

CITY OF SEBASTOPOL CITY COUNCIL
AGENDA ITEM REPORT FOR MEETING OF: April 7, 2026

=====

To: Honorable Mayor and City Councilmembers
From: Jane Riley, Interim Planning Director
Subject: Informational Presentation: "Hotel Sebastopol" Development Agreement Update

=====

RECOMMENDATION:

That the City Council receive an informational update on the Hotel Sebastopol development. This annual update is required per the City Council’s approval of the Development Agreement on July 2, 2024.

EXECUTIVE SUMMARY:

This item provides the required annual informational update on the status of the Hotel Sebastopol development. In accordance with the Development Agreement approved by the City Council on July 2, 2024, the applicant is obligated to provide these yearly updates to keep the Council and the community informed about the project’s progress and status. This update also fulfills the requirements of Government Code Section 65865.1 for Development Agreements to be reviewed at least every 12 months. No Council action is required at this time.

BACKGROUND:

The Hotel Sebastopol development includes a 66-room boutique hotel with many amenities. The approved hotel location is 6828 Depot Street, with a parking area across Brown Street at 6826 Depot Street. Approvals were granted in 2017, and the owners have proceeded with multiple entitlements since that time, including receiving a building permit, which is currently active until June 2027 based upon the approved Development Agreement.

Once completed and operational, the hotel is expected to:

- Revitalize the downtown area;
- Generate significant transient occupancy tax (TOT), sales tax, and property tax revenues; and
- Support local businesses and tourism-related economic activity.

California Government Code Section 65865.1 mandates that local governments review development agreements at least once every 12 months to ensure that the applicant is acting in "good faith compliance" with the terms of the agreement. The attached letter from Piazza Development represents the 2026 development agreement update for the Hotel Sebastopol, which has a Development Agreement that is valid until July 2027.

This item is scheduled as an informational item only. If the City Council finds that the applicant is not acting in good faith compliance under the terms of the Development Agreement, a public hearing will be scheduled to hear this matter.

DISCUSSION:

On July 2, 2024, the City Council approved a new Development Agreement extending the project’s approvals for an additional three years. The agreement includes the following key components:

- Incorporation of the 2018 Fee Reduction/Fee Deferral Agreement: Ensures financial feasibility for the developer while maintaining transparency on fees due.
- Site Maintenance Requirements: The developer is required to maintain the property in good condition while vacant. If construction begins but is not completed, the site must be returned to a natural state.

- Legal and Procedural Compliance: The Development Agreement incorporates all requirements under the City of Sebastopol’s Municipal Code and applicable state laws.
- Annual Review Requirement: A yearly status update is mandated to be provided to the City Council by the applicant.

The applicant will be present at this meeting to provide a current status report on the development.

STAFF ANALYSIS:

Construction of the Hotel Sebastopol will support the ongoing revitalization of the downtown area. Once operational, the hotel is expected to generate long-term economic benefits, including significant revenue from transient occupancy tax (TOT), sales tax, and property tax. These revenue streams contribute to the City’s long-term financial sustainability and support essential public services.

In addition to its expected economic benefits, the project will promote a walkable, vibrant downtown that will attract both residents and visitors.

COMMUNITY OUTREACH:

This item has been notified 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.

As of the writing of this report, the City has not received any public comments. Any comments received after publication will be provided to the City Council as supplemental materials prior to or during the meeting.

FISCAL IMPACT:

There is no fiscal impact associated with receipt of this item.

RESTATED RECOMMENDATION:

That the City Council receive the informational presentation regarding the Hotel Sebastopol development update. This annual update is required per the City Council’s approval of the Development Agreement on July 2, 2024.

ATTACHMENTS:

Attachment 1 – Piazza Hospitality Hotel Sebastopol Project Update Letter

APPROVALS:

Department Head Approval: Approval Date: 3/25/2026

CEQA Determination (Planning): Approval Date: 3/25/2026

The proposed action is not a project under the California Environmental Quality Act (CEQA)

Administrative Services (Financial) Approval Date: 3/25/2026

Costs authorized in City Approved Budget: Yes No N/A

Account Code (if applicable) _____

City Attorney Approval: Approval Date: 3/25/2026

City Manager Approval: Approval Date: 3/25/2026

PIAZZA

HOSPITALITY

Daniele Petrone
Piazza Hospitality
March 24, 2026

Jane Riley
Interim Planning Director
City of Sebastopol

Re: Hotel Sebastopol Project Update

Dear Jane,

I am writing with an update on our Hotel Sebastopol project.

As you know, we currently hold a Development Agreement with the City to construct a 66-key hotel on our site at 6828 Depot Street, with entitlements in place through the summer of next year. As of our last update, made to the City Council nine months ago (August 2025):

- Interest rates and construction costs have not demonstrably decreased, so we continue to refine the project so that when market conditions allow it to pencil, we can quickly close on a construction loan.
- This fine-tuning includes detailing a variety of cost-saving options available to us as we best position the project for financing packages.
- We've had positive discussion with various lenders to discuss financing packages which will become available as rates decrease. We still retain C-PACE (Commercial Property Assessed Clean Energy) loan approval, which will cover half our construction contract. We're looking for lenders that will cover the remaining half.
- As you likely know, we are not alone in our difficulty navigating the current hospitality lending and construction markets. The Barlow Hotel project is navigating similar difficulties.

In the interim, we have been committed to ensuring the site contributes positively to the community rather than remaining dormant. Over the past year, we were pleased to host several temporary activations, including the Sebastopol Center for the Arts installation and Bloomfest, both



414 HEALDSBURG AVENUE
HEALDSBURG, CA 95448
PIAZZAHOSPITALITY.COM

of which demonstrated the value of community-oriented uses that bring energy and visibility to downtown. We've also expanded and formalized the walking pathway along our McKinley Street frontage, pushing back our fence, compacting gravel, and adding string lights for nighttime safety and visibility. These experiences reinforced our belief that temporary activation can serve both immediate community needs and long-term development goals. I'm sure you're also aware of WESCO United's proposed temporary sports fields on our site, which we view as an ideal next step in our temporary activation push.

We recognize that this project has been a long and complex journey, and we are deeply appreciative of the City's continued partnership, patience, and support as we work toward a successful and responsible groundbreaking. Please do not hesitate to reach out if you have any questions, would like additional clarification, or need further information from our team.

Sincerely,

Daniele Petrone

Daniele Petrone
VP of Development
Piazza Hospitality