, retail and local transit based on San Francisco Travel surveys; b) local spending by meeting sponsors based on Destination Marketing Association International estimates; and c) local spending by exhibitors on booths and entertainment based on Destination Marketing Association International estimates. Together, this comprises the estimated direct spend of a group in San Francisco, which JLLH divided by the number of attendees stated in the same file.

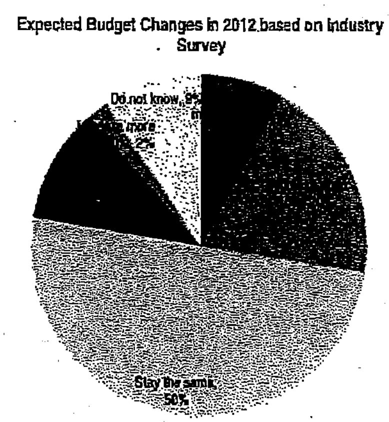
Direct spend represents a lower figure than the overall economic impact. Direct spend data for FY 2001/2002 and FY 2002/2003 are not always reported so JLLH commenced the analysis for FY 2003/2004 onward. The aforementioned analysis was conducted separately from the economic impact analysis in Section 5. The purpose of the analysis described in this section was primarily to ascertain how average direct spend per attendance is trending. Average direct spend per attendee peaked in FY 2009/2010 driven by several groups which represented a high level of expenditure and lower than average number of attendees as a denominator. San Francisco Travel did not specify whether the figures are adjusted for inflation, so it is assumed that the figures represent actual spend in the respective years at that year's current dollars.



Source: San Francisco Travel, Definite Booking Pace Report

From FY 2011/2012 onward, the average direct spend per Moscone Center attendee stabilizes at roughly $1,400 per year. As such, there are no striking trends to be ascertained from this analysis and per-attendee direct spend is expected to remain flat or mark a slight decrease over the forecast horizon based on the data provided.

JLLH also evaluated industry trends with regard to meetings budgets. While data containing a national long-term trend line was not readily available, JLLH did review the *2012 Meetings Market Trends Survey*, an online survey completed by 805 meeting planners, which stated that 50% of respondents expect their meetings budget to be flat in 2012. Another 27% of those surveyed expect their budgets to decrease, while 13% expect an increase. The findings from this survey are largely consistent with the data analyzed from San Francisco Travel for the Moscone Center.

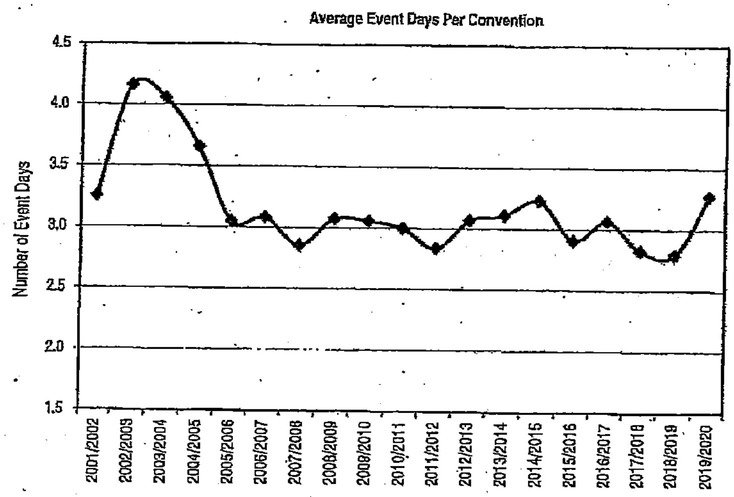


Source: 2012 Meetings Market Trends Survey

Average Number of Event Days per Convention

In establishing a profile of past facility use, JLLH also calculated the average length of conventions for each of the fiscal years contained in the definite booking report. The length of a convention is expressed in event days, which refers to days on which the convention has a scheduled program. The event day measure excludes the move-in days leading up to the show and break-down days following the meeting.

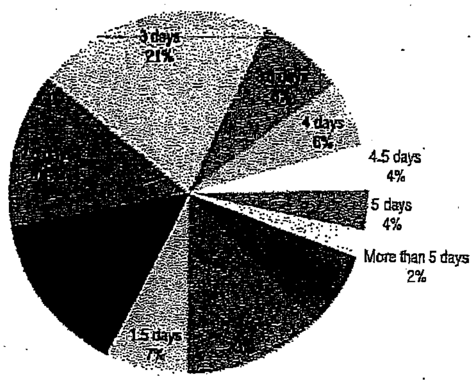
The average number of event days for groups from FY 2001/2002 through FY 2019/2020 is 3.2 days. Aside from FY 2002/2003 and FY2003/2004, there has been relatively little variation. In future years for which definite meetings are on the books, there is little variation in average annual number of event days. As such, JLLH concludes that the Moscone Center is currently not exposed to any significant industry trends whereby the average length of a convention is increasing or decreasing substantially.



Source: San Francisco Travel, Definite Booking Pace Report

The average number of event days for conventions held at the Moscone Center is in line with industry averages. According to the *2012 Meetings Market Trends Survey*, an online survey completed by 805 meeting planners, 43% of respondents stated that their typical meeting duration is 2.5 – 3.5 days.

Typical Meeting Duration based on Industry Survey



Source: 2012 Meetings Market Trends Survey

2.5 Analysis of Existing Users' Surveys

To garner any other insight for its attendance projections and subsequent economic impact study, JLLH also evaluated existing Moscone User surveys. San Francisco Travel provided JLLH with the results of approximately 30 surveys completed by Moscone Center users following their events held at the Moscone Center between 2009 and 2011.The surveys were generally completed by the lead meeting planner of the convention.

On average, JLLH was provided with one survey per month for the above-referenced time period. The average attendance size of conventions for which a survey was received by JLLH was 9,400 attendees (based on self-reported figures). The majority of surveys indicated that the groups used two or more buildings of Moscone. The analysis below is based on the 30 surveys received from San Francisco Travel and does not contain any data from surveys that were reviewed by AECOM as part of their 2009 report.

Below is a list of the organizations that responded to the Convention Services Critique Form.:

Organizations Responding to Convention Services Critique Survey
ad:tech
American Academy of Dermatology
American Chemical Society
American Geophysical Union
American Psychiatric Association
American Society for Surgery of the Hand
ASCD
California Dental Association
Cambridge Healthtech Inst.
Cardiovascular Research Foundation
Citrix
IDG World Expo, Inc.
Intel Corporation
International Trademark Association
Java
National Association for the Specialty Food Trade
National Association of Independent Schools
National Association of Secondary School Principals
RSA, the Security Division of EMC
Semiconductor Equipment and Materials International
Society of Gynecologic Oncologists
SPIE
Subway Franchise World Headquarters
SunGard Higher Education
UCSF
Urban Land Institute

Below is a list of the questions contained in the survey:

Convention Services Critique Form - Moscone Center Users

1. Meeting Information
- Name of Meeting
- Date of Meeting
- Attendance
- Facilities Used

2. Convention Sales Department
- How would you rate the SFCVB Convention Sales Representative's knowledge of your meeting?
- How would you rate the professionalism?
- How would you rate the responsiveness?

3. Convention Services Department
- How would you rate the SFCVB Convention Services Representative's knowledge of your meeting?
- How would you rate the professionalism?
- How would you rate the responsiveness?

4. Website
- User-friendly
- Content

5. Collateral
- Quality of promotional materials
- San Francisco Book
- Meeting & Event Planner Guide

6. Rate overall experience with SFCVB.

7. Rate overall experience with SFCVB Member suppliers.

8. San Francisco, The City
- Attractions/Entertaining/Shopping
- Cleanliness
- Hotel Rates
- Restaurants
- Safety
- Transportation

9. Describe overall experience in San Francisco

10. Will San Francisco be considered for this event again?

11. If no, rank the reasons for not returning, in order of priority

12. Please comment on any areas of service which you feel we can improve upon:

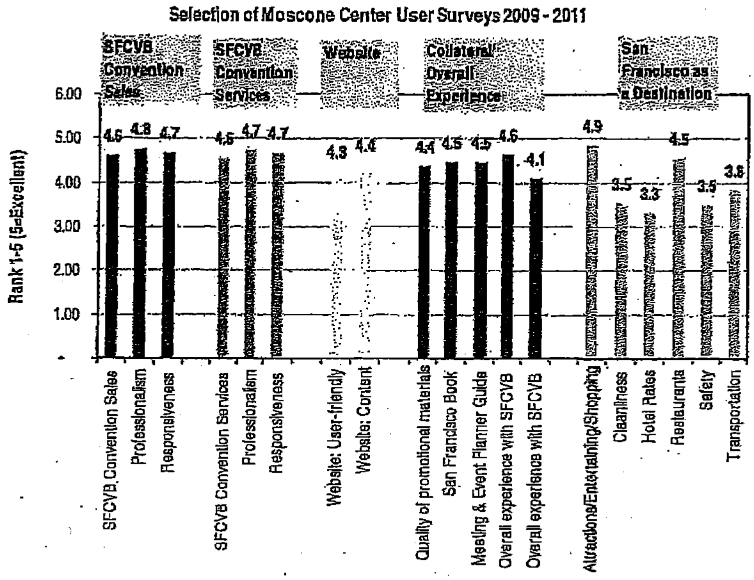
13. Please list any additional comments you may have:

14. Organization Information

For most of the questions, respondents were given the option of providing a score of up to 5, with 5 representing "excellent", 4 meaning "very good", 3 representing "good", and 2 meaning "fair". None of the surveys evaluated had a score below "2" in any of the categories.

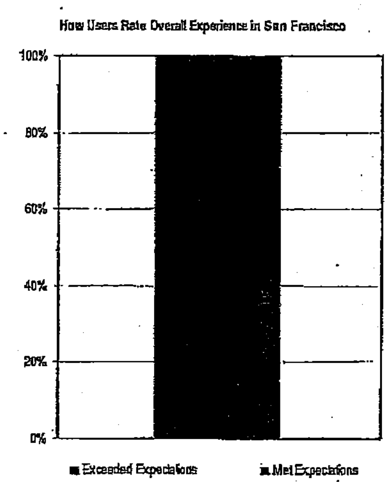
JLLH averaged the scores for each of the major categories. The average scores are displayed in detail in the graph below. In summary, satisfaction with the Convention Sales Department received the highest scores, at an average of 4.69. This was followed by the Convention Services Department, with an average score of 4.66. Respondents' satisfaction with Collateral averaged 4.42 points. The Website category followed at 4.33.

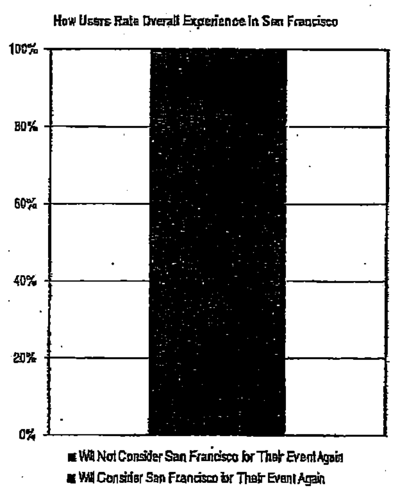
Respondents' satisfaction with San Francisco as a whole averaged 3.94 points. This category was negatively affected by respondents' perception of cleanliness, which averaged 3.55, and the Hotel Rate category, which averaged 3.34. JLLH attributes these two below-average scoring categories to meeting planners' concerns regarding the homeless population around the Moscone Center and the downtown hotels, and the fact that hotel rates were often perceived as being high.



Source: San Francisco Travel

For the surveys reviewed, 61% of respondents indicated that their overall experience in San Francisco met expectations, and 39% stated that their expectations were exceeded. Additionally, 90% of those surveyed indicated that they will consider San Francisco for a future event.





Source: San Francisco Travel

Three questions on the survey allowed respondents to provide free-form commentary. While these responses cannot be statistically tabulated, common themes were as follows:

- Conventions achieved record-breaking attendance in San Francisco, attributed to San Francisco's allure as a destination and popularity among attendees;
- Need for renovation of sections of the Moscone North and South;

- City is more expensive than other cities in the convention's rotation. This primarily referred to Moscone Center rental rates, Moscone vendor and labor rates and hotel rates along with perceived rigidness of hotels when negotiating room blocks and rates;
- Concern about homeless population in the area surrounding the Moscone Center; cleanliness of sidewalks around the Moscone Center.

In summary, the surveys reviewed by JLLH indicate users' satisfaction with San Francisco Travel from a convention sales aspect and affirm the draw of San Francisco as a destination. Some respondents noted dissatisfaction with the non-renovated areas of the Moscone Center; and, in some cases, the respondents cited space constraints as a potential future impediment. The responses are largely consistent with what JLLH observed during the tour of the facility and surrounding hotels and phone interviews with select convention center users.

2.6 Analysis of Key Lost Groups

JLLH conducted a detailed review of groups that tentatively held dates and space at the Moscone Center but were subsequently lost, as opposed to being converted to the "definite" category. A review of this data was deemed essential in reaching an informed decision regarding the current constraints that the Moscone Center faces and for the formulation of recommendations for the future.

San Francisco Travel provided JLLH with a list of "Citywide Lost & Turned-Down Groups". The report was run for meeting dates from January 1, 2010 through December 31, 2019. The report contained 904 lost and turned-down groups for that time period. As part of its analysis of the performance of the existing facility, JLLH reviewed this report and tabulated data points to summarize data as a basis for drawing conclusions.

Based on the report, 884 groups on the list were lost and 20 groups were turned down. According to the report, the reason that groups were turned down is because they did not meet the center requirements, which is assumed to be because of size (i.e. too small) or type of group (i.e. public show). The turned down business represented a minimum of 2% of total non-materialized business and was as such not analyzed further.

For each group that was lost, the report stated a "Reason 1" why the business did not materialize. Additionally, 13% of the groups lost listed a "Reason 2", and 2% of groups lost listed a "Reason 3". JLLH focused its analysis on "Reason 1" since it had the most complete data.

On the report from San Francisco Travel containing the 884 lost groups, some 362 groups stated "Reason 1" lost as "Other". JLLH asked San Francisco Travel for additional detail on the "Other" category for this large proportion of groups in order to be able to conduct a more complete analysis. San Francisco Travel provided a separate file which contained free-form written commentary for each of the "Other" categories on the first report. Based on this supplementary report, JLLH categorized as many of the "Other" responses into one of the existing San Francisco Travel-defined 'reason lost' categories as possible.

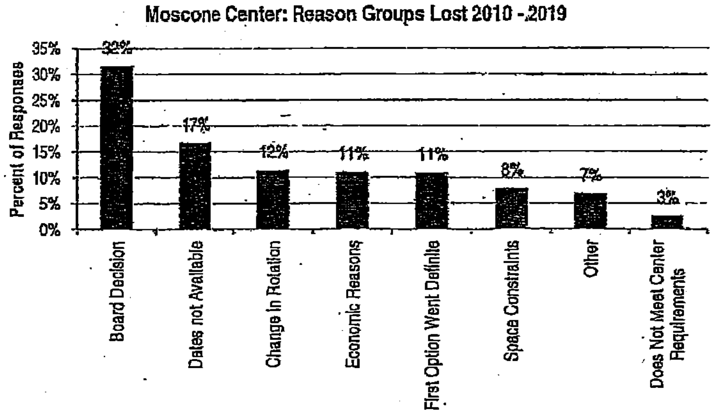
Subsequently, JLLH reviewed the results for each of San Francisco Travel's pre-defined categories, and consolidated several similar categories to make the analysis more streamlined. For example, JLLH determined that three categories—"Appropriate space not available", "Convention Center too Small" and "Non-contiguous space/Split Exhibits"—relate to physical space constraints and were combined by JLLH in a category named "Space Constraints." The number of categories was thereby consolidated from 17 reasons to eight reasons as detailed below:

All Reason Lost 1 Categories	JLLH Adapted Categories
1st Option Went Definite (95)	First Option Went Definite
Appropriate space not available (72)	Space constraints
Better Draw of Clients in Selected Area (80)	Board Decision
Board Decision (20)	Board Decision
Change in Rotation (85)	Change in Rotation
Convention Center Rates Too High (60)	Economic Reasons
Convention Center too Small (30)	Space constraints
Dates Not Available (40)	Dates Not Available
Does not meet Center Requirements (70)	Does Not Meet Center Requirements
Economic Reasons (42)	Economic Reasons
Labor Negotiations (87)	Other
Meeting Cancelled (45)	Board Decision
No viable bids received (71)	Other
Non-contiguous space/Split Exhibits (73)	Space constraints
Political Reasons (50)	Board Decision
Other (See Recommended Action Section) (90)	Other
Room Rates Too High (10)	Economic Reasons

JLLH notes that several of the categories as defined by San Francisco Travel are not necessarily mutually exclusive. For example, a common reason for the loss of business was due to "Board Decision". This could be the result of "Economic Factors" or "Dates not Available", both of which are their own separate categories. JLLH therefore advises that this analysis be considered in aggregate with other factors. None of San Francisco Travel's categories referred to displacement due to the impact of the on-going renovation, as such this was not given as a reason for any lost business.

The most common reason why a group was lost was due to a board decision (32% of lost groups). This category was followed by lack of suitable dates (17%), change in rotation (12%), economic reasons (11%) and first option went definite (11%). Another 8% of groups were lost due to Moscone space constraints.

The analysis found that no single category relating to Moscone Center's physical facility stood out as being the reason for the lion's share of lost business. Aside from "Board Decision", the distribution of reasons for lost business is relatively balanced.



Source: San Francisco Travel

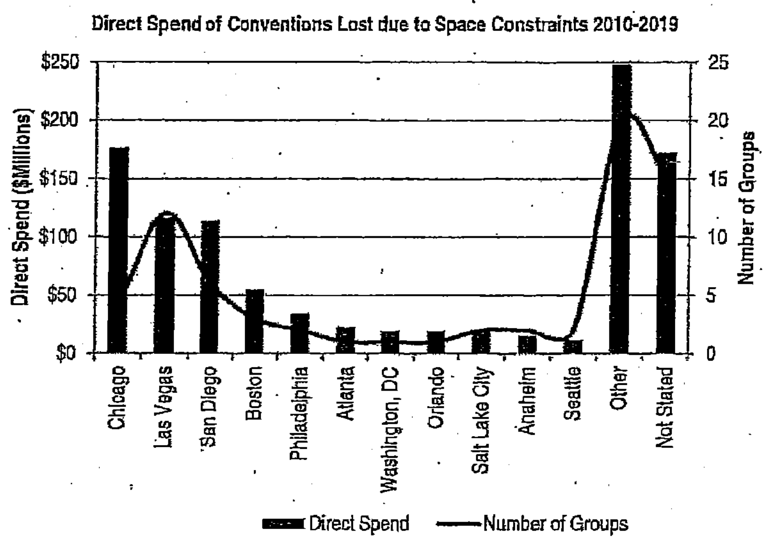
JLLH further broke down the "Economic Reasons" category. Of the 99 responses in this category, 35 stated "Hotels too Expensive" and 28 stated "Convention Center Rates too Expensive". The remaining did not specify more detail.

Additionally, JLLH took a closer look at the "Space Constraints" category. Of the 71 responses in this category, 36 were attributed to "Convention Center too Small". The "Non-contiguous space/Split Exhibits" category was only selected in two instances and was as such not plotted individually in the graph above.

In order to attempt to quantify the economic impact of groups lost due to space constraints at the Moscone Center, JLLH more closely analyzed which cities the Moscone Center lost groups chose in instances where the reason of "space constraint" was given.

Ranked by amount of foregone direct spend, the Moscone Center lost four groups to Chicago, resulting in an estimated loss of direct spend to the City of San Francisco of roughly $177 million. Chicago was followed by Las Vegas, which captured 12 groups lost from the Moscone Center due to space constraints, at an estimated foregone direct spend in San Francisco of roughly $116 million. San Diego was third, capturing six conventions with estimated direct spend of $114 million.

The other cities, as tracked in the report, are displayed in the graph below. The fact that Chicago, Las Vegas and San Diego were the primary cities which accommodated groups lost by the Moscone Center is consistent with commentary that JLLH gained from senior-level meeting planners of conventions which currently convene at the Moscone Center or have held events at there in the past.



Source: San Francisco Travel

In order to approximate the full direct spend of groups that were lost due to space constraints, JLLH recognized the need to cast a wider net and also evaluate the potential direct spend of groups lost for reasons other than "space constraints" as the different reasons influence each other and cannot simply be examined in isolation.

JLLH established a methodology whereby each of its consolidated list of nine reasons for loss of group was assigned a factor, and this factor was multiplied by the estimated direct spend for the groups lost to that particular reason. The assumed factors are displayed below:

Reason - JLLH Adapted Categories	JLLH Assumed Factor in Being Related to Space Constraints	Direct Spend of Lost Business per Category ($M)	Attributed Result of Loss in Direct Spend ($M)
First Option Went Definite	5%	$ 1,112	$ 56
Board Decision	15%	$ 3,110	$ 467
Change in Rotation	15%	$ 1,276	$ 191
Dates Not Available	10%	$ 1,715	$ 172
Does Not Meet Center Requirements	0%	$ 455	$ -
Economic Reasons	0%	$ 931	$ -
Space constraints	100%	$ 950	$ 950
Other	25%	$ 887	$ 222
Total Assumed Loss in Direct Spend due to Space Constraints (Groups Lost from 2010-2019)			$ 2,057

Source: Jones Lang LaSalle Hotels

The analysis leads to the conclusion that the total assumed loss in direct spend resulting from Moscone Center space constraints and related categories is $2.1 billion for the years 2010/2011 through 2019/2020.

2.7 Macro Level Factors that Impact Historical Attendance

San Francisco is a unique destination that draws visitors to the city due to its renowned reputation, which often translates to attendance records for groups that hold meetings at the Moscone Center. From our analysis of the market, meetings with sales managers at convention hotels in San Francisco, and interviews with user groups that currently use the Moscone or have in the past, the following factors (exogenous to Moscone Center size and configuration) were identified that impact attendance:

- Demand shocks from economic and natural disasters, such as the Asian Financial Crisis, Dot-Com Bubble, 9/11 and the Loma Prieta Earthquake.
- Number of flights offered at San Francisco International Airport to both U.S. and international destinations.
- The compressed geography of San Francisco enhances the walkability from the hotels to the Moscone Center, which eases transportation planning and diminishes costs.
- San Francisco is a renowned and unique destination and offers major international tourist attractions. Many attendees bring their significant others, because the city offers many tourism activities.
- Cost and availability of accommodations within the city.
- Proximity of San Francisco to other tourist attractions, such as Wine Country and Monterey/Carmel.
- The year-round mild climate in San Francisco.
- Proximity to Silicon Valley's high-tech companies and South San Francisco as a growing hot-bed for the biotechnology firms.

2.8 Conclusions from Interviews with Competitive Convention Centers

In order to form a more comprehensive understanding of the possible impact of a convention center expansion, JLLH conducted interviews with seven competitive convention centers that have experienced a previous expansion and/or have plans for future expansions. The key findings from the interviews are below:

- National Trends in Convention Bookings
  - Attendance levels have remained relatively stagnant on a national basis as convention demand was shifted from one convention center to another instead of growing significantly.
  - Projecting annual attendance growth rates of 2% to 5% over next five years.
  - A number of annual conventions have been eliminated.
  - Saw attendance growth in 2011, but attendance has not returned to peak levels.

