June 5, 2013

FIRST LAST NAME
HOTEL NAME
MAILING ADDRESS
CITY, STATE ZIP

The Moscone Expansion District ("MED" or "District") was recently created by the San Francisco Board of Supervisors, following a vote by San Francisco hotels. The MED is authorized to charge each hotel in the District an assessment based on its revenue from room rentals. The following summarizes pertinent provisions of the MED Management Plan, as approved by the Board of Supervisors. The Management Plan is available in its entirety at: http://www.sftid.com.

The MED assessment is required to be paid to the San Francisco Treasurer and Tax Collector's Office on a quarterly basis. As currently scheduled, the assessment will be effective as of July 1, 2013, and the first payment to the San Francisco Tax Collector will be due by October 31, 2013. <u>The MED assessment is in addition to the existing San Francisco Tourism Improvement District ("TID") assessment.</u>

For hotels located in Zone 1, the assessment will be 0.5% of the gross revenue for tourist rooms from the commencement of the District through December 31, 2013, and 1.25% beginning January 1, 2014 through the termination of the MED. For hotels located in Zone 2, the assessment will be 0.3125% of the gross revenue for guest rooms from the commencement of the District through the termination of the MED. Zone 1 hotels are all hotels with addresses on or east of Van Ness Avenue, on or east of South Van Ness Avenue, and on or north of 16th Street from South Van Ness to the Bay, including all tourist hotels east of Van Ness Avenue as if it continued north to the Bay, and north of 16th Street as if it continued east to the Bay. Zone 2 hotels are all hotels with addresses west of Van Ness Avenue and South Van Ness Avenue, and all hotels south of 16th Street.

Hotels subject to the assessment are allowed, but not required, to collect the amount of the assessment from hotel guests. If the assessment is passed on to guests, it must appear on a guest's bill as a separately stated line item called "Moscone Expansion District Assessment" or "Moscone District Assessment." Alternatively, the MED assessment and the TID assessment may be combined as a single, separately stated line item on a guest's bill. If a hotel chooses to combine the two assessments in a single line item, it should be called "Business District Assessments" or "Tourism and Moscone District Assessments." Hotels will be required to report TID and MED collections separately on their quarterly filings. Neither the TID nor the MED assessment may be included in the Transient Occupancy Tax billed to the guest. Room revenue generated by hotel guests who made reservations prior to the commencement of the MED, for occupancy after that date, is not exempt from the MED assessment.

For purposes of calculating the MED assessment, "Gross Revenue From Tourist Rooms" means: the consideration received for occupancy valued in money, whether received in money or otherwise, including all receipts, cash, credits, and property of any kind or nature, without any deduction therefrom whatsoever. Gross revenue from tourist rooms includes only the following charges, regardless of how such charges are characterized:

- Charges for a guest room (including non-refundable deposits) regardless of whether the guest uses the room
- Charges for additional guests to occupy the room
- Charges for guaranteeing the availability of a room (sometimes referred to as guaranteed "no-show" charges) regardless of whether the guest uses the room (excluding event attrition fees and event cancellation fees paid by event organizers)

"Gross Revenue From Guest Rooms" does not include:
1. Charges for guest rooms occupied by permanent residents, defined as: "Any occupant as of a given date who has or shall have occupied, or has or shall have the right of occupancy, of any guest room in a hotel for at least 30 consecutive days next preceding such date;"
2. Revenue from the lodging of airline crews (*i.e.*, lodging provided to airline cockpit and/or cabin crews pursuant to an agreement between a hotel and an airline, which is in furtherance of or to facilitate such crews' performance of their jobs for the airline, including layovers between flights);
3. The City's Transient Occupancy Tax collected on the room rent and remitted to the City;
4. Revenue from the San Francisco Tourism Improvement District assessment established in 2008, including any renewals or extensions thereof;
5. Charges for guest rooms located in youth hostels that are owned and operated exclusively by and for non-profit entities;
6. Charges for guest rooms that are subject to the room rate exemption for the San Francisco Transit Occupancy Tax under Article 7, section 506(c) of the San Francisco Business & Tax Regulations Code, as amended from time to time; and
7. Charges for guest rooms located in non-profit, purely private social clubs that make guest rooms available only for the use of their members. The term "purely private social clubs" means non-profit, private membership clubs, whose primary purpose is social, which are owned by a limited membership, and which do not advertise or promote the use of their facilities by the public. Further, entities that allow guest rooms to be occupied by non-members, including via reciprocal arrangements with other clubs or organizations or upon referral of a member, shall not constitute "purely private social clubs" as defined herein.

Exemptions from the transient occupancy tax have no bearing on exemptions related to the MED assessment. The San Francisco Treasurer and Tax Collector's Office will provide a process for reporting and paying the MED assessment.

For more information about the calculation or collection of the MED assessment, please call Loretta Lieberman at 415-554-7339. For general information about the MED, including a copy of the Management Plan, please visit http://www.sftid.com or call SF Travel at 415-227-2605 and ask to speak about the Moscone Expansion District.