

A photograph of the Golden Gate Bridge in San Francisco at sunrise. The bridge's towers and suspension cables are silhouetted against a bright orange and yellow sky. A thick layer of fog or low clouds fills the valley below the bridge, partially obscuring the city skyline in the background. In the foreground, a green hillside slopes down towards the bridge.

Tourism Improvement District Renewal

SAN FRANCISCO | 2024-2039

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About the San Francisco Tourism Improvement District

WHAT IS THE TID?

The **San Francisco Tourism Improvement District (TID)** is an assessment levied on gross room revenue to ensure that funding for the San Francisco Travel Association's sales, marketing, and promotion of San Francisco as a global destination are maintained at competitive levels.

The proposed TID renewal plan would expand assessments to short-term rental accommodations.



BACKGROUND AND HISTORY

- ▶ San Francisco's TID was formed in 2008 and became effective in 2009, prior to the growth of short-term rental accommodations.
- ▶ San Francisco's TID was one of the first to be established in California. There are now over 100 TIDs in to help promote destinations in the state.
- ▶ The TID is a sustainable revenue model that allows the San Francisco Travel Association to market the city as a top global destination to convention planners and leisure travelers.



HOW IS THE TID CURRENTLY FUNDED?



Zone 1 Hotels

Pay 1% assessment



Zone 2 Hotels

Pay a 0.75% assessment

- ▶ TID funding comes from an assessment levied on gross hotel room revenue
- ▶ Proposed TID Renewal plan would increase assessments by 0.25% in each zone and add short-term rentals as assessed businesses
- ▶ Assessment can be passed onto guest





TID Renewal Proposal

PROPOSED CHANGES TO TID PLAN



Expand assessed businesses to include short-term rental hosts, including those who use platforms, such as Airbnb, Booking.com, and Expedia

- ▶ Short-term rental businesses and units would be assessed at the same rate as hotels by zone

PROPOSED CHANGES TO TID PLAN

Modify the TIDMC Board composition



Convert 1 seat
at-large seat to short-term rental host



Convert 1 seat
at-large tourism representative to City Controller



Convert 1 seat
Moscone Center seat to City Administrator



Maintain 6 seats
for representatives from tourist hotels

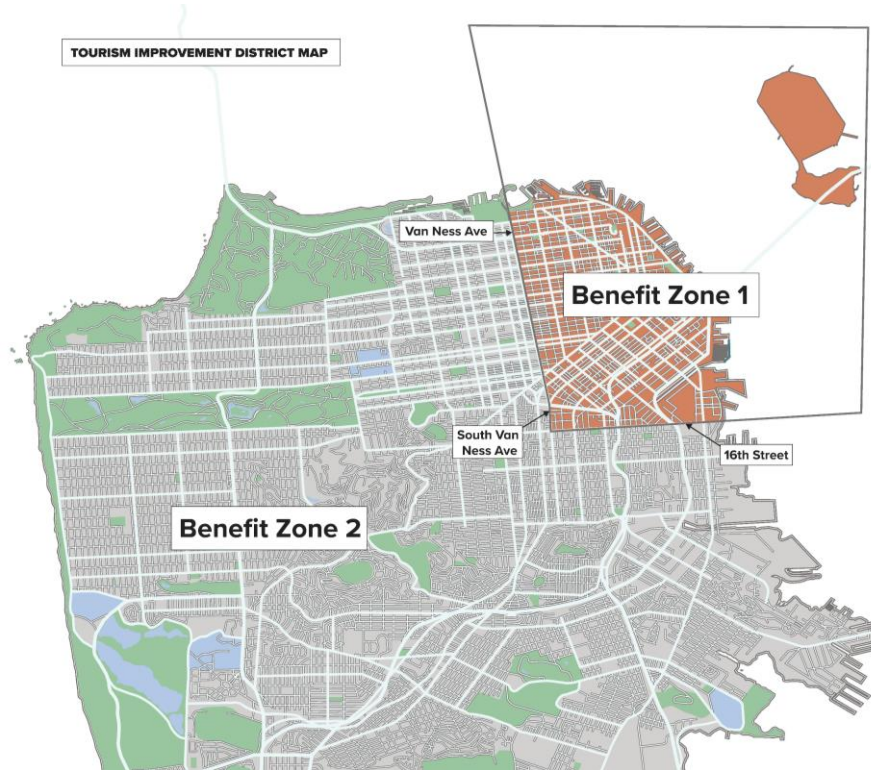


Maintain 1 seat
for Chair of San Francisco Travel



Maintain 1 seat
for at-large tourism representative

PROPOSED CHANGES TO TID PLAN



Proposed assessment rates* to build \$10 million fund to attract and retain business at Moscone Center

