

1 [Resolution of Intention – Moscone Expansion Business Improvement District]

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3 **Resolution (1) declaring the intention of the Board of Supervisors to establish a**
4 **business-based business improvement district to be known as the “Moscone**
5 **Expansion District” and levy a multi-year assessment on defined hotel businesses in**
6 **the district, (2) approving the management district plan for the district, (3) ordering a**
7 **ballot election and setting a time and place for a public meeting and a public hearing**
8 **thereon, (4) approving the form of the Notice of Public Meeting and Public Hearing and**
9 **Assessment Ballots, and (5) directing the Clerk of the Board of Supervisors to give**
10 **notice of the public meeting and public hearing as required by law, and (6) providing**
11 **for environmental findings.**

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13 WHEREAS, The Property and Business Improvement District Law of 1994, Part 7 of
14 Division 18 of the California Streets and Highways Code, commencing with Section 36600
15 (the "Law"), authorizes cities to establish property and business improvement districts to
16 promote the economic revitalization and physical maintenance of such districts; and,

17 WHEREAS, Section 36603 of the Law recognizes the authority of Charter cities to
18 adopt ordinances providing for different methods of levying assessments for similar or
19 additional purposes from those set forth in the Law; and,

20 WHEREAS, Article 15 of the San Francisco Business and Tax Regulations Code
21 ("Article 15") augments and modifies certain procedural and substantive requirements of the
22 Law relating to the formation of property and business improvement districts and the
23 assessments on real property or businesses within such districts; and,

24 WHEREAS, The Law and Article 15 authorize the City to levy and collect

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1 assessments on businesses within such districts for the purpose of providing activities and
2 improvements that benefit the defined businesses located within such districts; and,

3 WHEREAS, The Board of Supervisors finds that the activities and improvements to be
4 funded with assessments on defined businesses within the proposed district will confer
5 benefits on each assessed business correlated to the assessment on that business; and,

6 WHEREAS, Business owners who will pay more than 30% (thirty percent) of the total
7 amount of assessments on businesses within the proposed district signed and submitted a
8 petition (the "Petition") to the Clerk of the Board of Supervisors requesting that the Board
9 establish a business-based assessment district to be named the "Moscone Expansion
10 District," and that the Board levy assessments on defined hotel businesses located in the
11 proposed district to fund hotel business-related activities and improvements within the
12 district; and,

13 WHEREAS, A Management District Plan entitled the "Moscone Expansion District
14 Management District Plan" dated ~~October~~ September 25, 2012 and an updated Plan dated
15 November 14, 2012, ~~has~~ have been submitted to the Clerk of the Board of Supervisors that
16 includes information about the proposed district and assessments as required by Section
17 36622 of the Law, including but not limited to: a map of the district in sufficient detail to locate
18 each business to be assessed; a description of the boundaries of the district, including the
19 boundaries of benefit zones; the name of the district; the activities and improvements
20 proposed for each year of operation of the district and the maximum cost thereof; the
21 estimated total annual amount proposed to be expended for improvements, maintenance and
22 operations, debt service and debt-related service, in each year of operation of the district; the
23 proposed source or sources of financing, including the proposed method and basis of levying
24 the assessment in sufficient detail to allow each business owner to calculate the amount of
25 the assessment to be levied against that business; the time and manner of collecting the

1 assessments; the specific number of years in which assessments will be levied; the proposed
2 time for implementation and completion of the management district plan; any proposed rules
3 and regulations to be applicable to the district; a description and list of the businesses to be
4 assessed, and a statement of the method or methods by which the expenses of the district
5 will be imposed upon benefited businesses, in proportion to the benefit received by each
6 such business; and, said Management District Plan dated September 25, 2012 as updated
7 November 14, 2012 is on file with the Clerk of the Board of Supervisors in File No. 120989,
8 which is hereby declared to be a part of this Resolution as if set forth fully herein; and,

9 WHEREAS, Evidence supporting the assessments within the proposed district has
10 been submitted to the Clerk of the Board of Supervisors as Appendices to the Management
11 District Plan dated September 25, 2012 as updated November 14, 2012, on file with the
12 Clerk of the Board of Supervisors in File No. 120989, which is hereby declared to be a part of
13 this Resolution as if set forth fully herein;

14 WHEREAS, It is anticipated that in connection with financing all or a portion of the
15 District's activities and improvements, the City will issue, or cause to be executed, bonds,
16 financing lease (including certificates of participation) or similar obligations, and that District
17 funds will be used in furtherance of repayment of those obligations; it expected that the ~~first~~
18 bonds or other debt will be issued in ~~2016~~ 2017 to fund such expansion-related activities and
19 improvements; and,

