City of Sebastopol
Planning Commission Staff Report

Meeting Date: July 14, 2026
Agenda Item: 6A
To: Planning Commission
From: Jane Riley, AICP (Contract)
Subject: Development Agreement Amendment
Recommendation: Staff recommends that the Planning Commission hear staff report and applicant presentations, hold a public hearing, discuss the request, and consider adopting the attached resolution recommending that the City Council approve the Development Agreement Amendment for the Barlow Hotel project to establish a TOT tax sharing rebate program.
Applicant/Owner: Barney Aldridge
File Number: 2026-030
Address: 6782 Sebastopol Ave
CEQA Status: Previous EIR (CEQA 15183)
General Plan: Industrial
Zoning: Commercial Industrial (CM)

Introduction:

The Barlow Hotel project includes the redevelopment of the existing Guayaki industrial building at 6782 Sebastopol Avenue to create a three-storied boutique hotel with up to 83 hotel rooms. Once completed and operational, the hotel is expected to revitalize the downtown commercial area; support local businesses and tourism-related economic activity; and generate about $1M new annual revenue by the 5th year of operation, primarily from Transient Occupancy Taxes (TOT). The Applicant has requested that the approved Development Agreement (DA) for the project be revised to establish a TOT tax rebate, with the funds dedicated to promoting tourism. No other parts of the Development Agreement or the approved project components would be affected and there would be no physical changes to the approved project or the project site.

Background:

On May 6, 2025, the City Council approved a Development Agreement (DA) for the Barlow Hotel development that includes components related to timing, site maintenance, fee reductions and deferrals, and legal and procedural compliance. The DA was signed with the effective date of June 18, 2025, and covers a term of ten years.

Project Description:

The approved Development Agreement (DA) for the Barlow Hotel did not include a TOT-sharing arrangement. Such arrangements or programs are sometimes used in other cities and act as incentives to hotel development, decreasing risks to hotel investors. Many such programs require that some portion of the tax savings be committed to the promotion of tourism in the respective cities. The Applicant has requested that the existing DA be amended to add a 50% TOT rebate for 120 months (10 years) after the hotel opens (see Application Letter, *Attachment A*). The rebated amount would be utilized by the applicant to actively promote tourism in the City of Sebastopol, and to establish the Barlow Hotel as a premier regional destination. After the 10-year period, all TOT revenues would flow directly to the City in perpetuity.

Sebastopol Municipal Code Section 17.440 (Development Agreements) requires that the City make specific findings to approve a DA, and requires that amendments to a DA be made through the same process as used to establish the Agreement. For this reason, the Planning Commission must review the proposal and determine whether the requested revision to the DA will continue to provide sufficient benefit to the City to justify entering into the Agreement. The Planning Commission's role is advisory to the City Council.

Analysis

In their 2025 approval of the DA for the Barlow Hotel project, the Planning Commission and City Council considered several fiscal reports and analyses including the April 22, 2024 Economic and Tax Impact Letter Report prepared by RRC Associates on behalf of the applicant, and the February 11, 2025 Barlow Hotel Fiscal Impact Analysis prepared by EPS on behalf of the City. The two studies used different methodologies and assumptions to calculate expected revenues from taxes and tourism spending, with the EPS Report using more conservative assumptions and generating more conservative results. The largest revenue generator from the Barlow Hotel would be from TOT, and while approval of the request would mean a decrease in TOT revenues for 10 years, the City would still realize the projected increases in sales taxes and local spending. *Table 1* below reflects the difference in projected revenue to the City. *Table 2* provides additional details about assumptions and is provided as *Attachment B*. The "Fiscal Analysis" section of the March 2025 Staff Report is provided as *Attachment C*.

Table 1: Simplified Table Reflecting Expected Change in City Revenues with 50% TOT Rebate

Fiscal Projections	Existing Approved Project & DA		Requested DA Amendment @ 50% TOT share	
	RRC & Associates	EPS (conservative)	RRC & Associates	EPS (conservative)
TOT	$1,548,000	$654,372	$774,000	$327,186
Sales Tax to City	$350,000	$31,087	$350,000	$31,087
Gross Guest Spend in Sebastopol	$23,400,000	Not Estimated	$23,400,000	Not Estimated
Gross RETAIL only Guest Spend in Sebastopol	$2,000,000	$1,320,000	$2,000,000	$1,320,000
Subtotal – Fiscal Benefit to City	$1,898,000	$685,459	$1,124,000	$358,273

<u>General Plan and Zoning Consistency</u>:
There are many General Plan policies that are applicable to the Barlow Hotel project proposal, including the goals and policies of the Land Use, Circulation, Community Services & Facilities, Conservation & Open Space, Community Design, and Economic Vitality Elements.
The Barlow Hotel project is consistent with the Sebastopol General Plan. It meets the goals of increasing the City's tax base, increases its role as a tourism hub for the west county by providing

accommodations for visitors, and increases the City's fiscal base. It provides the amenities necessary to support tourism in a location and with a pedestrian orientation that is designed to increase spending both in The Barlow and within the adjacent Downtown. It promotes the Laguna de Santa Rosa as an important natural resource and tourism destination. Each of the project's components are uses permitted or conditionally permitted by the Zoning Code.

Analysis and Conclusion. The proposal remains consistent with the Sebastopol General Plan, as discussed above. The project size, design, and operation are appropriate for its location within The Barlow, adjacent to downtown Sebastopol and providing convenient access and service to visitors. The hotel construction and operation are regulated by a Development Agreement which is required to be reviewed annually, as well as by project conditions of approval to protect the public health, safety, and general welfare of residents and visitors alike

Required Findings:
Pursuant to Municipal Code Section 17.440.070, the Commission's recommendation must include the findings that the proposal:

A. Is consistent with the objectives, policies, general land uses and programs specified in the General Plan and any applicable specific plan.
B. Is compatible with the uses authorized in, and the regulations prescribed for, the district in which the real property is located.
C. Is in conformity with public convenience, general welfare and good land use practice.
D. Will not be detrimental to the public health, safety and general welfare.
E. Will not adversely affect the orderly development of property.
F. Will provide sufficient benefit to the City to justify entering into the agreement.

The Commission made each of these findings in their March 25, 2025 Resolution recommending approval of the Barlow Hotel project to the City Council. For the current request, the Commission should again consider finding F. and determine whether the requested addition of the TOT tax rebate program and sharing of TOT revenues for 120 months, with funds directed to actively promoting tourism, would continue to provide sufficient benefit to the City to justify their entry into the Development Agreement. Findings for approval are included in the attached Draft Resolution recommending approval of the request to the City Council.

Environmental Review:
The project was originally approved using the Section 15183 review process and statutory exemption dictated by California Environmental Quality Act (CEQA) for projects that are consistent with the General Plan and its certified Environmental Impact Report (EIR). This approval is still valid. Granting of the request to add a TOT rebate program to the DA would not change any of the project impacts analyzed in the CEQA documentation and no physical changes are proposed. The revision to the Development Agreement does not require further CEQA review.

Public Comment:
No public comments have been received as of the writing of this staff report.

Recommendation:
If it is the consensus of the Planning Commission that the proposed amendment to the DA continues to provide sufficient benefit to the City to justify entering into the Development Agreement, they should adopt the attached resolution recommending approval of the amendment to the City Council.

Attachments:
Draft Resolution
A – Application Letter, including language to be added to DA
B – Table 2, Comprehensive Comparison
C – Fiscal Impact Analysis from 2025 Staff Report
D – RRC Associates Report dated April 22, 2024
E – EPS Report dated February 11, 2025

RESOLUTION NO. 2026-XX

A RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF SEBASTOPOL RECOMMENDING THE CITY COUNCIL APPROVE AN AMEDNEMT TO THE DEVELOPMENT AGREEMENT FOR THE BARLOW HOTEL DEVELOPMENT TO ESTBALISH A TOT TAX REBATE PROGRAM

WHEREAS, Highway Partners LLC, Sebastopol Industrial Park LLC, and Barlow Star LLC (collectively "Applicant") have proposed to develop a hotel at 6782 Sebastopol Avenue, with related overflow and valet parking facilities at 385 Morris Street (the "Project"); and

WHEREAS, the Project will include a single, 69,934 square foot structure, consisting of up to 83 guest rooms, a meeting room and a conference room, retail space, spa, lobby restaurant, rooftop pool and deck, and rooftop cafe; and

WHEREAS, the Project will replace the existing 36,402 square foot Guayaki building at 6782 Sebastopol Avenue; and

WHEREAS, the Project is situated adjacent to the downtown within the Barlow market district, which is a destination for Sebastopol-area residents as well as visitors to the area; and

WHEREAS, the Project Site has a land use designation of Limited Industrial, which allows for a hotel development as well as parking facilities; and

WHEREAS, the Hotel Site is zone Commercial Industrial which allows hotels, and accessory uses, as a conditionally permitted use; and

WHEREAS, the approved Development Agreement for the Barlow Hotel establishes the terms and conditions for development of the Project, and strengthens the planning process, encourages comprehensive planning, reduces uncertainty and costs in the development review process, and incorporates each of the land use entitlements that would otherwise be required in absence of the Development Agreement, which consist of:

- A use permit for the hotel;
- A use permit for the sale of alcohol at the hotel;
- A tree removal permit for the removal of a tree on the Hotel Site;

- A use permit for offsite parking and valet parking at the Parking Lot Site;
- A use permit for the construction of a parking lot in the ESOS Zoning District and approval of ESOS setback reduction from 100' to 50';
- Design review for the Project;

WHEREAS, the Applicant has requested the City amend the development agreement to add a transient occupancy tax (TOT) tax sharing agreement for 120 months following the opening of the hotel, under which 50% of the TOT generated by the hotel would be rebated to the Applicant, to be utilized to actively promote tourism in the City of Sebastopol and establish the Barlow Hotel as a regional destination

WHEREAS, the Project is expected to generate substantial tax revenue for the City, through increased sales tax, property tax receipts, and the remaining 50% of TOT; and

WHEREAS, guests at the hotel will shop locally, which will create an economic benefit for local businesses; and

WHEREAS, in 2016, the Sebastopol City Council certified an Environmental Impact Report for the 2016 Sebastopol General Update (SCH#2016032001) (the "General Plan EIR"), which is incorporated herein by reference; and

WHEREAS, a hotel of up to 90 rooms within the Limited Industrial land use designation was anticipated and studied by the General Plan EIR; and

WHEREAS, pursuant to California Environmental Quality Act ("CEQA") Regulation Section 15183, when a project is consistent with a general plan for which an EIR was certified, no additional environmental review is necessary; and

WHEREAS, the proposal to amend the DA to add a TOT tax rebate does not involve any physical change to the project or the site, and further review under CEQA is not required; and

WHEREAS, the Planning Commission has determined that the Development Agreement will (1) ensure the productive use of property and foster orderly growth and quality development in the City; (2) allow development of the Project to proceed in accordance with the goals and policies set forth in the Sebastopol General Plan and will implement the City's stated General Plan policies; (3) facilitate the City receiving increased tax revenues that can be used for a variety of purposes; and (4) benefit local business by bringing more visitors to the City.

NOW, THEREFORE, BE IT RESOLVED that the Planning Commission of the City of Sebastopol that the above recitals are true and correct and made part of this resolution.

BE IT FURTHER RESOLVED that the Planning Commission recommends that the City Council find that Project is consistent with the General Plan EIR previously certified by the City, that there are no impacts peculiar to the Project or its site that were not analyzed in the General Plan EIR, and that no additional environmental review is required for the Project pursuant to pursuant to CEQA Guidelines.

BE IT FURTHER RESOLVED THAT the Planning Commission hereby recommends that the City Council adopt an ordinance to approve the proposed amendment to the Development Agreement, as shown in attached **Exhibit A,** based on the following findings and considering the staff report and the whole of the record related to the Project:

A. The Development Agreement continues to be consistent with the objectives, policies, general land uses and programs specified in the General Plan and any applicable specific plan.

B. The Development Agreement continues to be compatible with the uses authorized in, and the regulations prescribed for, the district in which the real property is located.

C. The Development Agreement continues to be in conformity with public convenience, general welfare and good land use practice.

