



CITY OF SEBASTOPOL CITY COUNCIL

AGENDA ITEM REPORT FOR MEETING OF: September 1, 2026

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To: Honorable City Councilmembers
From: City Attorney Alex Mog
 Planning Department
Department: City Administration /Planning
Subject: Adoption of City Policy Requiring Annual Request for the Barlow Hotel Transient Occupancy Tax (TOT) Rebate Marketing Expenditure Records

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RECOMMENDATION(s):

That the City Council adopt the attached City Policy (Attachment A) establishing a formal requirement that City staff annually request the Barlow Hotel Transient Occupancy Tax (TOT) rebate marketing expenditure records, consistent with Section 7.5.5 of the amended Development Agreement approved by Ordinance No. 1167.

PROCESS OF AGENDA ITEM:

If the item remains on the Consent Calendar, no presentation is required, and the item will be approved as part of the Consent Calendar.

If the item is removed from the Consent Calendar, it will be heard as a regular agenda item and will proceed as follows:

- Presentation by staff
- Council questions and discussion
- Public comment
- Council deliberation and action

EXECUTIVE SUMMARY:

On August 4, 2026, the City Council adopted Ordinance No. 1167 amending the Development Agreement for the Barlow Hotel to establish a 50% TOT rebate for 10 years. Exhibit A, Section 7.5.5 requires that rebate funds be used for advertisement of tourism in Sebastopol (including the Barlow Hotel) and grants the City the right to request annual documentation of expenditures. The City has no authority to direct the spending.

The attached policy formalizes a clear annual schedule: staff (Planning Department) must request by March 1 each year records for expenditures made during the prior calendar years. This information will be presented to the City Council as part of the annual compliance review for the Development Agreement, which occurs annually in May. This ensures consistent oversight, transparency, and public accountability without changing the underlying Development Agreement terms.

BACKGROUND:

The Barlow Hotel (Highway Partners LLC et al.) is redeveloping the former Guayaki building at 6782 Sebastopol Avenue into an up-to-83-room boutique hotel. The original Development Agreement was approved by Ordinance No. 1156 (May 6, 2025).

The TOT rebate amendment was introduced for first reading at the July 21, 2026 City Council meeting, and adopted at the August 4, 2026 City Council Meeting. Section 7.5.5 of the amended Development Agreement provides that the City will rebate 50% of the TOT generated by the Barlow Hotel, to be spent for advertisement of tourism in the City of Sebastopol, including the Barlow Hotel as a destination in the City of Sebastopol. Additionally, Section 7.55 provides that the City may request, and the payee shall provide, at least annually,

documentation of how remitted TOT rebate funds were spent on tourism advertising. Establishing a fixed administrative calendar and a Council presentation requirement strengthens transparency and ensures the elected body and public receive information about the use of these funds.

DISCUSSION:

The proposed City Policy (Attachment A) does the following:

- Requires City staff (Planning Department), by March 1 of each year during the rebate period, to formally request the annual marketing expenditure report from the hotel owner / Developer / payee of the tax.
- Requires that the report be presented to the City Council no later than the June regular meeting of each year (or the first regular meeting thereafter).
- Applies for the full duration of the 10-year rebate period.

STAFF ANALYSIS:

The policy improves accountability and public transparency. It does not create new financial obligations for the City or the hotel operator beyond those already contained in the amended Development Agreement. A fixed schedule reduces the risk that the reporting right is overlooked in future years.

CITY COUNCIL GOALS/PRIORITIES/ AND OR GENERAL PLAN CONSISTENCY:

This agenda item represents the City Council goals/priorities as follows:

Goal 1: Community Vitality

Goal 5: Long Term Financial Sustainability

Goal 6: Economic Development

PUBLIC COMMENT:

As of the preparation of this staff report, no public comments have been received on this item. Any comments received after distribution of the report will be provided to the City Council as supplemental materials. Public comment will also be accepted during the meeting.

COMMUNITY OUTREACH:

This item has been noticed in accordance with the Ralph M. Brown Act and was available for public viewing and review at least 72 hours prior to the scheduled meeting date.

FISCAL IMPACT:

There is no direct fiscal impact associated with the adoption of this policy.

