



City of Sebastopol

CITY OF SEBASTOPOL CITY COUNCIL

AGENDA ITEM REPORT FOR MEETING OF: July 21, 2026

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To: Honorable Mayor and City Councilmembers
From: Jane Riley, AICP (Contract)
Responsible Department: Planning/City Attorney
Subject: Barlow Hotel – Development Agreement Amendment: Request to Amend the DA for the Barlow Hotel to provide a TOT sharing arrangement of 50% (1st reading)

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RECOMMENDATION:

If the Council desires to approve the request TOT sharing arrangement, or a modified version of the request, staff recommends that then staff recommends that the City Council introduce and waive the first reading of an ordinance authorizing an amendment to the development agreement for the Barlow Hotel to approve a TOT sharing arrangement on the specific terms authorized by the City Council. If approved, a second reading of the ordinance would return to the City Council on August 4 for final adoption.

PROCESS OF AGENDA ITEM:

- Presentation of agenda item
- Council questions and discussion
- Public comment
- Council deliberation and action

EXECUTIVE SUMMARY:

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 in 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 an effective date of June 18, 2025, and covers a term of ten years.

DISCUSSION:

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. A TOT rebate decreases risk to hotel investors, which makes the project more attractive to investors who provide the necessary financing to construct the project. Many such programs include requirements on the use of the rebate for specific purposes, such as requiring that some portion of the tax savings be used for certain infrastructure improvements or 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



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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.

PLANNING COMMISSION REVIEW:

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. The Planning Commission reviewed the proposal at their July 14, 2026 meeting and determined that the requested revision to the DA will continue to provide sufficient benefit to the City to justify entering into the Agreement. Their discussion included concerns about the use(s) to which the tax rebate would be put, and they strongly encouraged a collaborative approach between the Applicant and the City Council to ensure that the rebated funds are spent to further City purposes rather than just the Barlow Hotel or the Barlow. The Planning Commission voted 4-0-1 to approve the request with a revision to the proposed language in DA Section 7.5.5, shown below:

Section 7.5.5. Uniform Transient Occupancy Tax Rebate. 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~~12% 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, with some percentage of the funds, as determined by the City Council, committed solely to the promotion of the City of Sebastopol. ~~The City may request, and p~~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.~~

The Planning Commission's Resolution recommending approval of the DA Amendment to the City Council is attached.

FISCAL 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 March 7, 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* 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*.



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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 (Best Case)	EPS (Worst Case) 3/7/2025	RRC & Associates (Best Case)	EPS (Worst Case) 3/7/2025
TOT	\$1,548,000	\$890,673	\$774,000	\$445,337
Sales Tax From Hotel Rates to City	\$350,000	\$36,220	\$350,000	\$36,220
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	\$1,517,810	\$2,000,000	\$1,517,810
Subtotal – Fiscal Benefit to City (excludes sales tax revenue from guest spend)	\$1,898,000	\$926,893	\$1,124,000	\$481,557

General Plan and Zoning Consistency:

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, increasing its role as a tourism hub for the West County by providing accommodations for visitors, and increasing 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.

Staff 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.

In their consideration of this request to amend the DA, the Council should again consider finding F. above and consider 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.



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The Applicant indicates that failure to approve the TOT rebate would result in a delay in securing financing and a delay in construction. While staff can't independently verify the applicant's claim, a delay in construction and opening of the hotel would delay anticipated revenue.

The City Council has the discretion to approve or deny the request. The Council also has the ability to approve a modified version of the request, and may seek input from the applicant on proposed modification. For example, the Council could propose a reduced percentage of TOT rebate, or a shorter term than the requested 120 months. In staff's research for this agenda item, we determined that most similar agreements are for a minimum term of 120 month/10 years and most are for a 50% tax share. Alternatively, the City Council could approve a 50% TOT Rebate, but only after certain revenue thresholds. As an example only, the TOT rebate could allocate the first \$400,000 in TOT 100% to the City, then provide a 50% rebate on any TOT Revenue above that amount.

Environmental Review:

The project was originally approved using the Section 15183 review process and statutory exemption dictated by the 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.

CITY COUNCIL GOALS/PRIORITIES AND 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:

All public comments received have been attached to this staff report. If staff receives public comment from interested parties following the publication and distribution of this staff report, such comments will be provided to the City Council as supplemental materials before or at the meeting. In addition, public comments may be offered during the public comment portion of the agenda item.

PUBLIC NOTICE:

This item was 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:

See Fiscal Analysis above. While approval of the request would mean a decrease in the expected increase in TOT revenues for 10 years, the City would still realize the projected increases in sales taxes and local spending. As well, the tax rebate revenues would be dedicated to promoting tourism in Sebastopol, further benefiting the City.

RESTATED RECOMMENDATION:

If the Council desires to approve the request TOT sharing arrangement, or a modified version of the request, staff recommends that then staff recommends that the City Council introduce and waive the first reading of an ordinance authorizing an amendment to the development agreement for the Barlow Hotel to approve a TOT sharing arrangement on the specific terms authorized by the City Council. If approved, a second reading of the ordinance would return to the City Council on August 4 for final adoption.



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OPTIONS:

1. Do not introduce an ordinance to approve a DA amendment to authorize a TOT tax sharing rebate.
2. Approve an alternative TOT rebate.

ATTACHMENT(S):

Draft Ordinance

Planning Commission Resolution

A – Application Letter, including language to be added to DA and a summary of CA TOT rebate programs

B – Table 2, Comprehensive Comparison of Potential Revenues from Hotel Development

C – Fiscal Impact Analysis from 2025 Staff Report

D – RRC Associates Report dated April 22, 2024

E – EPS Report dated March 7, 2025

F – Planning Commission Draft Action Minutes of July 14, 2026

G – Planning Commission Meeting Transcript of July 14, 2026

Public Comments

APPROVALS:

Department Head Approval:

Approval Date: 7/15/2026

CEQA Determination (Planning):

Approval Date: 7/15/2026

The proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) because it is not a project under CEQA. The hotel development and DA were previously found to be consistent with the Sebastopol General Plan and its Environmental Impact Report, and was determined to be statutorily exempt under Section 15183.

Administrative Services/Financial Approval: Approval Date: 7/15/2026

Costs authorized in City Approved Budget: ☐ Yes ☐ No R N/A Costs to prepare this agenda item are covered by a Developer Deposit Account.

Account Code (if applicable) _____

City Attorney Approval:

Approval Date: 7/15/2026

City Manager Approval:

Approval Date: 7/15/2026

ORDINANCE NUMBER

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SEBASTOPOL APPROVING
AN AMENDMENT TO THE DEVELOPMENT AGREEMENT FOR THE BARLOW HOTEL DEVELOPMENT
TO ESTABLISH 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 zoned 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 the 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; and

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 held a duly noticed public hearing regarding the proposed development agreement on July 14, 2026, and recommended the City Council approve an amendment to the development to facilitate the requested tax rebate program with certain exceptions; and

WHEREAS, the City Council held a duly noticed public hearing regarding the proposed development agreement on July 21, 2026, at which time all interested parties had the opportunity to be heard; and

WHEREAS, the City Council 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, THE CITY COUNCIL OF THE CITY OF SEBASTOPOL DOES ORDAIN AS FOLLOWS:

1. **Recitals.** The above Recitals are true and correct and are made a part of this Ordinance.
2. **CEQA.** The Project and the proposed amendment to the Developer Agreement are 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 or Development Agreement amendment pursuant to CEQA Guidelines.
3. **Findings.** Based on the staff report and the whole of the record related to the Project, including the proposed amendment to the Development Agreement, the City Council makes the following findings:

- 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.
4. Amendment Approval. The City Council approves an amendment to the Development Agreement to authorize a Transient Occupancy Tax Rebate, as set forth in Exhibit A, attached hereto and incorporated herein. The City Manager is authorized and directed to negotiate and execute the final form for the amendment to the Development Agreement consistent in Exhibit A, in a form approved by the City Attorney.
5. Severability. If any section, subsection, sentence, clause, phrase or portion of this Ordinance is for any reason held to be invalid or unconstitutional by a decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have passed the Ordinance, and each and every section, subsection, sentence, clause, phrase or portion not declared invalid or unconstitutional without regard to whether any portion of this Ordinance would be subsequently declared invalid or unconstitutional.
6. Effective Date and Publication. This Ordinance shall be and the same is hereby declared to be in full force and effect from and after thirty (30) days after the date of its adoption. Before the expiration of fifteen (15) days after said passage, this ordinance or a summary therefore as provided in California Government Code Section 36933, shall be published at least once in a newspaper of general circulation published and circulated in the City of Sebastopol, along with the names of the Council Members voting for or against its passage.