20 WHEREAS, The term of the District will be 32 years after the District's
21 Commencement Date; the Commencement Date will be the initial date when the assessment
22 levy will be imposed on tourist room revenue, which will be the later of (1) July 1, 2013, or
23 (2) the first day of the calendar quarter after a final judgment is entered by a court validating
24 the issuance of City indebtedness for the Moscone Expansion Project, and related
25 establishment of the District and levy of the assessments;

1 WHEREAS, If hotels representing at least 50% of the total estimated assessments
2 proposed to be levied on all hotels in the District cast ballots, and at least two-thirds of the
3 returned weighted ballots are in favor of the formation of the District and levy of assessments
4 (which will also mean there is no majority protest pursuant to Streets and Highways Code
5 §36623(b)), the Board of Supervisors may vote on whether to establish the District and levy
6 the assessments; the “weight” of each ballot in the ballot election will be determined by the
7 assessment each hotel will pay into the District compared to the total assessments estimated
8 to be collected, calculated as provided in the Management District Plan; now, therefore, be it
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10 RESOLVED, That the Board of Supervisors declares as follows:
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12 Section 1. Pursuant to Section 36621(a) of the Law and Article 15, the Board of
13 Supervisors declares its intention to form a property and business improvement district to be
14 designated as the "Moscone Expansion District " ("MED" or "District"), and to levy and collect
15 and enforce assessments against all defined hotel businesses in the District, for a period of
16 32 years from the Commencement Date.
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18 Section 2. Boundaries and Zones. The exterior boundaries of the District and the
19 Zones within the District are as set forth in the map contained in the Management District
20 Plan dated September 25, 2012 as updated November 14, 2012, on file with the Clerk of the
21 Board of Supervisors in File No. 120989, which is hereby declared to be a part of this
22 Resolution as if set forth fully herein; the exterior boundaries of the District, and the Zones
23 within the District, are described as follows:

- 24 • The District includes all hotels generating revenue from tourist rooms that operate
25 in the City and County of San Francisco during the term of the District, and so the

1 exterior boundaries of the District are the same as the contiguous boundary of the
2 municipal corporation City and County of San Francisco.

- 3 • These hotels are divided into two zones -- Zone 1 and Zone 2:
 - 4 -- Zone 1 includes all tourist hotels with addresses on or east of Van Ness
5 Avenue, on or east of South Van Ness Avenue, and on or north of 16th Street
6 from South Van Ness to the Bay, including all tourist hotels east of Van Ness
7 Avenue as if it continued north to the Bay, and north of 16th Street as if it
8 continued east to the Bay.
 - 9 -- Zone 2 includes all tourist hotels with addresses west of Van Ness Avenue
10 and South Van Ness Avenue, and all tourist hotels south of 16th Street.

11 Reference should be made to the detailed map and the description and list of
12 businesses in the Management District Plan, in order to determine which hotels are in which
13 zone.

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15 Section 3. Activities, Improvements, and District Management.

16 A. The proposed activities and improvements for the District include several
17 components:

- 18 • Planning, design, engineering, entitlement, construction, project management and
19 related services for expansion of the Moscone Convention Center, including
20 related payments for any bond, financing lease (including certificates of
21 participation) or similar obligations of the City. The proposed Project
22 improvements are estimated to cost up to \$500 million.
- 23 • Funding of a Moscone Convention Center Incentive Fund, which will be used to
24 attract significant meetings, tradeshow and conventions to San Francisco via
25 offset of rental costs.

- 1 • Funding of a Moscone Convention Center Sales & Marketing Fund to provide
2 increased funding for sales and marketing of convention business, with a focus on
3 generating increased revenues for hotels that pay the assessment.
- 4 • Funding of ~~capital improvements and renovations~~ a Capital Improvements and
5 Renovations Fund, including a ~~capital reserve fund to cover~~ funding for future
6 upgrades, expansion, renovation, and capital improvements to the Moscone
7 Convention Center.
- 8 • Allocation of funds to pay for District formation, operation and administration, and
9 to establish and maintain a contingency reserve.
- 10 ~~—Funding of expenses for additional development and implementation of future~~
11 ~~phases of the expansion Master Plan, if there are funds available in excess of~~
12 ~~those needed for Phase One.~~

13 B. The District will be managed by the San Francisco Tourism Improvement District
14 Management Corporation, a 501c(6) non-profit corporation (SFTIDMC), the same
15 organization that manages the San Francisco Tourism Improvement District (TID). The
16 California Property and Business Improvement District Law of 1994 (Streets and Highways
17 Code §§36600 et seq.), provides that such owners' association may manage the District.