D. The Development Agreement, as amended, will not be detrimental to the public health, safety and general welfare.

E. The Development Agreement, as amended, will not adversely affect the orderly development of property.

F. The Development Agreement, as amended to add the TOT tax sharing program with funds dedicated to the active promotion of tourism in Sebastopol, will continue to provide sufficient benefit to the City to justify entering into the agreement.

The above and foregoing Resolution was duly passed, approved and adopted at a meeting by the Planning Commission on the 14th day of July, 2026 by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

Certified: ___________________________

Jane Riley, Interim Planning Director

EXHIBIT A

Barlow Hotel
Development Agreement Amendment (2026-030)
6782 Sebastopol Ave (APN 004-750-030)

<u>Proposed Amendments to the Development Agreement</u>
The revisions to the Development Agreement are limited to adding two new sections: a definition of the term Uniform Transient Occupancy Tax and Section 7.5.5. which adds the tax rebate. No other amendments are proposed to the Development Agreement.

1.26 "Uniform Transient Occupancy Tax" means the tax collected under Municipal Code Section 3.12.030.

Section 7.5.5. <u>Uniform Transient Occupancy Tax Rebate</u>. In exchange for all of the benefits provided by this Development Agreement and the Project to the City, the City shall rebate a portion of the Uniform Transient Occupancy Tax collected from the Project. The City shall rebate 50% of the 12% tax that is levied through the Uniform Transient Occupancy Tax and provided to the City. In the event that the City increases the Uniform Transient Occupancy Tax, the City shall have no obligation to rebate any amount attributable to the portion of the Uniform Transient Occupancy Tax greater than the 12% tax rate. The rebate will commence upon occupancy of the hotel and continue for a period of 10 years. The Uniform Transient Occupancy Tax will be levied and submitted to the City and the City shall remit 50% of the 10% of the tax to the payee of the tax. The payee of the tax and/or the Developer or its Successor shall use the remitted tax funds for advertisement of tourism in the City of Sebastopol, including the Barlow Hotel as a destination in the City of Sebastopol. The City may request, and payee of tax shall provide, documentation of how the remitted tax funds were spent for such purposes, but the City shall have no authority to direct such spending.

City of Sebastopol
Planning Department
7120 Bodega Avenue
Sebastopol, CA 95472
(707) 823-6167

MASTER PLANNING APPLICATION FORM

APPLICATION TYPE

☐ Administrative Permit Review	☐ Lot Line Adjustment/Merger	☐ Temporary Use Permit
☐ Alcohol Use Permit/ABC Transfer	☐ Preapplication Conference	☐ Tree Removal Permit
☐ Conditional Use Permit	☐ Preliminary Review	☐ Variance
☐ Design Review	☐ Sign Permit	☐ Other Dev Agreement Amendment

This application includes the checklist(s) or supplement form(s) for the type of permit requested: ☐ Yes ☐ No

REVIEW/HEARING BODIES

☐ Staff/Admin ☐ Design Review/Tree Board ☒ Planning Commission ☒ City Council ☐ Other_______

APPLICATION FOR

Street Address: 6782 Sebastopol Ave, Sebastopol CA 95472	Assessor's Parcel No(s): 004750-030
Present Use of Property: Existing commercial warehouse space.	Zoning/General Plan Designation: CM (Residential Transient)

APPLICANT INFORMATION

Property Owner Name: Highway Partners, LLC	
Mailing Address: 6780 Depot Street, Suite 110	Phone: 707.484.8020
City/State/ZIP: Sebastopol, CA 95472	Email: barney@aldridgedevelopment.net
Signature:	Date:
Authorized Agent/Applicant Name:	
Mailing Address:	Phone:
City/State/ZIP:	Email:
Signature:	Date:
Contact Name *(If different from above)*:	Phone/Email:

PROJECT DESCRIPTION AND PERMITS REQUESTED (ATTACH ADDITIONAL PAGES IF NECESSARY)

The Barlow Hotel is a transient residential building with amenity/commercial spaces of Type III-A Wood Construction. The project consists of 77 guest rooms, entry courtyard, ground floor breakfast café and cocktail bar, meeting and conference room space, a premier wellness spa and courtyard, and a rooftop deck with pool and café/bar. Included in this proposed development is a parking lot improvement plan off Morris Street.

The requested amendment to the Development Agreement is in the attached written

CITY USE ONLY

Fill out upon receipt:		Action:		Action Date:
Application Date:		Staff/Admin:		Date:
Planning File #:		Planning Director:		Date:
Received By:		Design Review/Tree Board:		Date:
Fee(s):	$	Planning Commission:		Date:
Completeness Date:		City Council:		Date:

SITE DATA TABLE

If an item is not applicable to your project, please indicate "Not Applicable" or "N/A" in the appropriate box; do not leave cells blank.

SITE DATA TABLE	REQUIRED / ZONING STANDARD	EXISTING	PROPOSED
Zoning	N/A		CM (Residential Transient)
Use	N/A		
Lot Size			50,530 SF
Square Feet of Building/Structures *(if multiple structures include all separately)*			73,279 GROSS SF
Floor Area Ratio (F.A.R)	____.________FAR	____.________FAR	____.________FAR
Lot Coverage	____________% of lot	____________% of lot	____________% of lot
	______________sq. ft.	______________sq. ft.	______________sq. ft.
Parking			73 at Hotel/Market. 232 at Parking Lot
Building Height			55'-0" w/ CUP Approval
Number of Stories			4 stories
Building Setbacks – Primary			
Front			
Secondary Front Yard (corner lots)			
Side – Interior			
Rear			
Building Setbacks – Accessory			
Front			
Secondary Front Yard (corner lots)			
Side – Interior			
Rear			
Special Setbacks *(if applicable)*			
Other (________________________)			
Number of Residential Units	______Dwelling Unit(s)	______Dwelling Unit(s)	_______Dwelling Unit(s)
Residential Density	1 unit per______ sq. ft.	1 unit per______ sq. ft.	1 unit per_______ sq. ft.
Useable Open Space	_____________sq. ft.	_____________sq. ft.	_____________sq. ft.
Grading	Grading should be minimized to the extent feasible to reflect existing topography and protect significant site features, including trees.	N/A	Total: ________ cu. yds Cut: _______ cu. yds. Fill: _______ cu. yds. Off-Haul: ______cu. yds
Impervious Surface Area	N/A	____________% of lot	____________% of lot
		______________sq. ft.	______________sq. ft.
Pervious Surface Area	N/A	____________% of lot	____________% of lot
		______________sq. ft.	______________sq. ft.

CONDITIONS OF APPLICATION

1. All Materials submitted in conjunction with this form shall be considered a part of this application.
2. This application will not be considered filed and processing may not be initiated until the Planning Department determines that the submittal is complete with all necessary information and is "accepted as complete." The City will notify the applicant of all application deficiencies no later than 30 days following application submittal.
3. The property owner authorizes the listed authorized agent(s)/contact(s) to appear before the City Council, Planning Commission, Design Review/Tree Board and Planning Director and to file applications, plans, and other information on the owner's behalf.
4. The Owner shall inform the Planning Department in writing of any changes.
5. **INDEMNIFICATION AGREEMENT:** As part of this application, applicant agrees to defend, indemnify, release and hold harmless the City, its agents, officers, attorneys, employees, boards, committees and commissions from any claim, action or proceeding brought against any of the foregoing individuals or entities, the purpose of which is to attack, set aside, void or annul the approval of this application or the adoption of the environmental document which accompanies it or otherwise arises out of or in connection with the City's action on this application. This indemnification shall include, but not be limited to, damages, costs, expenses, attorney fees or expert witness fees that may be asserted by any person or entity, including the applicant, arising out of or in connection with the City's action on this application, whether or not there is concurrent passive or active negligence on the part of the City.

   If, for any reason, any portion of this indemnification agreement is held to be void or unenforceable by a court of competent jurisdiction, the remainder of the agreement shall remain in full force and effect.

   NOTE: The purpose of the indemnification agreement is to allow the City to be held harmless in terms of potential legal costs and liabilities in conjunction with permit processing and approval.
6. **REPRODUCTION AND CIRCULATION OF PLANS:** I hereby authorize the Planning Department to reproduce plans and exhibits as necessary for the processing of this application. I understand that this may include circulating copies of the reduced plans for public inspection. Multiple signatures are required when plans are prepared by multiple professionals.
7. **NOTICE OF MAILING:** Email addresses will be used for sending out staff reports and agendas to applicants, their representatives, property owners, and others to be notified.
8. **DEPOSIT ACCOUNT INFORMATION:** Rather than flat fees, some applications require a 'Deposit'. The initial deposit amount is based on typical processing costs. However, each application is different and will experience different costs. The City staff and City consultant time, in addition to other permit processing costs, (i.e., legal advertisements and copying costs are charged against the application deposit). If charges exceed the initial deposit, the applicant will receive billing from the City's Finance department. If at the end of the application process, charges are less than the deposit, the City Finance department will refund the remaining monies. Deposit accounts will be held open for up to 90 days after action or withdrawal for the City to complete any miscellaneous clean up items and to account for all project related costs.
9. **NOTICE OF ORDINANCE/PLAN MODIFICATIONS:** Pursuant to Government Code Section 65945(a), please indicate, by checking the boxes below, if you would like to receive a notice from the City of any proposal to adopt or amend any of the following plans or ordinances if the City determines that the proposal is reasonably related to your request for a development permit:

☐ A general plan	☐ A specific plan
☑ An ordinance affecting building permits or grading permits	☐ A zoning ordinance

Certification

I, the undersigned owner of the subject property, have read this application for a development permit and agree with all of the above and certify that the information, drawings and specifications herewith submitted are true and correct to the best of my knowledge and belief and are submitted under penalty of perjury. I hereby grant members of the Planning Commission, Design Review Board and City Staff admittance to the subject property as necessary for processing of the project application.

Property Owner's Signature: ________________________________ **Date:**____________________

I, the undersigned applicant, have read this application for a development permit and agree with all of the above and certify that the information, drawings and specifications herewith submitted are true and correct to the best of my knowledge and belief and are submitted under penalty of perjury.

Applicant's Signature:____________________________________ **Date:**______________________

NOTE: It is the responsibility of the applicant and their representatives to be aware of and abide by City laws and policies. City staff, Boards, Commissions, and the City Council will review applications as required by law; however, the applicant has responsibility for determining and following applicable regulations.

Neighbor Notification

In the interest of being a good neighbor, it is highly recommended that you contact those homes or businesses directly adjacent to, or within the area of your project. Please inform them of the proposed project, including construction activity and possible impacts such as noise, traffic interruptions, dust, larger structures, tree removals, etc.

Many projects in Sebastopol are remodel projects which when initiated bring concern to neighboring property owners, residents, and businesses. Construction activities can be disruptive, and additions or new buildings can affect privacy, sunlight, or landscaping. Some of these concerns can be alleviated by neighbor-to-neighbor contacts early in the design and construction process.

It is a "good neighbor policy" to inform your neighbors so that they understand your project. This will enable you to begin your construction with the understanding of your neighbors and will help promote good neighborhood relationships.

Many times, development projects can have an adverse effect on the tranquility of neighborhoods and tarnish relationships along the way. If you should have questions about who to contact or need property owner information in your immediate vicinity, please contact the Building and Safety Department for information at (707) 823-8597, or the Planning Department at (707) 823-6167.

I have informed site neighbors of my proposed project: ☒ Yes ☐ No

If yes, or if you will inform neighbors in the future, please describe outreach efforts:

Public notice was given during the original planning approval process. Planning Commission posters mounted, letters sent, local business informed and advised to participate (which they did!). We also hosted two community meetings.

Website Required for Major Projects

Applicants for major development projects (which involves proposed development of **10,000 square feet of new floor area or greater, or 15 or more dwelling units/lots),** are required to create a project website in conjunction with submittal of an application for Planning approval (including but not limited to Subdivisions, Use Permits, Rezoning, and Design Review). Required information may be provided on an existing applicant web site.

The website address shall be provided as part of the application. The website shall be maintained and updated, as needed until final discretionary approvals are obtained for the project.