APPROVED FOR FIRST READING AND INTRODUCTION OF ORDINANCE at the Regular City Council Meeting of July 21, 2026.

VOTE:

Ayes:

Noes:

Absent:

Abstain:

APPROVED:

Mayor Jill McLewis

ATTEST: _____
Mary Gourley, City Manager

APPROVED AS TO FORM: _____
Alex Mog, City Attorney

EXHIBIT A

Section 7.5.5. Uniform Transient Occupancy Tax Rebate. 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 12% 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.

RESOLUTION NO. 2026-09

A RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF SEBASTOPOL
RECOMMENDING THE CITY COUNCIL APPROVE AN AMENDMENT TO THE DEVELOPMENT
AGREEMENT FOR THE BARLOW HOTEL DEVELOPMENT TO ESTABLISH 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 zoned 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 the 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 finds 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 the 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 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:

VOTE: 4-0-1-0

AYES: Commissioners Kanzler, Harper, Vice-Chair Koelemeijer, Chair Fernandez

NOES: None

ABSTAIN: Commissioner Fritz

ABSENT: None

Certified: *Victoria Henkel*

Victoria Henkel, Permit Technician

EXHIBIT A

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

Proposed Amendments to the Development Agreement

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. Uniform Transient Occupancy Tax Rebate. 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 12% 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, with some percentage of the funds, as determined by the City Council, committed solely to the promotion of the City of Sebastopol. Payee of tax shall provide documentation of how the remitted tax funds were spent for such purposes.

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.

Proposed Amendments to the Development Agreement

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. Uniform Transient Occupancy Tax Rebate. 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.

This document summarizes TOT sharing agreements and structures created in California. First by listing [Individual Hotel](#) examples, and then by showing the [City or County TOT Rebate Programs](#).

These examples demonstrate that public-private tax sharing partnerships are common, legal, and highly successful tools for enabling hotel development during challenging capital markets.

Key Precedents: Individual Hotel TOT Sharing or Rebate Agreements

1. Cathedral City, CA – DoubleTree Golf Resort (Former Princess Resort)

- **Relevance:** The former “Princess Resort” was underperforming, outdated, and producing just \$352k in TOT (**2012**). The city intervened and agreed to work with the owner on a standard 50% split agreement which ultimately enabled a successful \$12 million brand conversion/renovation. With the common objective for the Barlow Hotel and City to increase tourism to Sebastopol being very similar to Coachella Valley, this agreement provides a highly comparable example for a successful public-private partnership.

The operator in this example is the same operator we have hired for the Barlow Hotel – **Evolution Hospitality**. Accordingly, we can present the following results:

Results from the last 4 years under Evolution Hospitality Management

YEAR	Annual Rooms Revenue	Gross TOT @ 12% of Rooms Revs	TOT to City [Base + Incremental]*
2021	\$6,002,500	\$720,300	\$367,600
2022	\$10,243,400	\$1,229,200	\$876,500
2023	\$10,785,800	\$1,294,300	\$941,600
2024	\$10,021,700	\$1,202,600	\$849,900

*versus \$352,000 in 2012 + CPI

- **Scale / Term:** 289 rooms; **17-year term** (commenced December 2015).
- **Split:** **50% of incremental TOT** collected above a three-year historical baseline of \$352,700.
- **Results:** Between 2022 and 2024, the average gross TOT reached \$1,242,033. The city retained an average of \$889,333 (including the base and their 50% share of the increment)—**a 153% average annual revenue increase over the historical pre-renovation baseline.**

- **Source:** [City of Cathedral City Covenant Agreement & Fiscal Performance Audits.](#)

2. Morgan Hill, CA – Hotel MOHI – Appellation Hospitality

- **Relevance:** This is another great example which provides supporting proof (approved in 2024) that a similarly sized Northern California city can work collaboratively with a developer to approve a 15-year tax-sharing agreement, successfully bridging a high-interest-rate environment for a boutique hotel of almost the exact same scale.
- The Barlow Hotel project team respects the work of Appellation Hospitality and worked with them through early programming and development.
- **Scale / Term:** 76 room boutique hotel; **15-year term** approved in 2024.
- **Split:** 100% of the TOT rebated *above an agreed upon base threshold*, and reduction to a 50% split after the agreed-upon target is met.
- **Source:**
 - [Choose Morgan Hill Economic Development Board,](#)
 - <https://www.morganhill.ca.gov/DocumentCenter/View/49895/MoHi-Sales-Tax-and-TOT?bidId=>
 - <https://www.morganhill.ca.gov/DocumentCenter/View/49233/KMA-Financial-Analysis-of-Hotel-MOHI-by-Appellation-5>

3. Placer County, CA – SpringHill Suites Auburn (Now Hotel Vista Sierra)

- **Relevance:** This example most closely mirrors the Barlow Hotel proposal. It ties the TOT rebate directly to marketing expenditure, requiring the developer to report quarterly marketing activities to the county.
- **Scale / Term:** 128 rooms; 3-year term (January 1, 2022 – December 31, 2024), extendable by mutual agreement. This agreement reflects a shorter duration term in exchange for a higher TOT share.
- **Split:** Declining rebate of incremental TOT above a 2020 baseline: **90% in Year 1, 85% in Year 2, and 80% in Year 3.**
- **Source:** [Placer County Board of Supervisors Staff Report & Rebate Agreement \(Jan. 25, 2022\).](#)

4. Hollister, CA – Fairfield Inn & Suites

- **Relevance:** This example from 2018 provides a successful example in an unproven market where the city approved a 10-year, 70% TOT rebate specifically to secure a newly constructed 77-room hotel—(the same room count as the proposed Barlow Hotel.) After factoring in the 70% developer incentive, the city projects a **34% net increase in overall citywide hotel tax revenues**.
- **Scale / Term:** 77 rooms; 10-year term
- **Split:** 70% TOT rebate for a 10-year term (capped at \$2,000,000).
- **Source:** [BenitoLink Municipal Policy & Council Approval Coverage](#)

5. Palm Springs, CA – ARRIVE Palm Springs (Palm Grove Group, LLC)

- **Relevance:** A boutique hotel project where the developer transparently represented that the hotel was not feasible without the tax incentive program in place in Palm Springs. See City Council Video here: ([Palm Springs City Council Meeting](#))
- **Scale / Term:** 32 rooms; **10-year term** approved on March 2, 2016.
- **Split:** **50% rebate of new TOT** collected over a 10-year period.
- **Source:** [Palm Springs City Council Meeting Staff Report & Approved Hotel Operations Covenant \(March 2, 2016\)](#).

6. Palm Springs, CA – Dream Hotel (Selene Palm Springs, LLC)

- **Relevance:** Luxury hotel incentive negotiated to support a challenging financial market, exact scenario the Barlow Hotel is working through now.
- **Scale / Term:** 150–160 rooms; **Up to 30 years** or until the cap is met.
- **Split:** **75% rebate of Adjusted TOT**.
- **Cap:** Capped at a maximum lifetime rebate of **\$50,000,000**.
- **Source:** [Palm Springs City Council Regular Meeting & Covenant Agreement \(Re-negotiated / Settlement Approved April 2025\)](#).