- ▶ Zone 1 rate would be 1.25%
- ▶ Zone 2 rate would be 1.00%

*Flexibility to increase assessments by up to 1%

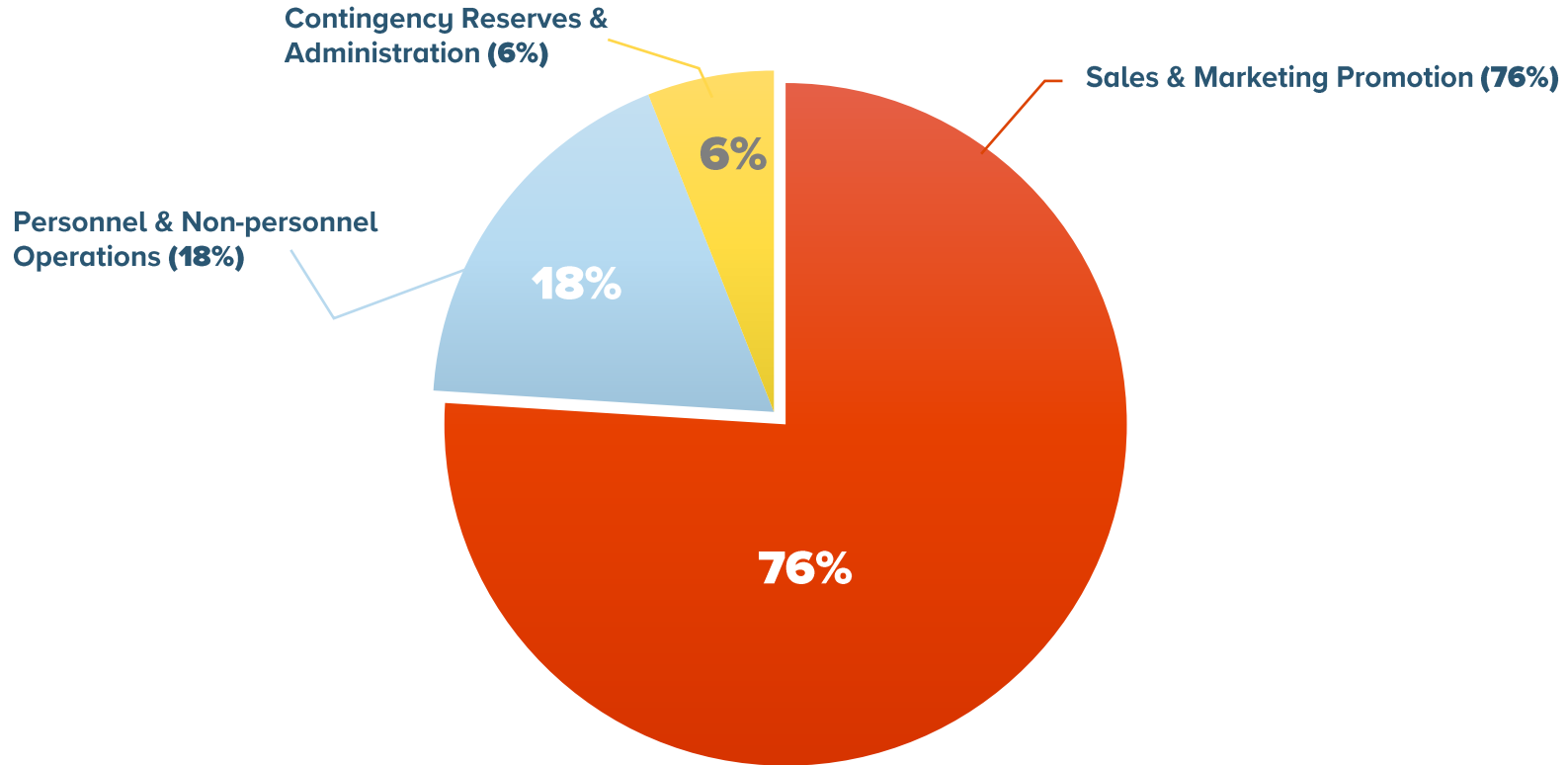
- ▶ Aligns with industry best practices
- ▶ Increase would be considered in times of critical or unforeseen circumstances of business attraction and retention
- ▶ Must be approved by supermajority two-third vote of the TIDMC board and reviewed annually

ESTIMATED & FORECASTED REVENUE

Year	Hotel TID Revenue	STR TID Revenue	Total TID Revenue
2015	\$25,944,890	\$1,665,010	\$27,609,900
2016	\$23,374,940	\$1,514,910	\$24,889,850
2017	\$22,789,028	\$1,486,772	\$24,275,750
2018	\$25,929,913	\$1,457,087	\$27,387,000
2019	\$25,336,112	\$2,288,388	\$27,624,500
2020	\$9,032,643	\$313,137	\$9,345,780
2021	\$4,961,646	\$806,219	\$5,767,865
2022 (Forecast)	\$14,141,645	\$1,171,655	\$15,313,300
2023 (Forecast)	\$19,812,840	\$1,789,519	\$21,602,359
2024 (Forecast)	\$24,221,323	\$2,187,699	\$26,409,022



HOW WOULD FUNDS BE ALLOCATED?