Such website shall include, at a minimum, the following information:

- √ Project description
- √ Contact information for the applicant, including address, phone number, and email address
- √ Map showing project location
- √ Photographs of project site
- √ Project plans and drawings

Website is live!

https://thebarlowhotel.net/

Planning Application Supplemental Letter

The applicant seeks to revise the Development Agreement to establish a Transient Occupancy Tax (TOT) tax rebate to ensure project feasibility in a uniquely challenging capital market, while dedicating these funds to actively promote tourism in the City of Sebastopol and establish The Barlow Hotel as a premier regional destination.

The requested amendment proposes a rebate of 50% of the collected Uniform Transient Occupancy Tax for a fixed term of 10 years (120 months) following the opening of the hotel. This amendment is supported by the project's baseline fiscal evaluations: the Barlow Hotel Fiscal Impact Analysis (EPS, Feb. 11, 2025) and the Economic and Tax Impact Letter Report (RRC Associates, April 22, 2024).

Securing the funding required to build a new hotel from the ground up is exceptionally difficult in today's economic climate. High interest rates have materially impacted the project's financial feasibility. To move forward, the project relies strictly on a public-private partnership with the City. Amending the Development Agreement is a direct prerequisite to continuing our architectural and engineering work and starting construction. Without this partnership, the project will be forced to pause all operations and enter an indefinite holding pattern. Conversely, approving this amendment provides the financial certainty needed to lock in investment and targets a building permit submittal this fall and groundbreaking as early as this Winter.

While this temporary tax rebate helps bridge extreme financing and start-up costs, it creates substantial, fully incremental revenue for the City of Sebastopol. Because the hotel replaces an underutilized storage warehouse that is closed to the public, it will not displace or reduce any existing city tax revenue. The positive economic impacts include:

1. Retained Hotel Tax (TOT): Even during the 10-year rebate period, the City retains 50% of all collected transient occupancy taxes. Under a conservative baseline model assuming a $300 room rate and 60% occupancy, the hotel will generate $654,372 in annual TOT, meaning the City directly keeps $327,186 annually. If the hotel reaches its stabilized luxury targets of a $575 room rate and 70% occupancy, total hotel tax generation climbs to $1.548 million per year, injecting over $774,000 annually into the City's General Fund. Once the 10-year term concludes, 100% of this tax rolls to the City in perpetuity.
2. New Visitor Spending: Once operational, hotel guests are projected to spend $31.4 million annually. This includes $23.4 million spent directly within Sebastopol on restaurants, retail, and entertainment, plus an additional $8 million spent elsewhere throughout Sonoma County, boosting the regional tourism economy.
3. Increased Local Tax Volume: This surge in local shopper activity acts as an economic multiplier. It is projected to generate between $31,087 and $350,000 in net new annual

Sales Taxes directly for Sebastopol, depending on the final baseline versus stabilized guest spending patterns and local tax measures.

4. Net Positive Fiscal Impact: After accounting for all newly introduced city expenses required to serve the hotel (such as public works, police, and planning), the project is projected to still yield a net positive fiscal surplus to the City General Fund of $672,660 to $676,061 every year.

<u>Proposed Amendments to the Development Agreement</u>
The revisions to the Development Agreement are limited to adding two new sections: a definition of the term Uniform Transient Occupancy Tax and Section 7.5.5. which adds the tax rebate. No other amendments are proposed to the Development Agreement.

1.26 "Uniform Transient Occupancy Tax" means the tax collected under Municipal Code Section 3.12.030.

Section 7.5.5. <u>Uniform Transient Occupancy Tax Rebate</u>. In exchange for all of the benefits provided by this Development Agreement and the Project to the City, the City shall rebate a portion of the Uniform Transient Occupancy Tax collected from the Project. The City shall rebate 50% of the 12% tax that is levied through the Uniform Transient Occupancy Tax and provided to the City. In the event that the City increases the Uniform Transient Occupancy Tax, the City shall have no obligation to rebate any amount attributable to the portion of the Uniform Transient Occupancy Tax greater than the 12% tax rate. The rebate will commence upon occupancy of the hotel and continue for a period of 10 years. The Uniform Transient Occupancy Tax will be levied and submitted to the City and the City shall remit 50% of the 10% of the tax to the payee of the tax. The payee of the tax and/or the Developer or its Successor shall use the remitted tax funds for advertisement of tourism in the City of Sebastopol, including the Barlow Hotel as a destination in the City of Sebastopol. The City may request, and payee of tax shall provide, documentation of how the remitted tax funds were spent for such purposes, but the City shall have no authority to direct such spending.

Attachment B

Table 2: Comprehensive Comparison

	RRC Associates Economic Impact Report - 4/22/24	EPS Fiscal Impact Analysis - 2/11/25	Average of RRC & EPS	Adjusted ***average*** for the currently proposed 77-Room Barlow Hotel
Room Count	83 rooms	83 rooms	83 rooms	77 rooms
Projected Occupancy	70% (Projected Stabilization)	60%	65%	65%
Average Daily Rate (ADR)	$575	$300	$437.50	$437.50
Annual Room Nights Sold	21,207 room nights	18,177 room nights	19,692 room nights	18,268 room nights
Annual Local GROSS Guest Spend (Sebastopol)	$23.4 Million (Gross total spent citywide)	Not Estimated - Estimated taxable Retail categories only.	N/A	N/A
Annual Gross Retail-Only Guest Spend	$2.0 Million	$1.32 Million	$1.66 Million	$1.54 Million
Annual Regional Guest Spend (Sonoma Co.)	$8.0 Million spent outside city limits	N/A	N/A	$7.42 Million (Used RRC logic with reduced room count and occupancy)
Gross Hotel Tax (TOT) Yield (12%)	$1,548,000 annually	$654,372 annually	$1,101,186 annually	$1,021,556 annually
Gross Sales Tax Yield to Sebastopol	$350,000 annually	$27,632 to $31,087 annually	$189,186 annually (Using EPS Option A)	$175,511 annually
Accounted Municipal / Operations Costs	Not Estimated	$74,960 in annual service costs	$74,960 (EPS data only)	$69,534 (Scaled EPS logic)
Net New Annual General Fund Impact	Only estimated GROSS Annual Gross Tax Generation at $2,078,000 - 19.3% of 2023/24 General Fund Budget	$672,660 to $676,061 - **Net** Surplus	N/A (RRC did not subtract city costs)	N/A (RRC did not subtract city costs)

Fiscal Analysis from March 2025 Staff Report

Upon completion, the Barlow Hotel is expected to bring significant fiscal benefits to the City by generating substantial tax revenue, particularly Transit Occupancy Tax (TOT), as well as increased property and sales taxes.

This analysis is based on two studies, one by RRC Associates provided by the Applicant and one by Economic and Planning Systems (EPS) that was commissioned by the City (see Attachments C and D). These studies were informed by an analysis of the project by HVS Global Hospitality Services, which specializes in the hotel industry (Attachment E). Our best professional judgment is that all three firms are credible, although there is significant variation between the RRC and EPS estimates.

In general, the RRC study provides higher projected revenues to the City and the EPS Study provides significantly more conservative figures, explained below. Study estimates of the projected financial benefits to the City are shown in Table 3 below. Note that they assume that the hotel is fully operational, which is expected to take about five years from opening. The projections below exclude the Barlow Hotel's impact on the City's public service costs, estimated by EPS to increase by about $84,000 per year.

Table 3: Comparison of Projected Annual Revenues from the Barlow Hotel

	TOT	Property Tax*	Sales Tax**	Total
RRC Associates	$1,548,000	$180,000	$350,000	$2,078,000
EPS	$891,000	$54,000	$34,200	$979,200

*Reported as the incremental property tax over the industrial/office building currently on the project site.

**The EPS sales tax estimate is mid-way between estimates that vary based on assumptions regarding future Measure U revenue. The RRC Associates estimate did not consider Measure U, which had not been proposed at the time of their study.

The primary source of tax revenue identified in both studies is Transit Occupancy Tax, or TOT. However, the EPS projections are significantly more conservative than those provided by RRC due to differences in assumptions for the average annual room rate (both studies assume an occupancy rate of 70 percent). RRC assumes a nightly rate of $575 per room, citing the HVS analysis. EPS sets the rate at a more conservative $350 per room-night. Presently, hotel rooms in Sonoma County average $200 per room-night, with luxury-class accommodations around $370 per room-night.

The property tax estimates in the two studies also differ widely. This is because the two firms used significantly different assumptions on the value of the hotel at completion. RRC estimates the value at $90.3 million, while EPS estimates the value at $35 million based on its size and likely market performance. RRC cites the HVS analysis for this value.

The sales tax estimates differ even more widely. RRC estimates that the hotel's guests will generate annual sales of $23.4 million in Sebastopol (including at the hotel); EPS estimates this benefit at $4 million.1 The reason for this substantial discrepancy is different sources for spending data and approaches in classifying taxable retail sales. RRC attributes the $23.4 million spending total to the HVS study and assumes that 85 percent would be taxable. EPS bases their estimate on 2023 visitor spending data from the Sonoma County Economic Development Board and assumes that 36 percent is taxable (as the spending is mainly lodging and transportation).

Fees. The Barlow Hotel is subject to $933,740 in one-time fees payable to the City, including $417,042.88 in processing fees (see *Table 4*, below) and $516,697.66 in impact fees (see *Table 5*, below). Processing fees cover the costs of City staff time to process the project's various applications, entitlements, plan checks and inspections. Impact fees address the impact of the development on City services related to traffic, parks, community facilities, water and sewer systems, and so on. The amount of the fees will remain fixed until July 1, 2026. Thereafter, the fees will increase by the same percentage as the City's fee scheduled. The final amount of the fees will be set when building permits are pulled for the project.

The above figures include credits that staff is proposing be granted toward the Parks impact fees for the development of the Laguna Overlook with promenade, benches, and interpretive signs, as well as for the dedication for the existing AmeriCorps Trail and the permanent open space easement over the Laguna portion of the batch plant site (full credit toward Parks fee to be granted). It also includes a recommended credit of $51,727 (half the value of the cost of the improvements) toward the Traffic Impact Fees due to the provision of a high-visibility pedestrian crossing at Laguna Park Way and Morris Street. Providing such credits for on-site or nearby improvements is a common practice because the developer is directly providing the types of improvements and mitigation measures that impact fees from the project would otherwise be used to fund. The applicable fees without credits, the amount of the recommended credits, and the final level of proposed impact fees are shown in *Table 5*, below.

Table 4: Processing Fees Expected from Barlow Hotel

Barlow Hotel	Processing Fees
Permit Processing and Engineering Fees[1]	
Building (Hotel Facility) Portion of Project	
Subtotal-Processing Fees (Building)	$392,079.82
Parking Lot Portion of Project	
Subtotal-Processing Fees (Parking Lot)	$24,963.06
TOTAL - PROCESSING FEES	**$417,042.88**
1) Public Art Fee to be evaluated separately; Developer to either meet % requirement in art equivalent or pay same value in lieu fees.	

The developer has requested a phased payment of the development fees, in equal monthly installments over five years after the hotel opens. The City and developer agreed to similar arrangements when The Barlow was developed, and the developer met the obligations. This is a policy decision for the City Council; staff is supportive of the request.

Table 5: Impact Fees Estimate for Barlow Hotel

Barlow Hotel	Fees	Value of In Lieu Improvements	Applicable Impact Fees
Traffic Impact	$229,112.00	$51,727.00	$177,385.00
Park Land and Development	$309,258.00	$309,258.00	$0.00
General Government	$6,358.00		$6,358.00
Fire Facilities	$10,528.00		$10,447.00
General Plan Update	$15,106.66		$15,106.66
Storm Water	$28,800.00		$28,800.00
Water Connection Fee	$172,434.00		$172,434.00
Sewer Connection Fee	$106,167.00		$106,167.00
TOTAL - IMPACT FEES	**$877,763.66**	**$360,985.00**	**$516,697.66**

April 22, 2024

Barney Aldridge and Justin Allamano
Aldridge Development
6780 Depot Street #110
Sebastopol, CA 95472

Via email: barney@aldridgedevelopment.net, justin@aldridgedevelopment.net

Dear Barney and Justin:

This letter summarizes the estimated economic and tax impacts of the proposed Barlow Hotel to the City of Sebastopol and Sonoma County. The analysis has been conducted by RRC Associates, and is based on a review of the proposed hotel development; tourism, economic, and fiscal information for Sebastopol and the region; and other data and specified assumptions.

