CREATING THE COMMONS

Decision SWOT — Structure & Financing

**For Discussion purposes only

**Financial modeling is fluid and calculations can change

Full Commons Committee | July 14, 2026

The Decisions on the Table

This document assumes the committee is reviewing the O'Reilly campus as a location for Sebastopol Commons. The committee is not choosing a purchase size. It is discussing and understanding the project further for presentation to the City Council. The Finance/Funding Subcommittee has surfaced three viable pathways — which does not encompass all pathways, but three that shape the financial road map. This meeting can also discuss:

- **(a)** pursuing a lease with an option to buy as the path to occupancy;
- **(b)** getting the campus appraised and opening a conversation with the owner covering both purchase sizes (a single building or the full campus);
- **(c)** the financing approach, which may include an IBank purchase loan, a short bridge at close, and the EIFD on the back end to provide a cap to impact on the General Fund.

The Two Roads, and the Ten-Year Picture

Two roads, ten years apart — same town, very different endings.

ROAD 1 — Do Nothing	ROAD 2 — Commons at O'Reilly
– Library stays squeezed into ~10,000 sq ft – Senior Center keeps renting rooms around town – Cultural Center stays in the flood zone – A $555,000 repair bill lands in Year 2 – Repair bills keep coming as buildings age – ~$208,500 a year just to keep the lights on **Ten-year cost: ~$3.57 million — and we still have old buildings**	– Library more than doubles, to ~22,000 sq ft – Senior Center gets its own home + kitchen – Everything sits above the flood zone – We lease first, then buy — moving in while we finance – Tenant rent helps carry the building (full campus) – City owns a modern campus at the end **Ten-year cost: ~$0.8–1.0 million — and we own the whole thing**

Three paths compared — cost against what each one solves:

Path	What it costs	What it solves	At the end
Do Nothing	~$3.57M over ten years	Nothing (0 of 4 problems)	Same four aging buildings
Rebuild library elsewhere	~$32M one-time project cost	One of four problems	One new single-purpose building
O'Reilly full campus	~$0.8M over ten years	All four problems	A campus the city owns outright

The scale is the point: a single library rebuild was last estimated at roughly $32M — more than acquiring the entire O'Reilly campus — and it addresses one of four problems. 'Rebuild' is a one-time project cost; the other two are ten-year costs to the city budget.

How the Purchase and Financing Unfold

The lease-first structure changes the shape of the deal. Instead of borrowing heavily at closing and repaying later, the city leases and moves in, uses the lease-and-escrow window to arrange the purchase loan and sell its old buildings, then closes with the financing in hand. The only short-term money is a modest bridge at closing, retired within about three years.

The timeline, phase by phase:

When	What happens	City debt
Months 0–4 (prep)	Council authorizes the appraisal and lease talks; terms negotiated	None
Month ~4	Lease signed — Senior Center and City Hall begin moving in	None (city is a tenant)
Months 4–9 (lease + escrow)	Arrange the IBank purchase loan; list and sell the old buildings	None (no purchase debt yet)
Month ~9 (close)	Buy the campus with the IBank loan in hand; a short bridge covers any gap	IBank loan + small bridge
Months 9–15	Light renovation; Library builds out and moves in; tenants arrive	Bridge at its peak (~$6M)
Months 10–30	Sale proceeds, gifts, county funds, and grants retire the bridge	Bridge shrinking toward ~$2M
Year 3 onward	EIFD tax-growth district works the back end; bridge fully retired	Only the rent-covered IBank loan remains

Read it as two phases: a lease-and-escrow phase with no purchase debt, then an ownership phase where a rent-covered IBank loan carries the building and a small bridge is retired within about three years.

What the city owes, quarter by quarter (whole campus):

Quarter	Phase	Short-term bridge — base	Short-term bridge — cautious case
Q0–Q2 (lease)	Leasing; no purchase debt	$0	$0
Q3 (close ~mo. 9)	Buy with IBank loan; bridge covers the gap	~$6.1M	~$0 (close slips to Q4)
Q4–Q5	Renovation; tenants arriving	~$3.1–3.3M	~$6.5–7.0M peak
Q6–Q8	Sales + gifts + county/grants land	~$2.3–2.9M	~$4.3–4.9M
Q9–Q12 (mo. 27–36)	Bridge winding down	~$1.9–2.1M	~$5.0–5.1M

No purchase debt during the lease. The bridge appears only at closing, peaks near $6M in the base case, and is retired toward ~$2M by month 36. The cautious case (sales late and low, no county or grants) leaves more outstanding — which is why the plan is sized to that case, not the base.

