

Office of
The City Attorney
City of San Diego

MEMORANDUM
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SAN DIEGO, CALIF.

DATE: December 9, 2019
TO: Elizabeth Maland, City Clerk
FROM: City Attorney
SUBJECT: Title, Summary, and City Attorney Impartial Analysis for Ballot Measure –
“For A Better San Diego” Citizens’ Initiative (**Measure C**)

The City Council has directed the City Attorney to prepare a ballot title, summary, and impartial analysis of a citizens’ initiative measure submitted to the City Clerk as “For A Better San Diego,” which the City Council voted to place on the March 3, 2020 ballot. (See San Diego Resolution R-312731, adopted November 4, 2019.)

The initiative measure seeks voter approval to increase the City of San Diego’s hotel visitor tax and authorize the issuance of bonds for specific purposes related to the San Diego Convention Center, homelessness services and programs, and street repairs, as detailed in the measure and ballot materials.

The City Council adopted San Diego Ordinance O-21143 on November 4, 2019, to submit the initiative measure to the voters on the March 3, 2020 Municipal Special Election ballot.

BALLOT TITLE

Initiative - Hotel Visitor Tax Increase and Bond Authorization for Convention Center
Expansion, Homelessness Programs and Street Repairs

BALLOT SUMMARY

This tax and bond measure is the result of a citizens’ initiative petition, in which voter signatures qualified the measure for the ballot.

If approved, the City of San Diego's (City) 10.5% hotel visitor tax (the tax) will increase by 1.25 to 3.25 percentage points, depending on a property's location in one of three geographic zones. Depending on the location, the tax will increase to 11.75%, 12.75%, or 13.75%.

Revenue from the tax increase would be allocated to:

- (1) Convention Center expansion, modernization, promotion and operations;
- (2) Homelessness services and programs; and
- (3) Street repairs.

The tax increase will be highest, up 3.25 percentage points (increasing to 13.75%), for properties generally located downtown, closest to the San Diego Convention Center (Convention Center).

The tax increase will be lower for properties farther from downtown. The 1.25 percentage point increase (to 11.75%) applies to portions of the City either north of State Route 56 or south of State Route 54. The 2.25 percentage point increase (to 12.75%) applies to City properties not in the other two zones. (See Tax Zone Map in the voter pamphlet.)

If approved, the tax rates could be in effect until at least 2061.

The measure authorizes a special tax, meaning the additional revenue is designated for specific purposes, and thus requires a two-thirds vote for approval.

The measure does not estimate annual revenues expected from the tax increase, or revenues expected for the Convention Center or street repairs. It states it is "expected to generate more than \$140 million" in the "first five years" for homelessness.

The initiative measure must be submitted to voters as written when circulated for signatures. It states the tax increase will take effect January 1, 2019, but the measure was not

submitted to voters in time. If approved, the tax increase would take effect at least 30 days after the election, after results are certified, in accordance with applicable laws.

From the date the tax increase takes effect, through the City's Fiscal Year 2023-2024, revenue from the increase would be allocated:

- 59% to Convention Center purposes; and
- 41% to homelessness programs and services.

After Fiscal Year 2023-2024, revenue from the increase would be allocated:

- 59% to Convention Center purposes;
- 31% to homelessness programs and services; and
- 10% for street repairs.

The measure authorizes City bonds, payable from and secured by the additional tax revenues, for the same purposes. Bond debt shall not exceed the lesser of the additional tax revenues for the purpose, projected over the life of the bonds, and:

- \$850 million for Convention Center purposes;
- \$750 million for homelessness purposes; and
- \$400 million for street repair purposes.

The City Council may increase Convention Center bond debt, after a public hearing, and amend provisions to clarify how funds are spent. It may not alter or increase the tax rate or transfer tax revenues between accounts. Any changes must be consistent with the measure's purpose and intent.

CITY ATTORNEY'S IMPARTIAL ANALYSIS

This tax and bond initiative measure would increase the City's hotel visitor tax and authorize the City to issue bonds.

Revenues from the tax increase and bond proceeds would be designated in specific amounts for:

- (1) Expansion, modernization, promotion and operations of the downtown San Diego Convention Center (Convention Center);
- (2) Homelessness programs and services; and
- (3) Street repairs.

Visitors to City lodging establishments, including recreational vehicle parks and campgrounds, pay the hotel visitor tax. The increased tax revenues would be used, in part, to pay and secure the bond debt.

This measure seeks to generate financing for the specified purposes. If the measure is approved, additional government actions must be taken to expand the Convention Center, create homelessness programs or services, or make street repairs.

If approved, the hotel visitor tax would increase from 10.5% to 11.75%, 12.75%, or 13.75%, depending on a property's location in one of three tax zones (see Tax Zone Map in the voter pamphlet). The tax increase will be highest (increasing to 13.75%) for properties downtown, near the Convention Center, and lowest (increasing to 11.75%) for properties farthest away.

The Ballot Summary in the voter pamphlet details the specific percentages of tax revenues to be allocated for each purpose. The measure does not discuss expected annual revenues. The tax increase would take effect after election results are certified.

The measure authorizes the issuance of bonds, payable from the additional tax revenues, up to the following limits:

- \$850,000,000 for Convention Center expansion and modernization;
- \$750,000,000 for homelessness programs and projects; and
- \$400,000,000 for street repairs.

The City Council (Council) may increase Convention Center bond debt, after a public hearing.

If approved, the increased tax rates will be effective for 42 years after long-term bonds are issued to expand the Convention Center. If such bonds are not issued within 10 years after the tax increase takes effect, the tax increase would end, unless the revenues are needed to repay outstanding debt on bonds already issued to support the specified purposes.

At least 20 years after the tax increase, if more revenues exist than needed for the Convention Center, the Council may allocate less revenue to the Convention Center and more revenue to the other purposes in a given year.

The Council must hold public hearings to adopt annual budgets for each purpose; approve an implementation plan every five years; and determine if plan amendments are needed. A seven-member citizens oversight committee will be created to advise the Council on homelessness fund expenditures.

An independent auditor, retained by the City's Chief Financial Officer, must prepare annual reports showing tax revenues collected, funds spent, and status of the specified activities. Also, the City Auditor must conduct performance audits on a rolling three-year basis.

The Council may amend provisions, but may not alter the tax rate or take action in conflict with the measure's intent and purpose.

Voter signatures qualified this citizens' initiative measure for the ballot.