Development Program and Operating Assumptions

The project would be a boutique, full-service hotel with 83 hotel rooms in an array of sizes, along with retail, restaurant, bar, spa, meeting room, rooftop pool and bar, and other spaces and amenities. The hotel would be located at 6782 Sebastopol Avenue in The Barlow district.

The hotel would replace a 36,402 square foot industrial building which is currently leased by Guayaki Yerba Mate and is not open to the public. The existing building is currently primarily used for storage by the tenant and its sublessee tenants. Redevelopment of the property into a hotel is unlikely to displace much employment, sales, or other economic activity, given that the space is not intensively used, the primary tenant has expressed interest in moving regardless of the redevelopment, and business activity by subtenants which is displaced may be relocated to other spaces in The Barlow.

It is also assumed that the Barlow Hotel would not displace economic activity occurring at other businesses in Sebastopol, due to the uniqueness of development and its offerings within the marketplace. Indeed, by adding vibrancy to the area, the Hotel will likely have positive externalities that simulate additional incremental economic activity in The Barlow and the downtown area.

As such, it is assumed that economic activity generated by the Barlow Hotel would be fully incremental, and there is not need to net out any displaced economic activity.

Based on an April 2024 market study conducted by HVS, this economic analysis assumes that the Barlow Hotel would have an annual average occupancy rate of 70% upon project stabilization in 2030, and an average daily rate of $575 (expressed in 2023 dollars; see Figure 1 to follow).

Figure 1: Barlow Hotel Operating Assumptions Upon Project Stabilization (2030)*

Barlow Hotel Operating Assumptions
83 Rooms
70% Occupancy Rate
$575 Average Daily Rate
21,207 Annual Room Nights

*Average Daily Rate is expressed in 2023 dollars (as if project were stabilized in 2023). Source: HVS.

Hotel Guest Spend and Economic Impact

Upon project stabilization, guests staying at the Barlow Hotel are projected to spend $31.4 million annually (net of taxes), including $23.4 million in Sebastopol and $8 million elsewhere in Sonoma County.

This spending by Barlow Hotel guests is projected to directly generate $9.8 million in labor income and support 210 jobs in Sonoma County (Figure 2). These estimates are derived from income:sales and income:job ratios for Sonoma County which are available from federal statistical data sources.

Figure 2: Barlow Hotel – Projected Annual Direct Economic Impacts in Sonoma County Upon Project Stabilization (2030)*

Measure	Direct Impact
Visitor spend (net of taxes)	$31,400,000
Personal Income	$9,800,000
Jobs	210

*Visitor spend and personal income are expressed in 2023 dollars (as if project were stabilized in 2023). Source: RRC. Personal income and jobs are derived from guest spend using income:receipts ratios and jobs:income ratios by industry sector in Sonoma County, as estimated from datasets from the US Bureau of Economic Analysis, US Economic Census, and US Census County Business Patterns.

Spending by Barlow Hotel guests is projected to occur across an array of commodities, including rooms and resort fees ($12.9 million), food and beverage services ($7.1 million), retail stores ($4 million), arts/entertainment/recreation ($3.8 million), local transportation and gas ($2.2 million), food stores ($1 million), and air transportation ($400,000). Spend is projected to occur both within the hotel and at other businesses in Sebastopol and Sonoma County.

Figure 3: Barlow Hotel – Projected Annual Guest Spend (Net of Taxes) Upon Project Stabilization (2030)*

	Barlow Hotel: Annual Guest Spend		
Commodity	In Sebastopol	Elsewhere in county	Sonoma Co. Total
Accommodations	$12,200,000	$0	$12,200,000
Resort Fee	$700,000	$0	$700,000
Food Service	$5,000,000	$2,100,000	$7,100,000
Arts, Entertainment & Recreation	$1,900,000	$1,900,000	$3,800,000
Retail Sales	$2,000,000	$2,000,000	$4,000,000
Local Transportation & Gas	$1,100,000	$1,100,000	$2,200,000
Food Stores	$500,000	$500,000	$1,000,000
Visitor Air Transportation	$0	$400,000	$400,000
TOTAL	**$23,400,000**	**$8,000,000**	**$31,400,000**

*Guest spend is expressed in 2023 dollars (as if project were stabilized in 2023). Source: RRC, as informed by 2022 Sonoma County visitor economic impacts (Dean Runyan Associates) and 2024 HVS Barlow Hotel Study.

In addition to this spend by guests, the Barlow Hotel itself is also expected to generate spending by non-lodging guests (including Sebastopol residents and visitors not staying in the hotel), on items like food, beverage and spa services provided by the Barlow Hotel. For conservatism, however, these additional impacts are excluded from the analysis.

In addition to the direct impacts summarized above, the Barlow Hotel is also projected to generate additional economic impacts, including the following:

- Ongoing multiplier impacts triggered by the direct economic impacts summarized above. These include indirect impacts (associated with supply chain activity) and induced impacts (i.e. household spending effects). Estimation of multiplier effects is beyond the scope of this analysis, but such effects within Sonoma County are likely to be 50% of the size of the direct effects (or more).
- One-time economic impacts from the construction of the Barlow Hotel.
- By adding to the vibrancy of the Barlow District and downtown Sebastopol, and expanding the array of offerings in the area (e.g. rooftop experiences at the hotel), the Barlow Hotel may also stimulate additional incremental visitation and spending in these areas by residents and other visitors not staying at the hotel, and potentially additional investment by downtown property owners.

Tax Generation for the City of Sebastopol

Barlow Hotel guests are projected to generate in excess of $2 million in tax revenues annually for the City of Sebastopol. As summarized further in the tables to follow, these revenues include:

- $1.548 million in annual TOT taxes (Figure 4)
- $350,000 in annual sales taxes (Figure 5)
- $180,000 in annual property taxes (Figure 6)

Combined, these projected tax revenues are equivalent to 19.3% of the City's total expected General Fund revenue in the 2023/24 approved budget (Figure 7), and 24.3% of the City's total expected TOT, sales and property tax revenues (Figure 8).

As such, the Barlow Hotel could have a dramatic positive impact on the City's revenues and financial health. Expanding the City's financial capacity has been a longstanding goal of the City.

Figure 4: Barlow Hotel – Projected Annual TOT Tax for Sebastopol Upon Project Stabilization (2030)*

TOT Tax	
$12,900,000	Gross annual room revenue & resort fees
12%	Sebastopol TOT tax rate
$1,548,000	**Barlow Hotel TOT tax generation for Sebastopol**

*Revenues and taxes are expressed in 2023 dollars (as if project were stabilized in 2023).

Figure 5: Barlow Hotel – Projected Annual Sales Tax for Sebastopol Upon Project Stabilization (2030)*

Sales Tax	
$23,400,000	Aggregate guest spend in Sebastopol
85%	Share of sales which are taxable
1.75%	Sebastopol sales tax rate
$350,000	**Barlow Hotel sales tax generation for Sebastopol**

*Revenues and taxes are expressed in 2023 dollars (as if project were stabilized in 2023).

Figure 6: Barlow Hotel – Projected Annual Property Tax for Sebastopol Upon Completion of Construction (2027)*

Operation	Value	Measure
	$90,300,000	Barlow Hotel cost (HVS 4/15/2024)
-	$2,289,684	Current assessed value of Guayaki parcel improvements & personal property
=	$88,010,316	Net incremental value of Barlow Hotel
/	$1,650,626,000	Total assessed valuation in Sebastopol, assessment year 2023 to 2024
=	5.5%	Barlow Hotel share of City assessed valuation
*	$3,241,600	Sebastopol property tax collections, 2023/24 budget
=	**$180,000**	**Barlow Hotel property tax generation for Sebastopol**

*Revenues and taxes are expressed in 2023 dollars (as if project were stabilized in 2023).

Figure 7: Barlow Hotel – Summary of Projected Annual Tax Generation for Sebastopol

Barlow Hotel: Sebastopol Tax Generation	
$1,548,000	TOT tax
$350,000	Sales tax
$180,000	Incremental Property tax
$2,078,000	**Sum: Barlow Hotel tax generation for Sebastopol**
$10,758,460	Total revenues: Sebastopol 2023/24 approved General Fund budget
19.3%	**Barlow Hotel tax generation as a share of General Fund revenues**

Note: Barlow Hotel tax generation is reflective of stabilized operations, expressed in 2023 dollars.

Figure 8: Barlow Hotel –Projected Annual Tax Generation as a Percentage of Sebastopol General Fund Revenues

Tax Generation	Barlow Hotel	2023/24 City Budget	Barlow Hotel as a % of City
TOT tax	$1,548,000	$500,000	309.6%
Sales tax	$350,000	$4,794,560	7.3%
Property tax	$180,000	$3,241,600	5.6%
Sum	**$2,078,000**	**$8,536,160**	**24.3%**
Other Sebastopol municipal revenues	$0*	$2,222,300	0.0%
Total Sebastopol municipal revenues	**$2,078,000**	**$10,758,460**	**19.3%**

Note: Barlow Hotel tax generation is reflective of stabilized operations, expressed in 2023 dollars. *Barlow Hotel may generate small amounts of additional revenues, e.g. license and permit revenue.

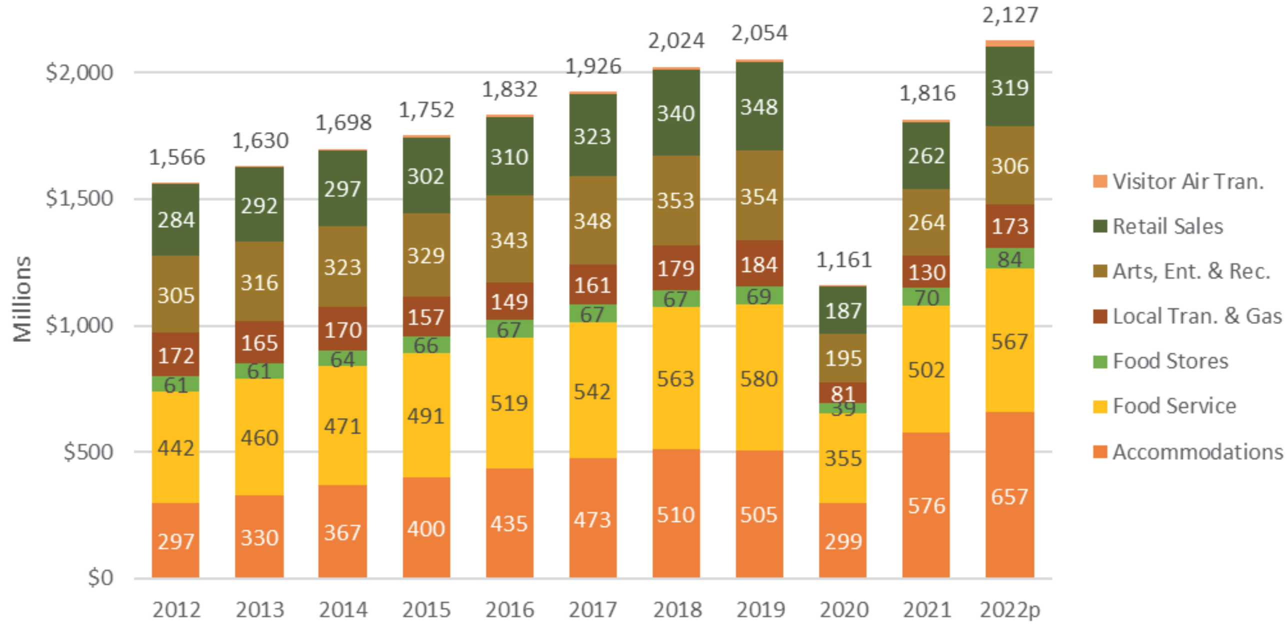
Selected Background Tourism Information

Following are selected notable datapoints that illustrate the large size of Sonoma County's tourism industry, and the potential for Sebastopol to capture a larger slice of this economic activity via the Barlow Hotel. The information presented here is by no means exhaustive, but rather is intended to provide a bit of additional context.

