March 3, 2020 Ballot – FISCAL IMPACT STATEMENT

MEASURE C: INITIATIVE MEASURE – HOTEL VISITOR TAX INCREASE FOR CONVENTION CENTER EXPANSION, HOMELESSNESS PROGRAMS, STREET REPAIRS.

This measure would increase San Diego's 10.5% transient occupancy tax (TOT) by 1.25, 2.25 or 3.25 percentage points depending on which of three geographical Tax Zones a lodging facility (hotel, RV park, campground, or other overnight lodging facility subject to the TOT) is located. If approved, San Diego's TOT (paid by guests staying in lodging facilities) increases from 10.5% to between 11.75% and 13.75% depending on the location of the overnight lodging business – see Map in Voter Pamphlet.

The City expects lodging facilities to begin collecting the new TOT (Additional Tax) on May 1, 2020 and continue collecting for 42 years from the month in which long-term bonds are issued to finance Convention Center expansion. If such bonds are not issued within 10 years after the tax increase takes effect, the Additional Tax will cease unless other bonds have already been issued for homelessness or street repair purposes in which case the Additional Tax would continue until enough revenue has been collected to repay the outstanding bonds.

For the first 20 years, Additional Tax revenue must be allocated in the exact percentages for the intended purposes generally described below. Thereafter, if the Convention Center allocation exceeds eligible costs, City Council may allocate a lesser percentage to the Convention Center and a greater percentage to Homelessness or Street Repairs in any given year.

- 59% of the revenue to finance Convention Center expansion and otherwise support Convention Center operations.
- 31% of the revenue (41% through fiscal year 2023-2024) to address City Homelessness issues. Eligible expenditures include support programs, shelter programs, permanent supportive housing and associated financing.
- 10% of revenue (beginning in fiscal year 2024-2025) to support Street Repairs. Eligible expenditures include a broad array of street-related infrastructure and associated financing.

If the Additional Tax remains in effect for 45 years at the stipulated percentages, it is estimated to generate $6.8 billion: approximately $4.0 billion for the Convention Center; $2.1 billion for Homelessness; and $0.7 billion for Street Repairs. A near-term recession could substantively reduce these estimates.

In the first 10 years, the Additional Tax is estimated to generate $766 million: approximately $452 million for the Convention Center; $265 million for Homelessness; and $49 million for Street Repairs.

Additionally, because an expanded Convention Center (once complete) is expected to attract additional visitors who will make taxable expenditures in San Diego, it is estimated that General Fund tax revenue could increase by approximately $10 to $15 million annually.

Excluding land acquisition costs, the Convention Center expansion was estimated to cost $685 million in 2017. Actual costs could be higher. If 59% of the Additional Tax revenue is insufficient to finance the current cost, design elements would need to be scaled back to make expansion feasible.

San Diego's effective hotel tax rate paid by lodging guests, when including the 2% Tourism Marketing District assessment, would range from 11.75% to 15.75%. At 15.75%, the tax for certain City hotels is close to that of cities with higher hotel tax rates, but this is not expected to significantly impact visitation.