RESTATED RECOMMENDATION:

That the City Council adopt the attached City Policy (Attachment A) establishing a formal requirement that City staff annually request the Barlow Hotel Transient Occupancy Tax (TOT) rebate marketing expenditure records, consistent with Section 7.5.5 of the amended Development Agreement approved by Ordinance No. 1167.

CITY COUNCIL OPTIONS:

1. Adopt the City Policy with modifications.
2. Deny the recommendation and provide alternative direction to staff.

ATTACHMENT(S):

A. City Policy – Annual Reporting of Barlow Hotel TOT Rebate Marketing Expenditures

APPROVALS:

Department Head Approval:

Approval Date: 8-19-2026

CEQA Determination (Planning):

Approval Date: 8/19/2026

The project is exempt from the requirements of the California Environmental Quality Act ("CEQA") pursuant to

Section 15061(b)(3) of the CEQA Guidelines

General Plan Goal (Planning):	Approval Date: 8/19/2026
Administrative Services (Financial)	Approval Date: 8-10-2926
Costs authorized in City Approved Budget: ☐ Yes ☐ No XX N/A	
Account Code (f applicable)	_____
City Attorney Approval:	Approval Date: 8-19-2026
City Manager Approval:	Approval Date: 8-19-2026

ATTACHMENT A

CITY OF SEBASTOPOL CITY POLICY

Annual Reporting of Barlow Hotel Transient Occupancy Tax (TOT) Rebate Marketing Expenditures

1. Purpose

The purpose of this Policy is to establish a clear, consistent administrative process for the City of Sebastopol to request and receive annual documentation of how Transient Occupancy Tax (TOT) rebate funds paid under the amended Development Agreement for the Barlow Hotel are used for advertisement of tourism in the City of Sebastopol, and to ensure that such documentation is presented to the City Council on a predictable annual schedule.

2. Authority

This Policy is adopted pursuant to the City's authority under Section 7.5.5 (Uniform Transient Occupancy Tax Rebate of the amended Development Agreement for the Barlow Hotel (Exhibit A of Ordinance No. 1167, adopted August 4, 2026). That Section provides that the City may request, and the payee of the tax shall provide, at least annually, documentation of how the remitted tax funds were spent for tourism advertising purposes.

3. Definitions

A. "Developer" means Highway Partners LLC, Sebastopol Industrial Park LLC, Barlow Star LLC, or any Successor thereto under the Development Agreement.

B. "Rebate Period" means the period of ten (10) years commencing upon occupancy of the Barlow Hotel during which the City rebates 50% of the 12% Uniform Transient Occupancy Tax collected from the Project, as provided in Section 7.5.5 of the amended Development Agreement.

C. "Marketing Report" means the annual documentation of how remitted TOT rebate funds were spent on advertisement of tourism in the City of Sebastopol, including the Barlow Hotel as a destination.

4. Annual Request by Staff

No later than March 1 of each calendar year during the Rebate Period (and any extension or successor period), the Planning Department shall formally request in writing from the Developer (or the payee of the tax) the Marketing Report covering the preceding calendar year (or such other 12-month period as the parties may agree). The request shall reference Section 7.5.5 of the amended Development Agreement and this Policy.

5. Content of the Marketing Report

The Marketing Report shall include, at a minimum:

- A. A summary of total TOT rebate funds used during the reporting period;
- B. A detailed description of the tourism advertising and marketing activities funded with the rebate, including media, campaigns, events, or other promotional efforts;
- C. Amounts expended on major categories of advertising or promotion; and
- D. Any other information requested by the City Manager, including but not limited to, invoices or contracts to validate expenditure amounts.
- E. Any other information the Developer elects to provide regarding the use of the funds for tourism promotion.

6. Presentation to City Council

City staff shall place the Marketing Report, or summary thereof, on the agenda for presentation to the City Council at a regular meeting no later than the first regular meeting in June of the same calendar year. The item shall occur before, or at the same meeting, as the annual update for the Barlow Development Agreement.

7. Duration and Survival

This Policy shall remain in effect for the entire Rebate Period under the amended Development Agreement. The Policy shall automatically expire at the end of the Rebate Period unless extended or modified by the City Council.

Adopted by the City Council of the City of Sebastopol on this 1st day of September, 2026.

APPROVED:

Mayor Jill McLewis

Date: _____

ATTEST:

Mary Gourley, City Manager

Date: _____

APPROVED AS TO FORM:

Alex Mog, City Attorney

Date: _____