The Numbers, In One Place

	Do Nothing	One Building	Whole Campus	Sell the Twin
City money in	—	$9.2M	~$19.7M	~$11.5M net
Budget cost/yr, Yr 3	$208.5K+ and rising	~$467K (~$286K pending CAM)	~$83K	~$69K
10-yr budget total	~$3.57M	~$4.7M (~$2.7M)	~$0.8M	~$1.0M
Lease-phase GF cash	—	modest	~$0.6–0.9M (rent + old-building O&M)	same as C
Bridge at close	—	minimal	~$6M peak, ~$2–5M left at month 36	same close as C

The bridge facts, plainly: across the lease phase and the months after closing, the whole-campus paths carry roughly $0.6–0.9M of real budget cash (lease payments plus running the old buildings until they sell), and a short-term bridge that peaks near $6M and is retired toward $2M by month 36 as sales, gifts, and county and grant funds arrive. The ten-year advantage survives these facts; the committee should hear them from its own analysis first.

The Three Real Choices — SWOT

The strategic question is not which purchase structure, but which path: keep the four buildings as they are, rebuild a single facility elsewhere, or consolidate at the O'Reilly campus. Each is assessed on its own below. The purchase-size question within the O'Reilly path (one building vs. the full campus, and whether to later resell one building) is real diligence and is summarized after the third SWOT.

1. Do Nothing — Keep the Four Buildings

STRENGTHS	WEAKNESSES
– No transaction, no negotiation, no new debt, no execution risk – Operating cost is fully known and predictable (~$208.5K/yr confirmed) – Preserves all capital and borrowing capacity for other priorities – Requires no Council action, no campaign, and no committee bandwidth	– ~$3.57M over ten years with nothing new owned at the end — the third most expensive path – A $555K flood and ADA repair bill at the Cultural Center lands in Year 2 regardless – Library operates at roughly half the state-recommended size; Senior Center pays to rent rooms offsite; City Hall staff are scattered – This figure is understated — it omits the Senior Center's offsite rent and the flood-insurance escalation the city keeps absorbing – Solves none of the four facility problems; simply defers them at rising cost
OPPORTUNITIES	**THREATS**
– Deferred-repair dollars could be redirected toward a real solution — but only once a decision is actually made – The only 'opportunity' is the one it forecloses: it keeps money uncommitted for a better path the city has not yet chosen	– Construction inflation keeps compounding the cost of any future fix (a library rebuild rose several million since 2019) – Cultural Center flood exposure is a when, not an if — one event can eclipse a decade of avoided spending – The O'Reilly campus sells or leases to someone else and the consolidation option disappears for good – Continued fragmentation erodes service quality and community trust while costs quietly rise

2. Rebuild — Replace a Single Facility Elsewhere

STRENGTHS – A brand-new, purpose-built facility designed exactly to need – Familiar municipal model — cities understand ground-up civic construction – On a city-owned parcel, no acquisition negotiation is required – Full control over design, phasing, and standards	**WEAKNESSES** – Last estimated at roughly $32M for the library alone — more than acquiring the entire O'Reilly campus – Solves one of four problems; the Senior Center, City Hall, and Cultural Center remain unaddressed – No tenant rent or shared space to offset cost — the General Fund and grants carry all of it – Multi-year construction timeline with full exposure to cost inflation and change orders – Generates no ongoing offset of any kind, under any comparison – Requires an available, suitable, city-controlled site — not a given downtown
OPPORTUNITIES – Could be phased over time if funding is assembled piece by piece – May attract facility-specific state or federal construction grants – A signature building can anchor a civic identity if budget allows	**THREATS** – Cost inflation on a long build can blow through the estimate – Solving one facility while three others decay invites 'why didn't we solve all of it' scrutiny – Competes for the same grants and donor capital as a consolidation, at a worse cost-per-problem – Ties up a city parcel and years of staff capacity for a single-purpose outcome