Based on assessment rates of 1.25% in Zone 1 & 1% in Zone 2

WHY RENEW NOW?



- ▶ The current TID is set to expire December 2023
- ▶ Renewing the TID would support San Francisco's economic recovery
- ▶ Continue and enhance benefits to San Francisco's tourism industry



About the San Francisco Travel Association

HISTORY OF SAN FRANCISCO TRAVEL



Photo credit: Shawn Clover

- ▶ Founded in 1909 to reclaim San Francisco's position as a world-class destination following the 1906 earthquake
- ▶ San Francisco's official destination marketing organization
- ▶ Our mission is to promote the San Francisco region as a top global destination by leading the way in performance, innovation, and sustainability.

WHAT SAN FRANCISCO TRAVEL DOES



Global sales and marketing of
San Francisco



Book events at Moscone Center
that generate tourism,
meetings, and economic impact



Position San Francisco as a
more competitive and
compelling destination

ECONOMIC IMPACT OF TOURISM (2019)

- ▶ Over 26 million visitors
- ▶ Spent over \$10.2B in our local economy
- ▶ Generated over \$819M in taxes and fees for City's General Fund
- ▶ Industry employs over 86,000 individuals



An aerial photograph of San Francisco at sunset. The Transamerica Pyramid is the central focus, standing tall among other city buildings. The city's dense urban landscape is visible, with streets and buildings illuminated by the warm light of the setting sun. In the background, the San Francisco Bay stretches out, with hills and islands visible on the horizon. The sky is a mix of orange, pink, and blue.

TID Benefits to San Francisco

OVERVIEW

- ▶ First 10 Years
- ▶ Lodging Impacts Pre- and Post-TID
- ▶ TID Benefits to Hotels
- ▶ TID Benefits to Short-Term Rental Accommodations
- ▶ San Francisco Travel Association Marketing Impacts
- ▶ Takeaways

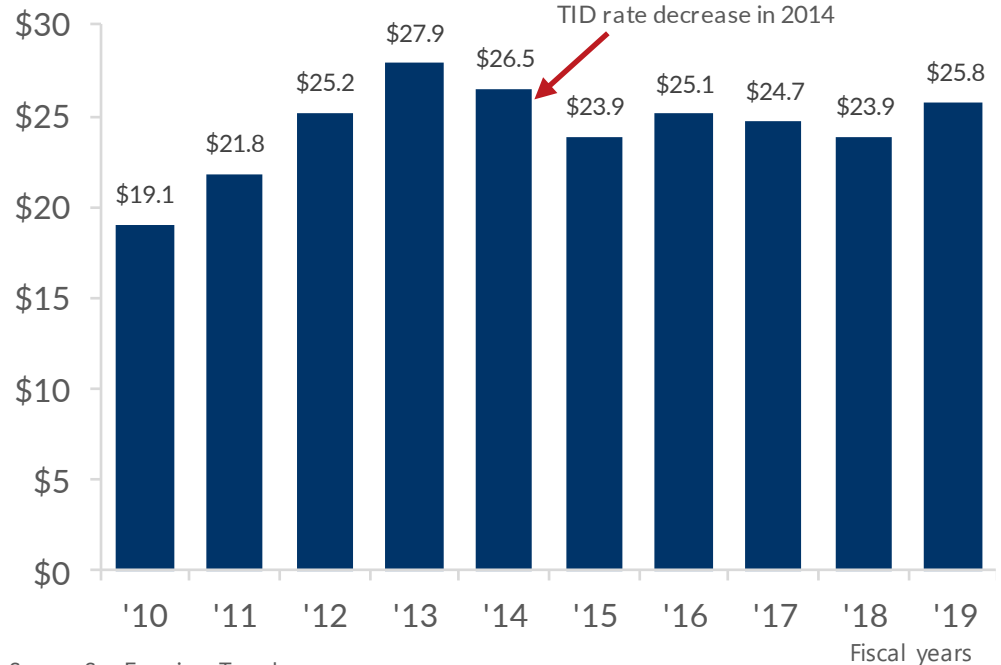


HOW MUCH DOES THE TID GENERATE?