As illustrated in Figure 9 to follow, Sonoma County generated an estimated $2.127 billion in visitor travel spending in 2022, including $657 million in spending on accommodations. Spend has climbed substantially over the long term, notwithstanding a sharp contraction during the Covid pandemic.

As of February 2024, Sonoma County's lodging base included 124 hotel properties with an aggregate of 7,862 rooms, according to STR and as republished by Visit California. As of Q3 2023, an additional 26 lodging properties with 1,742 rooms were in various states of planning and development in Sonoma County, an indication that developers see additional market potential. In addition to hotels, Sonoma County's lodging inventory also includes a large number of short-term rentals.

Figure 9: Sonoma County Visitor Travel Spending by Commodity Purchased, 2012-2022



Source: Dean Runyan Associates. 2022 data is preliminary.

As illustrated in Figure 10, Sebastopol captured just $4.4 million in taxable lodging spending in the most recent four quarter period, or 0.8% of total taxable lodging sales in Sonoma County as a whole. The Barlow Hotel would likely roughly triple that transient occupancy spending and associated TOT taxes in Sebastopol.

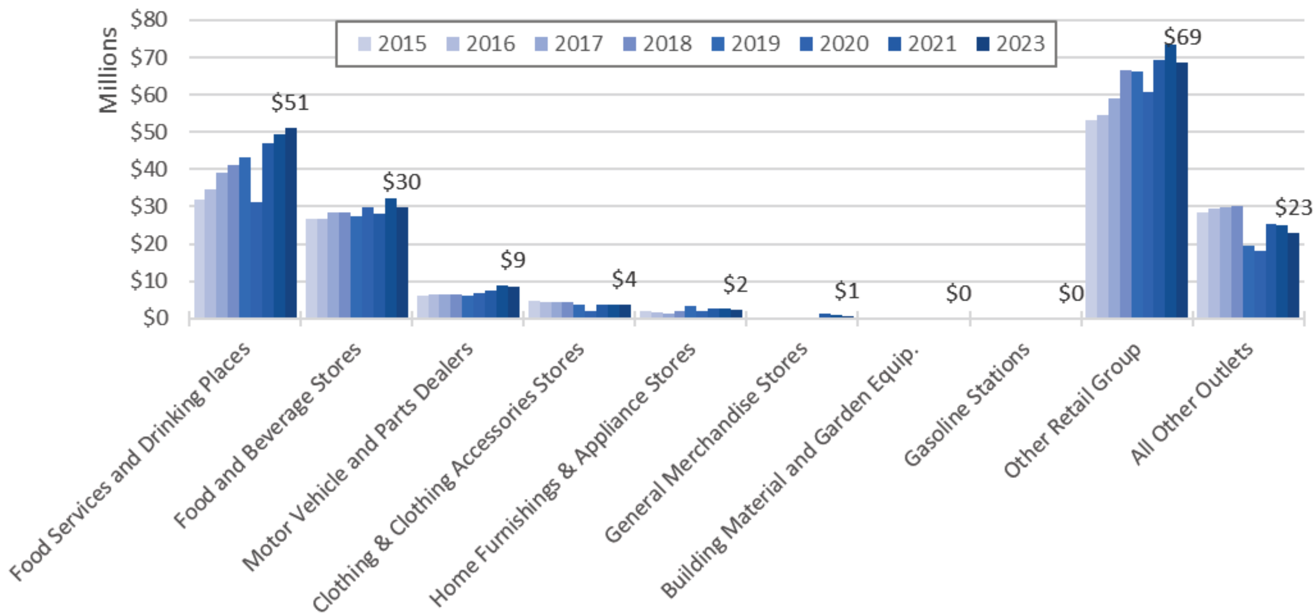
Figure 10: Sonoma County TOT Collections by Community, Q4 2022 – Q3 2023

		TOT Revenue		Taxable Lodging Sales	
Community	**TOT Tax rate**	**Amount**	**Share**	**Amount**	**Share**
Cloverdale	10%	$227,037	0.4%	$2,270,370	0.4%
Healdsburg	14%	$8,836,634	14.3%	$63,118,814	12.1%
Petaluma	10%	$3,479,985	5.6%	$34,799,850	6.7%
Rohnert Park	12%	$3,892,713	6.3%	$32,439,275	6.2%
Santa Rosa	9%	$5,985,250	9.7%	$66,502,778	12.7%
Sebastopol	**12%**	**$531,512**	**0.9%**	**$4,429,267**	**0.8%**
Sonoma	13%	$6,166,611	10.0%	$47,435,469	9.1%
Windsor	12%	$2,792,215	4.5%	$23,268,458	4.5%
Unincorporated County	12%	$29,730,818	48.2%	$247,756,817	47.5%
SONOMA COUNTY TOTAL		**$61,642,775**	**100.0%**	**$522,021,098**	**100.0%**

Source: Sonoma County Economic Development Board.

It is worth noting that Sebastopol has a large and growing restaurant industry. Restaurants and drinking places account for the largest source of taxable sales in Sebastopol, and sales have been growing steadily for several years (Figure 11). As tourists are an important market for restaurants, and culinary experiences are a key element of the Sonoma County tourism draw, there is a natural synergy between the local hotel and restaurant sectors. The Barlow Hotel is likely to further enhance the economic success of Sebastopol's restaurants by bringing additional visitors to town.

Figure 11: Sebastopol Taxable Sales by Industry Sector, 2015 – 2023*

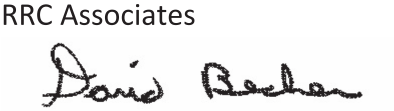


*Note: Hotels and other lodging accommodations are not subject to sales tax.
Source: California Department of Tax and Fee Information.

Conclusion

As summarized above, the Barlow Hotel project is likely to generate substantial economic and tax benefits for the City of Sebastopol. While Sonoma County has a large and vibrant accommodations industry, Sebastopol currently has a minimal presence in that industry. The City is likely to benefit substantially economically and financially with one or more hotel offerings, including the Barlow Hotel.

Regards
RRC Associates



David Becher
Director of Community and Travel Research

DRAFT MEMORANDUM

To: Don Schwartz and Emi Theriault, City of Sebastopol

From: Jason Moody and Rosanna Ren; Economic & Planning Systems, Inc.

Subject: Sebastopol Barlow Hotel Fiscal Impact Analysis; EPS #241116

Date: March 7, 2025

This memorandum evaluates the impact of the proposed Barlow Hotel on the City of Sebastopol's annual General Fund budget. Economic & Planning Systems, Inc. (EPS) prepared the analysis to support the City as it seeks to execute a Development Agreement (DA) with the project Applicant (Aldridge Development). Among other considerations, the Applicant has requested a reduction and delay in the payment of its development impact fee obligations, concessions it maintains will be more than offset by the substantial increase in tax benefits received by the City during hotel operations.

The EPS fiscal analysis estimates the effects of the proposed 83-room hotel project on the City's annual budget by comparing the estimated change in General Fund revenues and expenditures. EPS developed a model that considers the projects' fiscal impact at stabilization, recognizing the hotel's performance will fluctuate over time. The model is based on the most recent development program submitted by the Applicant and the City's adopted General Fund budget for FY 2024-2025. The EPS analysis considers two scenarios based on pending sales tax rates in Sebastopol.[1]

[1] Measure U, passed by voters in the 2024 general election, establishes a half-cent sales tax in Sebastopol. However, this rate is pending legal review given statewide limits on sales taxation and the City may potentially be able to receive a quarter-cent sales tax revenue. The scenarios consider the half-cent and quarter-cent sales tax revenue options.

The Economics of Land Use

Economic & Planning Systems, Inc.
1330 Broadway
Suite 450
Oakland, CA 94612
510 841 9190 tel

Oakland
Sacramento
Denver
Los Angeles

www.epsys.com

Project Description

The proposed hotel project will be integrated into "The Barlow", a 12-acre, mixed-use development just east of Sebastopol's Downtown Plaza. As summarized in **Table 1**, current plans indicate that the Barlow Hotel will include 83 rooms with ground-floor dining and retail, meeting space, a full-service spa and fitness center, and a rooftop pool and bar. Presently, Sebastopol has only one hotel, the Fairfield Inn, located outside of the downtown area. The subject site is currently occupied by a light-industrial/office building that is leased to Guayaki. The Applicant proposes to demolish the structure and relocate the existing tenant within The Barlow.

Table 1 Summary of Proposed Development Program

Item	Amount	
Existing Industrial / Office Space[1]	31,571	sq. ft.
Proposed Hotel Project		
Hotel (Rooms)	83	rooms
Retail[2]	4,311	sq. ft.
Total Sq. Ft.	**77,794**	**sq. ft.**

[1] As reported by Costar.

[2] Includes ground floor retail, restaurant, bar, spa, pool, and other amenities, as reported by Applicant

Source: Costar; City of Sebastopol; Economic & Planning Systems

Key Findings

The key findings from this analysis are described below and summarized in **Table 2**. All estimates are provided in 2025 dollars.

1. **EPS estimates that the Barlow Hotel will generate more than $925,000 in annual net new General Fund revenues once it is fully operational.** Depending on whether a recently approved citywide sales tax measure is upheld, EPS estimates the Barlow Hotel will generate between $926,000 and $930,000 in annual net General Fund revenues. If achieved, the fiscal impact would represent a roughly five percent (5%) increase on the City's FY 2024-2025 General Fund revenues. These impacts account for additional public service costs and deduct the net tax benefits from the existing industrial/office use. Actual fiscal impacts may vary due to the timing of Project buildout and changes in economic and budgetary conditions.

Table 2 Sebastopol Barlow Hotel Summary of Fiscal Impacts (2025$)

General Fund Revenues and Expenditures	Existing Industrial/Flex	Proposed Hotel	Net New
Option A - Half-Cent Sales Tax			
Annual General Fund Revenues	$9,000	$1,022,900	$1,013,800
Annual General Fund Expenditures	$4,800	$88,400	$83,600
Annual Net Impact on General Fund	**$4,200**	**$934,500**	**$930,200**
Option B - Quarter-Cent Sales Tax			
Annual General Fund Revenues	$9,000	$1,018,800	$1,009,900
Annual General Fund Expenditures	$4,800	$88,400	$83,600
Annual Net Impact on General Fund	**$4,200**	**$930,400**	**$926,300**

Values shown are rounded to the nearest hundred.

Source: Economic & Planning Systems

2. **EPS projects the Barlow Hotel will contribute about $890,000 in transient occupancy tax (TOT) revenues to the City's General Fund, based on the current 12 percent tax on hotel room rates. TOT revenue represents by far the most significant projected impact on the City's General Fund from the Barlow Hotel.**
   Given that the Barlow Hotel is proposed as a luxury and highly amenitized boutique facility integrated into a popular downtown Sebastopol destination, and convenient access to the Sonoma wine country, it will likely command average room rates at the upper end of the market. The EPS fiscal analysis assumes an average annual room rate of $350 per night and a 70 percent occupancy rate, comparable to that of similarly positioned hotel offerings in the region. Under these assumptions, Sebastopol's current 12 percent TOT rates would generate an estimated $891,000 in TOT revenue, approximately 87 percent of the project's total General Fund revenue contributions. The actual TOT revenue will depend fundamentally on the execution and operation of the Barlow Hotel and regional market conditions, among other factors. Given the high level of uncertainty associated with these outcomes, EPS has taken a relatively conservative approach, applying room rates that are below the top of the market but well above the average across all hotel types in the County (estimated at $200 / night).

3. **Even without any TOT revenue, the Project would still generate a positive net impact on the City's General Fund budget.**
   Non-TOT General Fund revenues are expected to be between $128,000 and $132,000, about $40,000 to $44,000 greater than the expected $88,000 in General Fund expenditures (attributable primarily to increased demand on services provided by the City Police and Public Works departments). This is

partially due to the projected Barlow Hotel property assessed value, estimated to be about $35 million. At such a valuation, the City's General Fund would receive about $54,000 annually as its share of the 1 percent property tax. Furthermore, because the proposed Barlow Hotel would be integrated within a popular retail and dining district, the City can expect to receive an estimated $32,200 to $36,200 in additional sales tax revenue.