7. Palm Springs, CA – Orchid Tree Hotel

- **Relevance:** Example of a similarly-sized modern boutique hotel where independent feasibility studies demonstrated that the project could not be financed without a major public-private incentive. In this case, the City of Palm Springs granted a 75% Rebate in exchange for perimeter beautification conditions.
- **Scale / Term:** 72 rooms; **Up to 30 years** or until the cap is met.
- **Split:** 75% rebate of Adjusted TOT.
- **Cap:** Capped at a maximum lifetime rebate of **\$50,000,000**.
- **Source:** [Palm Springs City Council Covenant Agreement \(Approved April 2025\)](https://www.pspreservationfoundation.org/community-church-of-palm-springs/), <https://www.pspreservationfoundation.org/community-church-of-palm-springs/>

8. Palm Springs, CA – Kimpton Rowan Hotel

- **Relevance:** Example of a successful public private partnership that transformed downtown Palm Springs. The greater TOT rebate percentage was conditioned with performance of capital improvements the city needed. One note mentioned “a specified number of rooms and nights per month to be reserved for city purposes”.
- **Scale / Term:** 154 rooms; **Up to 30 years** or until the cap is met.
- **Split:** 75% rebate of Adjusted TOT.
- **Cap:** Capped at a maximum lifetime rebate of **\$50,000,000**.
- **Source:** Palm Springs City Council standing program (Municipal Code Ch. 5.26).

9. Rancho Mirage, CA – The Ritz-Carlton Rancho Mirage

- **Relevance:** Prime example of a “world-class luxury brand” which repeatedly struggled to attain financing. The City of Rancho Mirage intervened, providing a 50% TOT Share agreement allowing the project to move forward.
- **Scale / Term:** 244 rooms; **15-year term** (commenced 2014, amended 2025).
- **Split:** 50% of net TOT collected above a baseline of \$250,000/year.
- **Cap:** Capped at \$1,000,000 annually and a **\$10,000,000 total lifetime limit**.

- **Results:** By January 2022, the project had received \$5.8 million of the \$10 million cap, with the city retaining millions in new baseline revenue.
- **Source:** City of Rancho Mirage, California Annual Comprehensive Financial Report - <https://californiacheiceenergyauthority.com/wp-content/uploads/2024/07/City-of-Rancho-Mirage-2023-Final-ACFR.pdf>

10. Garden Grove, CA – Great Wolf Lodge Resort

- **Relevance:** This precedent highlights how another city agreed to a 10-year TOT rebate to incentivize a major, multi million-dollar property renovation to avoid losing a national hospitality brand. The city agreed to a 40% rebate for 10 years.
- **Deal Structure:** Large-scale resort; **10-year term** approved for expansion in 2022.
- **Rebate Split:** 40% rebate of generated TOT.
- **Source Link:** [City of Garden Grove Government Code Section 53083 Report](#)

City and County Standing TOT Rebate Programs

Jurisdiction	Year Approved	Target Tier	Rebate Term	Standard Tax Split %
Morgan Hill, CA	2022	All Qualifying Hotels	Varying	Up to 50%
Dublin, CA	Varying	3-Star to 4-Star (New/Renovated)	Up to 10 Years	50% to 70%
Temecula, CA	2018	4-Star / AAA 4-Diamond	Fixed Term	Up to 50% <i>(of City's 8% share)</i>
Anaheim, CA	2015	AAA 4-Diamond Properties	Up to 20 Years	70% of TOT
Santa Ana, CA	2016	4-Star to 5-Star Properties	Negotiated	Up to 50%
Fountain Valley, CA	2016	3-Star to 5-Star (100+ Rooms)	Up to 15 Years	Up to 50% <i>(above \$200k base)</i>
Placer County North Lake Tahoe, CA	Extended in May 2026 through to 2031	New Hotel Developments = 80% @ 20 years. Renovations = 80% at 9 years.	Up to 20 Years	Up to 80%

Sources:

Morgan Hill - <https://www.choosemorganhill.com/hotel-incentive-policy>

Dublin - <https://www.dublin.ca.gov/DocumentCenter/View/17314/Hotel-Incentive-Program-Fact-Sheet-PDF?bidId=>

Temecula - <https://temeculaca.gov/DocumentCenter/View/12264/LuxuryHotelIncentive?bidId=>

Anaheim – <https://www.anaheim.net/DocumentCenter/View/9812/Four-Diamond-Hotel-Incentive---Resolution-No2015-202?bidId=>

Santa Ana – <https://www.santa-ana.org/hotel-incentive-program/>

Fountain Valley - <https://www.fountainvalley.gov/DocumentCenter/View/5198/FV-Hotel-Incentive-Program-Guidelines-Final?bidId=>

Placer County North Lake Tahoe:

- **Recent Extension** - <https://www.placer.ca.gov/10845/Tahoes-Economic-Incentive-Program>
- **Base Incentive Program** - <https://www.placer.ca.gov/DocumentCenter/View/76243/North-Lake-Tahoe-Economic-Development-Incentives-Program>
- **Remodel Incentive Program** - https://content.govdelivery.com/attachments/CAPLACER/2025/06/19/file_attachments/3298363/12A.pdf

Coachella Valley – an example of the power of Public – Private Partnerships.

A comprehensive regional review published by *The Desert Sun* highlights how hotel incentive programs became an incredible catalyst for public tax growth rather than a loss:

"With the rebates in place, the Coachella Valley hotel industry's revenue growth has outpaced growth nationwide."

- **Outpacing the Nation:** From 2013 to 2017, the national hotel industry revenue grew **28%**. Over that exact same period, hotel revenues in the Coachella Valley (development spurred by modern public-private TOT rebates) grew by **34.5%**.
- **City of Palm Springs Tax Explosion:**
 - In 2012, Palm Springs rebated \$140,000 (0.8% of its total TOT) back to hotels.
 - By 2018, the city's total TOT revenue had more than doubled from **\$18 Million to \$36.7 Million**.
 - Despite increasing its annual third-party TOT reimbursements to \$2.4 million (6.6% of collections), **the city generated over \$16 Million in net-new, retained annual tax revenue that would have never existed without the hotel incentive programs.**

Summary for the Sebastopol Planning Commission

- Ground-up hospitality projects are facing an extremely challenging market. TOT Sharing agreements represent an established, highly reliable mechanism to lower risk and assist in making new development projects feasible.
- The Barlow Hotel is requesting a 50% rebate for 10 years, which is in-line and in fact represents a lower subsidy than many of the City and County Regional programs listed.
- Unlike many of the example agreements that distribute rebates directly to the owner for general capital needs, this proposal contractually mandates that 100% of the rebated funds go directly to local tourism and brand marketing, directly benefiting Sebastopol merchants and driving incremental municipal sales tax.

RRC Associates Economic Impact Report - 4/22/24			EPS Fiscal Impact Analysis - 3/7/25	Average of RRC & EPS
Estimated Room Count	83 rooms	83 rooms		83 rooms
Projected Occupancy	70% (Projected Stabilization)	70%		70%
Average Daily Rate (ADR)	\$575	\$350		\$462.50
Annual Room Nights Sold	21,207 room nights	21,207 room nights		21,207 room nights
Annual Local GROSS Guest Spend (Sebastopol)	\$23.4 Million (Gross total spent citywide)	Not Estimated - Estimated taxable Retail categories only.		N/A
Annual Gross Retail-Only Guest Spend	\$2.0 Million	\$1.52 Million		\$1.76 Million
Annual Regional Guest Spend (Sonoma Co.)	\$8.0 Million spent outside city limits	N/A		N/A
Gross Hotel Tax (TOT) Yield (12%)	\$1,548,000 annually	\$890,673 annually		\$1,219,337 annually
Gross Sales Tax Yield to Sebastopol	\$350,000 annually	\$32,196 to \$36,220 annually		\$193,110 annually (Using EPS Option A)
Accounted Municipal / Operations Costs	Not Estimated	\$88,415 in annual service costs		\$88,415 (EPS data only)
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	\$926,258 to \$930,228 - Net Surplus		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 Fees¹	
<u>Building (Hotel Facility) Portion of Project</u>	
Subtotal-Processing Fees (Building)	\$392,079.82
<u>Parking Lot Portion of Project</u>	
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@aldrigedevlopment.net, justin@aldrigedevlopment.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)*

Commodity	Barlow Hotel: Annual Guest Spend		
	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
<u>\$180,000</u>	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	2023/24 City		Barlow
	Barlow Hotel	Budget	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	<u>\$180,000</u>	<u>\$3,241,600</u>	5.6%
Sum	\$2,078,000	\$8,536,160	24.3%
Other Sebastopol municipal revenues	<u>\$0*</u>	<u>\$2,222,300</u>	0.0%
Total Sebastopol municipal revenues	\$2,078,000	\$10,758,460	19.3%

