



City of Sebastopol

CITY OF SEBASTOPOL CITY COUNCIL**DRAFT AGENDA ITEM REPORT FOR MEETING OF: Sept 15, 2026**

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To: Honorable Mayor and City Councilmembers
From: Sebastopol Commons: Building the Commons Committee
Department: Public Works
Subject: Sebastopol Commons: Building the Commons Committee Third Quarterly Report

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RECOMMENDATION:

1. Receive the Building the Commons Committee's Final Report and follow the Committee's recommendation to pursue a Commons concept at the 1003–1007 Gravenstein Hwy N campus (former O'Reilly Media campus);
2. Direct staff to perform a limited due diligence and feasibility review of the O'Reilly property, including review of the financial assumptions, potential tenants and rental revenues, project costs, occupancy assumptions, financing considerations, and risks associated with the proposed Commons concept, and to concurrently update the cost assumptions and opportunities associated with a downtown Commons alternative;
3. Authorize up to 40 hours of staff time, 10 hours of City Attorney time, and \$40,000 for the professional services to conduct the fiscal and preliminary design review
4. Direct the City Manager and Mayor to transmit a formal written request to the Sonoma County Library Director seeking joint capital planning, potential cost participation, and consent to relocation of the Sebastopol Regional Library under the Joint Powers Agreement;
5. Direct staff to continue community and stakeholder outreach regarding the Commons concept, the City's long-term civic facility needs, potential users and tenants, potential partnerships, and alternatives for addressing those needs.
6. Conclude the work of the Building the Commons Committee and disband the Committee and form an advisory ad hoc committee for the purpose of advising the City on matters related to realizing a Commons at the specified location
7. Direct staff to return to Council within 60 days with the results of the initial due diligence and outreach, including a scope and cost estimate for any additional work, the status of negotiations, and staff recommendations and a proposed action plan for any subsequent phase, prior to any final Council decision regarding the O'Reilly property or other Commons alternative.

PROCESS OF AGENDA ITEM:

1. Presentation of Agenda item by the Requestor or Responsible Department
2. Questions and Discussion from Councilmembers
3. Public Comment Period
4. Presentation Received

EXECUTIVE SUMMARY:

The Building the Commons Committee has completed its initial evaluation of community needs, potential facility options, funding strategies, and governance concepts for a future Sebastopol Commons. The Committee's work has helped establish a framework for considering how the City might address long-term facility needs associated with City Hall, library services, senior services, community programs, and other civic and community uses.



City of Sebastopol

The O'Reilly property has emerged as the most viable options and it warrants additional evaluation. However, the financial model and several of the assumptions supporting the O'Reilly concept have not yet been independently validated. The financial analysis will review rental assumptions, potential tenant demand, occupancy assumptions, financial resilience under less favorable conditions, and the City's potential responsibilities as a commercial landlord. The Committee recommends that the City pursue a Commons at the 1003–1007 Gravenstein Hwy N campus, and asks Council to move that option from evaluation into due diligence — formal negotiation, appraisal, financing pre-qualification, legal review, partner agreement, and public outreach — with a defined date to return for a final decision.

The Committee is also transitioning. Its evaluation work is complete. What remains is community outreach, grant development, refinement of financial assumptions, and partner negotiation, and the Committee asks to continue in an advisory capacity to support that work. At the same time, staff recommends that the City not evaluate O'Reilly in isolation. The next phase should include a renewed review of the cost assumptions associated with a downtown alternative and development of a strategic plan for the City's existing City Hall space. Considering these elements together will allow Council to evaluate O'Reilly as one component of a broader civic facilities strategy rather than making a decision based solely on the merits of one property.

The proposed action therefore represents a next step in planning and due diligence, not a final decision on the Commons or the O'Reilly property. Staff would return to Council with the results of the additional analysis and outreach, along with recommendations for any subsequent phase of work.