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19 Section 4. Financing. It is anticipated that in connection with financing all or a portion
20 of the District's activities and improvements, the City will issue, or cause to be executed,
21 bonds, financing lease (including certificates of participation) or similar obligations
22 (collectively, "Bonds"), and that District funds will be used in furtherance of repayment of
23 those obligations; it is expected that the ~~first~~ bonds or other debt will be issued in ~~2016~~ 2017
24 to fund such expansion-related activities and improvements.

1 A. The District will partially fund the repayment of the Bonds, and City contributions
2 will partially fund repayment of the Bonds.

3 B. Subject to approval of the Board of Supervisors, the City will commit the following
4 towards repayment of Bonds issued in connection with this estimated \$500 million Project:

- 5 • Contribution of \$8.2 million in fiscal year 2019 with an increase of 3% per year
6 through fiscal year 2028 up to a cap of \$10.7 million, with a continuing
7 contribution of no less than \$10.7 million per year for the remainder of the
8 term of the District (the City's "Base Contribution").
- 9 • In addition, the City will fund shortfalls in any given year for purposes of debt
10 service, which will be repaid from surpluses in MED assessments, as detailed
11 in the Management District Plan.
- 12 • For purposes of this Project, "shortfall" means a fiscal year's debt service not
13 covered by (i) the MED allocation to debt, plus (ii) the City's \$8.2 million -
14 \$10.7 million contribution.

15 C. The City will collect MED revenues from hotels, withhold funds from those revenues
16 allocated to Development Activities in the Plan necessary to pay debt service, fund the
17 Stabilization Fund and Sinking Fund, fund repayment of the City's contribution toward shortfall
18 in debt service costs from prior years, and transfer to the MED the portion of revenue per the
19 allocation outlined in the Management District Plan.

20 D. For purposes of this plan, "Surpluses" mean any excess MED revenue allocated to
21 Development Activities in the Plan that are not needed to fund the MED contributions toward
22 debt service, i.e., excluding the City Contribution toward debt service. Surpluses shall be
23 applied as follows:

- 24 • To fund a Stabilization Fund of up to \$15,000,000, to be drawn upon in any
25 year when lower than expected MED collections cause MED's contributions

1 toward debt service to be lower than the sum set forth in cash flow projections
2 with respect to the debt service for the Project;

- 3 • To fund a Sinking Fund in an amount equal to annual debt service beyond
4 expiration of the District term less City Contribution;
- 5 • To the City as repayment for the City's contribution toward shortfall in debt
6 service costs from prior years, i.e., City contributions, if any, in excess of the
7 City's Base Contribution as outlined above;
- 8 • To the MED to fund future development, expansion, renovation, and capital
9 improvements to the Moscone Center Campus.

10 E. As confirmed in the Management District Plan, the City owns the existing Moscone
11 Convention Center, and will also own the expanded Moscone Convention facilities and
12 improvements financed by District and City funds.

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14 Section 5. Assessments. The annual assessment proposed to be levied and
15 collected for the first full year following commencement of the District is estimated at
16 ~~\$21,045,500~~ \$19,332,000. The amount of the annual assessment to be levied and collected
17 for Year Two through Year Thirty-Two (32) may increase or decrease annually according to
18 the gross revenue from tourist rooms. The total maximum assessment that could be
19 collected for Years One through Thirty-Two (32) of the District is ~~\$6,458,235,000~~
20 \$5,766,814,000.

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22 Section 6. Term. The term of the District will be 32 years after the Commencement
23 Date; the Commencement Date will be the initial date when the assessment levy will be
24 imposed on tourist room revenue, which will be the later of (1) July 1, 2013, or (2) the first
25 day of the calendar quarter after a final judgment is entered by a court validating the

1 issuance of City indebtedness for the Moscone Expansion Project, and related establishment
2 of the District and levy of the assessments;

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4 Section 7. Management District Plan. The Board of Supervisors hereby approves the
5 Management District Plan dated September 25, 2012 as updated November 14, 2012
6 (including its Appendices), including the estimates of the costs of the business-related
7 activities and improvements set forth in the Plan, and the assessment of said costs on the
8 businesses that will benefit from such activities and improvements; a copy of the
9 Management District Plan dated September 25, 2012 as updated November 14, 2012
10 (including its Appendices) is on file with the Clerk of the Board of Supervisors in File No.
11 120989, which is hereby declared to be a part of this Resolution as if set forth fully herein; the
12 Clerk of the Board shall make the Management District Plan, Appendices, and other
13 documents related to the District and included in the record before the Board of Supervisors,
14 available to the public for review during normal business hours, Monday through Friday 8:00
15 a.m. through 5:00 p.m., excluding legal holidays.