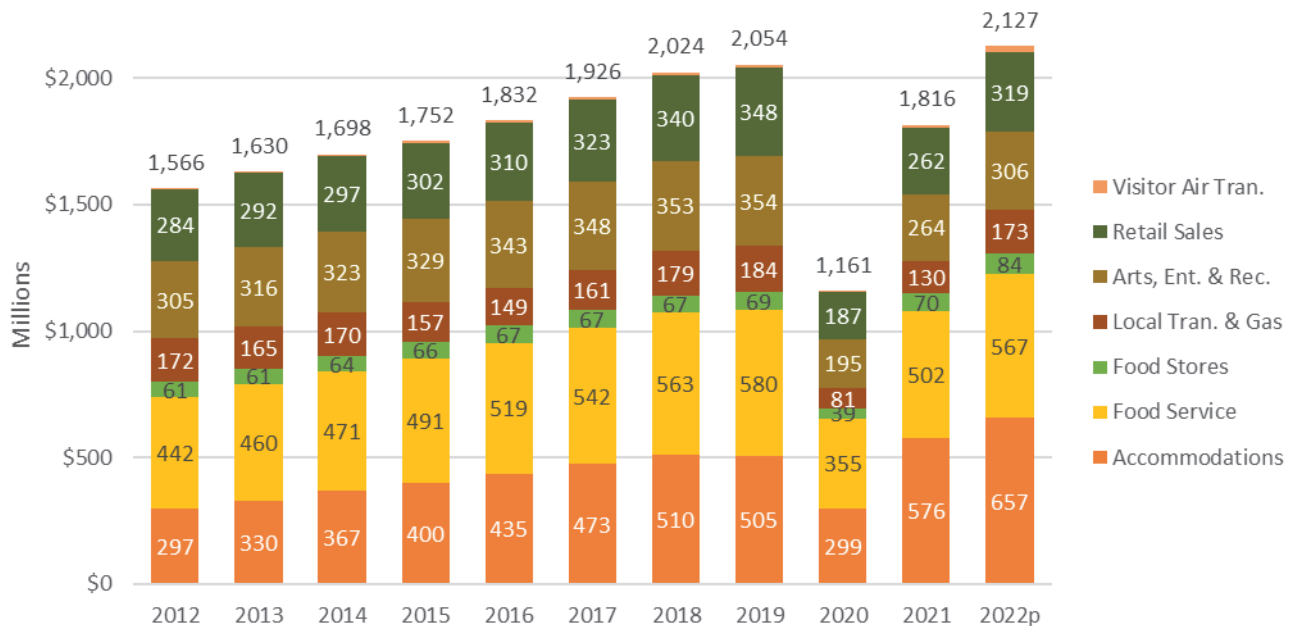
Note: Barlow Hotel tax generation is reflective of stabilized operations, expressed in 2023 dollars. *Barlow Hotel may generate small amounts of additional revenues, e.g. license and permit revenue.

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

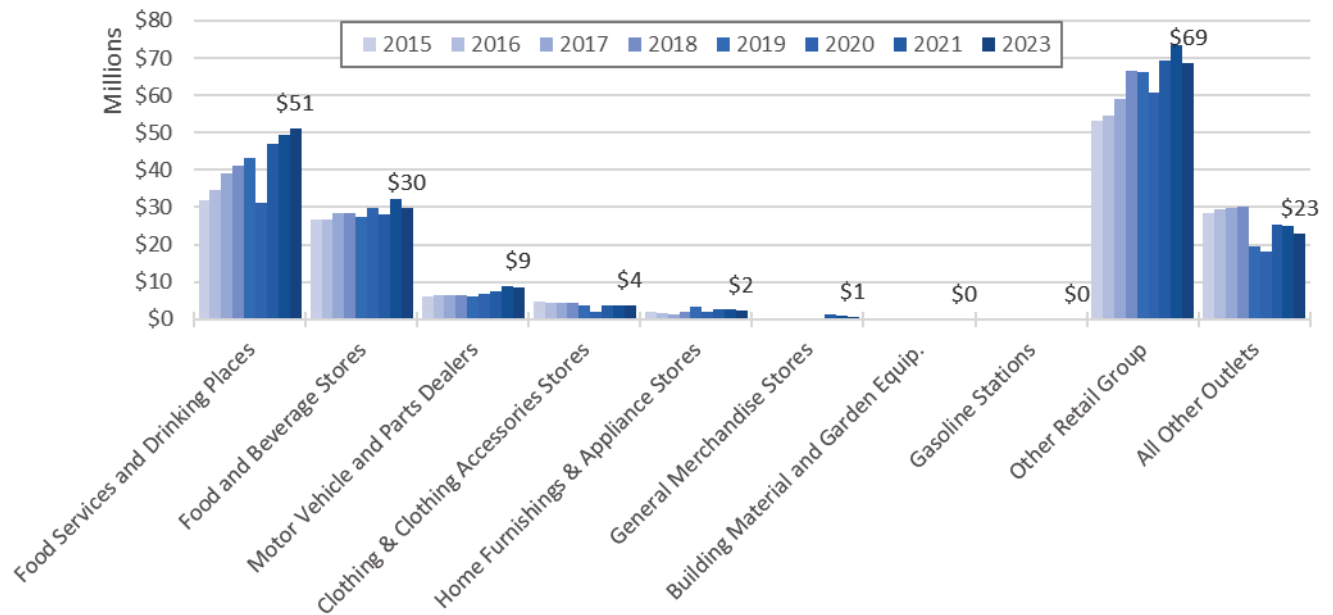
Community	TOT Tax rate	TOT Revenue		Taxable Lodging Sales	
		Amount	Share	Amount	Share
Cloverdale	10%	\$227,037	0.4%	\$2,270,370	0.4%
Healdsburg	14%	\$8,836,634	14.3%	\$63,118,814	12.1%
Petaluma	10%	\$3,479,985	5.6%	\$34,799,850	6.7%
Rohnert Park	12%	\$3,892,713	6.3%	\$32,439,275	6.2%
Santa Rosa	9%	\$5,985,250	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

The Economics of Land Use



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

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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.

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
<u>Option A - Half-Cent Sales Tax</u>			
Annual General Fund Revenues	\$9,000	\$1,022,900	\$1,013,800
Annual General Fund Expenditures	<u>\$4,800</u>	<u>\$88,400</u>	<u>\$83,600</u>
Annual Net Impact on General Fund	\$4,200	\$934,500	\$930,200
<u>Option B - Quarter-Cent Sales Tax</u>			
Annual General Fund Revenues	\$9,000	\$1,018,800	\$1,009,900
Annual General Fund Expenditures	<u>\$4,800</u>	<u>\$88,400</u>	<u>\$83,600</u>
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 calculate 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			Service Population Equivalency ³	Service Population
		Assumption	Occupancy Rate	Employees or Guests		
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		Impact Estimating Factors	Table Reference
	Adopted Budget	Gen. Fund Revenues		
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 Fund²	\$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 Revenue⁶		\$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
<u>Worker-Generated Retail Sales</u>			
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
<u>Hotel Guest Generated Retail Sales</u>			
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 Revenue⁵	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.

[6] 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	<i>a</i>	83
Average Daily Rate (ADR) ¹	<i>b</i>	\$350
Occupancy Rate ²	<i>c</i>	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.

