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DATE: **April 15, 2019**

TO: Honorable Mayor and Members of the City Council through City Manager 

FROM: Heather Hines, Planning Manager

SUBJECT: Public Hearing and Discussion of the Fiscal and Economic Impact Assessment completed for the proposed Home 2Suites hotel project located at 1205 Redwood Way, pursuant to City Council Resolution 2008-189 N.C.S., "Establishing a Policy and Procedure for the Preparation, Review and Use of Fiscal and Economic Impact Assessments for Specified Development Projects in the City of Petaluma."

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### **RECOMMENDATION**

It is recommended that the City Council hold the required public hearing, take public comment, and discuss the contents of the Fiscal and Economic Impact Assessment (FEIA) for the proposed Home 2Suites hotel project in accordance with the provisions of City's adopted FEIA policy (Resolution 2008-189 N.C.S.).

### **BACKGROUND**

General Plan 2025 Goal 9-G-1 is to "establish a diverse and sustainable local economy that meets the needs of the community's residents and employers". In order to ensure that new commercial development will have a net positive impact on the community, Program "A" of General Plan Policy 9-P-2 recommended that the City consider the need for a "fiscal/economic impact analysis as a component of the project's entitlement process".

On October 6, 2008, the Council adopted Resolution No. 2008-189 N.C.S. which requires preparation of a Fiscal and Economic Impact Assessment for projects involving general retail, grocery, hotel or building and landscape materials that standing alone, or in combination with any other uses, has a total floor area of 25,000 square feet or more. The Resolution requires that the City Council hold a public hearing to consider and discuss the FEIA prior to the granting of any land use entitlements, however there is no action on a project FEIA. The purpose of the hearing is to have a public discussion with the City Council, applicants and the public and is not intended to require or result in separate findings, conclusions or approvals regarding the project. The information in the FEIA may be used by the applicable City decision-making bodies during the subsequent entitlement process to guide findings or provide greater understanding of the project within a fiscal context. The entitlement process for the Home 2Suites project includes Site Plan and Architectural Review at the discretion of the Planning Commission. The project would only come before the City Council on appeal. The FEIA for the Hotel 2Suites hotel

project was prepared under the City's direction by ALH Urban & Regional Economics (ALH Economics).

The proposed Home 2Suites hotel project is a four story, free standing hotel on an existing building pad in the Redwood Technology Center in northern Petaluma immediately off Highway 101. The proposed hotel is a 140-room all-suite extended stay hotel that is expected to carry a global brand flag to serve both business and leisure travelers.

The hotel is proposed on a 1.18 acre parcel at 1205 Redwood Way, within the existing Redwood Technology Center. Planned hotel amenities include an indoor space with tables, chairs, and sofas that transform from a breakfast area to a work area during the day, a gym, approximately 1,000 square feet of meeting space, and an outdoor pool area. The project does not include any retail space, with minimal incidental retail goods sales sold for the convenience of hotel guests.

ALH Economics used the most recently available information at the time of analysis (March 2019) to establish baseline conditions. The FEIA was originally made available to the public on March 14, 2019 for a 30 day public review period. A one eighth page ad was published in the Argus Courier and public notice was mailed to all property owners and occupants within a 1,000 foot radius of the project site, as required by the adopted FEIA resolution.

The findings of the FEIA provide a general assessment of the Home 2Suites hotel project's fiscal impacts on the City of Petaluma and show a general increase in both annual and one-time revenues, nominal increase in retail sales, and increase in both temporary and permanent jobs. Additionally, the hotel market analysis in the FEIA demonstrates a strong hotel market in Petaluma and the surrounding area, which will accommodate the additional 140-rooms proposed with the project without a significant decrease in occupancy or overall viability of the hotel market.

## **DISCUSSION**

The specific factors required by Resolution 2008-189 N.C.S. to be analyzed in the FEIA are listed below in italics with a summary of the findings contained within the FEIA. Referenced exhibits are included in the FEIA (Attachment 1).

- a) *“The existing local retail market conditions for market sectors proposed for the project, including project primary and significant secondary market sectors, leakage of sales to other communities in those market sectors, regional market competition in the project market sectors and populations, demographic and related data for the project market sectors.”*

The proposed project does not include any retail space. While there is an eating and dining space planned within the hotel, it is designed to only accommodate complimentary food to hotel guests. Because there is no direct retail space associated with the proposed hotel development there is limited discussion associated with the FEIA requirement to assess the economic impact of the project on retail supply for existing market sectors.

The FEIA does assume that there will be a small sales area at the hotel to provide incidental products such as goods and food items available for purchase to hotel guests. This will result in nominal retail sales that would be insignificant to the Petaluma retail base.

New retail and restaurant sales are anticipated to be generated by hotel guests and hotel employees. Based on a total spending estimate of \$71 per day for hotel guests, \$3,400 per year for hotel employees, and a capture rate for Petaluma retailers, the project is estimated to result in annual net new retail sales of \$0.9 million on food and incidentals by hotel guests and \$54,000 on restaurants, groceries, and other goods and services by hotel employees. These project related sales will help the existing retail leakage in food and beverage stores in Petaluma and will reinforce the retail attraction of food services and drinking places in Petaluma. However, overall these numbers represent a negligible impact on both retail leakage and attraction in Petaluma.

b) *“Estimated retail sales by project retail sectors or merchandise categories per square foot, including estimated captured leakage.”*

The proposed project does not include any retail space and therefore the FEIA does not identify estimated retail sales per square foot of proposed construction. As discussed above, the project is anticipated to generate nominal net new sales based on guest and employee spending in Petaluma. These net new sales however, comprise only a 0.1% increase in the city’s existing retail base and therefore a nominal increase in supportable retail sales space.

c) *“Current and estimated retail supply and demand for each project retail sector or merchandise category.”*

As referenced above, the proposed project does not include a retail space and therefore the discussion about the project’s impacts on Petaluma’s retail sectors is limited. Exhibit 15 in the FEIA provides estimated hotel guest retail spending and Exhibit 23 outlines annual retail spending of hotel employee spending. The overall impact of retail spending both direct and indirect of the hotel project are relatively nominal within the context of Petaluma’s overall retail sectors.

d) *Employment characteristics: the number and types of jobs, including construction related, permanent, part-time and full-time; whether the project will result in increased or decreased permanent part-time jobs, or full-time jobs, or a combination of both compared to applicable employment projects; estimated wages, benefits and employer contributions.*

Employment generated by the project is separated by permanent jobs for the ongoing operation of the hotel and temporary jobs during construction of the hotel. Initially, the project is anticipated to generate 140 direct jobs over the 16-month construction period and generate personal earnings of \$10.3 million. Those construction jobs are anticipated to generate an additional 26 indirect and 45 induced jobs for an additional \$3.75 million in personal earnings. A total of 210 (direct, indirect, and induced) temporary construction jobs over the construction period are anticipated to generate a personal income of \$14 million.

Thirty permanent jobs in the hospitality industry are anticipated as a result of the project. Of the 30 permanent jobs, 65% are anticipated to be full time jobs and 35% are anticipated to be part

time jobs. Examples of full time positions would include managerial positions to maintenance, housekeeping, and laundry at the hotel. Part time positions would include front desk, housekeeper, laundry, and maintenance.

Nationally, employment in the Leisure and Hospitality industry has the lowest percentage of full-time employment of all economic sectors, 59%. The estimated 65% full-time positions associated with the project is slightly higher than the national average.

Based on estimated salary and wage information provided by the applicant, salaried full-time positions are anticipated to range from \$60,000 for a front office manager to \$100,000 for the hotel's general manager. Hourly positions would be paid rates ranging from \$18 to \$24 per hour for maintenance and approximately \$1-\$2 above minimum wage for other positions (California minimum wage is \$12.00 per hours). In comparison, the City of Petaluma's Living Wage Policy provides for minimum hourly wage rates in FY 2018/219 of \$15.74 to \$17.34 per hour depending on the status of the employer medical benefit contribution.

Employee benefits and employer contributions are outlined in the FEIA based on information provided by the applicant. Full time employees are anticipated to be provided a full benefit package, including medical, dental, vision, FSA, 401K, vacation time, sick time, etc. No information about benefit packages for hourly employees was provided.

e) *“The estimated impacts of the proposed project on existing retail businesses, including the potential for opportunities for business renewal and growth due to new businesses locating in the Petaluma community, as well as the potential for negative impacts such as reduced sales or closures.”*

As discussed above, the FEIA estimates nominal revenue generated from incidental retail goods available for purchase by hotel guests. New retail sales in the amount of approximately \$1.0 million will be generated from spending of both hotel guests and employees. However, this is a nominal amount within the context of Petaluma's retail market and therefore is not anticipated to have a significant impact on existing Petaluma retailers and restaurants. While some business growth opportunities for existing Petaluma businesses will result from this spending it too is not expected to be significant.

f) *The estimated project impacts on current and projected public revenues.*

The FEIA provides a net fiscal impact analysis of the project that looks at General Fund revenue as a result of the project minus anticipated service costs as a result of the project. Revenues are outlined as property taxes, retail sales taxes, business license fees, franchise fees, and the minimal cost of licenses, permits, and fines. A net annual General Fund revenue surplus of \$52,023 is estimated for the project (Exhibit 19). Anticipated General Fund costs associated with the project are related to provision of services for the employment base of the project.

In addition, special revenue funds of \$534,045 are anticipated on an annual basis. These special revenue funds include an estimated \$531,440 in Transient Occupancy Tax (\$531,440) as well as nominal revenue from Street Maintenance Fund and Measure M Sales Tax funds (Exhibit 19).

The construction of the project will also generate non-recurring revenues coming from Development Impact Fees that are estimated to generate approximately \$864,032 as shown in Exhibit 20.

*g) The estimated cost of public contributions, services and infrastructure required by the project.*

The hotel project is being developed within the existing Redwood Technology Center, which completed public improvements, including roadway improvements on Old Redwood Highway, when the initial project was constructed. No significant new public improvements are anticipated for the Home 2Suites hotel project.

*h) Additional analysis regarding the Hotel construction*

Chapter III of the FEIA is a full Hotel Market Overview that provides a more in depth look at the hotel assumptions to analyze the likely impact of the Home 2Suites project on the existing hotel market. The FEIA evaluated the likely performance of the proposed upper midscale, hotel and its impact on the existing lodging supply in Petaluma. The FEIA concluded a minimal impact on occupancy rates of the majority of Petaluma's existing lodging market.

The analysis looked at the Petaluma and larger Sonoma County hotel market and specifically at Rohnert Park hotels, which appear to provide the most direct competition to hotels in Petaluma. The Hotel Market Overview looked at existing and pipeline hotels and existing hotel performance and occupancy rates, which averaged 80.4% in 2018. Based on this information ALH Economics developed a hotel demand projection and found that hotel occupancy is projected to increase annually absent the addition of new supply. The average occupancy rates for the existing supply projected to 2030 indicate that the market would benefit from the addition of new supply to meet the projected demand. Therefore, the conclusion of the analysis is that the Home 2Suites hotel project is not anticipated to have a deleterious impact on the existing Petaluma hotel market in the five years after opening.

Staff has concluded that the contents and analysis in the Home 2Suites FEIA conform to the requirements contained in Section 6 of Resolution 2008-189 N.C.S. The FEIA further complies with the policy direction and intent expressed by Section 2 and does "provide an objective evaluation of the potential economic impacts of [the] specified retail/commercial project."

## **PUBLIC OUTREACH**

Consistent with the requirements outlined in Resolution 2008-189, availability of and the public hearing on the Home 2Suites FEIA was published in the Argus Courier in an eighth page ad on March 14, 2019. Additionally, notice was mailed to all property owners and occupants within a 1,000 foot radius of the site.

Additional notice will be published in the Argus Courier and mailed to property owners and occupants within a 1,000 foot radius of the site to notice the Planning Commission hearing to consider the SPAR for the hotel project. The item is scheduled to come before the Planning Commission for consideration on April 23, 2019.

## **FINANCIAL IMPACTS**

As required by the FEIA policy resolution, the overall assessment of the proposed Home 2Suites hotel project is that the project would generate an estimated net fiscal surplus of \$586,068 annually to the City of Petaluma's Combined Fund (General Fund, Transient Occupancy tax Fund, Street Maintenance Fund). Additionally, the project would generate a one-time revenue of \$864,032 in development impact fees.

## **ATTACHMENTS**

1. Home 2Suites FEIA, March 2019
2. FEIA Resolution No. 2008-189 N.C.S.

**The Redwood Technology Center Hotel  
Fiscal and Economic Impact Assessment (FEIA)**

**Prepared by:**



**ALH Urban & Regional Economics**

**March 2019**

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## **LIST OF EXHIBITS (Appendix B)**

### **Project Definition**

Exhibit 1. Redwood Technology Center Hotel; Project Description

### **Hotel Market Overview**

Exhibit 2. Existing Petaluma and Rohnert Park Hotel Supply; January 2019

Exhibit 3. Historic Hotel/Motel Market Performance Indicators; Petaluma and Rohnert Park; 2012-2018

Exhibit 4. Adjusted Supply and Demand Trends; Petaluma and Rohnert Park Hotels/Motels; 2012-2018

Exhibit 5. Cities of Petaluma, Rohnert Park, and Cotati; Total Jobs and Household Population Estimates and Projections; 2010-2040

Exhibit 6. Petaluma and Rohnert Park Existing and Projected Hotel Demand, 2018-2030

Exhibit 7. Identified Planned and Proposed Hotel Projects; Petaluma, Rohnert Park, and Cotati, February 2019

Exhibit 8. Petaluma and Rohnert Park Existing and Projected Hotel Demand; Including the Addition of the Redwood Technology Center Hotel; 2018-2030

Exhibit 9. Projected Petaluma, Rohnert Park, and Cotati Hotel Performance; Existing and Planned Area Hotels; 2018-2030

### **Fiscal Assumptions and Revenue and Expenditure Estimates**

Exhibit 10. City of Petaluma; Demographic, Employment, and Tax Characteristics; In FY 2018-19 Dollars

Exhibit 11. Property Valuation and Annual Property Tax Payments; Existing Site and Redwood Technology Center Hotel; City of Petaluma, FY 2018-19 Dollars

Exhibit 12. Property Tax in Lieu of VLF Estimates for Redwood Technology Center Hotel; Project Stabilization; City of Petaluma, FY 2018-2019 Dollars

Exhibit 13. Redwood Technology Center Hotel; Estimated Hotel Employment by Job title and Earnings; 2019 Dollars

Exhibit 14. Redwood Technology Center Hotel; Estimated Annual City of Petaluma Retail Sales Tax Generation and Petaluma Sales Tax Revenues; Project Hotel Employee Spending; City of Petaluma, 2019 Dollars

- Exhibit 15. Redwood Technology Center Hotel; Estimated Hotel Guest Spending and Petaluma Sales Tax Revenues; 2019 Dollars
- Exhibit 16. Redwood Technology Center Hotel; Assorted City of Petaluma General Fund Revenues; FY 2018—19 Dollars
- Exhibit 17. Redwood Technology Center Hotel; City of Petaluma Special Revenue Fund Revenues and Tourism Impact Fee for Petaluma Visitors Center; City of Petaluma, FY 2018-19 Dollars
- Exhibit 18. Redwood Technology Center Hotel; City of Petaluma General Fund Average Cost Expenditures; FY 2018-19 Operating Budget; Fiscal Impact Factors City of Petaluma

**City of Petaluma Public Revenue Impacts**

- Exhibit 19. Redwood Technology Center Hotel; Annual Net Fiscal Impact Analysis; City of Petaluma General Fund and Special Funds and Petaluma Visitors Center; FY 2018-19 Dollars
- Exhibit 20. Redwood Technology Center Hotel; Development Impact Fee Calculation Sheet; City of Petaluma; Effective October 18, 2018

**Employment Characteristics and Business Growth Opportunities**

- Exhibit 21. Housing Data Annual Averages; Persons at Work in Nonagricultural Industries by Class of Worker and Usual Full- or Part-time Status; United States; 2018, Numbers in Thousands
- Exhibit 22. Occupational Employment Wages; All Occupations and Occupations Likely to be Represented by Hotel Workers; Santa Rosa Metropolitan Statistica Area; 2018
- Exhibit 23. Redwood Technology Center Hotel; Economic Impact Annual Operational Assumptions; 2019 Dollars

**LIST OF SUPPORT EXHIBITS  
(Appendix C)**

- Exhibit C-1. City of Petaluma Taxable Sales Estimate; 2016
- Exhibit C-2. City of Petaluma; Retail Demand, Sales Attraction, and Spending Analysis; 2016
- Exhibit C-3. Property Tax In-Lieu of Vehicle License Fees; City of Petaluma; 2015-2017 Actual, 2018 and 2019 Projected
- Exhibit C-4. Actual and Projected City of Petaluma Assessed Valuation; Fiscal Years Ended 2013-2017 Actual, 2018 & 2019 Projected
- Exhibit C-5. Average Annual Estimated Daytime Retail Spending; Office Workers in Suburban Location; 2019 Dollars
- Exhibit C-6. Annual Average Salaries for Office-Using Industries; Sonoma County; 2016, in 2019 Dollars
- Exhibit C-7. Redwood Technology Center Hotel; Retail Demand Generated by Project Hotel Employees; 2019 Dollars

## I. INTRODUCTION

### STUDY PURPOSE

The City of Petaluma requires certain development projects to have an objective fiscal and economic impact assessment (FEIA) prepared to identify and evaluate the potential economic impacts of a project. The results of the FEIA are intended to help the decision-making body determine project consistency with General Plan economic goals, policies, and programs, including Policy 9-P-2, which is concerned with ensuring that new commercial development will have a net positive impact on Petaluma's economy, existing businesses, city finances, and quality of life. The FEIA requirements were established in Resolution No. 2008-189 N.C. S. of the City of Petaluma, California, identified as: Establishing a Policy and Procedure for the Preparation, Review, and Use of "Fiscal and Economic Impact Assessments" for Specified Development Projects in the City of Petaluma (see Appendix A). Hereafter, this document is referred to as the "Resolution."

The key components of the FEIA as specified by the City of Petaluma include analysis associated with retail market conditions and impacts on existing retail businesses, employment characteristics of the project under consideration, impacts on current and projected public revenues, and estimated costs of public contributions, services, and infrastructure required by the project. Where relevant, project impact findings are to be presented for a five-year period from the estimated completion of the project. The FEIA may additionally analyze and discuss factors or information considered important or relevant to a meaningful assessment of the project's economic impact.

The purpose of this study is to present the FEIA for the planned development of the Redwood Technology Center Hotel, a 140-room all-suite extended stay hotel in Petaluma, CA (the "Project"). The hotel will comprise four floors and be developed on a 1.18-acre site at 1205 Redwood Way in Petaluma. The hotel is planned to carry a global brand flag and be designed to appeal to both business and leisure travelers in extended stay. Current plans are for the hotel flag to comprise Home2 Suites. The hotel common space for guest use will include the following:

- A multifunctional indoor space with tables, chairs, and sofas that transforms from a breakfast area in the morning to a place of work or relaxation during the day;
- A gym adjacent to guest laundry facilities;
- A conference room/meeting space, totaling approximately 1,000 square feet; and
- Outdoor pool, spa, and lounge area.

Land uses surrounding the hotel site include Redwood Technology Center business park to the north, a community shopping center and health club to the east, Petaluma Boulevard North and U.S. Highway 101 on- and off-ramps to the west, and U.S. Highway 101 to the south. The Project's construction period is anticipated to total 16 months.

### REPORT STRUCTURE

This FEIA was prepared by ALH Urban & Regional Economics ("ALH Economics"). The analyses presented herein are based on key Project information and select assumptions developed by ALH Economics. All relevant information and assumptions are cited in the report or the support documentation. All dollar figures cited are in 2019 dollars unless otherwise noted. Due to the nature of the development planning process, assumptions relevant to the FEIA may change over time. This

dynamic nature suggests that study findings should be considered general rather than detailed indications of the Project's forecasted performance.

The study's findings are presented in a series of report chapters. These chapters are as follows:

- I. Introduction
- II. FEIA Findings
- III. Hotel Market Overview
- IV. Fiscal Assumptions and Revenue and Expenditures Estimates
- V. City of Petaluma Public Revenue Impacts
- VI. Employment Characteristics and Business Growth Opportunities

The FEIA Findings in Chapter II are meant to consolidate and present all the findings pertinent to the City's FEIA requirements. In some cases, these findings and associated conclusions are only presented in this chapter, while others are dependent upon data, analysis, and support exhibits presented in subsequent chapters. As such, Chapter II includes references to select exhibits more appropriately presented in later chapters. Hence the exhibit references in this chapter are out of sequence.

A key component of the FEIA is the impact on the local retail market. The Redwood Technology Center Hotel project does not include a retail use. Accordingly, there is no potential for negative impacts on the retail market attributable to the Project. Instead, some positive retail impacts could result from retail spending generated by the Project's hotel guests and employees. To meet the FEIA requirements, findings regarding the Project's impact on the retail market are presented in **Chapter II. FEIA Findings**. However, because the retail findings are appropriately limited, the remainder of the report does not include a separate chapter on the retail market. Instead, the relevant retail-related analyses and findings are integrated as warranted in other report chapters.

The analysis was conducted in a series of linked excel-based worksheets. Exhibits generated from these worksheets are included in Appendix B (main exhibits) and Appendix C (support exhibits). These exhibits are briefly introduced and discussed in the following chapters. In many cases, the exhibit findings are summarized or referenced in the text, with more detailed information and explanatory comments provided in the exhibit footnotes.

## DATA RESOURCES

The fiscal and economic impact analysis relied upon a number of key resources. These resources are all identified and fully annotated in the sources and notes to the exhibits developed to support the analysis and provide the results. Three general type of resources were relied upon, as follows:

- **Materials provided by Basin Street Properties.** Basin Street Properties is the Project proponent/applicant. Pursuant to queries funneled through the City of Petaluma, Basin Street Properties provided key information about the Project, including physical site information, operational assumptions, estimated construction cost, and construction timing.
- **City of Petaluma.** Key City staff as well as written and on-line City resources were relied upon to provide critical information to support the FEIA analysis. Examples of these resources or information include the City's Budget for Fiscal Year 2018-2019, the City's Comprehensive Annual Financial Report, information on planned development projects, City tax rates and revenue schedules, review of study assumptions, and estimated Project development impact fees.

- **Third party resources.** A number of third party resources were referred to for information important to the analysis. Some, but not all, of the authors or preparers of these resources include the following: The Association of Bay Area Governments; the State of California Board of Equalization; STR; hotel websites; the Petaluma Visitors Center; U.S. Bureau of the Census, American Community Survey; IMPLAN; City of Rohnert Park; Hotel developers; California State Department of Finance; County of Sonoma Auditor-Controller-Treasurer-Tax Collector; and Realquest.

All of these and other study resources are identified as warranted in the text and the series of exhibits that document the FEIA analysis and can be found in Appendices A and B. The report is subject to the Assumptions and General Limiting Conditions included before the appendices.

## II. FEIA FINDINGS

### ORGANIZATION OF FINDINGS

The required findings of the FEIA are presented below. These findings highlight the requirements of the Resolution establishing the FEIA for development projects in the City of Petaluma, and are organized into the following sections:

- Retail Market Impacts
- Employment Characteristics
- Hotel Market Impacts
- City of Petaluma Public Revenues Impact
- Summary of Potential Impacts on the Local Economy

While presented herein, most of the findings are a summary of more detailed findings distributed throughout the other report chapters. Where relevant, citations are noted identifying where the referenced information can be found in the body of the report.

For the purpose of the FEIA, Exhibit 1 presents a Project definition provided by Basin Street Properties, the Project applicant. This definition includes an all-suite hotel with 140 rooms, an estimated average daily room rate of \$160 (in 2019 dollars), an estimated 77% hotel occupancy rate, and 30 estimated employees, including up to 20 full-time and 10 part-time employees. Project construction is anticipated to require 16 months, with a mid-2021 opening date. Hence the year 2022 is assumed to comprise the first full year of Project operations.

### SUMMARY OF FINDINGS

This section includes bullet point highlights of the FEIA findings by major subject area. All of the findings are elaborated upon elsewhere in this chapter, with analytical detail in subsequent chapters. Generally, all findings are relevant to the Project upon stabilization, as well as the first five years of operation, unless otherwise stated.

#### **Retail Market Impacts and Business Growth Opportunities**

- The Project does not include any retail space, therefore it is not relevant to estimate the Project's retail sales by sector or per square foot, to assess its impact on existing retail leakage, or to estimate current retail supply and demand for project retail sectors or merchandize categories
- Any incidental retail goods sold for the convenience of hotel guests are assumed to result in nominal retail sales and not negatively impact Petaluma's existing \$928 million retail sales base and associated retailers
- Net new retail sales to the benefit of existing Petaluma retailers and restaurants will be generated by Project employee daytime spending and hotel guest spending, estimated to total nearly \$1.0 million per year.
- The employee and hotel guest spending is anticipated to comprise net new sales for existing Petaluma retailers and restaurants and not result in any local negative retail impacts.

- The net new sales comprise only a 0.1% increase over the City's retail sales base, and thus will likely not result in any increase in supportable retail sales space.
- Some business growth opportunities for existing Petaluma businesses will occur resulting from employee and guest spending, including household spending for employees living in Petaluma. These growth opportunities, however, are not likely to be very significant.

### **Employment Characteristics**

- Project construction is estimated to total \$22.9 million. This level of construction is estimated to support 105 temporary construction jobs and \$7.7 million in personal earnings per year for the duration of the construction period, which is estimated to total 1.33 years. Pursuant to multiplier impacts, the annual job generation increases to 158 temporary jobs and \$10.5 million in personal earnings. These impacts will cease after 1.25 years when Project construction is complete.
- The Project applicant estimates the Project will generate 30 permanent jobs in the hospitality industry, comprising 65% full-time jobs and 35% part-time jobs. This is a higher share of full-time jobs than occurs nationally in the leisure and hospitality industry, in which 59% of workers were full-time in 2018.
- In the context of the City of Petaluma's employment base, estimated to total 33,400 in 2020, the Project's 30 total jobs will comprise an insignificant contribution.
- Estimated Project employee salaries and wages are forecasted to range from \$60,000 to \$100,000 per year for salaried employees and from \$18 to \$24 per hour for Maintenance workers to \$1 to \$2 over the California minimum wage for all other hourly positions. For 2019, the California minimum wage is \$12.00 per hour for employers with 25 or more employees.
- The anticipated earnings for Project salaried employees exceed the 1<sup>st</sup> quarter 2018 averages for the Santa Rosa MSA. The Project's anticipated earnings for hourly employees are generally consistent with the median hourly wages in the MSA, but notably a bit lower than the overall hourly averages, except for the Maintenance jobs.
- All full-time employees and their families will be provided a full benefit package. This will apply to approximately 65% of the Project employees. No information was provided by the Project applicant about benefits applicable to hourly employees.

### **Hotel Market Impacts**

- The Hotel's immediate competitive market area includes Petaluma and Rohnert Park. Hotels in this area operated at 80% occupancy from 2016 through 2018, well above the industry standard stabilized occupancy rate of 75%.
- There are numerous additional hotels planned in the market area, totaling 752 new rooms by the end of 2022, comprising an almost 40% increase in rooms supply.
- Demand for hotel rooms is anticipated to continue to grow annually, projected at a minimum of 0.6% to 0.9% per year through 2030. These rates may be conservative, as growth in tourism could account for additional growth.
- The Project applicant estimates 77% occupancy for the Hotel upon stabilization. Given anticipated growth in demand and absent any new additions to supply, this rate is reasonable.
- With future growth in competitive supply, however, a lower 65% stabilized occupancy rate is assumed, reflecting the potential for supply to grow faster than demand. This rate is anticipated to characterize the market in the five years immediately following the Project's opening, although the analysis could be based upon conservative demand growth rates.



