

**ADJOURNED REGULAR MEETING OF THE
SONOMA CITY COUNCIL**

**Community Meeting Room, 177 First Street West
Sonoma CA 95476**



**Monday, August 12, 2013
6:00 p.m.**

AGENDA

City Council
Ken Brown, Mayor
Tom Rouse, Mayor Pro Tem
Steve Barbose
David Cook
Laurie Gallian

Be Courteous - **TURN OFF** your cell phones and pagers while the meeting is in session.

OPENING

CALL TO ORDER & PLEDGE OF ALLEGIANCE
ROLL CALL (Rouse, Gallian, Cook, Barbose, Brown)

1. COMMENTS FROM THE PUBLIC

At this time, members of the public may comment on any item not appearing on the agenda. It is recommended that you keep your comments to three minutes or less. Under State Law, matters presented under this item cannot be discussed or acted upon by the City Council at this time. For items appearing on the agenda, the public will be invited to make comments at the time the item comes up for Council consideration. Upon being acknowledged by the Mayor, please step to the podium and speak into the microphone. Begin by stating and spelling your name.

2. COUNCILMEMBERS' COMMENTS AND ANNOUNCEMENTS

Item 2A: Councilmembers' Comments and Announcements

3. CITY MANAGER COMMENTS AND ANNOUNCEMENTS

4. REGULAR CALENDAR

(Matters requiring discussion and/or action by the Council)

Item 4A: Discussion, consideration and possible action to receive the Impact Reports as described in Elections Code section 9212 (and any others identified by the Council) of the proposed Hotel Limitation Measure. (City Manager)
Staff Recommendation: Receive reports

Item 4B: Discussion, Consideration and Possible Action on the Hotel Limitation Measure including:

- a. Adopt an Ordinance amending the Sonoma General Plan and Development Code, or**
- b. Adopt resolutions calling for a Special Election, and if so, identifying authors and signers of ballot argument and directing measure to City Attorney for impartial analysis. (City Manager)**

Staff Recommendation: Council direction.

Item 4C: Providing Information About a Ballot Measure by a Public Agency. (City Attorney)
Staff Recommendation: Receive the information.

5. COUNCILMEMBERS' FINAL REMARKS

Item 5A: Final Councilmembers' Remarks.

6. COMMENTS FROM THE PUBLIC

7. ADJOURNMENT

I do hereby certify that a copy of the foregoing agenda was posted on the City Hall bulletin board on August 9, 2013. GAY JOHANN, CITY CLERK

Copies of all staff reports and documents subject to disclosure that relate to any item of business referred to on the agenda are normally available for public inspection the Wednesday before each regularly scheduled meeting at City Hall, located at No. 1 The Plaza, Sonoma CA. Any documents subject to disclosure that are provided to all, or a majority of all, of the members of the City Council regarding any item on this agenda after the agenda has been distributed will be made available for inspection at the City Clerk's office, No. 1 The Plaza, Sonoma CA during regular business hours.

If you challenge the action of the City Council in court, you may be limited to raising only those issues you or someone else raised at the public hearing described on the agenda, or in written correspondence delivered to the City Clerk, at or prior to the public hearing.

In accordance with the Americans With Disabilities Act, if you need special assistance to participate in this meeting, please contact the City Clerk (707) 933-2216. Notification 48-hours before the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting.



CITY OF SONOMA
City Council
Agenda Item Summary

City Council Agenda Item: 4A

Meeting Date: 08/12/2013

Department

Administration

Staff Contact

Carol E. Giovanatto, City Manager

Agenda Item Title

Discussion, consideration and possible action to receive the Impact Reports as described in Elections Code section 9212 (and any others identified by the Council) of the proposed Hotel Limitation Measure.

Summary

The Initiative process allows for the preparation of reports which analyze the effects and impacts of the proposed ballot measure. Two impact reports have been prepared as follows:

- The first is a fiscal impact report prepared by Keyser Marsten Associates
 - The second report has been prepared in-house by City staff and discusses the initiative in terms of its relationship with the General Plan and Development Code, and other planning-related matters
-

Recommended Council Action

Receive reports

Alternative Actions

Do not receive reports

Financial Impact

Undetermined

Environmental Review

- Environmental Impact Report
- Negative Declaration
- Exempt
- Not Applicable

Status

- Approved/Certified
 - No Action Required
 - Action Requested
-

Attachments:

Supplemental Report

Fiscal Impact Summary [Exhibit A]