4. **The EPS estimated annual General Fund revenues generated by the Barlow Hotel, while substantial, fall well below the projections provided by the Applicant, primarily due to their more aggressive assumptions about the hotels' operating characteristics and value.**
   The applicant supplied a memo prepared by their consultants (RRC Associates) showing the Barlow Hotel generating over $2 million in TOT, sales tax, and net new property tax, compared to the $973,000 calculated by EPS for the same categories. The large discrepancy stems from the generally aggressive assumptions used by RRC for room rates, visitor spending, and property valuation. For example, RRC assumed an average room rate of $575 per night (compared to $350 per night for EPS), well above the average for luxury hotels in the County (about $370 per night) and almost 3 times higher than the County average for all hotels (about $200 per night). Meanwhile, RRC's assessed value assumption (used to calculated property tax) of about $1.1 million per room (compared to $427,000 for EPS), is significantly higher than even the most up-scale properties in Sonoma County. Finally, RRC assumed that hotel guests will spend about $500 per day in Sebastopol on taxable retail, (compared to $70 by EPS), a level that will be difficult to achieve, even with the Barlow Market's more upscale options, given that guests are likely to patronize options throughout the County and beyond.

Fiscal Impact Methodology

This section describes the methodology and key assumptions used to calculate the fiscal impact of the proposed Barlow Hotel on Sebastopol's General Fund budget once fully operational. The fiscal impact analysis identifies and estimates specific annual General Fund revenues (e.g., sales, property, and hotel taxes) and expenditures (e.g. from additional City services) that would likely be generated by the hotel.

Barlow Hotel "Service Population"

"Service Population" is a concept that allows the fiscal impacts of both residents and employees to be estimated, acknowledging that employees who work but do not live in the City do not require City services to the same degree residents. An employee is only likely to create demands on the City's public services during work hours and therefore has a lower impact than a resident who spends most of their time in the City. In a fiscal impact analysis, the relative impacts of employment and population are compared and used to estimate the City's service population. **Table 3** provides data on the City's existing population, jobs, and service population.

Table 3 City of Sebastopol Demographic Assumptions

Item	Sebastopol Total	Source
Population	7,295	Department of Finance 2024
Primary Jobs	4,277	LEHD OnTheMap 2022
Service Population	8,997	Appendix Table A-1

Source: California Dept. of Finance; Census ACS; LEHD; Economic & Planning Systems

The citywide estimates of population and jobs in Sebastopol are used to estimate the Project's service population at buildout, as shown in **Table 4**. For the purpose of estimating fiscal impacts, a hotel guest at the Barlow Hotel is assumed to have the same service impact as a resident in Sebastopol, while an employee is estimated to have 0.4 of the service impact, based on current job commute patterns (calculated in Appendix Table A-1).

For the baseline scenario, the number of full-time equivalent jobs generated by the current industrial / office use is estimated assuming an employment density assumption of 0.4 workers per 1,000 square feet, matching the estimate that the City has assumed for industrial land uses in nexus studies. This results in a total baseline employment of 13. Applying the employee-to-resident ratio of 40 percent results in a final baseline service population of 5.

The population of the proposed hotel is comprised of hotel guests and employees, plus employees serving the retail portion of the site. For hotel guests, EPS assumes 1.25 occupants per room and applies an occupancy rate of 70 percent. Employee density assumptions are 0.8 employees per room and 1.82 employees per 1,000 square feet, as defined by the City in its development impact fee nexus study. In total, the Project is estimated to generate a service population of 82, for a net increase of 87 over the baseline.

Table 4 Program Description and Service Population

Program	Total[1]	Estimated Total Population[2] Assumption	Occupancy Rate	Employees or Guests	Service Population Equivalency[3]	Service Population
Existing						
Industrial	31,571 sq.ft.	0.4 employees/1,000 sq. ft.	100%	13	40%	5
Proposed Project						
Hotel	83 rooms	1.25 occupants/room	70%	73	100%	73
		0.8 employees/room	70%	46	40%	19
Retail	4,311 sq.ft.	1.82 employees/1,000 sq. ft.	95%	7	40%	3
Total				**127**		**92**
Net New				**114**		**87**

[1] Proposed development program provided in applicant submittal. Existing use sourced from CoStar. See **Table** 3.

[2] Employment density assumptions from impact fee nexus study completed by Harris & Associates for the City of Sebastopol (2021). Hotels occupants per room assumption from EPS. Hotel occupancy rate estimated based on the 12-month occupancy rate for comparable luxury boutique hotels in Sonoma County.

[3] Service population is calculated by adding total residential population and 40 percent of in-office employment, per **Appendix Table A-1**. It represents a measure of public service demand in which employees are given a fraction of the weight of residents because of more modest service demands. Hotel guests are assumed to have the same population equivalency as a resident while staying in Sebastopol.

Sources: City of Sebastopol; Harris & Associates; Costar; Economic & Planning Systems.

Average Revenue/Expenditure Approach

There are two common ways to estimate General Fund revenue and expenditures in a fiscal impact analysis. The first method, the average revenue or expenditure approach, calculates average revenues or expenditures per the City's current service population and applies that factor to the project's anticipated growth in service population. For this analysis, revenues and expenditures use the City's FY 2024-25 Adopted Budget.

Case Study Approach

The second method is a case study approach that incorporates specific assumptions or estimating factors of the development program. Revenue items estimated using a case study approach in this analysis include property tax, sales tax, transient occupancy tax, and business license tax.

Fixed vs. Variable Expenditures

Most City departments operate with some fixed amount of overhead that does not vary as the City's service population grows or contracts. For example, even as the City grows, the City only needs one City Manager or one City Clerk. In projecting General Fund expenditures, EPS applies a percent variable factor to each General Fund department to estimate the project's likely impact on public service costs.

EPS applies a percent variable factor to departmental expenditures to represent the proportion of expenditures that are assumed to vary and therefore would scale with increases in service population. Expenditures assumed to be fixed would include overhead costs, director salaries, or other costs that would not scale with service population and therefore would be unaffected by new developments such as the Project. Typically, departments with more administrative functions have more fixed operating costs and therefore lower variable expenditures than those that provide citizen-facing services or infrastructure.

Not Impacted

Some budget items are not estimated because their revenues or expenditures are not expected to be directly or materially impacted by the Project. These include items such as intergovernmental revenues and interest revenues, as further detailed in **Table 5** and **Table 11**.

General Fund Revenues

This section describes the methodology and assumptions used for each revenue item estimated in this analysis. **Table 5** below displays a summary of Sebastopol's General Fund revenue items based on the adopted FY 2024-2025 budget, with details on how each impacted revenue item is estimated. Several General Fund revenue items are not forecasted because the Project is not expected to affect them on an annual basis. For example, the Project will generate real property transfer taxes as a one-time revenue, so its impact is not considered for this analysis.

Charges for Services are the cost recovery revenues in the General Fund that directly offset the cost to the City of providing specific services for the user. These revenues are not forecasted for the Project but netted out of General Fund expenditures in **Table 11**.

Table 5 City of Sebastopol FY 2024-25 General Fund Revenue Summary

Description	FY 2024-25 Adopted Budget Gen. Fund Revenues	Impact Estimating Factors		Table Reference
Property Tax	$2,595,000	16.83%	of 1% of base assessed value (post-ERAF)	**Table 6**
Property Tax in Lieu of VLF	$1,025,000	2.07%	of Citywide assessed value increase	**Table 6**
Sales Taxes	$4,563,925	1.75%	of estimated taxable sales	**Table 7**
Transient Occupancy Tax	$519,000	12%	of gross room revenue	**Table 8**
Licenses & Permits	$1,442,500			
Business Licenses	$140,000	$3.00	per room	**Table 9**
Business License Late Fees	$2,500		Not estimated	
Building Permits	$1,300,000		Not estimated	
User Taxes	$887,175	$98.60	per service population	**Table 10**
Franchise Fees	$502,250	$55.82	per service population	**Table 10**
Fines & Special Assessments	$66,700	$7.41	per service population	**Table 10**
Real Property Transfer Tax[1]	$40,000		Not estimated	
Intergovernmental Revenues	$22,890		Not estimated	
Interest & Rents	$132,250		Not estimated	
Charges for Services[2]	$136,800		Not estimated	
Miscellaneous Revenue	$183,225		Not estimated	
Cost Allocation Plan	$1,761,797		Not estimated	
Transfers In	$425,951		Not estimated	
Total Revenues	**$14,304,463**			

[1] While the City will receive transfer tax revenue from the sale and transfer of the property, it is a one-time revenue source and therefore not estimated with annual fiscal impacts.

[2] Includes fees charged for cost recovery of planning, public works, and police services and netted out from General Fund expenditures in **Table 11**.

Source: City of Sebastopol FY 2024-25 Budget; Economic & Planning Systems

Property Tax

Property taxes are based on the assessed value (AV) of land and project improvements. **Table 6** shows the calculations of property tax and property tax in-lieu of vehicle license fees (VLF) revenue. EPS obtained the AV of the existing industrial building from the Sonoma County Assessor's Office. The current AV of the land parcel is $3.3 million.

EPS uses a capitalized income approach to estimate a value for the proposed hotel, based on assumptions from comparable boutique luxury hotels in Sonoma County, detailed in Appendix Table A-2. The AV of the Project's development is estimated to be about $35 million (about $427,000 per room), or an increase of $32.1 million over the current level. Sonoma County currently collects property tax based on 1.0 percent of the assessed value, and Sebastopol receives 16.83 percent of the property tax revenue after accounting for the ERAF-shift. This share is assumed fixed going forward. The resulting property tax revenue is around $54,000, compared to $5,600 for the existing office. This is almost ten times more property tax revenue than the existing land use.

It is worth noting that the Applicant's consultant (RRC Associates) provided an estimate of the Barlow Hotel's expected assessed value of about $90.3 million (or about $1.1 million per room), significantly higher than the EPS assumption. RRC did not provide back up data supporting this assumption and the value is significantly higher than even the most upscale hotel properties in Sonoma County.

Table 6 Property Tax and Property Tax In-Lieu of VLF Estimate

Item	Assumption	Existing Industrial/ Flex Facility	Proposed Barlow Hotel
Property Tax			
Assessed Value (Land and Improvements)[1]	See Footnote.	$3,304,913	$35,416,771
Property Tax Revenue	1.0% Base Property Tax Rate	$33,049	$354,168
Sebastopol City General Fund Revenue	**16.83% Allocation to General Fund[2]**	**$5,561**	**$59,595**
Net New Property Tax			**$54,034**
Property Tax In-Lieu of VLF			
Existing Citywide Property Tax In-Lieu of VLF[3]	$1,025,000		
Citywide Assessed Value[4]	$1,713,621,000		
Project Site Net Assessed Value Increase[5]		0.19%	2.07%
Net Property Tax In-Lieu of VLF Revenue[6]		**$1,977**	**$21,184**
Net New Property Tax In-Lieu of VLF			**$19,208**

[1] See **Appendix Table A-2** for estimation of proposed project AV. Existing FY 2024-25 AV received from Sonoma County Assessor's Office.
[2] Post-ERAF allocation derived by taking the base 19.7% allocation to Sebastopol's General Fund for TRA 005-014, less 17.7% for ERAF shift derived from $2.5M total Sebastopol ERAF tax revenue divided by $17M in total city property tax collected in FY2024.
[3] See **Table 5**.
[4] FY 2024-25 Locally Assessed Value per California State Board of Equalization.
[5] Calculated by dividing the current and proposed assessed values by the citywide assessed value.
[6] Calculated by multiplying existing property tax in-lieu of VLF by the project's proportionate increase to the Citywide assessed value.

Sources: City of Sebastopol; Sonoma County Assessor's Office; California State Board of Equalization; Economic & Planning Systems

Property Tax in Lieu of VLF

The Barlow Hotel would also increase City revenues from property tax in-lieu of vehicle license fees (VLF), since this general fund source also increases with assessed value (AV). In 2004, the State of California adjusted the method for sharing VLFs with local jurisdictions. State budget changes replaced the VLF with property tax, which grows proportionate to increases in the total AV of cities and towns. Property tax in-lieu of VLF is calculated by taking the percent increase that the proposed project adds to the City's AV and applying that percentage increase to the amount of property tax in-lieu of VLF collected in the most recent year. Assuming no other assessed value growth, the Project would increase the City's current assessed value by 2.07 percent and result in $21,100 revenue, or $19,200 net new (**Table 6**).