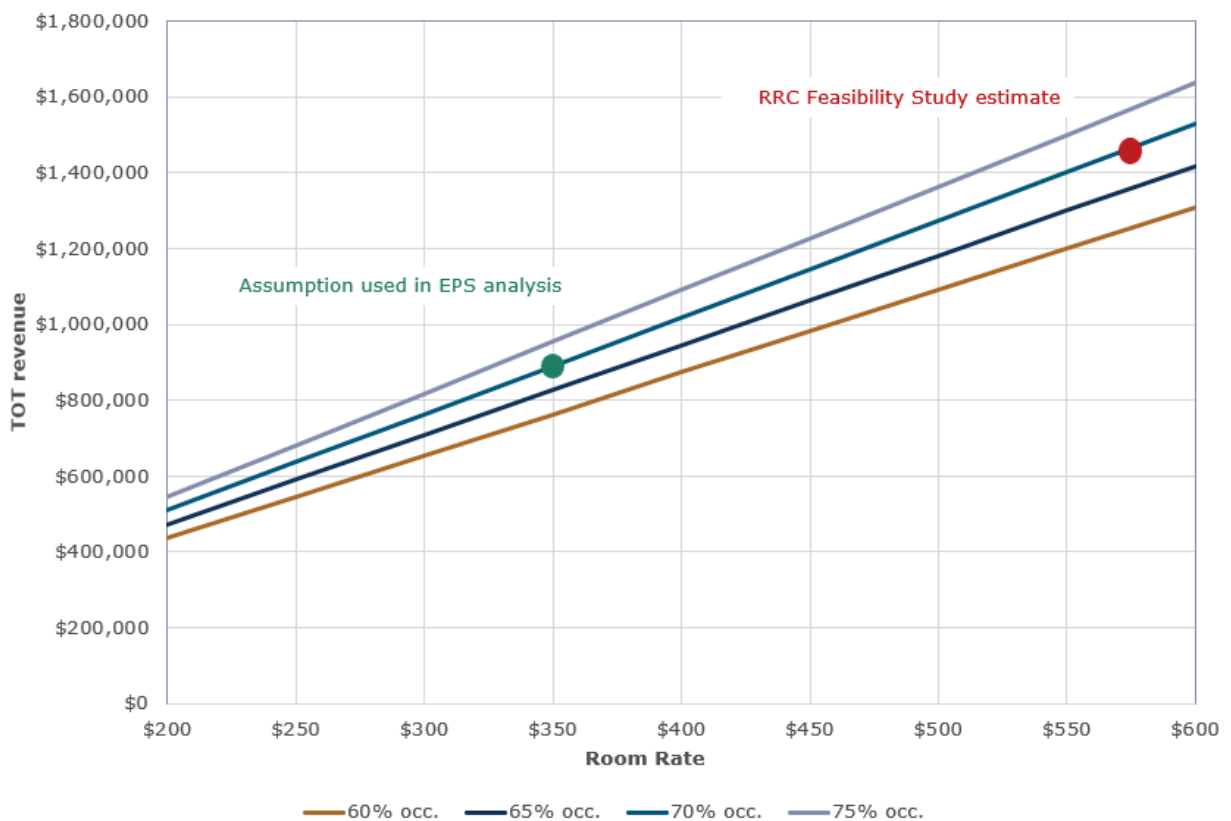
Based on rates at comparable downtown-area boutique hotels in the county, EPS uses a room rate of \$350 and 70 percent occupancy rate in this analysis, as illustrated in **Figure 1**. These assumptions, while more conservative than those provided by the Applicant, still suggest a more optimistic outlook 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

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 License¹			
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, manufacturing, 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			Percent Variable ²	Annual Variable Expenses	Estimating Factors
	Total	Offsetting ¹	Net			
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	<u>\$300,000</u>		<u>\$300,000</u>	-	-	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 scale with service population. Expenditures that are assumed to be fixed would include overhead costs, director salaries, and other costs that would not scale with service population.

[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
<u>Estimated Expenditures</u>			
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	<u>\$156.63</u> per service population ²	<u>\$783</u>	<u>\$14,410</u>
Total General Fund Expenditures	\$961.03 per service population²	\$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
<u>Annual General Fund Revenues</u>		
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
<u>Annual General Fund Expenditures</u>		
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		Weight ²	Weighted Average
	#	%		
Employment Status of Sebastopol Residents¹	<i>Formula: a = b * 7,295</i>	<i>b¹</i>	<i>c</i>	<i>= b * c</i>
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	<u>2,619</u>	<u>35.9%</u>	67%	<u>24.1%</u>
Total Residents	7,295	100.0%		85.9%
Residence Status of Sebastopol Employees¹	<i>Formula: a = b * 4,277</i>	<i>b¹</i>	<i>c</i>	<i>= b * c</i>
Live in the City ³	331	7.7%	50%	3.9%
Live Outside the City	<u>3,946</u>	<u>92.3%</u>	33%	<u>30.3%</u>
Total Jobs	4,277	100.0%		34.2%
Employee to Resident Equivalency Factor⁴			(34.2% / 85.9%) =	
			39.8%	
Service Population Calculation				
Amount Attributable to Residents (@ 100%)	7,295	81.1%		
Amount Attributable to Employees (@ 39.8%)	<u>1,702</u>	<u>18.9%</u>		
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	<u>(\$3,180,975)</u>
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.



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UNAPPROVED DRAFT ACTION MINUTES

PLANNING COMMISSION
CITY OF SEBASTOPOL
MINUTES OF JULY 14, 2026

PLANNING COMMISSION:

The notice of the meeting was posted on July 9, 2026.

1. CALL TO ORDER: Chair Fernandez called the meeting to order at 6:00 p.m.

2. ROLL CALL:

Present: Chair Fernandez,
Vice-Chair Koelemeijer,
Commissioner Fritz,
Commissioner Kanzler,
Commissioner Harper

Absent: None

Staff: Jane Riley, Contract Planning Director
Tori Henkel, Permit Technician

3. STATEMENTS OF CONFLICT OF INTEREST: Commissioner Fritz recused himself from agenda item 6A.

4. COMMENTS FROM THE PUBLIC REGARDING ITEMS NOT ON THE AGENDA: None.

5. APPROVAL OF MINUTES: June 23, 2026

Commissioner Harper made a motion to approve the minutes of June 23, 2026, as submitted.

Commissioner Fritz seconded the motion.

VOTE: 5-0-0-0

Ayes: Commissioners Kanzler, Harper, Fritz, Vice-Chair Koelemeijer, Chair Fernandez

Noes: None

Abstain: None

Absent: None

6. PUBLIC HEARINGS:

- A. Barlow Hotel Development Agreement Amendment** - A public hearing to consider a request by Barney Aldridge of Highway Partners LLC to amend the existing Development Agreement for the Barlow Hotel. The amendment requests that the City provide a 50% rebate of the hotel's expected TOT (Transient Occupancy Tax) otherwise payable to the City for ten (10) years after the completion of the hotel. The request will be considered by the City Council following the Planning Commission's consideration and recommendation. The Commission may recommend approval, recommend denial, or recommend an alternative amendment to the Development Agreement for the City Council's consideration.

Vice-Chair Koelemeijer made a motion to approve the resolution as written by staff with revisions to Exhibit A as follows:

- a. Revise typo: 10% should be 12%
- b. Add to second to last sentence: "...with some percentage of funds, as determined by the City Council, committed solely to the promotion of the City of Sebastopol."
- c. Remove from last sentence: "The City May request, and"
- d. Remove: "but the City shall have no authority to direct such spending."
- e. The new paragraph will read as follows: "Section 7.5.5. Uniform Transient Occupancy Tax Rebate. 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 12% 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, with some percentage of the funds, as determined by the City Council, committed solely to the promotion of the City of Sebastopol. Payee of tax shall provide documentation of how the remitted tax funds were spent for such purposes."

Commissioner Kanzler seconded the motion.

VOTE: 4-0-1-0

Ayes: Commissioners Kanzler, Harper, Vice-Chair Koelemeijer, Chair Fernandez

Noes: None

Abstain: Commissioner Fritz

Absent: None

7. SUBCOMMITTEE UPDATES

- a. A Parks Subcommittee report was given by Chair Fernandez and Vice-Chair Koelemeijer

8. PLANNING DEPARTMENT REPORT was given by staff.

- 9. ADJOURNMENT:** Chair Fernandez adjourned the meeting of the Sebastopol Planning Commission at 8:07 p.m. The next regular Planning Commission meeting will be held on July 28, 2026, at 6:00 p.m.

GMT20260715-004758 Recording 640x360

Transcribed by [TurboScribe](#). [Go Unlimited](#) to remove this message.

Okay, I'd like to bring to order the meeting of the City of Sebastopol Planning Commission of July 14th, 2026, and we'll start with the roll call, please. Commissioner, whoa, Councillor? Present. Commissioner Harper? Here.

Commissioner Fritz? Here. Vice Chair Coley-Mayor? Here. And Chair Fernandez? Here.

Thank you. All right. Item number three, any statements of conflict of interest? I have a conflict of interest for item 6A, so I will be recusing myself from the meeting.

Okay. Okay. Any others? Okay.

