

## Hotel room assessment to help fix the Moscone

George Raine, Chronicle Staff Writer

Thursday, December 18, 2008



Beginning Jan. 1, guests at San Francisco hotels will find a little something extra in their bill at checkout: a new assessment.

With the extra money, the city plans to make major renovations and improvements to the Moscone Center and ramp up its marketing efforts around the world.

How did it all come about? On Tuesday, the San Francisco Board of Supervisors unanimously approved a measure creating a municipal tourism improvement district, which hotel owners and operators had supported as well, that could raise as much as \$27 million next year. The assessment would generate money in the following four years, as well, although the amount can't be calculated because it is based on revenue that can't be predicted.

Also Tuesday, supervisors authorized the sale of financial instruments called certificates of participation, which could raise an additional \$40 million earmarked for Moscone Center improvements over five years, said Joe D'Alessandro, the president and chief executive officer of the San Francisco Convention & Visitors Bureau. These certificates - essentially bonds - entitle the holders to receive a share, or participation, in the lease payments from particular projects.

Tourism is San Francisco's leading industry, and although visitors spent more than \$8 billion in the city in 2007 and convention business has been strong, the 30-year-old Moscone South building and other parts of the convention complex are showing their age, said D'Alessandro.

### Hot water lacking

In Moscone South, some bathrooms lack hot water, and, according to supporting materials given supervisors, the building has had numerous leaks for the past 27

years, and there is a possibility of structural damage. Some areas were never painted, according to information gathered by Mayor Gavin Newsom's administration.

And convention and visitors bureaus in other cities are aggressively pursuing the now-smaller pool of convention-goers and tourists, as their spending will be reduced because of the recession.

For the purposes of the tourism improvement district, hotels will be placed in two zones. In Zone 1 - east of Van Ness Avenue and north of 16th Street - 1.5 percent of gross revenue from tourist hotel rooms will go to the district. Of that, 1 percent would be for sales and marketing, and half a percentage point will be for improvements at Moscone Center. In Zone 2 - west of Van Ness and south of 16th Street - the assessment will be 1 percent. Of that, 0.75 percent will be for marketing, and the rest will be for Moscone.

The 1.5 percent assessment will add \$3 to the guest charges based on a room rate of \$200. The 1 percent assessment in hotels further away from Moscone Center in Zone 2 will add \$2 on a \$200 room rate. In August, the average daily room rate in San Francisco was \$186.51, according to PKF Consulting.

Although city and bureau officials are not predicting the amount of money that can be raised through the improvement district, there is a working figure of \$25 million annually after the first year, said Jennifer Matz, managing deputy director of the San Francisco Office of Economic and Workforce Development.

Two-thirds would be earmarked to fund the operation of the bureau and one-third toward improvements at Moscone Center, said Matz. All of the money raised through the sale of the certificates of participation would go into Moscone Center.

As it is now, visitors pay a 14 percent hotel tax, which last year produced more than \$200 million for the San Francisco general fund. Each year, the Board of Supervisors decides what slice of that the Convention & Visitors Bureau should receive; this year, it is \$8.2 million. Because the funding mechanism is being established to fund Moscone improvements and pump money into marketing, the bureau won't be back asking for general fund money for the next five years, said Matz.

Newsom and Board of Supervisors President Aaron Peskin, who are often at odds, supported the tourist improvement district. It was approved without opposition at the final Board of Supervisors meeting for 2008.

The improvement district is not unlike municipal improvement districts already in place in Union Square and other neighborhoods in San Francisco, where businesses agree to assessments for cleaning, safety and other common goals. Without the district, the convention bureau could have faced major budget challenges that would have led to reduced services for conventions and postponing repair work, said D'Alessandro.

### **Long-term strategy**

"For San Francisco to remain competitive, it was crucial that we develop a long-term strategy that would ensure a steady revenue flow necessary to continue to promote San Francisco as one of the world's premier destinations," he said.

Hotel owners had to act on the tourist improvement district proposal, in addition to the Board of Supervisors. They were sent ballots, which were counted on Tuesday; 95 percent of the returned ballots supported the district, said Angela Jackson, a spokeswoman for the bureau.

E-mail George Raine at [graine@sfchronicle.com](mailto:graine@sfchronicle.com).

<http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/12/18/BUF814Q1HF.DTL>

*This article appeared on page **C - 1** of the San Francisco Chronicle*

San Francisco Chronicle Sections	▼	Go
----------------------------------	---	----

© 2008 Hearst Communications Inc. | [Privacy Policy](#) | [Feedback](#) | [RSS Feeds](#) | [FAQ](#) | [Site Index](#) | [Contact](#)