3. O'Reilly Campus — Consolidate All Four (Full Campus)

STRENGTHS	WEAKNESSES
– Cheapest ten-year path (~$0.8M) — tenant rent carries much of the building – Solves all four problems at once: library, Senior Center, City Hall, and Cultural Center – Lease-first structure means occupancy in months, before financing is finalized – Buildings are in good condition and above the flood zone — light renovation, not a rebuild – May be budget-positive by Year 3 if the IBank loan prices near the recent comparables (ASSUMPTION) – City owns a modern, consolidated civic campus at the end	– The lease phase carries ~$0.6–0.9M of real budget cash (rent plus running the old buildings until they sell) – A short-term bridge of ~$6M at close, with ~$2–5M still outstanding at month 36 before it is retired – The city takes on a landlord role; leasing the ~51,000 sq ft of extra space is a real execution risk – Success depends on assembling several moving parts — loan, sales, gifts, county, and grants — on a timeline – True all-in cost sits somewhat above headline figures once bridge carry is counted
OPPORTUNITIES	**THREATS**
– An IBank ISRF purchase loan at the recent comparable pricing (Butte County, Santa Cruz, Del Mar) — verify in August – The lease-and-escrow window lines up naturally with IBank's application timeline – A USDA guarantee could lower the bridge cost; the EIFD caps General-Fund exposure on the back end – County library rent and a Sutter anchor lease add external revenue and de-risk lease-up – Selling one building later (the 'sell the twin' variant) returns ~$7.7M and strengthens the tax base	– The owner declines a workable lease or the appraisal comes in high → revert to the one-building path or a lower price – Old buildings sell late or low → a larger bridge balance lingers at month 36 – The loan prices high or funds slowly → a bigger, longer bridge – No anchor tenant signs → the full-campus structure should not close on its own – Financing runs late → the built-in shield is to extend escrow, never to close on money the city does not have

The Purchase-Size Diligence Behind the O'Reilly Path

Within the O'Reilly choice, the subcommittee modeled three ways to size the buy, so the recommendation rests on comparison rather than assumption. **One building (~$8M):** solves the Senior Center immediately but costs ~$467K/yr — more than doing nothing — because there is little tenant rent to help; kept as a real fallback. **Whole campus, keep all (~$16.5M):** cheapest over ten years (~$0.8M) because tenant rent carries the loan. **Whole campus, sell the twin (~$11.5M net):** nearly as cheap (~$1.0M) with far less long-term debt, and returns a building to the tax rolls. The committee is not choosing among these tonight — the four-way appraisal and the CAM confirmation settle it — but the work was done.

Decision Matrix

The three real choices, side by side:

Criterion	Do Nothing	Rebuild (library only)	O'Reilly (full campus)
Cost	~$3.57M over ten years	~$32M one-time project cost	~$0.8M over ten years
Problems solved	None (0 of 4)	One (1 of 4)	All (4 of 4)
City owns a new asset?	No	One new building	A whole campus
Ongoing offset	None	None	Tenant rent + EIFD
Execution risk	None	High (multi-year build)	Medium (moving parts, but lease-first)
What must be true	Nothing	A suitable city site + ~$32M assembled	A workable lease, loan, and anchor tenant

Within the O'Reilly path, the purchase-size comparison:

Criterion	One Building	Whole Campus (keep)	Whole Campus (sell twin)
City money in	$9.2M	~$19.7M	~$11.5M net
Ten-year budget cost	~$4.7M (~$2.7M if CAM resolves)	~$0.8M (best)	~$1.0M
Solves all four?	Partially	Yes	Yes
Short-term exposure	Minimal	Bridge ~$6M, retired by ~Yr 3	Same until the twin sells
Role	Real fallback	Recommended focus	Lower-debt variant

Recommendations

- Endorse pursuing a lease with an option to buy as the path to occupancy, and authorize the subcommittee to open a conversation with the owner covering both purchase sizes and a locked-price option.
- Commission the four-way appraisal (one building / whole campus, each as-is / as-occupied).
- Adopt the lease-to-IBank financing approach as the committee's working plan, with all loan, guarantee, and EIFD terms expressly treated as assumptions pending the August meeting.
- Direct the tax-district groundwork (Kosmont) to proceed with the starting point set after acquisition, modeling the County's participation.
- Request the two factual confirmations — the shared-cost (CAM) question and the County Library rent terms — and adopt the rule that the Council recommendation issues only after August's confirmations are complete.

