SFTID
SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT

San Francisco Tourism Improvement District Renewal

Frequently Asked Questions

What is the San Francisco Tourism Improvement District?

The San Francisco Tourism Improvement District (*TID*) was created in 2009 by the San Francisco Travel Association (*Association*), in partnership with the local hotel industry and city government. Its purpose is to ensure adequate funding for the ongoing promotion of San Francisco as a global visitor and meetings destination. By collecting a small assessment from the guest based on hotel room revenue, the Association is able to fund its worldwide efforts to keep our city competitive with leisure and business travelers alike.

- 70% of TID collections fund the Associations' global marketing and sales campaigns, as well as the staff who execute those campaigns.
- 22% of TID collections support the personnel and administrative activities that keep the Association operational.
- 8% of TID collections are placed in reserve.

What is the San Francisco Travel Association?

The Association is a destination marketing organization founded in 1909 in response to the 1906 earthquake to attract tourism to San Francisco. The Association's mission is to promote San Francisco as a top global destination by leading the way in performance, innovation, and sustainability.

What does the San Francisco Travel Association do?

The Association leads global sales and marketing efforts to position San Francisco as a destination for leisure visitors, business travelers, and conventions. The Association's robust international marketing campaigns showcase San Francisco as a competitive and compelling destination. The Association also books events at The Moscone Center that generate tourism and tremendous economic impact.

In 2019, prior to the pandemic, San Francisco welcomed more than 26 million visitors who spent over $10 billion dollars in the local economy. This spending generated over $819 million in taxes and fees for San Francisco's General Fund. The tourism industry employs more than 86,000 individuals from San Francisco and the Bay Area.

What is the benefit of the TID?

The TID allows the Association to continue its work independent of City budgets. Prior to the creation of the TID, the Association had an average budget of $15 million. More than half of that funding came from the City. As such, that budget was never secure year to year, fluctuating with any reallocation or reduction in funding determined by the mayor and the Board of Supervisors.

After the establishment of the TID, the Association's budget grew to $40 million, allowing the organization to greatly expand its sales and marketing efforts; to attract and host major events and meetings that generate room nights and economic impact to San Francisco; and for the city to remain competitive as a global destination.

Because of our greater capabilities due to TID funding, San Francisco has seen its average daily rate (ADR), revenue per available room (RevPAR), and room revenue climb to the top of U.S. markets.

In addition, because the TID has allowed San Francisco to enhance its sales and marketing efforts and attract more and larger conventions, San Francisco has also experienced an increase in compression. Compression occurs when visitor lodging, such as hotels and short-term residential rental units, reach near capacity. This creates opportunities for hotels and short-term residential rental hosts to increase rates and revenue.

Why must we renew the TID?

Currently, the TID is set to expire in 2023. Renewing the TID is essential to helping our city's tourism industry recover from the COVID-19 pandemic. If San Francisco is to remain a competitive global destination, TID renewal needs to be secured. Without it, the Association's funding—and the sales and marketing programs it supports—will be severely limited.

Are there going to be changes in the renewed TID?

Yes. The proposed changes to the TID include:

- Increasing the assessment rate by .25%, bringing the Zone 1 assessment to 1.25% and the Zone 2 assessment to 1.00%. The revenue generated from this increase would build a $10 million incentive fund to attract and retain convention business at Moscone Center
- Adopting industry best practice and adding operational flexibility by authorizing a supermajority of the San Francisco Tourism Improvement District Management Corporation (*SFTIDMC*) Board of Directors to increase assessments by up to 1% to meet unforeseen or critical needs and costs of business attraction and retention
- Including short-term residential rental units as assessed businesses
- Modifying the SFTIDMC Board of Directors to include seats for a short-term residential rental host, the City Administrator, and the City Controller (representatives of San Francisco's hotel industry will continue to hold a majority of seats on the SFTIDMC Board)

Why are short-term residential rental accommodations included in the proposed renewal of the TID?

The TID was formed in 2008, prior to the growth of short-term residential rental accommodations. Since then, short-term residential rental hosts have offered a new type of accommodation through platforms, such as Airbnb and booking.com, sought by visitors to San Francisco. The addition of short-term residential rentals in the proposed renewal is an opportunity to include hosts into San Francisco's larger tourism community.

San Francisco Travel has existing partnerships with short-term residential rental platforms, including AirBnB and booking.com. Existing partnerships include:

- Marketing campaigns highlighting local experiences with AirBnB

- Booking.com guest room reservations through sftravel.com
- Co-hosting neighborhood merchant walks with AirBnB
- Representation on the SF Travel Board of Directors

What is the TID assessment rate now and what is the proposed assessment?

The current TID assessment is 1.0% of room revenue for hotels in Zone 1 and 0.75% of room revenue for hotels in Zone 2. The proposed plan would increase assessments in both zones by 0.25%, and include short-term residential rental accommodations as assessed businesses.