- Impact of Expansion

  - Minimal disruptions were seen in previous expansions with only some noise complaints.
  - General consensus that convention centers cannot afford to displace business; therefore, development plans are structured to avoid disruption wherever possible.
  - Event planners will secure future events at the convention center as soon as expansion plans are finalized. Typically, the sales team will start selling the space two to two and one-half years in advance of the new space coming online.
  - Uptick in bookings was seen two to three years after the completion of the expansion.
- Expansion Improvements
  - Upgrades of existing technology, such as audio visual equipment and Wi-Fi throughout deemed a necessity.
  - Increase amount of contiguous space and ballroom space.
  - Connect every building either by underground passage or connecting bridge.
- Comments on Moscone Center
  - Advantages include San Francisco as a destination, international draw of city with a strong airlift, downtown location of Moscone Center, and the quality of hotels in the area.
  - Disadvantages include the high costs of holding an event in San Francisco and interrupted flow of the convention center with Moscone West as a standalone building.
- Important Factors to Consider for Expansion Plans
  - Flow of convention center as a whole; allow for flexible registration space as technology trends are shaping space requirements (due to online registration, etc.)
  - Fully understand details of construction schedule and communicate it clearly to convention sales team so groups' expectations are managed..
  - Design flexible space in order to adjust to changes in consumer needs.

Contrary to national trends, San Francisco as a unique destination has seen a year-over-year convention attendance growth of nearly 19% in FY 2010/2011 with 1,092,975 attendees, surpassing FY 2005/2006's level and slightly behind FY 2007/2008's peak of 1,279,000. From 1989 to 2011, San Francisco has seen a CAGR of 2.7% in convention attendance with year-over-year spikes of 25% following the two expansions with Moscone North and West's debut in 1992 and 2003 respectively. The growth of the San Francisco market has been attributed to several differentiating factors, including the tech boom, which has created new groups, such as Salesforce, that now hold meetings at the Moscone Center, and the prime location of San Francisco as a gateway city. Additional factors will be highlighted in Section 5.

3 Survey of Competitive Environment and Potential for Expansion

JLLH conducted a detailed comparison and analysis of competitive convention centers in the U.S. Throughout this section, JLLH will continuously refer to 12 convention centers deemed primarily competitive to the Moscone Center. This list of competitive convention centers was compiled based on feedback from discussions and interviews with San Francisco Travel senior staff, Moscone Center executives, senior meeting planners of past and current Moscone Center groups and general managers of a number of convention centers across the country. In addition, JLLH reviewed the cities which frequently came up on the Moscone Center's lost business report.

Convention Center Name (Alphabetical Order)	City	Total Facility s.f.	Exhibit Space s.f.	Meeting Space s.f.
Anaheim Convention Center	Anaheim	945,000	815,000	130,000
Boston Convention and Exhibition Center	Boston	676,000	516,000	160,000
Ernest N. Morial Convention Center	New Orleans	1,375,500	1,100,000	275,500
Georgia World Congress Center	Atlanta	1,708,400	1,366,000	342,400
Las Vegas Convention Center	Las Vegas	2,225,800	1,984,800	241,000
Los Angeles Convention Center	Los Angeles	867,000	720,000	147,000
McCormick Place	Chicago	3,200,000	2,600,000	600,000
Miami Beach Convention Center	Miami Beach	627,300	502,800	124,500
Orange County Convention Center	Orlando	2,533,000	2,053,800	479,200
Pennsylvania Convention Center	Philadelphia	1,000,000	679,000	321,000
San Diego Convention Center	San Diego	819,800	615,700	204,100
Walter E Washington Convention Center	Washington, D.C.	828,000	703,000	125,000
Moscone Convention Center	**San Francisco**	**852,100**	**538,700**	**313,400**

Source: Jones Lang LaSalle Hotels based on convention centers' websites

3.1 Impact of Other Convention Center Expansions on Lodging Market

JLLH studied the impact that substantial expansions of competitive convention centers have had on their respective lodging markets. JLLH conducted this analysis for the 12 convention centers deemed most competitive to the Moscone Center. All convention centers in the study had at least 500,000 s.f. of saleable exhibit space and have undergone one or more substantial expansions—in most cases an addition of 200,000 or more square feet over the past 20 years.

For the 12 markets where these convention centers are located, along with San Francisco, JLLH computed the historic CAGR of hotel RevPAR for each of the cities. In most cases, JLLH had access to historic RevPAR data going back to 1987. JLLH used hotel revenue per available room as a metric to quantify hotel revenues. The selected RevPAR data largely pertains to hotel brands that typically serve a significant amount of group-related demand, such as Marriott, Hilton and Westin hotels and the sample is thus deemed representative. The properties in the sample are, in most cases, located in the downtown and thus highest-rated submarkets of the metropolitan areas.

JLLH then computed the RevPAR CAGR for two time periods: The three-year period beginning in the year after a substantial convention center expansion was completed, and the five-year period starting in the year after the substantial convention center expansion. JLLH conducted this analysis on an inflation-adjusted basis. JLLH then compared the long-term RevPAR CAGR for the market and with the RevPAR CAGR for the three and five years following the convention center expansion as defined above.

For the markets in the analysis, real hotel RevPAR increased by an average of 0.5% per year over the historic time period reviewed. The analysis yielded a measurable impact that the various convention center expansions had: in the three years after an expansion was completed, real RevPAR increased on average by 3.1% per annum; in the five years after an expansion, real RevPAR increased on average by 0.7% per annum.

This represents a RevPAR growth premium (compared to if no expansion took place) of 2.6 percentage points per year in the three-year timeframe and 0.2 percentage points in the five-year timeframe. This analysis shows that an expansion of a convention center can enhance hotel RevPAR in the proximate market area. A similar analysis was conducted for San Francisco's core convention market hotels in Section 4.

Convention Center Expansion Impact on Real Hotel RevPAR During Three- and Five-Year Post Expansion Periods

	Year	Total U.S.	San Francisco	San Diego	Los Angeles	Chicago	Orlando[1]	Philadelphia[2]	Atlanta	Miami-Miami Beach	Anaheim	Washington, D.C.[3]	Boston	New Orleans	Las Vegas
	1988	33.48	76.95	66.75	69.19	70.06	70.48	n/a	54.23	53.62	n/a	77.38	77.68	n/a	n/a
	1989	33.61	72.58	68.11	70.86	68.73	77.16	n/a	55.88	56.40	n/a	79.73	81.42	n/a	n/a
	1990	32.47	74.17	63.93	70.04	66.72	74.11	n/a	55.06	57.36	n/a	72.28	87.36	n/a	n/a
	1991	30.27	67.07	62.38	61.83	61.57	68.96	66.15	51.34	54.12	n/a	68.42	79.03	n/a	n/a
	1992	30.11	60.27	60.48	57.84	68.25	69.30	64.52	50.35	62.27	n/a	70.52	76.12	65.92	n/a
	1993	30.35	69.82	59.59	60.06	61.42	66.55	62.30	55.37	67.94	n/a	75.63	79.33	54.55	n/a
	1994	31.30	72.45	61.89	64.50	65.65	68.19	68.97	57.87	53.97	n/a	69.75	83.80	59.96	n/a
	1995	32.08	74.64	66.11	63.37	68.38	69.66	71.15	60.18	59.19	n/a	72.31	86.57	61.06	n/a
	1996	33.10	83.12	73.18	70.06	77.08	73.55	80.99	68.04	63.45	n/a	71.38	92.72	60.13	n/a
	1997	33.89	91.54	81.07	74.99	83.28	78.32	86.95	64.33	69.71	n/a	75.85	99.25	61.74	n/a
	1998	34.48	97.02	88.15	79.44	86.48	76.65	89.43	66.55	73.77	n/a	76.93	105.05	63.53	n/a
	1999	34.84	97.83	88.88	65.87	88.23	76.20	83.72	68.16	81.85	n/a	80.10	106.18	65.91	n/a
	2000	35.59	109.92	90.46	80.27	81.77	77.82	78.48	86.50	83.53	n/a	85.02	116.21	66.77	n/a
	2001	32.11	84.08	81.08	70.16	74.39	64.87	68.88	58.45	72.79	n/a	75.36	89.88	58.86	n/a
	2002	30.74	70.38	79.73	69.96	70.43	69.95	74.85	55.93	66.20	54.73	76.29	83.32	54.78	83.40
	2003	30.20	60.60	80.95	66.99	73.44	59.44	67.86	49.70	72.09	58.93	74.60	73.45	50.68	67.55
	2004	31.78	72.45	76.81	80.03	71.30	64.74	74.14	51.56	76.97	61.90	80.80	82.07	51.37	74.84
	2005	33.43	77.42	84.34	88.39	77.54	67.46	78.39	54.54	91.99	69.28	89.38	84.00	53.99	84.02
	2006	34.95	81.92	86.88	94.74	89.36	69.58	81.45	59.16	100.46	72.03	86.73	91.93	49.76	95.33
	2007	35.87	87.70	87.06	103.65	91.21	73.10	83.12	59.66	112.17	75.58	91.49	97.29	43.51	103.33
	2008	33.95	88.41	82.16	104.66	85.15	66.64	79.13	54.07	102.05	69.72	88.17	89.60	49.65	84.75
	2009	28.41	71.91	66.61	79.63	65.80	53.27	87.81	43.32	75.21	58.13	83.92	74.61	41.44	62.80
	2010	29.40	75.10	68.65	87.24	68.42	55.28	67.01	49.71	84.73	60.28	86.31	81.88	46.72	62.34
	2011	30.86	85.62	70.35	88.99	71.49	57.44	72.08	47.72	96.51	63.73	87.32	84.86	47.40	71.04
Long-Term RevPAR CAGR		[illegible]	0.5%	0.1%	[illegible]	0.1%	[illegible]	[illegible]	[illegible]	2.6%	[illegible]	0.5%	[illegible]	[illegible]	[illegible]
Long-Term GDP/GMP CAGR		2.6%	2.2%	3.1%	2.1%	2.0%	4.2%	[illegible]	[illegible]	4.0%	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Expansion I															
3-Year Post Expansion RevPAR CAGR			3.4%	-0.8%	4.2%	2.9%	-1.3%	8.4%	4.2%	4.2%	n/a	3.6%	7.6%	3.5%	n/a
5-Year Post Expansion RevPAR CAGR			7.0%	2.8%	6.3%	-2.8%	-4.6%	6.7%	3.8%	-1.5%	n/a	2.2%	-3.0%	1.8%	n/a
Expansion II															
3-Year Post Expansion RevPAR CAGR			6.3%	n/a	6.6%	-10.4%	3.7%	n/a	4.8%	n/a	0.4%	n/a	n/a	-9.4%	10.9%
5-Year Post Expansion RevPAR CAGR			5.1%	n/a	-0.1%	-5.7%	1.4%	n/a	4.7%	n/a	7.1%	n/a	n/a	-6.3%	-7.0%

Hotel RevPAR Analysis: Conclusion

Change to RevPAR	
Long-Term CAGR	0.5%
3-Year Post Expansion RevPAR CAGR	3.1%
5-Year Post Expansion RevPAR CAGR	0.7%

Broader Economic Analysis: Conclusion

Change to GDP/GMP	
Long-Term CAGR	2.8%
3-Year Post Expansion RevPAR CAGR	3.2%
5-Year Post Expansion RevPAR CAGR	3.3%

Impact of Expansion on RevPAR

[illegible]

Impact of Expansion on RevPAR

[illegible]

Denotes Expansion Completion Year

Note: Hotel RevPAR data displayed above is expressed in real terms (adjusted for inflation)

Note: For all markets with exception of Las Vegas, Anaheim and New Orleans, RevPAR is based on Upper Upscale, Luxury and Independents in Luxury Tier in downtown area; for Las Vegas, Anaheim and New Orleans data is based on all reporting properties in MSA

[1] The Orange County Convention Center in Orlando also marked a substantial expansion in 1989, but the analysis considers only its two largest expansions, which were completed in 1996 and 2003, respectively

[2] Pennsylvania Convention Center opened in 1993; its opening was treated the same way as expansions. The center was expanded in 2010, but three- and five-year time frames do not apply to this recent addition

[3] The Walter E. Washington Convention Center in Washington, D.C., the center was a new build in 2003 as opposed to an expansion

Source: Smith Travel Research for hotel RevPAR; LVCVA for Las Vegas hotel RevPAR; Bureau of Labor Statistics for Consumer Price Index; U.S. Bureau of Economic Analysis for GDP/GMP

3.2 Comparison Matrix of Competitive Facilities

JLLH evaluated 12 competitive convention markets to draw comparisons with the Moscone Center. The primary purpose of this analysis was to help identify gaps in the market nationally and discern what shape the proposed Moscone Center should take and how the Moscone Center can fill a market niche to benefit from a competitive advantage. The recommended competitive positioning of the Moscone Center is discussed further Section 3.3.

Convention Center Name	City	Total Facility s.f.	Exhibit Space s.f.	Meeting Space s.f.	Largest Ballroom s.f.	Open Year	Expansion I Complete	Expansion II Complete	Expansion III Complete	Ratio of Meeting Space to Exhibit Space	Attendees (most recent year) per Exhibit Space s.f.	Exhibit Space Published Rent per s.f. per Day	Notes on Published Rates
[illegible]	San Francisco	[illegible]	[illegible]	[illegible]	[illegible]	1981	1992	2003	n/a	1.7	2.0	[illegible]	[illegible]
San Diego Convention Center	San Diego	819,606	615,700	204,100	40,706	1989	2001	n/a	n/a	3.0	0.9	$ 0.16	Additional costs for move-in/out days
Los Angeles Convention Center	Los Angeles	867,000	720,000	147,000	11,280	1971	1993	1997	n/a	4.9	N/A	$ 0.32	N/A
McCormick Place	Chicago	3,200,000	2,600,000	600,000	100,000	1960	1996	2007	n/a	4.3	0.8	$ 1.70	Includes move-in/out days and discounts on meeting rooms
Orange County Convention Center	Orlando	2,533,000	2,053,600	479,200	61,200	1983	1989	1996	2003	4.3	0.6	N/A	N/A
Pennsylvania Convention Center	Philadelphia	1,000,000	679,000	321,000	55,400	1993	2010	n/a	n/a	2.1	N/A	N/A	N/A
Georgia World Congress Center	Atlanta	1,708,400	1,366,000	342,400	33,000	1976	1992	2002	n/a	4.0	0.9	$ 1.70	Includes 5 move-in/out days and a number of other discounts and included services
Walter E Washington Convention Center	Washington, D.C.	828,000	703,000	125,000	52,000	1983	2003	n/a	n/a	5.6	1.4	$ 0.11	Additional costs for move-in/out days
Las Vegas Convention Center	Las Vegas	2,225,800	1,984,800	241,000	16,900	1959	1995	2004	n/a	8.2	2.3	$ 0.28	1 complimentary move-in or move-out day per paid show day for 250,000+SF show
Ernest N. Morial Convention Center	New Orleans	1,375,500	1,100,000	275,500	38,500	1985	1991	1999	n/a	4.0	N/A	N/A	N/A
Boston Convention and Exhibition Center	Boston	676,000	516,000	160,000	40,020	2004	n/a	n/a	n/a	3.2	N/A	N/A	N/A
Anaheim Convention Center	Anaheim	945,000	815,000	130,000	38,100	1967	1993	2000	n/a	6.3	1.4	$ 0.36	1 Complimentary move-in or move-out day is provided for each exhibit event date
Miami Beach Convention Center	Miami Beach	627,300	502,800	124,500	-	1957	1989	n/a	n/a	4.0	0.5	$ 0.78	For first 6 days, and $0.08 per net square foot for each additional day
Average		[illegible]	[illegible]	[illegible]	[illegible]					[illegible]	[illegible]	$ [illegible]	

Convention Center Name	City	Hotel Rooms within 1-Mile Radius[1]	Number of Hotels within 1-Mile Radius[1]	Exhibit Space s.f. per Hotel room within 1-Mile Radius[1]	Total Air Passenger Deplanements (2010)	Based on Airports	Gross Metro Product 2011, Chained 2005 $s, Millions	MSA Population, 2011	Government Per Diem Sept 2011-Oct 2012 Average	Hotel Room Tax Rate
[illegible]	San Francisco	25,317	104	21	[illegible]	SFO, OAK	$ [illegible]	[illegible]	$ 217	[illegible]
San Diego Convention Center	San Diego	11,258	35	55	8,416,837	SAN	$ 169,633	3,152,900	$ 204	12.5%
Los Angeles Convention Center	Los Angeles	7,002	23	103	30,274,614	LAX, LGB	$ 689,349	12,936,800	$ 196	15.5%
McCormick Place	Chicago	1,082	3	2,403	40,651,565	ORD, MDW	$ 484,337	9,522,400	$ 230	16.4%
Orange County Convention Center	Orlando	14,440	33	142	15,940,010	MCO	$ 95,659	2,172,300	$ 159	12.5%
Pennsylvania Convention Center	Philadelphia	10,335	35	66	14,926,045	PHL	$ 317,000	5,997,200	$ 205	15.2%
Georgia World Congress Center	Atlanta	12,336	31	111	42,994,548	ATL	$ 250,554	5,369,500	$ 189	15.0%
Walter E Washington Convention Center	Washington, D.C.	9,510	34	74	30,748,197	BWI, IAD, DCA	$ 391,323	5,723,700	$ 273	14.5%
Las Vegas Convention Center	Las Vegas	29,561	28	67	18,829,150	LAS	$ 82,543	1,993,300	$ 170	12.0%
Ernest N. Morial Convention Center	New Orleans	19,138	70	57	4,071,582	MSY	$ 68,492	1,185,500	$ 198	13.4%
Boston Convention and Exhibition Center	Boston	2,664	6	194	13,541,787	BOS	$ 291,013	4,592,800	$ 254	14.4%
Anaheim Convention Center	Anaheim	15,606	61	52	5,723,549	SNA, LGB	n/a	n/a	$ 196	17.6%
Miami Beach Convention Center	Miami Beach	7,758	53	65	16,746,218	MIA	$ 239,009	5,646,900	$ 190	13.0%
Averages		[illegible]	[illegible]	262					$ [illegible]	[illegible]

Notes: [1] Based on hotels with 50+ rooms; Includes Lodging and Food and Incidentals

Source: Convention center websites, convention center managers, Smith Travel Research, Bureau of Transportation Statistic, IHS Global Insight, U.S. General Services Administration, hotel websites

In summary, the Moscone Center is smaller than the other 12 convention centers analyzed, on average, especially with regard to exhibit space. In terms of meeting space, the Moscone Center is more on par with the average of the sample, and the Moscone Center's largest ballroom is largely consistent with the sample average.

Compared to the other convention centers in the analysis, the Moscone Center shows a considerable imbalance in its ratio of exhibit space to meeting space: the Moscone Center has 1.7 s.f. of exhibit space per square foot of meeting space, while the set's average is 4.3 s.f. of exhibit space per square foot of meeting space—supporting the case for an addition to exhibit space at the Moscone Center. In addition, JLLH evaluated the number of annual attendees accommodated, for the most recent year available, per s.f. of exhibit space. The Moscone Center accommodated roughly two attendees per square foot of

exhibit space in 2010/2011, exceeding the average of the set of competitive centers by a considerable amount: competitive convention centers accommodated on average 1.2 attendees per s.f. of exhibit space. This ratio analysis further underlines the high efficiency in space usage by the Moscone Center versus its competitive convention centers due to the high demand in exhibit space at the Moscone Center, as verified by the Moscone user groups' interviews.

While the average published rental rates vary from market to market, they must be considered in aggregate with the entire package offered by the city and JLLH as such did not assign much weight to the differences.

JLLH also counted the number of hotel rooms within a one-mile radius (deemed a walkable distance) for each of the convention centers. San Francisco ranks second after Las Vegas. The fact that the Moscone Center is located in downtown San Francisco is one of the driving factors for the high room stock proximate to the Center. Even though there are 25,300 hotel rooms within a one-mile radius of the Moscone Center, meeting planners of the Center's largest groups stated that their attendees in some cases have to stay as far away as Oakland and the San Francisco Airport submarket due to the generally high demand for San Francisco hotels from non-convention demand sources.

3.3 Evaluation of Additional Exhibit Space Warranted

Independently of the attendance projections from which the economic impact is calculated in section 5, JLLH attempted to demonstrate that a reasonable growth rate applied to the current level of attendees warrants the addition of exhibit space at the Moscone Center in the future. JLLH computed the average annual total attendance for the Moscone Center for the years since the opening of Moscone West and subsequently calculated the average attendees accommodated per square foot of available exhibit space to devise a utilization ratio.

JLLH then applied this exhibit space consumption per attendee to what it deemed a reasonable growth assumption (2.5% per year) in the number of annual attendees based on its research and interviews. The growth assumption is based on interviews with the convention center managers for the convention centers in two of the three largest cities, and the convention center manager of one of the three largest convention centers in the U.S. The annual growth rate projected by these professionals for the future averaged 3.0%, as is indicated in the table below.

Future y-o-y Overall Attendance Increase	Range
Convention center manager top-three U.S. city	2% - 3%
Convention center manager top-three U.S. city	2% - 4%
Convention center manager top-three largest U.S. convention center	2% - 5%
Average of Interviews	3.0%
2012 Meetings Market Trends Survey	Flat
JLLH Weighted Average	2.5%

Source: Jones Lang LaSalle Hotels, based on convention center manager interviews and *2012 Meetings Market Trends Survey*

JLLH then layered in the results from the 2012 Meetings Market Trends Survey, where 47% of respondents expected flat performance for the next year. Based on this data point, JLLH adjusted the average of range garnered from the three interviews downward slightly, to what is considered to be a representative and reasonable attendance organic growth rate of 2.5% per year going forward. It should also be noted that although on a national basis, the number of conventions have remained relatively stable, San Francisco's uniqueness, with its city-center location, proven ability to break attendance records, and growth in existing and new sectors (ie. tech boom that created companies like Salesforce and Zynga) is expected to support positive growth in attendance figures at the minimal level of other top U.S. cities.

To assess the reasonableness of this assumption, JLLH contrasted the figure with Moscone's historic attendance growth rate, computed from FY 1990/1991 through FY 2010/2011, which averaged 4.6%. As such, the future pace of growth is assumed to be more moderate than in the past twenty years; a notion which is consistent with information garnered from JLLH's interviews, along with other industry data sources.

In order to estimate the total exhibit space that may be needed with the growth in Total Attendees, we analyzed the historical Attendees per s.f. of Exhibit Space, which averaged 1.90 (long-term average) to 1.94 (recent five-year average). From our observation of Moscone's recent trends and interview results, there is an upward trend in attendees per s.f. of exhibit space; therefore, we have forecast a slight increase in efficiency of space of 2.0 for the projection period.