Between Now and August — Assumptions to Facts

#	Confirm	Owner
1	The IBank purchase loan — rate, terms, and timing against our escrow window; whether it can fund acquisition and capitalized costs	PhillC / City Manager
2	The lease and option terms with the owner — rent, credit toward price, option fee, escrow length, locked price	PhillC / City Attorney
3	The tax-district details — starting point, realistic capacity, and County participation (bundled with the partnership contribution)	PhillC / Hinton / Kosmont
4	A federal guarantee (USDA) that could lower the bridge cost	PhillC
5	How shared building costs are counted (Library & Senior Center orgs); the County Library rent terms (City Manager)	PhillC / City Manager
6	Two to three bank quotes on the short-term bridge, structured for early payoff	City Manager / municipal advisor

The Honest Bottom Line

On the current numbers, the whole-campus paths are the only ones cheaper than doing nothing — and if one phone call to IBank confirms the loan pricing, the campus may pay the city by Year 3. The price of that outcome is a lease phase with real, temporary budget cost and a short bridge at closing. The lease-first structure the owner has opened up makes all of this safer: the city moves in before financing is finalized, and can extend escrow rather than close on money it doesn't have. Every uncomfortable number here was found by this committee's own analysis and shown first.

PLEASE NOTE THAT AN UPDATED SLIDESHOW WILL BE SHARED AT THE COMMITTEE MEETING.

CREATING THE COMMONS

Financing a Consolidated Civic Home at the O'Reilly Campus

Finance & Funding Subcommittee → Full Commons Committee • July 14, 2026

A review of the choices, the opportunity, and how it can be financed. Based on extensive financial modeling.
FOR DISCUSSION PURPOSES ONLY

Four Buildings, Four Problems

The civic facilities are aging, cramped, and scattered — and one sits in a flood zone.

Library

Roughly half the space state guidance recommends — squeezed into ~10,000 sq ft.

Senior Center

Outgrew its building; rents rooms around town every month.

City Hall

Barely fits finance and executive staff; the rest are scattered.

Cultural Center

A valued events hall — in the flood zone, with a $555K flood/ADA bill due Year 2.

Square footages approximate — City Manager confirmation is in progress.

"Doing Nothing" Has a Price Tag

Confirmed figures from recent budgets — staff costs excluded because they follow the people, not the buildings.

$208.5K	**$555K**	**$3.57M**
every year to run the four buildings	**repair bill due in Year 2**	**total over ten years**
utilities, insurance, repairs, cleaning, grounds	flood mitigation + required ADA work at the Cultural Center	and the city still owns the same four aging buildings

This understates it — it omits the Senior Center's offsite rent and the flood-insurance increases the city keeps absorbing.