Keyser Marsten Associates Fiscal Impact Report

Existing Land Use Planning Policies Impact Report [Exhibit B]

cc:

SUPPLEMENTAL REPORT

Discussion, consideration and possible action to accept the Impact Reports as described in Elections Code section 9212 (and any others identified by the Council) of the proposed Hotel Limitation Measure

For the regular Council meeting held August 12, 2013

BACKGROUND: California Elections Code section 9212, provides that the “legislative body may refer the proposed initiative measure to any city agency or agencies for a report” on topics specific to the proposed initiative or on “any other matters the legislative body requests to be in the report”. That section also directs that “the report shall be presented to the legislative body within the time prescribed by the legislative body, but no later than 30 days after the elections official certifies to the legislative body the sufficiency of the petition”. At the direction of the Council, a report on the financial impacts of the initiative, if passed, was commissioned. That report is attached. In addition, the City’s Planning Director has prepared an analysis addressing the initiative’s relationship with the General Plan and the Development Code, and other planning related matters. The initiative prohibits new hotels of over 25 rooms (defined as “Large Hotels” in the ballot measure) and prohibits expansions of existing hotels to more than 25 rooms unless (a) in the year preceding the filing an application with the City for permission to build (or expand) such hotels Sonoma’s hotel room occupancy rate exceeded 80% and (b) the City finds that such development would not adversely affect the historic, small-town character of Sonoma. Under the initiative, bed and breakfast inns of more than five guest rooms are considered hotels and thus governed by the initiative’s restrictions. The initiative measure does not indicate why or how its proponents determined that a hotel having more than 25 rooms should subject proposals for such hotels to the special restrictions set forth in the initiative. The initiative measure does not indicate why or how its proponents determined that only when annual occupancy exceeds 80% should hotels with more than 25 rooms be allowed.

The presentation of the Impact analysis will be divided into two phases:

- The first report will be a fiscal impact report presented by Keyser Marsten Associates
- The second report has been prepared in-house by City staff and will discuss the initiative in terms of its relationship with the General Plan and the Development Code , and other planning-related matters

FISCAL IMPACTS: The first key impact is the provision to restrict the development of “Large Hotels”, as defined in the initiative, based on attaining a specified level of hotel occupancy. Following Council direction on July 15th, staff engaged the consultant Keyser Marston Associates [KMA] to prepare an analysis of fiscal impacts based solely on the proposed language of the initiative as submitted by proponents of the initiative. The City supplied to the Consultant the full Transient Occupancy Rate information contained in City records [beginning in 2000] and historical financial data. The analysis prepared by KMA focuses on the economic effects of placing a limitation on hotel growth as prescribed in the measure. The report includes an overview of the City’s lodging market, the occupancy rate experiences of other lodging markets and the implications of the initiative on lodging development opportunities in Sonoma. The report contains an analysis of the designation of the 80% annualized occupancy rate as set forth in the initiative, the feasibility of the City achieving the 80% occupancy rate and the comparability of that rate to industry standards. Staff has summarized the report in Attachment “A” including full impact report as prepared by KMA.

DEVELOPMENT IMPACTS: City Planning staff was asked to review the potential impacts to the City of Sonoma’s existing growth and planning policies including the General Plan, Development Code, Urban Growth Boundary and ability to seek public input and comments for proposed lodging property developments. Staff is to be acknowledged for their detailed review of the Ballot initiative and the unbiased nature of comparing existing City documents with the proposed revisions which would occur should the proposed ordinance be implemented.

General Plan: Staff detailed the modifications the ballot measure would make to the General Plan and included observations based on the revisions to the General Plan that would occur if the measure is approved by the voters. Staff observed with respect of certain elements of the General Plan, the policies introduced by the ballot measure would “arguably undercut the following policies of the Local Economic Element, namely,

“1.1 Focus on the retention and attraction of businesses that reinforce Sonoma’s distinctive qualities—such as agriculture, food and wine, history and art—and that offer high-paying jobs.

“1.5 Promote and accommodate year-round tourism that is consistent with the historic, small-town character of Sonoma.

“1.6 Ensure that city regulations do not unduly burden local business operation and development and provide incentives for business improvement.”