Moscone Center Attendance Projections: Market Case

	Total Attendees	Available s.f. of Exhibit Space	Attendees per s.f. of Exhibit Space
1989/1990	606,425	260,560	2.3
1990/1991	572,395	260,560	2.2
1991/1992	611,381	260,560	2.3
1992/1993	765,202	442,000	1.7
1993/1994	835,762	442,000	1.9
1994/1995	798,824	442,000	1.8
1995/1996	787,276	442,000	1.8
1996/1997	877,627	442,000	2.0
1997/1998	834,243	442,000	1.9
1998/1999	894,818	442,000	2.0
1999/2000	684,266	442,000	1.5
2000/2001	839,390	442,000	1.9
2001/2002	744,746	442,000	1.7
2002/2003	747,832	442,000	1.7
2003/2004	937,440	538,660	1.7
2004/2005	819,843	538,660	1.5
2005/2006	1,046,272	538,660	1.9
2006/2007	974,676	538,660	1.8
2007/2008	1,279,000	538,660	2.4
2008/2009	968,664	538,660	1.8
2009/2010	919,811	538,660	1.7
2010/2011	1,092,975	538,660	2.0
2011/2012F	1,025,377	512,689	2.0
2012/2013F	1,053,873	526,937	2.0
2013/2014F	1,085,885	542,942	2.0
2014/2015F	1,109,218	554,609	2.0
2015/2016F	1,141,980	570,990	2.0
2016/2017F	1,175,710	587,855	2.0
2017/2018F	1,199,709	599,855	2.0
2018/2019F	1,229,935	614,967	2.0
2019/2020F	1,247,319	623,660	2.0
2020/2021F	1,279,493	639,746	2.0
2021/2022F	1,318,255	659,128	2.0

Average Annual Growth in Attendees (JLLH Assumption)
2.5%

Additional Exhibit Space s.f. Needed by 2021/2022 120,468

Various Averages: Attendees per s.f. of Exhibit Space	
Average Moscone N/S	1.91
Average Moscone N/S/W	1.87
Long-Term Average	1.90
Recent 5-Year Average	1.94

Note: The light red rows pertain to historic expansion years
Note: JLLH assumptions are in blue font
Source: San Francisco Travel, Jones Lang LaSalle Hotels

As displayed in the table above, applying this growth rate per the above methodology, JLLH demonstrated that by FY 2021/2022, the organic growth in attendance (assuming no expansion) would potentially warrant an additional 120,500 s.f. of exhibit space. The result shows that the City will be under supplied to support the attendance demand generated from the organic growth if there is no expansion at the Moscone Center. Having independently demonstrated that growth in attendees is indeed expected to warrant the addition of exhibit (and other supporting space), JLLH continued its analysis with regard to determining the optimal expansion scenario.

JLLH also assessed the capacity to retain and grow demand through non-expansionary measures such as property configuration or marketing. Based on its tour of the Moscone Center, JLLH did not find that permanent changes can be made to the existing space which would yield in a more efficient layout and/or flow of space. Based on its meetings with San Francisco Travel, JLLH did not identify any apparent changes that could be made to the bureau's marketing strategy which would result in a material increase in attendance assuming static facility layout.

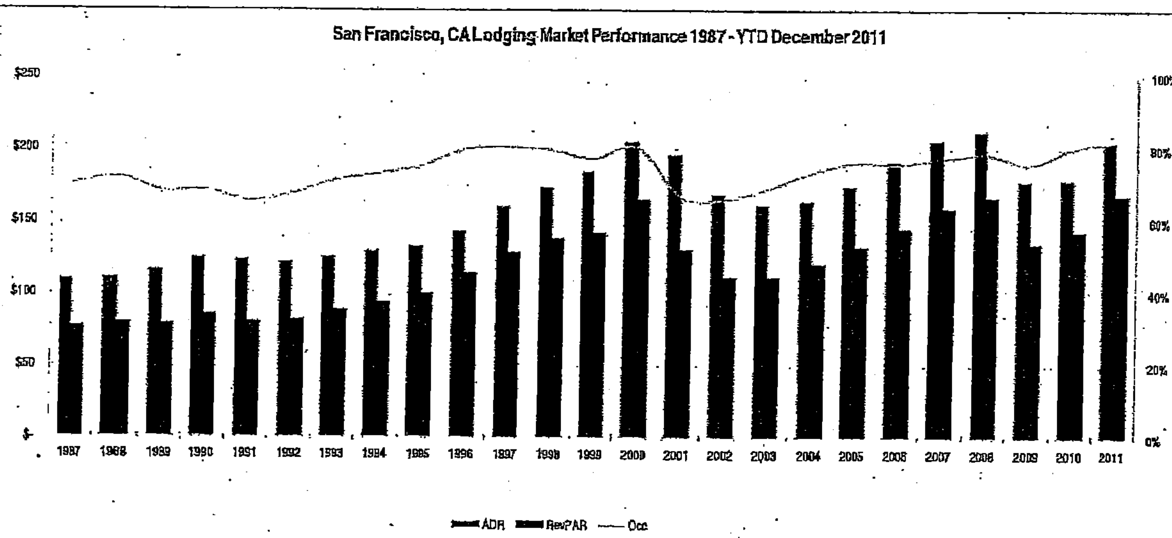
4 Analysis of San Francisco Lodging Market

4.1 San Francisco Lodging Market Overview – Historic Performance

Hotel benchmark includes three key terms: occupancy, average daily rate (ADR), revenue per available room (RevPAR). RevPAR is an indicator of both occupancy and ADR. Occupancy is the percentage of available rooms that were sold during a specified period of time, which is calculated by dividing total rooms sold by total rooms available. ADR is a measure of the average rate paid for rooms sold, which is calculated by dividing total room revenue by total rooms sold. RevPAR is the total room revenue divided by total rooms available, or the product of occupancy and ADR.

San Francisco posts higher overall occupancy rates than many other U.S. gateway markets. Though the market suffered more than the average of other major markets during the double-hit of the tech bust and the events of 9/11, San Francisco has consistently shown above-average growth in occupancy rates, especially since 2007, partly due to the minimal supply increases. By year-end 2011, not only did occupancy continue its trend, but the ADR has grown significantly; posting 2.1% growth in occupancy and 14.7% growth in ADR among the city's set of upper upscale and luxury hotels.

Despite the year-over-year growth in ADR, on an inflation-adjusted basis, ADRs remained below previous peak 2000 levels in 2008—an anomaly not witnessed in many other large U.S. markets. However, the spread of ADR between San Francisco and the average of the other top U.S. gateway markets has begun to lessen notably. The gains in occupancy and ADR have led to a jump in revenue per available room (RevPAR) of 17.2% for the city's upper upscale and luxury hotels, among the highest of any major U.S. market.



Source: Smith Travel Research
Note: Data is based on Tract: San Francisco / Chain Scales: Upper Upscale, Luxury, Independents in Luxury Class

4.2 Existing Hotel Inventory

According to Smith Travel Research, there are currently 224 hotels in San Francisco with a total of 34,257 guest rooms, roughly 25,000 of which are within walking distance of the Moscone Center. No new supply has entered San Francisco since 2008, a stark contrast to other major U.S. gateway markets. The following table summarizes the number of hotels and total room count for San Francisco by chain scale.

San Francisco Current Inventory by Chain Scale				
Chain Scale	No. of Hotels	%	Room Count	%
Independents	139	62%	10,624	31%
Luxury Chains	14	6%	4,804	14%
Upper Upscale Chains	37	17%	14,499	42%
Upscale Chains	3	1%	887	3%
Upper Midscale Chains	9	4%	2,363	7%
Midscale Chains	4	2%	266	1%
Economy Chains	18	8%	814	2%
Total	**224**		**34,257**	
Source: Smith Travel Research				

San Francisco has the highest number of independent/unbranded hotels as a proportion of total hotel stock among U.S. gateway markets. Historically, independent hotels' ADR performance has been more volatile, but San Francisco's strong occupancy levels, second only to New York, support the level of independent hotels that exist in the market.

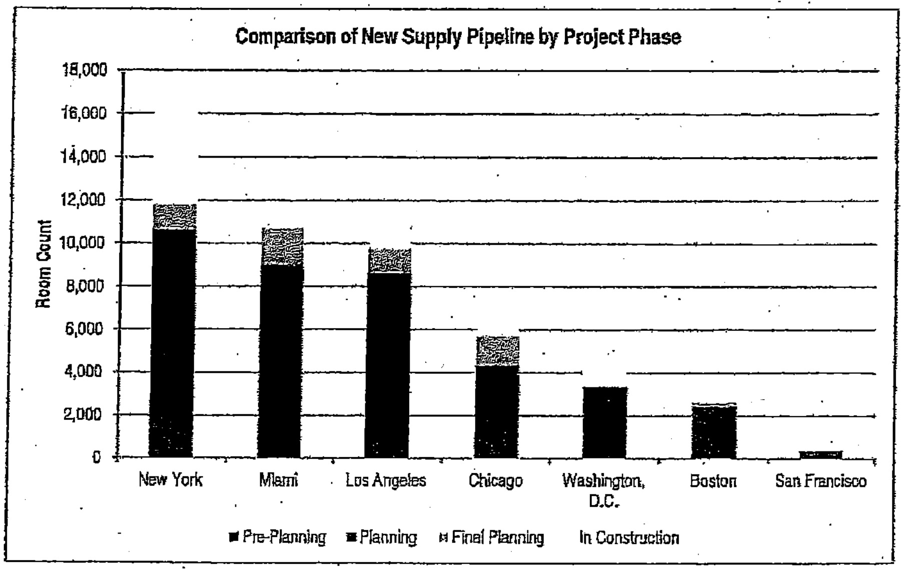
4.3 New Supply Pipeline

The lack of recent supply openings affirms the exceedingly high barriers to entry in the San Francisco hotel market and explains investors' high interest in acquiring existing hotels, as seen from the abundant transactions over the past 18 months. Over the last ten years, the hotel room supply in San Francisco has grown on average by 1.0% annually, considerably below nationwide growth. The most recent hotel openings occurred in 2008, with the opening of the 550-key InterContinental in February and the 53-room Fairmont Heritage Place in August. The following table presents the total new supply inventory that entered the San Francisco market since 2000. The only hotel opening expected in 2012 is the 22-room Inn at the Presidio.

New Supply to San Francisco by Year			
Year	No. of Hotels	Room Count	% Chg
2000	1	104	0.3%
2001	4	1,023	3.3%
2002	1	362	1.1%
2003	2	698	2.2%
2004	0	0	0.0%
2005	2	460	1.4%
2006	1	86	0.3%
2007	1	33	0.1%
2008	2	603	1.8%
2009	1	80	0.2%
2010	0	0	0.0%
2011	0	0	0.0%
2012	1	22	0.1%
CAGR ('00-'06)		1.4%	
CAGR ('00-'12)		0.9%	

Source: Smith Travel Research

While the supply pipeline has shrunk greatly across the country, most gateway cities still experience a backlog of new rooms that are expected to open by 2013. As an example 2,900 rooms were introduced in New York in 2011 and an additional 1,050 rooms are expected to open in 2012. The complete lack of new supply in San Francisco in the near term will significantly strengthen the potential for growth in average daily rates in the city, as seen from the significant year-to-date growth in 2011.



Source: Smith Travel Research

4.4 Performance by Submarket

In the past ten years, supply growth has been concentrated around the Moscone Center. New large full service hotels have typically entered the market south of Market Street by the Moscone Center because this district had the highest amount of buildable space. As these new developments increased, the Nob Hill submarket, which was previously the center of development for luxury hotels, has become less attractive. As the Moscone Center becomes the center of development, room rates in this area grew at a greater pace than in some of the other submarkets. The Moscone area, within South of Market ("SoMA"), therefore accommodates more hotel demand and group business while the Nob Hill area has a greater share of leisure transient room nights.

The Financial District continues to lead with the highest ADR, followed by Union Square/Nob Hill/Moscone, Fisherman's Wharf, and Civic Center/Van Ness. From full-year 1998 to 2011, the Union Square/Nob Hill/Moscone submarket achieved the highest RevPAR growth on a compounded annual growth rate of 2.1%. The following table summarizes San Francisco historical performance by submarket as provided by PKF.

San Francisco Historical Performance by Submarket

Occupancy	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	CAGR (98-04)	CAGR (98-11)
Union Square/Nob Hill/Moscone	79.9%	79.4%	79.7%	66.7%	62.9%	66.9%	73.8%	74.8%	75.7%	77.9%	78.8%	75.1%	79.0%	81.7%	-1.3%	0.2%
Financial District	84.3%	84.2%	87.0%	68.6%	66.8%	70.9%	75.6%	75.9%	75.3%	80.2%	77.8%	75.9%	80.1%	84.2%	-1.8%	0.0%
Fisherman's Wharf	85.6%	85.5%	85.0%	69.6%	72.6%	75.2%	76.8%	80.4%	79.2%	76.6%	81.0%	76.9%	82.5%	83.3%	-1.8%	-0.2%
Civic Center/Van Ness	79.4%	82.2%	83.8%	69.8%	63.8%	69.0%	69.0%	73.4%	76.6%	78.1%	80.1%	73.3%	78.8%	79.4%	-2.3%	0.0%
San Francisco Overall	**80.7%**	**80.7%**	**81.7%**	**67.7%**	**64.6%**	**67.9%**	**73.2%**	**75.7%**	**76.4%**	**78.0%**	**79.2%**	**75.2%**	**79.5%**	**81.9%**	**-1.6%**	**0.1%**

ADR	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	CAGR (98-04)	CAGR (98-11)
Union Square/Nob Hill/Moscone	$153.66	$160.80	$173.26	$168.21	$156.32	$148.94	$160.30	$173.18	$184.62	$191.91	$200.81	$169.66	$170.25	$196.10	0.7%	1.9%
Financial District	$191.03	$209.50	$222.81	$214.51	$168.30	$158.28	$186.85	$198.99	$215.81	$238.75	$245.84	$188.84	$194.32	$224.14	-0.4%	1.2%
Fisherman's Wharf	$142.65	$151.61	$169.55	$153.94	$124.46	$116.46	$123.60	$133.82	$145.44	$161.60	$166.61	$136.57	$141.31	$164.29	-2.4%	1.1%
Civic Center/Van Ness	$98.87	$104.15	$124.29	$117.93	$95.53	$86.83	$94.45	$91.73	$98.99	$107.59	$114.36	$106.08	$108.62	$120.77	-0.8%	1.6%
San Francisco Overall	**$147.44**	**$155.11**	**$169.74**	**$162.51**	**$145.74**	**$138.31**	**$147.23**	**$156.55**	**$167.63**	**$183.42**	**$190.28**	**$160.40**	**$161.99**	**$187.90**	**0.0%**	**1.9%**

RevPAR	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	CAGR (98-04)	CAGR (98-11)
Union Square/Nob Hill/Moscone	$122.77	$127.68	$138.09	$112.20	$98.33	$99.64	$118.30	$129.54	$139.76	$150.28	$158.24	$127.41	$134.50	$160.15	-0.6%	2.1%
Financial District	$161.04	$176.40	$193.84	$147.15	$112.42	$112.22	$141.26	$151.03	$162.50	$191.48	$191.26	$143.33	$155.65	$188.75	-2.2%	1.2%
Fisherman's Wharf	$122.11	$129.63	$144.12	$107.14	$90.35	$87.58	$94.92	$107.59	$115.19	$123.79	$134.95	$105.02	$116.58	$136.79	-4.1%	0.9%
Civic Center/Van Ness	$78.50	$85.61	$104.16	$82.32	$60.95	$59.91	$65.17	$67.33	$75.83	$84.03	$91.60	$77.76	$84.02	$95.87	-3.1%	1.5%
San Francisco Overall	**$118.98**	**$125.17**	**$138.68**	**$110.02**	**$94.15**	**$93.91**	**$107.77**	**$118.51**	**$128.07**	**$143.07**	**$150.70**	**$120.62**	**$128.78**	**$153.95**	**-1.6%**	**2.0%**

Source: PKF

For comparison purposes, the following table summarizes the market-wide RevPAR growth for San Francisco and the competitive convention cities. With the lack of new supply and strong market fundamentals, San Francisco saw an extraordinary year-over-year RevPAR growth of 19.5%, the market's leader, at $154.

RevPAR Growth for San Francisco and Competitive Convention Cities	2010	2011	% Change
San Francisco	$128.78	$153.95	19.5%
Las Vegas	$76.31	$88.08	15.4%
Miami-Hialeah	$101.36	$115.65	14.1%
Los Angeles-Long Beach	$79.01	$88.33	11.8%
Orlando	$57.98	$63.51	9.5%
Philadelphia	$69.16	$75.72	9.5%
Anaheim	$73.44	$80.40	9.5%
Chicago	$69.67	$75.81	8.8%
Boston	$97.18	$105.11	8.2%
San Diego	$81.02	$86.83	7.2%
New Orleans	$74.70	$78.38	4.9%
Atlanta	$47.59	$48.91	2.8%
Washington, D.C.	$96.16	$97.60	1.5%

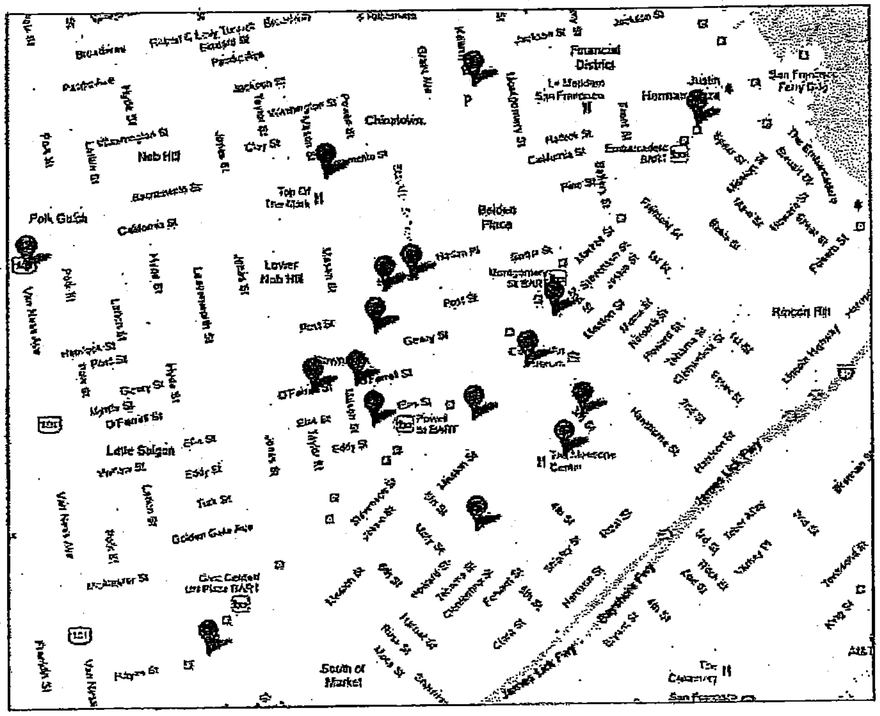
Source: Smith Travel Research, PKF, Las Vegas CVB

4.5 Moscone Center Impact on Hotel Performance

San Francisco Travel provided JLLH with a list of "Level 4" hotels, which are considered as convention headquarters hotels due to their room size (200+ guest rooms) and meeting space (over 10,000 s.f.). JLLH filtered the Level 4 hotels further by extracting the hotels with fewer than 400 guest rooms. The filter resulted in the following convention hotels in the market:

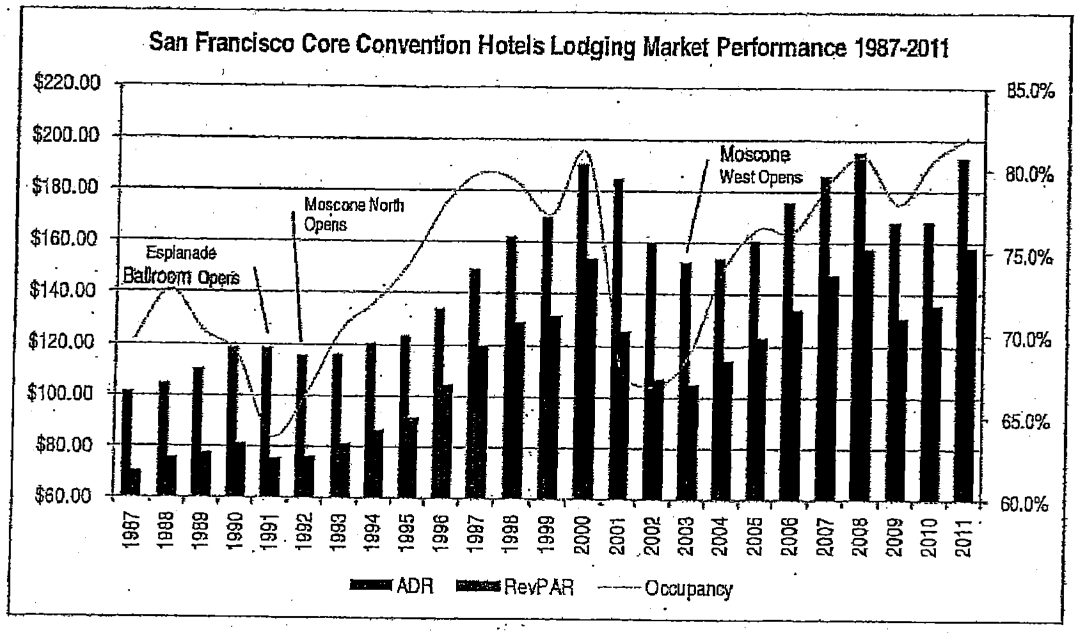
San Francisco Core Convention Hotels Facilities

Hotel	Affiliated Date	Open Date	Room Count	Total Meeting Space	Largest Meeting Space
Westin St. Francis	1/1998	3/1904	1,195	51,840	10,700
Fairmont San Francisco	4/1907	4/1907	591	55,000	11,362
Luxury Collection Palace Hotel	12/1909	12/1909	553	51,266	8,964
Hotel Whitcomb	8/2007	6/1919	459	14,467	6,300
Kimpton Sir Francis Drake Hotel	1/2009	6/1928	416	14,956	3,081
Hilton San Francisco Union Square	8/1964	8/1964	1,908	140,698	29,637
Hilton San Francisco Financial Dist	1/2006	11/1970	542	18,655	4,396
Grand Hyatt San Francisco	1/1973	1/1973	659	30,268	7,056
Hyatt Regency San Francisco	5/1973	5/1973	802	65,543	17,064
Holiday Inn San Francisco Golden Gateway	3/1974	3/1974	499	18,079	5,600
Westin San Francisco Market Street	4/2007	4/1983	676	24,486	9,040
Parc 55 Wyndham San Francisco Union Square	5/2010	5/1984	1,013	30,859	5,670
Hotel Nikko San Francisco	1/1991	10/1987	532	23,250	6,658
Marriott San Francisco Marquis	10/1989	10/1989	1,499	168,506	39,621
W Hotel San Francisco	5/1999	5/1999	404	16,482	3,430
InterContinental San Francisco	2/2008	2/2008	550	36,731	6,800



Legend
1 - Moscone Center
2 - Hilton San Francisco Financial District
3 - Hyatt Regency San Francisco
4 - Fairmont San Francisco
5 - Kimpton Sir Francis Drake
6 - Grand Hyatt San Francisco
7 - Luxury Collection Palace Hotel
8 - Westin St. Francis
9 - Westin San Francisco Market Street
10 - Hilton San Francisco Union Square
11 - Hotel Nikko San Francisco
12 - Parc 55 Wyndham
13 - Marriott Marquis
14 - W San Francisco
15 - InterContinental Hotel
16 - Hotel Whitcomb
17 - Holiday Inn Golden Gateway

Due to the density of the San Francisco market, the hotels in the previous list are located in various submarkets, although the highest concentration is located in SoMa and Union Square. As the largest hotel closest to the Moscone Center, the Marriott San Francisco Marquis offers the highest amount of meeting space within the set, although the Hilton San Francisco Union Square has the highest room count. Despite its large size, the Marriott Marquis maintains an annual occupancy slightly above the market average and an average daily rate roughly 10% above the market average for core convention hotels in San Francisco. The following chart presents lodging market performance for the core convention hotels since 1987.