Businesses in Zone 1 are generally located closer to the heart of San Francisco's principal meetings, tourism, and transportation infrastructure, and pay a higher rate of assessment than businesses in Zone 2.

What are the boundaries for Zone 1 and Zone 2 hotels?

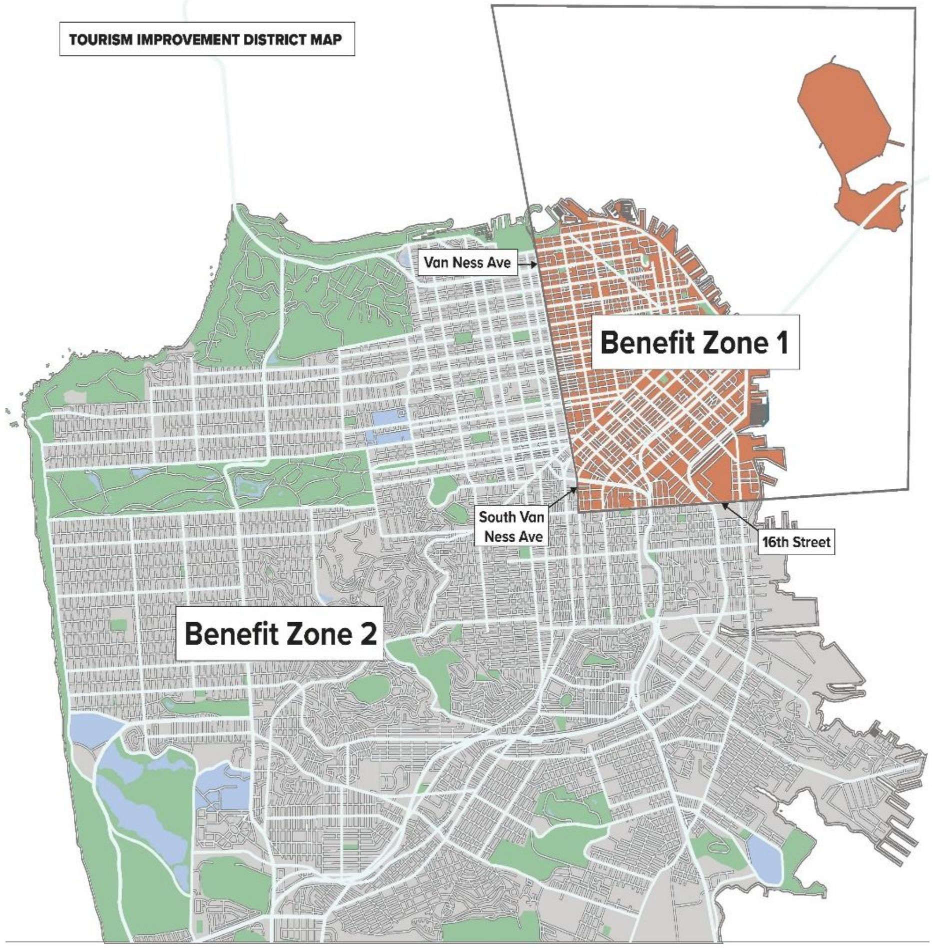
<u>Zone 1</u>: Tourist hotels and short-term residential rentals with addresses:

- 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 and short-term residential rentals 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.

<u>Zone 2</u>: Tourist hotels and short-term residential rentals with addresses:

- West of Van Ness Avenue and South Van Ness Avenue, and

- South of 16th Street.



Are there criteria for spending revenues generated from the proposed .25% increase?

Criteria for how to use the revenues generated from the .25% increase are set forth in the proposed Management Plan, and spending will require approval from the SFTIDMC Board of Directors. Examples of eligible expenditures include rent offsets at The Moscone Center, transportation, and security. Food and beverage and labor costs are not eligible.

Would the proposed .25% increase make San Francisco less competitive?

Up against the top 25 markets, San Francisco ranks seventh for hotel taxes, even with the proposed .25% TID increase and 1.25% MED assessment (Zone 1). Competing cities offer their convention centers for free or provide other incentives to book business. San Francisco needs the revenue generated from the increased TID assessment to also offer incentives to remain competitive. The .25% increase is a small cost to a visitor for a big impact on our ability to attract and retain business at The Moscone Center.

What is the approval process required for the TID to increase assessment rates, if needed?

The SFTIDMC Board of Directors would have the authority to increase assessment rates in each zone by up to 1% in order generate additional revenues to address unforeseen circumstances or critical needs for the costs of business attraction and retention. Any such increase would be subject to approval by a supermajority of the Board, *i.e.,* approval of at least 2/3 of the SFTIDMC Board, including not less than a majority of the hotel representatives on the Board. If an increase is approved, the SFTIDMC Board is required to reevaluate the basis for the decision to increase assessment rates no less than annually.

If you have additional questions, please contact Cassandra Costello at cassandra@sftravel.com