BACKGROUND:

The Building the Commons Committee was established by the City Council in September 2025 to provide actionable definition to the concept of a Sebastopol Commons. The Committee was charged with exploring options for new development or revitalization of existing structures, gathering community input, identifying and assessing potential occupants and their needs, evaluating potential locations, developing preliminary cost estimates, and exploring potential funding sources. The Committee began meeting in September 2025 and was originally established for a one-year period, with the initial work plan anticipating completion of its work during the third quarter of 2026. In May 2026, the City Council approved an extension of the Committee's term from June 30, 2026 through September 30, 2026, at the Committee's request, to allow additional time to complete its scope of work and prepare a final report to Council. The Committee's current term therefore concludes on September 30, 2026.

Over the course of its work, the Committee has evaluated community needs, potential facility options, funding strategies, and potential partnerships. The Committee has also conducted community outreach and, more recently, focused significant attention on the O'Reilly property as a potential location for the Commons. The Committee held a community open house and informational workshop at the O'Reilly property on August 13, 2026 and September 10, 2026 providing an opportunity for community members to learn more about the concept and the potential site.

The Committee's work has now reached the end of its extended term. The Final Report before Council represents the completion of the Committee's initial charge and provides a foundation for determining how the City should proceed with additional planning and analysis. The next phase of work is different in nature from the Committee's initial charge. Rather than continuing a broad exploratory process, the City now has an opportunity to conduct more focused financial and facility analysis, continue outreach, and further evaluate O'Reilly.

If Council does not consider this item or take action to conclude the Committee's work at this meeting, the Committee's current term will expire on September 30, 2026. If Council wishes for the existing Committee to continue beyond that date, Council will need to take separate action to extend the Committee's term.



City of Sebastopol

DISCUSSION:

Since its formation, the Building the Commons Committee has worked to evaluate opportunities for a shared civic campus that could address long-term community facility needs. The Funding Needs Subcommittee completed its preliminary evaluation of facility alternatives and financing strategies, including acquisition, lease-to-own, public-private partnership opportunities, grants, and other potential funding mechanisms. The Community Needs Assessment Subcommittee completed stakeholder interviews with thirteen organizations, summarized in the July 7, 2026 Third Quarterly Report, and has transitioned into the Public Awareness and Philanthropy Subcommittee, focused on community outreach, public education, philanthropy, and grant development. The Committee also conducted an open house and informational workshop at the O'Reilly building on August 13, 2026.

Of the six sites originally evaluated as of August 13th three options remain: continuing with the existing facilities, rebuilding the downtown library/civic facilities, or acquiring and adapting the Gravenstein Highway N campus.

The Three Remaining Options

	Wait and see	Downtown rebuild	Gravenstein Hwy N campus
What it is	Continue operating the four existing buildings	Demolish and rebuild on the current downtown civic-center block	Acquire and adapt the existing three-building campus
Facilities addressed	None	Library only	All four
10-year cost	~\$3.57M [confirm]	[to be stated on the same basis]	~\$0.8–1.0M [confirm]
Cost per sq ft	n/a	~\$433–\$1,000/sq ft (new construction)	~\$133–\$255/sq ft (existing building)
Time to occupancy	n/a	~5–8 years	~20 months [basis to be stated]
Resilience capability	None of the four buildings is equipped	Possible, but downtown site adjoins the Laguna floodplain	Higher ground, single footprint, parking, commercial kitchen
Location	Locations remain the same	Locations remain the same, except for a library move during construction	Highway corridor, ~1.1 mi from historic locations

The Gravenstein Highway N campus currently appears to be the least expensive of the three options over 10 years, addresses all four facility needs, and offers the fastest path to those solutions. However, cost comparisons require an apples-to-apples baseline, including consistent treatment of personnel costs, the City's contribution to Cultural Center operations, and deferred maintenance. These assumptions should be validated during the next phase of analysis.

The existing campus option also presents an opportunity to further evaluate the concept before a final purchase decision. A lease-first structure could allow the City to occupy the campus while purchase financing is arranged during the lease and escrow period. The downtown rebuild option should also receive continued consideration. It provides advantages in familiarity, walkability, transit, and civic placement, but the available cost estimate is based on the 2019 Alameida Architecture feasibility study and requires validation, including confirmation of the estimate's basis year and escalation assumptions.