Moving on to comments from the public on items that are not on tonight's agenda. If you would like to make a comment, either virtually or in the room, step up to the mic and you have three minutes. Okay.

I'll go ahead and close comments from the public on items not on the agenda. And we'll move on to item five, approval minutes of June 23rd, 2026. Any changes or additions to that or motion? Move to approve those minutes.

Okay, we have a motion to approve. A second. Motion and a second to approve.

There's no discussion and I will call for the vote. Commissioner Kanzler? Aye. Commissioner Harper? Aye.

Commissioner Fritz? Aye. Vice Chair Coley-Mayor? Chair Fernandez? Aye. Motion passed.

Thank you. Okay. And I'll give Chair Fritz a moment.

Thank you for getting this started. Oh, wait, that's a bad question. Okay, moving on to item 6A, Barlow Hotel Development Agreement Amendment.

And I'll turn that over to staff for a summary. Thank you, Chair. Appreciate that.

As you all remember, the Barlow Hotel was approved just about a year ago to replace the existing Gayaki building that's next to the downtown within the Barlow adjacent to the downtown district. It will be replaced with a three-storied hotel with up to 83 rooms. Once completed and operational, it's expected to bring a lot of revitalization to the downtown and generate about a million dollars in new revenue through TOT tax, primarily through TOT taxes by its fifth year of operation.

When we originally approved the development agreement for this hotel, the applicant had not

requested a TOT transient occupancy tax sharing arrangement, which was probably oversight on their part because they're very common with hotel developments, and they're coming back at this time to make that request. So the request is to approve a 50% rebate of transient occupancy taxes for 120 months or 10 years from the opening of the hotel, and that money would go back into advertising for tourism in Sebastopol. And in order for that development agreement to be amended, we have to follow the same process that we followed to adopt it.

And because a development agreement is a type of ordinance, it has to go under the Planning Commission first, and then you make your findings and you make your recommendation to the City Council, your advisory to the Council on this. It is scheduled for the next City Council meeting, so we're moving pretty quickly on this one, and whatever you guys decide tonight is what's going to go later tonight into my staff report that goes out tomorrow for City Council. What's important, I think, to recognize here is even though we're delaying some of that transient occupancy tax money under this scenario, while that money would not be the same amount that we had originally expected to get in transient occupancy taxes, the other benefits that are related to having the hotel, building it out to occupancy, would continue to accrue to the City during that 120 month period.

And under the analysis in your staff report, there's some fiscal projections that includes the sales tax to the City, the guest spend, the retail only guest spend, and so on. So the City would continue to accrue benefits, even though they're not getting all of the TOT that was originally calculated. In order to make the findings, you have to find general plan and zoning consistency.

Again, the only thing that's changing here is this to add these provisions to the development agreement. There's no physical changes. Nothing else is changing.

You've already made the required findings A through F in your original resolution on this project. You'll be looking tonight again at F, that the development will provide sufficient benefit to the City to justify entering into the development agreement. If you can make that finding, then we would encourage you to adopt the resolution that's attached to recommending approval to the City Council.

And the applicant is here with a presentation for you. Okay, let's start with questions of staff. Alex, we'll start with you if you have any questions.

Yes, I wonder if staff could fill me in a little bit on the history of development agreements. Do we typically do them and do we typically do it after we've approved a project? I'm sorry, I'm not sure I've heard all of the dates we're closing. It's the history of development agreements.

Do we typically do them here in Sebastopol and is it typical to go back and renegotiate the conditions after we've given approval already? Yes, we have done multiple development agreements in Sebastopol. We did, I think, one for the Barlow development. We did one for the Sebastopol hotel, which just came back for an update.

And this one, I also do them in other jurisdictions for hotel developments, very common with hotel developments. And development agreements kind of allow you to start to be consistent with the general plan. That's the most important rule of a development agreement.

But after that, it allows you to kind of write your own rules. And we get the benefit of things that flow from the project to the city. And the developer in exchange gets the benefit of a sure thing that we can't go in 10 years later and change the conditions on them.

So it kind of vests the project into the conditions that we approve it at. But they can come back and renegotiate. Yes, and the zoning code specifically sets out how the process works if they want to come back and amend the development agreement.

Basically, if the city wants to amend the development agreement, they just do it at the city council after notice to the applicant. If the applicant wants to amend the development agreement, then it has to go back through the same process that was utilized to adopt it, which is planning commission first as advisory to the council. And is there a process of negotiation? Like, who on city staff negotiates a development agreement? It's 100% up to the city council.

You mean the initial development agreement? Any part of it would have... Okay, let's do the initial. Would it be a city attorney and the planners? So the city attorney, when we did this development agreement, I was the staff planner on it. And it was basically the applicant, the city attorney, and the city manager.

Thank you. You're welcome. Any questions? Go ahead.

On page... I just have one quick question. On page two of the staff report, the ERS conservative estimate is listed as 654-37-372. Do you know where that came from? That doesn't match the number listed from ERS on page 17, so I'm just curious.

And Ari and I... Well, Ari discovered that, what, yesterday and brought it to my attention. He can speak to that. We have two different dates on the report, and I was using the earlier date.

There was an updated... I think I'm going in the right order. There was an updated report a month later that the city council saw, but I had already produced this. Do you know what that number should be? Ari can talk to it, speak to it.

Okay. I have a few questions here. So staff reviewed the proposal.

Was the current city's fiscal situation taken into consideration as far as, you know, the benefit outweighing the temporary reduction in general fund revenue? Yeah, a couple, of course. And a couple of things going on here. One is that although the TOT rebate offsets the money that would be going into the TOT fund, and that's like our most valuable fund because we can spend it on anything, right? It's not restricted.

That money would still be used to promote Sebastopol as a tourism destination, which is a priority for the city under its economic development goals and policies. So that's one thing that would be happening. So we still get value from that that we wouldn't otherwise have the budget to spend that money on.

The other thing that's happening is we would continue to see the guest spend and the retail sales tax from the guests of the hotel, even during the time when we received the reduced percentage of the TOT. And then what about as far as accountability? What enforcement mechanisms exist? You know, are there going to be annual reports required? Is there an audit provision? How's all that going to work out? That's a great question. And yes, state law and the zoning code require an annual report.

And we just had one. It goes to the city council. We just had one two months ago.

We just did an annual report for both this hotel and the Sebastopol hotel. You're looking at the cities, looking at its progress and whether it needs to make changes to the development agreement or whatever they need to do in order to keep it moving forward. And in prior situations like this or in other jurisdictions, I do believe that this has been something that's been common.

But I didn't really believe that it was common to then take that TOT money and use it to promote the hotel itself. Yeah, another good observation. I think Ari's done a lot more research than I have on this.

It's not uncommon to have a percentage of that money be required to go back into advertising and tourism. This is the first time I've seen the whole thing proposed to go back into that. So that's a new one for me.

But again, Ari's got a lot of research that he's done. Were there any alternatives evaluated like smaller percentages or shorter term graduated rebates or even applying the funds to a different sector of the city? Not to applying funds to a different sector. Well, in other words, using the funds for road improvements or sewer.

Saying, OK, we'll give you the 10 year 50 percent reduction, but we're going to use the funds for a top priority that the city may have, which I believe are quite a few above the promoting the city. That is not the request and there's not been something that's been considered. We have talked about whether the 50 percent is the right level.

We've talked about whether 10 years is the right time frame. And from the from the other cities that use this mechanism, 10 years is the shortest that I've seen. And 50 percent is is the most common number that I've seen.

So this is what the applicant is proposing. You can make a different recommendation. And in your opinion, your staff's opinion, your expertise, would this set a precedent for future projects? Or is it

I mean, I know they're all evaluated, but is that going to create a difficulty or a challenge for the city in the future? So a legal precedent? No, because it's a development agreement and each one of them is unique.

There has been discussion on the city council about what can they do as a jurisdiction and as a community to bring more hotels into town. And many of the jurisdictions that I've looked at that have this kind of program have it citywide as an incentive program. And say, if you come in with a four star or better hotel, we are going to rebate this percentage of your T.O.T. earnings for this amount of time in order to encourage you to come in here and get up and running.

And then some of those cities continue to extend that period for those hotels. So they must do well with them. Larger cities, not not something as small as Sevastopol.