Community Development Elements: This element of the General Plan establishes an Urban Growth Boundary. Staff discusses the potential outcome of the implementation of the hotel initiative. Staff notes that while *the proposed “ballot measure appears to run counter to the objectives of . . . the Urban Growth Boundary. . . many other forms of commercial and residential development of equal or greater intensity than that of ‘Large Hotels’ would continue to be possible within city limits.”* Staff points to the ballot arguments submitted in support of the original Urban Growth Boundary initiative, which included:

- *Encourage efficient growth patterns and protect the City of Sonoma Quality of Life by concentrating future development largely within existing developed areas, consistent with the availability of infrastructure and services.*
- *Promote continued agricultural and open space uses lands outside of the Urban Growth Boundary.*
- *Prevent urban sprawl and shift city development from the developer to a citizen-driven process.*
- *Emphasize infill development and support a thriving downtown center.*

Development Pressure: The report speaks to “development pressure” and includes a 10-year history of applications received for lodging facilities [2003-2013]. Of the 25 applications received, only three applications have been made that meet the definition of a “Large Hotel” as used in the Ballot Measure. Of the three proposals, only one project was approved which was an expansion of an existing 19-room hotel to add 8 additional rooms effectively transitioning the lodging property from a “small hotel” to a “large hotel” (using the parlance of the Ballot Measure). The other two proposals were withdrawn. One proposal was withdrawn *“due to the concerns by the Planning Commission regarding the scale and intensity of the development”*; the second proposal was suspended at the request of the applicant.

Development Intensity: The initiative alleges that *“large hotels over 25 rooms create imposing developments....[and can] concentrate traffic and other services...”* Staff’s report points out that the existing Development Code regulates the scale, mass and intensity of development. Based on Trip

Generation studies, hotels are at the lower range of traffic generation among uses normally expected in commercial zoning districts.

Effect of the Ballot Measure: Staff concludes that based on the Keyser Marsten studies, if adopted, the hotel measure will have the effect of prohibiting -- into the indefinite future -- all hotels of over 25 rooms, and preclude the expansion of existing hotels to more than 25 rooms. Although staff naturally expresses difficulty in predicting the implications of such a prohibition on the future development of the City, it points out that had it been in place during the last several decades, MacArthur Place and Sonoma Lodge could never have been approved, and the establishment and expansions of Sonoma Valley Inn, El Pueblo Inn and Inn at Sonoma would not have occurred.

Comparison to Existing Planning Process: There are presently significant review and public input processes in place which must be adhered to as part of the City's consideration of any development application, including hotels. If the hotel measure is adopted, none of that process will be relevant. It will *"not be possible for the community and decision-making bodies...to weigh the circumstances of a particular proposal on a particular site."* This results in the *"public involvement being limited to the day of the vote."* As staff points out, *"the planning process does have the advantages of allowing for a case-by-case review of development applications as well as multiple opportunities for public input and participation."* Such a process allows the City to grow and develop in a way that is consistent with the evolving standards and objectives of the community, an evolutionary process that the hotel measure forecloses.

ATTACHMENT "A"

ASSESSMENT OF THE LARGE HOTEL GROWTH MANAGEMENT INITIATIVE'S POTENTIAL IMPACT ON DEVELOPMENT OPPORTUNITIES

~SUMMARY~

Sonoma's Lodging Market

- City currently has 39 lodging properties with a total of 527 rooms; 50% of the properties have no more than 3 rooms.
- Only five [5] lodging properties have more than 25 rooms but provide 78% of the total room supply; thirty four [34] remaining properties account for 22% of the room supply
- Approximately 40% of lodging properties have opened during the past 10 years
- In the past 10 years lodging properties have achieved an average annual occupancy rate of 62% with 2006 being the peak year for occupancy at 66%
- Since 2009 rates have been improving and properties achieved an average annual rate of 65% [in 2012]

Given the initiative's cap on the size of new hotels, KMA compared historic occupancy of properties with over 25 rooms and with less than 25 rooms.

- Properties with more than 25 rooms have consistently achieved a significantly higher average annual occupancy rate @ 64% over the past 10 years with a peak year in 2012 of 67%
- Properties with less than 25 rooms reflect an average annual occupancy rate @ 53% over the past 10 years with a peak year in 2012 of 58%

CONCLUSION: If the ballot measure is approved and the 25 room cap becomes effective, it is likely that new lodging development will continue to be comprised of independently operated small inns and hotels. The depth of the investor pools for these type properties is limited, these properties lack operating efficiencies and marketing advantages of larger properties.