Source: Smith Travel Research

The Moscone Center underwent the following major expansions since the opening of Moscone South in 1981:

- 1992: Opening of Moscone North
- 2003: Opening of Moscone West

JLLH analyzed the impact to RevPAR three to five years after the year of expansion on an inflation-adjusted basis, computing a three-year and five-year real RevPAR CAGR following the years after the aforementioned expansions. The expansions' impact on real RevPAR is displayed in detail in the below table:

San Francisco Core Convention Hotels Lodging Market Performance											
Year	Supply	Demand	Revenue	Occupancy	ADR	RevPAR	Occ % Chg	ADR % Chg	RevPAR % Chg	Real RevPAR	Real RevPAR % Chg
1987	3,464,789	2,413,169	$245,567,855	69.6%	$101.76	$70.88					
1988	3,607,295	2,621,699	$274,230,750	72.7%	$104.60	$76.02	4.3%	2.8%	7.3%	$78.42	
1989	3,745,203	2,628,677	$290,753,105	70.2%	$110.61	$77.63	-3.4%	5.7%	2.1%	$75.56	-3.7%
1990	4,154,430	2,856,301	$339,060,580	68.8%	$118.71	$81.61	-2.0%	7.3%	5.1%	$81.38	7.7%
1991	4,154,430	2,649,926	$315,684,290	63.8%	$119.13	$75.99	-7.2%	0.4%	-6.9%	$67.54	-17.0%
1992	4,154,430	2,759,006	$318,202,527	66.4%	$115.33	$76.59	4.1%	-3.2%	0.8%	$74.87	10.9%
1993	4,154,430	2,920,487	$339,453,208	70.3%	$116.23	$81.71	5.9%	0.8%	6.7%	$84.74	13.2%
1994	4,154,430	2,991,375	$361,031,188	72.0%	$120.69	$86.90	2.4%	3.8%	6.4%	$90.17	6.4%
1995	4,154,430	3,093,408	$380,710,412	74.5%	$123.07	$91.64	3.4%	2.0%	5.5%	$94.06	4.3%
1996	4,154,430	3,239,570	$433,829,335	78.0%	$133.92	$104.43	4.7%	8.8%	14.0%	$115.93	23.2%
1997	4,154,430	3,316,084	$495,870,497	79.8%	$149.53	$119.36	2.4%	11.7%	14.3%	$133.64	15.3%
1998	4,154,430	3,294,486	$535,061,572	79.3%	$162.41	$128.79	-0.7%	8.6%	7.9%	$136.98	2.5%
1999	4,256,595	3,291,360	$560,082,320	77.3%	$170.17	$131.58	-2.5%	4.8%	2.2%	$131.54	-4.0%
2000	4,309,385	3,484,168	$662,964,250	80.9%	$190.28	$153.64	4.6%	11.8%	16.9%	$174.69	32.8%
2001	4,282,893	2,913,689	$538,010,649	68.0%	$184.65	$125.62	-15.9%	-3.0%	-18.3%	$99.03	-43.3%
2002	4,292,820	2,872,196	$459,783,498	66.9%	$160.08	$107.11	-1.7%	-13.3%	-14.7%	$89.61	-9.5%
2003	4,309,920	2,965,829	$453,752,768	68.8%	$152.99	$105.28	2.9%	-4.4%	-1.7%	$101.07	12.8%
2004	4,309,920	3,192,677	$491,479,972	74.1%	$153.94	$114.03	7.6%	0.6%	8.3%	$120.47	19.2%
2005	4,184,668	3,201,890	$516,171,754	76.5%	$161.21	$123.35	3.3%	4.7%	8.2%	$129.27	7.3%
2006	4,297,510	3,279,237	$576,629,299	76.3%	$175.84	$134.18	-0.3%	9.1%	8.8%	$141.63	9.6%
2007	4,297,510	3,409,082	$633,283,204	79.3%	$185.76	$147.36	4.0%	5.6%	9.8%	$157.61	11.3%
2008	4,481,210	3,621,277	$706,823,165	80.8%	$195.19	$157.73	1.9%	5.1%	7.0%	$162.81	3.3%
2009	4,498,260	3,508,327	$588,884,440	78.0%	$167.85	$130.91	-3.5%	-14.0%	-17.0%	$109.08	-33.0%
2010	4,498,260	3,627,440	$612,076,039	80.6%	$168.73	$136.07	3.4%	0.5%	3.9%	$139.19	27.6%
2011	4,493,032	3,683,667	$712,058,110	82.0%	$193.30	$158.48	1.7%	14.6%	16.5%	$179.56	29.0%

Source: Smith Travel Research, Bureau Labor of Statistics

Expansion I (Moscone North)	
3-Year Post Expansion RevPAR CAGR	5.4%
5-Year Post Expansion RevPAR CAGR	12.1%

Expansion II (Moscone West)	
3-Year Post Expansion RevPAR CAGR	8.4%
5-Year Post Expansion RevPAR CAGR	7.8%

Long-Term Average (All Years)	
Real RevPAR CAGR 1988 - 2011	6.6%

The three-year post expansion real RevPAR CAGR ranged from 5.4% to 8.4% and the five-year post expansion real RevPAR CAGR ranged from 7.8% to 12.1%. These growth rates generally exceed the 6.6% long-term real RevPAR CAGR that the city's core convention center hotels experienced, and as such support that significant convention space expansions in San Francisco have led to higher real RevPAR growth than is witnessed in non-expansion periods, on average. Despite this positive note, it should also be noted that the two expansions also coincided with a recovery period after an economic downturn from the Loma Prieta earthquake in 1989 and the Dot-Com Bubble and 9/11 in 2000 and 2001, which may enhance the growth rate.

4.6 Regression Analysis of Moscone Attendance on Hotel Performance and Local Economy

JLLH performed a regression analysis between convention attendance and hotel demand, RevPAR, retail sales revenues, wage and salary disbursements, gross metro product, air passenger traffic, leisure and hospitality employment and hotel tax revenues. The hotel demand and RevPAR data for the selected core convention hotel set was used along with air passenger traffic data at San Francisco International Airport and economic data specifically for San Francisco County.

In the analysis, we performed both a correlation test and a linear regression. Correlation quantifies the degree to which two variables are related, but does not fit a line through the data points. The correlation coefficient determines how much one variable tends to change when the other variable does. It ranges from -1 (inverse relationship) to +1 (positive relationship), and a 0 means there is no relationship. Linear regression finds the best line that predicts the outcome from the constant variable. The fit is quantified with R^2, which is the square of the correlation coefficient. The value ranges from 0 to 1; a perfect fit would be equivalent to a value of 1.

The following tables present the data used for the regression analysis and the results of the correlation and linear regression tests.

Fiscal Year	No. of Events	Convention Attendance	Hotel Demand	Real RevPAR	SF County Leisure & Hospitality Employment	SF Hotel Tax Revenues	Hotel Tax Rate	Gross Metro Product (Mil. $)	SF County Wage and salary disbursements (Mil. $)	Retail sales: Total, (Mil. $)	SFO Total Airport Passengers
1989/1990	48	606,425	2,732,220	$77.30	n/a	n/a	n/a	$36,044	$18,876	$6,664	n/a
1990/1991	59	572,395	2,672,889	$77.56	n/a	n/a	n/a	$38,452	$18,379	$6,847	n/a
1991/1992	58	611,381	2,706,555	$75.61	54,700	$72,030,000	11.0%	$39,484	$19,876	$6,749	n/a
1992/1993	65	765,202	2,859,199	$80.07	55,700	$76,250,000	11.0%	$39,593	$20,499	$6,771	n/a
1993/1994	67	835,762	2,951,213	$83.43	56,900	$86,480,000	12.0%	$40,498	$20,974	$7,010	n/a
1994/1995	74	798,824	3,084,491	$90.71	60,900	$94,100,000	12.0%	$41,969	$21,819	$7,239	n/a
1995/1996	72	787,276	3,117,998	$95.39	61,900	$102,860,000	12.0%	$44,664	$23,169	$7,621	n/a
1996/1997	68	877,627	3,317,700	$113.36	67,700	$137,650,000	14.0%	$47,943	$25,147	$8,212	n/a
1997/1998	80	834,243	3,313,002	$123.91	69,800	$150,160,000	14.0%	$51,297	$27,689	$8,942	40,514,461
1998/1999	86	894,818	3,274,929	$130.97	74,000	$161,520,000	14.0%	$54,906	$30,529	$9,688	39,994,532
1999/2000	72	684,266	3,445,126	$143.16	74,400	$182,100,000	14.0%	$59,408	$34,835	$10,607	40,984,461
2000/2001	82	839,390	3,274,276	$148.79	75,400	$188,380,000	14.0%	$61,899	$37,702	$11,264	39,481,008
2001/2002	67	744,746	2,753,942	$109.19	72,300	$132,230,000	14.0%	$61,053	$36,076	$11,294	31,606,059
2002/2003	73	747,632	2,864,997	$102.39	71,200	$128,590,000	14.0%	$60,530	$33,861	$11,471	29,780,463
2003/2004	94	937,440	3,162,960	$112.83	71,900	$148,230,000	14.0%	$61,801	$34,236	$11,918	31,828,256
2004/2005	115	819,843	3,177,229	$115.18	73,400	$157,950,000	14.0%	$65,014	$36,249	$12,503	33,200,760
2005/2006	119	1,046,272	3,208,835	$128.47	75,300	$179,470,000	14.0%	$69,242	$39,089	$13,154	33,564,798
2006/2007	119	974,676	3,321,572	$138.24	76,800	$199,770,000	14.0%	$73,412	$42,629	$13,839	34,346,413
2007/2008	120	1,279,000	3,525,393	$155.06	80,600	$210,340,000	14.0%	$77,391	$45,185	$14,430	37,121,365
2008/2009	108	968,664	3,513,193	$142.42	80,600	$219,800,000	14.0%	$78,225	$44,372	$13,987	36,733,910
2009/2010	82	919,811	3,621,242	$132.65	77,000	$210,000,000	14.0%	$78,217	$43,826	$13,550	38,448,243
2010/2011	121	1,092,975	3,677,706	$147.86	78,300	$212,500,000	14.0%	$80,003	$45,766	n/a	39,980,029

Source: San Francisco Travel, Smith Travel Research, State of California Employment Development Department, U.S. Bureau of Economic Analysis (BEA), U.S. Census Bureau (BOC), Moody's Analytics Estimate, SFO Airport

Correlation	Convention Attendance	Regression (R^2)	Convention Attendance
SF County Gross Metro Product	0.76	SF County Gross Metro Product	0.5752
Hotel Demand-Core Convention Center Area	0.75	Hotel Demand-Core Convention Center Area	0.5647
SF County Wage & Salary Disbursements	0.74	SF County Wage & Salary Disbursements	0.5469
Real RevPAR-Core Convention Center Area	0.73	Real RevPAR-Core Convention Center Area	0.5341
SF County Retail Sales	0.72	SF County Retail Sales	0.5165
SF Hotel Tax Revenues	0.68	SF Hotel Tax Revenues	0.4625
SF County Leisure & Hospitality Employment	0.64	SF County Leisure & Hospitality Employment	0.4102
SFO Total Airport Passengers	0.11	SFO Total Airport Passengers	0.0120

The highest correlation was observed between convention center attendance and San Francisco County gross metro product, hotel demand for core convention area hotels and San Francisco County wage & salary disbursements, all of which exhibited a correlation of 0.70 and above, exhibiting the relatively strong relationship between the convention attendance and hotel-related and economic factors in San Francisco.

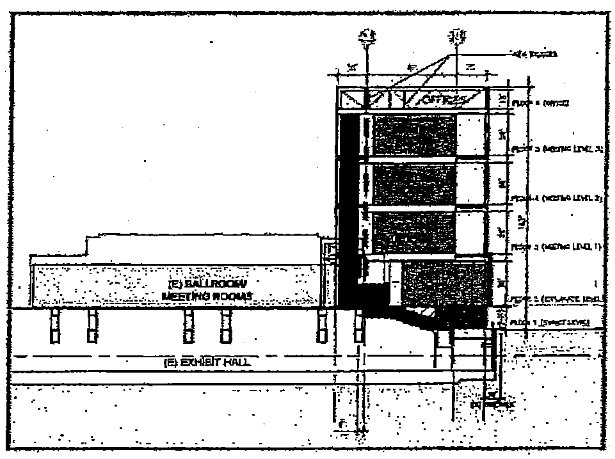
5 Description of Three Expansion Schemes

JLLH reviewed Tom Eliot Fisch's preliminary design (dated November 30, 2011) for three expansion schemes. It is important to note that the analysis made in this report is based on Tom Eliot Fisch's preliminary design. In the Expansion Cost Benefit Analysis, JLLH analyzed various combinations of the following three schemes:

- Third Street Addition: 6-story building totaling 260,000 gross s.f.
- Howard Street Connection: Underground conversion of space, which will create 107,000 s.f. of exhibit space.
- Moscone East: 4-story building (1 below grade) totaling 264,000 gross s.f. with additional air rights for hotel or office space.

5.1 Third Street Addition

The Third Street Addition includes a six-story building adjacent to the existing Esplanade Ballroom in Moscone South. The expansion scenario includes one floor of retail, four floors of meeting rooms, and one floor of offices totaling nearly 260,000 gross square feet. The Third Street Addition will add 99,700 s.f. of meeting rooms and 37,800 s.f. of office space. The Third Street Addition will only exist when combined with the Howard Street Connection, since it will replace some of the meeting space loss from the conversion to exhibit space with the Howard Street Connection. In addition, it should be built prior to the Howard Street Connection in order to accommodate displaced demand during the construction of the Howard Street Connection.

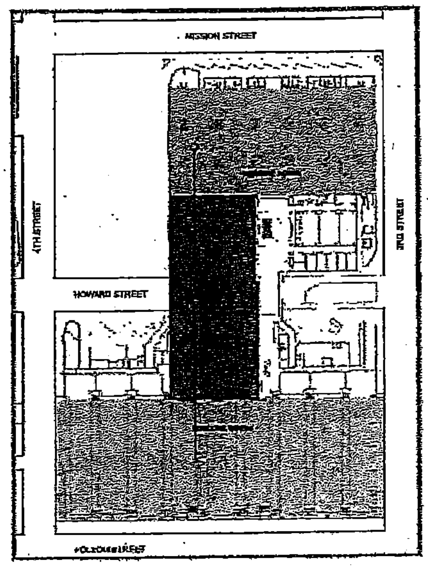


Source: Tom Eliot Fisch

5.2 Howard Street Connection

Howard Street Connection expansion comprises of an underground conversion of space, which will repurpose Hall E (38,600 s.f.), Gateway Ballroom (27,500 s.f.), and café, storage, and circulation area (30,000 s.f.). In addition, the conversion will enable a net gain of 10,900 s.f. of unexcavated area. The expansion is expected to provide a total of 107,000 s.f. of exhibit space. Due to structural limitations, the connection will comprise of lower ceiling height at several segments of the tunnel, ranging from a low of 11 feet to a high of 23 feet. It should be noted that the Howard Street Connection expansion will only exist with a combined expansion of either the Third

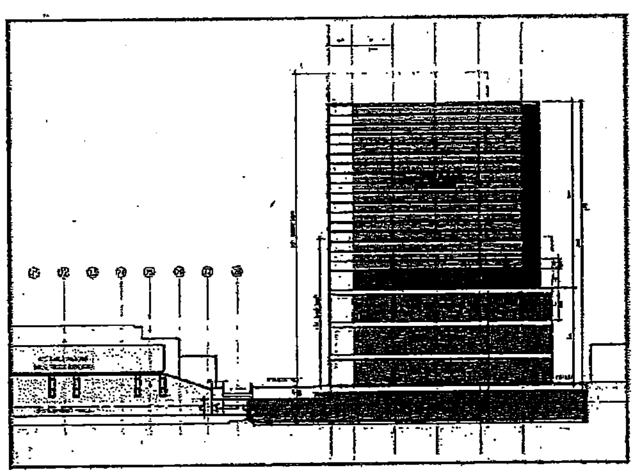
Street Addition and/or Moscone East expansion, and should always be built after Third Street Addition and/or Moscone East in order to accommodate displaced demand from loss of meeting space.

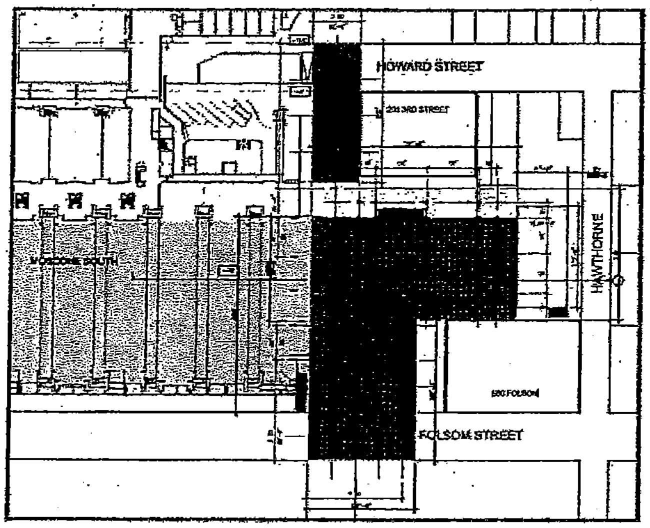


Source: Tom Eliot Fisch

5.3 Moscone East

Moscone East expansion comprises of the demolition of the Third Street Garage to a building with one level of underground exhibit space (which will be contiguous to Moscone South's exhibit hall), three levels of meetings rooms, and a hotel or office space on top. Moscone East is expected to add 102,650 s.f. of exhibit space, 67,500 s.f. of meeting rooms, and at least 292,875 s.f. of hotel or office space. The connecting ramp from Moscone South's exhibit hall to Moscone East's exhibit hall will require a seven-foot decline. Moscone East can be considered as a separate expansion scenario or combined with either Howard Street Connection or both Howard Street Connection and Third Street Addition.





Source: Tom Eliot Fisch

5.4 Pros & Cons

JLLH weighted the pros and cons of each of the three individual expansion options on a high-level basis before more closely evaluating economic impact.

Expansion Scenario	Pros	Cons
Third Street Addition	On City-owned property	
	One level of meeting rooms are connected to Esplanade Ballroom, which will provide a good flow	
	Adds meeting space with natural light	Does not add exhibit space, nor does it add any contiguous space
	Relatively overall lower Construction cost, compared to other expansion scenarios	Meeting rooms are long and narrow (linear meeting space vs. flexible, general session space), and cannot be used for general session space, which needs a minimum of ~45,000 s.f.
	"Stacked" meeting space is favored by meeting planners	Construction expected to displace some groups
	Existing User Group were very much in favor of additional meeting space being created	
	Can potentially provide air rights for office space	

Expansion Scenario	Pros	Cons
Howard Street Connection	On City-owned property Addresses lack of contiguous exhibit space Flexibility of space, which can be used as an extension for both Moscone North or South Construction cost is lower than Moscone East	Segments of the connection will have a lower ceiling height, which decreases the marketability of the space Underground, no natural light Construction expected to displace some groups, since it will close down Gateway Ballroom and Hall E
Moscone East	Addresses lack of contiguous exhibit space Little disruption of existing booked business Could be used for self-contained events and marketed as a stand-alone space like Moscone West Will provide air rights for hotel or office space Will increase the marketability of San Francisco with a bigger expansion.	Higher cost to construct compared to the other expansion scenarios City does not currently own all property Will only be directly connected to Moscone South; therefore, there may be accessibility issues to Moscone North Meeting rooms are too long and narrow (linear meeting space vs. flexible, general session space), and cannot be used for general session space, which needs a minimum of ~45,000 s.f. The connecting ramp with the 7' drop will decrease the marketability of the space The exhibit space that extends onto Folsom and Third (beyond Moscone South) will be less desirable, because it is "out-of-sight" from Moscone South Utilities on Clementine and Kaplan may need to be relocated Traffic flow of loading docks may be impacted, since the existing loading docks will also be used for East Loss of 506 existing parking spaces

5.5 Phasing

As we analyze all the possible combinations of the expansion scenarios, it is important to note that certain phasing is required for operational efficiencies. As mentioned previously, Third Street Addition and Howard Street Connection expansion cannot exist by itself. Third Street Addition and Howard Street Connection can either be combined as one scenario and/or built along with Moscone East in order to support the displaced demand during the construction period. Also, since the construction of the Howard Street Connection will impact the operations of both Hall E and the Gateway Ballroom, it needs to come after another aforementioned expansion.

5.6 Conclusions from Interviews with Moscone User Groups

JLLH conducted interviews with eleven Moscone Center user groups who may require more space in the future, in order to obtain comments from these groups on their current and future convention needs, suggestions on how to increase the competitiveness of the Moscone Center going forward and specific comments on the Tom Eliot Fisch's preliminary expansion plans. The interviews' salient points are summarized in the following:

- San Francisco
  - Walkability of San Francisco.
  - Strong airlift with regard to domestic and international destinations.
  - San Francisco attracts more attendees, especially with regard to international attendees.
- Lodging Market
  - Risk of not having sufficient number of quality hotel rooms to accommodate large groups.
  - Tend to need to contract room blocks with a higher number of hotels in San Francisco versus other cities.
- Competitive convention center markets in U.S include Chicago, Las Vegas, New Orleans, San Diego, Los Angeles, Boston, Orlando and Atlanta.
- Pros of Moscone Center
  - Location: In San Francisco and within the city limits.
  - Favorable partnership with San Francisco hotels.
  - Moscone's proximity to the company's headquarters.
  - Renovation with upgraded technology and meeting space.
  - Users stated that they favor the layout and finishes of Moscone West.
- Cons of Moscone Center
  - Lack of connection between Moscone West to North and South.
  - Lack of contiguous space as exhibit halls are separated among the three buildings.
  - Arches in the exhibit space add restriction to the viewing and usage of the space.
  - Do not like 100-series meeting rooms due to the tight corridors and small size of the rooms.
- Desired Changes to the Moscone Center
  - Add 100,000 to 150,000 s.f. of contiguous exhibit space.
  - Add additional meeting space in North and South (flexible space).
  - Add more natural light in hallways and around meeting space.
  - Connect existing exhibit halls in North and South.
  - Connect buildings with either a sky bridge or underground passage.
  - Convention center expansion ideally would correspond with additional adjacent or connected hotel rooms.