- While the concluded five-year occupancy rate for the Project and the market overall after development of the planned hotels is lower than the 75% industry standard occupancy rate, this is a rate at which hotels can typically operate by making operational changes without risk of hotel closure.
- The Redwood Technology Center Hotel is not anticipated to have a deleterious impact on the existing Petaluma hotel market in the five years after opening.

### **City of Petaluma Public Revenues Impact**

- The Project is estimated to generate \$58,088 per year in net General Fund revenues Project assuming full stabilization. The largest revenue categories include \$29,335 in incremental property taxes, \$14,837 in incremental property tax in lieu of VLF, and \$9,149 in retail sales taxes.
- The Project is estimated to result in \$3,848 General Fund service costs per year calculated on an average cost basis and assuming full stabilization.
- The net fiscal impact of the Project on the Petaluma General Fund is estimated at \$52,023 per year for the first five years after Project completion and thereafter, in current Fiscal Year 2018/19 dollars.
- Additional Special Revenues Funds will receive Project-related revenues totaling \$534,614. These include Transient Occupancy Tax totaling \$531,440, nearly \$3,200 to the City's Street Maintenance Fund through Franchise Fees and Measure M Sales Taxes.
- Based upon the City of Petaluma's current Development Impact Fee schedule, the Project's impact fees are estimated to total \$864,032.58.
- No significant new public improvements are anticipated for the Redwood Technology Center Hotel as the hotel will be constructed on a pad already approved and developed within the existing Redwood Technology Center.

### **RETAIL MARKET IMPACTS**

#### **Project-based Retail Sales**

The Project does not include any retail space, as it is exclusively a planned hotel product. There is an eating and dining space; however, it will be designed to accommodate complimentary food provided to hotel guests and will not feature any direct food sales. While not included in the Project description submitted to the City of Petaluma, ALH Economics assumes it is likely that the hotel will feature a small sales area with products available for purchase by guests, providing incidental goods and food items suitable for heating and serving in guest rooms, as is typical in most hotels. These would result in only nominal retail sales, insignificant relative to the Petaluma retail sales base, which ALH Economics estimates totaled \$928 million in total retail store (taxable and nontaxable) sales in 2016 (see Exhibit C-1), which comprises the most recent year for which annual data are available. These hotel incidental sales are not anticipated to impact any existing Petaluma retailers as they will be sales that would otherwise not occur in Petaluma but for the Project's hotel guests.

Because the Project does not include any defined retail space, the Resolution requirements associated with assessing the economic impact of the proposed project's impact on retail supply for existing market sectors are not relevant to this analysis. These requirements include the following:

- assessing the existing local retail market conditions for market sectors proposed for the project;
- estimated retail sales by project retail sectors or merchandise categories per square foot, including estimated captured leakage; and
- current and estimated retail supply and demand for each project retail sector or merchandise category.

The Project is, however, anticipated to result in net new retail and restaurant sales generated to the benefit of Petaluma retailers, discussed below.

### **Net New Retail Sales Generated**

New Petaluma retail and restaurant sales are anticipated to be generated by hotel guests as well as workday spending on retail and other goods by hotel employees. The hotel guest sales are anticipated to comprise all net new sales as well as daytime sales generated by hotel workers not living in Petaluma. For employees, 60% of spending is assumed to occur in Petaluma (see Exhibit 14), and for hotel guests, 25% of spending is assumed to occur in Petaluma, despite Petaluma comprising a retail attraction community in aggregate, with an estimated 27% of sales comprising net attraction (see Exhibit 15). Based upon an estimated per hotel guest spending estimate of \$71 per day, a hotel employee spending estimate of \$3,400 per year, and the respective Petaluma retail capture rates, the Project is estimated to result in the following net new retail sales:

- \$0.9 million on food and incidentals by hotel guests; and
- \$54,000 on restaurants, groceries, and other goods and services by hotel employees.

Together, these net new retail sales estimates total nearly \$1.0 million per year to the benefit of Petaluma retailers. This is a conservative figure, as the hotel guest spending estimate does not include any additional potential spending on retail merchandise, such as retail goods sold in downtown Petaluma or the City's major retail shopping centers, as ALH Economics is not aware of any credible industry resources that provide a basis for estimating these additional potential sales.

In 2016, the City of Petaluma was characterized by overall retail attraction of 27% (see Exhibit C-2).<sup>1</sup> In other words, Petaluma achieved 27% more retail sales than one would expect from resident spending alone. Several categories, however, were characterized by leakage. One of these categories was Food & Beverage Stores, with approximately -32% leakage, i.e., the equivalent of approximately one-third resident spending on food and beverage sales. While indirect Project-related sales will be relatively low in this category, they will nonetheless help stem some small portion of the leakage. On the flip side, Food Services & Drinking Places is a retail attraction category for Petaluma, achieving 26% more sales than would be anticipated from the resident base. Thus, indirect Project-related restaurant and bar sales will help support and reinforce this Petaluma retail market strength. Other indirect Project-related sales will occur in other retail categories, but as noted previously, in limited amounts resulting in negligible impact on the retail leakage or attraction status of any retail sectors.

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<sup>1</sup> The year 2016 comprises the last full year for which citywide retail sales data are available.

## Retail Market and Business Growth Impacts

In conclusion, the Project is anticipated to generate net new sales for existing Petaluma retailers and restaurants and not result in any local negative retail impacts. These net new sales, however, comprise only a 0.1% increase over the City's retail base, and thus will likely not result in any increase in supportable retail sales space.

These sales, however, contribute to overall economic impacts associated with the Project. Including the Project's annual hotel room revenues, hotel employees daytime spending, and household spending by hotel employees anticipated to live in Petaluma, the Project is estimated to directly and indirectly support 43 jobs per year in Petaluma, \$1.7 million in personal income, and \$7.8 million in economic output, which can be interpreted as gross sales (see Table 13). Considering that these annual figures include the direct hotel impacts of room revenues and jobs, these impacts are demonstrative of only a limited amount of positive economic impacts in Petaluma. Limited as they are, however, they are unlikely to result in any negative impacts on existing Petaluma businesses. Therefore, the findings suggest that the Project will generate some growth opportunities for Petaluma businesses, but likely not to a highly significant degree.

## EMPLOYMENT CHARACTERISTICS

### Number of Temporary, Construction-Related Jobs

The Project applicant estimates the construction costs for the Project will total \$22.9 million, or approximately \$164,000 per room, plus the land cost. ALH Economics found this estimate to be reasonable based upon analysis of other prospective hotel developments in the San Francisco Bay Area Region known to ALH Economics. Pursuant to this construction cost estimate, and application of the IMPLAN software program (see Appendix D for an explanation and introduction to IMPLAN), the study estimates that 140 direct jobs will be generated by the construction project over the 16-month construction period (i.e., 1.33 years). The personal earnings associated with the estimated construction jobs totals \$10.3 million over the length of the construction period. Additional indirect and induced impacts are associated with the construction activity, as construction expenditures and employee spending multiplies throughout the local economy. The Project's total construction impact is presented in Table 1a, which identifies the total estimated employment impacts at 210 jobs, generating \$14.1 million in personal income and \$33.5 million in economic output.

**Table 1a. Redwood Technology Center Hotel Construction Impact**  
16-Month Construction Period  
City of Petaluma, 2019 Dollars

Impact Type	Jobs	Personal Income	Output
Direct	140	\$10,302,322	\$22,900,000
Indirect	26	\$1,612,265	\$4,171,929
Induced	45	\$2,146,655	\$6,469,233
Total Impact	210	\$14,061,242	\$33,541,163

Source: ALH Urban & Regional Economics.

Figures may not total due to rounding.

These findings indicate that for every direct construction job created, an additional 0.5 jobs are supported at other local businesses through indirect and induced impacts.

The total Project impacts are expressed on an annual average basis in Table 1b. Since Project construction is anticipated to occur over 16 months, these impacts will benefit the local economy for 1.33 years.

**Table 1b. Redwood Technology Center Hotel Construction Impact**  
Annualized Impact  
City of Petaluma, 2019 Dollars

Impact Type	Jobs	Personal Income	Output
Direct	105	\$7,726,742	\$17,175,000
Indirect	19	\$1,209,198	\$3,128,947
Induced	33	\$1,609,992	\$4,851,925
<b>Total Impact</b>	<b>158</b>	<b>\$10,545,932</b>	<b>\$25,155,872</b>

Source: ALH Urban & Regional Economics.

Figures may not total due to rounding.

These annualized findings indicate that per year of Project construction (i.e., 1.33 years), the total direct, indirect, and induced impacts include generation of 158 jobs, \$10.5 million in personal income, and \$25.2 million in economic output.

### Number and Type of Permanent Jobs

The Project applicant estimates the Project will generate 30 permanent jobs in the hospitality industry. This equates to a ratio of 0.21 employees per room, which is at the low end of the range for employment at hotels, typically reflective of limited/select service hotels. STR (formerly Smith Travel Research), the leading industry organization that tracks supply and demand data for the global hotel industry, classifies the Home2 Suites brand as an "Upper Midscale" hotel. One would generally anticipate hotels with this classification to have a more full service orientation along with higher employment-to-room ratios. However, because the hotel is proposed as an all-suite product, with potentially some extended stays requiring less room upkeep, ALH Economics assumes it meets the definition of a select service hotel supportive of the lower employee per rooms ratio.

The Project applicant estimates that approximately 65% of the jobs will be full-time jobs and 35% will be part-time jobs. The full-time jobs include almost all occupations represented at the hotel, ranging from General Manager and other management or supervisory positions, to Maintenance, Housekeeping, and Laundry. The part-time positions will include Front Desk, Night Auditor, Housekeeper, Laundry, and Maintenance.

In the United States, employment in the Leisure and Hospitality industry has the lowest percentage of full-time employment of all economic sectors. In 2018, 77% of all U.S. workers were employed full-time, with full-time defined as working 35 hours or more per week. In the Leisure and Hospitality industry, the percentage of full-time workers was 59% (see Table 12). As these data are not available on a more localized level, ALH Economics assumes these figures pertain to the Santa Rosa Metropolitan Statistical Area (MSA), which includes the City of Petaluma. Based upon these findings, the Project is anticipated to exceed the industry-wide average percent of full-time employees.

The City of Petaluma employment base is estimated to total 33,400 in 2020 and 34,330 in 2025 (see Exhibit 5). The Project is anticipated to be fully operational by 2022. In the context of the City of Petaluma's employment base, the Project's 30 total jobs will comprise an insignificant contribution.

## Estimated Employee Wages

The Project applicant provided estimated salary and wage information for the Project's full-time and part-time employees. In 2019 dollars, salaried positions are anticipated to range from \$60,000 a year for Front Office Manager and Executive Housekeeper to \$100,000 for General Manager. Two managerial positions are also estimated to have salaries in the \$70,000 range. All other jobs are anticipated to be hourly, ranging from \$18 to \$24 per hour for Maintenance to \$1 to \$2 over the California minimum wage for all other positions. For 2019, the California minimum wage is \$12.00 per hour for employers with 25 or more employees.

During first quarter 2018, the average annual wage for all occupations in the Santa Rosa MSA was \$55,101, with an average hourly wage of \$26.49 (see Exhibit 22). As noted by the Project's anticipated job titles, hotel workers represent many occupations. Based upon a review of comparable occupations for which 1st Quarter 2018 average wages were reported by the U.S. Bureau of Labor Statistics, annual average wages in the Santa Rosa MSA in 2018 dollars spanned the following:

- \$29,700 for Maids and Housekeeping Cleaners
- \$37,442 for Landscaping and Groundskeeping Workers
- \$44,950 for First-Line Supervisors of Housekeeping and Janitorial Workers
- \$50,512 for Maintenance and Repair Workers, General
- \$59,900 for Lodging Managers

The annual average hourly wages for occupations matching the anticipated hourly occupations at the Project ranged from approximately \$14.30 to \$24.30 per hour. At the 50<sup>th</sup> percentile level (or median), these hourly wages ranged from approximately \$12.70 to \$23.00 per hour.

The City of Petaluma has a Living Wage Ordinance, which prescribes the minimum wages paid to City employees as well as employees of City-funded contractors. The Project hotel is not anticipated to meet either of these requirements, but as a point of comparison, this living wage for FY 2018-2019 is \$15.47 to \$17.34 per hour, depending upon the status of employer medical benefit contributions.<sup>2</sup>

On a comparative basis, the anticipated Project earnings for salaried employees exceed the 1<sup>st</sup> quarter 2018 averages for the Santa Rosa MSA, even assuming an inflationary adjustment. The Project's anticipated hourly earnings of \$18 to \$24 per hour for Maintenance workers and up to \$14.00 per hour for all other hourly workers are generally consistent with the median hourly wages in the MSA, but notably a bit lower than the overall hourly averages, except for the Maintenance jobs. The hourly wages except for the Maintenance jobs are also lower than the wages dictated by the City's Living Wage Ordinance; however, the Project is not subject to this Ordinance as the hotel is not a vendor to the City of Petaluma.

## Estimated Employee Benefits and Employer Contributions

The Project applicant indicates that all full-time employees and their families will be provided a full benefit package. The package includes medical, dental, prescription, drug, vision, 401K, HAS and FSA, Long-Term and Short-Term disability, Vacation time, Sick time, Employee Assistance Program, commuter tax benefits, and Life Insurance. As noted above, approximately 65% of the Project

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<sup>2</sup> Resolution No. 2018-099 N.C.S. of the City of Petaluma, California.

employees are anticipated to full-time, and thus recipients of this benefit package. No information was provided about benefits applicable to hourly employees.

#### **HOTEL MARKET IMPACTS**

The FEIA does not require analysis of the hotel market per se for the Project. However, certain hotel operating assumptions are necessary to meet other FEIA requirements, especially regarding the estimated public revenues to accrue to the City of Petaluma. These key assumptions include hotel room rate, hotel occupancy rate, number of guests per room, guest spending aside from lodging costs in Petaluma, and construction costs (as a component of property valuation). Some hotel assumptions were provided by the Project proponent, which ALH Economics validated, while other assumptions were developed by ALH Economics.

The hotel market findings are fully reviewed in a separate report chapter (see **Chapter III. Hotel Market Overview**), but highlights of the findings are as follows:

- The Hotel room rate is estimated at \$160 per room in 2019 dollars, which ALH Economics reviewed for reasonableness.
- Hotel construction costs are estimated at \$22.9 million, exclusive of the value of the land, which ALH Economics reviewed for reasonableness.
- The Hotel's immediate competitive market area includes Petaluma, Rohnert Park, and Cotati (which has no existing hotels, but one new hotel is planned). This area includes 17 existing hotels, with 2,002 rooms, operating at 80% occupancy from 2016 through 2018. This occupancy rate is well above the typical 75% industry standard stabilized occupancy rate.
- There are numerous additional hotels planned in the market area, totaling 752 new rooms by the end of 2022 (including the Project's 140 rooms, with 2022 assumed to comprise the Project's first full operational year). This comprises an almost 40% increase in rooms supply.
- At minimum, demand for hotel rooms is anticipated to continue to grow annually, ranging from annual growth of 0.6% to 0.9% through 2030. These rates may be conservative, as growth in tourism could account for additional growth.
- The Project applicant estimates 77% occupancy for the Hotel upon stabilization. Given anticipated growth in demand and absent any new additions to supply, this rate is reasonable.
- With future growth in competitive supply, however, ALH Economics assumes a lower 65% stabilized occupancy rate at the Project, reflecting the potential for supply to grow faster than demand. This rate is anticipated to characterize the market in the years immediately following the Project's opening, although the analysis could be based upon conservative demand growth rates.

While the concluded occupancy rate for the Project and the market overall after development of the planned hotels in the development pipeline is lower than the 75% industry standard occupancy rate, this is a rate at which hotels can typically operate by making operational changes without risk of hotel closure. Thus, the Redwood Technology Center Hotel is not anticipated to have a deleterious impact on the existing Petaluma hotel market.

## **CITY OF PETALUMA PUBLIC REVENUES IMPACT**

The public revenues analysis for the Project includes estimated General Fund revenues and expenditures and Special Fund revenues resulting from the Project's stabilized operations from 2022 onward. In addition, the Project will generate one-time Development Impact Fees pursuant to City of Petaluma nexus requirements. These public revenue findings are presented below.

### **General Fund Net Fiscal Impact**

The net fiscal impact analysis of the Project takes into consideration revenues that will flow to the General Fund, less anticipated Project-related General Fund service costs. The revenues reflected in the analysis include the following:

- \$29,335 in Property Taxes (incremental, above the existing base);
- \$14,837 in Property Tax in Lieu of VLF;
- \$9,149 in Retail Sales Taxes (from hotel guest spending and employee daytime spending);
- \$1,701 in Business License Fee;
- \$507 in Franchise Fees;
- \$185 in Licenses/Permits/Fees
- \$156 in Fines/Forfeitures/Penalties

These revenue estimates total \$58,088 per year in net General Fund revenues attributable to the Project assuming full stabilization (see Table 2).

General Fund costs were calculated on an average cost basis. In this approach, costs are derived by determining an average cost to provide existing services on a per capita basis for the relevant population served, which is then applied to the comparable population base for the project or land use under study. The departments for which these costs were calculated are the following;

- General Government
- Planning
- Fire
- Recreation
- Police
- Public Works
- General Fund Cost Center
- Non-Departmental

The study findings result in an estimate of \$3,848 per year in General Fund service costs attributable to the Project assuming full stabilization. The largest categories include Police at \$2,030, Fire at \$1,328, and Public Works at \$419. All other departmental service costs are anticipated to be below \$50 per year. These costs were estimated on an average cost basis.

**Table 2. Redwood Technology Center Hotel  
Estimated Annual General Fund Revenue, Expenditures, and Net Fiscal Impact  
City of Petaluma, at Stabilized Buildout, in FY 2018/19 Dollars**

<b>Development Status</b>	<b>Revenues</b>	<b>Expenditures</b>	<b>Net Fiscal Impact</b>
Stabilized Operations	\$55,870	\$3,848	\$52,023

Source: Exhibit 19.

As shown in Table 2, the Project’s General Fund fiscal impact analysis results in an estimated net fiscal revenue surplus for the City’s General Fund of \$52,023 upon Project stabilization. This will comprise an annual net General Fund gain attributable to the Project. Over time, such as the five-year analysis period required by the FEIA, this net surplus will vary, based on numerous factors, such as rising City service costs. These cost increases, however, may or may not be offset by rising revenues, such as retail sales tax increases or even property taxes, if the Hotel property is sold and reassessed based on the sales price. In all likelihood, however, the Project will continue to be characterized by a net public revenues surplus in the years following Project completion and stabilization.

**Special Revenue Funds**

There will be additional Special Revenue Funds flowing to the City of Petaluma on an annual basis, totaling an estimated \$534,614 (see Exhibit 19). These revenues include Transient Occupancy Tax totaling \$531,440, nearly \$3,200 to the City’s Street Maintenance Fund through Franchise Fees and Measure M Sales Taxes, and a negligible contribution to a new Parks fund related to the City’s share of new retail sales taxes generated by the recent Sonoma County Measure M.

**Development Impact Fees**

Based upon the City of Petaluma’s current Development Impact Fee schedule, the Project’s impact fees are estimated to total \$864,032.58 (see Exhibit 20). This total comprises several separate fees, which from largest to smallest comprise the following: Commercial Housing Development Linkage Fee; Public Art; Traffic Mitigation; City Facilities Fee; Park Land Development; Park Land Acquisition; Storm Drainage; and Open Space Acquisition.

**Total Public Revenues**

A summary of the public revenues that will accrue to the City of Petaluma attributable to the Redwood Technology Center Hotel is presented in Table 3.

**Table 3. Summary of Net Public Revenues  
City of Petaluma, FY 2019/19 Dollars**

<b>Type/Fund</b>	<b>Amount</b>
<i>Annual</i>	
General Fund	\$52,023
Special Funds	\$534,045
<b>Total</b>	<b>\$586,068</b>
<i>One-time</i>	
Impact Fees	\$864,033

Sources: Exhibit 19 and Exhibit 20.



This summary indicates an estimated total of \$588,854 accruing to the City's General Fund and Special Funds on an annual basis upon Project stabilization. Development impact fees will comprise a one-time revenue infusion of \$864,033, to be used by the City as warranted pursuant to the associated nexus requirements for each fee.

### **Estimated Cost of Public Contributions, Services, and Infrastructure**

The Redwood Technology Center Hotel is being developed in conjunction with the existing Redwood Technology Center, for with some public improvements were done on Old Redwood Highway when constructed. No significant new public improvements are anticipated for the Redwood Technology Center Hotel as the hotel will be constructed on a pad already approved and developed within the existing Redwood Technology Center.

### **SUMMARY OF POTENTIAL IMPACTS ON THE LOCAL ECONOMY**

In summary, the Redwood Technology Center Project is projected to have the following impact on the City of Petaluma:

- Generate a nominal amount of new retail sales that will support local businesses but not result in any negative impacts on existing retailers;
- Create temporary construction-related jobs that will positively impact the local economy;
- Create full-time and part-time positions with a higher proportion of full-time positions than typically found in the leisure and hospitality sector;
- Create permanent positions at earnings levels equal to or greater than the industry standard in the Santa Rosa Metropolitan Statistical Area ;
- Contribute to a drop in hotel occupancy in conjunction with other cumulative planned hotel projects, but existing hotels are anticipated to be able to accommodate reduced occupancy by making operational adjustments ;
- Annually result in a net fiscal gain to the City of Petaluma General Fund; and
- Generate substantial annual funds to the benefit of select City of Petaluma Special Funds.

These findings are elaborated upon in the following report chapters.

### III. HOTEL MARKET OVERVIEW

#### CHAPTER PURPOSE

The purpose of this market overview chapter is to confirm or develop hotel market assumptions relevant to other components of the FEIA, such as the public revenues and costs analysis, and to assess the potential impact of the Project on the existing hotel market. Some of these assumptions include the Project applicant's anticipated \$160 average room rate in 2019 dollars and stabilized occupancy rate of 77%. The major topics reviewed include identification of the existing competitive supply of hotels and performance indicators, project future demand and planned supply, and prepare market performance projections to assess potential impacts of the Project and other planned projects.

#### EXISTING HOTEL SUPPLY

##### Hotel Inventory

Petaluma hotels are part of the larger Sonoma County hotel market. Information from the Petaluma Visitors Center indicates that on one level, hotels in Petaluma compete with all other hotels in Sonoma County for the tourist market, which comprises a strong component of the region's hotel market. However, on a more localized basis, the hotels most competitive with Petaluma hotels include the hotels in Rohnert Park, which are located immediately north on Highway 101 from Petaluma, and are relatively more proximate to the Project site than any other Sonoma County hotels. Based upon transient occupancy tax revenues, this combined area historically comprises approximately 16-18% of the County's lodging market.<sup>3</sup> This is about on par with the Santa Rosa market, until after the Tubbs fire in late 2017, when Santa Rosa transient occupancy taxes declined relative to historic levels.

The combined Petaluma and Rohnert Park area includes at least 17 hotels. The hotel classifications range from the highest priced hotels, considered Luxury hotels, to the more budget-oriented Economy hotels. The additional classifications present in this market include Upscale, Upper Midscale, and Midscale. The market's 17 hotels have 2,002 hotel rooms. The 17 hotels are listed on Exhibit 2, which includes the following information for each hotel: market classification, name, miles from the Project Technology Center Hotel site, address, city, average room rate, opening date, and room count.

The greatest number of Petaluma and Rohnert Park hotels and hotel rooms are Economy (7 hotels and 630 rooms), which is the lowest tier typically available in a market. Upper Midscale hotels and hotel rooms comprise the next greatest increment, with 4 hotels and 512 rooms. STR, the industry organization that tracks the hospitality market, typically classifies the Project's proposed hotel band Home2 Suites as an Upper Midscale hotel. There are then near equal numbers of Upscale and Midscale rooms, with 336 and 324 rooms, respectively. Finally, the market includes one Luxury hotel, which is the Graton Resort & Casino in Rohnert Park.

The Project's estimated average room rate of \$160 in 2019 dollars is slightly below the average for the market's existing Upper Midscale hotels, but well above the rates at the Midscale hotels. This suggests the Project is aptly positioned as an Upper Midscale hotel. Notably, the Upscale hotel room average room rate is lower than the Upper Midscale average. ALH Economics believes this is an anomaly, likely attributable to the low quantity of Upscale hotels.

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<sup>3</sup> Sonoma County Economic Development Board, "Second Quarter Transient Occupancy Tax Report," 2018, page 14.

Of the market's 17 hotels, 9 are located in Rohnert Park and 8 are in Petaluma. By hotel classification, the hotels are generally split between the two cities, with the exception of the market's sole Luxury hotel in Rohnert Park. All of the hotels are located within 8.7 miles of the Project site, with three clustered nearby. These proximate hotels include 2 Economy hotels and one Midscale hotel, and are thus in lower tiers than the proposed Project hotel. As a result, the Project hotel will fill a relative void at this location, as well as the nearby environs, as the nearest Upper Midscale hotels in Petaluma are located 4.7 and 5.0 miles from the Project site. The Upper Midscale hotels in Rohnert Park are located even further away, at 7.4 and 8.4 miles distant.

Only one hotel in Petaluma has been built in over 15 years. This is the recently opened Hampton Inn, located 4.7 miles from the Project site in the former Silk Mill property on Jefferson Street. This property is still in the process of rolling out all of its hotel rooms, with the remaining 12 of 75 anticipated to open later in 2019. Before the Hampton Inn opened in 2018 the next newest hotel in Petaluma was the Sheraton Hotel, located 5.0 miles from the Project site and opened in 2002. Rohnert Park's Upper Midscale Oxford Suites and Luxury Graton Resort & Casino are relatively recent market entrants, opening in 2016 and 2017, respectively.

### **Hotel Performance**

The combined Petaluma and Rohnert Park market has been performing well, and is becoming increasingly constrained and characterized by high occupancy rates. Aggregate market performance indicators for many of the market's hotels are summarized in Exhibit 3. This includes market indicators for the hotels that participate in the STR surveys. Not all market hotels participate, with the nonparticipants noted with an \* on the Hotel Inventory in Exhibit 2. According to STR, the participating hotels have a total of 1,576 rooms, whereas the year-end 2018 total room count in the market is 2,002. To compensate for the exclusion of some area hotels in the STR survey, ALH Economics made adjustments to select indicators based upon the room counts in the nonparticipating hotels and the timing of their market addition, with the results presented in Exhibit 4. The adjusted figures in Exhibit 4 include the average number of rooms per year, annual changes in supply, and annual changes in demand. ALH Economics assumed the entire market performed at the annual occupancy rates noted by STR for the participating sample of hotels. This assumption guided the derivation of some of the estimates in the balance of Exhibit 4.