The San Francisco TID generated more than \$20 million in each of the past nine years.

San Francisco TID revenue, FY2010-2019

Dollars, millions



Source: San Francisco Travel

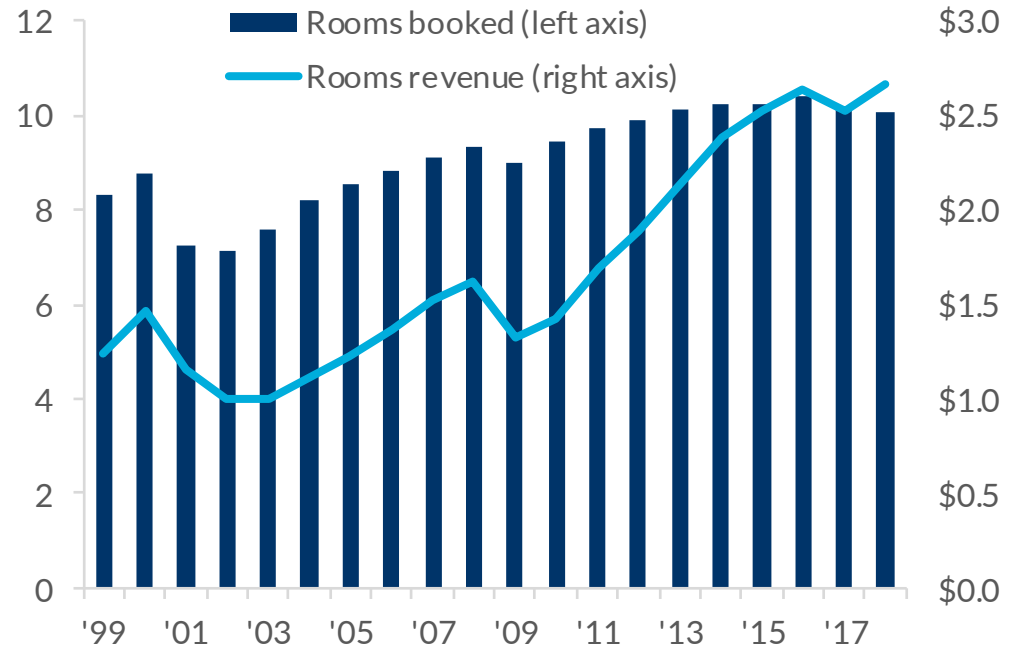
INCREASED BOOKINGS AND REVENUES

- ▶ Limited increases in hotel room inventory over the past 20 years led to slow growth in bookings.
- ▶ 10.2 million rooms booked in 2018 is just a 21% increase over the past twenty years.
- ▶ However, room revenue sharply increased, reaching \$2.7 billion in 2018, a 114% increase over the past twenty years.
- ▶ Significant increase occurred after the formation of the TID in 2009

Hotel sector metrics in San Francisco

Rooms, millions

Room Revenue, billions



Source: STR

INCREASED VISITOR SPEND AND EMPLOYMENT

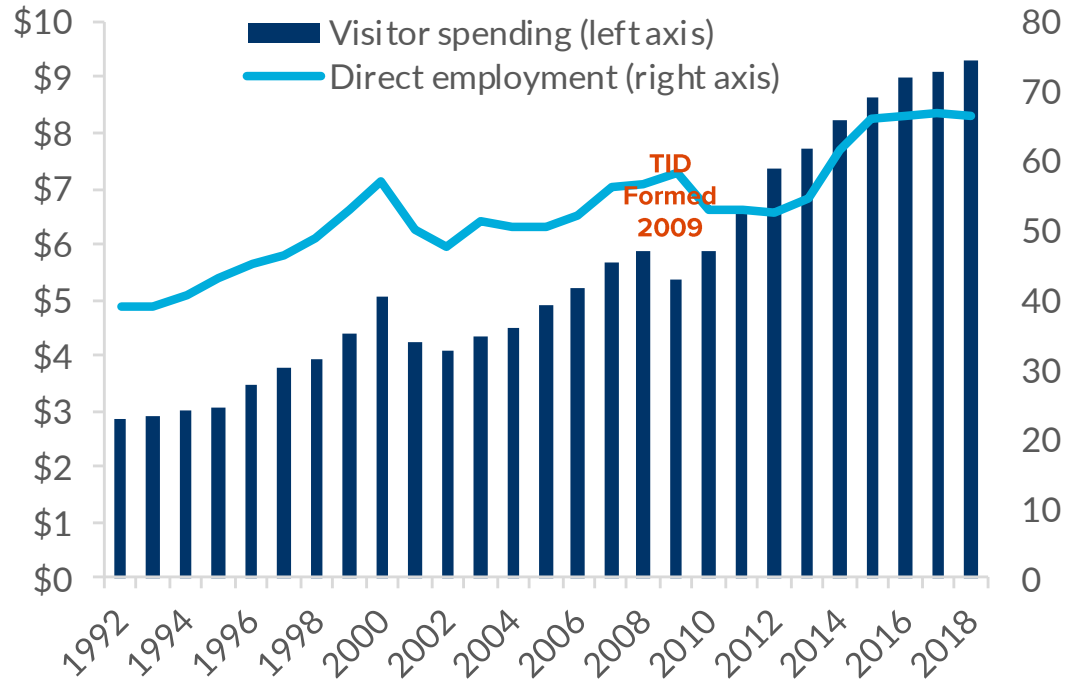
Since the TID formed:

- ▶ Visitor spending increased 73%, reaching \$9.3 Billion and further increased to \$10.2 Billion in 2019
- ▶ Direct tourism employment increased 14%, reaching 66,600 employees

San Francisco visitor spending and employment

Dollars, billions

Jobs, 000's

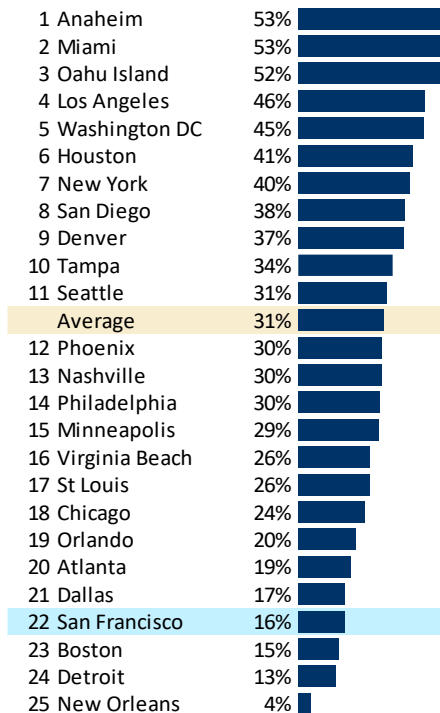


Source: Dean Runyan Associates

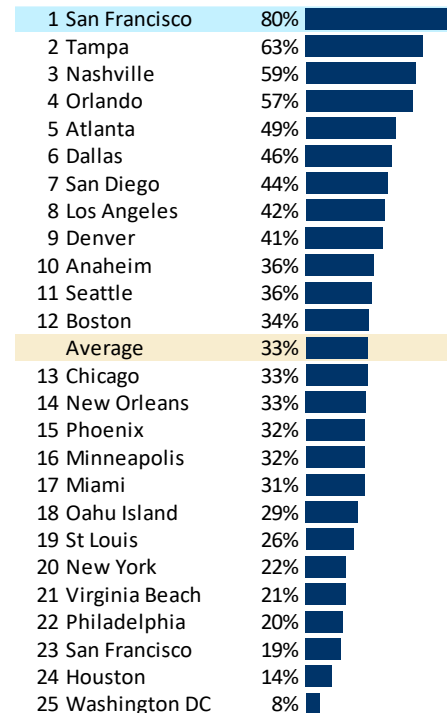
GROWTH IN ADR - TOP 25 U.S. MARKETS

**After slow ADR growth
from 1999-2008,
San Francisco led the top
25 markets from
2009-2018**

1999-2008



2009-2018

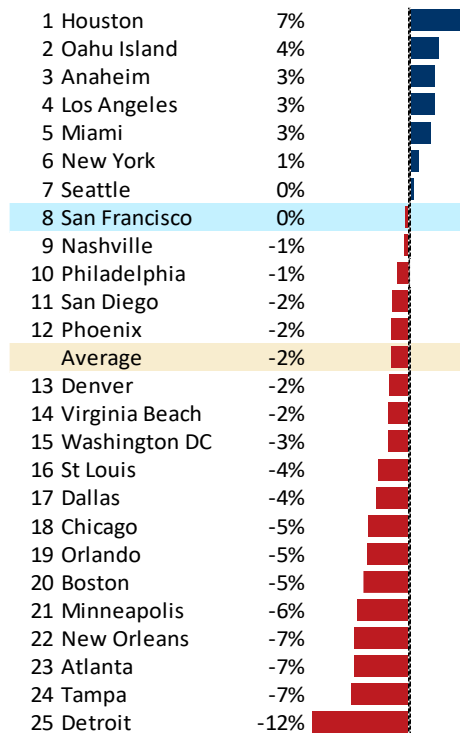


BENEFITS OF TID TO SAN FRANCISCO

