

MEMORANDUM

TO: President Aaron Peskin, President of the Board of Supervisors and District 3 Supervisor

CC: San Francisco Board of Supervisors

FROM: Chris Corgas; Deputy Director, Community Economic Development, OEWD
Mimi Hiraki; Project Specialist, OEWD

DATE: 5/11/2023

SUBJECT: Tourism Improvement District and Moscone Expansion Districts; FY 2021-2022 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, 2021 and June 30, 2022.

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 2021-2022
2. CPA Independent Auditors' Report
 - a. FY 2021-2022
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).
 - September 13, 2022: the Board of Supervisors approved the resolution to establish (renew and expand) the Tourism Improvement District to cover hotel and short-term residential rental businesses identified in the District's Management Plan and Engineer's Report. (Resolution # 381-22).
 - November 29, 2022: the Board of Supervisors approved annual reports for the Tourism Improvement District and Moscone Expansion District for FY2020-2021 (Resolution # 518-22).



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, 2021 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

- 641,713 room nights booked
- Over 850 meetings held in San Francisco
- Attended over 20 virtual events and 12 in person events
- 17.0 million visitors to San Francisco in 2020
- 3,335,838 million international travelers in 2021
- Sfravel.com had 3.1 million unique visitors worth \$106,886,871 in economic impact
- 698k Facebook followers, 201k Twitter followers, 295k Instagram followers, and 3,600 Tik Tok followers translating to 1.2 billion impressions and \$96+ million value

MED

- Utilized over \$450,000 to provide convention customers with rental incentives to attract conventions in San Francisco
- Received \$4.6MM from City of San Francisco in incentive discounts to attract new businesses to Moscone Center

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 2021-2022

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 2021-22 Budget	% of FY 2021-22 Budget	Variance
Marketing and Promotions	\$66,628,126.00	69.4%	\$14,910,000.00	97.3%	+27.9%
Administration and Personnel	\$21,401,000.00	22.2%	\$413,000.00	2.7%	-19.5%
Contingency/Reserves/ Administration and City Administration Costs of the TID	\$8,025,375.00	8.3%	\$0.000	0.0%	-8.3%
TOTAL	\$96,304,501.00	100.0%	\$15,323,000.00	100.0%	

ANALYSIS: MED met this requirement. See table below.

Expenditure Category	Management Plan Budget	% of Management Plan Budget	FY 2021-22 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%	\$183,100.00	1.0%	0.0%
Incentive Fund		9.0%	\$1,648,300.00	8.9%	-0.1%
Sales and Marketing Fund		1.0%	\$273,800.00	1.5%	+0.5%
Debt Service and Stabilization Fund		0.0%	\$15,842,300.00	85.4%	+85.4%
SFTA Marketing & Operations		0.0%	\$183,100.00	1.0%	+1.0%
Administration of the MED and Operating Contingency Reserves		2.5%	\$410,200.00	2.2%	-0.3%
TOTAL		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 2021-22 Budget	% of Total Budget	FY 2021-22 Actual	% of Actual	Variance
Marketing and Promotions	\$14,910,000.00	97.3%	\$7,152,513.00	95.2%	-2.1%
Convention Sales/Marketing Fund	\$0.00	0.0%	\$0.00	0.0%	0.0%
Administration and Personnel	\$413,000.00	2.7%	\$362,823.00	4.8%	+2.1%
Contingency/Reserves/ Administration and City Administration Costs of the TID	\$0.00	0.0%	\$0.00	0.0%	0.0%
TOTAL	\$15,323,000.00	100%	\$7,515,336.00	100%	

ANALYSIS: MED met this requirement. See table below.

Service Category	FY 2021-22 Budget	% of FY2020-21 Budget	FY 2021-22 Actual	% of FY 2021-22 Actual	Variance
Expansion/Development Activities	\$0.00	0.0%	\$0.00	0.0%	0.0%
Capital Reserve for Future Renovation and Improvements	\$183,100.00	1.0%	\$42,635.00	0.5%	-0.5%
Incentive Fund	\$1,648,300.00	8.9%	\$892,692.00	9.6%	+0.7%
Sales and Marketing Fund	\$273,800.00	1.5%	\$86,092.00	0.9%	-0.6%
Debt Service and Stabilization Fund	\$15,842,300.00	85.4%	\$7,754,502.00	83.0%	-2.4%
SFTA Marketing and Operations	\$183,100.00	1.0%	\$0.00	0.0%	-1.0%
Administration of the MED and Operating Contingency Reserves	\$410,200.00	2.2%	\$564,108.00	6.0%	+3.8%
TOTAL	\$18,540,800.00	100%	\$9,340,029.00	100%	

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 2021-22	Projected Carryover - Annual Report
SFTA Marketing & Operations	\$409,024.00
Capital Fund	\$186,118.00
Incentive Fund	\$14,973.00
Convention Sales & Marketing Fund	\$0.00
Contingency/Reserve	\$537,224.00
TOTAL	\$1,147,339.00

ANALYSIS: MED met this requirement. See table below.

Carryover From FY 2021-22	Projected Carryover - Annual Report
Marketing & Operations	\$3,555.00
Development and Expansion	\$12,649.00
Capital Fund	\$351,206.00
Incentive Fund	\$1,114,020.00
Contingency/Reserve	\$500,422.00
TOTAL	\$1,981,852.00

Findings and Recommendations

The Tourism Improvement District and Moscone Expansion District met their reporting requirements, mentioned on pages 4 to 5 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 are unique compared to the rest of the CBD/BID portfolio in that they are sector-based business-based improvement districts. Both the Tourism Improvement District and Moscone Expansion District were greatly impacted as the result of the Covid-19 pandemic’s impact on San Francisco’s tourism industry. This impact can clearly be seen with both districts’ respective actuals for the reporting period.

Both the Tourism Improvement District and Moscone Expansion District present their financial data in a way that is inconsistent with the service categories articulated in their respective management district plans. This is likely due to designed general nature of the management district plans compared to the highly



specified description of budget categories and expenditures in the annual reports and financial statements for both districts. OEWD recommends grouping the highly specified categories under the correct management district plan service categories in the future. This would allow documents to be more easily consumable and relatable to the general public.

OEWD did not receive any complaints regarding violations of either the Brown Act or California Public Records Act.

In addition to overseeing core services, the Tourism Improvement District spent FY 21-22 focused on completing a successful renewal and expansion of the district. This process concluded, successfully, early in FY 22-23.

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.