Based on the recent market additions noted above, the annual hotel room supply for the market increased by 25% from 2012 through 2018 (see Exhibit 4). Meanwhile, the market's average annual occupancy remained constant or increased annually every year since the 2012 benchmark provided by STR. Beginning at 70.6% in 2012, the market achieved 80.4% occupancy for the year in 2018 (see Exhibits 3 and 4). This 80.4% occupancy rate is a recent record high for the market. This is a very high occupancy rate for hotels, especially since the hotel occupancy rate of 75% is generally considered an industry standard stabilized occupancy rate. Occupancy in the Petaluma and Rohnert Park market exhibits seasonal patterns, with occupancy greatest between the months of April and October (see Exhibit 3). This is a fairly typical hospitality market pattern.

The market's high occupancy rate is a reflection of growth in demand. Based upon ALH Economics estimates grounded in the STR data, room nights of demand increased from 421,640 in 2012 to 599,960 in 2018, reflecting a 42% increase, which clearly outstripped the 25% increase in room supply (see Exhibit 4). The market's increases in occupancy was accompanied by increasing average daily room rates, which grew by 62.3% in unadjusted dollars from 2012 through 2018 (see Exhibit 3).

A recent Press Democrat article highlighted the importance of the tourism sector to Sonoma County's hospitality industry. This article, about planned hotel construction and expansion in the county, emphasizes the increasing occupancy rate in the county and cites an average of 7.5 million visitors a year to the county.<sup>4</sup> The article suggests that tourism officials are concerned the county does not have enough hotels, especially to host conferences and executive retreats. While the article is highly focused on Santa Rosa, it references other county areas as well, and suggests the need for additional rooms is countywide. This Sonoma county boosterism is paralleled by Sonoma County Tourism, the destination marketing organization for Sonoma County, which indicates on its website that millions of visitors go to Sonoma County annually, and that over the next few years, millennial tourists, who prioritize experiential travel, are expected to grow in importance.<sup>5</sup>

**HOTEL DEMAND AND PLANNED SUPPLY**

**Projected Hotel Demand and Occupancy**

ALH Economics developed a hotel demand projection. The projection uses the existing supply and performance characteristics as a base, which is then grown out pursuant to projected annual growth in demand. In this case, the applicable growth trends are for Petaluma, Rohnert Park, and Cotati. These growth trends are a blend of population and employment growth trends for Petaluma, Rohnert Park, and Cotati (see Exhibit 5). Cotati is included because it is located in the same general vicinity as Petaluma and Rohnert Park, and is anticipated to serve the same market as Petaluma and Rohnert Park if any hotels were present in Cotati. Employment and population growth are seen as drivers of hotel demand, given both business-driven and leisure-driven demand, and especially in the absence of projected tourism demand, which is also a significant component of local hotel demand.

Recent Association of Bay Area Government projections indicate annual average aggregate projected employment growth of 0.6% from 2015-2020 and 0.5% from 2020-2025 as well as from 2025-2030. Aggregate annual population growth is 0.4% from 2015- 2020, 0.9% from 2020-2025, and 0.8% from 2025 to 2030. For the purpose of the hotel demand estimate, ALH Economics selected the highest of the annual average growth rates per period, resulting in estimates of 0.6% annual growth from 2015-2020, 0.9% from 2020-2025, and 0.8% from 2025-2030. The highest rates per period were selected, regardless of indicator, as a proxy for tourism growth. These and other growth rates are summarized in Table 4, with the selected highest growth rates highlighted in bold italics.

**Table 4. Projected Employment and Population Growth  
Annual Average Growth Rates**

Period	Petaluma	Rohnert Park	Cotati	Total (1)
<b>Employment</b>				
2015-2020	1.7%	0.6%	0.5%	<b>0.6%</b>
2020-2025	0.5%	0.4%	0.2%	0.5%
2025-2030	0.6%	0.5%	-0.2%	0.5%
<b>Population</b>				
2015-2020	0.5%	0.2%	0.8%	0.4%
2020-2025	0.8%	1.0%	1.3%	<b>0.9%</b>
2025-2030	0.4%	1.0%	2.2%	<b>0.8%</b>

Source: Exhibit 5.

(1) Rates selected for the analysis are highlighted in bold italics.

<sup>4</sup> The Press Democrat, "Sonoma County lodging sector bustline with hotel construction and expansion," February 8, 2019, Bill Swindell.

<sup>5</sup> See <https://www.sonomacounty.com/statistics>.

ALH Economics believes that the projected growth rate incorporated into the hotel supply and demand analysis may be conservative, as it is based on employment and population growth projections but not explicitly any growth in tourism. As noted in the Press Democrat article referenced above, as well as the Sonoma County Tourism website, there is clearly a strong belief that county tourism will continue to be strong, and be fueled by growth, such as by the millennial generation. Accordingly, future occupancy rates may be higher than projected.

Based on the demand projection, and absent any new additions to supply in Petaluma, Rohnert Park, and Cotati other than the remaining rooms at Petaluma’s Hampton Inn (see later analysis and table assuming new supply), hotel occupancy is projected to increase annually, resulting in very high levels relative to industry standards. These levels are consistently projected to be at or over 80%, increasing to over 80% by 2021, the year the Project hotel is anticipated to open, and close to 90% by 2030. These estimates are presented in Exhibit 6, and summarized in Table 5.

**Table 5. Historic and Projected Petaluma and Rohnert Park Hotel Occupancy**

<b>Year (1)</b>	<b>Annual Occupancy</b>
2012	70.6%
2013	77.3%
2014	77.4%
2015	79.9%
2016	80.2%
2017	80.2%
2018	80.4%
2019	79.6%
2020	80.0%
2021	80.7%
2022	81.5%
2023	82.2%
2024	83.0%
2025	83.8%
2026	84.4%
2027	85.1%
2028	85.7%
2029	86.4%
2030	87.0%

Sources: Exhibit 3 and Exhibit 6.

(1) Figures above the line are historic and figures below the line are projected.

The high projected occupancy levels are a strong indicator that the market would benefit from the addition of new supply, to avoid periods of total booking for select hotels and thus potential hotel guests seeking lodging in other, nearby markets.

## Planned Hotel Projects

There are 8 new hotel projects planned for Petaluma, Rohnert Park, and Cotati. A summary of these projects is presented in Exhibit 7. Including the Project, all of the hotels have the potential to be fully operational by 2022 except for one with indeterminate development status. This is the Petaluman Hotel in Petaluma. The planned projects are listed on Exhibit 7 by city and then by anticipated opening date. The projects with identifiable potential opening dates include 3 in Petaluma, totaling 274 rooms, 12 of which include the remaining rooms at the Hampton Inn. There are an additional 3 hotels planned in Rohnert Park, with a total of 331 rooms, and one hotel in Cotati, with 147 rooms. Altogether, these 7 hotels total 752 rooms. As noted on Exhibit 7, many of these hotels are approved or are advanced in the application process.

In the following section, ALH Economics evaluates the market impact of the new hotel room supply. For this purpose, hotel rooms are added to the inventory in the first full year of hotel operations. Pursuant to this approach, Table 6 identifies the assumed number of hotel rooms added to the inventory by year.

**Table 6. Summary of Hotel Pipeline, by Location, Number of Rooms, and First Full Year of Occupancy**

Location	Number of Hotels (1)	Number of Net New Rooms	First Full Year of Occupancy		
			2020	2021	2022
Petaluma	3	274	12	122	140
Rohnert Park	3	331	135	100	96
Cotati	1	147		147	
<b>Total</b>	<b>7</b>	<b>752</b>	<b>147</b>	<b>369</b>	<b>236</b>

Source: Exhibit 7.

(1) Does not include planned hotels not actively engaged in the approvals or development process.

The information in Table 6 indicates the potential for many new hotel rooms to be added to the market within a short period of time. If all are built, these 752 rooms will increase the existing supply of hotel rooms by almost 38%. That is a substantial increase in room count in a relatively short period of time.

## HOTEL MARKET PERFORMANCE PROJECTIONS

### Project Only Impacts

ALH Economics prepared a future projection of hotel room supply and demand and then examined the occupancy impacts pursuant to the addition of just the Project's planned hotel rooms, to assess the potential market impact if the Project were the only planned market addition. The Project's 140 rooms are added to the supply in 2022, which is projected to be the first full year of Project operation. The results of this analysis are presented in Exhibit 8, and summarized in Table 7, below.

The resulting supply and demand analysis reflecting the addition of just the Project indicate that absent any other additions to new supply, the market will likely continue to operate at high occupancy above the 75% industry standard stabilized occupancy rate. A minor dip to 76.4% is projected for 2022, the year of market entry, with continual increases thereafter. This indicates that if the Project

hotel were the only new hotel to be built, the existing hotel market would continue to be somewhat constrained, with no negative performance impact on existing hotels.

**Table 7. Historic and Projected Petaluma and Rohnert Park Hotel Occupancy with Redwood Technology Center Hotel**

<u>Year (1)</u>	<u>Annual Occupancy</u>
2012	70.6%
2013	77.3%
2014	77.4%
2015	79.9%
2016	80.2%
2017	80.2%
2018	82.1%
2019	79.6%
2020	80.0%
2021	80.7%
2022	76.4%
2023	77.1%
2024	77.8%
2025	78.5%
2026	79.1%
2027	79.7%
2028	80.3%
2029	80.9%
2030	81.5%

Sources: Exhibit 3 and Exhibit 8.

(1) Figures above the line are historic and figures below the line are projected.

### **Cumulative Planned Projects Impacts**

In parallel to the analysis assuming the addition of just the Project to the hotel inventory, ALH Economics prepared a future projection of hotel supply, demand, and occupancy impacts pursuant to the addition of all the planned hotel rooms with identified years completed. This analysis is presented in Exhibit 9, and summarized in Table 8.

The near term results of the supply and demand analysis after the addition of the identified planned supply in 2020 through 2022 indicates that occupancy is projected to decrease beginning in 2021 below the industry standard 75% stabilized occupancy rate. Pursuant to the underlying projected demand, cumulative hotel occupancy is not projected to rise above 66% for more than 5 years following the Project's first full year of operations.

**Table 8. Historic and Projected Petaluma, Rohnert Park, and Cotati Hotel Occupancy with all Pipeline Hotels**

Year (1)	Annual Occupancy
2012	70.6%
2013	77.3%
2014	77.4%
2015	79.9%
2016	80.2%
2017	80.2%
2018	82.1%
2019	82.6%
2020	77.4%
2021	66.6%
2022	61.5%
2023	62.1%
2024	62.6%
2025	63.2%
2026	63.7%
2027	64.2%
2028	64.7%
2029	65.2%
2030	65.7%

Sources: Exhibit 3 and Exhibit 9.

(1) Figures above the line are historic and figures below the line are projected.

As stated earlier, ALH Economics believes that the projected growth rate incorporated into the hotel supply and demand analysis may be conservative, as it is based on employment and population growth projections but not explicitly any growth in tourism. As noted in the Press Democrat article referenced above, as well as the Sonoma County Tourism website, there is clearly a strong belief that county tourism will continue to be strong, and be fueled by growth, such as by the millennial generation. Accordingly, future occupancy rates may be higher than projected. In addition, the analysis assumes that all hotels will be built as planned (with the exception of the Petaluman Hotel). To the extent that some planned hotels are not ultimately developed, or developed on a different timeline than reflected in the analysis, the future occupancy rates will be higher than projected.

**Hotel Market Implications**

The hotel market overview findings suggest that the Project applicant’s assumed \$160 per night average room rate in 2019 dollars is reasonable. However, depending upon the strength of the tourism sector of the lodging market, the applicant’s 77% occupancy rate may be aggressive given the volume of additional planned hotel projects with somewhat similar development timeframes in Petaluma, Rohnert Park, and Cotati. To be conservative, ALH Economics therefore assumes a 65% stabilized occupancy rate for the Project for FEIA purposes. While this rate is lower than the oft-cited 75% industry standard occupancy rate, this is a rate at which hotels can typically operate by making operational changes without risk of hotel closure. Thus, the Redwood Technology Center Hotel is not anticipated to have a deleterious impact on the existing Petaluma hotel market.



## IV. FISCAL ASSUMPTIONS AND REVENUE AND EXPENDITURE ESTIMATES

### FISCAL IMPACT METHODOLOGY

ALH Economics prepared an approach to the Redwood Technology Center Hotel's fiscal impact analysis designed to provide an understanding of the Project's net fiscal impact on the City of Petaluma's General Fund and Special Funds using specific Project information as much as possible. This includes estimates of revenues generated by the Project that accrue to the City's General Fund as well as service costs incurred by the City funded through the General Fund.

The analysis is grounded in the City's budget and existing revenue bases and performance estimates for the Project. The analysis is structured to examine the Project's impacts upon full stabilization. To facilitate the analysis and interpretation of the results, the findings are presented in Fiscal Year 2018-19 dollars (e.g., 2019 dollars). The fiscal impact analysis additionally includes one-time development impact fees anticipated to be assessed by the City of Petaluma.

The City General Fund expenditures analysis was conducted using the average cost approach. This is typically the most expeditious approach for a fiscal impact analysis, but is also one that can result in under or over estimation of both project-related costs and revenues. In this approach, costs are derived by determining an average cost to provide existing services on a per capita basis for the relevant population served, which is then applied to the comparable population base for the project or land use under study. An alternate approach referred to as the marginal cost approach, or case study approach, derives estimated service costs based on expectations of service demands and associated actual service delivery costs. This approach is not reflected in this report as it is more time intensive and intrusive to existing City staff.

In general, a jurisdiction's "service population" for fiscal impact analysis purposes is equivalent to the resident population plus some workforce factor. This is the population base provided services by the jurisdiction under study. Most fiscal impact analysts typically equate 2 to 3 employees with 1 resident, or 0.5 to 0.33 employees per resident, on the theory that people who work in an area place less demands on services than residents. For the purpose of this analysis, ALH Economics used the 0.5 employees per resident factor, which is a more conservative choice than the 0.33 factor, especially relative to service cost estimates based on the average cost approach. This is also the more common approach. The average costs in this study are based on the City of Petaluma's annual budget, which for this analysis included the "Preliminary Budget, Fiscal Year 2018-2019." Calculated figures are often, but not always, rounded to the nearest \$100 or \$1,000.

Wherever possible, efforts were made throughout the analysis to develop assumptions or estimates in a conservative manner, so as not overstate potential net revenues attributable to the Project.

### FISCAL ASSUMPTIONS AND PROPERTY VALUATION

The assumptions and building blocks underlying the fiscal impact analysis for the Redwood Technology Center Hotel are presented in Exhibit 1 and Exhibits 10-18, which can be found in Appendix B. A summary of these exhibits and their primary purposes follow.

- **Exhibit 1, Redwood Technology Center Hotel, Project Description.** This exhibit was previously introduced in the **Chapter III. Hotel Market Overview**. The information on this

exhibit comprises critical building blocks for the fiscal impact analysis, including the number of rooms (140), square feet of meeting space (1,000), anticipated average daily room rate of \$160 in 2019 dollars, projected stabilized occupancy at 77%, number of employee (full-time and part-time), and estimated service population. Basin Street Properties, the Project proponent, provided all of this information, except the service population estimate, which was prepared by ALH Economics. This service population estimate was prepared based on converting the provided full-time and part-time employment counts to full-time equivalents, and then converted to service population assuming each FTE employee is equivalent to one-half a resident for City service purposes, which is a standard fiscal impact analysis as cited earlier. Detailed information about the distribution of employees by full-time and part-time status was provided by Basin Street Properties (see Exhibit 13), which is summarized in this exhibit. The result in an FTE estimate of 26.4, and a service population estimate of 13 (rounded to the nearest whole number).

- **Exhibit 10, City of Petaluma Demographic, Employment, and Tax Characteristics, in FY 2018-19 Dollars.** This exhibit contains many of the baseline assumptions and information necessary to generate estimates of the City of Petaluma's revenues and expenses applicable to existing land uses and new development. These include population and employment estimates used to generate the size of the City's existing service population for the purpose of deriving existing average cost expenditures and some per capita revenues. These figures are benchmarked to 2019, which generally corresponds with the FY 2018-2019 City budget information that is a foundation for the analysis. These estimates include an estimated population base of 63,267 and an estimated employment base of 33,280. Under the assumption that the City's service population is equivalent to residents plus one-half the employment base, the City's relevant service population is estimated at 79,908.

This exhibit also includes key tax-related information unique to the City of Petaluma, such as property and sales tax rates, vehicle in lieu of property tax revenues, transient occupancy tax rate, City of Petaluma Tourism Impact Fee, and secured and unsecured property assessed valuation; all of which are germane to the fiscal impact analysis as noted in the other exhibits that follow.

Most relevant to the analysis is the City's 12.81% share of the basic 1.0% property tax rate collected by Sonoma County. This figure is post-ERAF, where ERAF is the Educational Revenue Augmentation Fund, which is a special State-created fund that receives property tax distributions from some local funds specifically for the purpose of education. This tax rate is specific to the Tax Rate Area where the Redwood Technology Center Hotel parcel is located. These distributions change annually, thus the 12.81% estimated property tax rate could change nominally on an annual basis.

In addition, the City of Petaluma has an effective sales tax rate of 0.975% that accrues to the General Fund, an additional .25% sales tax that accrues to the Streets Fund and sunsets at the end of 2024, and a new very nominal sales tax rate resulting from the passage of a County Measure to generate sales taxes to fund parks.

## FISCAL REVENUE ESTIMATES

The revenue calculations for the fiscal impact analysis are presented in Exhibits 11 through 17. A summary of these exhibits and their primary purpose follows.

- **Exhibit 11, Property Valuation and Annual Property Tax Payments, Existing Site and Redwood Technology Center Hotel, City of Petaluma, FY 2018-19 Dollars.** This exhibit presents the assumptions and conclusions regarding the annual Property Tax payments to the City of Petaluma generated by the Project upon completion and full stabilization. According to property records, the current value of the development site is \$1.7 million. When the Project is completed, the County Assessor will estimate the finished value based on an estimate derived from three valuation approaches: the sales comparison approach; the cost approach; and the income approach. As a proxy, this analysis uses the cost approach to value, based upon the anticipated construction costs for the Project plus the existing valuation. Basin Street Properties estimates Project construction (less land and financing costs) will total \$22.9 million. This equates to approximately \$164,000 per room. ALH Economics compared this value to information in project files for other planned Bay Area hotel projects, and found this per room cost to be reasonable. Therefore, the Project's construction cost of \$22.9 million is added to the existing land valuation, for a total completed Project value estimate of \$24.6 million in 2019 dollars. The net increment is the cost of Project construction, or \$22.9 million.

The City of Petaluma is assumed to receive a 12.81% share of the 1.0% basic Sonoma County annual property tax rate for the Project's parcel. The annual property taxes generated by the \$22.9 million value increment is estimated at \$229,000. Of this amount, \$29,335 is annually estimated to accrue to the City of Petaluma.

- **Exhibit 12, Property Tax in Lieu of VLF Estimates for Redwood Technology Center Hotel, Project Stabilization, City of Petaluma, FY 2018-19 Dollars.** This revenue component, Property Tax in Lieu of Vehicle License Fees (VLF), is derived from a property's share of the total property valuation throughout the city in which it is located. For a planned development project such as the Project, these revenues would be based upon the project's anticipated contribution to increased property valuation throughout the city. This is the method by which such tax revenues are estimated by the State of California and redistributed to local jurisdictions. This is a State substitute for prior Motor Vehicle License taxes that were redistributed by the State to municipalities. The results of these calculations for the Project are presented in Exhibit 12.

To estimate the VLF in Lieu revenue, the percentage increase in property valuation attributable to the Project is calculated by dividing the Project's estimated property valuation by the City of Petaluma's total assessed valuation. The estimate for the Project equals 0.28%. By applying this percentage to the City's total projected VLF in Lieu revenue figure, the City's increase in the VLF In Lieu revenue attributable to the Project is estimated as \$14,837 per year.

- **Exhibit 13, Redwood Technology Center Hotel, Estimated Hotel Employment by Job Title and Earnings, 2019 Dollars.** Project employment information in Exhibit 1 indicates an estimated 20 full-time jobs and 10 part-time jobs. This exhibit provides further detail on the jobs, for two purposes: 1) to compare employee earnings to industry standards as required by the FEIA; and 2) to estimate average employee to determine workday-related retail spending potential in Petaluma. The jobs titles, number of employees per title, and annual salaries or

hourly wages were provided by Basin Street Properties. From this information, ALH Economics estimated annual earnings per employee, and then total annual earnings for all Project employees. For the hourly positions, ALH Economics assumed full-time employees work an average of 35 hours per week, 48 weeks per year, and part-time employees work an average of 22.5 hours per week (i.e., 20 to 25 hours), 48 weeks per year. Where Basin Street Properties indicated hourly wages would be \$1 to \$2 over California Minimum Wage, the analysis assumed \$1.50 over minimum wage, where the 2019 minimum wage is \$12.00, so total hourly wages are estimated at \$13.50 per hour in 2019.

Based upon the aggregate earnings estimate, the weighted average earnings per employee is estimated at \$28,666. The per employee range is \$14,580 a year for part-time, hourly workers to \$100,000 a year for the hotel's General Manager.

- **Exhibit 14, Redwood Technology Center Hotel, Estimated Annual City of Petaluma Retail Sales Tax Generation and Petaluma Sales Tax Revenues, Project Hotel Employee Spending, City of Petaluma, 2019 Dollars.** The employees working at the Project hotel will generate retail spending in the City of Petaluma. Exhibit 14 presents the estimated taxable retail spending by these employees and the associated retail sales tax revenues that will accrue to the City.

For the hotel employee retail sales estimates, ALH Economics drew upon findings from the International Council of Shopping Centers (ICSC) regarding office worker retail daytime spending during the workday. ICSC conducts this type of survey on a recurring basis, with the most recent survey findings released in early 2012. This survey includes analysis of office worker spending near their work location, including analysis by type of retail good (e.g., restaurants and fast food, groceries, and all other goods and services), as well as spending patterns in urban and suburban areas, including areas with or without ample retail.<sup>6</sup> For this analysis, ALH Economics relied upon the estimates for suburban locations, without ample retail, updated to reflect 2019 dollars. The resulting estimate is approximately \$9,100 per year in office worker daytime spending near the work location (see Exhibit C-5). Pursuant to analysis regarding the taxable portion, the taxable spending per office employee is estimated at approximately \$8,100 (i.e., 90% of the total).

Hotel workers earn significantly less than office workers, both in general and anticipated for the Project. Therefore, ALH Economics adjusted the office worker spending estimate on a pro rata basis in accordance with the differential in annual average wages for the Project's hotel workers compared to office workers. The relative wages for each category of worker are summarized in Exhibit C-7. The office worker wages are derived from County Business Patterns employment data and payroll for Sonoma County for 2016 and inflated to 2019 dollars (see Exhibit C-6). Pursuant to the pro rata wage adjustments, based on the anticipated average earnings for the Project employees (see Exhibit 13), daytime spending and taxable spending was estimated for the Project's hotel employees, which is derived in Exhibit C-7 and summarized in Exhibit 14, along with the Petaluma sales tax revenues generated by their spending. This analysis reflects an estimate of the share of taxable sales as well as a 60% Petaluma capture rate. This conservative capture rate reflects the likelihood that some spending may occur on the way to or from work in locations near but outside Petaluma. The

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<sup>6</sup> Ample retail locations would include major shopping centers or significant retail nodes near the office location.

results indicate the following estimates of annual retail sales tax attributable to daytime spending by the Project's hotel workers:

- \$527 to the City's General Fund
  - \$135 to the City's Streets Fund
  - A negligible amount to the new Special Fund the City will create for the sales tax proceeds associated with the County's Measure M for parks.
- **Exhibit 15, Redwood Technology Center Hotel, Estimated Hotel Guest Retail Spending and Petaluma Sales Tax Revenues, In 2019 Dollars.** Additional assumptions in this analysis pertain to hotel guest retail spending on food and incidentals. The amount of spending is based on the number of rooms, an assumed stabilized occupancy rate of 65% pursuant to the cumulative findings in the **Chapter III. Hotel Market Overview**, and an average of 1.5 guests per room. Pursuant to a government per diem of \$71 a day for food and incidentals, Project hotel guests are estimated to spend \$3.5 million per year on food and incidentals. Pursuant to a generalized assumption that 25% of hotel guest spending will occur in Petaluma, reflecting the assumption that hotel guests will not confine their visit-related activities to only Petaluma, this results in an estimated \$0.9 million of taxable spending in Petaluma. At the City of Petaluma's various retail sales tax rates, this results in the following estimates of retail sales taxes generated:
    - \$8,622 to the City's General Fund
    - \$2,211 to the City's Streets Fund
    - A negligible amount to the new Special Fund the City will create for the sales tax proceeds associated with the County's Measure M for parks.
  - **Exhibit 16, Redwood Technology Center Hotel, Assorted City of Petaluma General Fund Revenues, City of Petaluma, FY 2018-19 Dollars.** There are four additional General Fund revenue sources identified in this exhibit along with the corresponding revenues estimated to be generated by the Project. These revenue sources include Franchise Fees, Licenses/Permits/Fees, Fines/Forfeitures/Penalties, and Business License Fees. There are yet other revenues that may be generated by the Project that could accrue to the General Fund, but ALH Economics believes the four cited revenues are likely to comprise the most substantial revenue sources, aside from the previously referenced property tax, property tax in lieu of VLF revenues, and retail sales tax.

The Franchise Fee, Licenses/Permits/Fees, and Fines/Forfeitures/Penalties were all estimated based on a per service population estimate, then applied to the estimated service population for the Project. The resulting estimates are presented in Exhibit 16, and range from \$11.83 per service population Fines/Forfeitures/Penalties to \$38.43 per service population for Franchise Fees. Applying the per service cost estimates to the Project's service population results in annual Project-related revenue estimates of \$507 in Franchise Fees, \$185 in Licenses/Permits/Fees, and \$156 in Fines/Forfeitures/Penalties.

Businesses annually pay Business License Fees to the City of Petaluma. For most businesses, these fees are based on a tax factor applied to gross receipts. For a hotel, this rate is .032% of gross receipts. Thus, based upon the estimated annual room rate revenues estimated in Exhibit 17, following, the Project is anticipated to generate \$1,701 annually in business license fees.

- **Exhibit 17, Redwood Technology Center Hotel, Assorted City of Petaluma Special Fund Revenues and Tourism Impact Fee for Petaluma Visitors Center, City of Petaluma, FY 2018-19 Dollars.** There are two Special Funds that will also receive Project-related revenues. These include the City's Transient Occupancy Tax Fund and the Street Maintenance Fund.

The Project hotel's transient occupancy taxes will flow into the Transient Occupancy Tax Fund pursuant to the City's 10% transient occupancy tax rate, applied to hotel room revenues. Based upon the 65% room occupancy rate conservatively estimated pursuant to the cumulative analysis in **Chapter III. Hotel Market Overview**, and the anticipated average room rate of \$160, annual hotel room revenues are estimated at \$5.3 million. Thus, the Project's annual transient occupancy taxes are estimated at \$531,440.

A portion of the City's Franchise Fees accrue to the City's Street Maintenance Fund. Using the same per service population estimation procedure as reflected in the previous General Fund Revenues exhibit, these fees are estimated as \$19.60 per service population. Pursuant to the Project's estimated service population this Special Fund revenue estimate is \$259.

While it does not accrue to the City of Petaluma, this exhibit also includes estimates of Petaluma's newly implemented Tourism Impact Fee, which will flow to the Petaluma Visitors Center. The purpose of these revenues will be to fund the Visitor Center's marketing and promotion efforts. This fee, implemented beginning 1/15/19, is 2% applied to gross revenues. Accordingly, the estimated fees per year generated by the Project hotel pursuant to the \$5.3 million per year gross revenues estimate is \$106,288.