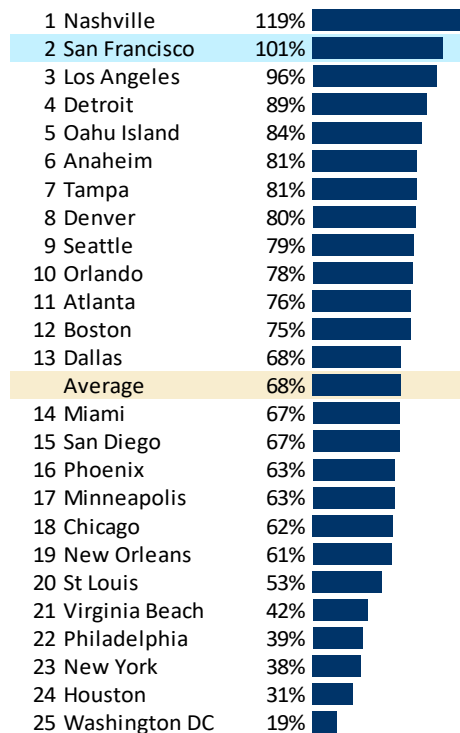
- ▶ Robust ADR growth combined with modest Occupancy gains results in strong RevPAR growth.
- ▶ San Francisco ranked 2nd among the top 25 markets, after a slow decade of growth from 1999-2008.

Growth in RevPAR - Top 25 U.S. Markets

1999-2008



2009-2018

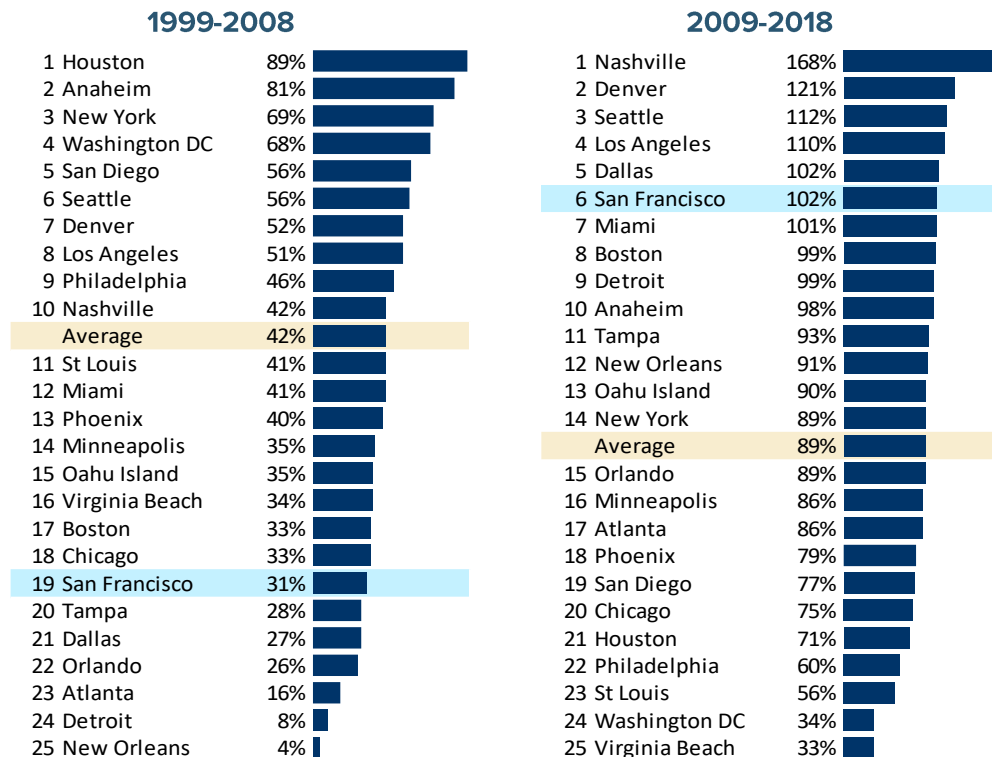


Source: STR

BENEFITS OF TID TO SAN FRANCISCO

- ▶ Despite slow growth in SF Room Supply from 2009-2018, just 1%.
- ▶ ADR drove a strong increase in hotel Room Revenue, +102%.
- ▶ San Francisco ranked 6th among the top 25 markets in Revenue growth despite ranking 24th in Supply growth.

