

MEMORANDUM

TO: Supervisor Aaron Peskin, District 3 Supervisor

CC: San Francisco Board of Supervisors
Chris Corgas; Program Director, OEWD

FROM: Mimi Hiraki; Project Specialist, OEWD

DATE: July 6, 2022

SUBJECT: Tourism Improvement District and Moscone Expansion Districts; FY 2020-2021 Annual Report

This is a memo summarizing the performance of the Tourism Improvement District (TID) and an analysis of their financial statements (based on their audit) for the period between July 1, 2020 and June 30, 2021.

Each year the TID and MED are required to submit an annual report, and a CPA Independent Auditor's Report. The TID and MED have complied with the submission of these requirements. OEWD staff, with assistance from the Office of the Controller, City Services Auditor Division, reviewed these financial documents to monitor and report on whether they have complied with the rules per the Property and Business Improvement District Law of 1994, California Streets and Highways Code Sections 36600 Et Seq.; San Francisco's Business and Tax Regulations Code Article 15; the San Francisco Tourism Improvement District Management Corporation's management contract with the City for the TID; the San Francisco Tourism Improvement District Management Corporation's management contract with the City for the TID; MED Management District Plan approved by the Board of Supervisors in 2013.; and the Amended TID Management District Plan approved by the Board of Supervisors in 2013.

As stipulated in Section 3.4 of the Moscone Expansion District's management agreement with the City and County of San Francisco, the district may consolidate their annual reports with those of the San Francisco Tourism Improvement District. The management agreement can be found as a supporting document in Resolution# 427-13.

Also attached to this memo are the following documents:

1. Annual Reports
 - a. FY 2020-2021
2. CPA Independent Auditors' Report
 - a. FY 2020-2021



3. Office of the Controller, City Services Auditor Division, TID and MED review files
4. Draft resolution from the Office of Economic and Workforce Development

Background

The TID and MED are business-based assessment districts that includes all tourist hotels operating in the City & County of San Francisco that generate revenue from tourist rooms, and which are located in the following geographic areas:

- Zone 1: Tourist hotels with addresses:
 - On or east of Van Ness Avenue
 - On or east of South Van Ness Avenue, and
 - On or north of 16th Street from South Van Ness to the Bay, including all tourist hotels east of Van Ness Avenue as if it continued north to the Bay, and north of 16th Street as if it continued east to the Bay.
- Zone 2: Tourist hotels with addresses:
 - West of Van Ness Avenue and South Van Ness Avenue, and
 - South of 16th Street.
- December 16, 2008: the Board of Supervisors approved the resolution to form the Tourism Improvement District Business Improvement District to cover hotels identified in the District’s Management Plan and Engineer’s Report. Resolution # 504-08).
- July 28, 2009: the Board approved the contract for the administration and management of the Tourism Improvement District Business Improvement District (Resolution # 323-09).
- December 10, 2013: the Board of Supervisors approved an amendment to the District’s Management Plan to authorize monthly, instead of quarterly, assessment collection and distribution. (Resolution #441-13).
- September 12, 2017: the Board of Supervisor approved annual reports for the Moscone Expansion District for FYs 2014 – 2016 (Resolution #336-17).
- September 11, 2018: the Board of Supervisors approved annual reports for the Tourism Improvement District and Moscone Expansion District for FY 2016-2017 (Resolution #295-18)
- October 29, 2019: the Board of Supervisors approved annual reports for the Tourism Improvement District and Moscone Expansion District for FY 2017-2018 (Resolution #465-19)
- September 15, 2020: the Board of Supervisors approved the annual reports for the Tourism Improvement District and Moscone Expansion District for FY 2018-2019 (Resolution #393-20).
- November 16, 2021: the Board of Supervisors the annual reports for the Tourism Improvement District and Moscone Expansion District for FY 2019-2020 (Resolution #529-21).

Basic Info about Tourism Improvement District BID:

Year Formed	December 2008
Assessment Collection Period	FY 2009-10 to FY 2023-24 (July 1, 2009 to June 30, 2023)
Services Start and End Date	January 1, 2009 – December 31, 2023
Initial Estimated Annual Budget	\$27,000,000
Fiscal Year	July 1 – June 30
Executive Director	Paul Frentsos



Name of Nonprofit Owners' Entity San Francisco Tourism Improvement District Management Corporation (SFTIDMC)

The current TID website is <http://www.sftid.com/>.

Basic Info about Moscone Expansion District BID:

Year Formed	2013
Assessment Collection Period	FY 2014-15 – FY 2044-45 (July 1, 2014 to June 30, 2045)
Services Start and End Date	July 1, 2013 – December 31, 2045
Initial Estimated Annual Budget	\$19,332,000
Fiscal Year	July 1 – June 30
Executive Director	Paul Frentsos
Name of Nonprofit Owners' Entity	San Francisco Tourism Improvement District Management Corporation

The current MED website is <http://www.sftid.com/moscone.html>.