#### **FISCAL EXPENDITURE ESTIMATES**

As discussed in the Methodology section, fiscal impact studies typically engage in two methods to estimate project-based service costs. One is the average cost approach, usually implemented in the absence of detailed service provision and cost information, and one is the marginal, or case study approach, which derives estimated service costs based on expectations of service demands and associated actual service delivery costs.

Exhibit 18 presents the calculations to derive the average costs relevant to the City of Petaluma General Fund. These calculations are based on the departmental expenditures associated with the City's General Fund, spread across the relevant population served.

- **Exhibit 18, Redwood Technology Center Hotel, City of Petaluma General Fund Average Cost Expenditures, FY 2018-19 Operating Budget, Fiscal Impact Factors City of Petaluma.** In this exhibit, the City of Petaluma's General Fund expenditures are expressed as average costs relative to key populations, e.g., the City's service population, the City's resident population, and the City's employment base. These costs include the General Fund outlay by City service category net of recovered Charges for Services, which are funds that flow to select department based upon service cost reimbursement paid by local residents or businesses for services provided, such as Planning services or Recreation fees. The City Budget included lump sum information on the Charges for Service, for which detailed departmental information was provided by the City Finance Director.

Exhibit 18 is structured to facilitate analysis of the City's expenditures on a fixed and variable cost basis. Using this approach, some of the City's departmental expenditures after reimbursement through Charges for Service are assumed to be fixed regardless of the size of the population served. The balance of the expenditures is then deemed to be variable, i.e., to change with the size of the population served. Typically, departments with greater administrative functions have higher percentages of fixed costs, which in this analysis is assumed to be 90%, or 10% variable. These categories are general functions not typically tied to a service population base. In Exhibit 18, representative departments with this assumption include General Government (which includes City Attorney, City Clerk, City Council, City Manager, Finance, Human Resources, and Economic Development), Planning, General Fund Cost Center, and Non-Departmental. In contrast, other departments are assumed to have a high proportion of variable costs, with wider scalability to provide the necessary services. These departments are assumed to have only 10% of fixed expenditures, or 90% variable, and include departments such as Fire, Recreation, Police, and Public Works. Changes in these assumptions will impact the resulting average cost figures. These percentage fixed and variable assumptions were developed by ALH Economics based on industry experience and comparable analysis conducted by other fiscal impact analysis consultants, and were reviewed and approved for reasonableness by the City's Finance Director.

Of the major City departments funded through the General Fund, ALH Economics assumes that all but one of these departments serves both the City's resident population and the workforce. The category assumed to serve only the City's resident population is the Recreation Department.

For the departments assumed to serve the City's population base, the average cost per resident is \$401.50. Because of the assumed lesser cost to serve workers, the average cost per worker employed in the City is estimated at \$192.39.

## V. CITY OF PETALUMA PUBLIC REVENUE IMPACTS

### TYPE OF PUBLIC REVENUES

The results of the Project's net fiscal impact analysis are presented in Exhibit 19. These findings present the projected annual revenues and expenditures accruing to the City of Petaluma's General Fund and Special Funds from Redwood Technology Center Hotel development. In addition, the Project will generate one-time Development Impact Fees pursuant to City of Petaluma nexus requirements. These public revenue findings are also presented herein.

### GENERAL FUND NET FISCAL IMPACT ANALYSIS FINDINGS

The bulk of the public revenues generated by the Project will accrue to the City of Petaluma General Fund. The net fiscal impact of the Project on the General Fund is presented below.

#### Estimated Annual Revenues

The revenues component of the fiscal impact findings for the Redwood Technology Center Hotel indicate that on an annual basis, the Project is estimated to generate \$55,870 to the City of Petaluma General Fund. The largest General Fund revenue component is incremental property taxes, estimated at \$29,335 per year. The next highest revenue source is Property Tax in Lieu of VLF at \$14,837 per year. Retail sales taxes then comprise the next highest revenue source, totaling \$9,149, generated by both hotel guest spending and hotel employees. The remaining General Fund revenues are relatively nominal, and include Business License Fees (\$1,701), Franchise Fees (\$507), Licenses/Permits/Fees (\$185) and Fines/Forfeitures/Penalties (\$156).

#### Estimated Annual Costs

The estimated service costs for the Project is \$3,848 per year. This reflects an estimated \$192.39 average cost per employee. The largest annual service cost is Police costs, which is estimated at \$2,030. The next highest estimated service cost is Fire at \$1,328, followed by Public Works at \$419. These three service categories comprise 98% of all service costs, with only negligible costs allocated to Planning, Recreation, General Fund Cost Center, and Non-Departmental.

#### Net Fiscal Impact Findings

After stabilization of the Redwood Technology Center Hotel, it is estimated to generate a net annual surplus of \$52,023 to the City of Petaluma General Fund. This figure comprises the General Fund revenues less the anticipated service costs. This indicates the Project is anticipated to produce a net surplus to the benefit of the City of Petaluma upon full stabilization. Over time, such as the five-year analysis period required by the FEIA, this net surplus will vary, based on numerous factors, such as rising City service costs. These cost increases, however, may or may not be offset by rising revenues, such as retail sales tax increases or even property taxes, if the Hotel property is sold and reassessed based on the sales price. In all likelihood, however, the Project will continue to be characterized by a net public revenues surplus in the years following Project completion and stabilization.



**SPECIAL FUND NET FISCAL IMPACT ANALYSIS FINDINGS**

There will be additional Special Revenue Funds that will flow to the City of Petaluma on an annual basis. These revenues include the following:

- Transient Occupancy Taxes accruing to the Transient Occupancy Tax Fund, totaling \$531,440
- Franchise Fees to the Street Maintenance Fund totaling \$259
- City of Petaluma Measure M Sales Taxes to the Street Maintenance Fund of \$2,914
- A negligible contribution to a new Parks fund related to the City’s share of new retail sales taxes generated by the recent Sonoma County Measure M.

The annual total of these Special Revenue Funds is \$534,614.

**DEVELOPMENT IMPACT FEES**

The Project will be required to make development impact fee payments to the City of Petaluma. Based upon preliminary Project information, the City of Petaluma provided an estimate of these development impact fees, fully enumerated in Exhibit 20. The fees are summarized in Table 9, below, by type of fee, and total an estimated \$864,033.

**Table 9. Estimated Development Impact Fees  
Redwood Technology Center Hotel  
City of Petaluma, Effective October 18, 2018**

Impact Fee	Amount	Percent of Total
City Facilities Development Impact Fee	\$101,761	12%
Commercial Housing Development Linkage Fee	\$243,678	28%
In-Lieu Housing	\$0	0%
Open Space Acquisition	\$7,207	1%
Park Land Acquisition (Quimby Act)	\$0	0%
Park Land Acquisition (Non-Quimby Act)	\$30,546	4%
Park Land Development	\$100,732	12%
Public Art Fee	\$190,000	22%
Central Petaluma Specific Plan Fee	\$0	0%
Storm Drainage	\$26,709	3%
Traffic Mitigation	\$163,400	19%
Total	\$864,033	100%

Source: Exhibit 20.

These are one-time fees paid by the Project applicant to the City, pursuant to schedules published by the City. As shown in Table 9, the greatest estimated fee for the Project is the Commercial Housing Development Linkage Fee, totaling \$243,678, or 28% the impact fee total. Two other fees are significantly larger than the others. These are the Public Art Fee at \$190,000, or 22% of the total, and the Traffic Mitigation Fee at \$163,400, or 19% of the total. These three fees combined account for almost 70% of the total development impact fees.

## **OTHER PROJECT-RELATED REVENUES**

In addition to the City of Petaluma, the Petaluma Visitors Center will benefit from new revenues associated with the Redwood Technology Center Hotel. The City's new Tourist Impact Fee is estimated to generate \$106,288 annually to the benefit of the Visitors Center to support efforts to market and promote visitorship in Petaluma.

## **FISCAL IMPACT LIMITATIONS**

The foregoing fiscal impact analysis is intended to give a general sense of the net fiscal impact of the Project. The figures are not precise estimates. Changes would occur if the revenue and expenditure factors or other assumptions used were modified. However, some limitations to the analysis, listed below, may affect the degree of the estimated net impacts of the Project and change the net fiscal impact balance.

### **General Limitations**

- The analysis is benchmarked to estimated full stabilization of the Project. The net impacts during the development, absorption, and ramp up period will vary from full absorption estimate.
- The analysis may not be inclusive of all revenue and cost estimates. Major categories associated with ongoing revenues and costs are included, but there may be other less significant categories excluded from the analysis.

### **Ongoing Revenue Factors**

- The analysis does not include any increase in valuation, such that would occur with the maximum 2% allowable increase pursuant to Proposition 13 or that would occur based upon increased valuation upon sale.
- The analysis does not consider long-term service cost inflation, which may or may not be greater than the estimated rate of inflation.
- Development of the Redwood Technology Center Hotel may trigger the need for additional services not accounted for in this analysis. The costs associated with these services could be meaningful, both for amortized capital and operating expenditures, and could reduce estimated net positive annual impacts. The likelihood of such additional costs being high, however, is deemed to be low.

In summary, the Redwood Technology Center Hotel net fiscal impact findings estimated above may change as more information and factors are considered.

## VI. EMPLOYMENT CHARACTERISTICS AND BUSINESS GROWTH OPPORTUNITIES

### FEIA REQUIREMENTS

The FEIA requires information and analysis about Project-related employment. This includes the number and type of jobs, including construction-related, permanent, part-time, and full-time for the period covered by the FEIA. The information must also indicate whether the project will result in significantly increased or decreased permanent full-time or part-time jobs, especially in comparison to relevant employment projections. Additionally, employee wage information should be included, along with benefits and employer contributions, again compared with information relevant to the Petaluma community, such as the City's living wage or governmental occupational wage data.

Another FEIA concern pertains to project impacts on retail businesses and the potential for opportunities for business renewal and growth due to new businesses locating in Petaluma, or negative impacts such as reduced sales or closures. The Project does not include a retail component; however, economic impacts associated with ongoing operation of the Project will have a positive impact on the local economy.

Many of these topics were introduced in prior chapters as required to support the analyses and findings reported in those chapters. For example, the Project's estimated employee status (full-time and part-time), distribution, and wages were presented in **Chapter IV. Fiscal Assumptions and Revenue and Expenditure Estimates**, as the average employee earnings was a key assumption to generate some of the estimated fiscal revenues, and employee and hotel guest spending on retail, which contribute to the Project's economic impacts, were also estimated in that chapter. A primary focus of this chapter, instead, is to present this information in a comparative context and as inputs to analysis of the Project's ongoing economic impacts.

### TEMPORARY CONSTRUCTION-RELATED JOBS

Construction-period employment is often estimated based on anticipated project construction costs. The Project applicant estimates the construction costs for the Project will total \$22.9 million, or approximately \$164,000 per room, not including land or financing costs. These construction costs are estimated pursuant to the distribution in Table 10.

Table 10. Estimated Construction Cost  
Redwood Technology Center Hotel, 2019 Dollars

Cost Component	Amount
<b>One-Time Construction Costs</b>	
Hard Costs	\$18,000,000
Soft Costs	\$1,200,000
Development Fees	\$2,100,000
Real Estate	\$1,600,000
Total	\$22,900,000

Source: Basin Street Properties.

As noted earlier, this construction cost was a key component in the Project's estimated valuation upon buildout and stabilization. ALH Economics found this estimate to be reasonable based upon analysis of other prospective hotel developments in the San Francisco Bay Area Region.

ALH Economics uses the IMPLAN input-out model to develop estimates of project-related jobs, personal income, and output, or economic activity. This is one of several input-output models used by economist to estimate these types of economic multiplier effects. IMPLAN is a simple, yet robust tool and is currently used by a large number of state and federal government agencies, colleges and universities, non-profit organizations, corporations, and business development and community planning organizations and is the most widely employed and accepted regional economic analysis software for predicting economic impacts. A particular strength of IMPLAN is the ability to customize the analysis to various geographies, including geographies as small as individual cities or aggregations of zip codes (see Appendix D for an explanation and introduction to IMPLAN). Furthermore, with IMPLAN, Industry-specific multipliers can be used for different economic sectors, which in this case includes each category of construction costs. This includes both hard costs as well as soft costs like architecture, engineering, legal services and project management, and then rolled up to depict total impacts.

Pursuant to the Project's \$22.9 million construction cost estimate, and application of the IMPLAN software program customized for the City of Petaluma, the study estimates that 140 direct jobs will be generated by Project construction over the 16-month construction period (see Table 11a). The personal earnings associated with the estimated construction jobs totals \$10.3 million over the length of the construction period, resulting in \$22.9 million in overall economic activity in Petaluma. These are the direct impacts directly attributable to Project construction. Further, because the multipliers used in this analysis are specific to the City of Petaluma and the type of construction planned for the Project, they only capture the impacts that are projected to occur in the local area, not the surrounding region.

Additional impacts (indirect and induced) are associated with the construction activity, as construction expenditures and employee spending multiplies throughout the local economy. Indirect multipliers measure the impact of industries in the region buying goods and services from other industries in the region in terms of the portion of each dollar spent on construction that is re-spent within the local economy. Induced multipliers are used to measure the portion of employee payroll that is re-spent in The local economy on household purchases, supporting additional jobs and personal income.

The Project's total construction impact is presented in Table 11a, which identifies the total estimated employment impacts at 210 jobs, generating \$14.1 million in personal income and \$33.5 million in economic output.

**Table 11a. Redwood Technology Center Hotel Construction Impact  
16-Month Construction Period  
City of Petaluma, 2019 Dollars**

<b>Impact Type</b>	<b>Jobs</b>	<b>Personal Income</b>	<b>Output</b>
Direct	140	\$10,302,322	\$22,900,000
Indirect	26	\$1,612,265	\$4,171,929
Induced	45	\$2,146,655	\$6,469,233
<b>Total Impact</b>	<b>210</b>	<b>\$14,061,242</b>	<b>\$33,541,163</b>

Source: ALH Urban & Regional Economics.  
Figures may not total due to rounding.

These findings indicate that for every direct construction job created, an additional 0.5 jobs are supported at other local businesses.

The total Project construction impacts are expressed on an annual average basis in Table 11b.

**Table 11b. Redwood Technology Center Hotel Construction Impact**  
**Annualized Impact**  
**City of Petaluma, 2019 Dollars**

<b>Impact Type</b>	<b>Jobs</b>	<b>Personal Income</b>	<b>Output</b>
Direct	105	\$7,726,742	\$17,175,000
Indirect	19	\$1,209,198	\$3,128,947
Induced	33	\$1,609,992	\$4,851,925
<b>Total Impact</b>	<b>158</b>	<b>\$10,545,932</b>	<b>\$25,155,872</b>

Source: ALH Urban & Regional Economics.

Figures may not total due to rounding.

The annualized findings indicate that per year, the total direct, indirect, and induced impacts of Project construction include generation of 158 jobs, \$10.5 million in personal income, and \$25.2 million in economic output.

#### **PERMANENT JOBS**

The Project applicant estimates the Project will generate 30 permanent jobs in the hospitality industry (see Exhibit 1). This equates to a ratio of 0.21 employees per room, which is at the low end of the range for employment at limited/select service hotels. Because the hotel is proposed as an all-suite product, ALH Economics assumes it meets the definition of a select service hotel, even though STR (formerly Smith Travel Research), the leading industry organization that tracks supply and demand data for the global hotel industry, classifies the Home2 Suites brand as an "Upper Midscale" hotel. Hotels with a more full service orientation tend to have higher employment-to-room ratios.

The Project applicant estimates that approximately 65% of the jobs will be full-time jobs (i.e., working 30 or more hours per week) and 35% will be part-time jobs (i.e., working less than 30 hours per week). The full-time jobs include almost all occupations represented at the hotel, ranging from General Manager and other management or supervisorial positions, to Maintenance, Housekeeping, and Laundry. The part-time positions will include Front Desk, Night Auditor, Housekeeper, Laundry, and Maintenance (see Exhibit 13).

In the United States, employment in the Leisure and Hospitality industry has the lowest percentage of full-time employment of all economic sectors. As summarized in Table 12, and shown in Exhibit 21, in 2018, 77% of all U.S. workers were employed full-time, with full-time defined as working 35 hours or more per week. In the Leisure and Hospitality industry, the percentage of full-time workers was 59%. As these data are not available on a more localized level, ALH Economics assumes these figures pertain to the Santa Rosa Metropolitan Statistical Area (MSA), which includes the City of Petaluma. Based upon these findings, the Project is anticipated to exceed the industry-wide average percent of full-time employees.

**Table 12. Employees by Industry by Work Status  
United States, 2018**

<b>Industry</b>	<b>Percent Part-Time</b>	<b>Percent Full-Time</b>
Total, nonagricultural industries	23%	77%
<b>Wage and salary workers<sup>(1)</sup></b>	22%	78%
Mining, quarrying, and oil and gas extraction	7%	93%
Construction	14%	86%
Manufacturing	10%	90%
Durable goods	9%	91%
Nondurable goods	12%	88%
Wholesale and retail trade	28%	72%
Transportation and utilities	15%	85%
Information	18%	82%
Financial activities	14%	86%
Professional and business services	17%	83%
Education and health services	25%	75%
<b>Leisure and hospitality</b>	<b>41%</b>	<b>59%</b>
Other services	30%	70%
Other services, except private households	27%	73%
Private households	56%	44%
Public administration	14%	86%

Source: Exhibit 21.

The City of Petaluma employment base is estimated to total 33,400 in 2020 and 34,330 in 2025 (see Exhibit 5). The Project is anticipated to be fully operational by 2022. In the context of the City of Petaluma’s employment base, the Project’s 30 total jobs will comprise an insignificant contribution.

**EMPLOYEE WAGES, BENEFITS, AND EMPLOYER CONTRIBUTIONS**

**Employee Wages**

The Project applicant provided estimated salary and wage information for the Project’s full-time and part-time employees (see Exhibit 13). In 2019 dollars, salaried positions are anticipated to range from \$60,000 a year for Front Office Manager and Executive Housekeeper to \$100,000 for General Manager. Two managerial positions are also estimated to have salaries in the \$70,000 range. All other jobs are anticipated to be hourly, ranging from \$18 to \$24 per hour for Maintenance to \$1 to \$2 over the California minimum wage for all other positions. For 2019, the California minimum wage is \$12.00 per hour for employers with 25 or more employees.

During first quarter 2018, the average annual wage for all occupations in the Santa Rosa MSA was \$55,101, with an average hourly wage of \$26.49 (see Exhibit 22). As noted by the Project’s anticipated job titles, hotel workers represent many occupations. Based upon a review of comparable occupations for which 1st Quarter 2018 average wages were reported by the U.S. Bureau of Labor Statistics, annual average wages in the Santa Rosa MSA in 2018 dollars spanned the following:

- \$29,700 for Maids and Housekeeping Cleaners
- \$37,442 for Landscaping and Groundskeeping Workers

- \$44,950 for First-Line Supervisors of Housekeeping and Janitorial Workers
- \$50,512 for Maintenance and Repair Workers, General
- \$59,900 for Lodging Managers

The annual average hourly wages for occupations matching the anticipated hourly occupations at the Project ranged from approximately \$14.30 to \$24.30 per hour. At the 50<sup>th</sup> percentile level (or median), these hourly wages ranged from approximately \$12.70 to \$23.00 per hour.

The City of Petaluma has a Living Wage Ordinance, which prescribes the minimum wages paid to City employees as well as employees of City-funded contractors. The Project hotel is not anticipated to meet either of these requirements, but as a point of comparison, this living wage for FY 2018-2019 is \$15.47 to \$17.34 per hour, depending upon the status of employer medical benefit contributions.<sup>7</sup>

On a comparative basis, the anticipated Project earnings for salaried employees exceed the 1<sup>st</sup> quarter 2018 averages for the Santa Rosa MSA, even assuming an inflationary adjustment. The Project's anticipated hourly earnings of \$18 to \$24 per hour for Maintenance workers and up to \$14.00 per hour for all other hourly workers is generally consistent with the median hourly wages in the MSA, but notably a bit lower than the overall hourly averages, except for the Maintenance jobs. The hourly wages except for the Maintenance jobs are also lower than the wages dictated by the City's Living Wage Ordinance; however, the Project is not subject to this Ordinance as the hotel is not a vendor to the City of Petaluma.

### **Employee Benefits and Employer Contributions**

The Project applicant indicates that all full-time employees and their families will be provided a full benefit package. The package includes medical, dental, prescription, drug, vision, 401K, HAS and FSA, Long-Term and Short-Term disability, Vacation time, Sick time, Employee Assistance Program, commuter tax benefits, and Life Insurance. As noted above, approximately 65% of the Project employees are anticipated to full-time, and thus recipients of this benefit package. No information was provided about benefits applicable to hourly employees.

## **ONGOING OPERATIONAL ECONOMIC IMPACTS**

### **Operational Assumptions**

Once the Project is developed and achieves stabilized operations, there will be several sources of local economic impacts. These include impacts of wages for hotel employees who live in Petaluma, daytime spending by the hotel workers, and local hotel guest spending on hotel rooms, meals, and incidentals. The economic inputs associated with these impacts are identified in Exhibit 23. The inputs are all based upon information derived in the preceding analysis, plus an additional estimate of the percent of Project employees that may live in Petaluma, derived from data reported by the U.S. Bureau of the Census (e.g., on average, during the 2013-17 period 39.5% of Petaluma's workforce lived in Petaluma).<sup>8</sup>

As noted in Exhibit 23, key operational inputs include \$226,552 in annual in annual income among Project employees living in Petaluma, approximately \$68,000 in total daytime retail spending by employees (comprising taxable and non-taxable sales), of which \$24,678 is estimated to be captured.

<sup>7</sup> Resolution No. 2018-099 N.C.S. of the City of Petaluma, California.

<sup>8</sup> See sources and footnote (1) on Exhibit 23.

in Petaluma and generated by Project employees commuting in to Petaluma for work, approximately \$5.3 million in lodging costs, and about \$1.1 million in guest spending on meals and incidentals. Daytime retail spending by Project employees estimated to live in Petaluma are not explicitly identified as an operational assumption because the IMPLAN modeling software used to generate the economic impacts implicitly includes this spending in total household spending and hence the associated spending impacts.

### Ongoing Economic Impacts

The ongoing impacts analysis captures the impacts of hotel employee and hotel guest spending on retail in the City of Petaluma, Daly City. These impacts are summarized in Table 13.

The economic impact results are grouped into direct impacts and total impacts. Direct impacts include hotel room revenues and the retail spending identified above. For retail spending, economic impacts in retail industries include only the retail mark-up, or the portion of household and other retail expenditures that stay in the local community, since the products being purchased were generally manufactured elsewhere. The direct output impact component for retail sales in this case represents the local retail mark-up. The total impact includes both the direct impacts at the impacted retailers and other businesses, and the secondary or indirect impacts created by these local businesses and their employees (see Appendix D for a more in-depth explanation of secondary or indirect impacts).

The impact category results in Table 13 are not additive. The findings for Hotel Employees, which is based on resident employee household spending and commuter employee daytime spending, are essentially subsumed within the Hotel Guest impacts. This is because the Hotel Guest impacts are based on room revenues and hotel guest spending, where the hotel room revenues support the Project's employees, i.e., their jobs and personal income.

**Table 13. Annual Ongoing Economic Impacts, Redwood Technology Center Hotel  
Generated by Resident Project Employees, Daytime Commuter Retail Spending, Hotel Revenues, and Hotel Guest  
Spending  
City of Petaluma, in 2019 Dollars**

Impact Category	Direct			Total		
	Output	Jobs	Personal Income	Output	Jobs	Personal Income
Hotel Employees	\$155,182	1	\$54,961	\$223,918	2	\$80,920
Hotel Guests (1)	\$6,198,749	33	\$1,127,703	\$7,781,756	43	\$1,708,651

Source: ALH Urban & Regional Economics.

(1) Because Hotel Guest "Output" includes annual room revenues, these findings are inclusive of all Project hotel employee impacts, including jobs, personal earnings, and local spending. Thus this line comprises the full measure of the Project's local economic impacts. The IMPLAN results were modified for jobs and personal income based on the actual employment and wage estimates provided by the Project applicant.

The results in Table 13 indicate that Project employee spending in Petaluma is estimated to provide limited support for other local jobs. However, the total impacts include \$223,918 in local economic activity and \$80,920 in earnings for other local residents. More significantly, the hotel guest impacts are more substantial, including 33 direct jobs throughout Petaluma, increasing to 43 jobs through multiplier impacts. Note that in addition to hotel employees, room revenues support other jobs in the



local economy, such as hotel vendors. The hotel guest output impacts are estimated at \$6.2 million in direct impacts, increasing to \$7.8 million through multiplier impacts. The associated personal impacts are \$1.1 million for direct impacts and \$1.7 million for total impacts.

Industry-specific IMPLAN multipliers for different sectors for the City of Petaluma were used for Project impacts. The average output multiplier for the combined spending on room revenues, retail, and household spending is 1.26. This means that for every \$1 million of direct output an additional \$260,000 in economic activity results. In addition, the average job multiplier for the Project is 1.32, meaning that for every 1 direct job, 0.32 additional jobs are generated in the local economy. On average, the income from these indirect and induced jobs supported by employee and business spending will be about \$39,484 per employee.

### **Opportunities for Business Growth**

Including the Project's annual hotel room revenues, hotel employees daytime spending, and household spending by hotel employees anticipated to live in Petaluma, the Project is estimated to directly and indirectly support 43 jobs per year in Petaluma, \$1.7 million in personal income, and \$7.8 million in economic output, which can be interpreted as gross sales. Considering that these annual figures include the direct hotel impacts of room revenues and jobs, these impacts are demonstrative of only a limited amount of positive economic impacts in Petaluma. Limited as they are, however, they are unlikely to result in any negative impacts on existing Petaluma businesses. Therefore, the findings suggest that the Project will generate some growth opportunities for Petaluma businesses, but likely not to a highly significant degree.

## **ASSUMPTIONS AND GENERAL LIMITING CONDITIONS**

ALH Urban & Regional Economics has made extensive efforts to confirm the accuracy and timeliness of the information contained in this study. Such information was compiled from a variety of sources, including interviews with government officials, review of City and County documents, and other third parties deemed to be reliable. Although ALH Urban & Regional Economics believes all information in this study is correct, it does not warrant the accuracy of such information and assumes no responsibility for inaccuracies in the information by third parties. We have no responsibility to update this report for events and circumstances occurring after the date of this report. Further, no guarantee is made as to the possible effect on development of present or future federal, state or local legislation, including any regarding environmental or ecological matters.

The accompanying projections and analyses are based on estimates and assumptions developed in connection with the study. In turn, these assumptions, and their relation to the projections, were developed using currently available economic data and other relevant information. It is the nature of forecasting, however, that some assumptions may not materialize, and unanticipated events and circumstances may occur. Therefore, actual results achieved during the projection period will likely vary from the projections, and some of the variations may be material to the conclusions of the analysis.

Contractual obligations do not include access to or ownership transfer of any electronic data processing files, programs or models completed directly for or as by-products of this research effort, unless explicitly so agreed as part of the contract.