Growth in Room Revenue - Top 25 U.S. Markets



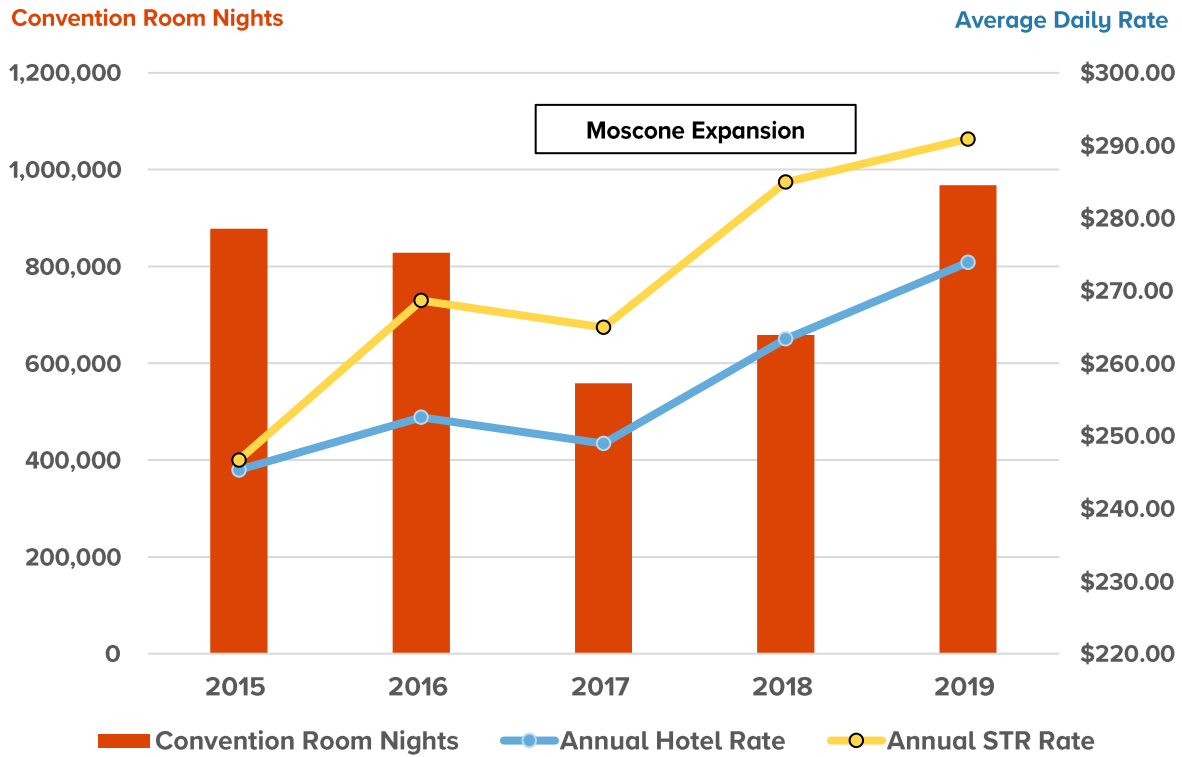
Source: STR

COMPRESSION ON ALL ACCOMMODATIONS



- ▶ Conventions and large events that attract visitors to San Francisco cause compression
- ▶ Compression occurs when visitor lodging, both hotels and short-term rentals, reach near capacity
- ▶ This creates an opportunity for hotels and short-term rental hosts to increase rates