Out of the eleven user groups, four groups prefer all three expansions, three groups prefer Third Street Addition and Howard Street Connection, two groups prefer Third Street Addition and Moscone East, and two groups prefer Moscone East. Of the four user groups that would like all three expansions, three of them mentioned that their secondary choice would be Third Street Addition and Moscone East, because the combination add the most additional space, while one group would prefer Third Street Addition and Howard Street, because the connection between the existing buildings must be fluid prior to adding another building. The following highlights specific comments for each of the scenario:

- Third Street Addition
  - In general, the user groups like to see additional and new meeting space, especially when it is connected to the existing buildings. They would prefer them to be flexible, similar to Moscone West, with moving airwalls and high ceilings. A suggestion was to also have airwalls that separate pre function space from meeting space in order to have flexibility to decrease or increase pre function space.
  - There was a suggestion to maximize the area of the meeting space by building over the Esplanade Ballroom, since many suggested that the size of the Esplanade Ballroom works very well for a general session.
  - Three user groups interviewed expressed negative reviews of the existing 100 series meeting rooms for its lack of flexibility and small size.
  - The majority of user groups mentioned that stacked meeting space is preferable over a large one-floor layout, because it increases the perception that the attendee's walking distance from one meeting room to the next is shorter. In addition, if the meeting rooms are concentrated in one area, it makes it easier for event planners to manage and monitor meetings. Stacked space also allows more natural light in, which is a plus for several user groups.
  - One user group felt that the meeting space looked long and narrow, and would prefer a similar meeting space to the Esplanade Ballroom.
  - 50% of user groups interviewed mentioned that it is definitely beneficial for one floor of meeting space to have a connection with the Esplanade Ballroom, because that will be a great transition from a general session to a breakout session.
  - One event planner suggested adding windows to the meeting space, because they felt that attendees are focused longer with natural light, which is why Moscone West is preferable.
  - Two of the user groups mentioned that it was important that the meeting space has minimal number of columns.
- Howard Street Connection
  - There is a strong sentiment of concern about the change in ceiling height, especially when it goes down to 11 foot. Typically, groups need a minimum of 25-foot high ceilings for exhibit space.
  - The concern with the decline in ceiling height is that it creates the perception that the exhibit hall has ended, rather than a continuous space, so an attraction needs to be added to move traffic pass the two sections with 11-foot ceilings.
  - In addition, one user group mentioned that the flow changes directions from east to west to north to south when going from Moscone North to Moscone South.
  - One user group also did not like the shape of the entire exhibit space from Moscone North to South as there are sections to both Moscone North and South that are not aligned with the width of the Howard Street Connection. The same user group also mentioned that the escalators entering the middle of the hall will also be an odd entrance.
  - One user group felt that the exhibit space in Howard Street Connection would be more valuable than Moscone East, because it is located all on one floor rather than separated by a declining ramp and change in sight line.
  - Three user groups mentioned that if all three expansions cannot be done, then Howard Street Connection needs to be done before Moscone East, because the connection between the existing buildings need to be completely fluid prior to adding an additional building.

  - There was a suggestion to add an airwall to separate Moscone North from South when needed, because one of the groups normally have a keynote speaker in Moscone North and would like it separated from the rest of the exhibit space.
- Moscone East
  - Four groups felt that the ramp (connecting Moscone South to East) will diminish some sellable exhibit space, and also changes the sight line, which decreases the space's perception of contiguous space. One user group referred to the Georgia World Congress Center as it has a similar descending layout, which appeared difficult to draw attendees down, which makes the space less valuable. For this reason, one user group does not consider the exhibit space between Moscone South and Moscone East as contiguous space due to the change in sight line; the event planner emphasized the importance of perception. One event planner noted that the space around the ramp is still usable space, because the ceiling height is still high at the ramp.
  - One event planner mentioned that the exhibit space's flow is better with Moscone East compared to Howard Street Connection, because it is all one direction, versus the awkward shape going from Moscone North to South through the Howard Street Connection, which will require the flow to switch from east to west to north to south.
  - Three groups were concerned about the rectangular section of Moscone East's exhibit space that went out towards Folsom Street since it does not align with Moscone South and may be less desirable. A suggestion was to add an attraction in that area, like a café or special exhibit, in order to move the crowd to that area. Two user groups also mentioned that the rectangular block is not a concern, because attendees can enter from the north side of Moscone East, where they will see the rectangular block, and it can also be used for ancillary services.
  - All of the user groups found the addition of the hotel beneficial, because it enhances the convention package and adds another hotel close in the area, which provides easy access for both attendees and exhibitors. A higher room count may alleviate the number of hotels in the room block.
  - Two groups felt that one of Moscone East's disadvantages is its lack of connection to Moscone North, and the addition of another standalone building to Moscone Center.
  - One user group noted that because Moscone East exhibit space is connected underground to Moscone South, it will provide the perception of one building instead of two separate buildings, which enhances the continuous perception.
  - 20% of user groups emphasized the importance of adding loading docks for Moscone East, since the traffic is already crowded. A supplier of convention recommended that Moscone East should have 8-10 of its own laoding docks in order to prevent a reduction of utilization of the building with longer move-in/move-out days and increase in costs for exhibitors with a farther distance in loading dock.
  - In terms of phasing, two groups suggested adding Moscone East first, since there is more flexibility to add the Howard Street Connection and Third Street Addition later on as it is part of the existing buildings.

5.7 Filling Market Niche with Expansion

JLLH examined how the proposed expansion could fill a market niche which would lead to a competitive advantage. JLLH drew its analysis on interviews with senior-level staff from San Francisco Travel, Moscone Center executives, senior-level meeting planners who have used the Moscone Center and online research of competitive facilities.

The purpose of the detailed competitive analysis (in Section 3) was to determine how an expansion of the Moscone Center could offer facilities that will make the market more competitive among its peer set, to realize operational efficiencies and economies and to most effectively yield manage the facility, all with the purpose of distinguishing the complex from its competitive set to be able to retain and grow core clients.

Below is a broad assessment of high-impact points that should be considered in the proposed Moscone Center expansion:

San Francisco as a destination has significant draw and allure. The consensus among senior meeting planners was that their San Francisco rotation often garners the highest attendance of any city in the country. San Francisco ranks particularly favorably among international conventioneers due to the direct air linkages.

San Francisco is gateway to Asia, boding well for technology and medical meetings in particular, which are attracting a growing number of Asian attendees. As such, the Moscone Center benefits from being in a marquis location which in itself forms a significant competitive advantage in attracting conventions.

Many large convention centers, like the Moscone Center, were built in phases and, due to space constraints, often do not have the most ideal flow and layout. The senior-level meeting planners that JLLH interviewed spoke favorably of the layout and scale of the convention centers in Orlando, Boston and New Orleans, but aside from these three, the meeting planners cited few "must replicate" physical characteristics of other convention centers.

Favorable aspects of competitive convention centers to be considered in the Moscone Center expansion include:

- Allow for natural light where possible.
- The additional exhibit space should be contiguous with the Moscone Center's largest exhibit hall.
- Any additional buildings should be physically connected with Moscone North/South.
- A number of competitive convention centers have not had a substantial renovation in recent years; as such the buildings' technological outfitting is often below state-of-the art standards. Due to the Moscone Center's proximity to Silicon Valley, any expansion should be of the highest technology standard, and this should be marketed and promoted to meeting planners. The expansion should include technology elements such as Wi-Fi throughout that are not present at all other convention centers.
- Additionally, commensurate with San Francisco's positioning as an upscale international gateway market, JLLH deemed that the corporations and associations that hold conventions at the Moscone Center often have attendees of a higher demographic segment and education level than the average conventioneer in the country. As such, the level of finishes in the expanded facility should be at the upper level of what Moscone Center's competitive set currently offers.

Overall, meeting planners are requesting both additional exhibit space and meeting space, although it is important to have more exhibit space, because that is their source of revenues and the main determinant factor in choosing a convention center. Although there are limitations in the expansion designs, it is important to enhance the attendees' perception of the space with creative designs in order to maximize the flow of the conventions. All of the user groups we have interviewed supported the expansion, and most support all three expansions in order to maximize both exhibit and meeting space at the Moscone Center.

6 Expansion Economic Impact Analysis

JLLH conducted a comprehensive economic impact analysis of various Moscone Center expansion scenarios to determine the optimal expansion of the current facilities. This takes into account the economic impact that is expected to generate from the incremental visitor spending and the Moscone Center's Net Operating Income from operations.

6.1 Evaluation of Various Expansion Scenarios

JLLH projected the growth in attendance for a variety of expansion scenarios as summarized below:

Moscone Center Expansion Scenarios		
Scenario	**Component(s)**	**Saleable Space (s.f.)**
1	Moscone East Construction	170,150
2	Third Street Addition and Howard Street Connector Expansion	206,700
3	Third Street Addition and Moscone East Construction	269,850
4	Howard Street Connector Expansion and Moscone East Construction	277,150
5	All Three Expansions	376,850

The table below outlines the assumed construction dates and duration of the various scenarios, along with the specifics of the expansions. The starting date for construction was given by San Francisco Travel as FY 2014/2015. In the plans provided by San Francisco Travel, the Howard Street Connector Expansion was deemed to be part of the Third Street Addition (in total, the Moscone North/South expansion) project. JLLH assumed that the Third Street addition would be constructed during the first two thirds of the overall expansion timeframe, and that the Howard Street Connector expansion would take place during the last third of the overall Moscone North/South expansion timeframe.

Assumed Construction Timeline			
	Howard Street Connector	**Third Street Addition**	**Moscone East Construction**
Start Construction	4/30/16	7/1/2014	7/1/2014
Open for Use	3/30/17	4/30/2016	12/29/2017

Summary of Construction			
	Howard Street Connector	**Third Street Addition**	**Moscone East Construction**
Location	Connection between Moscone North and South	Vertically stacked above Moscone South	Separate building across from Moscone South on Third Street
Exhibit Space s.f.	107,000	-	102,650
Meeting Space s.f.	-	99,700	67,500
Total Saleable Space	107,000	99,700	170,150

6.2 Methodology of Attendance Projections based on Expansion Scenario

JLLH first calculated organic growth rates in Moscone Center attendance assuming no expansion in space. An assumed growth rate of 2.5% per annum was applied to the total attendance figures for FY 2010/2011.

Based on this methodology, JLLH calculated that attendance would rise to 1.434 million in FY 2021/2022. This attendance level yielded a ratio of 2.7 attendees per square foot of exhibit space, deemed as infeasible, since the ratio from FY 1989/1990 to FY 2011/2011 averaged 1.9.

JLLH as such added an attrition factor to the model, capping future attendance per square foot of exhibit space at a ratio of 2.2. When accounting for attrition, the organic growth scenario yielded annual attendance of 1.207 million in FY 2021/2022. For purposes of the 15-year net economic impact, JLLH took this attendance figure, deemed to be a stabilized figure, and applied it to all years from FY 2022/2023 through FY 2025/2026.

A space utilization ratio of 2.2 marks an increase on the historic ratio. JLLH deems the increase reasonable because meeting planners of the Moscone Center's largest groups unanimously stated that they can make the space work up to a certain point of growth in attendance. This implies that groups strive to keep making more efficient use of the space available.

Based on this analysis, JLLH concluded that it is unlikely that Moscone Center attendance will decline if the convention center is not expanded. While the absence of an expansion may result in the loss of several of the center's largest groups to other cities, JLLH expects that San Francisco Travel will be able to manage demand accordingly and accommodate another group, or multiple smaller groups in the time blocks made available by such lost groups. While the replaced business may have a lesser economic impact on the city, JLLH did not lower any projected attendance figures due to the presumed loss of any groups that are turned away due to space constraints.

JLLH subsequently calculated attendance projections for the three expansion scenarios detailed below, along with all possible combinations thereof. In its methodology, JLLH took the organic attendance growth figures (capped at a space utilization rate of 2.2 as described above), and calculated the induced demand, expressed as number of induced groups multiplied by average historic group size. JLLH also made assumptions as to the expected number of groups displaced during the construction of each of the expansion scenarios based on insight garnered during interviews with competitive convention center managers, among other factors.

For all expansion scenarios, JLLH computed average space utilization ratios and considered these when determining the reasonableness of assumed attendance growth rates. The attendance projection summary table (Appendix 7.3) highlights the average attendance per square foot of exhibit space for each expansion scenario.

JLLH also evaluated the potential for demand dilution for each of the expansion scenarios. Demand dilution refers to the risk of a group preferring a certain space over another space of the Moscone Center. JLLH believes that if a group is of the appropriate size to be self-contained in Moscone West, they will often favor this space, but larger groups that require the full facility will use it as needed to accommodate their exhibitors and attendees. As such, JLLH does not expect that demand dilution will become a material challenge, and did not consider this matter further when determining the recommended expansion scenario.

The final projected attendance figure for each of the expansion cases thus represents organic growth, plus induced demand, minus displaced demand. These projections were used as the basis of determining the economic impact of the incremental attendance figures of the various expansion scenarios.

6.3 Calculation of Economic Impact of Expansion Scenarios

JLLH calculated the economic impact that various expansion scenarios are expected to yield based on the increased attendance levels associated with the expansion. The IRR of the associated construction costs against the incremental economic impact was used in formulating JLLH's final recommendation.

In order to estimate economic impact, JLLH relied on the IMPLAN software and data package, which uses multipliers based on data from the Bureau of Labor Statistics, the U.S. Census, and other agencies to describe and quantify economic changes. IMPLAN is considered a comprehensive and reliable source by economists and makes use of multipliers to provide estimates of economic activity associated with some other economic activity or changes to an activity level. JLLH used 2010 IMPLAN data (which represents the latest year available) for San Francisco County in the economic impact analysis; therefore, the multipliers are specific to the market at hand.

IMPLAN's multipliers consist of three types of impact: direct, indirect, and induced effects. **Direct effects** are those related to the initial spending in the economy, and **indirect effects** measure the additional businesses needed to purchase goods and services to produce the product purchased by the direct effect. **Induced effects** are the response by an economy to the initial change causing further local economic activity. Each of these effects is categorized into employment, labor income, value-added, or output as defined below:

- **Employment**: Annual average full-time and part-time jobs throughout the economy that are needed, directly and indirectly, to deliver $1 million of output.
- **Labor Income**: All forms of employment income, including Employee Compensation (wages and benefits) and Proprietary Income. Proprietary Income encompasses payments received by self-employed individuals as well as income.
- **Value-Added**: Represents the sum of Labor Income, Other Property Type Income, and Indirect Business Taxes. Other Property Type Income consists of payments from rents, royalties and dividends, and Indirect Business Taxes consist primarily of excise and sales taxes paid by individuals to businesses. These taxes occur during the normal operations of these businesses, but do not include taxes on profit or income.
- **Output**: The total value of the industry production; intermediate purchases plus value-added. Output incorporates all of the components in Labor Income and Value-Added.

In computing the full economic impact per the above-referenced methodology, JLLH computed the impact of **incremental Moscone Center Net Operating Income** and **incremental visitor spending** as described below.

Moscone Center Facility Impact

JLLH analyzed trends in Moscone Center facility revenues, expenses and operating income to incorporate the impact of attendance on the financial performance of the convention center under various expansion scenarios. In order to estimate a 15-year economic impact from visitor spending, JLLH also added in the Convention Center Net Income attributable to incremental attendance resulting from the expansion.

A profit margin ranging from -13.2% (similar to FY 2010/2011) to -4.0% was applied to the forecast Adjusted Gross Income (AGI) for the convention center operations to obtain a forecast for Convention Center Net Income throughout the forecast horizon for the seven scenarios. JLLH determined that there is not an attendance level that will result in breakeven profitability. Moscone Center operations are expected to continue to yield a slight loss as they have in the past, but a positive trend will be seen as fixed costs are distributed among a larger area of operations.

Visitor Spending Impact

In order to estimate the incremental revenues from visitor spending, JLLH calculated the net difference in attendance between each of the five scenarios and the base case of no expansion. The 2010/2011 Moscone Annual Report (latest data available) aggregated three attendee origin categories: National/International, State/Regional, and Local. In order to estimate the percent of total out-of-town attendees, we have assumed that 100% of National/International and State/Regional attendees are from out of town, while assuming that all Local attendees are from within the San Francisco area. This results in a total out-of-town percentage of 99%.

Moscone Attendance Regions: FY 2010/2011			
	FY 2010/2011 Figures	JLLH Assumed	Total Out-of-Town %
National/International	78%	100%	78%
State/Regional	22%	100%	22%
Local	1%	0%	0%
Total			99%

Source: Moscone Annual Report

JLLH relied on San Francisco Travel's 2010 statistics (latest year available) on the visitor spending by segment and average length of stay in order to derive the revenue generated per visitor for various categories, indicated in the below table. The detailed calculation based on expansion Scenario 5 is contained in Appendix 7.4.

Spending by Visitor Segment (SF Hotel/Motel Visitor): 2010		
Category	$/Day/Person	$ per Person at 3.5 Days
Lodging	$86.41	$302.44
Restaurants in Hotels	$19.25	$67.38
All Other Restaurants	$40.91	$143.19
Retail	$37.20	$130.20
Entertainment & Sightseeing	$24.17	$84.60
Local Transportation	$8.95	$31.33
Gas/Auto Services	$13.09	$45.82
Car Rental	$4.53	$15.86
Exhibitor/Assoc. Expends	$36.91	$129.19
Total Spending	**$271.43**	**$950.01**
Length of Stay	3.5	

Source: San Francisco Travel Association, JLLH

The increase (or loss) in attendance for all seven scenarios compared to the base (no expansion) scenario were converted to incremental revenues according to the average spending per category data accumulated by San Francisco Travel. Because the "Exhibitor/Assoc. Expends" sector included anything an exhibitor/association would spend during their time in San Francisco (i.e. lodging, restaurants, etc.), JLLH assumed that this sector has been accounted for in the economic impact through the allocation for the remaining sectors.

		IMPLAN Sectors
Category	IMPLAN Sector	IMPLAN Description
Lodging	411	Hotels and motels, including casino hotels
Restaurants in Hotels	411	Hotels and motels, including casino hotels
All Other Restaurants	413	Food services and drinking places
Retail	329	Retail - General Merchandise
Entertainment & Sightseeing	338	Scenic and sightseeing transportation and support activities for transportation
Local Transportation	336	Transit and ground passenger transportation
Gas/Auto Services	326	Retail - Gasoline stations
Car Rental	362	Automotive equipment rental and leasing
Construction	34	Construction of new nonresidential commercial and health care structures

Source: JLLH, IMPLAN

Spend pertaining to the Lodging and Restaurants in the Hotels sector was applied only the net *out-of-town* attendees, while the remaining sectors were attributed to *all* net attendees.

The average spend per person at 3.5 days (from 2010) was inflated to the specific years in which the expanded space opened (which started earliest from 2014/2015 depending on the construction schedule for the scenario). The calculation for expansion Scenario 5 is detailed in Appendix 7.5. This calculation was repeated for all five scenarios.

6.4 Economic Impact Summary

The following table presents the net economic impact (Moscone Center Net Operating Income and Visitor Spending Impact) and the change in employment for all five scenarios based on the projection period through FY 2025/2026. The detailed calculations for all five scenarios are displayed in Appendix 7.6.

Economic Impact - Visitor Spending & Moscone Center Facility				
Ranking	Scenario	Components	Net Economic Impact	Change in Employment
1	5	All Three Expansions	$1,434,098,880	6,878
2	4	Howard Street Connector Expansion and Moscone East Construction	$1,331,026,465	6,616
3	3	Third Street Addition and Moscone East Construction	$802,700,493	3,682
4	2	Third Street Addition and Howard Street Connector Expansion	$734,402,886	3,480
5	1	Moscone East Construction	$699,631,255	3,412

Based on the economic impact analysis from visitor spending and taking into account the Net Operating Income from the Moscone Center operations, Scenario 5 with all three expansions yielded the highest net economic impact with the highest change in employment.

Impact on Hotel Market Occupancy

JLLH projected hotel demand starting in 2011/2012 over a future 10-year period, assuming no supply increases to core convention center lodging area, to demonstrate how undergoing the expansion (assuming Scenario 5) likely warrants the addition of new hotel supply in the future.

As presented in Section 4 of this report, the correlation of Moscone Center convention attendance to hotel demand among the set of convention center hotels equals 0.75. JLLH as such calculated the projected hotel demand level annual percent change from 2011/2012 onward by adding the convention attendance percent change multiplied by 75% with the long-term average demand percent change multiplied by 25%. Note that hotel demand and hotel supply are expressed on total room night (annual) basis.

This calculation yields a CAGR in hotel demand of 2.6% for the years in the forecast horizon, notably above the historic 1.4%, suggesting that the increased exhibit space square footage built in the Howard Street Connector and Moscone East will yield higher hotel demand.

San Francisco Core Convention Hotels - Future Occupancy Projection Based on Recommended Expansion Scenario

Fiscal Year	Convention Attendance (Scenario 5)	% Change	Hotel Supply	Projected Hotel Total Room Night Demand	% Hotel Room Night Change	Accomodated Room Night Demand	Actual Projected Occupancy	Unaccommodated Room Night Demand
1989/1990	606,425		4,016,522	2,732,220		2,732,220	68.0%	
1990/1991	572,395	-5.6%	4,154,430	2,672,889	-2.2%	2,672,889	64.3%	
1991/1992	611,381	6.8%	4,154,430	2,706,555	1.3%	2,706,555	65.1%	
1992/1993	765,202	25.2%	4,154,430	2,859,199	5.6%	2,859,199	68.8%	
1993/1994	835,762	9.2%	4,154,430	2,951,213	3.2%	2,951,213	71.0%	
1994/1995	798,824	-4.4%	4,154,430	3,084,491	4.5%	3,084,491	74.2%	
1995/1996	787,276	-1.4%	4,154,430	3,117,998	1.1%	3,117,998	75.1%	
1996/1997	877,627	11.5%	4,154,430	3,317,700	6.4%	3,317,700	79.9%	
1997/1998	834,243	-4.9%	4,154,430	3,313,002	-0.1%	3,313,002	79.7%	
1998/1999	894,818	7.3%	4,179,867	3,274,929	-1.1%	3,274,929	78.4%	
1999/2000	684,266	-23.5%	4,307,545	3,445,126	5.2%	3,445,126	80.0%	
2000/2001	839,390	22.7%	4,306,445	3,274,276	-5.0%	3,274,276	76.0%	
2001/2002	744,746	-11.3%	4,269,452	2,753,942	-15.9%	2,753,942	64.5%	
2002/2003	747,832	0.4%	4,309,920	2,864,997	4.0%	2,864,997	66.5%	
2003/2004	937,440	25.4%	4,309,920	3,162,960	10.4%	3,162,960	73.4%	
2004/2005	819,843	-12.5%	4,291,020	3,177,229	0.5%	3,177,229	74.0%	
2005/2006	1,046,272	27.6%	4,197,414	3,208,835	1.0%	3,208,835	76.4%	
2006/2007	974,676	-6.8%	4,297,510	3,321,572	3.5%	3,321,572	77.3%	
2007/2008	1,279,000	31.2%	4,380,010	3,525,393	6.1%	3,525,393	80.5%	
2008/2009	968,664	-24.3%	4,498,260	3,513,193	-0.3%	3,513,193	78.1%	
2009/2010	919,811	-5.0%	4,498,260	3,621,242	3.1%	3,621,242	80.5%	
2010/2011	1,092,975	18.8%	4,497,632	3,677,706	1.6%	3,677,706	81.8%	
2011/2012F	1,115,319	2.0%	4,497,632	3,747,232	1.9%	3,747,232	83.3%	
2012/2013F	1,146,315	2.8%	4,497,632	3,838,762	2.4%	3,838,762	85.4%	
2013/2014F	1,181,134	3.0%	4,497,632	3,939,982	2.6%	3,838,762	87.6%	101,221
2014/2015F	1,165,344	-1.3%	4,497,632	3,914,355	-0.7%	3,838,762	87.6%	75,593
2015/2016F	1,172,290	0.6%	4,497,632	3,945,753	0.8%	3,838,762	87.6%	106,991
2016/2017F	1,216,891	3.8%	4,497,632	4,072,540	3.2%	3,838,762	87.6%	233,779
2017/2018F	1,376,424	13.1%	4,497,632	4,488,186	10.2%	3,838,762	87.6%	649,424
2018/2019F	1,453,618	5.6%	4,497,632	4,693,238	4.6%	3,838,762	87.6%	854,476
2019/2020F	1,484,495	2.1%	4,497,632	4,784,778	2.0%	3,838,762	87.6%	946,016
2020/2021F	1,505,080	1.4%	4,497,632	4,851,584	1.4%	3,838,762	87.6%	1,012,823
2021/2022F	1,525,665	1.4%	4,497,632	4,918,633	1.4%	3,838,762	87.6%	1,079,871

Correlation 1989/1990 - 2010/2011	Total Hotel Room Night Demand Change	
Convention Attendance, Hotel Demand	CAGR 1989/1990 - 2010/2011	1.4%
0.75	CAGR 2011/2012 - 2021/2022	2.8%

Source: Smith Travel Research, Jones Lang LaSalle Hotels

Based on the projection methodology detailed in the body of the report, the rise in hotel demand amid steady supply will yield a projected occupancy rate of 87.6% in FY 2013/2014. An analysis of long-term trends in San Francisco and other lodging markets evidences that annual hotel occupancy rarely exceeds mid 80s occupancy levels given the periods of lower demand such as holidays. As such, it is considered unlikely that occupancy would grow above this level, resulting in a considerable amount of unaccommodated hotel room night demand as displayed in the table. If no new room supply is introduced to the market, JLLH estimates a potential loss in economic benefit (from visitor spending) of

approximately $15 million for FY 2013/2014 and increasing each additional year with the loss in unaccommodated demand for the market as a whole.