**APPENDIX A: RESOLUTION NO. 2008-189 N.C.S. OF THE CITY OF  
PETALUMA, CALIFORNIA**

Resolution No. 2008-189 N.C.S.  
of the City of Petaluma, California

**ESTABLISHING A POLICY AND PROCEDURE  
FOR THE PREPARATION, REVIEW AND USE OF  
“FISCAL AND ECONOMIC IMPACT ASSESSMENTS”  
FOR SPECIFIED DEVELOPMENT PROJECTS  
IN THE CITY OF PETALUMA**

**WHEREAS**, in 2008, the City of Petaluma adopted General Plan 2025 (“General Plan”), which included an entire chapter on economic health and sustainability (Chapter 9); and,

**WHEREAS**, Goal 9-G-1 of the General Plan is to “establish a diverse and sustainable local economy that meets the needs of the community’s residents and employers;” and,

**WHEREAS**, policies and programs under Goal 9-G-1 of the General Plan focus on attaining a diverse and sustainable local economy, including Policy 9-P-2 concerning ensuring that new commercial development will have a net positive impact on the community; and,

**WHEREAS**, Program “A” of General Plan Policy 9-P-2 recommends that the City consider the need for a “fiscal/economic analysis, as a component of the project’s entitlement process, of the impacts on Petaluma’s economy, existing businesses, local workforce and city finances” when reviewing commercial development proposals; and,

**WHEREAS**, on June 16, 2008, the City Council held a discussion regarding the means by which the City could begin to implement the various General Plan policies and programs related to the goal of establishing a diverse and sustainable local economy; and,

**WHEREAS**, the City Council’s June 16, 2008, discussion of general plan economic policies concluded with City Council support for completion of a City-wide economic development strategy, and an immediate requirement for certain commercial uses of a given size and type that are particularly likely, given their size and nature, to have significant impacts on the local economy, to prepare a “fiscal and economic impact assessment” pursuant to Program “A” of Policy 9-P-2 prior to the granting of any required land use entitlements; and,

**WHEREAS**, on July 7, 2008, and August 4, 2008, the City Council considered and received public comment on proposed policies and procedures for the preparation and review of fiscal and economic impact assessments;

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Petaluma as follows:

**1. Recitals Made Findings.**

The above recitals are hereby declared to be true and correct and incorporated in this resolution as findings of the City Council of the City of Petaluma.

## **2. Fiscal and Economic Impact Assessment Policy Established.**

The City Council of the City of Petaluma hereby establishes this policy and procedure for the preparation, review and use of Fiscal and Economic Impact Assessments ("FEIAs") for specified development projects within the City of Petaluma ("City"). The purpose of this policy and procedure is to provide an objective evaluation of the potential economic impacts of specified retail/commercial projects within the City. Such evaluation, together with all other available information in the public record, is intended to help the decision making body determine project consistency with General Plan economic goals, policies and programs, including Policy 9-P-2 concerning ensuring new commercial development will have a net positive impact on Petaluma's economy, existing businesses, city finances and quality of life.

This policy and procedure implements General Plan Program 9-P-2 (A), regarding consideration of the need when reviewing commercial development proposals over a specific size in building area per occupant, to obtain a fiscal/economic analysis of the impacts on Petaluma's economy, existing businesses, local workforce and city finances as a component of the project's entitlement process. FEIAs required pursuant to this resolution may also be used as appropriate by project applicants, the City Council, the Petaluma Community Development Commission, and City staff to assist in identifying projects that may merit City and/or Commission assistance, such as through negotiation of development agreements, direct Commission assistance for eligible projects, and other assistance.

## **3. Covered Projects and Time for Submission of FEIAs**

Any applicant for a "General Retail," "Grocery," "Hotel," or "Building and Landscape Materials" use, as defined by the City of Petaluma Zoning Ordinance, as amended from time-to-time, that standing alone, or in combination with any other uses, has a total floor area (including, where applicable, the area used for outdoor sales) of 25,000 square feet or more of "General Retail," "Grocery," "Hotel," and/or "Building and Landscape Materials" uses shall be required to prepare and submit an FEIA to the City for consideration in accordance with this resolution. To the maximum extent permitted by law, this requirement shall apply to any new development or any redevelopment, as defined in California Health and Safety Code Sections 33020 and 33021 as amended from time to time, that meets the use and size requirements specified in this section. Subject to applicable law, FEIAs in accordance with this resolution must be submitted to the City for consideration prior to the granting of any required land use entitlements for the project.

If current economic impact assessment information already exists for a project, and that information analyzes and discusses one or more of the FEIA factors identified in Section 6(a-g) of this resolution, then that existing information may be used by the City or its consultants in the preparation of the FEIA. The City may elect to obtain peer review of existing economic impact assessment information. The source for all data and studies relied upon by the FEIA shall be identified, including materials submitted by the applicant and/or the public.

## **4. Preliminary Information Required from Applicants**

Prior to commencing an FEIA, applicants for projects subject to this resolution shall submit to the City the following information in a form acceptable to the City:

- a. Complete applicant and project manager contact information.

b. Descriptions of proposed uses, where those uses are known, by area (square footage), owner(s), and tenancies. Where owner(s), tenancies and/or users are not known, reasonable assumptions regarding proposed types of retail users (e.g., home electronics, furniture, clothing, etc.) may be substituted.

## **5. FEIA Costs**

Applicants for projects subject to this resolution shall be responsible for all costs associated with the preparation, administration and processing of the FEIA, including the cost of consulting services, noticing, and any subsequent analysis in accordance with this resolution. Applicants shall file with the City a deposit against Consultant costs for the preparation of the FEIA and the City's administration and processing costs in an amount to be determined by the City. To avoid delayed FEIA preparation and processing, applicants must update deposits when and as directed by the City.

## **6. FEIA Contents**

FEIAs shall analyze and discuss each of the following factors in sufficient detail to assist City officials and bodies responsible for project review and entitlement determinations in assessing project consistency with General Plan economic goals, policies and programs, including whether the project will have a net positive impact on Petaluma's economy, existing businesses, City finances and quality of life in accordance with Policy 9-P-2 of the General Plan and this resolution. FEIAs shall include a separate section on each of the factors and a summary discussion on potential impacts to the local economy. For each factor, FEIAs shall analyze project impacts for a five-year period from the estimated completion of the project. FEIAs required pursuant to this resolution may analyze and discuss in addition to the following factors, any additional factors or information an applicant deems important or relevant for a meaningful assessment of the project's economic impact.

a. The existing local retail market conditions for market sectors proposed for the project, including project primary and significant secondary market sectors, leakage of sales to other communities in those market sectors, regional market competition in the project market sectors, and population, demographic and related data for the project market sectors.

b. Estimated retail sales by project retail sectors or merchandise categories per square foot, including estimated captured leakage.

c. Current and estimated retail supply and demand for each project retail sector or merchandise category.

d. The following estimated employment characteristics: i) the estimated number and type of jobs, including construction related, permanent, part-time and full-time of the proposed project for the period covered by the FEIA; ii) whether the proposed project will result in significantly increased or decreased permanent part-time jobs (35 hours or less per week), or permanent full-time jobs (more than 35 hours per week), or a combination of permanent and full-time jobs compared to or using applicable local or regional employment projections, such as those from the Association of Bay Area Governments ("ABAG") for Petaluma for the period covered by the FEIA; iii) estimated employee wages, benefits, and employer contributions for the proposed project compared with or using relevant data for the Petaluma community, such as living wages established in the Petaluma Municipal Code, or California Employment

Development Department occupational wage data for the Santa Rosa-Petaluma Metropolitan Statistical Area for the period covered by the FEIA.

e. The estimated impacts of the proposed project on existing retail businesses, including the potential for opportunities for business renewal and growth due to new businesses locating in the Petaluma community, as well as the potential for negative impacts such as reduced sales or closures.

f. The estimated project impacts on current and projected public revenues, including: sales tax, use tax, base property tax, tax increment, transient occupancy tax, development fee proceeds, benefit assessments, land dedication, exactions, developer-funded improvements, and other public revenue benefits.

g. The estimated cost of public contributions, services and infrastructure required by the project, including: tax rebates or refunds, land right-downs, below market or contingent loans, site acquisition or preparation costs, fee waivers or payments, and unfunded infrastructure and public improvement costs, and whether the estimated project public revenues will equal or exceed estimated project public contribution, services, and infrastructures costs.

## **7. FEIA Preparation**

Consultants preparing FEIAs must be designated or approved by the City. Project applicants may propose FEIA consultants. City staff will coordinate with project applicants and FEIA consultants to avoid conflicts among FEIAs that are being prepared at the same time, or that involve related or overlapping market studies, or that otherwise could conflict.

## **8. Treatment of FEIA and Other Project Information**

The contents of FEIAs, and other project information supplied in accordance with this resolution, will be available to members of the public, except to the extent such information is exempt from disclosure or the disclosure of such information is prohibited pursuant to the California Public Records Act and/or other applicable law.

## **9. Notice of FEIA Availability and Council Hearing on FEIA**

Upon receipt of the completed FEIA, the Community Development Department shall provide a public notice of its completion and availability for public review. Notice shall be provided in the form of a one-eighth page display advertisement in the City's adjudicated newspaper of general circulation, and by mail to all property owners and residents within 1,000 feet of the project site and to all others that have requested such notice in writing. Additional information shall be provided on the City's website and at designated City facilities. The notice shall appear at least thirty days prior to the City Council hearing on the FEIA. The notice shall contain the time and place of the City Council hearing on the FEIA.

## **10. City Council Hearing and Use of FEIAs**

Before a project subject to this resolution is granted any required land use entitlements, the City Council will hold a public hearing, noticed in accordance with Section 9, to consider and discuss the FEIA and the project, and to permit project applicants, FEIA consultants, and the public to comment on the FEIA and the project. The FEIA hearing before the City Council is not intended

to require or result in separate findings, conclusions or approvals regarding a project. The purpose of the Council FEIA hearing is to have public discussion of project FEIAs with the City Council, applicants and the public before required project land use entitlements are granted.

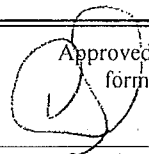
The City officials and/or bodies responsible for project review and entitlement determinations shall, in the normal course of their project review and entitlement determination responsibilities, use the FEIA to assist them in determining project consistency with General Plan economic goals, policies and programs, including whether the project will have a net positive impact on Petaluma's economy, existing businesses, city finances and quality of life. In the normal course of their project review and entitlement determination responsibilities and after due consideration of the information, analysis and conclusions contained in the FEIA, the City officials and/or bodies responsible for project review and entitlement determinations may accept and adopt the information, analysis, and conclusions of the FEIA as findings of the officials or bodies in support of their action concerning the project. However, nothing in this resolution requires reviewing bodies to make findings concerning project consistency with the General Plan economic goals, policies and programs separate from or in addition to findings required by law or that are part of the City's existing entitlement process.

**11. No Private Right of Action**

Nothing in this resolution creates or shall be construed as creating a private right of action.

Under the power and authority conferred upon this Council by the Charter of said City.

**REFERENCE:** I hereby certify the foregoing Resolution was introduced and adopted by the Council of the City of Petaluma at a Regular meeting on the 6<sup>th</sup> day of October, 2008, by the following vote:


Approved as to form:  
  
\_\_\_\_\_  
City Attorney

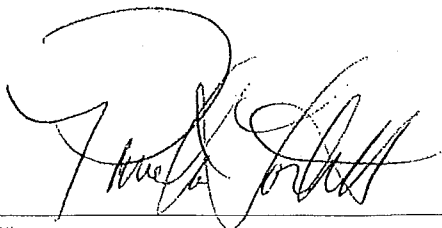
**AYES:** Barrett, Harris, Nau, Vice Mayor Rabbitt, Mayor Torliatt

**NOES:** Freitas, O'Brien

**ABSENT:** None

**ABSTAIN:** None

**ATTEST:**   
\_\_\_\_\_  
City Clerk

  
\_\_\_\_\_  
Mayor



**APPENDIX B: EXHIBITS**

**Exhibit 1**  
**Redwood Technology Center Hotel**  
**Project Description**

Land Use	No. of Rooms	Sq. Ft. Meeting Space	Average Daily Room Rate (1)	Annual Average Occupancy (2)	Estimated Employment (3)		Service Population (4)	
					FT	PT		
Hotel	140	1,000	\$160	77%	20	10	26.4	13

Sources: Basin Street Properties; "The Traditional Hotel Industry," Alana Dillette, 2012, Chapter 1, pages 15 and 16; and ALH Urban & Regional Economics.

- (1) Reflects room rate in 2019 dollars. Estimated rate provided by Basin Street Properties, assessed for reasonableness by ALH Urban & Regional Economics.
- (2) Forecast developed by Basin Street Properties. This rate is later varied for impact analysis purposes.
- (3) Basin Street Properties provided an estimate of 30 employees, including 20 full-time and 10 part-time employees. This equates to an employment ratio of 0.21 employees per room. Part-time employees are defined as working less than 30 hours per week. For analytical purposes, ALH Urban & Regional Economics assumes that the 10 part-time workers are equivalent to 6.4 full-time employees (i.e., part-time employees are assumed to work 20-25 hours/week, with full-time employees assumed to work an average of 35 hours/week, hence the FTE of the part-time workers ranges from 5.7 to 7.1, which averages 6.4). Note that based upon industry resources, ALH Urban & Regional Economics believes the resulting employment may be on the low end for an Upper Midscale hotel, which is how Home2 Suites, the proposed flag for the hotel, is classified by STR, a leading hotel industry research firm. See <http://biblio3.url.edu.gt/Libros/2012/check/1.pdf> pages 15 and 16 for industry information on employee ratios.
- (4) All employees are assumed to be equivalent to one-half a resident for City service purposes. This is a standard fiscal impact analysis assumption. Figure rounded to the nearest whole number.

Exhibit 2  
Existing Petaluma and Rohnert Park Hotel Supply (1)  
January 2019

Classification and Name of Establishment (2)	Miles from Redwood Technology Center Hotel (3)	Address	City	Average Room Rate (4)	Open Date	Room Count
<b>Luxury</b>						
* Graton Resort & Casino	8.7	288 Golf Course Drive West	Rohnert Park	\$265 (5)	Nov 2016	200
<b>Upscale</b>						
Ascend Collection Hotel Petaluma	3.6	205 Kentucky Street	Petaluma	\$149	Apr 1924	91
DoubleTree by Hilton Hotel Sonoma Wine Country	8.5	1 Doubtletree Drive	Rohnert Park	\$162	Dec 1987	245
<b>Average/Total</b>				<b>\$155.50</b>		<b>336</b>
<b>Upper Midscale (6)</b>						
Hampton Inn Petaluma (7)	4.7	450 Jefferson Street	Petaluma	\$149	Jun 2018	63
Sheraton Hotel Sonoma County Petaluma	5.0	745 Baywood Drive	Petaluma	\$174	Jun 2002	184
Hampton Inn Rohnert Park Sonoma County	7.4	6248 Redwood Drive	Rohnert Park	\$179	Oct 2007	102
* Oxford Suites Sonoma County Rohnert Park	8.4	67 Golf Course Drive	Rohnert Park	\$184	Jul 2017	163
<b>Average/Total</b>				<b>\$171.50</b>		<b>512</b>
<b>Midscale</b>						
Quality Inn Petaluma Sonoma	0.5	5100 Montero Way	Petaluma	\$129	Aug 1985	109
Best Western Petaluma Inn	3.7	200 S. McDowell Boulevard	Petaluma	\$135	Jun 1960	73
Best Western Inn Rohnert Park	7.4	6500 Redwood Drive	Rohnert Park	\$129 (8)	Jun 1979	142
<b>Average/Total</b>				<b>\$131.00</b>		<b>324</b>
<b>Economy</b>						
Motel 6 Petaluma	0.3	1368 N McDowell Boulevard	Petaluma	\$82 (8)	Jun 1985	122
* Americas Best Value Inn & Suites Petaluma	0.5	5135 Montero Way	Petaluma	\$110 (9)	NA	62
Roadway Inn Wine Country Rohnert Park	7.4	6288 Redwood Drive	Rohnert Park	\$64 (9)	Jun 1964	120
* Metro Hotel	7.4	508 Petaluma Boulevard South	Petaluma	\$109 (10)	NA	15
Motel 6 Rohnert Park	7.6	6145 Commerce Boulevard	Rohnert Park	\$73 (9)	Jun 1985	129
Good Nite Inn Rohnert Park	8.3	5040 Redwood Drive	Rohnert Park	\$79 (8)	Mar 1990	122
* Budget Inn	9.2	6298 Redwood Drive	Rohnert Park	\$80	Nov 1984	60
<b>Average/Total</b>				<b>\$85.29</b>		<b>630</b>
<b>Grand Total</b>						<b>2,002</b>

Sources: STR, Hotel Trend Report, Petaluma, CA Area Selected Properties, January 2010 Through December 2018; Hotel websites; Google Maps; and ALH Urban & Regional Economics.

- (1) Includes hotels and motels in operation in January 2019. Hotels/motels marked with \* do not participate in the STR monthly survey.
- (2) Hotel classifications per STR.
- (3) The site location assumed for distance mapping purpose is 1205 Redwood Way, Petaluma.
- (4) Room rate per hotel/motel for a single room with a king-sized bed for 2 adults, free cancellation, lowest price available with no special pricing applied and no special features, such as mini fridge (if extra cost applies), internet-based room queries, approximately 3 weeks prior to notice. Thursday rates, cited on hotel web sites. Calculated average room rates are a straight average, not weighted by number of rooms.
- (5) Room rate increases to \$395/night on the weekend.
- (6) Note that STR typically classifies Home2 Suite hotels, the proposed flag for the Redwood Technology Center hotel, as Upper Midscale hotels.
- (7) The Hampton Inn will total 75 rooms; however, construction on 12 rooms remains for completion, anticipated in 2019.
- (8) Room rate reflects 1 or 2 queen beds, as no king beds are available.
- (9) Room rate reflects average for 1 queen or 2 full or double beds, as no king beds are available.
- (10) Room rate reflects queen bed, nonrefundable.

Exhibit 3  
 Historic Hotel/Motel Market Performance Indicators (1)  
 Petaluma and Rohnert Park  
 2012 - 2018

Occupancy (%)													
Year	Jan.	Feb.	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	Total Year
2012	54.1	61.5	65.1	69.0	74.0	79.4	82.5	82.0	82.6	76.1	64.8	55.3	70.6
2013	62.4	65.2	69.7	76.5	81.5	84.1	88.6	88.6	85.2	83.6	78.7	62.4	77.3
2014	61.0	70.2	69.4	75.3	82.2	85.9	87.7	90.4	86.7	85.7	72.9	61.3	77.4
2015	64.4	72.9	74.0	83.4	79.7	87.1	88.6	89.3	88.9	85.4	76.7	68.1	79.9
2016	65.3	73.4	78.1	84.5	82.6	87.9	88.9	87.6	87.3	80.6	75.5	70.9	80.2
2017	66.1	72.9	71.1	75.4	79.7	84.8	83.6	84.2	86.8	89.0	88.1	80.3	80.2
2018	75.6	82.6	79.4	81.3	84.7	87.2	83.7	84.2	86.1	85.5	71.8	63.1	80.4
Avg	64.1	71.2	72.4	77.9	80.6	85.2	86.2	86.6	86.2	83.7	75.5	65.9	78.0

ADR (\$)													
Year	Jan.	Feb.	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	Total Year
2012	70.72	71.77	74.92	74.45	84.72	90.38	95.00	94.45	94.50	91.09	79.03	72.16	84.11
2013	72.00	75.02	73.46	79.55	93.18	96.43	102.80	104.69	101.90	98.48	93.39	83.84	90.93
2014	85.99	92.62	89.45	91.66	104.49	109.24	113.94	113.69	111.21	111.83	97.52	87.48	102.14
2015	89.41	93.51	93.72	105.50	112.33	115.86	125.18	124.84	127.52	127.37	106.23	93.17	111.00
2016	93.42	100.34	106.69	115.94	124.48	129.94	137.24	134.54	141.15	132.90	113.92	97.62	120.43
2017	101.42	107.12	105.34	114.65	135.07	139.23	138.95	139.24	143.49	145.09	132.57	122.99	128.46
2018	119.35	124.28	125.21	133.04	143.42	147.14	146.81	148.06	152.22	142.44	126.28	118.32	136.54
Avg	91.66	96.38	96.50	103.00	114.45	118.94	122.99	122.92	125.03	122.06	108.12	98.09	111.25

RevPAR (\$)													
Year	Jan.	Feb.	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	Total Year
2012	38.24	44.10	48.78	51.35	62.66	71.80	78.35	77.43	78.09	69.36	51.20	39.92	59.36
2013	44.95	48.93	51.22	60.88	75.94	81.13	91.06	92.75	86.84	82.28	73.50	52.35	70.27
2014	52.42	65.03	62.06	69.01	85.93	93.88	99.93	102.77	96.37	95.84	71.12	53.64	79.07
2015	57.62	68.13	69.35	88.01	89.56	100.90	110.94	111.48	113.32	108.84	81.46	63.41	88.67
2016	61.02	73.61	83.31	97.95	102.81	114.18	122.01	117.90	123.22	107.17	86.04	69.18	96.62
2017	67.07	78.13	74.92	86.41	107.65	118.03	116.14	117.22	124.60	129.06	116.84	98.78	103.01
2018	90.20	102.71	99.47	108.17	121.46	128.37	122.91	124.64	131.04	121.84	90.64	74.70	109.79
Avg	58.78	68.66	69.87	80.25	92.29	101.37	106.02	106.44	107.81	102.19	81.61	64.64	86.78

continued on the next page

Exhibit 3 continued  
Historic Hotel Market Performance  
Petaluma and Rohnert Park  
2012 - January 2018

Supply												Total	
Year	Jan.	Feb.	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	Year
2012	46,500	42,000	46,500	45,000	46,500	45,000	46,500	46,500	45,000	46,500	45,000	46,500	547,500
2013	46,500	42,000	46,500	45,000	46,500	45,000	46,500	46,500	45,000	46,500	45,000	46,500	547,500
2014	46,500	42,000	46,500	45,000	46,500	45,000	46,469	46,469	44,970	46,469	44,970	46,438	547,285
2015	46,438	41,944	46,438	44,940	46,438	44,940	46,438	46,438	44,970	46,469	44,970	46,469	546,892
2016	46,469	41,972	46,469	44,970	46,469	44,970	46,469	46,469	44,970	46,469	44,970	46,469	547,135
2017	46,469	41,972	46,469	44,970	46,469	44,970	46,469	46,469	44,970	46,469	44,970	46,469	547,135
2018	46,469	41,972	46,500	45,000	46,500	47,220	48,856	48,856	47,280	48,856	47,280	48,856	563,645
Avg	46,478	41,980	46,482	44,983	46,482	45,300	46,814	46,814	45,309	46,819	45,309	46,814	549,585

Demand												Total	
Year	Jan.	Feb.	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	Year
2012	25,144	25,812	30,277	31,036	34,393	35,751	38,346	38,120	37,187	35,409	29,153	25,726	386,353
2013	29,029	27,394	32,419	34,438	37,900	37,862	41,186	41,196	38,352	38,852	35,418	29,033	423,078
2014	28,343	29,487	32,258	33,879	38,242	38,673	40,757	42,008	38,968	39,826	32,795	28,475	423,711
2015	29,925	30,558	34,365	37,490	37,023	39,136	41,154	41,467	39,964	39,707	34,484	31,626	436,900
2016	30,353	30,791	36,286	37,993	38,379	39,516	41,312	40,721	39,256	37,471	33,966	32,928	438,971
2017	30,727	30,614	33,050	33,893	37,036	38,124	38,839	39,122	39,050	41,337	39,634	37,320	438,746
2018	35,120	34,669	36,939	36,587	39,382	41,196	40,901	41,129	40,701	41,790	33,937	30,845	453,216
Avg	29,806	29,906	33,656	35,045	37,479	38,608	40,357	40,538	39,068	39,199	34,198	30,851	428,711

Revenue (\$ - in Millions)												Total	
Year	Jan.	Feb.	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	Year
2012	1.8	1.9	2.3	2.3	2.9	3.2	3.6	3.6	3.5	3.2	2.3	1.9	32.5
2013	2.1	2.1	2.4	2.7	3.5	3.7	4.2	4.3	3.9	3.8	3.3	2.4	38.5
2014	2.4	2.7	2.9	3.1	4.0	4.2	4.6	4.8	4.3	4.5	3.2	2.5	43.3
2015	2.7	2.9	3.2	4.0	4.2	4.5	5.2	5.2	5.1	5.1	3.7	2.9	48.5
2016	2.8	3.1	3.9	4.4	4.8	5.1	5.7	5.5	5.5	5.0	3.9	3.2	52.9
2017	3.1	3.3	3.5	3.9	5.0	5.3	5.4	5.4	5.6	6.0	5.3	4.6	56.4
2018	4.2	4.3	4.6	4.9	5.6	6.1	6.0	6.1	6.2	6.0	4.3	3.6	61.9
Avg	2.7	2.9	3.2	3.6	4.3	4.6	5.0	5.0	4.9	4.8	3.7	3.0	47.7

Sources: STR, Hotel Trend Report, Petaluma, CA Area Selected Properties, January 2012 Through December 2018; and ALH Urban & Regional Economics.

(1) Data pertain only to hotels/motels that participate in the STR survey, as noted in Exhibit 2. This includes 13 hotels/motels with 1,576 rooms as of the end of 2018.

**Exhibit 4**  
**Adjusted Supply and Demand Trends**  
**Petaluma and Rohnert Park Hotels/Motels (1)**  
**2012 - 2018**

Year	Average No. of Rooms (2)	Annual Supply (3)		Annual Demand (4)		Annual Occupancy (5)
		Amount	% Change	Amount	% Change	
2012	1,625	597,505	--	421,640	--	70.6%
2013	1,625	597,505	0%	461,719	10%	77.3%
2014	1,624	597,290	0%	462,425	0%	77.4%
2015	1,623	596,897	0%	476,848	3%	79.9%
2016	1,730	639,054	7%	512,718	8%	80.2%
2017	1,957	729,635	14%	585,092	14%	80.2%
2018	2,002	746,145	2%	599,960	3%	80.4%

Sources: STR, Hotel Trend Report, Petaluma, CA Area Selected Properties, January 2010 Through December 2018; and ALH Urban & Regional Economics.

(1) Includes the existing hotels listed in Exhibit 2, both actual and estimated.

(2) Comprises the average number of rooms throughout the calendar year as reported by Smith Travel Research, plus rooms in hotels/motels that do not participate in the Smith Travel Research survey added by ALH Urban & Regional Economics. These hotels/motels are noted in Exhibit 2. The total in 2018 does not match the total room count in Exhibit 2 because the figures on this exhibit comprises averages for the year, whereas the total on Exhibit 2 includes all units available at the end of the year.

(3) Annual supply is equal to the summation of the number of rooms available per month times the number of days in the period. See Exhibit 3.

(4) Annual demand is based upon demand reported by Smith Travel Research (see Exhibit 3) and then adjusted by ALH Urban & Regional Economics to reflect the hotels/motels not participating in the STR survey. These facilities are assumed to perform at the overall average occupancy rate for the participating facilities.

(5) Annual occupancy comprises annual demand divided by annual supply.