Summary of Program Areas

Tourism Improvement District

Marketing and Promotions

This service area includes, but is not limited to, the marketing and promotion of programs, oversight for marketing and promotion staff, ad creation, media placement, and startup costs related to satellite offices.

Administration and Personnel Services

This service area includes design, engineering, planning, and entitlements for activities and services for the expanded Moscone Convention Center and renovation/upgrades to capital improvements of Moscone Convention Center North, South, and West.

Contingency/Reserve/Administration and City Administration/Costs of the TID/Formation Costs

This service area is used to cover the administrative costs and expenses of the non-profit management corporation that administers the TID and reimbursement of formation costs. This includes payment of unforeseen costs and escalation for the two improvement areas listed just above; and a proportionate share of the SFTIDMC administrative and operational costs.

Moscone Expansion District

Expansion/Development Activities

This service area includes design, engineering, planning, construction, and other activities for renovations on the Moscone Convention Center.

Incentive Fund

This service will provide an incentive fund to bring conventions to San Francisco during the renovations and after them.

Administration of MED and Operating Contingency Reserves

This service area is used to cover the administrative costs and expenses of the non-profit management corporation that administers the TID and reimbursement of formation costs. This includes payment of



unforeseen costs and escalation for the two improvement areas listed just above; and a proportionate share of the SFTIDMC administrative and operational costs.

Summary of Accomplishments, Challenges, and Delivery of Services

January 1, 2020 to December 31, 2021*

*TIDMC operates on a fiscal year for financial systems, but a calendar year for data reporting.

TID

Sales and Marketing Program

- 485,000 room nights booked
- Over 355 meetings held in San Francisco
- Attended over 20 virtual events and 12 in person events
- 11.8 million visitors to San Francisco
- 2,000 visitors to Moscone location
- 12 languages spoken by staff and volunteers
- MYSF trained over 770 people in the visitor industry
- Sfravel.com had 2.9+ million unique visitors worth \$82,687,507.89 in economic impact

MED

- Hosted Professional Convention Management Association 2020 with over 4,800 attendees

Moscone Expansion Incentive Fund

- Used to attract new clients
- Retained current clients during the expansion and into the future

Moscone funds were also allocated to MED reserve for future renovations and Moscone Asset maintenance, in line with the District's Management District Plan.

TID and MED Annual Budget Analysis

OEWD's staff reviewed the following budget related benchmarks for TID:

- **BENCHMARK 1:** The variance between the Management Plan Budget and Fiscal Year budget, by service category.
- **BENCHMARK 2:** The variance between the budget amount and actual expenses within a fiscal year.
- **BENCHMARK 3:** Whether TID is indicating the amount of funds to be carried forward into the next fiscal year and designating projects to be spent in current fiscal year (CA Streets & Highways Code, Section 36650(B)(5)).

FY 2020-2021

BENCHMARK 1: The variance between the Management Plan Budget and Fiscal Year budget, by service category.

ANALYSIS: TID met this requirement. See table below.



Expenditure Category	Management Plan Budget	% of Budget	FY 2020-21 Budget	% of FY 2020-21 Budget	Variance
Marketing and Promotions	\$58,154,892.00	69.4%	\$8,744,000.00	95.4%	+26.0%
Administration and Personnel	\$18,609,586.00	22.2%	\$422,000.00	4.6%	-17.6%
Contingency/Reserves/ Administration and City Administration Costs of the TID	\$6,978,587.00	8.3%	\$0.00	0.0%	-8.3%
TOTAL	\$83,743,065.00	100.0%	\$9,166,000.00	100.0%	

ANALYSIS: MED met this requirement. See table below.

Expenditure Category	Management Plan Budget	% of Management Plan Budget	FY 2020-21 Budget	% of FY 2020-2021 Budget	Variance
Expansion/Development Activities		86.5%	\$0.00	0.0%	-86.5%
Capital Reserve for Future Renovation and Improvements		1.0%	\$92,700.00	1.0%	0.0%
Incentive Fund		9.0%	\$834,400.00	8.8%	-0.2%
Sales and Marketing Fund		1.0%	\$92,700.00	1.0%	0.0%
Debt Service and Stabilization Fund		0.0%	\$7,802,300.00	81.9%	+81.9%
Administration of the MED and Operating Contingency Reserves		2.5%	\$699,000.00	7.3%	+4.8%
TOTAL		100.0%	\$9,521,100.00	100.0%	

BENCHMARK 2: The variance between the budget amount and actual expenses within a fiscal year.

ANALYSIS: TID met this requirement. See table below.