JLLH believes that, based on the incremental convention center attendance resulting from the recommended expansion, there is strong evidence to suggest that the market be able to support the addition of new hotel stock over the medium term. The addition of hotel rooms, whether part of an official convention center headquarters hotel, or another hotel in the local area, will have an additional positive impact on area employment and tax revenues beyond what is quantified in this report.

It should be noted that the above analysis only pertains to the Core Convention Hotels, which are the preferred hotels for meeting planners' room block, but there is an additional 22,000 hotel rooms which can be used during the compression period. From our Moscone User Group interviews, the complaint in the San Francisco hotel supply was not due to the lack of supply, but it was specifically for the number of quality supply and the high number of hotels in the room versus other cities, like Las Vegas, due to the great supply of smaller, boutique hotels in the City.

7 Appendices

7.1 Glossary

- **Average Daily Rate (ADR):** A measure of the average rate paid for rooms sold, which is calculated by dividing total room revenue by total rooms sold.
- **Chain Scales:** Seven segments defined by Smith Travel Research based on actual average room rates. Independent hotels, regardless of their room rates are included as a separate chain scale category. The chain scale segments are: Luxury Chains, Upper Upscale Chains, Upscale Chains, Upper Midscale Chains, Midscale Chains, Economy Chains, and Independents.
- **Compounded Annual Growth Rate (CAGR):** The year-over-year growth rate of a measure over a period of time.
- **Internal Rate of Return (IRR):** The rate of return used in capital budgeting to measure and compare the profitability of investments by making the net present value of all cash flows from a project equal to zero.
- **Net Present Value (NPV):** The sum of the present value of all cash flows, both incoming and outgoing.
- **Occupancy:** The percentage of available rooms that were sold during a specified period of time, which is calculated by dividing total rooms sold by total rooms available.
- **Revenue per Available Room (RevPAR):** The total room revenue divided by total rooms available. Occupancy multiplied by ADR is equal to RevPAR.
- **Smith Travel Research (STR):** STR tracks supply and demand data for the hotel industry within the U.S. and globally.

7.2 Moscone Center Existing Facility SWOT Analysis

Moscone Center Strength, Weakness, Opportunity and Threat Analysis

Strengths

- Draw of San Francisco as a destination, strong airlift
- Proximity to high-quality hotel inventory
- Proximity to significant number of country's high-tech companies
- Professional and dedicated convention sales team

Weaknesses

- Constraints on physical expansion: limited ability to expand vertically and create more venues with natural lighting
- Some parts of convention center are in need of renovation
- Lack of adjoining or adjacent headquarters hotel
- Limited staging area for trucks delivering exhibitors' equipment

Opportunities

- Addition of contiguous exhibit space to better accommodate groups that are outgrowing the current facility

Threats

- Loss of convention rotations to other cities
- Expansion of convention centers in San Diego and Los Angeles
- Increases to cost structure with regard to union labor, hotel rates, air travel

7.3 Summary Attendance Projection Pro-Forma

The table below shows JLLH's detailed attendance projections for each expansion scenario. It should be noted that two scenarios, Third Street Addition on its own and Howard Street Connector on its own, presented below were removed from the Economic Impact Analysis, since they will not be considered on their own.

Fiscal Year	Attendance	% Change	Space Efficiency	Fiscal Year	Attendance	% Change	Space Efficiency
1989/1990	600 425		23	1989/1990	606 425		23
1990/1991	572 335	-5.6%	22	1990/1991	572 335	5.6%	22
1991/1992	611 561	6.8%	23	1991/1992	611 385	6.8%	23
1992/1993	765 202	25.2%	17	1992/1993	735 202	25.2%	17
1993/1994	835 762	9.2%	18	1993/1994	835 762	9.2%	18
1994/1995	799 624	-4.4%	16	1994/1995	799 824	4.1%	16
1995/1996	787 276	-1.4%	18	1995/1996	787 215	1.4%	18
1996/1997	877 627	11.5%	20	1996/1997	877 827	11.5%	20
1997/1998	831 249	-4.9%	19	1997/1998	831 249	-4.9%	19
1998/1999	894,818	7.3%	20	1998/1999	894 818	7.3%	20
1999/2000	684 265	-23.5%	15	1999/2000	684 265	-23.5%	15
2000/2001	839 350	22.7%	18	2000/2001	839,350	22.7%	18
2001/2002	744,746	-11.3%	17	2001/2002	744,746	-11.3%	17
2002/2003	747 532	0.4%	17	2002/2003	747 532	0.4%	17
2003/2004	937,440	25.4%	17	2003/2004	937 440	25.4%	17
2004/2005	819 843	-12.5%	15	2004/2005	819 843	12.5%	15
2005/2006	1 046 272	27.6%	18	2005/2006	1 046 272	27.6%	18
2006/2007	974 376	-6.8%	18	2006/2007	974 678	-6.8%	18
2007/2008	1 279 000	31.2%	24	2007/2008	1 279 000	31.2%	24
2008/2009	965 564	-24.5%	18	2008/2009	965 004	-24.5%	18
2009/2010	919 911	-5.0%	17	2009/2010	919 811	-5.0%	17
2010/2011	1,092,975	18.8%	20	2010/2011	1,092,975	18.8%	20
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

7.4 Visitor Spend Impact based on Incremental Attendance

The below table details the visitor spending impact resulting from the incremental attendance projected in Scenario 5, which pertains to All Three Expansions. For each fiscal year, the incremental attendance figures are multiplied by the average per person spend figures for each of the categories as provided by San Francisco Travel. The tables for the other six expansion scenarios are saved in JLLH's project files.

Scenario 5: Moscone N-S-W and All Three Expansions			
	2014/2015		
Category	**$/Person**	**Net Attendees**	**Net Difference**
Lodging	$350.61	-40,936	-$14,352,259
Restaurants in Hotels	$78.11	-40,936	-$3,197,385
All Other Restaurants	$165.99	-41,170	-$6,833,814
Retail	$150.94	-41,170	-$6,214,076
Entertainment & Sightseeing	$98.07	-41,170	-$4,037,478
Local Transportation	$36.31	-41,170	-$1,495,053
Gas/Auto Services	$53.11	-41,170	-$2,186,620
Car Rental	$18.38	-41,170	-$756,714
	2015/2016		
Category	**$/Person**	**Net Attendees**	**Net Difference**
Lodging	$361.12	-34,113	-$12,319,017
Restaurants in Hotels	$80.45	-34,113	-$2,744,371
All Other Restaurants	$170.97	-34,308	-$5,865,690
Retail	$155.47	-34,308	-$5,333,749
Entertainment & Sightseeing	$101.01	-34,308	-$3,465,503
Local Transportation	$37.40	-34,308	-$1,283,254
Gas/Auto Services	$54.71	-34,308	-$1,876,849
Car Rental	$18.93	-34,308	-$649,513
	2016/2017		
Category	**$/Person**	**Net Attendees**	**Net Difference**
Lodging	$371.96	10,234	$3,806,576
Restaurants in Hotels	$82.66	10,234	$848,011
All Other Restaurants	$176.10	10,292	$1,812,496
Retail	$160.13	10,292	$1,648,125
Entertainment & Sightseeing	$104.04	10,292	$1,070,840
Local Transportation	$38.53	10,292	$396,528
Gas/Auto Services	$56.35	10,292	$579,946
Car Rental	$19.50	10,292	$200,706
	2017/2018		
Category	**$/Person**	**Net Attendees**	**Net Difference**
Lodging	$383.12	168,860	$64,692,762
Restaurants in Hotels	$85.35	168,860	$14,411,939
All Other Restaurants	$181.38	169,828	$30,803,407
Retail	$164.93	169,826	$28,009,942
Entertainment & Sightseeing	$107.16	169,826	$18,198,929
Local Transportation	$39.68	169,826	$6,738,951
Gas/Auto Services	$58.04	169,826	$9,856,167
Car Rental	$20.08	169,828	$3,410,868
	2018/2019		
Category	**$/Person**	**Net Attendees**	**Net Difference**
Lodging	$394.61	245,614	$96,921,519
Restaurants in Hotels	$87.91	245,614	$21,591,705
All Other Restaurants	$186.82	247,019	$46,149,104
Retail	$169.88	247,019	$41,963,986
Entertainment & Sightseeing	$110.38	247,019	$27,265,310
Local Transportation	$40.87	247,019	$10,096,174
Gas/Auto Services	$59.78	247,019	$14,766,360
Car Rental	$20.69	247,019	$5,110,131
	2019/2020		
Category	**$/Person**	**Net Attendees**	**Net Difference**
Lodging	$406.45	276,316	$112,307,810
Restaurants in Hotels	$90.55	276,316	$25,019,388
All Other Restaurants	$192.49	277,897	$53,475,275
Retail	$174.98	277,897	$48,625,769
Entertainment & Sightseeing	$113.69	277,897	$31,593,678
Local Transportation	$42.10	277,897	$11,698,942
Gas/Auto Services	$61.57	277,897	$17,110,519
Car Rental	$21.31	277,897	$5,921,364
	2020/2021		
Category	**$/Person**	**Net Attendees**	**Net Difference**
Lodging	$418.64	296,784	$124,245,715
Restaurants in Hotels	$93.26	296,784	$27,678,857
All Other Restaurants	$198.20	298,482	$59,158,496
Retail	$180.23	298,482	$53,794,508
Entertainment & Sightseeing	$117.10	298,482	$34,951,989
Local Transportation	$43.36	298,482	$12,942,496
Gas/Auto Services	$63.42	298,482	$18,929,304
Car Rental	$21.95	298,482	$6,550,783
	2021/2022		
Category	**$/Person**	**Net Attendees**	**Net Difference**
Lodging	$431.20	317,251	$136,798,816
Restaurants in Hotels	$96.06	317,251	$30,475,376
All Other Restaurants	$204.15	319,066	$65,136,847
Retail	$185.63	319,066	$59,229,609
Entertainment & Sightseeing	$120.61	319,066	$38,483,324
Local Transportation	$44.66	319,069	$14,250,134
Gas/Auto Services	$65.32	319,066	$20,841,817
Car Rental	$22.61	319,066	$7,212,698

Source: Jones Lang LaSalle Hotels, based on IMPLAN data

7.5 Total Visitor Spend Economic Impact based on IMPLAN Multipliers

The below table details the full economic impact from visitor spending resulting from the incremental additional attendance levels as projected in Scenario 5, which pertains to All Three Expansions. The tables for the other four scenarios are saved in JLLH's project files.

	Scenario 5 Visitor Spending Impact (in 2012 $)				
2014/2015	Impact Type	Employment	Labor Income	Value Added	Output
	Direct Effect	-203.10	-$8,488,756	-$11,651,099	-$13,744,480
	Indirect Effect	-22.6	-$1,770,518	-$2,640,316	-$3,842,543
	Induced Effect	-36.9	-$2,418,823	-$4,089,016	-$5,881,637
	Total Effect	**-262.70**	**-$12,678,096**	**-$18,380,430**	**-$23,468,660**
2015/2016	Impact Type	Employment	Labor Income	Value Added	Output
	Direct Effect	-170.50	-$7,140,742	-$9,799,862	-$11,519,712
	Indirect Effect	-19	-$1,482,731	-$2,212,076	-$3,219,069
	Induced Effect	-31	-$2,032,776	-$3,436,398	-$4,942,914
	Total Effect	**-220.50**	**-$10,656,249**	**-$15,448,336**	**-$19,681,696**
2016/2017	Impact Type	Employment	Labor Income	Value Added	Output
	Direct Effect	42.70	$1,605,876	$2,225,405	$3,476,073
	Indirect Effect	5.7	$447,042	$667,221	$970,883
	Induced Effect	7.4	$485,106	$820,091	$1,179,615
	Total Effect	**55.80**	**$2,538,024**	**$3,712,717**	**$5,626,571**
2017/2018	Impact Type	Employment	Labor Income	Value Added	Output
	Direct Effect	707.60	$26,642,427	$36,921,340	$57,693,989
	Indirect Effect	94.8	$7,413,434	$11,069,417	$16,106,060
	Induced Effect	122.9	$8,045,893	$13,601,876	$19,564,865
	Total Effect	**925.20**	**$42,101,753**	**$61,592,633**	**$93,364,914**
2018/2019	Impact Type	Employment	Labor Income	Value Added	Output
	Direct Effect	1,038.60	$39,108,824	$54,197,156	$84,839,314
	Indirect Effect	139.3	$10,893,834	$16,267,854	$23,669,212
	Induced Effect	180.4	$11,813,419	$19,971,016	$28,726,202
	Total Effect	**1,358.20**	**$61,816,077**	**$90,436,026**	**$137,234,728**
2019/2020	Impact Type	Employment	Labor Income	Value Added	Output
	Direct Effect	1,179.50	$44,414,839	$61,550,252	$96,524,662
	Indirect Effect	158.3	$12,385,026	$18,497,091	$26,911,909
	Induced Effect	204.9	$13,419,248	$22,685,728	$32,631,029
	Total Effect	**1,542.70**	**$70,219,113**	**$102,733,070**	**$156,067,600**
2020/2021	Impact Type	Employment	Labor Income	Value Added	Output
	Direct Effect	1,278.90	$48,157,411	$66,736,722	$104,851,747
	Indirect Effect	171.9	$13,443,233	$20,080,209	$29,214,376
	Induced Effect	222.2	$14,553,399	$24,603,050	$35,388,895
	Total Effect	**1,673.00**	**$76,154,043**	**$111,419,981**	**$169,455,019**
2021/2022	Impact Type	Employment	Labor Income	Value Added	Output
	Direct Effect	1,380.00	$51,967,000	$72,016,064	$113,359,339
	Indirect Effect	185.7	$14,522,757	$21,695,646	$31,563,713
	Induced Effect	239.9	$15,708,409	$26,555,636	$38,197,484
	Total Effect	**1,805.60**	**$82,198,166**	**$120,267,346**	**$183,120,536**

Source: Jones Lang LaSalle Hotels, based on IMPLAN data

7.6 Annual Incremental Economic Impact by Expansion Scenario

The two tables below depict the annual incremental economic impact for each of the five expansion scenarios.

Scenario 1 Total Economic Impact (in 2012 $)	Convention AGI	% Profit Margin	Convention Net Income	Visitor Spending Impact	Total Economic Impact	Net
2011/2012F	$0	-13.2%	$0	$0	$0	$0
2012/2013F	$0	-13.2%	$0	$0	$0	$0
2013/2014F	$0	-13.2%	$0	$0	$0	$0
2014/2015F	$0	-13.2%	$0	$0	$0	$0
2015/2016F	$0	-13.2%	$0	$0	$0	$0
2016/2017F	$0	-13.2%	$0	$0	$0	$0
2017/2018F	$1,313,265	-11.0%	-$6,227	$31,121,638	$31,115,411	$31,115,411
2018/2019F	$2,865,304	-9.0%	-$11,116	$68,817,363	$68,806,247	$68,806,247
2019/2020F	$3,104,080	-7.0%	-$8,368	$75,143,658	$75,134,292	$75,134,292
2020/2021F	$3,342,855	-7.0%	-$10,087	$81,805,872	$81,795,785	$81,795,785
2021/2022F	$3,581,631	-7.0%	-$10,807	$88,606,711	$88,595,904	$88,595,904
2022/2023F						$88,595,904
2023/2024F						$88,595,904
2024/2025F						$88,595,904
2025/2026F						$88,595,904
Net Economic Impact						[illegible]

Scenario 2 Total Economic Impact (in 2012 $)	Convention AGI	% Profit Margin	Convention Net Income	Visitor Spending Impact	Total Economic Impact	Net
2011/2012F	$0	-13.2%	$0	$0	$0	$0
2012/2013F	$0	-13.2%	$0	$0	$0	$0
2013/2014F	$0	-13.2%	$0	$0	$0	$0
2014/2015F	-$855,101	-13.2%	$5,434	-$23,468,660	-$23,463,226	-$23,463,226
2015/2016F	-$795,918	-13.2%	$4,529	-$19,681,696	-$19,677,167	-$19,677,167
2016/2017F	$238,775	-11.0%	-$1,132	$5,626,571	$5,625,439	$5,625,439
2017/2018F	$2,626,529	-9.0%	-$9,057	$62,243,276	$62,234,219	$62,234,219
2018/2019F	$2,865,304	-7.0%	-$8,646	$68,617,363	$68,608,717	$68,608,717
2019/2020F	$3,342,855	-6.0%	-$8,646	$80,923,940	$80,915,294	$80,915,294
2020/2021F	$3,581,631	-6.0%	-$9,263	$87,649,147	$87,639,884	$87,639,884
2021/2022F	$3,820,406	-6.0%	-$9,881	$94,513,826	$94,503,945	$94,503,945
2022/2023F						$94,503,945
2023/2024F						$94,503,945
2024/2025F						$94,503,945
2025/2026F						$94,503,945
Net Economic Impact						[illegible]

Scenario 3 Total Economic Impact (in 2012 $)	Convention AGI	% Profit Margin	Convention Net Income	Visitor Spending Impact	Total Economic Impact	Net
2011/2012F	$0	-13.2%	$0	$0	$0	$0
2012/2013F	$0	-13.2%	$0	$0	$0	$0
2013/2014F	$0	-13.2%	$0	$0	$0	$0
2014/2015F	-$855,101	-13.2%	$5,434	-$23,468,660	-$23,463,226	-$23,463,226
2015/2016F	-$795,918	-13.2%	$4,529	-$19,681,696	-$19,677,167	-$19,677,167
2016/2017F	$238,775	-11.0%	-$1,132	$5,626,571	$5,625,439	$5,625,439
2017/2018F	$1,552,040	-9.0%	-$5,352	$36,780,117	$36,774,765	$36,774,765
2018/2019F	$3,342,855	-7.0%	-$10,087	$80,053,592	$80,043,505	$80,043,505
2019/2020F	$3,820,406	-5.0%	-$8,234	$92,484,503	$92,476,269	$92,476,269
2020/2021F	$4,059,181	-5.0%	-$8,749	$99,335,702	$99,326,953	$99,326,953
2021/2022F	$4,297,957	-5.0%	-$9,263	$106,328,054	$106,318,791	$106,318,791
2022/2023F						$106,318,791
2023/2024F						$106,318,791
2024/2025F						$106,318,791
2025/2026F						$106,318,791
Net Economic Impact						[illegible]

Scenario 4 Total Economic Impact (in 2012 $)	Convention AGI	% Profit Margin	Convention Net Income	Visitor Spending Impact	Total Economic Impact	Net
2011/2012F	$0	-13.2%	$0	$0	$0	$0
2012/2013F	$0	-13.2%	$0	$0	$0	$0
2013/2014F	$0	-13.2%	$0	$0	$0	$0
2014/2015F	$0	-13.2%	$0	$0	$0	$0
2015/2016F	$0	-13.2%	$0	$0	$0	$0
2016/2017F	$0	-11.0%	$0	$0	$0	$0
2017/2018F	$3,701,018	-9.0%	-$12,763	$87,705,435	$87,692,672	$87,692,672
2018/2019F	$5,253,058	-7.0%	-$15,850	$125,798,501	$125,782,651	$125,782,651
2019/2020F	$5,730,609	-6.0%	-$12,351	$138,726,755	$138,714,404	$138,714,404
2020/2021F	$6,208,160	-5.0%	-$13,380	$151,925,190	$151,911,810	$151,911,810
2021/2022F	$6,685,710	-5.0%	-$14,409	$165,399,195	$165,384,786	$165,384,786
2022/2023F						$165,384,786
2023/2024F						$165,384,786
2024/2025F						$165,384,786
2025/2026F						$165,384,786
Net Economic Impact						[illegible]

Scenario 5 Total Economic Impact (in 2012 $)	Convention AGI	% Profit Margin	Convention Net Income	Visitor Spending Impact	Total Economic Impact	Net
2011/2012F	$0	-13.2%	$0	$0	$0	$0
2012/2013F	$0	-13.2%	$0	$0	$0	$0
2013/2014F	$0	-13.2%	$0	$0	$0	$0
2014/2015F	-$855,101	-13.2%	$5,434	-$23,468,660	-$23,463,226	-$23,463,226
2015/2016F	-$795,918	-13.2%	$4,529	-$19,681,696	-$19,677,167	-$19,677,167
2016/2017F	$238,775	-11.0%	-$1,132	$5,626,571	$5,625,439	$5,625,439
2017/2018F	$3,939,704	-7.0%	-$11,888	$93,564,914	$93,553,025	$93,553,025
2018/2019F	$5,730,609	-5.0%	-$12,351	$137,234,728	$137,222,377	$137,222,377
2019/2020F	$6,446,935	-4.0%	-$11,116	$156,667,600	$156,656,484	$156,656,484
2020/2021F	$6,924,486	-4.0%	-$11,939	$169,455,019	$169,443,080	$169,443,080
2021/2022F	$7,402,036	-4.0%	-$12,763	$183,120,536	$183,107,773	$183,107,773
2022/2023F						$183,107,773
2023/2024F						$183,107,773
2024/2025F						$183,107,773
2025/2026F						$183,107,773
Net Economic Impact						[illegible]

Source: Jones Lang LaSalle Hotels, IMPLAN

7.7 Change in Employment by Expansion Scenario

The below table details the change in employment based on each of the five expansion scenarios.