Seasonal Demand on Average Annual Occupancy Rate

- City of Sonoma's lodging market is largely driven by leisure travelers with peak occupancy months being summer and fall "crush"
- Over a 10-year period, August, September and October have been peak months with an average occupancy rate of 77%
- 2011 and 2012, monthly occupancy exceeded 80% during only the month of September
- Occupancy rates decline sharply in the winter months to an average of 40% or less in December and January

CONCLUSION: Properties with 26+ rooms achieve a monthly occupancy rate in excess of 80% [only five lodging properties have more than 25 rooms] during the months of August, September and October. The monthly occupancy rate for lodging with less than 25 rooms has not exceeded 80% at any time during the 10-year period. The required 80% occupancy rate is likely not achievable with only small lodging properties.

Room Revenues

- The average daily room [ADR] revenue with 26+ rooms have historically been slightly less than properties averaging \$208; ADR of properties with up to 25 rooms was \$218

CONCLUSION: Because of their relatively higher occupancy rates, the amount of revenue per available room for properties 26+ rooms was higher at \$136 than smaller properties which was \$121 per room.

Transient Occupancy Taxes [TOT]

- TOT accounts for 21% of entire General Fund Budget
- TOT revenues are the second largest source of revenue to the City
- 83% of the TOT revenues are being generated by lodging properties with 26+ rooms
- In 2011/2012 the average room TOT for 25+ properties was \$4,980; smaller properties generated an average of \$4,420
- TOT generation by larger properties exceed smaller properties by 13%

NOTE: Transient Occupancy Tax receipts equate to 21% of total General Fund Revenue which supports the core services of the City of Sonoma [Police, Fire, Administration, Planning, Public Works and Community Activities]. 100% of TOT revenue is retained by the City and is not shared with County or State Governments.

CONCLUSION: Given that lodging properties with more than 25 rooms attain higher occupancy rates than smaller properties they also generate more TOT per room which sustains current services and supports increased public services.

Market Comparison

The Hotel Limitation Measure states, in part, that the Planning Commission would be prohibited from granting a use permit [for a hotel exceeding 25 rooms] unless it found that *“the annualized hotel room occupancy rate for the calendar year preceding the filing of the hotel application exceeds 80%”*

- Regional trend data indicates the average occupancy rate for market areas outside Sonoma in 2012 ranged from a low of 57% to a high of 71%
- Sonoma County properties averaged 70%
- In 2012, only three market areas achieved an annual occupancy rate of 80 % including New York [84%], San Francisco [83%] and Oahu [85%].

CONCLUSION: While the occupancy rate of Sonoma is somewhat below the other market comparisons, experiences of other markets provide further evidence of the inherent difficulty of tourist markets to attain an annual occupancy rate in excess of the 80% threshold identified in the initiative.

OVERALL CONCLUSION:

The overall conclusion of Keyser Marston:

“It is our professional judgment that it is highly unlikely that Sonoma’s existing lodging properties will achieve the 80% annual occupancy rate prescribed by the initiative. As a result, if the initiative is approved by the voters, it is unlikely that any hotels over 25 rooms will be built in the City of Sonoma.”

Key considerations:

- Lodging stock has not achieved the 80% threshold in any year during the past decade
- The stock’s peak annual rate of 66% is far below the initiative’s 80%
- Lodging demand in Sonoma is driven by seasonal leisure travel [i.e. tourism]

“Because of the inherent low occupancy rates during the low-tourist season and the concentration of demand during the weekends, it is very difficult for leisure lodging markets to achieve average annual occupancy rates in excess of 75%, even if the supply of new properties is constrained.”



KEYSER MARSTON ASSOCIATES

**ASSESSMENT OF THE LARGE HOTEL
GROWTH MANAGEMENT INITIATIVE'S POTENTIAL
IMPACT ON DEVELOPMENT OPPORTUNITIES**

Prepared for
City of Sonoma

Prepared by
Keyser Marston Associates, Inc.

August 2013

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Table 2: City of Sonoma Historic Average Monthly Lodging Occupancy Rates

Table 3: Sample Seasonal Leisure Markets Historic Occupancy Trends

Table 4: Lodging Occupancy Rates of U.S. Metropolitan Market

I. INTRODUCTION

Keyser Marston Associates, Inc. (KMA) has been retained by the City of Sonoma to evaluate the economic issues associated with the “large hotel growth management initiative” (The Hotel Limitation Measure) which may be brought forth to the voters in a November election. A key provision of the initiative is a limitation on the development of hotels over 25 rooms and the expansion of existing hotels to exceed a total of 25 rooms. Specifically, the initiative would amend the City’s General Plan to add the following Policy 5.10:

“Preserve Sonoma’s small-town character by managing the growth of new hotels. No new large hotel over 25 rooms, and no expansion of an existing hotel to exceed a total of 25 rooms, shall be permitted unless Sonoma’s annualized hotel room occupancy rate exceeds 80 percent. The City may permit a new large hotel or expansion of an existing hotel to exceed a total of 25 rooms if it determines that: (a) Sonoma’s existing annualized hotel room occupancy rate exceeds 80%; and (b) such approval will not adversely affect the historic small-town characteristics that give Sonoma its unique sense of place.”