I haven't seen that. And just last question. So this went to city council and then they.

Asked the planning commission to look at it. The development agreement went to city council. The request when we brought the annual report to city council, the applicant requested during that process that the city council considered this revenue sharing or tax sharing agreement.

That has to go through the process that I just described under our code. So it has to go back to the original process. And so the council said, go, go do the process.

Great. All right. Thank you.

Any other questions? Yeah. Follow up questions. Just point of clarification.

So common to have development agreements amended on this timeline. Understand that comment to have a tax rebate or, you know, a public private partnership or a percentage of taxes is reserved back to the developer. But Jane, just to clarify is this is the 1st time you've seen where this type of rebate is earmarked specifically for tourism.

The entire rebate, the entire rebate. Okay. If it indeed that's what's proposed.

Thank you. Yes, I just wanted to clarify. Whatever development agreement ultimately is approved, it runs with the land, and regardless of who is the developer ultimate developer.

Is that correct. Yes and no, it runs for a specific term that's in the development agreement. So the development agreement itself sunsets on a particular date.

Sometimes it's 10 years. I've got an applicant in another jurisdiction now going for 25, which is an awfully long time. That's like two general.

So this, this one is a 10 year development agreement. Okay, so if the developer were to change say the project were to be sold. The development agreement is still in place the development agreement is still in place and more importantly all the project conditions of approval that were

approved as a part of the development agreement they continue on in perpetuity or until fulfilled.

So, the expiration of development agreement does not affect those. Okay. Right.

Thank you. Right. We'll now hear from the applicant opportunity.

Yeah, we give it to them and they'll have an office. Thank you. Okay, thank you.

Do we have an extra one for public. I get to start. All right, what I've handed you there.

I'll get into. I think it'll help clear up those are just some precedents examples of individual hotels that have made agreements with the different cities or jurisdictions and then there's also the programs in place by certain cities and counties just to kind of show this is, you know, this isn't not a new or novel thing for hotels, but we'll get into that. Hi everybody my name is Ari, I'm the development manager for the project.

I was here for the entitlement a lot of commission is the same from a few years ago. I'm primarily working on the design permitting the design design consultants architects engineers permitting and construction. Barney Aldridge has been sort of spearheading the financing effort, which is obviously a topic for tonight, and he got pretty ill a couple days ago, and really wanted to be here and was trying up to the last second and we decided did not make sense.

So, but I've been with him every step of the way. No excuses and should be able to answer all your questions. Feel free to go easy on me, but let's dive into it.

So you kind of understand that one thing I do want to say because a lot of people are asking about this going directly to tourism. That was actually at our at the development update, a few months ago, we proposed the 50% share at 10 years, and it was actually a suggestion from one of the council members that hey could we have this go towards tourism and we said, absolutely, that it is unique. One of the examples that I gave you I found of another jurisdiction that did do that.

And the idea would be the rebated funds come back, and it would go towards both marketing, the Barlow Hotel and Sebastopol to sort of help it become a destination. So that was actually the ask of the council. Typically these just go to the capital needs of the project sponsor.

So that's kind of a give back we were giving. Just to explain that. But I think that really the way to think about this would be.

I've kind of broken into three categories I think there's project feasibility, which I'm going to talk about right now. There's the revenue potential, which is what's talked about in the two reports that were done independent studies by EPS and RRC, and then there's the structure itself that we're asking for and how that compares to other structures you might see here today. So I think first project feasibility.

You know it's an incredibly challenging economic environment right now. I'm sure you've heard that and know that it's hard for all real estate, but when you have a new ground up hotel in an otherwise unproven market in wine country, I mean it's about as risky and tough as it can get for financing. And I think you're seeing some of that on the other hotel project here.

So with that, we're at a point now where we're maybe a month and a half to two months away from being able to submit for a building permanent submittal. I would say, in the next few weeks we're at a point where we're going to need to pause design until we get an understanding of this agreement. We've, we have tailored what we're asking here today to help the project meet the requirements of the financing that we need.

And so it's not really a, you know, if we don't get this agreement, the project is likely to go on hold. And it'll, you know, I think what Aldridge development will probably do is, is go on hold until the market conditions are better or there's another plan for the site and I know that's hard to hear because it's a story you've heard down the street, but it's sort of, it's reality and it's what nobody wants. And so, this ask here is really us trying to work with the city to figure out a way to do this.

So that that's kind of speaking to the feasibility. The, the revenue potential, maybe if you guys have questions and I can answer one of the members asked about the differing numbers between EPS and RRC and how to think about those. But really both are just independent consultants one was hired by Aldridge development applicant and one was hired by the city directly.

One is a little more aggressive and really looks at the potential growth of the impact and the other sort of looks at a conservative baseline. And the answer is likely to land somewhere in the middle. And we can talk about that.

I can tell you the applicant Aldridge development sure believes it's going to land on the more aggressive side. Otherwise this project wouldn't pencil to begin with. Right.

So, so that's important to understand. And then lastly, the structure. 50% for 10 years.

I think if you go through what I handed out here today I tried to find as many examples that were similar in kind, similar in types of markets. So for example we have, you know, Placer County in North Tahoe, they have programs in place for all hotel developments to try to incentivize developers to come in that are up to 20 year terms at an 80% rebate. All of the Coachella Valley.

I have a handful of examples in there but a lot are upwards of 30 year terms at 75% rebates, you know, Cathedral City. The double tree is an example in there, that's actually managed by evolution hospitality. And they're the operator we're working with on this hotel.

And so we have the actual numbers of how they've done since the agreement was made what the baseline was the agreement and then the last four years of financials, and so I show some of

that in what I printed out for you. And so I think maybe I'll end there and let everybody ask questions. Okay.

Good. My question about the EPS numbers was actually, I think it might just be a misprint there in the original report, the EPS amount was 891, and the Barlow's projection conservative projections were the number you've listed here. So I think maybe there might have been just a swapping of numbers there.

No, there's, there's, I thought that too at first, when I saw the staff report. At a panic moment, no, it's a, there were two EPS reports produced for the city. We only received one of them, which was dated February, 11 2025, and the report that's in the staff report that you're seeing was dated March, I think, fourth, and so there had been a revision done.

And we just didn't get that report but it actually sort of helps the cause right but the, the chart you're seeing in there that compares EPS and RRC. RRC shows an estimate of \$1.5 million in TOT tax annually, the conservative baseline was 654, which is kind of the worst case of what we had thought, and then this report that we hadn't received, but had been given to the city is showing 890, which is a little more towards the middle, which makes a lot more sense to be honest. I hope that answers your question.

Yes, so the correct number is 891. Yes. Okay.

And the reason I asked that is I'm just trying to get a sense of what the entire benefits for the 10 year period might be. And so for using 891, between 891 and 1.5 comes out somewhere between 4.5 and \$7 million. Is that about right? Spent.

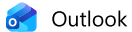
So, is there a marketing plan for this? I mean, is this national advertising? Is it hotel branding? Is it digital marketing? Like, can you send your employees to trade shows with this money? Like, that's, that's really my only missing link is like, what is tourism promotion? Yeah, you can see the exact language that will be amended. I think it's in the staff report. I don't know if you're pulling that up.

It's all of the above. It's for everything. It's for branding.

I mean, you know, Sebastopol is an unproven market and, you know, when people are looking to book a hotel.

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FW: Planning Commission recommends that City Council give the Barlow Hotel the tax break its developer is asking for - Public Comment 7/16/26

From Alexandre Munoz-Oliveira <aoliveira@cityofsebastopol.gov>
Date Thu 7/16/2026 11:50 AM
To Mary Gourley <mgourley@cityofsebastopol.gov>
Cc John Jay <jjay@cityofsebastopol.gov>; Jane Riley <jriley@cityofsebastopol.gov>; Victoria Henkel <vhenkel@cityofsebastopol.gov>; Building <building@cityofsebastopol.gov>

Please see public comment submitted to the City of Sebastopol.

BCC: Email BCC to City Council and City Attorney.

Thank you,
 Alex Munoz

From: Anne [REDACTED]
Sent: Thursday, July 16, 2026 9:44 AM
To: City Council <citycouncil@cityofsebastopol.gov>
Subject: Fw: Planning Commission recommends that City Council give the Barlow Hotel the tax break its developer is asking for

Dear City Council,

This city is in a financial crisis. You have got to stop behaving as though you've forgotten that!! If you agree to give away 50% of the TOT to the Barlow Hotel it is going to be the last straw! Do Not Do This!!