Scenario 1 Employment							
	Visitor Spending			Total			
	Direct Effect	Indirect Effect	Induced Effect	Direct Effect	Indirect Effect	Induced Effect	Total
2011/2012F	-	-	-	-	-	-	-
2012/2013F	-	-	-	-	-	-	-
2013/2014F	-	-	-	-	-	-	-
2014/2015F	-	-	-	-	-	-	-
2015/2016F	-	-	-	-	-	-	-
2016/2017F	-	-	-	-	-	-	-
2017/2018F	236	32	41	236	32	41	309
2018/2019F	519	70	90	519	70	90	679
2019/2020F	568	76	99	568	76	99	743
2020/2021F	617	83	107	617	83	107	808
2021/2022F	668	90	116	668	90	116	874
							[illegible]

Scenario 2 Employment							
	Visitor Spending			Total			
	Direct Effect	Indirect Effect	Induced Effect	Direct Effect	Indirect Effect	Induced Effect	Total
2011/2012F	-	-	-	-	-	-	-
2012/2013F	-	-	-	-	-	-	-
2013/2014F	-	-	-	-	-	-	-
2014/2015F	(203)	(23)	(37)	(203)	(23)	(37)	(263)
2015/2016F	(171)	(19)	(31)	(171)	(19)	(31)	(221)
2016/2017F	43	6	7	43	6	7	56
2017/2018F	472	63	82	472	63	82	617
2018/2019F	519	70	90	519	70	90	679
2019/2020F	612	82	106	612	82	106	800
2020/2021F	662	89	115	662	89	115	865
2021/2022F	727	96	124	727	96	124	946
							[illegible]

Scenario 3 Employment							
	Visitor Spending			Total			
	Direct Effect	Indirect Effect	Induced Effect	Direct Effect	Indirect Effect	Induced Effect	Total
2011/2012F	-	-	-	-	-	-	-
2012/2013F	-	-	-	-	-	-	-
2013/2014F	-	-	-	-	-	-	-
2014/2015F	(203)	(23)	(37)	(203)	(23)	(37)	(263)
2015/2016F	(171)	(19)	(31)	(171)	(19)	(31)	(221)
2016/2017F	43	6	7	43	6	7	56
2017/2018F	279	37	48	279	37	48	364
2018/2019F	606	81	105	606	81	105	792
2019/2020F	699	94	121	699	94	121	914
2020/2021F	750	101	130	750	101	130	981
2021/2022F	810	108	139	810	108	139	1,057
							3,682

Scenario 4 Employment							
	Visitor Spending			Total			
	Direct Effect	Indirect Effect	Induced Effect	Direct Effect	Indirect Effect	Induced Effect	Total
2011/2012F	-	-	-	-	-	-	-
2012/2013F	-	-	-	-	-	-	-
2013/2014F	-	-	-	-	-	-	-
2014/2015F	-	-	-	-	-	-	-
2015/2016F	-	-	-	-	-	-	-
2016/2017F	-	-	-	-	-	-	-
2017/2018F	665	89	115	665	89	115	869
2018/2019F	952	128	165	952	128	165	1,245
2019/2020F	1,048	141	182	1,048	141	182	1,371
2020/2021F	1,147	154	199	1,147	154	199	1,500
2021/2022F	1,247	168	217	1,247	168	217	1,631
							[illegible]

Scenario 5 Employment							
	Visitor Spending			Total			
	Direct Effect	Indirect Effect	Induced Effect	Direct Effect	Indirect Effect	Induced Effect	Total
2011/2012F	-	-	-	-	-	-	-
2012/2013F	-	-	-	-	-	-	-
2013/2014F	-	-	-	-	-	-	-
2014/2015F	(203)	(23)	(37)	(203)	(23)	(37)	(263)
2015/2016F	(171)	(19)	(31)	(171)	(19)	(31)	(221)
2016/2017F	43	6	7	43	6	7	56
2017/2018F	708	95	123	708	95	123	925
2018/2019F	1,039	139	180	1,039	139	180	1,358
2019/2020F	1,180	158	205	1,180	158	205	1,543
2020/2021F	1,279	172	222	1,279	172	222	1,673
2021/2022F	1,380	186	240	1,380	186	240	1,806
							[illegible]

Source: Jones Lang LaSalle Hotels; IMPLAN

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Exhibit C: San Francisco Office of Public Finance Cash Flow Analysis

Attachment IV

Cash%20Flows.ME.v27.10-2012(1).xlsx
11/1/2012

MED - OPTION 2BA W FFE - PARTIAL FY 2014; MED + 25% 2014 THRU 2047; CITY CONTR $8.2M 3% GROWTH THRU 2028; $10.7M 2029-2047; SINKING FUND 2036-2047; FM 2047

Sources	Comm Paper	City Contr	MED Cash	MED for FFE	2017 COPs		Agg
City Funded Thru 2014-15	-	5.24	-	-	-	$	5.24
MED Cash/Pay as You Go	-	-	82.63	-	-		82.63
FF&E	-	-	-	12.83	-		12.83
COP/CP Prol Dep	67.49	-	-	-	331.81		399.31
Total Sources	67.48	5.24	82.63	12.83	331.81	$	500.00
Uses							
Total Construction						$	500.00
Funding Gap							

Fiscal Year	Construction Draw Down	Comm Paper End Period Agg CP	Uses: City Contr	Pay As You Go (MED Cash)	Furniture Fixtures & Equipment	COPs Debt Svc 6.00%	Add'l Rental (300,000)	Total Uses	Sources: City Contrib	MED Allocation for Expansion	City Contr 8,200,000	Total Sources	Net Impact	Fund Balance	Excess Revenue: 15,000,000			171,215,000
0 2013	5,820,000	1,137,000	(1,700,000)	(3,000,000)	-	-	-	(4,700,000)	1,700,000	3,000,000	-	4,700,000	-		-	-	-	-
1 2014	16,800,000	1,688,140	(3,538,860)	(12,635,000)	-	-	-	(16,373,860)	3,538,860	12,635,000	-	16,373,860	-		-	-	-	-
2 2015	30,200,000	12,886,140	-	(19,090,000)	-	-	-	(19,090,000)	-	19,090,000	-	19,090,000	-		-	-	-	-
3 2016	74,499,000	68,739,140	-	(19,662,000)	-	-	-	(19,662,000)	-	19,662,000	-	19,662,000	-		-	-	-	-
4 2017	212,228,000	-	-	(20,252,000)	-	-	-	(20,252,000)	-	20,252,000	-	20,252,000	-		-	-	-	-
5 2018	153,875,000	-	-	[illegible]	[illegible]	-	(5,000)	(20,822,000)	-	20,822,000	-	20,822,000	-		-	-	-	-
6 2019	6,478,000	-	-	-	-	(35,519,000)	(300,000)	(35,819,000)	-	21,377,000	8,200,000	29,577,000	(6,242,000)	(6,242,000)	-	-	-	-
7 2020	-	-	-	-	-	(35,521,000)	(300,000)	(35,821,000)	-	22,021,000	8,446,000	30,467,000	(5,354,000)	(11,596,000)	-	-	-	-
8 2021	-	-	-	-	-	(35,519,000)	(300,000)	(35,819,000)	-	22,682,000	8,699,000	31,381,000	(4,438,000)	(16,034,000)	-	-	-	-
9 2022	-	-	-	-	-	(35,522,000)	(300,000)	(35,822,000)	-	23,362,000	8,960,000	32,322,000	(3,500,000)	(19,534,000)	-	-	-	-
10 2023	-	-	-	-	-	(35,518,000)	(300,000)	(35,818,000)	-	22,951,000	9,229,000	32,180,000	(3,638,000)	(23,172,000)	-	-	-	-
11 2024	-	-	-	-	-	(35,522,000)	(300,000)	(35,822,000)	-	23,639,000	9,506,000	33,145,000	(2,677,000)	(25,849,000)	-	-	-	-
12 2025	-	-	-	-	-	(35,520,000)	(300,000)	(35,820,000)	-	24,348,000	9,791,000	34,139,000	(1,681,000)	(27,530,000)	-	-	-	-
13 2026	-	-	-	-	-	(35,517,000)	(300,000)	(35,817,000)	-	25,078,000	10,085,000	35,163,000	(654,000)	(28,184,000)	-	-	-	-
14 2027	-	-	-	-	-	(35,521,000)	(300,000)	(35,821,000)	-	25,831,000	10,388,000	36,219,000	398,000	(27,786,000)	398,000	-	-	-
15 2028	-	-	-	-	-	(35,519,000)	(300,000)	(35,819,000)	-	26,605,000	10,700,000	37,305,000	1,486,000	(26,300,000)	1,486,000	-	-	-
16 2029	-	-	-	-	-	(35,520,000)	(300,000)	(35,820,000)	-	27,404,000	10,700,000	38,104,000	2,284,000	(24,016,000)	2,284,000	-	-	-
17 2030	-	-	-	-	-	(35,520,000)	(300,000)	(35,820,000)	-	28,226,000	10,700,000	38,926,000	3,106,000	(20,910,000)	3,106,000	-	-	-
18 2031	-	-	-	-	-	(35,518,000)	(300,000)	(35,818,000)	-	29,073,000	10,700,000	39,773,000	3,955,000	(16,956,000)	3,955,000	-	-	-
19 2032	-	-	-	-	-	(35,517,000)	(300,000)	(35,817,000)	-	29,945,000	10,700,000	40,645,000	4,828,000	(12,127,000)	3,771,000	1,057,000	-	-
20 2033	-	-	-	-	-	(35,518,000)	(300,000)	(35,818,000)	-	30,843,000	10,700,000	41,543,000	5,725,000	(6,402,000)	-	5,725,000	-	-
21 2034	-	-	-	-	-	(35,519,000)	(300,000)	(35,819,000)	-	31,769,000	10,700,000	42,469,000	6,650,000	248,000	-	6,650,000	-	-
22 2035	-	-	-	-	-	(35,521,000)	(300,000)	(35,821,000)	-	32,722,000	10,700,000	43,422,000	7,601,000	7,849,000	-	7,601,000	-	-
23 2036	-	-	-	-	-	(35,517,000)	(300,000)	(35,817,000)	-	33,704,000	10,700,000	44,404,000	8,587,000	16,436,000	-	4,383,000	4,204,000	-
24 2037	-	-	-	-	-	(35,518,000)	(300,000)	(35,818,000)	-	34,714,000	10,700,000	45,414,000	9,596,000	26,032,000	-	-	9,596,000	-
25 2038	-	-	-	-	-	(35,521,000)	(300,000)	(35,821,000)	-	35,756,000	10,700,000	46,456,000	10,635,000	36,667,000	-	-	10,635,000	-
26 2039	-	-	-	-	-	(35,520,000)	(300,000)	(35,820,000)	-	36,828,000	10,700,000	47,528,000	11,708,000	48,376,000	-	-	3,749,000	7,960,000
27 2040	-	-	-	-	-	(35,519,000)	(300,000)	(35,819,000)	-	37,934,000	10,700,000	48,634,000	12,815,000	61,191,000	-	-	-	12,815,000
28 2041	-	-	-	-	-	(35,517,000)	(300,000)	(35,817,000)	-	39,071,000	10,700,000	49,771,000	13,954,000	75,145,000	-	-	-	13,954,000
29 2042	-	-	-	-	-	(35,520,000)	(300,000)	(35,820,000)	-	40,244,000	10,700,000	50,944,000	15,124,000	90,269,000	-	-	-	15,124,000
30 2043	-	-	-	-	-	(35,517,000)	(300,000)	(35,817,000)	-	41,451,000	10,700,000	52,151,000	16,334,000	106,603,000	-	-	-	16,334,000
31 2044	-	-	-	-	-	(35,520,000)	(300,000)	(35,820,000)	-	42,695,000	10,700,000	53,395,000	17,575,000	124,178,000	-	-	-	17,575,000
32 2045	-	-	-	-	-	(35,522,000)	(300,000)	(35,822,000)	-	43,975,000	10,700,000	54,675,000	18,853,000	143,031,000	-	-	-	18,853,000
33 2046	-	-	-	-	-	(35,517,000)	(300,000)	(35,817,000)	-	-	10,700,000	10,700,000	(25,117,000)	117,914,000	-	-	-	-
34 2047	-	-	-	-	-	1,000	(300,000)	(299,000)	-	-	10,700,000	10,700,000	10,401,000	128,315,000	-	-	-	-
Total	500,000,000	-	(5,238,860)	(82,625,000)	(12,831,000)	(994,538,000)	(8,705,000)	(1,103,937,860)	5,238,860	928,710,000	297,304,000	1,232,252,860	128,315,000	-	15,000,000	28,418,000	28,184,000	102,815,000

10 & 320

MOSCONE EXPANSION PROJECT

Ordinance Authorizing COP Issuance
Supplemental Appropriation For COP
Resolution Finding Fiscal Feasibility

Budget & Finance Committee – 01.30.13

Overview

1. The Need
2. The Project
3. Project Financing
4. Fiscal Feasibility Determination
5. Project Schedule
6. 3 Action Items Today:
   - Ordinance Authorizing the Issuance of Certificates of Participation (COPs)
   - Ordinance Appropriating $507,880,000 of COPs
   - Resolution Finding Fiscal Feasibility

Moscone Expansion: The Need

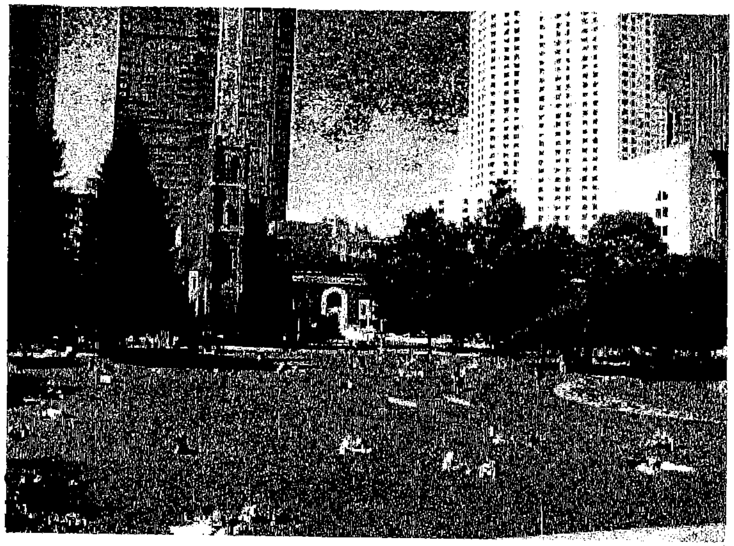
- At Capacity
- Demand for Additional Contiguous Space
- Major Economic Engine
  - 2011 tourism: 16.35M visitors to San Francisco spent $8.46B, generating $526M in tax revenues for the City and County and supporting 71,403 local jobs.
  - Conventions accounted for $1.79B, or 21% of $8.46B and 27% of all hotel room occupancy
- Independent Study: $2B in foregone direct spending 2010-2019
- Success of $56M Tourist Improvement District (2012)
  - LEED Gold interior renovation completed on-time, on-budget

Moscone Expansion Project Goals

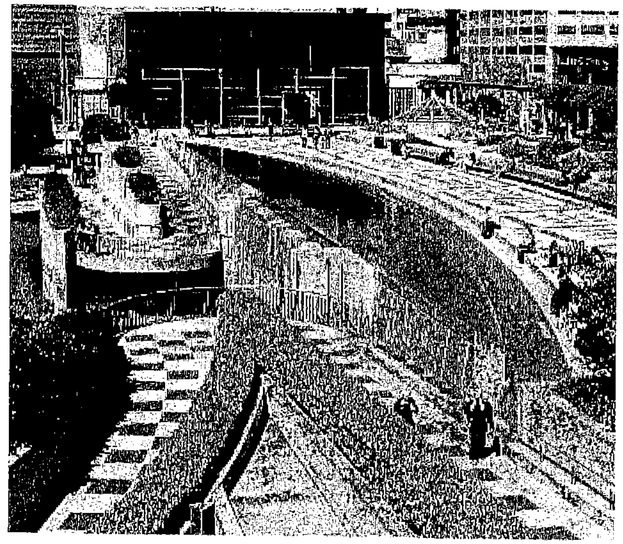
- Add ~400,000ft^2:
  - Meeting rooms: +26,000SF to 85,000SF
  - Exhibition hall expansion: +80,000SF to 520,000SF
  - Multi-purpose space: +87,000SF to 129,000SF
  - Loading, service, support: +178,000SF to 681,000SF
- Maintain continuous revenue generating operation
- Maximize contiguous exhibition space below grade
- Improve streetscape, connectivity, bicycle/pedestrian safety and sense of arrival in collaboration with Central Corridor Plan

Moscone Expansion Study Area

Existing Conditions

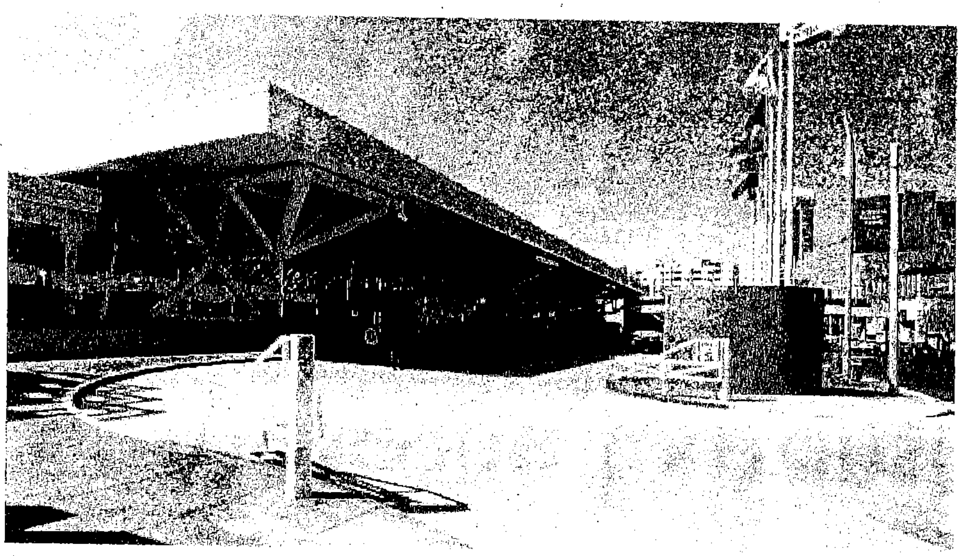


YERBA BUENA GARDENS



MLK MEMORIAL

PLAY CIRCLE



HOWARD STREET LOOKING AT SOUTH LOBBY

HOWARD STREET LOOKING AT NORTH LOBBY

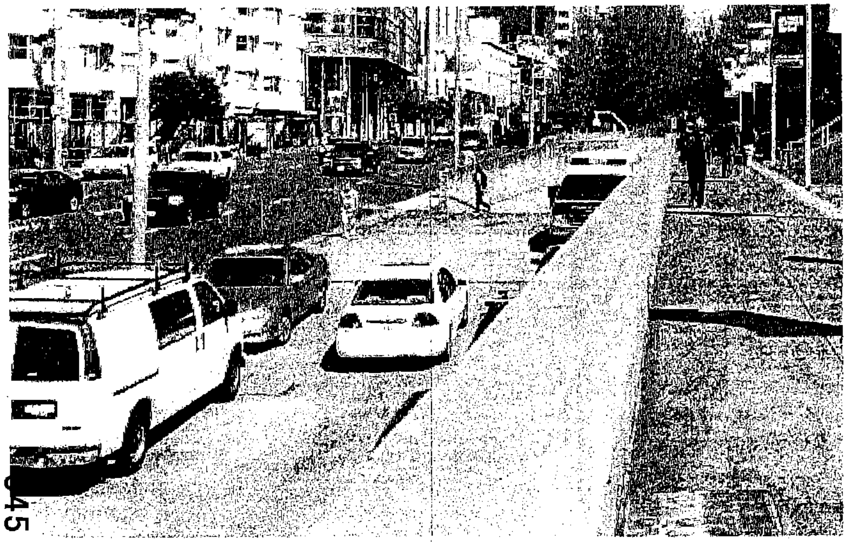
Fiscal Feasibility Determination

- Required by Admin Code, Chapter 29
- Net San Francisco benefits:
  - $734M direct and indirect impact through FY2026
  - $5.8-$7.6M/year in additional General Fund tax collections
  - 3,480 net increase in local jobs through FY2022
  - 3,407 one-time construction-related jobs
- Leverages private sector to meet convention demand
- Limited risks to General Fund and long term debt capacity should hotels vote to adopt the District formation
- Public benefits to surrounding streetscape, bike/pedestrian safety, tourism, and operations & maintenance

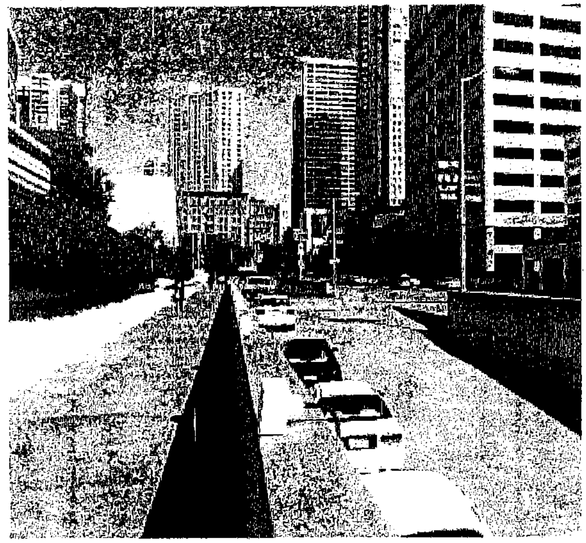
Cost and Available Funding

- $500M Cost of Construction
  - DPW to provide project management and fiscal oversight
- Funding:
  - Two-thirds from MED assessment revenues
    - Hotels closest to Moscone pay up to 1.25% of room rates
    - Hotels west of Van Ness & North of 16th pay 0.3125%
  - One-third from General Fund contribution of:
    - Pre-development: $1.7M in FY2013 and $3.5M in FY2014
    - General Fund: $8.2 - $10.7 from FY2019-FY2045