Exhibit 5  
 Cities of Petaluma, Rohnert Park, and Cotati  
 Total Jobs and Household Population Estimates and Projections  
 2010 - 2040

Geographic Area	Aggregate Growth										Average Annual Growth Rate								
	2010	2015	2020	2025	2030	2035	2040	2010-2015	2015-2020	2020-2025	2025-2030	2030-2035	2035-2040						
<b>Total Jobs</b>																			
City of Petaluma	29,985	32,650	33,440	34,330	35,460	36,795	39,840	2,655	790	890	1,130	1,335	3,045	1.7%	0.5%	0.6%	0.7%	1.6%	
City of Rohnert Park	76,570	83,640	86,205	88,155	90,425	92,580	92,060	7,070	2,565	1,950	2,270	2,155	-520	1.8%	0.6%	0.4%	0.5%	-0.1%	
City of Cotati	2,635	2,830	2,905	2,930	2,900	2,905	2,955	195	75	25	-30	5	50	1.4%	0.5%	0.2%	0.0%	0.3%	
<b>Total</b>	109,200	119,120	122,550	125,415	128,785	132,280	134,855	9,920	3,430	2,865	3,370	3,495	2,575	1.8%	0.6%	0.5%	0.5%	0.4%	
<b>Population</b>																			
City of Petaluma	57,365	58,670	60,035	62,610	63,900	65,025	66,390	1,305	1,365	2,575	1,290	1,125	1,365	0.5%	0.5%	0.8%	0.4%	0.3%	0.4%
City of Rohnert Park	40,475	44,705	45,190	47,415	49,745	50,745	52,720	4,230	485	2,225	2,330	1,000	1,975	2.0%	0.2%	1.0%	1.0%	0.4%	0.8%
City of Cotati	7,485	7,500	7,800	8,335	9,315	9,525	10,590	15	300	535	980	210	1,065	0.0%	0.8%	1.3%	2.2%	0.4%	2.1%
<b>Total</b>	105,325	110,875	113,025	118,360	122,960	125,295	129,700	5,550	2,150	5,335	4,600	2,335	4,405	1.0%	0.4%	0.9%	0.8%	0.4%	0.7%

Sources: Association of Bay Area Governments (ABAG), "Population & Household Projections," prepared August 2016; and ALH Urban & Regional Economics.

**Exhibit 6**  
**Petaluma and Rohnert Park Existing and Projected Hotel Demand (1)**  
**2018 - 2030**

<b>Year</b>	<b>Number of Rooms (2)</b>	<b>Annual Supply (3)</b>	<b>Demand per Annual Growth Rate (4)</b>	<b>Occupancy per Growth Rate in Demand (5)</b>
2018	2,002	730,730	599,960	82.1%
2019	2,078	758,470	603,376	79.6%
2020	2,078	758,470	606,812	80.0%
2021	2,078	758,470	612,435	80.7%
2022	2,078	758,470	618,111	81.5%
2023	2,078	758,470	623,839	82.2%
2024	2,078	758,470	629,620	83.0%
2025	2,078	758,470	635,454	83.8%
2026	2,078	758,470	640,319	84.4%
2027	2,078	758,470	645,220	85.1%
2028	2,078	758,470	650,159	85.7%
2029	2,078	758,470	655,136	86.4%
2030	2,078	758,470	660,151	87.0%

Sources: STR, Hotel Trend Report, Petaluma, CA Area Selected Properties, January 2012 Through December 2018; and ALH Urban & Regional Economics.

(1) Includes existing hotels/motels listed in Exhibit 2.

(2) See Exhibit 2 for existing hotel/motel room count. The figure for 2018 matches the average from Exhibit 4, which reflects the fact that not all hotel/motel units were in operation for the entire calendar year.

(3) Comprises number of room multiplied by 365 days in a year.

(4) Forecasted based on the greatest incremental employment or population growth rates identified in Exhibit 5, which comprise .6% a year from 2016-2020; and .5% a year from 2020 to 2030.

(5) Annual occupancy comprises annual demand divided by annual supply. Note the existing 2018 baseline occupancy rate is estimated as reported in Exhibits 3 and 4.



**Exhibit 7  
Identified Planned and Proposed Hotel Projects (1)  
Petaluma, Rohnert Park, and Cotati (2)  
February 2019**

Project	Potential Net Net New Hotel Rooms	Status	Location	Anticipated Opening / Completion	Year Added to Inventory (3)
<b>Project Hotel, Petaluma</b>	140	Development application submitted, pending review	1205 Redwood Way	Mid 2021	2022
1 Redwood Technology Center Hotel Home2 Suites					
<b>City of Petaluma</b>					
2 Hampton Inn Petaluma/Silk Mill	12	Completed, majority of 75-room hotel opened for operations July 2018 (i.e., 63 rooms). Remaining 12 rooms under construction, anticipated to become operational during 2019.	450 Jefferson Street	2019	2020
3 Marriot	122	Building permit application in its fourth round of review, with few minor plan check correction items. Permits likely to be issued March 2019.	Riverfront development, 500 Hopper Street	Late 2020	2021
4 Petaluman Hotel	54	Project application submitted to the City of Petaluma and deemed incomplete	2 Petaluma Boulevard South	Unknown	None
<b>City of Rohnert Park</b>					
5 Cambria Hotel	135	Approved, Under construction	5900 Labath Avenue	Sept. or Oct. 2019	2020
6 Fairfield Inn & Suites	100	In final process of obtaining building permit. Anticipate April 2019 construction start, and March 2020 completion	405 Martin Avenue	March 2020	2021
7 Home2 Suites by Hilton	96	Approved, plans still in progress	6490 Redwood Drive	Anticipate 2020, with 14- month construction period	2022
<b>City of Cotati</b>					
8 Reverb Hotel	147	In review, application complete. Potential mid-2019 construction start	Near Highways 101 and 116	Approx. end of 2020	2021
	<b>Total</b>	<b>806</b>			
	<b>Total Less Petaluman Hotel</b>	<b>752</b>			

**Summary of Rooms Added by Year (Excludes Petaluman Hotel)**

First Full Operational Year	Rooms
2020	147
2021	369
2022	236
	<b>752</b>

Sources: M-Group Consulting Planners, Serving the City of Petaluma; City of Rohnert Park, Planning Department, "Development Activity," Updated February 1, 2019; Shivam Properties; Hampton Inn Petaluma; Shivam Properties; The Press Democrat, "Developer plans new Cotati hotel," December 7, 2017; The City of Cotati Planning Department; The Press Democrat, "Sonoma County lodging sector bustling with hotel construction and expansion," February 8, 2019; Hotel Developers; and ALH Urban & Regional Economics.

(1) Hotel projects or project including hotels with development plans in progress with the cities of Petaluma, Rohnert Park, and Cotati.

(2) Projects are listed in order by approximate estimated completion date.

(3) The analysis assumes rooms will be added to the market for the purpose of estimating market performance statistics the first full year following completion.

**Exhibit 8**  
**Petaluma and Rohnert Park Existing and Projected Hotel Demand (1)**  
**Including the Addition of the Redwood Technology Center Hotel**  
**2018 - 2030**

<b>Year</b>	<b>Number of Rooms (2)</b>	<b>Annual Supply (3)</b>	<b>Demand per Annual Growth Rate (4)</b>	<b>Occupancy per Growth Rate in Demand (5)</b>
2018	2,002	730,730	599,960	82.1%
2019	2,078	758,470	603,376	79.6%
2020	2,078	758,470	606,812	80.0%
2021	2,078	758,470	612,435	80.7%
2022	2,218 (6)	809,570	618,111	76.4%
2023	2,218	809,570	623,839	77.1%
2024	2,218	809,570	629,620	77.8%
2025	2,218	809,570	635,454	78.5%
2026	2,218	809,570	640,319	79.1%
2027	2,218	809,570	645,220	79.7%
2028	2,218	809,570	650,159	80.3%
2029	2,218	809,570	655,136	80.9%
2030	2,218	809,570	660,151	81.5%

Sources: STR, Hotel Trend Report, Petaluma, CA Area Selected Properties, January 2012 Through December 2018; and ALH Urban & Regional Economics.

(1) Includes existing hotels/motels listed in Exhibit 2.

(2) See Exhibit 2 for existing hotel/motel room count. The figure for 2018 matches the average from Exhibit 4, which reflects the fact that not all hotel/motel units were in operation for the entire calendar year. Includes the addition of the Redwood Technology Center Hotel rooms in 2022, as the first full year of occupancy.

(3) Comprises number of room multiplied by 365 days in a year.

(4) Forecasted based on the greatest incremental employment or population growth rates identified in Exhibit 5, which comprise .6% a year from 2016-2020; and .5% a year from 2020 to 2030.

(5) Annual occupancy comprises annual demand divided by annual supply. Note the existing 2018 baseline occupancy rate is estimated as reported in Exhibits 3 and 4.

(6) Reflects the addition of the Redwood Technology Center Hotel rooms, as the assumed first full year of occupancy.

**Exhibit 9**  
**Projected Petaluma, Rohnert Park, and Cotati Hotel Performance**  
**Existing and Planned Area Hotels (1)**  
**2018 - 2030**

Year	Number of Rooms			Annual Supply (3)	Demand per Annual Growth Growth Rate (4)	Occupancy per Growth Rate in Demand (5)
	Existing	New (2)	Total			
2018 est.	2,002 (6)	0	2,002	730,730	599,960	82.1%
2019	2,002	0	2,002	730,730	603,376	82.6%
2020	2,002	147	2,149	784,385	606,812	77.4%
2021	2,002	369	2,518	919,070	612,435	66.6%
2022	2,002	236 (7)	2,754	1,005,210	618,111	61.5%
2023	2,002	0	2,754	1,005,210	623,839	62.1%
2024	2,002	0	2,754	1,005,210	629,620	62.6%
2025	2,002	0	2,754	1,005,210	635,454	63.2%
2026	2,002	0	2,754	1,005,210	640,319	63.7%
2027	2,002	0	2,754	1,005,210	645,220	64.2%
2028	2,002	0	2,754	1,005,210	650,159	64.7%
2029	2,002	0	2,754	1,005,210	655,136	65.2%
2030	2,002	0	2,754	1,005,210	660,151	65.7%

Sources: STR, Hotel Trend Report, Petaluma, CA Area Selected Properties, January 2012 Through December 2018; and ALH Urban & Regional Economics.

(1) Includes existing hotels/motels listed in Exhibit 2.

(2) Does not include hotels with unknown opening/completion dates (e.g., Petaluman Hotel). Inclusion of these projects would change the findings. New rooms are added to the full year following the year of anticipated opening. See room counts by year on the bottom of Exhibit 8.

(3) Comprises annual number of total rooms multiplied by 365 days in a year.

(4) Forecasted based on the greatest incremental employment or population growth rates identified in Exhibit 5, which comprise .5% a year from 2015-2020; and .5% a year from 2020 to 2030.

(5) Annual occupancy comprises annual demand divided by annual supply. Note the existing 2018 baseline occupancy rate is estimated as reported in Exhibit 3.

(6) See Exhibit 2 for existing hotel/motel room count.

(7) This count of new rooms this year includes the Redwood Technology Park Hotel.

**Exhibit 10**  
**City of Petaluma**  
**Demographic, Employment, and Tax Characteristics**  
**In FY 2018-19 Dollars**

<b>Data Point</b>	<b>Value</b>	<b>Measurement</b>
<b>Population and Employment Base, 2019 estimates</b>		
City of Petaluma Population (1)	63,267	annual
City of Petaluma Employment Base, 2019 (2)	33,280	annual
Estimated Service Population (3)	79,908	annual
<b>City of Petaluma Tax Rates and Select Tax Revenues</b>		
General Fund Property Tax Rate (4)	12.81%	of 1.0% of property value
<b>Sales Tax Rate</b>		
Basic Sales Tax Rate, General Fund (5)	0.975%	of taxable sales amount
City of Petaluma Measure M Sales Tax Rate, Streets Fund (6)	0.250%	of taxable sales amount
County Measure M Sales Tax Rate, Special Fund (7)	0.000072%	of taxable sales amount
Vehicle in Lieu of Property Tax Revenues (8) FY 2018-19	\$5,350,291	annual
Transient Occupancy Tax Rate (9)	10%	of room rental receipts
City of Petaluma Tourism Impact Fee (10)	2%	of room rental receipts
<b>Assessed City of Petaluma Valuation, FY 2018/19 (11)</b>		
Secured Property	\$8,087,508,453	annual
Unsecured Property, Projected	\$170,061,135	annual
Total	<u>\$8,257,569,587</u>	

Sources: State of California, Department of Finance, "Table E-2: City/County Population and Housing Estimates, 1/1/2018; Association of Bay Area Governments (ABAG), "Population & Household Projections," prepared August 2016; "FY 2018-19 County of Sonoma, TRA Factors Adjusted for ERAF, City of Petaluma TRA 003-006," County of Sonoma, Auditor-Controller Treasurer-Tax Collector; The Press Democrat, "Voters OK sales tax hike to fund Sonoma County parks," November 6, 2018; State of California Controller's Office, [https://cities.bythenumbers.sco.ca.gov/#/year/2005/revenue/0/line\\_description/Property+Tax+In-Lieu+of+Vehicle+License+Fees\\_General+Revenues/0/entity\\_name/Petaluma/0/subcategory\\_1](https://cities.bythenumbers.sco.ca.gov/#/year/2005/revenue/0/line_description/Property+Tax+In-Lieu+of+Vehicle+License+Fees_General+Revenues/0/entity_name/Petaluma/0/subcategory_1); City of Petaluma, Comprehensive Annual Financial Report For the year ended June 30, 2017, Prepared by the Finance Department, page 145; San Mateo County Controller's Office Property Tax Highlights Fiscal Year 2017-18; California Board of Equalization; City of Petaluma Finance Department; Petaluma Visitors Center; and ALH Urban & Regional Economics.

(1) This figure comprises a projection prepared by ALH Urban & Regional Economics for January 2019 based upon annual figures reported by the State of California, Department of Finance for 2010 through 2019. These figures are reported in Table E-5: City/County Population and Housing Estimates (2018 Internet version). The figures are 57,941 for 2010 and 62,708 for 2018. The 2019 estimate is based on the compound annual average growth rate between these two annual figures, applied to the 2018 estimate.

(2) Employment estimate prepared by ALH Urban & Regional Economics based upon extrapolation of Association of Bay Area Governments (ABAG) employment estimates and projections. See Exhibit 5.

(3) The service population is equivalent to the residential population plus 1/2 the employment base. This is a standard fiscal impact assumption.

(4) The Redwood Technology Center Hotel development site is located in Tax Rate Area (TRA) 003-006. The Tax allocation factor for the City of Petaluma after ERAF retention for this TRA is 0.128102 as cited in "FY 2018-19 County of Sonoma, TRA Factors Adjusted for ERAF, City of Petaluma TRA 003-006." Provided by the Property Tax Manager, County of Sonoma, Auditor-Controller Treasurer-Tax Collector.

(5) Per the California Board of Equalization, Annual Report, Statistical Tables, "Table 23, Sales and Use Taxes, Local Sales and Use Tax Rates Imposed by California Cities on July 1, 2017".

(6) Measure M in the City of Petaluma is a 1/4 cent sales tax that accrues to the City's Streets Fund, and sunsets at the end of 20 years, which will occur in 2024.

(7) This Measure M is a Sonoma County sales tax passed in November 2018. This 10-year tax is dedicated to fund parks. The total tax rate is 1/8 of one cent. The tax is divided 2/3 to the County and 1/3 to the County's constituent cities. The 1/3 share to the cities is distributed on a proportional basis pursuant to each city's share of the total population of all Sonoma County cities. The percentage shown here is the result of ALH Urban & Regional Economic calculations, wherein Petaluma's population is estimated to comprise approximately 17.4% of all Sonoma County city population, pursuant to recent State of California Department of Finance population estimates.

(8) Figure projected based upon historic revenues reported by the State of California Controller's Office. See Exhibit C-3 for the ALH Urban & Regional Economics revenue projection for 2019.

(9) Rate applied to room rental receipts, less allowable deductions.

(10) This comprises a Tourism Impact District fee applicable to hotel room revenues in the City of Petaluma, which will be directed to and comprise funding for the Petaluma Visitors Center. This fee went into effect on 1/15/19, and is distinct from a Tourism Impact Fee assessed by Sonoma County. This fee is presented here, but will not accrue to the City of Petaluma General Fund and thus is not factored into the fiscal impact analysis on the City of Petaluma.

(11) See Exhibit C-4.

**Exhibit 11**  
**Property Valuation and Annual Property Tax Payments**  
**Existing Site and Redwood Technology Center Hotel**  
**City of Petaluma, FY 2018-19 Dollars**

Item	Parameter	Existing Site	Redwood Technology Center Hotel	Increment (1)
Property Valuation		\$1,711,785 (2)	\$24,611,785 (3)	\$22,900,000
Property Tax				
<i>Parameters</i>				
Basic County Tax Rate	1.00%			
City of Petaluma Share of Basic Tax Amount (4)	12.81%			
<i>Annual Revenues</i>				
Total		\$17,118	\$246,118	\$229,000
Share Accruing to Petaluma		\$2,193	\$31,528	\$29,335

Sources: Realquest; Basin Street Properties; and ALH Urban & Regional Economics.

(1) Difference between estimated value for Redwood Technology Center Hotel upon buildout and the site in current, as is condition.

(2) From property record, Realquest.

(3) The hotel valuation estimate is based on a construction cost estimate of \$22.9 million provided by Basin Street Properties, the Project sponsor, plus the existing property valuation.

(4) See Exhibit 10.

**Exhibit 12**  
**Property Tax in Lieu of VLF Estimates for Redwood Technology Center Hotel**  
**Project Stabilization**  
**City of Petaluma, FY 2018-19 Dollars**

Category	Redwood Technology Center Hotel
<b>Assessed Value Change</b>	
City of Petaluma Assessed Valuation (1)	\$8,257,569,587
Property Valuation Increment Attributable to Redwood Technology Center Hotel (2)	<u>\$22,900,000</u>
Total Projected Assessed Valuation with Redwood Technology Center Hotel	\$8,280,469,587
Percent Increase in Property Valuation Attributable to Redwood Technology Center Hotel	0.28%
<b>VLF in Lieu Revenue</b>	
FY 2018-19 Projection (1)	\$5,350,291
<b>City Increase (Annual)</b>	
Percent Assessed Value	0.28%
VLF In Lieu Revenue Attributable to Redwood Technology Center Hotel Incremental Value	\$14,837

Source: ALH Urban & Regional Economics.

(1) See Exhibit 10.

(2) See Exhibit 11.

**Exhibit 13**  
**Redwood Technology Center Hotel**  
**Estimated Hotel Employment by Job Title and Earnings (1)**  
**2019 Dollars**

Job Title	Number	Annual Salary	Hourly Wage (2)	Annual Earnings	
				Per Employee (3)	Total Annual (4)
<b>Full-time Positions (65% of total)</b>					
General Manager	1	\$100,000		\$100,000	\$100,000
Director of Sales	1	\$75,000		\$75,000	\$75,000
Front Office Manager	1	\$60,000		\$60,000	\$60,000
Executive Housekeeping	1	\$60,000		\$60,000	\$60,000
Lead Engineer	1	\$70,000		\$70,000	\$70,000
Front Desk	3-4		\$1-\$2 over CA min. wage	\$22,680	\$79,380
Night Auditor	1		\$1-\$2 over CA min. wage	\$22,680	\$22,680
Housekeeper	6-8		\$1-\$2 over CA min. wage	\$22,680	\$158,760
Laundry	1		\$1-\$2 over CA min. wage	\$22,680	\$22,680
Maintenance	1		\$18 - \$24	\$35,280	\$22,680
Sub-total	17 - 20				\$671,180
Average	18.5				\$36,280
<b>Part-time Positions (35% of total)</b>					
Front Desk	2-3		\$1-\$2 over CA min. wage	\$14,580	\$36,450
Night Auditor	1		\$1-\$2 over CA min. wage	\$14,580	\$14,580
Housekeeper	4-5		\$1-\$2 over CA min. wage	\$14,580	\$65,610
Laundry	1		\$1-\$2 over CA min. wage	\$14,580	\$14,580
Maintenance	1		\$18 - \$24	\$22,680	\$14,580
Sub-total	9 - 11				\$145,800
Average	10				\$14,580
<b>Weighted Average Earnings/Employee</b>					\$28,666

Sources: Basin Street Properties; <https://www.govdocs.com/2019-state-minimum-wage-updates/>; and ALH Urban & Regional Economics.

- (1) Estimated employment counts by position, employment status, and earnings was provided by Basin Street Properties.
- (2) In 2019, the California minimum wage for employers with 25 or more employees is \$12 per hour. For the purpose of this analysis, the assumed annual hourly wage is \$13.50 per hour, which is an average of \$1.00 to \$2.00 per hour over the \$12.00 minimum wage.
- (3) For the purpose of this analysis, hourly full-time employees are assumed to work 35 hours per week, 48 weeks per year (i.e., not compensated for time off) and hourly part-time employees are assumed to work 22.5 hours per week, 48 weeks per year (i.e., not compensated for time off).
- (4) Annual earnings calculations are based upon the mid-range of employment counts per position, or an overall total of 28.5.

Exhibit 14  
 Redwood Technology Center Hotel  
 Estimated Annual City of Petaluma Retail Sales Tax Generation and Petaluma Sales Tax Revenues  
 Project Hotel Employee Spending  
 City of Petaluma, 2019 Dollars

Hotel Employee Characteristics	Figure	Measure
<b>Hotel Employee Retail Sales</b>		
Number of Hotel Employees (1)	30	jobs
Workday Per Hotel Employee Retail Spending (2)		
Total Annual Spending	\$3,400	annual worker spending
Taxable Annual Spending	\$3,000	annual worker spending
Percent Captured in Petaluma (3)	60%	percent captured
Total Hotel Employee Taxable Spending	\$54,000	annual taxable retail spending
<b>Hotel Employee General Fund Retail Sales Tax</b>		
City of Petaluma Sales Tax Rate, General Fund (4)	0.975%	of taxable sales amount
Generated General Fund Annual Sales Tax from Employees	\$527	annual retail sales tax
<b>Hotel Employee Streets Fund Retail Sales Tax</b>		
City of Petaluma Measure M Sales Tax Rate, Streets Fund (4)	0.250%	of taxable sales amount
Generated General Fund Annual Sales Tax from Employees	\$135	annual retail sales tax
<b>Hotel Employee County Measure M Retail Sales Tax</b>		
Estimated City of Petaluma County Measure M Sales Tax Rate (4)	0.000072%	of taxable sales amount
Generated Measure M Annual Sales Tax from Employees	\$0.04	annual retail sales tax

Source: ALH Urban & Regional Economics.

- (1) See Exhibit 1.
- (2) See Exhibit C-7. The hotel worker spending estimate is benchmarked to an office worker spending estimate in a suburban location, and the assumption that 90% of sales are taxable. Figures are rounded to the nearest \$100.
- (3) ALH Urban & Regional Economics assumption, reflecting a portion of workday spending outside Petaluma on the way to or from work.
- (4) See Exhibit 10.



**Exhibit 15****Redwood Technology Center Hotel****Estimated Hotel Guest Retail Spending and Petaluma Sales Tax Revenues****2019 Dollars**

<b>Hotel and Guest Characteristic</b>	<b>Value</b>
Number of Rooms (1)	140
Estimated Average Occupancy (2)	65%
Room Nights/Year	33,215
Average Number Guests/Room (3)	1.5
Average Annual Number of Guests	49,823
Average Guest Spending on Food and Incidentals/Day (4)	\$71
Annual Guest Spending on Food and Incidentals	\$3,537,398
Estimated City of Petaluma Guest Spending Capture Rate (5)	25%
Estimated City of Petaluma Taxable Hotel Guest Spending	\$884,349
<b>Hotel Guest General Fund Retail Sales Tax</b>	
City of Petaluma Basic and Measure M Sales Tax Rate (6)	0.975%
Annual Hotel Guest General Fund Sales Tax Revenues	\$8,622
<b>Hotel Guest Streets Fund Retail Sales Tax</b>	
City of Petaluma Measure M Sales Tax Rate, Streets Fund (6)	0.250%
Generated General Fund Annual Sales Tax from Employees	\$2,211
<b>Hotel Guest County Measure M Retail Sales Tax</b>	
Estimated City of Petaluma County Measure M Sales Tax Rate (6)	0.000072%
Annual Hotel Guest Measure M Annual Sales Tax Revenues	\$0.64

Sources: U.S. General Services Administration, 2019 Per Diem Rates for Santa Rosa California; and ALH Urban & Regional Economics.

(1) See Exhibit 1.

(2) The Project proponent estimates hotel occupancy at 77% (see Exhibit 1). However, ALH Urban & Regional Economics conservatively based this analysis on the projected occupancy rate for the Petaluma, Rohnert Park, and Cotati area pursuant to the addition of the Project and other area planned hotels (see Exhibit 9).

(3) Hotel guest assumption prepared by ALH Urban & Regional Economics.

(4) This figure is the daily U.S. General Services Administration allowance for Meals and Incidental Expense (ME&IE) rate for 2019 for the comparable market closest to Petaluma, i.e., Santa Rosa California.

(5) Generalized assumption developed by ALH Urban & Regional Economics, recognizing that many hotel guests comprise tourists and others not confining their visit-related activities to only Petaluma.

(6) See Exhibit 10.

Exhibit 16  
 Redwood Technology Center Hotel  
 Assorted City of Petaluma General Fund Revenues  
 City of Petaluma, FY 2018-19 Dollars

General Fund Revenue	Value
<b>Franchise Fees</b>	
<i>Parameters and Annual Revenue</i>	
<u>Franchise Fee Revenues and Population Basis Data</u>	
City of Petaluma, FY 2018-19 (1)	\$3,071,091
City Service Population (2)	79,908
Franchise Fee Per Service Population (3)	\$38.43
<u>Estimated Project Franchise Fee Revenues and Population Data</u>	
Service Population (4)	13
Franchise Fees (5)	\$507
<b>Licenses/Permits/Fees</b>	
<i>Parameters and Annual Revenue</i>	
<u>Licenses/Permits/Fees Revenues and Population Basis Data</u>	
City of Petaluma, FY 2018-19 (1)	\$1,117,300
City Service Population (2)	79,908
Licenses/Permits/Fees Per Service Population (3)	\$13.98
<u>Estimated Licenses/Permits/Fees Revenues and Population Data</u>	
Service Population (4)	13
Licenses/Permits/Fees (5)	\$185
<b>Fines/Forfeitures/Penalties</b>	
<i>Parameters and Annual Revenue</i>	
<u>Fines/Forfeitures/Penalties Revenues and Population Basis Data</u>	
City of Petaluma FY 2018- 2019 Fines/Forfeitures/Penalties (1)	\$945,000
City Service Population (2)	79,908
Fines/Forfeitures/Penalties Revenues Per Service Population (3)	\$11.83
<u>Estimated Project Fines/Forfeitures/Penalties Revenues and Population Data</u>	
Service Population (4)	13
Fines/Forfeitures/Penalties Tax Revenues (5)	\$156
<b>Business License Fees</b>	
<i>Parameters and Annual Revenue</i>	
<u>Estimated Project Business License Fee Revenues</u>	
Renewal Tax, Percent of Gross Receipts (6)	0.032%
Gross Receipts (7)	\$5,314,400
Estimated Business License Fee	\$1,701

Sources: City of Petaluma California, "Comprehensive Biennial Operating and Capital Budget Fiscal Years 2018-20120" page 46; City of Petaluma Filing Instructions for Completing your Business License Tax Form; City of Petaluma Finance Department; and ALH Urban & Regional Economics.