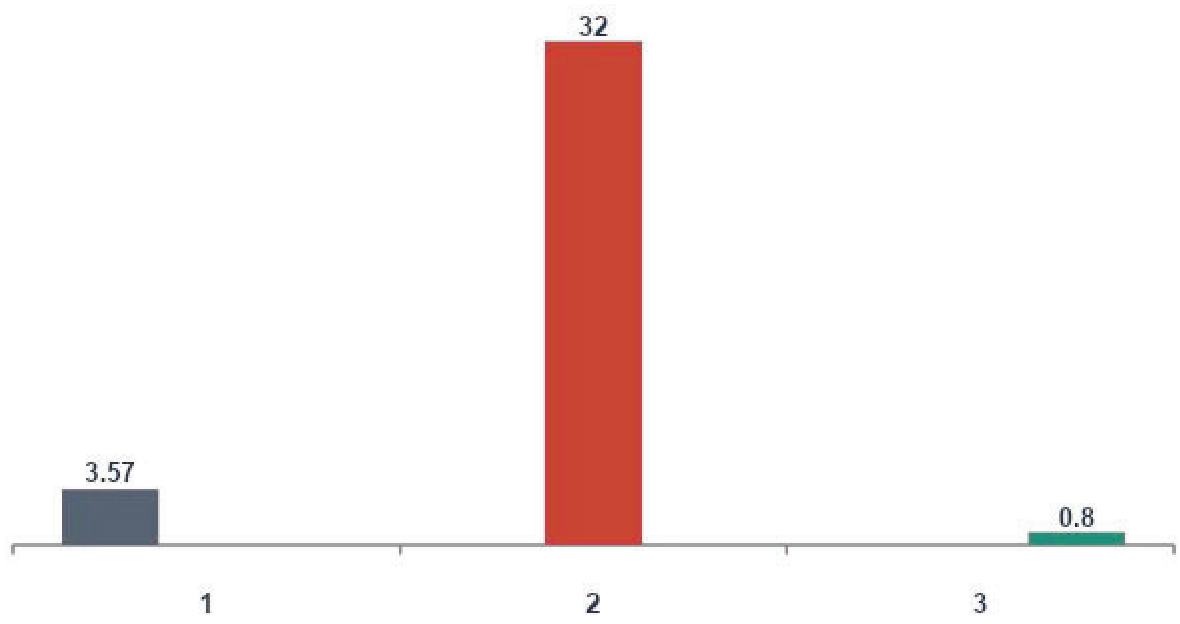
The Opportunity: The O'Reilly Campus

1003–1007 Gravenstein Highway North — mostly empty since O'Reilly Media left in 2018.

Three office buildings + a warehouse	~90,500 sq ft on 7.3 acres, with parking, natural light, and a generator.
Above the flood zone, in good shape	Renovation is light — paint, furniture, signage. Capped at $2M for the whole campus.
A motivated owner — open to a lease	Eight years mostly empty. Open to leasing now with an option to buy — which buys time to arrange financing.
More space than needed, on purpose	~51,000 sq ft can be leased to tenants whose rent helps pay for the whole thing.

Three Paths Compared

Doing nothing, rebuilding one facility, or consolidating at O'Reilly — by cost and by what each solves.



'Rebuild' is a one-time project cost; the others are ten-year costs to the city budget.

What the bars say

A new library alone was last estimated near **$32M** — more than buying the *entire* O'Reilly campus — and it solves one of four problems.

O'Reilly full campus solves all four for ~$0.8M over ten years.

Three Financing Pathways for the O'Reilly Campus

The subcommittee mapped three ways to size the purchase — not every pathway, but three that shape the road map.

	One Building	Full Campus — Keep All	Full Campus — Sell One
What it solves	Senior Center + some library relief	All four facilities	All four facilities
City money in	$9.2M	~$19.7M	~$11.5M net
Budget cost, Yr 3	~$467K/yr (more than today)	~$83K/yr (less than today)	~$69K/yr (less than today)
Ten-year budget cost	~$4.7M	~$0.8M (cheapest)	~$1.0M
Role in the plan	Real fallback	Recommended focus	Lower-debt variant

The full campus is cheapest over ten years because tenant rent carries much of the loan. One building stays available as a fallback via a locked-price option on the rest.

How We Get In Early: Lease Now, Option to Buy

The owner won't finance the sale — but will lease. That lets the city occupy first and finance during escrow.

1. Lease + option

Lease the civic building with an option to buy at a locked price. The Library chips in on its share for the first six months — an early partner signal.

2. Move in & organize

Senior Center and City Hall move in within months. During the lease and escrow window, the city lines up the purchase loan and lists the old buildings.