Service Category	FY 2020-21 Budget	% of Total Budget	FY 2020-21 Actual	% of Actual	Variance
Marketing and Promotions	\$8,744,000.00	95.4%	\$2,638,500.00	86.4%	-9.0%
Convention Sales/Marketing Fund	\$0.00	0.0%	\$0.00	0.0%	0.0%
Administration and Personnel	\$422,000.00	4.6%	\$416,545.00	13.6%	+9.0%



Contingency/Reserves/ Administration and City Administration Costs of the TID	\$0.00	0.0%	\$0.00	0.0%	0.0%
TOTAL	\$9,166,000.00	100.0%	\$3,055,045.00	100.0%	

ANALYSIS: MED met this requirement. See table below.

Service Category	FY 2020-21 Budget	% of FY2020-21 Budget	FY 2020-21 Actual	% of FY 2020-21 Actual	Variance
Expansion/Development Activities	\$0.00	0.0%	\$0.00	0.0%	0.0%
Capital Reserve for Future Renovation and Improvements	\$92,700.00	1.0%	\$0.00	0.0%	-1.0%
Incentive Fund	\$834,400.00	8.8%	\$0.00	0.0%	-8.8%
Sales and Marketing Fund	\$92,700.00	1.0%	\$20,600.00	0.8%	-0.2%
Debt Service and Stabilization Fund	\$7,802,300.00	81.9%	\$1,917,882.00	73.9%	-8.1%
Administration of the MED and Operating Contingency Reserves	\$699,000.00	7.3%	\$657,243.00	25.3%	+18.0%
TOTAL	\$9,521,100.00	100.0%	\$2,595,725.00	100.0%	

BENCHMARK 3: Whether TID and MED are indicating the amount of surplus or deficit funds to be carried forward into the next fiscal year and designating projects to be spent in current fiscal year.

ANALYSIS: TID met this requirement. See table below.

Carryover From FY 2020-21	Projected Carryover - Annual Report
SFTA Marketing & Operations	\$106,834.00
Capital Fund	\$186,003.00
Incentive Fund	\$14,962.00
Convention Sales & Marketing Fund	\$0.00
Contingency/Reserve	\$559,987.00
TOTAL	\$867,786.00

ANALYSIS: MED met this requirement. See table below.



Carryover From FY 2020-21	Projected Carryover - Annual Report
Marketing & Operations	\$1,572.00
Development and Expansion	\$1,009,127.00
Capital Fund	\$261,536.00
Incentive Fund	\$582,179.00
Contingency/Reserve	\$731,269.00
TOTAL	\$2,585,683.00

Findings and Recommendations

The Tourism Improvement District and Moscone Expansion District met their reporting requirements, mentioned on page 4 of this memo, under Article 15 of the San Francisco Business and Tax Regulations Code, the California Streets and Highways Code, and the organization’s management agreement with the City and County of San Francisco.

Both districts special assessment revenues were significantly impacted by the Covid-19 pandemic. The formula for both districts is based on a percentage of revenue generated from hotel room purchases in the City and County of San Francisco. The lack of assessment revenue forced the Moscone Expansion District to tap its Debt Service and Stabilization fund which was designed to be drawn upon in any year when lower than expected MED collections caused MED contributions toward debt service to be lower than the sum set forth in cash flow projections. This fund was utilized this year as the Covid-19 pandemic caused such conditions to occur. Due to the pandemic’s impact on assessment revenue TID assessment fees were less than anticipated resulting in the district expending approximately \$890,000 more than what it collected in the FY. This amount was covered through the TID’s Contingency/Reserve fund.

The TID is set to expire in 2023. The TIDMC and SF Travel followed OEWD’s recommendation to begin the renewal process in FY 2019-20. A Management District Plan was submitted to the City in spring 2020. The original plan was to complete the renewal process in late 2020/early 2021 with an implementation date of January 1, 2024. Due to the Covid-19 global pandemic renewal and expansion proponents, TID and OEWD mutually agreed to delay the process. OEWD and project proponents have been working since winter 2020 through summer 2021 on the renewal and expansion Management District Plan. Project proponents have hosted and continue to host informational meetings for rate payers. OEWD anticipates the renewal and expansion process will be completed in July 2022.

In May 2020, SFTIDMC took out a line of credit of \$5,000,000 which was supposed to come to term in 2021. In August 2021, SFTIDMC worked with the lending agency to extend the term to December 2022 and is in process of finalizing the agreement..



Conclusion

The Tourism Improvement District is following all requirements placed on it by the California Streets & Highways Code, Article 15 of the San Francisco Business and Tax Regulations Code, and the District's Management Agreement with the City and County of San Francisco. The Districts continue to succeed at their primary purpose of attracting tourism and conventions to San Francisco and renovating the Moscone Convention Center.