(1) All revenue figures are from the City of Petaluma California, "Comprehensive Biennial Operating and Capital Budget Fiscal Years 2018-20120", page 46.

(2) See Exhibit 10.

(3) Calculated on a per population basis for the population cited, i.e., city service population, city employment base, or city residential base, as noted.

(4) See Exhibit 1.

(5) Calculated by multiplying the per population, employee, or resident figure by the Redwood Technology Center Hotel service population estimate.

(6) This is the City of Petaluma Business License Fee applicable to hotels.

(7) See the next exhibit, Exhibit 17.

Exhibit 17  
 Redwood Technology Center Hotel  
 City of Petaluma Special Revenue Fund Revenues and Tourism Impact Fee for Petaluma Visitors Center  
 City of Petaluma, FY 2018-19 Dollars

Fund Revenue	Value
<b>Transient Occupancy Tax Fund</b>	
<i>Parameters and Annual Revenue</i>	
<u>City of Petaluma Transient Occupancy Tax Rate (1)</u>	10%
<u>Estimated Hotel Room Rate Revenues (2)</u>	
Number of Hotel Rooms	140
Average Daily Room Rate	\$160
Annual Average Occupancy Rate (3)	65%
Estimated Annual Room Rate Revenues	\$5,314,400
<u>Estimated Annual Transient Occupancy Tax</u>	\$531,440
<b>Street Maintenance Fund: Franchise Fees (4)</b>	
<i>Parameters and Annual Revenue</i>	
<u>Franchise Fee Revenues and Population Basis Data</u>	
City of Petaluma, FY 2018-19 (5)	\$1,566,388
City Service Population (1)	79,908
Franchise Fee Per Service Population (6)	\$19.60
<u>Estimated Project Franchise Fee Revenues and Population Data</u>	
Service Population (7)	13
Franchise Fees (8)	\$259
<b>Tourism Impact Fee (9)</b>	
<i>Parameters and Annual Revenue</i>	
<u>City of Petaluma Tourism Impact Fee Rate (1)</u>	2%
<u>Estimated Annual Tourism Impact Fee</u>	
Estimated Annual Room Rate Revenues (2)	\$5,314,400
Estimated Annual Impact Fee (10)	\$106,288

Sources: Basin Street Properties; City of Petaluma California, "Comprehensive Biennial Operating and Capital Budget Fiscal Years 2018-20120" page M-9; City of Petaluma Finance Department; Petaluma Visitors Center; and ALH Urban & Regional Economics.

- (1) See Exhibit 10.
- (2) See Exhibit 1 for hotel operating assumptions, except for occupancy rate.
- (3) The Project proponent estimates hotel occupancy at 77% (see Exhibit 1). However, ALH Urban & Regional Economics conservatively based this analysis on the projected occupancy rate for the Petaluma, Rohnert Park, and Cotati area pursuant to the addition of the Project and other area planned hotels (see Exhibit 9).
- (4) A portion of the City of Petaluma Franchise Fees (e.g., approximately 1/3 of all collected) are allocated to the City's Streets Fund.
- (5) See City of Petaluma California, "Comprehensive Biennial Operating and Capital Budget Fiscal Years 2018-20120", page M-9 for revenue figure.
- (6) Calculated on a per population basis for the population cited, i.e., city service population, city employment base, or city residential base, as noted.
- (7) See Exhibit 1.
- (8) Calculated by multiplying the per population, employee, or resident figure by the Redwood Technology Center Hotel service population estimate.
- (9) This comprises a Tourism Impact District fee applicable to hotel room revenues in the City of Petaluma, which will be directed to and comprise funding for the Petaluma Visitors Center. This fee went into effect on 1/15/19, and is distinct from a Tourism Impact Fee assessed by Sonoma County. This fee is presented here, but will not accrue to the City of Petaluma General Fund and thus is not factored into the fiscal impact analysis on the City of Petaluma.
- (10) Comprises the Tourism Impact Fee multiplied by the estimated annual room rate revenues.

Exhibit 18  
 Redwood Technology Center Hotel  
 City of Petaluma General Fund Average Cost Expenditures  
 FY 2018-19 Operating Budget  
 Fiscal Impact Factors City of Petaluma

City Services (1)	FY Budget (2)	Charges for Service (3)	Expenditures net of Charges for Service (4)	Percent Fixed (5)	Percent Variable (5)	Allocable Variable Expenditures (6)	Population Factor (7)	Expenditure per Service Population Basis (8)	Expenditure per Resident (9)	Expenditure per Employee (10)
General Government (11)										
City Attorney	\$1,021,788	\$335,000		90%	10%	\$258,026	Service Population	\$3.23	\$3.23	\$1.61
City Clerk	\$415,853	\$102,000								
City Council	\$113,923	\$43,000								
City Manager	\$834,289	\$271,000								
Finance	\$2,060,677	\$1,342,000								
Human Resources	\$556,931	\$401,000								
Economic Development	\$411,799	\$341,000								
Total	\$5,415,260	\$2,835,000	\$2,580,260	90%	10%	\$258,026	Service Population	\$3.23	\$3.23	\$1.61
Planning	\$684,202	\$490,000	\$194,202	90%	10%	\$19,420	Service Population	\$0.24	\$0.24	\$0.12
Fire	\$13,963,046	\$2,170,500	\$11,792,546	10%	90%	\$10,613,291	Service Population	\$132.82	\$132.82	\$66.41
Recreation (12)	\$1,780,691	\$605,000	\$1,175,691	10%	90%	\$1,058,122	Resident Population	\$16.72	\$16.72	\$0.00
Police	\$18,173,598	\$149,000	\$18,024,598	10%	90%	\$16,222,138	Service Population	\$203.01	\$203.01	\$101.51
Public Works	\$3,809,846	\$92,500	\$3,717,346	10%	90%	\$3,345,611	Service Population	\$41.87	\$41.87	\$20.93
General Fund Cost Center	\$1,222,958	\$0	\$1,222,958	90%	10%	\$122,296	Service Population	\$1.53	\$1.53	\$0.77
Non-Departmental	\$1,656,566	\$0	\$1,656,566	90%	10%	\$165,657	Service Population	\$2.07	\$2.07	\$1.04
Total	\$52,121,427	\$6,342,000 (13)	\$40,364,167			\$31,804,562		\$401.50	\$401.50	\$192.39

Sources: City of Petaluma, California, "Preliminary Budget, Fiscal Year 2018-2019," pages L-14 and M-4; City of Petaluma Finance Director, e-mail communication 2/13/19 and 2/19/19; and ALH Urban & Regional Economics.

- (1) All City General Fund expenditures are captured in these service areas, which include aggregated expenditure items.
- (2) Per the City of Petaluma, California, "Preliminary Budget, Fiscal Year 2018-2019," Page L-14 for fiscal year 2018-2019.
- (3) A portion of expenditures are covered by Charges for Service. A total figure of \$6,347,919 is presented on page M-4 of the Preliminary Budget. The allocations by City service department were provided by the City of Petaluma Finance Director. The resulting figure is slightly lower than cited in the budget, but this difference is insignificant (i.e., a difference of \$5,919 comprises less than .1% of the total).
- (4) This is the expenditure base used for allocating the fixed and variable costs for average service cost calculation purposes, i.e., net of Charges for Service.
- (5) Fiscal impact studies that examine municipal expenditures on an average cost basis, such as this analysis, often assume a portion of City expenditures are fixed and will not vary with a change in the population served. The resulting variable expenditures are then allocated across the relevant population served, which could include just residents, just employees, or the service population, which includes both residents and an allocation for employees. For the purpose of this analysis, all of the City service categories that are primarily administrative are assumed to have the majority of their expenditures fixed, thus with 10% to 25% that varies with the size of the population served. This applies to just over one-half the major City service categories, with expenditures in the other categories assumed to be 90% variable, reflecting that the largest portion of the costs in these departments will vary with changes in the City's service population. These assumptions were found to be reasonable by the City of Petaluma Finance Director, per e-mail communication of 2/13/19.
- (6) Comprises the share of the General Fund expenditures assumed to be allocable to the population served, i.e., total expenditures less fixed expenditures.
- (7) The analysis assumes all expenditures except Recreation are spread across the resident and employment base, i.e., the service population. The Recreation costs are assumed to only apply to residents.
- (8) Equal to allocable expenditures divided by the service population with the exception of the Recreation costs, which are assumed to only be allocable to residents.
- (9) The expenditure per resident is equal to the expenditure per service population.
- (10) The expenditure per employee is equal to one half the expenditure per service population.
- (11) Includes City functions as noted.
- (12) These services are assumed to apply only to the City's resident population.

(2) Per the City of Petaluma, California, "Preliminary Budget, Fiscal Year 2018-2019," Pages M-4 and OPS-1 for fiscal year 2018-2019.

Exhibit 19  
 Redwood Technology Center Hotel  
 Annual Net Fiscal Impact Analysis (1)  
 City of Petaluma General Fund and Special Funds and Petaluma Visitors Center  
 FY 2018-19 Dollars

General Fund Revenues and Expenditures Categories	Stabilized Operations
<b>General Fund Revenues (2)</b>	
Incremental Property Taxes (5)	\$29,335
Property Tax in Lieu of VLF (6)	\$14,837
Retail Sales Taxes	
Retail Sales Taxes from Hotel Guests (7)	\$8,622
Retail Sales Taxes from Employees (8)	\$527
Sub-total	\$9,149
Business License Fees (9)	\$1,701
Franchise Fees (9)	\$507
Licenses/Permits/Fees (9)	\$185
Fines/Forfeitures/Penalties (9)	\$156
Sub-total	\$55,870
<b>General Fund Expenditures (10)</b>	
General Government	\$32
Planning	\$2
Fire	\$1,328
Recreation	\$0
Police	\$2,030
Public Works	\$419
General Fund Cost Center	\$15
Non-Departmental	\$21
Sub-total	\$3,848
<b>Net General Fund Fiscal Impact (11)</b>	<b>\$52,023</b>
<b>Other Annual Special Revenue Funds (12)</b>	
Transient Occupancy Taxes, Transient Occupancy Tax Fund (13)	\$531,440
Franchise Fees, Street Maintenance Fund (13)	\$259
City of Petaluma Measure M Sales Taxes, Street Maintenance Fund (14)	\$2,346
City of Petaluma, County Measure M Sales Taxes, Parks (14)	\$1
Total	\$534,045
<b>Petaluma Visitors Center</b>	
Tourist Impact Fee (13)	\$106,288

Source: ALH Urban & Regional Economics.

(1) For the General Fund analysis, reflects estimated revenues less estimated expenditures, resulting in a net fiscal impact on an annual basis on the City of Petaluma General Fund.

(2) Includes the most substantial revenues anticipated to accrue to the City of Petaluma General Fund resulting from the Project's stabilized operations. However, there may be yet additional revenues flowing to the General Fund pursuant to the Project's operations.

(5) See Exhibit 11.

(6) See Exhibit 12.

(7) See Exhibit 15.

(8) See Exhibit 14.

(9) See Exhibit 16.

(10) Figures comprise the per employee counts in Exhibit 1 multiplied by the General Fund expenditures costs derived in Exhibit 16.

(11) Comprises revenues less expenditures.

(12) Includes fiscal revenues accruing to the City of Petaluma Special Funds, as noted.

(13) See Exhibit 17.

(14) See Exhibit 14 and Exhibit 15. This revenue source will sunset in 2024.

Exhibit 20  
 Redwood Technology Center Hotel  
 Development Impact Fee Calculation Sheet  
 City of Petaluma  
 Effective October 18, 2018

Enter Applicable Information in the Shaded Areas			
Project Name/Permit #:	<u>Home to Suites/PLSR-18-0025</u>	<u>Bldg. Sq. Footage</u>	<u>Site Acreage</u>
Project Address/Location:	<u>1205 Redwood Way</u>	Existing: n/a	
Applicant's Name:	<u>Basin Street Properties</u>	Prop: 85,802 sf	
Applicant's Address:	1383 N McDowell Blvd, Suite 220,		
Principal Contact Person:	Frank Marinello		
Contact's Daytime Phone:	<u>530-343-0963</u>		
ALL FEES ARE SUBJECT TO CHANGE UNTIL PAID IN FULL IMPACT FEES INCREASE ANNUALLY BY CPI -- EFFECTIVE JULY 1st OF EACH YEAR			
<b>FEE CALCULATIONS</b>			
<u>Water Capacity Connection:</u>	Please Contact Department of Water Resources & Conservation - 778-4546		
<u>Wastewater Connection</u>	Water Resources & Conservation - 778-4546		
<u>School Facilities:</u>	Please Contact the Appropriate School District Directly		
<u>City Facilities Development Impact Fee</u>	Account #	CDCTYFAC	\$101,761.17
<u>Residential Uses:</u>			
Single Family Residential (enter total number of units):		\$6,263/unit	\$0.00
Multiple Family (enter total number of units):		\$4,216/unit	\$0.00
Accessory Dwelling Unit		\$2,148/unit	\$0.00
<u>Non-Residential Uses:</u>			
Commercial (enter total square footage of building)	85802	\$1,186/1,000 s.f.	\$101,761.17
Office (enter total square footage of building)		\$1,133/1,000 s.f.	\$0.00
Industrial (enter total square footage of building)		\$722/1,000 s.f.	\$0.00
<u>Commercial Housing Development Linkage Fee (enter sq ft):</u>	Account #	CDCOMLIK	\$243,677.68
<u>Non-Residential Uses:</u>			
Commercial: (enter sq ft)	85802	\$2.84/s.f.	\$243,677.68
Retail: (enter sq ft)		\$4.91/s.f.	\$0.00
Industrial (enter sq ft)		\$2.93/s.f.	\$0.00
<u>In-Lieu Housing (for residential projects of 5 or more units)*:</u>	Account #	CDINLEHS	\$0.00
In-Lieu Fee only if approved by CC as alternative compliance		\$10.12/s.f.**	\$0.00
<u>Open Space Acquisition</u>	Account #	CDPKOP08	\$7,207.37
<u>Residential Uses:</u>			
Single Family Residential (enter total number of units):		\$440/unit	\$0.00
Multiple Family (enter total number of units):		\$296/unit	\$0.00
Accessory Dwelling Unit		\$151/unit	\$0.00
<u>Non-Residential Uses:</u>			
Commercial (enter total square footage of building)	85802	\$84/1,000 s.f.	\$7,207.37
Office (enter total square footage of building)		\$81/1,000 s.f.	\$0.00
Industrial (enter total square footage of building)		\$51/1,000 s.f.	\$0.00
<u>Park Land Acquisition (Quimby Act)</u>	Account #	CDQUIM08	\$0.00
<u>Residential Uses:</u>			
Single Family Residential (enter total number of units):		\$1,874/unit	\$0.00
Multiple Family (enter total number of units):		\$1,268/unit	\$0.00
Accessory Dwelling Unit		\$642/unit	\$0.00
<u>Non-Residential Uses:</u>			
All Commercial Uses (enter total square feet of building)		\$356/1,000 s.f.	\$0.00
All Office Uses (enter total square feet of building):		\$339/1,000 s.f.	\$0.00
All Industrial Users (enter total square feet of building):		\$216/1,000 s.f.	\$0.00
<u>Park Land Acquisition (Non-Quimby Act)</u>	Account #	CDPKAQ08	\$30,545.51
<u>Residential Uses:</u>			
Single Family Residential (enter total number of units):		\$1,874/unit	\$0.00
Multiple Family (enter total number of units):		\$1,268/unit	\$0.00
Accessory Dwelling Unit		\$642/unit	\$0.00
<u>Non-Residential Uses:</u>			
All Commercial Uses (enter total square feet of building)	85802	\$356/1,000 s.f.	\$30,545.51
All Office Uses (enter total square feet of building):		\$339/1,000 s.f.	\$0.00
All Industrial Users (enter total square feet of building):		\$216/1,000 s.f.	\$0.00

continued on the next page

Exhibit 20  
 Redwood Technology Center Hotel  
 Development Impact Fee Calculation Sheet  
 City of Petaluma  
 Effective October 18, 2018  
 Continued

<b>Park Land Development</b>	<b>Account # CDPKDE08</b>	<b>\$100,731.55</b>
<b>Residential Uses:</b>		
Single Family Residential (enter total number of units):	\$6,197/unit	\$0.00
Multiple Family (enter total number of units):	\$4,173/unit	\$0.00
Accessory Dwelling Unit	\$2,125/unit	\$0.00
<b>Non-Residential Uses:</b>		
Commercial (enter total square feet of building)	85802 \$1,174/1,000 s.f.	\$100,731.55
Office (enter total square footage of building)	\$1,123/1,000 s.f.	\$0.00
Industrial (enter total square footage of building)	\$715/1,000 s.f.	\$0.00
<b>Public Art Fee (1% of total valuation):</b>	<b>Account # CDPUDART</b>	<b>\$190,000.00</b>
enter valuation of job: \$ 19,000,000.00		\$190,000.00
<b>Central Petaluma Specific Plan Fee (\$2,125 per acre of land)</b>	<b>Account #</b>	<b>\$0.00</b>
Enter Acreage (Only if the project is within the CPSP area.)		\$0.00
<b>Storm Drainage:</b>	<b>Account # CDS08</b>	<b>\$26,709.30</b>
<i>(Refer to Storm Drain Fee Worksheet to determine calculations, except for additions):</i>		
New Residential (Standard):		\$0.00
New Residential (Calculated):		\$0.00
Commercial/Industrial (enter from Storm Drain Fee Worksheet):		\$0.00
Residential Addition (enter square feet of impervious surface):		\$0.00
Comm./Ind. Addition (enter square feet of impervious surface):		\$0.00
<b>Traffic Mitigation (enter all applicable project information):</b>	<b>Account # CDTRAFF</b>	<b>\$163,400.00</b>
<b>Residential Uses:</b>		
Single-Family (enter total number of units):	\$15,749/unit	\$0.00
Multi-Family (3+ units; enter total number of units):	\$9,667/unit	\$0.00
Senior Housing (enter total number of units):	\$4,366/unit	\$0.00
Accessory Dwelling Unit	\$4,209/unit	\$0.00
<b>Non-Residential Uses:</b>		
Hotel or Motel (enter number of rooms):	\$6,204/room	\$0.00
Commercial/Shopping Uses (enter total square feet of building): Per Agreement***	\$30,431/1,000 s.f.	
Office Uses (enter total square feet of building):	\$20,802/1,000 s.f.	\$0.00
Industrial/Warehouse Users (enter total square feet of building):	\$12,318/1,000 s.f.	\$0.00
Education(enter number of students)	\$1,550/student	\$0.00
Institution (enter total square footage)	\$6,382/1,000 s.f.	\$0.00
Gas/Service Station (enter number of fuel positions)	\$50,944/fuel position	\$0.00
<b>TOTAL IMPACT FEES DUE:</b>	<b>\$864,032.58</b>	

\* Pursuant to IZO Section 3.040, 15% onsite inclusionary housing is required onsite unless alternative compliance is approved by the City Council.

\*\* Projects deemed complete prior to January 1, 2019 shall be subject to the inclusionary requirements and fees in effect prior to the adoption of Ordinance No. 2663 N.C.S. and Resolution No. 2018-142 N.C.S.

\*\*\* Assessed traffic impact fees at time of original construction of infrastructure was satisfied through construction of off-site improvements

An Old Redwood Highway Intersection Contribution was assessed for \$817,000 for the Redwood Tech Center

Prepared By: Brittany Bendix Date: February 27, 2019

Reviewed By: \_\_\_\_\_ Date: \_\_\_\_\_

Approved By: \_\_\_\_\_ Date \_\_\_\_\_

Exhibit 21  
Household Data Annual Averages  
Persons at Work in Nonagricultural Industries by Class of Worker and Usual Full- or Part-time Status (1)  
United States  
2018, Numbers in Thousands

Industry	Worked 1 to 34 hours										Average hours	
	Total at Work	Total		For Economic Reasons		For noneconomic reasons		Worked 35 hours or more		Total at Work	Persons Who Usually Work Full-Time	
		Usually Full-Time	Usually Part-Time	Usually Full-Time	Usually Part-Time	Usually Full-Time	Usually Part-Time	35 hours or more				
<b>Total, nonagricultural industries</b>	148,066	33,436	4,698	7,822	20,916	114,630	38.9	42.5				
<b>Wage and salary workers (2)</b>	139,606	30,326	4,214	7,268	18,844	109,280	39.0	42.4				
Mining, quarrying, and oil and gas extraction	745	52	8	30	14	693	49.2	49.8				
Construction	9,271	1,269	336	505	428	8,003	41.2	42.6				
Manufacturing	14,947	1,499	202	733	564	13,448	42.3	43.2				
Durable goods	9,461	863	102	455	306	8,598	42.5	43.3				
Nondurable goods	5,486	636	101	277	258	4,850	41.9	43.1				
Wholesale and retail trade	18,917	5,242	896	757	3,589	13,676	37.5	42.3				
Transportation and utilities	7,817	1,209	231	375	603	6,608	41.6	43.8				
Information	2,703	500	72	151	277	2,203	39.8	42.6				
Financial activities	9,661	1,381	98	576	706	8,279	40.5	42.3				
Professional and business services	16,415	2,808	405	877	1,526	13,606	40.2	42.6				
Education and health services	32,308	8,009	785	1,861	5,362	24,300	37.8	41.6				
<b>Leisure and hospitality</b>	13,154	5,395	853	525	4,017	7,758	34.1	41.7				
Other services	6,464	1,944	267	295	1,382	4,520	36.6	42.3				
Other services, except private households	5,713	1,526	193	255	1,078	4,187	37.6	42.5				
Private households	751	418	74	40	304	333	29.3	40.0				
Public administration	7,203	1,018	60	582	375	6,186	41.1	42.4				
<b>Self-employed workers, unincorporated</b>	8,391	3,071	483	549	2,039	5,320	36.4	43.4				
<b>Unpaid family workers</b>	69	39	2	4	32	30	32.4	-				

Sources: Bureau of Labor Statistics, "Labor Force Statistics from the Current Population Survey," Table 21, 2018 (<https://www.bls.gov/cps/cpsaat21.pdf>).

(1) Full time is 35 hours or more per week; part time is less than 35 hours. Updated population controls are introduced annually with the release of January data. Dash indicates (2) Includes self-employed workers whose businesses are incorporated.



**Exhibit 22**  
**Occupational Employment Wages**  
**All Occupations and Occupations Likely to be Represented by Hotel Workers**  
**Santa Rosa Metropolitan Statistical Area**  
**2018**

Occupational Title	2018 - 1st Quarter Wages				
	Mean Hourly Wage	Mean Annual Wage	25th Percentile Hourly Wage	Percentile (Median) Hourly Wage	75th Percentile Hourly Wage
<b>Total all occupations</b>	\$26.49	\$55,101	\$13.90	\$19.97	\$31.68
<b>Anticipated Hotel Worker Occupations</b>					
Lodging Managers	\$28.78	\$59,859	\$19.39	\$22.81	\$33.15
Maintenance and Repair Workers, General	\$24.28	\$50,512	\$17.60	\$22.97	\$29.88
First-Line Supervisors of Housekeeping and Janitorial Workers	\$21.61	\$44,950	\$17.55	\$19.37	\$25.15
Maids and Housekeeping Cleaners	\$14.27	\$29,676	\$11.47	\$12.67	\$15.20
Landscaping and Groundskeeping Workers	\$18.00	\$37,442	\$13.91	\$17.13	\$21.51
Hotel, Motel, and Resort Desk Clerks	\$15.17	\$31,547	\$12.39	\$14.07	\$16.66
Office and Administrative Support Workers, All Other	\$16.46	\$34,239	\$11.30	\$13.35	\$19.12

Sources: U.S. Bureau of Labor Statistics, Occupational Employment Survey, June 2018, Table 21, Santa Rosa MSA; and ALH Urban & Regional Economics.

- (1) Excludes the occupations with the highest wages, likely held by one person per hotel.
- (2) Based upon distribution assumptions prepared by ALH Urban & Regional Economics for the FTE-equivalent employees, reflecting employment of 1 "Lodging Manager," 1 "First-Line Supervisor of Housekeeping and Janitorial Workers," and then equal distributions of "Maids and Housekeeping Cleaners," "Hotel, Motel, and Resort Desk Clerks," and "Landscaping and Groundskeeping Workers" combined with "Office and Administrative Support Workers, All Other."

**Exhibit 23**  
**Redwood Technology Center Hotel**  
**Economic Impact Annual Operational Assumptions**  
**2019 Dollars**

Category	Annual Amount
<b>Petaluma Resident Hotel Employee Earnings (1)</b>	
All Hotel Employee Earnings	\$573,319
Percent of Workers Assumed Living in Petaluma	39.5%
Aggregate Income of Hotel Workers Living in Petaluma	<u>\$226,552</u>
<b>Project Hotel Employee Daytime Retail Spending (2)</b>	
<i>All Daytime Spending</i>	
Restaurants	\$14,000
Groceries	\$10,000
All Other Goods and Services	\$44,000
Total	<u>\$68,000</u>
<i>Percent Living Outside Petaluma (3)</i>	60.5%
<i>Non-Resident Hotel Employee Daytime Spending</i>	
Restaurants	\$8,468
Groceries	\$6,048
All Other Goods and Services	\$26,613
Total	<u>\$41,129</u>
<i>Percent of Spending Captured in Petaluma (4)</i>	60%
<i>Petaluma Capture of Non-Resident Employee Daytime Spending (Taxable and Nontaxable)</i>	
Restaurants	\$5,081
Groceries	\$3,629
All Other Goods and Services	\$15,968
Total	<u>\$24,678</u>
<b>Hotel Guest Spending in Petaluma</b>	
Lodging Costs (5)	\$5,314,400
Meals & Incidentals (6)	\$884,349

Sources: US Bureau of the Census, American Community Survey, "Table B08008: Sex of Workers by Place of Work--Place Level - Universe: Workers 16 years and over, 2017 American Community Survey 5-Year Estimates, 2013-2017", City of Petaluma; and ALH Urban & Regional Economics.

(1) See Exhibit C-7 for estimated average hotel employee wage and Exhibit 1 for number of hotel workers. The number of workers was multiplied by 39.5%, comprising the average share of Petaluma's employment base over the n 2013-2017 time period estimated to both live and work in Petaluma, per the American Community Survey.

(2) See Exhibit C-7 for estimated per hotel employee spending on daytime retail.

(3) This is the inverse of the percent of employees estimated to live in Petaluma.

(4) See Exhibit 14.

(5) See Exhibit 17.

(6) See Exhibit 15.

## APPENDIX C: SUPPORT EXHIBITS

**Exhibit C-1  
City of Petaluma Taxable Sales Estimate (1)  
2016**

<b>Type of Retailer</b>	<b>Total Taxable Sales City of Petaluma</b>	<b>City of Petaluma Taxable Sales Adjusted to Total Retail</b>
Motor Vehicles & Parts Dealers	\$150,094,427	\$294,261,412
Home Furnishings & Appliance Stores	\$35,100,046	\$21,569,480
Building Materials & Garden Equip .	\$51,971,046	\$70,011,273
Food & Beverage Stores	\$53,556,738	\$78,531,403 (2)
Gasoline Stations	\$105,563,788	\$84,591,517
Clothing & Clothing Accessories Stores	\$129,102,631	\$92,081,886
General Merchandise Stores	\$109,839,792	\$56,953,924 (3)
Food Services & Drinking Places	\$219,390,048	\$133,465,794
Other Retail Group	\$66,644,281	\$96,722,074 (4)
<b>Total (5)</b>	<b>\$921,262,797</b>	<b>\$928,188,763</b>
<b>Percent Taxable</b>	<b>99%</b>	

Sources: California State Board of Equalization (BOE), "Taxable Sales in California (Sales & Use Tax)" reports, for 2016, Table 4; U.S. Economic Census, "Retail Trade: Subject Series - Product Lines: Product Lines Statistics by Kind of Business for the United States: 2007"; and ALH Urban & Regional Economics.