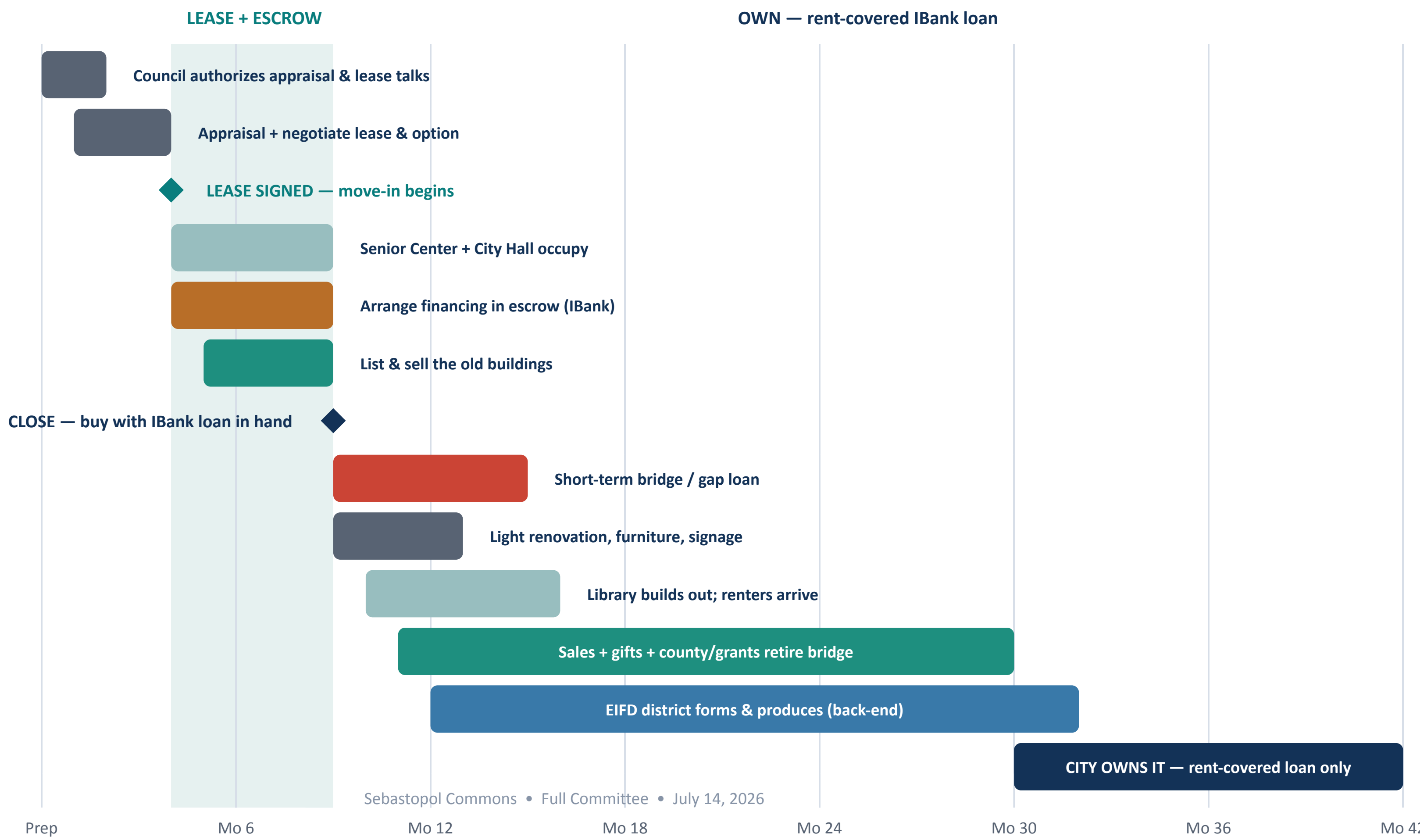
3. Close with the money in hand

At closing, the permanent loan funds the purchase — the city buys with financing secured, not on expensive short-term debt.

Part of the lease rent is credited toward the purchase price. If financing runs late, escrow extends — the city never closes on money it does not yet have.