The purpose of KMA’s analysis is to evaluate the impact that the initiative would have on the character of new hotel development and the expansion of existing hotels in the City given:

- The conditions of the lodging market in Sonoma;
- The experiences of other lodging markets in California; and
- The underwriting criteria of new institutional investment-grade lodging development

The data in this report regarding Sonoma’s hotel inventory, occupancy rates and transient occupancy tax revenue have been provided by the City of Sonoma. Information regarding other lodging markets is from data published by nationally recognized firms that specialize in collecting data on hospitality businesses. While KMA believes that these third party sources are reliable, we cannot guarantee their accuracy.

This report summarizes our review of current market conditions as well as our conclusions regarding the potential impacts of the initiative.

II. OVERVIEW OF CITY OF SONOMA'S LODGING MARKET

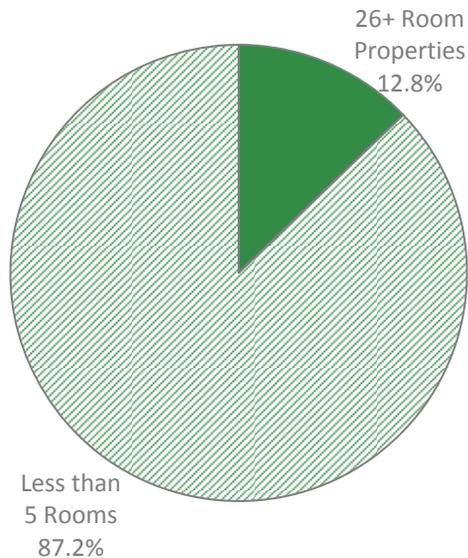
A. Existing Room Supply

The City of Sonoma is currently served by 39 lodging properties, offering a total of 527 rooms. With an average of 14 rooms per property and a median of only 3 rooms, the inventory is largely comprised of small, independently-operated inns and vacation rentals. Fifty percent (50%) of the properties have no more than 3 rooms. Only two properties are affiliated with national chains and The Lodge at Sonoma, with 182 rooms, is the only hotel with more than 100 rooms. Only five properties have more than 25 rooms, but provide 78% of the total room supply. Thirty-four of the 39 properties (87% of the properties) have fewer than 26 rooms, accounting for 22% of the total room supply. A summary of lodging by property size is below; a detailed inventory of lodging is provided in Table 1.

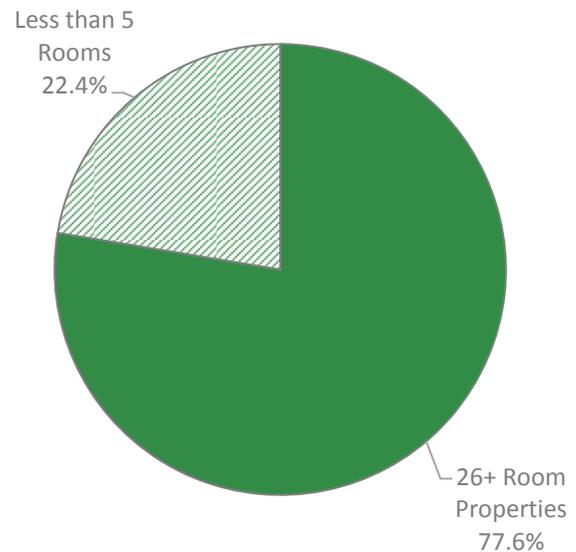
City of Sonoma Lodging Inventory by Property Room Count	1 to 25 Room Properties		26+ Room Properties		Total Properties	
Number of Properties / % of Total	34	87%	5	13%	39	100.0%
Number of Rooms / % of Total	118	22%	409	78%	527	100.0%
Average Room Count	3		82		14	
Median Room Count	2		64		3	

Source: City of Sonoma, July 2013

City of Sonoma
Distribution of Lodging Properties
by Size of Property



City of Sonoma
Distribution of Lodging Property Rooms by
Size of Property



Of the 35 properties with a known opening date, approximately 40% have opened during the past 10 years. These 15 properties offer 43 rooms, or 8% of the total room supply in the City of Sonoma. The Lodge at Sonoma, accounting for 35% of lodging rooms in Sonoma, was built in 2000.