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17 Section 8. Ballot Election. The City's Department of Elections shall conduct a ballot
18 election of the defined hotel businesses. Ballots shall be weighted according to the
19 proportional financial obligation of each affected hotel business, in relation to the total
20 proposed assessments for the District, calculated as provided in the Management District
21 Plan dated September 25, 2012 as updated November 14, 2012.

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23 Section 9. Voting. If hotels representing at least 50% of the total estimated
24 assessments proposed to be levied on all hotels in the District cast ballots, and at least two-
25 thirds of the returned weighted ballots are in favor of the formation of the District and levy of

1 assessments (which will also mean there is no majority protest pursuant to Streets and
2 Highways Code §36623(b)), the Board of Supervisors may vote on whether to establish the
3 District and levy the assessments.
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5 Section 10. Public Meeting. A public meeting on the proposed establishment of the
6 District and the levy and collection of assessments shall be conducted by the Budget and
7 Finance Committee of the Board of Supervisors on ~~November 28, 2012~~ January 23, 2013 at
8 11:00 a.m. in Room 250, City Hall, One Dr. Carlton B. Goodlett Place, San Francisco,
9 California, 94102, or as soon thereafter as the matter can be heard; which public meeting
10 may be timely convened and heard before another appropriate Board Committee as
11 designated by the President of the Board of Supervisors. This public meeting will hear public
12 testimony regarding the proposed formation of the District, assessments, and boundaries of
13 the District, including testimony from all interested persons for or against establishment of the
14 District, the extent of the District, the levy of the assessments, the furnishing of specific types
15 of business-related activities and improvements, and other matters related to the District.
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17 Section 11. Public Hearing and Ballot Tabulation. A public hearing on the proposed
18 establishment of the District and the levy and collection of assessments shall be conducted
19 before the Board of Supervisors on ~~December 11, 2012~~ February 5, 2013 at 3:00 p.m. or as
20 soon thereafter as the matter may be heard, in the Board's Legislative Chambers, Second
21 Floor, Room 250, City Hall, One Dr. Carlton B. Goodlett Place, San Francisco, California,
22 94102. At this hearing the Board of Supervisors will hear public testimony regarding the
23 proposed formation of the District, assessments, and boundaries of the District, including
24 testimony from all interested persons for or against establishment of the District, the extent of
25 the District, the levy of the assessments, the furnishing of specific types of business-related

1 activities and improvements, and other matters related to the District. The Board of
2 Supervisors may waive any irregularity in the form or content of any written protest, and at
3 the public hearing may correct minor defects in the proceedings.

4 All protests submitted by affected business owners and received prior to the
5 conclusion of the public testimony portion of the public hearing shall be tabulated by the
6 Department of Elections. The Department of Elections shall determine whether hotels
7 representing at least 50% of the total estimated assessments proposed to be levied on all
8 hotels in the District cast ballots, and whether at least two-thirds of the returned weighted
9 ballots are in favor of the formation of the District and levy of assessments, and report these
10 results to the Board of Supervisors. If the requisite 50% level is met, with at least two-thirds
11 of returned weighted ballots voting in favor of formation of the District and levy of
12 assessments (which will also mean there is no majority protest pursuant to Streets and
13 Highways Code §36623(b)), the Board of Supervisors may vote on whether to establish the
14 District and levy the assessments.

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16 Section 12. Form of Notice and Ballot. The Board of Supervisors hereby approves
17 the form of the Notice of Public Meeting and Public Hearing, and Assessment Ballot, which
18 are on file with the Clerk of the Board of Supervisors in File No. 120989, which are hereby
19 declared to be a part of this Resolution as if set forth fully herein.

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21 Section 13. Environmental Findings. The Planning Department shall determine
22 whether the actions contemplated in this Resolution are in compliance with the California
23 Environmental Quality Act (California Public Resources Code sections 21000 et seq.), and
24 respond in writing to the Clerk of the Board of Supervisors.

1 Section ~~43~~ 14. Notice. The Clerk of the Board is directed to give notice of the
2 public meeting and public hearing as provided in the Property and Business Improvement
3 District Law of 1994 (California Streets and Highways Code §§36600 et seq., see §36623),
4 California Government Code §54954.6, San Francisco Charter Section 16.112, San
5 Francisco Administrative Code Section 67.7-1, and San Francisco Business and Tax
6 Regulations Code Article 15.

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