Need for Additional Financial and Due Diligence Analysis: The current O'Reilly concept relies on assumptions regarding acquisition costs, financing, operating expenses, rental income, occupancy, and potential uses of the building. A preliminary review identified the need to test these assumptions before the City commits to extensive due diligence, including whether the proposed \$1.75 per square foot rental rate and anticipated tenant demand are



City of Sebastopol

realistic, whether the approximately 50 percent occupancy break-even point is achievable, and whether the project remains financially viable under less favorable assumptions. The next phase should include an independent financial review by a qualified financial professional, including sensitivity analysis of rental rates, occupancy and lease-up timing, acquisition and project costs, financing costs, and operating expenses. The review should also consider potential tax-exempt financing and private-use restrictions, as well as the responsibilities and risks associated with the City owning and leasing a substantial portion of the property. The financial review will also revisit the assumptions that led the Committee toward the Gravenstein Highway N campus and away from the downtown alternative, allowing the two options to be evaluated using current and reasonably consistent financial information.

City Hall Strategic Facilities Planning: The next phase should also address the future of the existing City Hall space and the downtown area if City functions are relocated as part of a Commons concept. The ad-hoc should evaluate potential future uses for the existing City Hall space and consider how the City can continue to support a vibrant, active downtown through its civic presence, business activity, community uses, and future opportunities. This work will provide a clearer understanding of what the future of the existing City Hall site and surrounding downtown area could look like as part of the City's broader civic facilities strategy.

Community Engagement and Next Phase: The Committee has already conducted community outreach, including the August 13 open house and informational workshop at the O'Reilly building. The Committee has proposed continuing that outreach during the next phase through additional public open houses at the campus, direct presentations to Senior Center members, library users, and Community Cultural Center user groups, and outreach at the farmers market and existing community events. The proposed outreach would include Spanish-language materials and interpretation, meeting times accessible to residents who do not drive after dark, and a remote participation option. The Committee has also proposed publishing an account of what the City heard through the outreach and how that information affected the proposal.

If an ad hoc Council committee is established, the proposed approach is for outreach to occur before any final decision and for Council to receive both supportive and critical feedback, including comments regarding the proposed location and financial considerations.

Next Phase and Council Decision Point: The next phase would provide additional information regarding the financial, operational, facility, tenant, community, and downtown considerations associated with the remaining alternatives. The City would also enter into negotiations with the owner of the O'Reilly property to explore potential purchase or long term lease terms, pricing, timing, and other transaction terms. The purpose of the negotiations would be to determine whether terms can be developed that support continued consideration of the property. Following this work, the information, including the results of the financial analysis, outreach, and negotiations, would be brought back to Council for consideration of whether to proceed with pursuing the O'Reilly property further evaluate a downtown alternative, modify the Commons concept, or discontinue further evaluation.

The action before Council at this meeting is authorization to undertake a limited and focused next phase of planning, analysis, outreach, and negotiation. It does not constitute approval of the acquisition of the O'Reilly property or a final decision regarding the location of a future Commons.

STAFF ANALYSIS:

The Building the Commons Committee has completed its assigned work and provided Council with its final report outlining the Committee's findings, potential opportunities, and recommended next steps. The Committee's work identifies the O'Reilly property as an option warranting further evaluation, while also identifying the need for additional financial analysis and validation of key assumptions. Staff recommends a next phase of work to further evaluate O'Reilly, revisit the cost assumptions associated with a downtown alternative, and continue targeted outreach before Council considers any final action. To complete this work, staff is requesting authorization for up to 40 hours of staff time and 10 hours of City Attorney time, as well as funding for a qualified financial professional to conduct a detailed review of the O'Reilly financial assumptions, costs, potential revenues, and financial risks. This work would provide Council with additional information needed to determine whether further investment and due diligence are warranted.