(1) Taxable sales are pursuant to reporting by the State of California Board of Equalization (BOE).

(2) Sales for Food and Beverage Stores have been adjusted to account for non-taxable sales; only 30.0% of all food store sales are estimated to be taxable.

(3) Sales for General Merchandise Stores have been adjusted to account for non-taxable food sales, since some General Merchandise Store sales include non-taxable food items. ALH Urban & Regional Economics estimates that at least 25% of General Merchandise sales are for grocery items that are also non-taxable. This estimate is based on analysis of the 2007 U.S. Economic Census, which attributes 26% of General Merchandise Stores sales to food.

(4) Sales for Other Retail Group have been adjusted to account for non-taxable drug store sales, since drug store sales are included in the Other Retail Group category. ALH Urban & Regional Economics estimates that 33.0% of drug store sales are taxable, based on discussions with the California BOE and examination of U.S. Census data. In the State of California, drug store sales in 2016 represented approximately 14.3% of all Other Retail Group sales. ALH Urban & Regional Economics applied that percentage and then adjusted upward for non-taxable sales.

(5) Totals may not add up due to rounding.

Exhibit C-2  
City of Petaluma  
Retail Demand, Sales Attraction, and Spending Analysis (1)  
2016

Type of Retailer	Per Household		City of Petaluma Household		City of Petaluma Sales (3)	Retail Sales Attraction/(Leakage)	
	Spending (2)	Sales (3) (4)	Spending (4)	Sales (4)		Amount	Percent
Motor Vehicles & Parts Dealers	\$4,789	\$13,318	\$105,823,641	\$294,261,412	\$188,437,771	64.04%	
Home Furnishings & Appliance Stores	\$1,701	\$976	\$37,579,912	\$21,569,480	(\$16,010,432)	-42.60%	
Building Materials & Garden Equip.	\$2,004	\$3,169	\$44,274,501	\$70,011,273	\$25,736,772	36.76%	
Food & Beverage Stores	\$5,246	\$3,554	\$115,918,472	\$78,531,403	(\$37,387,069)	-32.25%	
Gasoline Stations	\$2,461	\$3,829	\$54,369,601	\$84,591,517	\$30,221,916	35.73%	
Clothing & Clothing Accessories Stores	\$2,257	\$4,168	\$49,877,957	\$92,081,886	\$42,203,929	45.83%	
General Merchandise Stores	\$3,659	\$2,578	\$80,839,664	\$56,953,924	(\$23,885,740)	-29.55%	
Food Services & Drinking Places	\$4,464	\$6,041	\$98,623,005	\$133,465,794	\$34,842,789	26.1%	
Other Retail Group	\$4,004	\$4,378	\$88,470,655	\$96,722,074	\$8,251,419	8.5%	
<b>Total</b>	<b>\$30,585</b>	<b>\$42,009</b>	<b>\$675,777,408</b>	<b>\$928,188,763</b>	<b>\$252,411,355</b>	<b>27.2%</b>	

Source: US Census, American Community Survey (ACS), "S1901: Income in the Past 12 Months (In 2016 Inflation-Adjusted Dollars)" 2016 American Community Survey 5-Year Estimates, 2012-2016; and ALH Urban & Regional Economics.

- (1) All figures are expressed in 2016 dollars.
- (2) The per household spending estimates for the City of Petaluma were generated by ALH Urban & Regional Economics by taking the estimated average 2016 area household income figure of \$100,638 from the ACS and multiplying by 30%, utilizing the assumption that 30% of household income is spent on BOE type retail. This figure was then multiplied by the percentages calculated from the ratio of the BOE sales for the State of California. See Exhibit C-4.
- (3) See Exhibit C-1.
- (4) Represents per household spending multiplied by the respective household count for the City of Petaluma of 22,095.
- (5) Building Materials and Garden Equipment includes hardware stores, plumbing and electrical supplies, paint and wallpaper products, glass stores, lawn and garden equipment, and lumber.
- (6) Other Retail Group includes drug stores, health and personal care, pet supplies, gifts, art goods and novelties, sporting goods, florists, musical instruments, stationary and books, office and school supplies, second-hand merchandise, and miscellaneous other retail stores.

**Exhibit C-3  
Property Tax In-Lieu of Vehicle License Fees  
City of Petaluma  
2005 - 2017 Actual, 2018 and 2019 Projected**

<b>Year</b>	<b>Amount</b>	<b>Annual Increase</b>
<b>Data Reported by State Controller's Office</b>		
2005	\$2,990,624	NA
2006	\$2,826,788	0.945216784
2007	\$3,894,618	1.377753832
2008	\$3,991,370	1.024842488
2009	\$4,034,880	1.010901019
2010	\$3,966,598	0.983077068
2011	\$3,896,644	0.982364233
2012	\$3,811,282	0.978093457
2013	\$3,681,491	0.965945579
2014	\$3,843,977	1.044135922
2015	\$4,197,268	1.091907678
2016	\$4,286,408	1.021237624
2017	\$4,723,452	1.101960429
Four-year average (1)		1.06428745
<b>Projection</b>		
2018	\$5,027,111 (2)	1.06428745
2019	\$5,350,291 (2)	1.06428745

Sources: State of California Controller's Office, [https://cities.bythenumbers.sco.ca.gov/#!/year/2005/revenue/0/line\\_description/Property+Tax+In-Lieu+of+Vehicle+License+Fees\\_General+Revenues/0/entity\\_name/Petaluma/0/subcategory\\_1](https://cities.bythenumbers.sco.ca.gov/#!/year/2005/revenue/0/line_description/Property+Tax+In-Lieu+of+Vehicle+License+Fees_General+Revenues/0/entity_name/Petaluma/0/subcategory_1); and ALH Urban & Regional Economics.

(1) Reflects the average annual increase following the Great Recession, once the overall amount began consistently trending upward, for years 2013 to 2017.

(2) Projection based upon the four-year average annual increase.

Exhibit C-4  
 Actual and Projected City of Petaluma Assessed Valuation  
 Fiscal Years Ended 2013-2017 Actual, 2018 & 2019 Projected

Fiscal Year Ended	Secured Property		Unsecured Property		
	Amount	Average Annual Growth Rate	Amount	Average Annual Growth (2012-2016)	Total
2013	\$5,477,796,006	NA	\$168,897,988	NA	\$5,646,693,994
2014	\$5,768,548,728	5.31%	\$157,239,152	-6.90%	\$5,925,787,880
2015	\$6,260,163,954	8.52%	\$185,028,198	17.67%	\$6,445,192,152
2016	\$6,029,133,776	-3.69%	\$177,624,704	-4.00%	\$6,206,758,480
2017	\$7,102,508,869	17.80%	\$169,672,532	-4.48%	\$7,272,181,401
<b>Compound Annual Average, 2013-2017 (1)</b>					
		6.71%		0.11%	
2018 (2)	\$7,579,023,718	6.71%	\$169,866,722	0.11%	\$7,748,890,440
2019 (2)	\$8,087,508,453	6.71%	\$170,061,135	0.11%	\$8,257,569,587

Sources: City of Petaluma, Comprehensive Annual Financial Report For the year ended June 30, 2017, Prepared by the Finance Department, page 145; and ALH Urban and Regional Economics.

- (1) Given the uneven rates of annual growth, a 4-year trend is annualized to estimate the annual average rate of growth.
- (2) The assessed valuations for the fiscal years ended 2018 and 2019 are projected by ALH Urban & Regional Economics by using the average growth rate for the assessed valuations from the preceding four years and applying it to the value for fiscal year ended 2017 to project 2018, and to the value for fiscal year ended 2018 to project 2019.

**Exhibit C-5**  
**Average Annual Estimated Daytime Retail Spending**  
**Office Workers in Suburban Locations**  
**2019 Dollars (1)**

Category of Spending (2)	Weekly Spending		Annual Spending	
	Suburban Locations	Suburban Ample Locations (3)	Suburban Locations	Suburban Ample Locations (3)
Full-Service Restaurants and Fast Food	\$34.30	\$69.98	\$1,783.58	\$3,118.83
Goods and Services				
Groceries	\$25.65	\$44.85	\$1,333.67	\$2,332.10
All Other (4)	\$114.19	\$199.68	\$5,937.86	\$10,383.14
<b>Total</b>	<b>\$174.14</b>	<b>\$304.50</b>	<b>\$9,055.11</b>	<b>\$15,834.08</b>
<b>Taxable (5)</b>	<b>\$156.18</b>	<b>\$273.11</b>	<b>\$8,121.54</b>	<b>\$14,201.61</b>
	90%	90%	90%	90%

Sources: International Council of Shopping Centers "Office-Worker Retail Spending in a Digital Age"; United States Bureau of Labor Statistics, CPI for Urban West; and ALH Urban & Regional Economics.

(1) The data were reported for 2011. ALH Urban & Regional Economics inflated the figures to December 2018, as a proxy for 2019, by using the Urban West CPI Index, with adjustments from January 2011 to December 2019, resulting in a 1.19% (rounded) adjustment.

(2) Excludes spending on transportation and online purchases.

(3) Reflects an increase in spending by office workers in location with more ample retail, restaurant, and services offerings in the vicinity of the office building, such as major shopping centers. This adjustment is based upon analysis reflected in the cited International Council of Shopping Centers source document. In suburban locations the increment was approximately 75% more.

(4) All other includes a range of retail purchases, such as personal care shops, office supplies, department stores, drug stores, electronics, jewelry stores, entertainment, clothing, and other goods.

(5) Sales for Groceries have been adjusted to account for non-taxable sales; only 30.0% of all food store sales are estimated to be taxable.



Exhibit C-6  
Annual Average Salaries for Office-Using Industries  
Sonoma County  
2016, in 2019 Dollars

NAICS Code	Industry Code Description (1)	Number of Employees	Annual Payroll	Avg. Salary (2016)	Avg. Salary (2019) (2)
<b>Office-Using Sectors</b>					
51	Information	2,976	\$193,263,000	\$64,941	
52	Finance & insurance	6,285	\$553,449,000	\$88,059	
53	Real estate and rental and leasing	2,829	\$137,997,000	\$48,779	
54	Professional, scientific, and technical services	8,973	\$609,659,000	\$67,944	
55	Management of companies and enterprises	2,543	\$238,932,000	\$93,957	
56	Administrative and support and waste mgmt and remediation services	10,881	\$451,340,000	\$41,480	
	<b>Combined - Total</b>	<b>34,487</b>	<b>\$2,184,640,000</b>	<b>\$63,347</b>	<b>\$67,640</b>
	<b>Combined - Excluding Low and High Outliers (3)</b>	<b>21,063</b>	<b>1,494,368,000</b>	<b>\$70,948</b>	<b>\$75,756</b>

Sources: United States Census Bureau, County Business Patterns, Sonoma County 2016; U.S. Department of Labor, Consumer Price Index, West Urban through December 2018; and ALH Urban & Regional Economics.

- (1) Some sectors include duplicate industries due to overlap in potential employee employment categories.
- (2) Inflated to 2019 based upon CPI for July 2016 (mid-year 2016) and December 2018, as a proxy for January 2019. Inflation factor is 1.0678.
- (3) The low and high outliers are excluded to result in a more moderate income estimate.

**Exhibit C-7**  
**Redwood Technology Center Hotel**  
**Retail Demand Generated by Project Hotel Employees**  
**2019 Dollars**

Spending Category	Employee Type	
	Office	Hotel
<b>Average Wage (1)</b>		
Annual Average Wage	\$75,800 (1)	\$28,666 (2)
Wage Benchmarked to Office Wage (3)	100%	38%
<b>Average Annual Spending (4)</b>		
Restaurants/Fast Food	\$1,800	\$700
Groceries	\$1,300	\$500
All Other	\$5,900	\$2,200
Total Spending	\$9,000	\$3,400
Taxable Spending (5)	\$8,100	\$3,000

Sources: United States Census Bureau, County Business Patterns, Sonoma County 2016; and ALH Urban & Regional Economics.

(1) See Exhibit C-6 for office worker wage. Figure rounded to the nearest \$100.

(2) See Exhibit 13 for the weighted average annual earnings estimate for the Redwood Technology Center Hotel employees.

(3) Wages are benchmarked relative to office wages, since workers are assumed to make retail purchases in a pattern similar to office workers, but in proportion to their wages relative to office worker wages.

(4) See Exhibit C-5. Figures rounded to the nearest \$100.

(5) Assumes 90% of sales are taxable. See Exhibit C-5. Figures rounded to the nearest \$100.

## APPENDIX D: ECONOMIC IMPACT ANALYSIS OVERVIEW

The impact of a real estate development project on the local economy is greater than the total of the spending on construction as well as the retail spending and other spending by project households, employees, and visitors. This is because money spent by the developer or the others associated with the project is spent again by the local retailers and vendors. For example, retailers purchase supplies and services locally and hire employees, who also spend their salaries and wages throughout the local economy. A chain reaction of indirect and induced spending continues, with subsequent rounds of additional spending gradually diminished through savings, taxes, and expenditures made outside the immediate region. This economic ripple effect is measured by what is known as an "Input-Output" economic model that examines relationships within an economy, both between businesses and between businesses and final consumers. Economic impacts are typically estimated using multipliers for jobs, personal income and output. These multipliers quantify the total production requirements for each industry within the selected study area for each unit of production sold to final consumers. Indirect multipliers measure the impact of industries in the region buying goods and services from other industries in the region in terms of the portion of each dollar spent (on construction or by households in this case) that is re-spent within the local economy. Induced multipliers are used to measure the portion of employee payroll that is re-spent in the local economy on household purchases, supporting additional jobs and personal income.

The secondary impacts of supplier expenditures and employee spending are called multiplier effects. Multiplier effects are a way of representing the larger economic effects on the local economy. The multiplier effects translate an increase in output (loosely defined for service industries as the cost of labor plus the cost of inputs plus profits) into a corresponding increase in jobs and personal income. In essence, the multiplier effect represents the recycling of local spending. This recycling process creates new business opportunities.

The types of economic impacts typically measured by multipliers are as follows:<sup>9</sup>

- Direct impacts refer to impacts from the economic activities associated with the Project.
- Indirect impacts measure output (gross sales), jobs, and labor income associated with the business and organizations that support the project's activities.
- Induced impacts accrue when employees of project businesses and indirect industry employees spend their wages on local goods and services. These expenditures in turn stimulate other sectors in the local economy.

There are several input-output models used by economists to estimate multiplier effects. ALH Economics used the IMPLAN input-output model to develop the estimates of Project output, jobs, and personal income impacts. IMPLAN is a simple, yet robust tool and is currently used by a large number of state and federal government agencies, colleges and universities, non-profit organizations, corporations, and business development and community planning organizations and is the most widely employed and accepted regional economic analysis software for predicting economic impacts.

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<sup>9</sup> Indirect impacts are the changes in inter-industry purchases as they respond to new demands of directly affected industries. Induced impacts typically reflect changes in spending from households as income increases or decreases due to changes in production.

IMPLAN multipliers indicate the ratio of direct impacts to indirect and induced impacts, or total impacts. For example, an output multiplier of 0.25 indicates that \$1.00 dollar of direct spending generates an additional \$0.25 in indirect and induced spending. Put differently, a spending multiplier of 0.25 can be interpreted as indicating that \$1.00 of direct spending generates total spending of \$1.25. In the case of employment impacts, the multipliers measure the number of full-time equivalent (FTE) jobs supported by \$1 million in direct spending, e.g., an employment multiplier of 10 indicates that \$1 million in spending generates 10 indirect and induced FTE jobs.

Resolution No. 2008-189 N.C.S.  
of the City of Petaluma, California

**ESTABLISHING A POLICY AND PROCEDURE  
FOR THE PREPARATION, REVIEW AND USE OF  
“FISCAL AND ECONOMIC IMPACT ASSESSMENTS”  
FOR SPECIFIED DEVELOPMENT PROJECTS  
IN THE CITY OF PETALUMA**

**WHEREAS**, in 2008, the City of Petaluma adopted General Plan 2025 (“General Plan”), which included an entire chapter on economic health and sustainability (Chapter 9); and,

**WHEREAS**, Goal 9-G-1 of the General Plan is to “establish a diverse and sustainable local economy that meets the needs of the community’s residents and employers;” and,

**WHEREAS**, policies and programs under Goal 9-G-1 of the General Plan focus on attaining a diverse and sustainable local economy, including Policy 9-P-2 concerning ensuring that new commercial development will have a net positive impact on the community; and,

**WHEREAS**, Program “A” of General Plan Policy 9-P-2 recommends that the City consider the need for a “fiscal/economic analysis, as a component of the project’s entitlement process, of the impacts on Petaluma’s economy, existing businesses, local workforce and city finances” when reviewing commercial development proposals; and,

**WHEREAS**, on June 16, 2008, the City Council held a discussion regarding the means by which the City could begin to implement the various General Plan policies and programs related to the goal of establishing a diverse and sustainable local economy; and,

**WHEREAS**, the City Council's June 16, 2008, discussion of general plan economic policies concluded with City Council support for completion of a City-wide economic development strategy, and an immediate requirement for certain commercial uses of a given size and type that are particularly likely, given their size and nature, to have significant impacts on the local economy, to prepare a “fiscal and economic impact assessment” pursuant to Program “A” of Policy 9-P-2 prior to the granting of any required land use entitlements; and,

**WHEREAS**, on July 7, 2008, and August 4, 2008, the City Council considered and received public comment on proposed policies and procedures for the preparation and review of fiscal and economic impact assessments;

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Petaluma as follows:

**1. Recitals Made Findings.**

The above recitals are hereby declared to be true and correct and incorporated in this resolution as findings of the City Council of the City of Petaluma.

## **2. Fiscal and Economic Impact Assessment Policy Established.**

The City Council of the City of Petaluma hereby establishes this policy and procedure for the preparation, review and use of Fiscal and Economic Impact Assessments (“FEIAs”) for specified development projects within the City of Petaluma (“City”). The purpose of this policy and procedure is to provide an objective evaluation of the potential economic impacts of specified retail/commercial projects within the City. Such evaluation, together with all other available information in the public record, is intended to help the decision making body determine project consistency with General Plan economic goals, policies and programs, including Policy 9-P-2 concerning ensuring new commercial development will have a net positive impact on Petaluma’s economy, existing businesses, city finances and quality of life.

This policy and procedure implements General Plan Program 9-P-2 (A), regarding consideration of the need when reviewing commercial development proposals over a specific size in building area per occupant, to obtain a fiscal/economic analysis of the impacts on Petaluma’s economy, existing businesses, local workforce and city finances as a component of the project’s entitlement process. FEIAs required pursuant to this resolution may also be used as appropriate by project applicants, the City Council, the Petaluma Community Development Commission, and City staff to assist in identifying projects that may merit City and/or Commission assistance, such as through negotiation of development agreements, direct Commission assistance for eligible projects, and other assistance.

## **3. Covered Projects and Time for Submission of FEIAs**

Any applicant for a “General Retail,” “Grocery,” “Hotel,” or “Building and Landscape Materials” use, as defined by the City of Petaluma Zoning Ordinance, as amended from time-to-time, that standing alone, or in combination with any other uses, has a total floor area (including, where applicable, the area used for outdoor sales) of 25,000 square feet or more of “General Retail,” “Grocery,” “Hotel,” and/or “Building and Landscape Materials” uses shall be required to prepare and submit an FEIA to the City for consideration in accordance with this resolution. To the maximum extent permitted by law, this requirement shall apply to any new development or any redevelopment, as defined in California Health and Safety Code Sections 33020 and 33021 as amended from time to time, that meets the use and size requirements specified in this section. Subject to applicable law, FEIAs in accordance with this resolution must be submitted to the City for consideration prior to the granting of any required land use entitlements for the project

If current economic impact assessment information already exists for a project, and that information analyzes and discusses one or more of the FEIA factors identified in Section 6(a-g) of this resolution, then that existing information may be used by the City or its consultants in the preparation of the FEIA. The City may elect to obtain peer review of existing economic impact assessment information. The source for all data and studies relied upon by the FEIA shall be identified, including materials submitted by the applicant and/or the public.

## **4. Preliminary Information Required from Applicants**

Prior to commencing an FEIA, applicants for projects subject to this resolution shall submit to the City the following information in a form acceptable to the City:

- a. Complete applicant and project manager contact information.

b. Descriptions of proposed uses, where those uses are known, by area (square footage), owner(s), and tenancies. Where owner(s), tenancies and/or users are not known, reasonable assumptions regarding proposed types of retail users (e.g., home electronics, furniture, clothing, etc.) may be substituted.

## **5. FEIA Costs**

Applicants for projects subject to this resolution shall be responsible for all costs associated with the preparation, administration and processing of the FEIA, including the cost of consulting services, noticing, and any subsequent analysis in accordance with this resolution. Applicants shall file with the City a deposit against Consultant costs for the preparation of the FEIA and the City's administration and processing costs in an amount to be determined by the City. To avoid delayed FEIA preparation and processing, applicants must update deposits when and as directed by the City.

## **6. FEIA Contents**

FEIAs shall analyze and discuss each of the following factors in sufficient detail to assist City officials and bodies responsible for project review and entitlement determinations in assessing project consistency with General Plan economic goals, policies and programs, including whether the project will have a net positive impact on Petaluma's economy, existing businesses, City finances and quality of life in accordance with Policy 9-P-2 of the General Plan and this resolution. . FEIAs shall include a separate section on each of the factors and a summary discussion on potential impacts to the local economy. For each factor, FEIAs shall analyze project impacts for a five-year period from the estimated completion of the project. FEIAs required pursuant to this resolution may analyze and discuss in addition to the following factors, any additional factors or information an applicant deems important or relevant for a meaningful assessment of the project's economic impact.

a. The existing local retail market conditions for market sectors proposed for the project, including project primary and significant secondary market sectors , leakage of sales to other communities in those market sectors, regional market competition in the project market sectors, and population, demographic and related data for the project market sectors.

b. Estimated retail sales by project retail sectors or merchandise categories per square foot, including estimated captured leakage.

c. Current and estimated retail supply and demand for each project retail sector or merchandise category.

d. The following estimated employment characteristics: i) the estimated number and type of jobs, including construction related, permanent, part-time and full-time of the proposed project for the period covered by the FEIA; ii) whether the proposed project will result in significantly increased or decreased permanent part-time jobs (35 hours or less per week), or permanent full-time jobs (more than 35 hours per week), or a combination of permanent and full-time jobs compared to or using applicable local or regional employment projections, such as those from the Association of Bay Area Governments ("ABAG") for Petaluma for the period covered by the FEIA; iii) estimated employee wages, benefits, and employer contributions for the proposed project compared with or using relevant data for the Petaluma community, such as living wages established in the Petaluma Municipal Code, or California Employment

Development Department occupational wage data for the Santa Rosa-Petaluma Metropolitan Statistical Area for the period covered by the FEIA.

e. The estimated impacts of the proposed project on existing retail businesses, including the potential for opportunities for business renewal and growth due to new businesses locating in the Petaluma community, as well as the potential for negative impacts such as reduced sales or closures.

f. The estimated project impacts on current and projected public revenues, including: sales tax, use tax, base property tax, tax increment, transient occupancy tax, development fee proceeds, benefit assessments, land dedication, exactions, developer-funded improvements, and other public revenue benefits.

g. The estimated cost of public contributions, services and infrastructure required by the project, including: tax rebates or refunds, land right-downs, below market or contingent loans, site acquisition or preparation costs, fee waivers or payments, and unfunded infrastructure and public improvement costs, and whether the estimated project public revenues will equal or exceed estimated project public contribution, services, and infrastructures costs.

## **7. FEIA Preparation**

Consultants preparing FEIAs must be designated or approved by the City. Project applicants may propose FEIA consultants. City staff will coordinate with project applicants and FEIA consultants to avoid conflicts among FEIAs that are being prepared at the same time, or that involve related or overlapping market studies, or that otherwise could conflict.

## **8. Treatment of FEIA and Other Project Information**

The contents of FEIAs, and other project information supplied in accordance with this resolution, will be available to members of the public, except to the extent such information is exempt from disclosure or the disclosure of such information is prohibited pursuant to the California Public Records Act and/or other applicable law.

## **9. Notice of FEIA Availability and Council Hearing on FEIA**

Upon receipt of the completed FEIA, the Community Development Department shall provide a public notice of its completion and availability for public review. Notice shall be provided in the form of a one-eighth page display advertisement in the City's adjudicated newspaper of general circulation, and by mail to all property owners and residents within 1,000 feet of the project site and to all others that have requested such notice in writing. Additional information shall be provided on the City's website and at designated City facilities. The notice shall appear at least thirty days prior to the City Council hearing on the FEIA. The notice shall contain the time and place of the City Council hearing on the FEIA.

## **10. City Council Hearing and Use of FEIAs**

Before a project subject to this resolution is granted any required land use entitlements, the City Council will hold a public hearing, noticed in accordance with Section 9, to consider and discuss the FEIA and the project, and to permit project applicants, FEIA consultants, and the public to comment on the FEIA and the project. The FEIA hearing before the City Council is not intended



to require or result in separate findings, conclusions or approvals regarding a project. The purpose of the Council FEIA hearing is to have public discussion of project FEIAs with the City Council, applicants and the public before required project land use entitlements are granted.

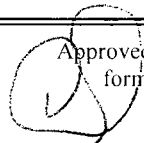
The City officials and/or bodies responsible for project review and entitlement determinations shall, in the normal course of their project review and entitlement determination responsibilities, use the FEIA to assist them in determining project consistency with General Plan economic goals, policies and programs, including whether the project will have a net positive impact on Petaluma's economy, existing businesses, city finances and quality of life. In the normal course of their project review and entitlement determination responsibilities and after due consideration of the information, analysis and conclusions contained in the FEIA, the City officials and/or bodies responsible for project review and entitlement determinations may accept and adopt the information, analysis, and conclusions of the FEIA as findings of the officials or bodies in support of their action concerning the project. However, nothing in this resolution requires reviewing bodies to make findings concerning project consistency with the General Plan economic goals, policies and programs separate from or in addition to findings required by law or that are part of the City's existing entitlement process.

**11. No Private Right of Action**

Nothing in this resolution creates or shall be construed as creating a private right of action.

Under the power and authority conferred upon this Council by the Charter of said City.

**REFERENCE:** I hereby certify the foregoing Resolution was introduced and adopted by the Council of the City of Petaluma at a Regular meeting on the 6<sup>th</sup> day of October, 2008, by the following vote:

Approved as to form:  
  
\_\_\_\_\_  
City Attorney


**AYES:** Barrett, Harris, Nau, Vice Mayor Rabbitt, Mayor Torliatt

**NOES:** Freitas, O'Brien

**ABSENT:** None

**ABSTAIN:** None

**ATTEST:**   
\_\_\_\_\_  
City Clerk

  
\_\_\_\_\_  
Mayor