Sales Tax

Sales tax generation for the Project is based on estimates of taxable sales generated by the new population in the City attributable to the Project. Therefore, Sebastopol would receive sales tax revenue from the spending activity of both hotel guests and employees of the proposed Project. To forecast new sales, EPS estimate spending on taxable items, and the portion of spending captured in the City. Overall, EPS estimates the proposed Barlow Hotel to generate between $32,200 to $36,200 in sales tax revenue for the City (**Table 7**).

For employees in both the baseline and proposed development, sales tax is derived from an estimate of the annual taxable spending of in-office workers. EPS uses inflation-adjusted worker spending data from an International Council of Shopping Centers (ICSC) survey for "Suburban Limited" geographies. Taxable spending is estimated at $71 spent per employee per week for 48 work weeks. EPS estimates a 50 percent capture rate from worker retail sales. This results in around $485 in sales tax revenue from workers in the baseline use and $2,100 from the proposed hotel.

For hotel guests, taxable spending is based on estimates from the Sonoma County Economic Development Board survey on travel impacts in the region. Taxable spending is estimated at $76 per person per day. This is applied to an average hotel guest population of 73 guests per day for 365 days. The capture rate for hotel guest spending is estimated at 75 percent, higher than the worker capture rate, due to the hotel's proximity to the many shopping and dining options at the Barlow Market.

The City's General Fund currently receives sales and use tax revenue equal to 1.75 percent of taxable sales (1 percent from the State's 7.25 percent levy, and additional 0.75 percent in previously passed citywide taxes). In 2024, voters passed Measure U, which adds an additional 0.5 percent to fund citywide services. However, the City may only be to levy up to 0.25 percent to remain within the legally allowable limit on local sales taxation; the revenue may be split with the County, which also passed its own sales tax in 2024. It is pending review by the County and State.

It's worth noting the estimates provided by the Applicant's consultant (RRC Associates), which suggest significantly higher spending by hotel guests on taxable retail items in Sebastopol than EPS. In particular, the RRC estimates guests will spend over $1,000 per occupied room night. However, the supporting documentation for this assumption includes numerous items that are not taxable (including room costs). Even when room costs are excluded, the RRC's estimates of $500 in retail spending per occupied room night captured in Sebastopol will be difficult to achieve given Sebastopol's retail economy, even with the Barlow Market's more upscale options, and the fact that guests are likely to patronize options throughout the County and beyond.

Table 7 Sales Tax Estimate

Item	Assumption		Existing Industrial/ Flex Facility	Proposed Barlow Hotel
Worker-Generated Retail Sales				
Employee Population[1]	See **Table 4**.		13	54
Weekly Taxable Retail Spending[2]	$71	per employee per workweek	$897	$3,832
Annual Worker Taxable Retail Spending	48	working weeks per year	$43,068	$183,934
Total Citywide Captured Worker Generated Retail Spending	50%	of Retail Expenditures[3]	$21,534	$91,967
Hotel Guest Generated Retail Sales				
Hotel Guest Population				73
Total Taxable Spending[3]	$76	per person per day		$5,545
Annual Hotel Guest Taxable Spending	365	days per year		$2,023,746
Total Citywide Captured Retail Spending	75%	of Retail Expenditures[3]		$1,517,810
Total Citywide Retail Spending			**$21,534**	**$1,609,777**
Base Retail Sales Tax Revenue[5]	1.75%	of Taxable Sales	$377	$28,171
Measure U Sales Tax Option A[6]	0.50%	of Taxable Sales	$108	$8,049
Measure U Sales Tax Option B[6]	0.25%	of Taxable Sales	$54	$4,024
Total Sales Tax Generated				
Measure U Sales Tax Option A			**$485**	**$36,220**
Measure U Sales Tax Option B			**$431**	**$32,196**

[1] Includes employee count for both hotel and retail portions of the proposed development.
[2] Based on ICSC survey on office worker spending for Suburban Limited geography, adjusted to present-day dollars.
[3] EPS assumption.
[4] Based on visitor spending survey data collected by the Sonoma County Economic Development Board (2023), adjusted to present-day dollars.
[5] Includes 1% Bradley-Burns base sales tax rate and 0.75% in additional citywide taxes.
[4] Measure U, passed in Sebastopol in November 2024, adds a half-cent sales tax on all taxable spending in the city. Pending review by the County and State, the City may only be able to levy up to a quarter-cent tax to remain with a legally allowable limit on local sales taxation. The options consider the two possible scenarios for sales tax revenue generation in Sebastopol.

Source: City of Sebastopol; Sonoma County Economic Development Board; International Council of Shopping Centers; Economic & Planning Systems

Transient Occupancy Tax

The City collects transient occupancy tax on the revenue the hotel earns from room rentals based on a rate of 12 percent. EPS estimates that the Barlow Hotel's room rates to be approximately $350 per room per night, with an average annual occupancy rate of 70 percent. This would generate TOT revenue of $891,000 per year (**Table 8**).

Table 8 Transient Occupancy Tax Estimate

Item	Assumption	Proposed Barlow Hotel
Total Hotel Rooms	*a*	83
Average Daily Rate (ADR)[1]	*b*	$350
Occupancy Rate[2]	*c*	70%
Annual Hotel Room Revenues	*a * b * c * 365*	$7,422,275
General Fund TOT Revenue	12% of Revenue[3]	**$890,673**

[1] EPS estimate based on ADR rates from comparable luxury-class hotels in Sonoma County.
[2] Occupancy rate for Sonoma County luxury-class hotels, retrieved from Costar.
[3] City of Sebastopol Municipal Code Ch. 3.12

Source: City of Sebastopol; CoStar; Economic & Planning Systems

Ultimately, the average room rate for the Barlow Hotel will depend on market conditions and its competitive position with the regional. Room rates and occupancy rates vary greatly depending on project execution, market conditions, and seasonality. To reflect this potential variability, EPS prepared a sensitivity analysis of the estimated TOT revenue the City would receive based on different room rate and occupancy assumptions, as shown in **Figure 1**. For example, if occupancy rates averaged 75 percent, as they did pre-pandemic in 2019, then a $300 room rate would generate $818,000 in TOT revenue. By comparison, an average annual room rate of $350 per night with a 60 percent occupancy rate would generate $763,000 in annual TOT revenue.

Based on rates at comparable downtown-area boutique hotels in the county, EPS uses a room rate of $350 and 70 percent occupancy rate in this analysis, as illustrated in **Figure 1**. These assumptions, while more conservative than those provided by the Applicant, still suggest a more optimistic outlook than the current hotel market countywide. Across all Sonoma County hotel properties, room rates currently average $200 per night with 62 percent occupancy.[2] For luxury-class hotels in the county, room rates are currently averaging $372 per night with 60 percent occupancy.

It is worth noting that EPS estimates are well below those provided in a study submitted to the City by RRC on behalf of the Applicant. This study estimated the Barlow Hotel

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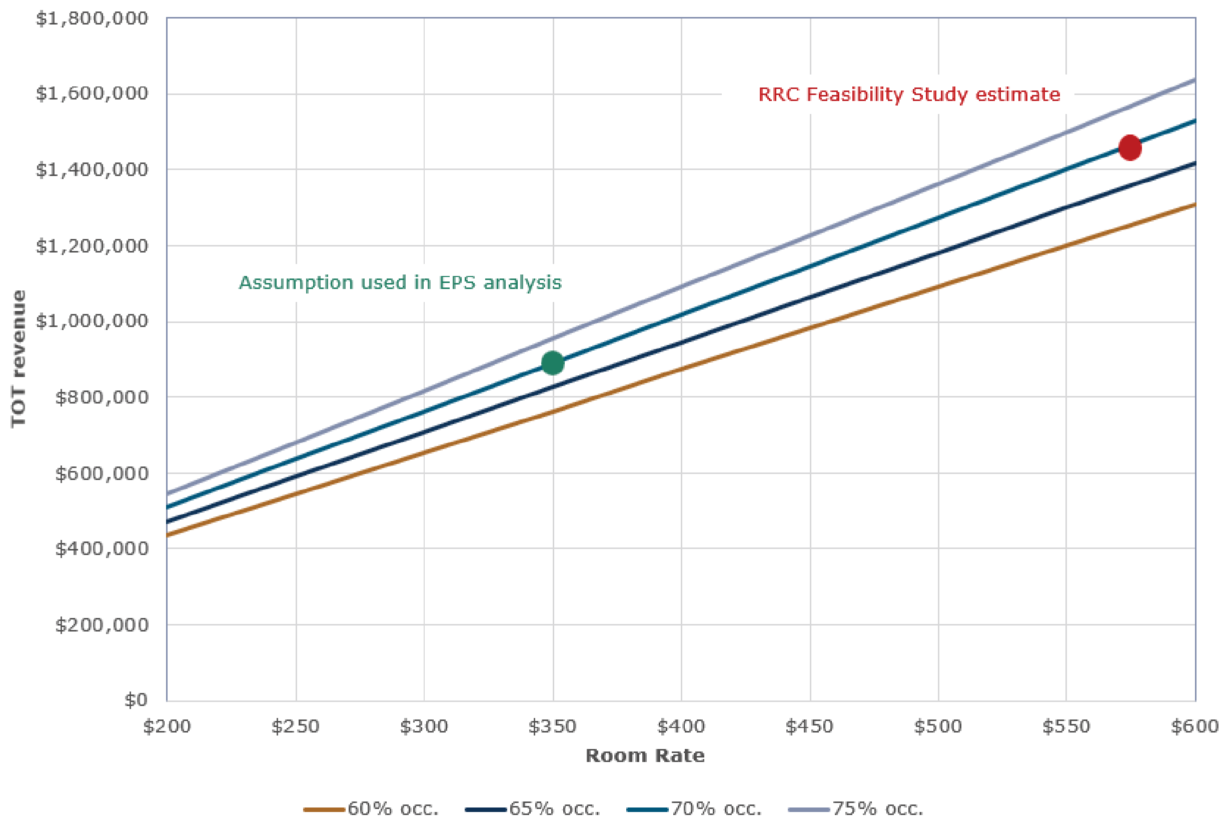
[2] As reported by Costar in February 2025 for hotel properties in Sonoma County. Estimates reflect the 12-month performance trend.

would achieve an average daily rate (ADR) of $575 and occupancy rates of 70 percent. EPS was unable to independently verify or replicate these estimates and the RRC study does not provide detailed documentation. However, EPS review of this study suggests that these estimates are based on luxury hotel properties in Sonoma County with different amenities and room formats than the proposed hotel's. For example, in Sonoma and Napa counties, vineyard resort properties that are situated in more rural settings and offer villa-style accommodations generally attract higher room rates than upscale hotels in downtown settings.

Figure 1 Barlow Hotel TOT Revenue Scenarios



Source: Economic & Planning Systems, RRC Associates

Business License Tax

The Project is expected to pay an annual business license tax, which for hotels includes a base rate of $60 for the first four rooms and $3 for each additional room, up to a maximum of $112.50. The retail portion of the Project for an estimated seven employees would pay a tax of $135. Combined, this amount is $308 per year, compared to an estimated $200 paid by the existing use (**Table 9**).

Table 9 Business License Fee

Category	Assumption	Existing Industrial/ Flex Facility	Proposed Barlow Hotel
General License[1]			
Employee Population	See **Table 4**.	13	7
Fee			
1 to 3 persons	$90		
4 to 7 persons	$135		$135
8 to 14 persons	$200	$200	
15+ persons	$140		
Rental Units (incl. Hotels)[2]			
Hotel Base Fee (first four rooms)	$60		$60
Additional Fee per Room	$3		
Number of Additional Rooms	79		
Additional Fee Based On Room Count			$237
Maximum of $112.50	$112.50		$113
Total Annual Business License Fee Revenue		**$200**	**$308**

[1] General License Business License Fee applies to retailing, wholesaling, maufacturing, processing, and services. For the proposed project, the fee is based on employee count of the retail portion only.
[2] For rental units in excess of four units, the fee is $3 per additional room not to exceed a total of $112.50. For the proposed project, the maximum additional fee is added to the hotel base fee and the General License business fee.