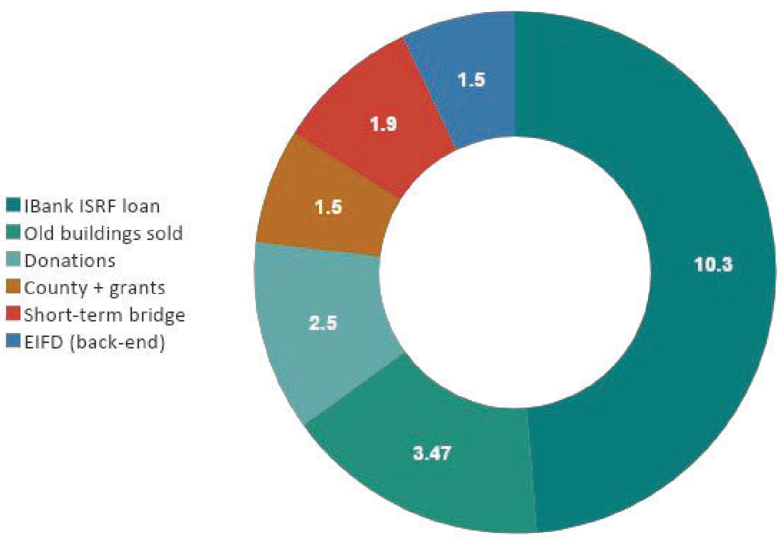
The Plan, Step by Step — Full Campus

From appraisal to a campus the city owns, with financing as now understood.



Where the Money Comes From

At the full-campus close — the IBank loan and tenant rent do the heavy lifting; the bridge is small and short-lived.

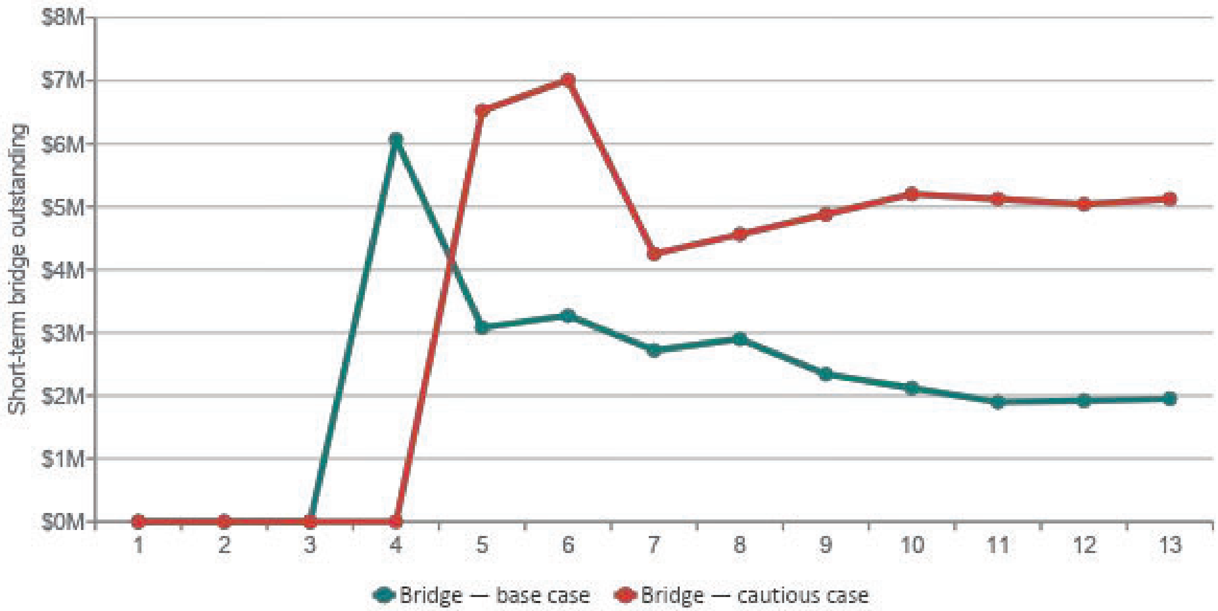


Reading the Sources

- **Ongoing Support:** The IBank loan and tenant rent — not the General Fund — carry the building over time.
- **Temporary Bridge:** The bridge (red) is temporary, retired within ~3 years from building sales, gifts, county funds, and grants.
- **EIFD Back-End:** The EIFD works the back end: tax growth the project creates, never the existing budget.
- **Strict Diligence:** Only signed, committed money counts at closing — county, grants, and EIFD start at zero until real.

What the City Owes, From Signing Through Payoff

Lease first (no purchase debt), then close with the loan in hand. The short-term bridge is small and gone fast.



During the lease
No city purchase debt — the city is a tenant.

At close (~month 9)
The IBank loan funds the purchase; a modest bridge covers any gap.