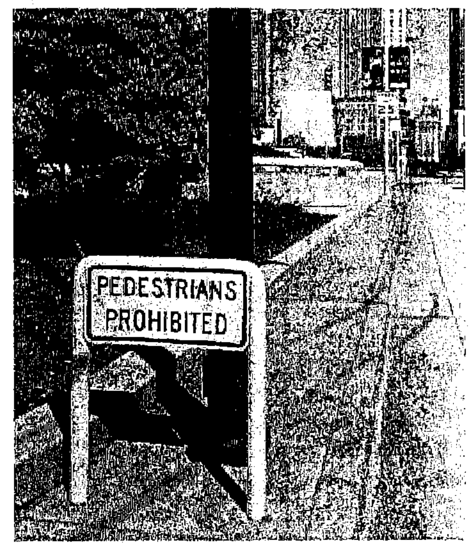
Existing Conditions



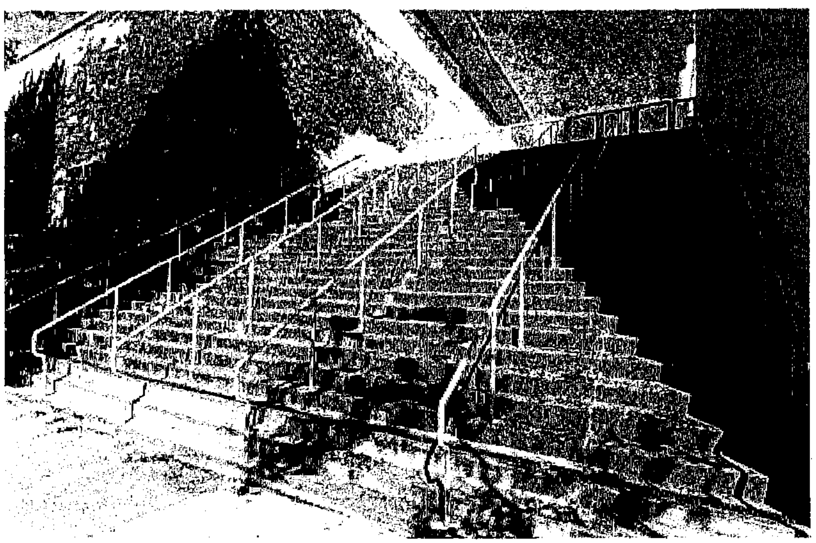
4TH STREET LOOKING NORTH



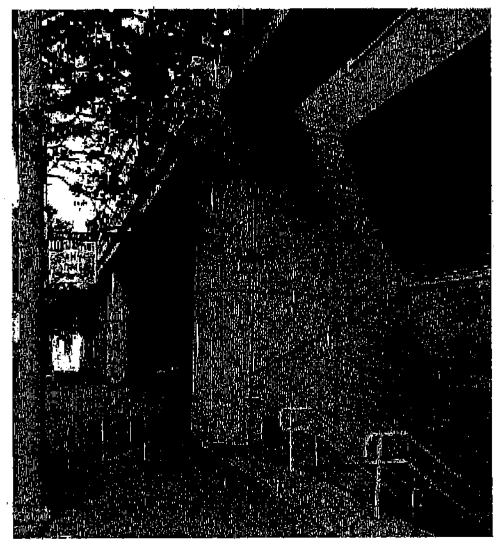
3RD STREET LOOKING NORTH



3RD STREET LOOKING NORTH



FOLSOM STREET LOOKING NORTH



FOLSOM STREET LOOKING WEST

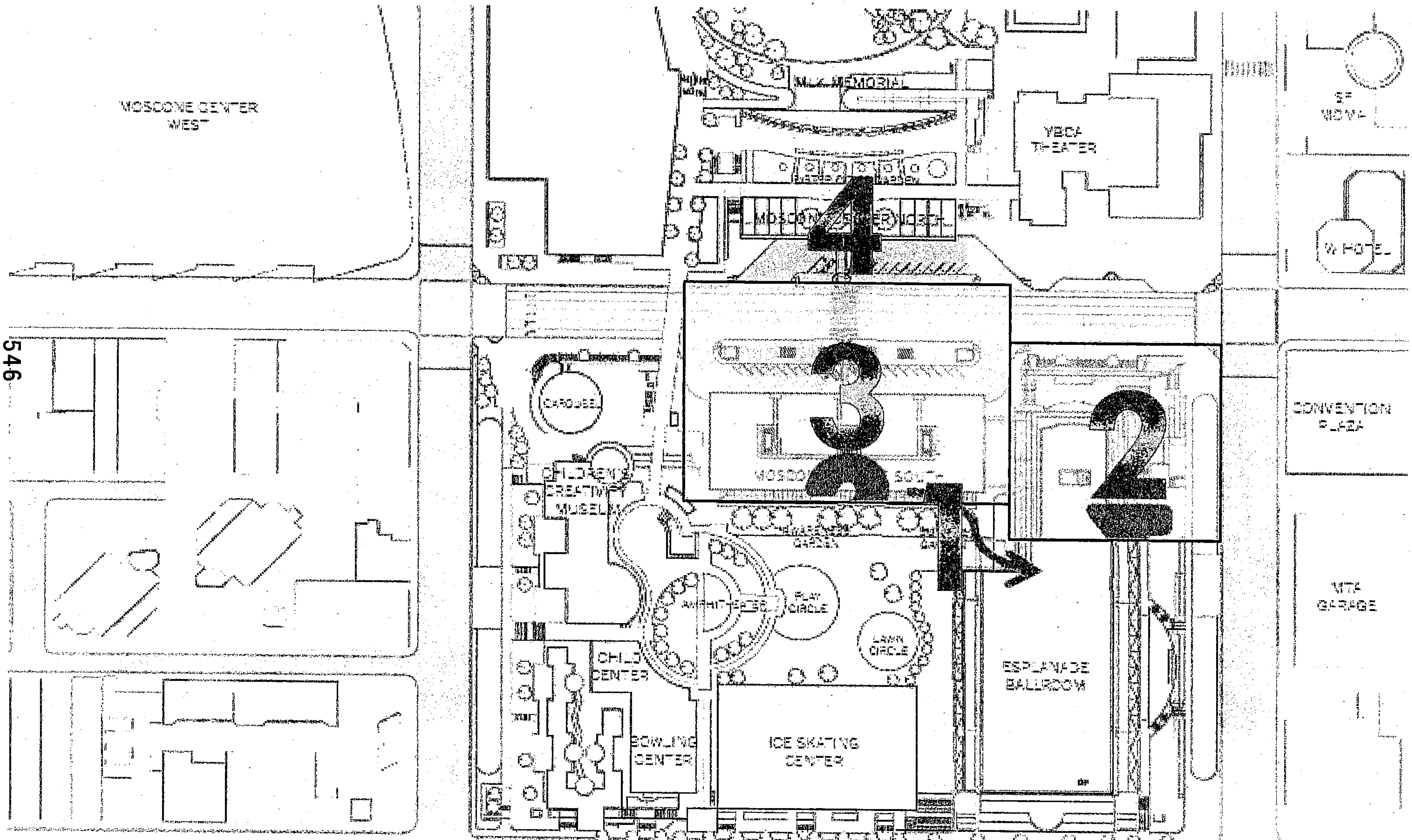
CURRENT ZONING REGULATIONS

Basic Zoning
Use District: C-3S
Height Limit: 340 FT
Base/Max F.A.R.: 5:1/7.5:1
Relevant Permitted Uses: meeting hall, retail, office
Relevant Conditional Uses: hotel
Bulk district: I, for buildings over 150 FT tall, 200 FT maximum diagonal and 170 FT maximum length

Selected Requirements
Parking Required: none
Maximum Parking: varies by use (7% of F.A.R. for office uses, 0.25 to 1 space per residential unit depending on size of unit and type of parking)
Loading Berths Required: 2
Public Open Space: 1:50 SF
Public Art: 2% of construction budget

045

Project Sequence 2014-2018



Estimated Plan of Finance

Anticipated Aggregate Sources of the Project

		District Assessments		Certificates		
Sources	City Contributions	pansion Project	Furniture, Fixtures & Equip	Commercial Paper	Certificates	Total Sources
City Contributions Through FY 2013-14	$ 5,238,860	$ -	$ -	$ -	$ -	$ 5,238,860
Moscone Expansion District Assessme	-	82,625,000	12,831,000	-	-	95,456,000
**Certificates	-	-	-	67,493,140	331,812,000	399,305,140
Total Sources	$ 5,238,860	$ 82,625,000	$ 12,831,000	$ 67,493,140	$331,812,000	$500,000,000

** Certificates includes anticipated draws on commercial paper for project costs and excludes commercial paper interest, program fees, and ancillary costs.

Ordinance Authorizing COP Issuance

- Finance Instrument: Up to$507.9M Certificates of Participation (assumed interest rate of 6%), use of Commercial Paper in the interim
- COP Issuance Date: January 2017
- Final Maturity: FY 2047
- MED Assessments Available to the Project: 87.5% to 82.5% by 2023
- Annual City Contribution: $8.2 (FY 2019) to $10.7M (FY2028) thru 2047
- Excess Revenues: $169.9M (Per Attachment III)
  1. Stabilization Fund of $15M
  2. Prior Years Deficits ($28.8M)
  3. Sinking Fund ($25.5M)
  4. Future Moscone Development and Capital Improvement to Moscone Center Campus ($100.6M)

Supplemental Appropriation for COPs

Anticipated Sources and Uses from the Issuance of the Certificates

Not to Exceed		**$ 507,880,000**
Sources		
Certificates Expected Par Amount		483,695,000
Total Sources		**483,695,000**
Uses		
Project Fund Deposit		$ 401,349,750
** Project Fund	400,551,140	
Controller's Audit Fund	798,610	
Debt Service Reserve Fund		35,592,500
Capitalized Interest Fund thru 9/2018		41,114,075
Other Cost of Issuance		801,725
Other Underwriter's Discount		4,836,950
Total Uses		483,695,000
Reserve Pending Sale		24,185,000
Not to Exceed		**$ 507,880,000**

** Project fund includes repayment of commercial paper.

Schedule

Date	Milestone
Nov 20, 2012	Unanimous BOS Vote Approving Resolution of Intent & Management District Plan
Dec 7, 2012	Dept. of Elections Mailed Ballots
Jan 14, 2013	Capital Planning Committee Recommended
Jan 30, 2013	B&F Hearing on COPs and Fiscal Feasibility
Feb 5, 2013	Public Hearing, Ballot Tabulation, BOS Vote Resolution to Establish, 2 Ordinances to Issue Bonds, and Resolution Finding Fiscal Feasibility
Feb 2013 – Nov 2014	Entitlement Process, including CEQA review
Feb – Jun 2013	Court Validation Action Period
Jul 2013 – Jul 2045	Moscone Expansion District Begins, Assessments Collected
Fall 2013	Issuance of Commercial Paper
Nov 2014 – 2018	Anticipated Construction (during breaks in reservations)
Jan 2017 – Jan 2047	Issuance of COPs

Three Action Items

1. Ordinance Authorizing the Issuance of Certificates of Participation (COPs)
2. Ordinance Appropriating $507,880,000 of COPs
3. Resolution Finding Fiscal Feasibility

Should the Committee choose to authorize these items, suggest including language clarifying the Committee's action is subject to a weighted majority of district hotels affirming the formation of the Moscone Expansion District on February 5

QUESTIONS?

Convention Facilities – John Noguchi
SF Travel – Joe D'Alessandro, Jon Ballesteros, Lynn Farzaroli
DPW – Edgar Lopez, Brook Mebrahtu
Controller's Office of Public Finance – Nadia Sesay
OEWD – Lisa Pagan, Kelley Kahn
Moscone – Dick Shaff

Caldeira, Rick

From: Calvillo, Angela
Sent: Wednesday, January 30, 2013 11:30 AM
To: Caldeira, Rick; Young, Victor; Nevin, Peggy
Subject: FW: Controller's Office, Office of Economic Analysis Report: Moscone Expansion Project, January 30, 2013

For the Hearing currently occurring in B&F.
Rick, Please make sure the Committee members received.
Thanks

Angela Calvillo
Clerk of the Board

From: Toy, Debbie
Sent: Wednesday, January 30, 2013 11:24
To: Calvillo, Angela; BOS-Supervisors; BOS-Legislative Aides; Kawa, Steve; Leung, Sally; Howard, Kate; Falvey, Christine; Elliott, Jason; Campbell, Severin; Newman, Debra; Rose, Harvey; sfdocs@sfpl.info; gmetcalf@spur.org; Matz, Jennifer; Lane, Maura
Cc: Egan, Ted; Liao, Jay; controller@sfgov.org
Subject: Controller's Office, Office of Economic Analysis Report: Moscone Expansion Project, January 30, 2013

The proposed legislation would authorize the City to issue approximately $500 million in Certificates of Participation (COPs) to fund an expansion of the Moscone Convention Center. The expansion project would occur during the 2014-19 period. The COPs would be backed by the Moscone Center, which is owned by the City, and would be repaid through an assessment on San Francisco hotel revenues, and a General Fund contribution.

The Moscone Center is the city's primary means of attracting large conventions to San Francisco. These conventions are a major source of demand for the local tourism industry. The SF Travel Association and Jones Lang LaSalle Hotels (JLLH) have conducted market research that suggests San Francisco is at a competitive disadvantage against other cities with larger, more integrated convention facilities. Local hotels will benefit from greater demand for hotel rooms from more conventions. The City stands to benefit from owning a more valuable asset, and to the extent there is a positive economic and fiscal impact associated with the expansion.

The Office of Economic Analysis estimates that the expansion project can be expected to create an average of 790 jobs during the 2013-2019 construction spending period, peaking in 2017 and 2018 when the bulk of the construction spending is expected to occur. After completion, the city will have up to an additional 1,240 permanent jobs per year on average from spending by new visitors brought to the city by a larger convention center.

Further, the project will also likely create financial benefits for hotels, in the form of higher hotel rates that exceed the assessment they will be charged to fund the expansion. The City will also receive indirect tax benefits, through higher hotel, sales, and business taxes, that should exceed the City's General Fund contribution in the first full year of operation after the expansion and thereafter.

However, the city's fiscal and economic benefits will be limited by the the difficulty in expanding hotel capacity in San Francisco. If hotel capacity could be added more readily, more visitors could be accommodated and the economic and fiscal benefits to the city would be greater.

http://co.sfgov.org/webreports/details.aspx?id=1531

Debbie Toy
Executive Assistant to Monique Zmuda, Deputy Controller
City and County of San Francisco
Office of the Controller
City Hall, Room 316
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4694
Tel: 415-554-7500
Fax: 415-554-7466
Email: debbie.toy@sfgov.org

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Monique Zmuda
Deputy Controller

January 30, 2013

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2013 JAN 30 AM 10:44

The Honorable Board of Supervisors
City and County of San Francisco
Room 244, City Hall

Angela Calvillo
Clerk of the Board of Supervisors
Room 244, City Hall

Re: Office of Economic Analysis Impact Report for File Numbers 130015, 130016, and 130043

Dear Madam Clerk and Members of the Board:

The Office of Economic Analysis is pleased to present you with its economic impact report on file numbers 130015, 130016, and 130043, "Moscone Expansion Project." If you have any questions about this report, please contact me at (415) 554-5268.

Best Regards,

Ted Egan
Chief Economist

cc Victor Young, Committee Clerk, Budget & Finance Committee

City and County of San Francisco

Office of the Controller – Office of Economic Analysis

Certificates of Participation to Fund the Moscone Expansion Project: Economic Impact Report

Office of Economic Analysis

January 30th, 2012

Item #130016

Outline of the Legislation

- The proposed legislation would authorize the City to issue approximately $500 million in Certificates of Participation (COPs) to fund an expansion of the Moscone Convention Center.
- The expansion project would occur during the 2014-19 period.
- The COPs would be backed by the Moscone Center, which is owned by the City, and would be repaid through two sources, over the 2019-2047 period.
  - an assessment on the receipts of hotels in San Francisco, equaling 1.25% of revenues for hotels near the Moscone Center, and 0.3125% in the rest of San Francisco.
  - a General Fund contribution of between $8 million and $10 million per year.

Background

- The Moscone Center is the city's primary means of attracting large conventions to San Francisco. These conventions are a major source of demand for the local tourism industry.
- The SF Travel Association and Jones Lang LaSalle Hotels (JLLH) have conducted market research that suggests San Francisco is at a competitive disadvantage against other cities with larger, more integrated convention facilities.
- Hotels in the city have formed the San Francisco Tourism Improvement District (TID) as a means to assess themselves to invest in facilities that develop the tourism industry in the city.
- The proposed Moscone expansion will be jointly funded by the TID and the City. The TID will benefit from greater demand for hotel rooms from more conventions. The City stands to benefit from owning a more valuable asset, and to the extent there is a positive economic and fiscal impact associated with the expansion.

Economic and Fiscal Impact Factors

- The overall economic impact of the expansion is the combination of both positive and potential negative impacts.
- Positive impacts:
  - Increased construction spending in San Francisco
  - Increases in convention attendees, leading to increased demand for hotel rooms, net increase in visitors, and higher hotel rates.
  - Increased spending associated with net increase in visitors.
  - Potential increase in the value of the City-owned asset and higher fee payments from convention organizers.
- Potential negative impacts:
  - Financing costs: TID assessment costs on hotels
  - Financing costs: opportunity cost of General Fund support
  - Repayment risk to the City

Economic Impact Assessment: Construction and Financing Costs

- Construction and financing costs: The project is expected to cost approximately $500 million, spent between 2014 and 2019.
- It will be funded through the issuance of COPs that will be paid back over a 29-year period beginning in 2019.
- At a conservative assumption of 6% interest, financing costs will equal $35.5 million per year for 29 years, and total amount financed will be roughly double the construction cost. Actual financing costs will depend on market conditions and will likely be less than 6% based on past experience.
- Two-thirds of the financing cost will be borne by the hotels, with one-third falling on the City's General Fund.
- However, the City's General Fund contribution to the financing is equal to what the City currently spends promoting San Francisco through the SF Travel Association. The City's contribution can thus be seen as a continuation of its capital investment in Moscone.

Economic Impact Assessment: New Convention Capacity and Hotel Demand

- Based on JLLH research, convention attendance is expected to increase to 1.207 million per year by 2020-21 without the expansion[1].
- With the expansion, according to JLLH projections, convention attendance will increase to 1.474 million per year[2]—an increase of 267,000 attendees annually.
- With an average stay of 3.5 days, the expansion would produce an annual increase in demand of 934,500 room-nights.

1 – Jones Lang LaSalle Hotels, *Moscone Convention Center Expansion, Phase II Cost Benefit Analysis*, March 16, 2012; p. 42.
2 – Jones Lang LaSalle Hotels, *Moscone Convention Center Expansion, Phase II Cost Benefit Analysis*, p. 48.

Economic Impact Assessments:
Hotel Capacity, Planned Supply, and Net New Visitors

- More detailed econometric research would be required to precisely estimate how this increase in demand would lead affect hotel revenues, occupancy, and rates. Nevertheless, some impacts are clear given the readily-available data.
- JHHL has reasonably assumed a maximum possible hotel occupancy rate of 87.6%, while PKF Consulting has reported that San Francisco hotels have already achieved an 83% occupancy for 2012 (through November).
- JHHL further notes that the development pipeline for hotels is limited, with just two projects planned in the Moscone area, accounting for only about 250 rooms.
- If these projects were built and existing hotels in the city all reached their maximum feasible capacity, with no other source of growth in the local hotel industry, 65% of new convention demand could be accommodated without displacing other, non-convention-attending, hotel guests.
- This suggest the maximum number of net new hotel guests generated by the Moscone expansion could be 175,000 per year, or 65% of the new convention attendance.

Economic Impact Assessment: New Visitor Spending

- The SF Travel Association produces annual estimates of visitor spending. These estimates do not distinguish between convention attendees and other visitors to San Francisco.
- Based on SF Travel's spending profiles, the up to 175,000 net new visitors will spend a maximum of $180 million per year (in 2011 $), in the following spending categories:
  - Lodging: $61 million
  - Restaurants: $36 million
  - Retail (including exhibitors): $48 million
  - Entertainment: $15 million
  - Transportation: $19 million

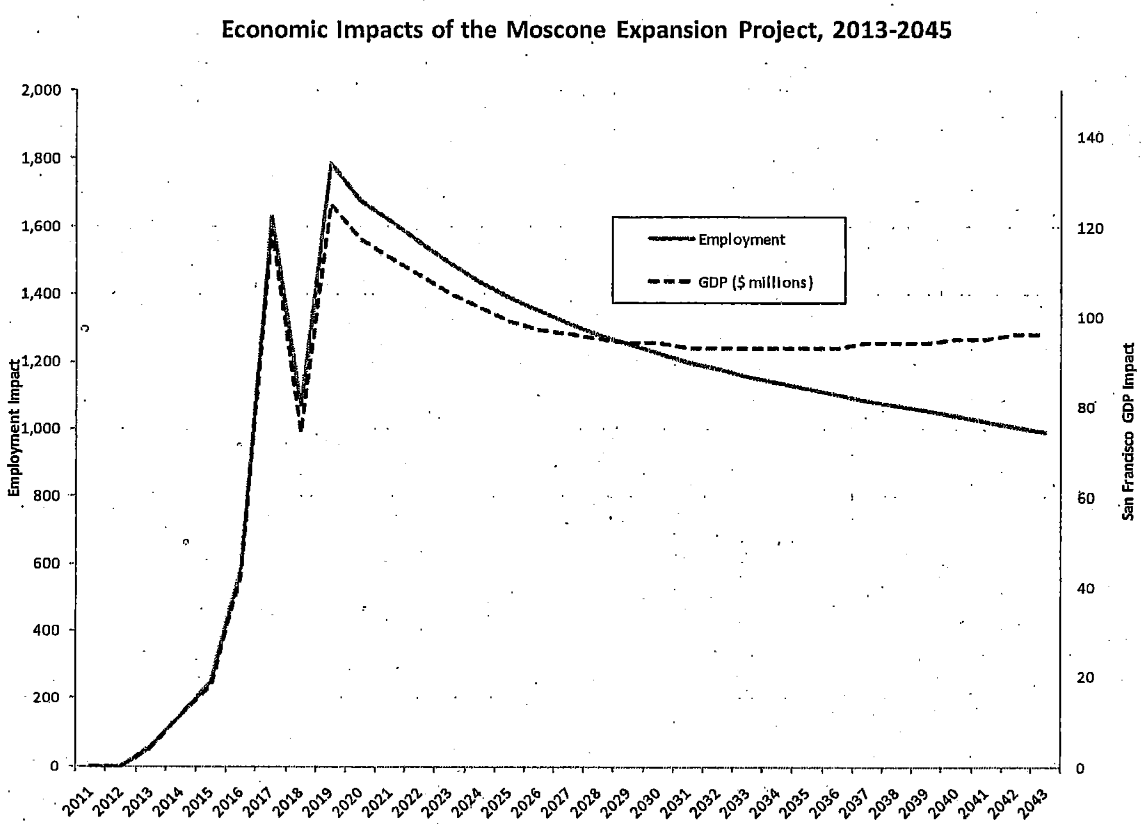
Economic Impact Assessment: Rate Impacts and Repayment Risk

- Given the limited capacity of the local hotel industry to absorb the demand that the Moscone expansion will create, hotel rates will likely rise, because of the project, by a greater percentage than the TID assessment.
- Thus, from the perspective of the hotel industry, the expansion project is likely to pay for itself.
- It also suggests that the City's repayment risk associated with the COPs is minimal.

Economic Impact Assessment: REMI Model Analysis

- The Office of Economic Analysis's REMI model of the San Francisco economy was used to estimate the city-wide economic effects of the impacts discussed in this report.
- Specifically, we modeled the impact of:
  - $500 million in construction spending spread over the 2014-19 period.
  - $180 million in annual visitor spending beginning in 2020 until 2045.
  - $0 impact in higher hotel assessment costs, as hotel rate increases from the project should more than offset any negative impact of the assessment on the hotel industry.
  - $8 - $10 million annual reduction in local government spending because of the General Fund support of the project.
- All of these effects create multiplier effects in the local economy which the REMI model calculates and totals.

REMI Model Results



The project can be expected to create an average of 790 jobs during the 2013-2019 construction spending period, peaking in 2017 and 2018 when the bulk of the construction spending is expected to occur.

After completion, the city will have up to an additional 1,240 permanent jobs per year on average from new visitor spending. The job impacts of this new visitor spending will outweigh the negative impact of the General Fund support of the project.

Fiscal Impacts

- The City will also receive fiscal benefits from the economic growth created by the project. Transient Occupancy (Hotel) Tax, Sales Tax, and Business Tax revenue can all be expected to increase.
- In 2019, when completion is complete, the City stands to receive $0.6 million in new business tax revenue, $1.5 million in new sales tax revenue, and $10.9 million in new hotel tax revenue, for a total of $13.0 million. This assumes 3% inflation until 2019, and the accommodation of 175,000 new convention attendees in San Francisco hotels.
- This estimate does not assume any increase in hotel rates due to the capacity limitations in the hotel industry, so the actual hotel tax revenue could be higher than this estimate.
- The $13.0 million in indirect tax revenue exceeds the City's General Fund contribution, and will continue to grow along with inflation into the future.

Conclusions

- The proposed Moscone Expansion project is expected to create an average of 790 jobs during the construction phase, and an average of 1,240 permanent jobs after construction is completed.
- The project will also likely create financial benefits for hotels, in the form of higher rates, that exceed their TID assessment.
- The indirect tax benefits to the City should exceed the City's General Fund contribution in the first full year of operation after the expansion.
- However, the city's fiscal and economic benefits will be limited by the city's inability to expand hotel capacity in line with the expanding capacity of the Moscone Center.
- If hotel capacity could be added more readily, more visitors could be accommodated and the economic and fiscal benefits to the city would be greater.

Staff Contacts

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(415) 554-5268
ted.egan@sfgov.org