Received from Barlow Hotel applicant team at PC meeting on 7/14

Barlow Hotel – Planning Commission 7.14.26

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- **Relevance:** The former "Princess Resort" was underperforming, outdated, and producing just $352k in TOT (**2012**).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/

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://californiachoiceenergyauthority.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%** *(of City's 8% share)*
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%** *(above $200k base)*
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.