COMPRESSION ON ALL ACCOMMODATIONS



COMPRESSION AND SHORT-TERM RENTALS

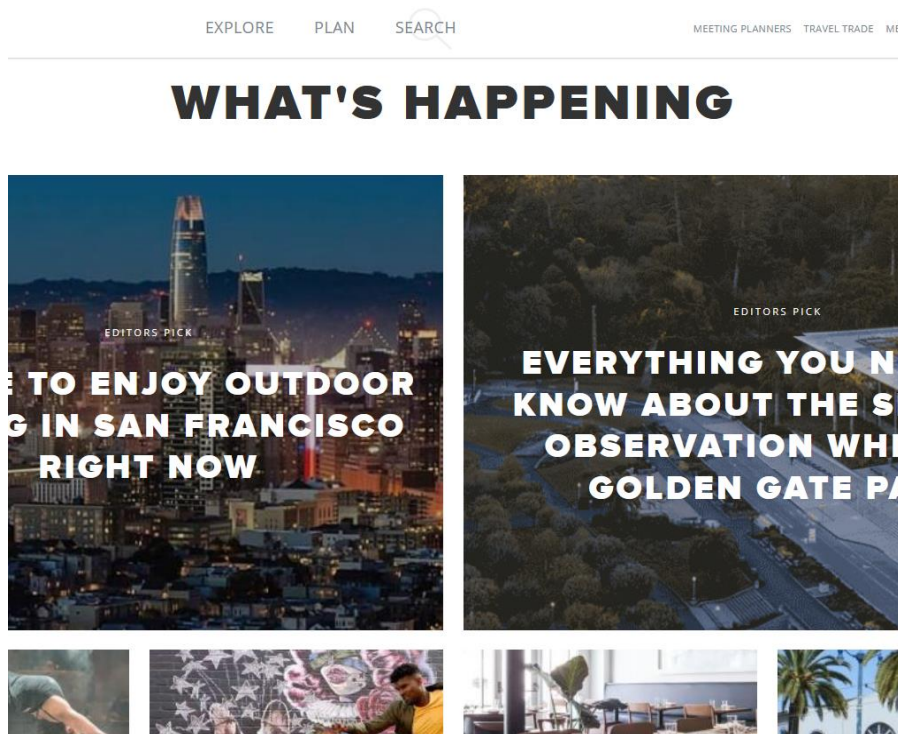
- ▶ Analyzed impact of 105 “event days” from 2017 through 2019 for “Entire Place” units.
- ▶ Results showed **increase of 52,235 room nights booked**, an increase of 18% in short-term rental demand.
- ▶ Aggregate short-term rental **revenue is estimated at \$14.6 million, an increase of 30%** relative to non-event days.
- ▶ Demand increased in Zone 1 by 20% and Zone 2 by 17%



WEBSITE ECONOMIC IMPACT

San Francisco Travel's website generated **\$222 million** in visitor spending in 2018/2019.

- ▶ SFTTravel.com hosted **4.5 million** new visitors from January 2018 – March 2019.
- ▶ The website generated 151,500 incremental trips, spending **\$1,331 per trip** (\$202M).
- ▶ Another 56,000 incremental visitor days attributed through inspiring travelers to stay in the city longer, spending \$360 per day, an **additional \$20M in spending**.
- ▶ Each unique visitor to sftravel.com equals **\$48.81** in economic impact



SOCIAL MEDIA MARKETING REACH*



Instagram

@onlyinsf

288k followers



Facebook

@onlyinsf

669,000+ followers



Twitter

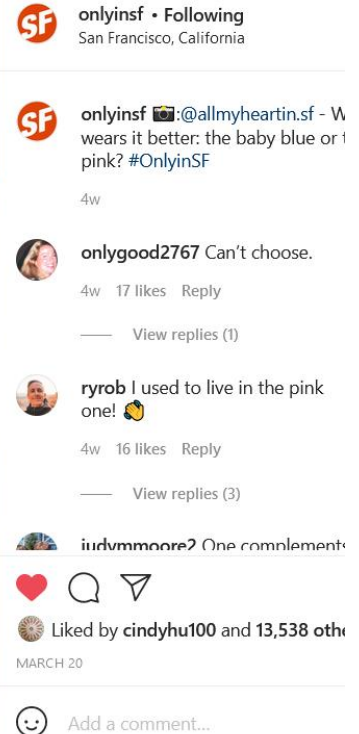
@onlyinsf

204.7k followers

*also present on non-US based social media platforms

MARKETING IMPACTS ON TRIP PLANNING

- ▶ 44.5% of short-term rental visitors and 27.6% of hotel guests rely on social media for trip planning



BENEFITS OF TID AND SF TRAVEL

- ▶ The TID is a proven engine for tourism and economic growth
- ▶ San Francisco Travel's sales and marketing efforts drive compression dates that impact pricing for all accommodations
- ▶ San Francisco Travel's website drives visitation and incremental spending



An aerial photograph of San Francisco, showing a dense urban landscape with a mix of low-rise residential buildings and high-rise commercial skyscrapers in the background. The Golden Gate Bridge is visible on the left side of the image.

TID Renewal Process

PROCESS



- ▶ Outreach and education to city, elected leaders, and proposed assessed businesses
- ▶ April: Petitions submitted endorsing the Management Plan and Proposed Assessments to the Board of Supervisors
- ▶ June: Introduce legislation for TID renewal at the Board of Supervisors
- ▶ June: Board of Supervisors to vote on renewal legislation

PROCESS

- ▶ July: San Francisco Department of Elections to mail ballots to accommodations; minimum 45-day balloting period
- ▶ September: Hearing at the Board of Supervisors to renew the Tourism Improvement District
- ▶ Fall/Winter: Management contract with City is reviewed and renewed
- ▶ If renewed, TID becomes effective January 1, 2024





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