Through payoff
The bridge peaks ~$6M, retired toward ~$2M by month 36 as sales, gifts, county & grants arrive.

Figures from the current financial model. The purchase-loan rate is a working assumption until IBank confirms it.

The Funding Toolbox: Loans, Grants, Gifts & Devices

A menu of instruments, not a single bet — each reduces what the General Fund carries.

FINANCIAL DEVICES (debt)

- IBank ISRF purchase loan — up to 30 yrs, funds acquisition
- Short-term bank bridge at close
- USDA Community Facilities (long-term, backup)
- EIFD — tax-growth district, caps General Fund impact

GRANTS (competitive)

- State & federal facility grants
- Flood-mitigation & resilience funds (SCCC site)
- Senior-services facility programs
- Applied for on their own calendars — start early

GIFTS & PARTNERS

- Founding-donor campaign (lead gifts first)
- Library & Senior Center org fundraising (their build-outs)
- Anchor tenant (e.g., Sutter) — rent that carries debt
- County partnership contribution

Each item reduces reliance on debt and on the General Fund. Confirmed items move up; new ones are added as diligence proceeds.

The Purchase Loan: California's Own Infrastructure Bank

IBank's Infrastructure State Revolving Fund makes low-cost direct loans to cities. Recent deals confirm it.

What it is

- A state bank (est. 1994) lending directly to cities
- Loans $1M–$65M, terms up to 30 years
- Funds the PURCHASE of land & buildings — not just construction
- Can finance interest and reserves inside the loan
- Repaid from general fund + other recurring revenue

Recent, real approvals

- Butte County: $12M to build an evidence facility & morgue
- Santa Cruz: $30M for a treatment plant
- Del Mar: a $5M loan, with IBank inviting peer cities to follow
- Once invited to apply: ~60–90 days to the Board (meets monthly); funds 45–90 days after
- Prevailing wage applies to the renovation scope

Confirming Sebastopol's rate and timing with IBank is the first item of diligence still to complete.

The EIFD — the Cap on General-Fund Impact

A state tool that lets the project help pay for itself on the back end, without touching the existing budget.

How it works

As the campus fills with activity, nearby property grows in value and pays more tax. The district captures only that GROWTH to help repay project costs — never the money the city already collects.

What it can carry

On its own, modest; with County participation, meaningfully more. Modeled conservatively — a back-stop that limits General-Fund exposure, not something the purchase depends on.

- The one detail that matters: set the district's starting point AFTER the purchase, so the campus joining the city doesn't work against the increment.
- It works on its own clock — helpful on the back end, never a precondition to closing.
- The County's participation would be sought alongside its partnership contribution.

What Still Needs Confirming

The financing rests on a short list of items being verified — each with a clear owner.

Item to confirm	With whom
The IBank loan — rate, terms, and timing against the escrow window	IBank / City Manager
The lease + option terms — rent, credit toward price, escrow length, locked price	Owner / City Attorney
The tax-district details — starting point, what it can carry, County participation	Kosmont / County
A federal guarantee that could lower the bridge cost	USDA Rural Development
How shared building costs are counted; the County Library's rent	The organizations / City Manager
Two to three bank quotes on the short-term bridge	City Manager / advisor

These convert working assumptions into quotes and letters — the step between this review and a Council recommendation.

The Analysis Behind This

A current assessment of needs and city assets — not a sketch.

Needs, assessed

Facility-by-facility square footage, condition, and flood exposure — measured against state guidance.

Assets, inventoried

Every city building valued (broker opinions), including the library building held back as a reserve worth ~$3.95M.

Money, modeled

Three purchase structures with sources, uses, a quarter-by-quarter bridge cash-flow, and a reconciled ten-year comparison.

Financing, researched

IBank, USDA, EIFD, grants, and gifts — checked against real, recent, comparable deals, with weak options ruled out.

The Bottom Line

Doing nothing costs $3.57M over ten years and leaves the city with four aging buildings. A single building remodel costs more than the entire campus and solves one problem. Consolidating at O'Reilly solves all four — financed by leasing first, buying with California's own infrastructure bank, selling the old buildings, and letting a tax-growth district cap the exposure — so that by Year 3 the budget pays less for a modern, flood-free campus the city owns than it pays today.