I am furious over the way you are handling our tax money!

Very Sincerely,
 Anne Galbraith

----- Forwarded Message -----

From: From Sebastopol Times [REDACTED]
To: [REDACTED]
Sent: Thursday, July 16, 2026 at 09:33:20 AM PDT
Subject: Planning Commission recommends that City Council give the Barlow Hotel the tax break its developer is asking for

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Sebastopol Times

[Planning Commission recommends that City Council give the Barlow Hotel the tax break its developer is asking for](#)

After much discussion, Commissioners agreed that the City should return 50% of transient occupancy tax (TOT) revenue to the Barlow Hotel so that the development can move forward

[KAVYA KRISHNAMURTHY](#)

JUL 16 · GUEST POST



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East facade of the proposed Barlow Hotel (Image from Barlow Hotel [website](#))

On May 19, the Sebastopol City Council discussed Barlow owner Barney Aldridge's [letter](#) requesting that the city of Sebastopol add a TOT (transient occupancy tax) rebate program to the Development Agreement devised for the Barlow Hotel, which is proposed for the site currently occupied by Guayaki Yerba Mate.

The discussion of a potential TOT rebate program for the Barlow Hotel was relatively limited at the May 19 meeting, since it was not listed on the agenda. Public commenters differed in opinions, which you can read about [here](#).

On Tuesday, the Sebastopol Planning Commission held a public hearing to discuss a [report](#) prepared by Jane Riley, the Interim Planning Director, on the amendment to the Development Agreement. The role of the Planning Commission was to reach a recommendation for the City Council regarding this amendment.

The report elucidates the details of the proposed amendment, which states that the city would return 50% of the 12% TOT revenue to the developers of the hotel for ten years. The rebate funds would be "dedicated to promoting tourism."

Ari Wangerin, director of development for the Barlow Hotel project, stood in for Barney Aldridge, who was ill during the time of the hearing. Wangerin presented the proposed amendment alongside a series of successful precedents for California hotel TOT rebate programs and assured the Planning Commission that public-private tax sharing partnerships are increasingly common in this challenging economic climate.

Riley added that while rebate programs are common, a rebate marked specifically for "promoting tourism" is somewhat unique.

Planning Commission Chair Evert Fernandez immediately raised questions regarding the city's current fiscal situation, as well as potential accountability for how the rebate money is spent.

Commissioner Alex Kanzler noted that the language of "promoting tourism" seemed "intentionally vague."

From there launched an almost two-hour-long discussion on the details of the proposed amendment, with commissioners' attention spent largely on the question of what it means for the Barlow Hotel to use rebate funds to "promote tourism."



(Left to right) Chair Evert Fernandez, Vice Chair Jennifer Koelemeijer, Joan Harper, Alex Kanzler. Commissioner Paul Fritz was not present.

Vice Chair Jennifer Koelemeijer said, “these are public funds,” and sought assurance that efforts to “promote tourism” would promote tourism in the city of Sebastopol writ large, rather than just tourism within the Barlow, “which is owned by one individual.”

The report included two studies which projected two different numbers for annual revenue from the Barlow Hotel. RRC Associates, hired by the applicant, projected \$1,548,000 in annual TOT revenue. EPS, hired by the city, gave a more conservative estimate of \$891,000. In light of these rather significant amounts of money (even considering the radical discrepancy), Chair Fernandez wondered aloud about how much the city of Sebastopol could do with the whole of the TOT revenues instead just 50%.

At this point, Wangerin stated quite frankly, “If we don’t get this agreement, the project is likely to go on hold.” He also mentioned that the language of “promoting tourism” was a recommendation given by the Sebastopol City Council at a previous meeting.

“They’re looking for city support to make this project go. Yes, it’s taxpayer money, but all the money is theoretical,” Commissioner Kanzler said. “It’s a one-in-the-ha two-in-the-bush situation.”

Commissioner Joan Harper confirmed with Wangerin that the rebate funds would substitute a portion of the hotel’s \$1,000,000 marketing budget rather than augment it. What she meant was, whatever rebate funds the hotel receives will be moved to the “marketing” bucket of the budget, and the money that was there before will go towards other operating expenses.

In the most basic sense, regardless of what the amendment allocated the money for, the Barlow Hotel would use the rebate to make sure the hotel can run, and to reassure its financiers that their investments were sound decisions.

Ella Berger, the director of development for Aldridge Development, stepped up to the podium to say, “We need money back in our pockets.”

This conviction did not seem to persuade Chair Fernandez to recommend the amendment.

Fernandez continued to express concern about accountability for rebate funds and was confused about why the document prescribes the use of funds to promote tourism at all. He raised the point that the promotion of tourism would be “a trickle-down benefit when the city has so many other needs.”



Ari Wangerin answering questions from the Planning Commission

Vice Chair Koelemeijer said that the effort to include the whole city of Sebastopol in promotional work by the Barlow Hotel within a proposal that, at its core, is about acquiring the funds to finance the hotel, was “a goodwill gesture on their part.” She proposed that 15% of the remitted TOTs be allocated for promoting solely “the city of Sebastopol.” Commissioner Kanzler gave a big thumbs up.

There was then a very long debate about the basis for the number 15%. Chair Fernandez was skeptical of the choice of 15% as arbitrary and under-researched. Commissioner Harper agreed.

Each member of the commission seemed to want the Barlow Hotel to open in Sebastopol. Amidst discussions of better uses for city money, issues of oversight and semantic arguments about tourism in the Barlow versus tourism in the city of Sebastopol, the fact that the Barlow Hotel says it cannot open without this tax break got a little lost.

After an additional attempt by Chair Fernandez to revisit the idea that TOT revenue could be used to help the city in ways determined by the City Council, Riley stepped in to say, “Well, that is a whole other motion,” and redirected the conversation to the motion at hand.

Commissioner Harper suggested that they change the language of 15% to “some percentage of the funds, as determined by the City Council, committed to the promotion of the City of Sebastopol.”

Eager to reach a consensus, both Koelemeijer and Kanzler approved this change.

Additionally, struck from the original text was the language, “The City may request...documentation of how the remitted tax funds were spent...but the City shall have no authority to direct such spending.”

The language was amended to simply read, “Payee of tax shall provide documentation of how the remitted tax funds were spent for such purposes,” reconciling the accountability concern that Chair Fernandez had adamantly brought forward.

Eventually, the Planning Commission voted to recommend that the City Council accept the Development Agreement Amendment with those changes and one more change, which addressed a typo.

Riley commented that the meeting had been “hard work.” Wangerin looked relieved as he left the room after the meeting, which was an hour and 45 minutes long.

The City Council will meet on July 21 to vote on whether to follow the Planning Commission’s recommendation.

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A guest post by

Kavya Krishnamurthy

Poet painter recent college grad. Intern for the Sebastopol Times.

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From: Ernie Carpenter [REDACTED]
Sent: Thursday, July 16, 2026 1:44 PM
To: City Council <citycouncil@cityofsebastopol.gov>
Cc: Mary Gourley <mgourley@cityofsebastopol.gov>
Subject: Barlow Hotel Tax

Dear Council,

Why is the Planning Commission considering the bed tax or any tax issue for the Barlow or any other development? Horrors. You have enough problems without an appointed "planning" body dealing with tax issues.

You should immediately repudiate the Planning Commission dealing with financial tax matters. That is, tell them it is not their duty or responsibility.

City Code 2.27.070 is clear on the duties of the Commission.

Two other points: 1) certain whims and political positions of certain Council members helped create the financial issues you now experience between the General Fund and the Enterprise Fund, and 2) you have been counting on the bed tax from the two proposed hotels for financial solvency. And you can't do for one hotel what you will not do for the other hotel.

I find it unbelievable that a lower body would impose itself into City finances in this form.

Obviously, the City Council has taken no action on this issue. I mention point 1) above because there are no guarantees for good fiscal management with this Council. Your citizens have expectations. I am sure waiving hotel bed tax fees is not one of them.

Respectfully,

Ernie Carpenter

Unincorporated Sebastopol