

**LEGISLATIVE DIGEST**

*(Amended in Committee - Second Draft – 7/12/18)*

[Initiative Ordinance - Business and Tax Regulations and Administrative Codes - Hotel Tax Allocations]

**Motion ordering submitted to the voters at an election to be held on November 6, 2018, an 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; and affirming the Planning Department's determination under the California Environmental Quality Act.**

Existing Law

The City currently imposes a hotel tax on the rental of hotel rooms. The tax is 14%, consisting of an 8% base tax and an additional 6% tax surcharge. The tax goes into the General Fund, and the Board of Supervisors may allocate the money for any public purpose.

Amendments to Current Law

This ordinance would subject 1.5% of the 8% base tax to specific allocation, and the remaining 6.5% of the 8% base tax would continue to go into the General Fund. Hotel tax revenues from the 1.5% portion of the base tax would be allocated for arts and cultural purposes, including administrative costs, as follows:

- Allocation 1: \$16,300,000 to distribute to nonprofit cultural organizations in the City;
- Allocation 2: \$6,400,000 to the Arts Commission for programs that move San Francisco arts funding toward cultural equity;
- Allocation 3: \$3,800,000 to the Arts Commission to support the operation, maintenance, and programming of City-owned community cultural centers;
- Allocation 4: \$3,000,000 to the Mayor's Office of Housing and Community Development for Cultural Districts in the City's neighborhoods; and
- Allocation 5: \$2,500,000 to the Arts Commission to address needs in the arts community as determined by a cultural services allocation plan.

Amounts for fiscal year 2018-2019 would be halved to take into account the January 1, 2019 operative date for this ordinance. Additionally, commencing in fiscal year 2019-2020, the amounts allocated for each purpose would be adjusted annually by the percentage increase or decrease in revenues from the 1.5% portion of the base tax, compared to the prior fiscal year. For fiscal years 2019-2020 and 2020-2021, one-half of the annual adjustment for Allocation 1 due to an increase in revenues would be allocated instead to Allocation 2. After all specific allocations have been made, any remaining revenues from the 1.5% portion of the

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base tax would go into the General Fund to be used for unrestricted general revenue purposes of the City.

#### Background Information

This legislative digest reflects amendments made in committee on July 12, 2018. The amendments added a new allocation for Cultural Districts, modified the allocation for supplemental arts funding to address needs in the arts community, changed the dollar amounts of various allocations, and made other non-substantive changes.

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