

Proposition E

Ordinance amending the Business and Tax Regulations Code and Administrative Code to allocate a portion of hotel tax revenues for arts and cultural purposes and remove obsolete provisions.

NOTE: **Unchanged Code text and uncodified text** are in plain font.
Additions to Codes are in *single-underline italics Times New Roman font*.
Deletions to Codes are in *strikethrough italics Times New Roman font*.
Asterisks (* * * *) indicate the omission of unchanged Code subsections or parts of tables.

Be it ordained by the People of the City and County of San Francisco:

Section 1. Pursuant to Articles XIII A and XIII C of the Constitution of the State of California, this ordinance shall be submitted to the qualified electors of the City and County of San Francisco at the November 6, 2018, consolidated general election.

Section 2. The Business and Tax Regulations Code is hereby amended by revising Section 515.01 and deleting Section 515.2, to read as follows:

SEC. 515.01. HOTEL TAX ALLOCATIONS.

(a) ~~The portion of all~~ monies collected pursuant to the tax imposed by Section 502 of this Article ~~7 representing a tax of 1.5%, including any penalties, interest, and fees related to such 1.5% tax~~ (“Allocable Hotel Tax Revenues”), shall be deposited to the credit of ~~a fund to be known as~~ the Hotel Room Tax Fund, ~~established in Administrative Code Section 10.100-80,~~ and shall be allocated ~~as for the purposes~~ specified in ~~subsections~~ Subsection (b) ~~and in the amounts prescribed in Subsection (c)~~.

(b) ~~Subject to subsection (c), the~~ The monies in the Hotel Room Tax Fund ~~allocated pursuant to this Section~~ shall be appropriated ~~to the following departments~~ and used solely ~~for the following purposes~~ as follows:

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(1) **Allocation Number 1 (Grants for the Arts Convention Facilities):** \$16,300,000 to the City Administrator to distribute general operating and other support to nonprofit cultural organizations in the City, including any administrative costs associated with this grant-making process. To the City Administrator for Base Rental and Additional Rental as provided for and defined in the Project Lease, as amended, between the City and the Successor Agency to the Redevelopment Agency of the City and County of San Francisco, for the acquisition, construction, and financing of a convention center within the Yerba Buena Center Redevelopment Project Area, and for all expenses reasonably related to operation, maintenance, and improvement of the Mosecone Convention Center. Any unexpended balance remaining in Allocation Number 1 at the close of any fiscal year shall be deemed to be provided for a specific purpose within the meaning of Section 9.113 of the Charter and shall be carried forward and accumulated in said allocation for the purposes recited herein.

(2) **Allocation Number 2 (Cultural Equity Endowment):** \$6,400,000 to the Arts Commission for programs that move San Francisco arts funding toward cultural equity, including any associated administrative costs. Any unexpended balance remaining in Allocation Number 2 at the close of any fiscal year shall be deemed to be provided for a specific purpose within the meaning of Section 9.113 of the Charter and shall be carried forward and accumulated in said allocation for the purposes recited herein. ~~(Administration): To the Tax Collector for administration of the provisions of this Article.~~

(3) **Allocation Number 3 (Cultural Centers):** \$3,800,000 to the Arts Commission to support the operation, maintenance, and programming of City-owned community cultural centers to assure that these cultural centers remain open and accessible and remain vital contributors to the cultural life of the City, including any associated administrative costs. Any unexpended balance remaining in Allocation Number 3 at the close of any fiscal year shall be deemed to be provided for a specific purpose within the meaning of Section 9.113 of the Charter and shall be carried forward and

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accumulated in said allocation for the purposes recited herein.~~(Refunds): To the Tax Collector for refunds of any overpayment of the tax imposed under this Article.~~

(4) Allocation Number 4 (Cultural Districts): \$3,000,000 to the Mayor’s Office of Housing and Community Development for Cultural Districts in the City’s neighborhoods, including any associated administrative costs. Allocations for Cultural Districts shall be used solely to address the effects of destabilization on residents and businesses in the City’s Cultural Districts. For purposes of this Section 515.01, “Cultural District” means a geographic area or location within the City, designated by the Board of Supervisors by ordinance, as an area or location that embodies a unique cultural heritage. Any unexpended balance remaining in Allocation Number 4 at the close of any fiscal year shall be deemed to be provided for a specific purpose within the meaning of Section 9.113 of the Charter and shall be carried forward and accumulated in said allocation for the purposes recited herein.~~(Publicity/Advertising): To the City Administrator for publicity and advertising purposes pursuant to the provisions of Section 3.104 of the Charter.~~

(5) Allocation Number 5 (Arts Impact Endowment): \$2,500,000 to the Arts Commission to address needs in the arts community, including any associated administrative costs, to be determined by a cultural services allocation plan prepared no later than March 1, 2019, and every five years thereafter, by the Director of Cultural Affairs with community input and approved by the Arts Commission and the City Administrator. Any unexpended balance remaining in Allocation Number 5 at the close of any fiscal year shall be deemed to be provided for a specific purpose within the meaning of Section 9.113 of the Charter and shall be carried forward and accumulated in said allocation for the purposes recited herein.

(6) Allocation Number 6 (Refunds): All amounts necessary to the Tax Collector for refunds of any overpayment of the 1.5% portion of the tax imposed under Section 502, including any related penalties, interest, and fees.