Source: City of Sebastopol; Economic & Planning Systems

Other Revenues

User taxes, franchise fees, and fines are calculated using the average revenue approach. Together, these are estimated to be around $162 per service population (**Table 10**). The Project would generate a combined $15,000 from these other revenues, compared to $810 in the baseline use.

Table 10 Other Service Population-based General Fund Revenue Estimates

Item	FY 2024-25 GF Revenues[1]	Assumption / Estimating Factor		Existing Industrial/ Flex Facility	Proposed Barlow Hotel
City Service Population[2]		8,997	Service Pop.		
Project Service Population		See **Table 4.**		5	92
User Taxes	$887,175	$98.60	per service population	$493	$9,072
Franchise Fees	$502,250	$55.82	per service population	$279	$5,136
Fines & Special Assessments	$66,700	$7.41	per service population	$37	$682
Total		**$161.84**	**per service population**	**$809**	**$14,889**

[1] See **Table 5**.
[2] See **Table 2**.

Source: Economic & Planning Systems

General Fund Expenditures

This section describes the methodology and key assumptions for calculating General Fund expenditure items. All Departments consist of both fixed and variable costs. While fixed costs are independent of new development, variable costs are assumed to increase based on added growth in the City. Only variable costs are used to project the General Fund expenditures in this analysis.

Table 11 shows the City's FY 2024-25 General Fund Expenditures by category and its associated percent variable assumption, which determines the cost per service population. This cost is applied to the Project's anticipated service population to estimate its annual General Fund expenditures in **Table 12**. Some expenditures are not impacted as they are not expected to change with service population. For example, EPS assumes that most hotel guests will not use City services like the Senior Center or Ives Pool. Therefore, these costs are not impacted by the project's service population growth. Fire & Prevention expenditures are also not estimated as the City is currently undergoing fire district consolidation; thus, future fire costs will be separated from the City's budget.

Table 11 City of Sebastopol FY 2024-25 General Fund Expenditures Summary and Estimates

Item	FY 2024/25 Adopted GF Expenditures Total	Offsetting[1]	Net	Percent Variable[2]	Annual Variable Expenses	Estimating Factors	
General Government	$3,413,104	$6,000	$3,407,104	25%	$851,776	8,997	Service Pop.
City Council	$198,625		$198,625				
City Manager	$698,885		$698,885				
City Attorney	$647,900		$647,900				
City Clerk	$430,771		$430,771				
Finance	$1,436,923		$1,436,923				
Planning	$616,426	$40,000	$576,426	75%	$432,320	8,997	Service Pop.
Building	$302,220		$302,220	75%	$226,665	8,997	Service Pop.
Engineering	$553,020	$31,000	$522,020	75%	$391,515	8,997	Service Pop.
Police	$5,366,488	$31,300	$5,335,188	100%	$5,335,188	8,997	Service Pop.
Public Works	$1,769,079	$7,500	$1,761,579	80%	$1,409,263	8,997	Service Pop.
Fire & Prevention[3]	$1,535,910		$1,535,910	-	-	not impacted	
Senior Center[4]	$41,038		$41,038	-	-	not impacted	
Community Center[4]	$169,724		$169,724	-	-	not impacted	
Ives Pool[4]	$297,301		$297,301	-	-	not impacted	
Non-Departmental	$191,645		$191,645	-	-	not impacted	
Debt Service Payments	$446,094		$446,094	-	-	not impacted	
Transfers Out	$300,000		$300,000	-	-	not impacted	
Total	**$15,002,049**	**$115,800**	**$14,886,249**				

[1] Offsets applicable Charges for Services shown in **Table 5**, including finance fees, planning fees, public works, and police services.

[2] The variable percents included within this column represent the proportion of department expenditures that are not assumed to be fixed and therefore would scal
service population. Expenditures that are assumed to be fixed would include overhead costs, director salaries, and other costs that would not scale with service pop

[3] Not estimated due to future fire district consolidation.

[4] EPS assumes that hotel guests will not use these City services and costs will not be impacted by service population growth.

Source: City of Sebastopol FY 2024-25 Budget; Economic & Planning Systems

Table 12 General Fund Expenditures Estimates

Item	Factors Applied to Estimate Project Expenditures		Existing Industrial/ Flex Facility	Proposed Barlow Hotel
Service Population	See **Table 4.**		5	92
Estimated Expenditures				
General Government[1]	$94.67	per service population[2]	$473	$8,710
Planning	$48.05	per service population[2]	$240	$4,421
Building	$25.19	per service population[2]	$126	$2,318
Engineering	$43.51	per service population[2]	$218	$4,003
Police	$592.97	per service population[2]	$2,965	$54,553
Public Works	$156.63	per service population[2]	$783	$14,410
Total General Fund Expenditures	**$961.03**	**per service population[2]**	**$4,805**	**$88,415**

[1] General Government is EPS-defined and includes City Council, City Manager, City Attorney, City Clerk, and Finance.
[2] See **Table 11.**

Source: Economic & Planning Systems

General Government

In Sebastopol, the General Government category includes the following functions, as defined by EPS:

- City Attorney
- City Clerk
- City Council
- City Manager

New development of the Project's scale typically affects administrative and legislative government costs by only a fraction of these departments' operating budgets. As a result, EPS assumes that 25 percent of the cost of General Government services is variable and affected by growth in service population. This yields a per service population estimate of about $94.67. The resulting expenditure for General Government departments is therefore estimated at about $8,700 annually at Project buildout compared to about $500 under the baseline.

Planning, Building, and Engineering

These departments provide Sebastopol with services like development review, building code compliance, and engineering support. For the Planning, Building, and Engineering departments, EPS assumes that their costs are 75 percent variable and yield a per-service population estimate of the following:

- Planning: $48.05
- Building: $25.19
- Engineering: $43.51

In total, these expenditures at buildout sum to about $10,700 for the proposed Project compared to about $600 under the baseline.

Police

Sebastopol's Police Department provides a number of essential public safety services. The Police Department receives the largest General Fund allocation of $5.4 million in the FY 2024-25 budget. While there are some fixed administrative services, police costs are largely expected to scale closely with population growth. Therefore, the Police Department receives a greater percent variable expenditure estimate of 100 percent. Using the per-service population estimate of $592.97, Police expenditures at buildout are projected to be $55,000. The baseline scenario has an estimated $3,000 in Police costs.

Public Works

Public Works provides maintenance of streets, parks, and parking lots. The Department's costs are assumed to scale closely with changes in service population and are therefore given a variable expenditure assumption of 80 percent. Additional population attributable to the Project will add additional wear on Public Works' maintained infrastructure and facilities.

The Public Works department receives approximately $1.8 million from the General Fund. This total is multiplied by the 80 percent variable assumption, resulting in an annual per-service population expenditure of $156.63. This equates to an estimated $783 in annual General Fund expenditure under the baseline, increasing to $14,400 under Project buildout.

Net Annual Fiscal Impact on General Fund

Based on the assumptions and analysis described above, development of the proposed Barlow Hotel is estimated to result in annual net new fiscal revenue of approximately **$926,000** to **$930,000**, depending on the Measure U sales tax rate. Under a 0.5-cent sales tax scenario (Option A in **Table 13**) the hotel is only expected to generate about $4,000 more than the 0.25-cent sales tax scenario (Option B). Rather, it is the addition of TOT from the hotel project that contributes most of the new General Fund revenue, around 87 percent of the total revenue generated by the Proposed project. Among General Fund costs, Police make up the greatest portion (62 percent), followed by Public Works (16 percent).

Table 13 Detailed Summary of Fiscal Impacts (2025$)

General Fund Revenues and Expenditures	Existing Industrial/ Flex Facility	Proposed Barlow Hotel
Annual General Fund Revenues		
Property Tax	$5,561	$59,595
Property Tax In-Lieu of VLF	$1,977	$21,184
Sales and Use Tax (Option A)	$485	$36,220
Option B	$431	$32,196
User Taxes	$493	$9,072
Transient Occupancy Tax	$0	$890,673
Franchise Fees	$279	$5,136
Licenses & Permits - Business Licenses	$200	$308
Fines & Special Assessments	$37	$682
Total Annual General Fund Revenues (Option A)	**$9,032**	**$1,022,869**
Option B	**$8,978**	**$1,018,845**
Annual General Fund Expenditures		
General Government[1]	$473	$8,710
Planning	$240	$4,421
Building	$126	$2,318
Engineering	$218	$4,003
Police	$2,965	$54,553
Public Works	$783	$14,410
Total Annual General Fund Expenditures	**$4,805**	**$88,415**
Annual General Fund Net Impact (Option A)	**$4,227**	**$934,455**
Option B	**$4,173**	**$930,430**
Net New GF Fiscal Impact from Project (Sales Tax Option A)		**$930,228**
Option B		**$926,258**

[1] Option A adds a half-cent sales tax in the City of Sebastopol. Option B adds a quarter-cent sales tax.
[2] General Government includes City Council, City Manager, City Attorney, City Clerk, and Finance.

Source: Economic & Planning Systems

APPENDIX A

The Economics of Land Use

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Appendix Table A-1 Service Population Factors based on Resident-to-Employee Equivalencies

Item		Existing #	Existing %	Weight[2]	Weighted Average
Employment Status of Sebastopol Residents[1]	*Formula:*	*a = b * 7,295*	*b [1]*	*c*	*= b * c*
Not in Labor Force		4,345	59.6%	100%	59.6%
Employed in the City[3]		331	4.5%	50%	2.3%
Employed Outside of the City		2,619	35.9%	67%	24.1%
Total Residents		**7,295**	100.0%		85.9%
Residence Status of Sebastopol Employees[1]	*Formula:*	*a = b * 4,277*	*b [1]*	*c*	*= b * c*
Live in the City[3]		331	7.7%	50%	3.9%
Live Outside the City		3,946	92.3%	33%	30.3%
Total Jobs		**4,277**	100.0%		34.2%
Employee to Resident Equivalency Factor[4]				**(34.2% / 85.9%) =**	**39.8%**
Service Population Calculation					
Amount Attributable to Residents (@ 100%)		7,295	81.1%		
Amount Attributable to Employees (@ 39.8%)		1,702	18.9%		
Total Service Population		**8,997**	100.0%		

[1] Distribution and total jobs based on data from U.S. Census (OnTheMap 2022). Total residents based on 2024 estimates provided by DOF in Table E-5.

[2] Represents EPS estimate of how various types of residents and employees relate to each other in terms of demand for City Services.

[3] The number of residents who are employed in the City and the number of employees in the City who are residents are the same, representing the same group of unique individuals. This group is reflected both in the Total Residents and the Total Jobs to demonstrate the composition of the totals, with their weighting split evenly between the resident and employee groups.

[4] Equals weighted average of residents divided by weighted average of employees.

Sources: LEHD OnTheMap 2022, Department of Finance, and Economic & Planning Systems, Inc.

Appendix Table A-2 Estimated Assessed Value for Proposed Barlow Hotel

Item	Assumption/Source		Total
Number of Rooms	83	rooms	
Gross Potential Room Revenue[1]	$350	ADR	$10,603,250
(less) Vacancy[2]	30%	average vacancy	($3,180,975)
Net Room Revenue			$7,422,275
Restaurant and Retail Square Footage	4,311	sq. ft.	
Restaurant and Retail Revenue[3]	$250	per sq. ft.	$1,077,750
(less) Operating Expenses[4]	70%	of room & retail revenue	($5,950,018)
Total Annual Net Operating Income			**$2,550,008**
Total Proposed Development New Assessed Value	7.20%	Cap Rate[5]	**$35,416,771**
AV per room			**$426,708**

[1] EPS estimate based on ADR rates from comparable luxury hotels in Sonoma County. See **Table 8**.
[2] See **Table 4**.
[3] EPS assumption.
[4] EPS assumption.
[5] Cap rate for upscale and luxury hotels in Sonoma County as reported by Costar.