CITY COUNCIL GOALS / PRIORITIES / GENERAL PLAN CONSISTENCY:

This item aligns with:

City Council Goals

- Goal 1 – Community Vitality: Enhance Sebastopol as a great place to live that values community health and wellbeing; preserve unique character.
- Goal 3 – Infrastructure: Maintain high-quality facilities and services, including repairing/replacing outdated city facilities.
- Goal 4 – High Performance Organization: Restore public trust; improve public communications.
- Goal 6 – Economic Development

General Plan Consistency

- Action CSF 6c–6d: Collaborate with County library system and partners to expand library services/facilities.
- Action CSF 6j: Conduct needs assessments and prioritize public/community facility improvements with extensive outreach.
- Action CSF 6e: Establish innovative funding approaches for cultural, community, and library facilities/services.
- Supports Sonoma County Mayors and Councilmembers Association priorities on shared facilities, mental health, homelessness, and emergency preparedness.

PUBLIC COMMENT:

As of preparation, no written public comments received. Any received after publication will be provided as supplemental materials. Oral comments may be provided during the public comment period.

COMMUNITY OUTREACH:

Noticed in accordance with the Ralph M. Brown Act; available for public review at least 72 hours prior to the meeting. Outreach to date: the Committee’s stakeholder interview process (thirteen organizations, summarized in the July 7, 2026 Third Quarterly Report); the August 13, 2026 open house and site tour at the O’Reilly campus, which produced 50 written comment cards; and a second open house scheduled for September 10, 2026.

FISCAL IMPACT:

The City is requesting authorization for \$40,000 for professional financial analysis and \$4,000 for City Attorney services, for a total direct funding authorization of \$44,000, in addition to up to 40 hours of City staff time. The professional services will support the next phase of planning and analysis for the Sebastopol Commons, including further evaluation of the O'Reilly property and downtown alternatives.

Funding for these services is proposed to come from the City's Building, Facilities, and Infrastructure Reserve Fund (Fund 103). The City previously projected approximately \$396,096 remaining in the reserve after accounting for the \$198,844 previously authorized for the Library rehabilitation. The City is also considering use of the reserve for the remaining Library work discussed at this meeting, estimated at \$200,000, which would reduce the projected reserve balance to approximately \$196,096. If the full \$44,000 Commons authorization is approved and expended, approximately \$152,096 would remain available in Fund 103. The 40 hours of City staff time would be absorbed within existing staff resources and would not require additional funding.

This authorization is limited to the initial planning and analysis phase and does not authorize acquisition, financing, construction, or any other significant financial commitment related to the O'Reilly property. Any additional funding or staff resources required for subsequent phases would be brought back to the City Council for consideration.

RESTATED RECOMMENDATION:



City of Sebastopol

Receive the Final Report; direct staff to proceed with formal lease-option negotiations, appraisal, legal review, and financing packages for the 1003–1007 Gravenstein Hwy N campus; direct that a formal request for partnership and consent be transmitted to the Sonoma County Library; authorize community outreach in advance of any final decision; convert the Committee to an advisory ad hoc committee; and appropriate funds for the professional services above — returning to Council within 60 days with scope, cost, and negotiation status, and with a final action plan no later than the date set by Council.

OPTION(S):

1. Receive the Committee’s final report and take no additional action.
2. Receive the Committee’s final report and choose instead to pursue a long-term new construction or reconstruction project on the current downtown civic-center block; and B) form a new standing committee to further develop that project.
3. (Recommended) Adopt the Recommendation as stated at the top of this report: pursue a Commons concept at 1003–1007 Gravenstein Hwy N; direct due diligence with a 60-day status return; transmit the formal request to the Sonoma County Library; authorize community outreach; convert the Committee to an advisory ad hoc committee; and appropriate funds for professional services.

ATTACHMENTS:

APPROVALS:

Department Head Responsible for Agenda Item:	Approval Date:
CEQA Determination (Community Development/Planning):	Approval Date: N/A
<u>The proposed action is Exempt from CEQA pursuant to §15306.</u>	
Administrative Services (Financial):	Approval Date: N/A
<u>Costs authorized in City Approved Budget:</u> ☐ Yes ☐ No ☒ N/A	

City Attorney Approval:	Approval Date: x/xx/26
City Manager Approval:	Approval Date: x/xx/26