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(7) ~~(Balance to General Fund)~~: After the specific purpose allocations ~~and accumulations~~ required by this Section 515.01(b), as adjusted under Section 515.01(c), all remaining revenues shall be transferred to the General Fund, to be expended for unrestricted general revenue purposes of the City.

(c) The amounts described in subsections (b)(1) through (b)(5) as Allocation Numbers 1, 2, 3, 4, and 5, shall be subject to the following adjustments:

(1) **Fiscal Year 2018-2019 Adjustment:** For fiscal year 2018-2019, each amount in subsections (b)(1) through (b)(5) shall be half of the amount stated.

(2) **Annual Adjustment:** Commencing in fiscal year 2019-2020, subject to subsection (c)(3), each amount in subsections (b)(1) through (b)(5) shall be adjusted annually by the percentage increase or decrease in Allocable Hotel Tax Revenues collected in the current fiscal year compared with the prior fiscal year; provided, however, that such percentage increase or decrease shall not exceed 10% annually.

(3) **Grants for the Arts and Cultural Equity Endowment:** For fiscal years 2019-2020 and 2020-2021, one-half of the amount of the adjustment to Allocation Number 1 (Grants for the Arts) under subsection (c)(2) due to any increase in Allocable Hotel Tax Revenues shall be allocated instead to Allocation Number 2 (Cultural Equity Endowment).

(d) Commencing with a report filed no later than February 15, 2020, covering the fiscal year ending on June 30, 2019, the Controller shall file annually with the Board of Supervisors, by February 15 of each year, a report containing the amount of monies collected in and expended from the Hotel Room Tax Fund during the prior fiscal year, the status of any project required or authorized to be funded by this Section 515.01, and such other information as the Controller, in the Controller's sole discretion, shall deem relevant to the operation of this Section 515.01.

Each allocation for a purpose described in Subsection (b) shall be in the amount prescribed in the table below.

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<i>Allocation No.</i>	<i>Amount</i>
<i>1. Moscone Convention Center</i>	<i>50%</i>
<i>2. Administration</i>	<i>Up to .6%</i>
<i>3. Refunds of Overpayments</i>	<i>As required</i>
<i>4. Publicity & Advertising</i>	<i>As appropriated</i>
<i>5. To General Fund</i>	<i>Remainder</i>

Percentages shall be calculated based on the total amount collected pursuant to the tax imposed by Section 502 of this Article.

SEC. 515.2. CALCULATION OF PERCENTAGE ALLOCATIONS UNDER SECTION 515.01.

(a) Notwithstanding Section 515.01 of this Article, the total amount to be allocated under Section 515.01 for each fiscal year shall be reduced by the amount of principal and interest (exclusive of any bond reserve payments) due and payable for that fiscal year on any outstanding agency bonds, as defined in Section 502.8(c) hereof.

(b) This Section 515.2 shall remain in effect so long as Section 502.8 of this Article remains in effect.

Section 3. The Administrative Code is hereby amended by adding Section 10.100-80, to read as follows:

SEC. 10.100-80. HOTEL ROOM TAX FUND.

(a) Establishment of Fund. The Hotel Room Tax Fund (“Fund”) is established as a category four fund as defined in Section 10.100-1 of the Administrative Code, and shall receive all taxes, penalties, interest, and fees described in Section 515.01(a) of Article 7 of the Business and Tax Regulations Code.

(b) Use of Fund. Subject to the budgetary and fiscal provisions of the Charter, monies in the Fund shall be used exclusively for the purposes described in Section 515.01(b) of Article 7 of the Business and Tax Regulations Code.

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(c) Administration of Fund. As stated in Section 515.01(d) of Article 7 of the Business and Tax Regulations Code, commencing with a report filed no later than February 15, 2020, covering the fiscal year ending June 30, 2019, the Controller shall file annually with the Board of Supervisors, by February 15 of each year, a report containing the amount of monies collected in and expended from the Fund during the prior fiscal year, the status of any project required or authorized to be funded by Section 515.01, and such other information as the Controller, in the Controller's sole discretion, shall deem relevant to the operation of Section 515.01.

Section 4. Scope of Ordinance. In enacting this ordinance, the People of the City and County of San Francisco intend to amend only those words, phrases, paragraphs, subsections, sections, articles, numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal Code that are explicitly shown in this ordinance as additions or deletions, in accordance with the "Note" that appears under the official title of the ordinance.

Section 5. Severability. If any section, subsection, sentence, clause, phrase, or word of this ordinance, or any application thereof to any person or circumstance, is held to be invalid or unconstitutional by a decision of a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions or applications of the ordinance. The People of the City and County of San Francisco hereby declare that they would have passed this ordinance and each and every section, subsection, sentence, clause, phrase, and word not declared invalid or unconstitutional without regard to whether any other portion of this ordinance or application thereof would be subsequently declared invalid or unconstitutional.

Section 6. Effective and Operative Dates. The effective date of this ordinance shall be ten days after the date the official vote count is declared by the Board of Supervisors. This ordinance shall become operative on January 1, 2019. The 50% adjustment for fiscal year 2018-2019 provided in Section 515.01(c)(1) of the Business and Tax Regulations Code takes into account the mid-fiscal year operative date of this ordinance.

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