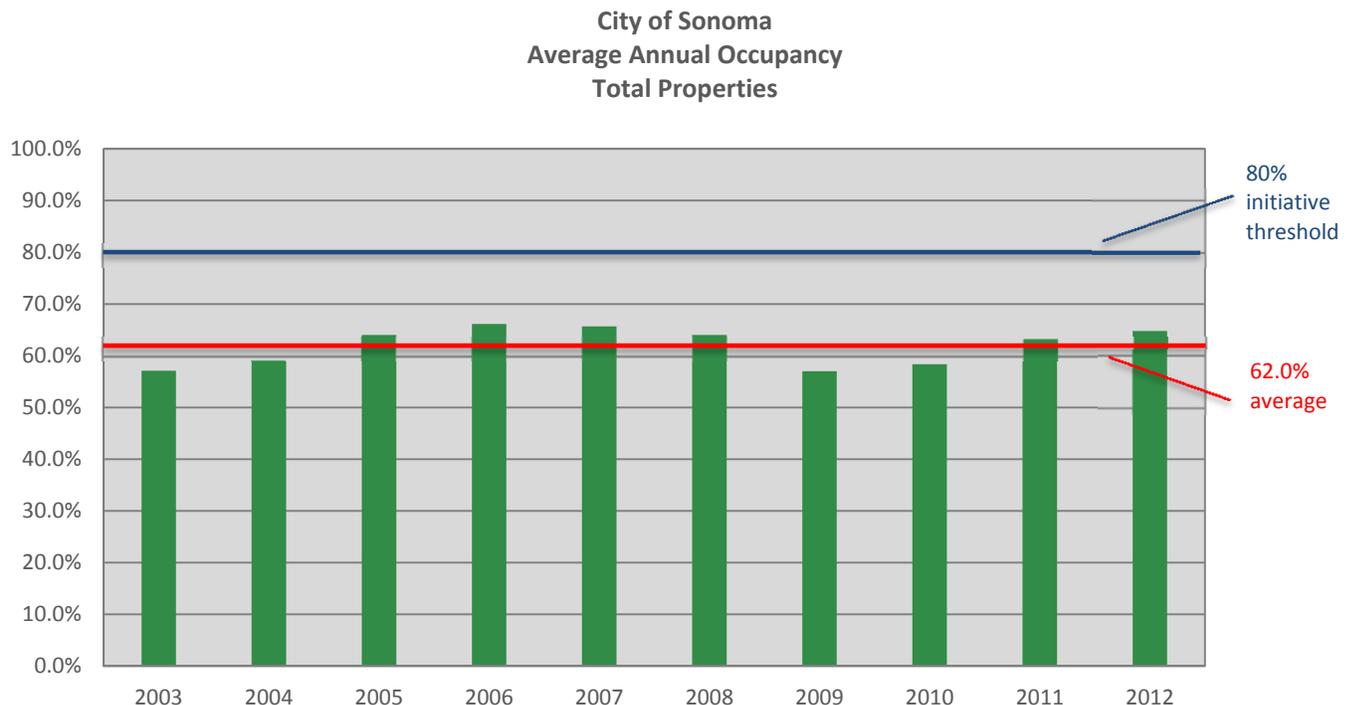
B. Occupancy Rates

1. Annual Occupancy Rates

As noted in the introduction to this report, the ballot initiative prohibits the development of new hotels with over 25 rooms unless the average annual occupancy rate achieved by Sonoma’s existing lodging inventory exceeds 80%. As detailed in Table 2 and summarized below, over the past 10 years, Sonoma’s lodging properties have achieved an average annual occupancy rate of 62%. As shown in the following chart, 2006 was the peak year for occupancy, when the average annual rate reached 66%. Rates dipped during the recent recession, reaching a low of 57% in 2009. Since then, rates have been improving and the properties achieved an average annual rate of 65% in 2012.

Average Annual Occupancy	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Avg
Total Properties	57%	59%	64%	66%	66%	64%	57%	58%	63%	65%	62%

Source: City of Sonoma, July 2013



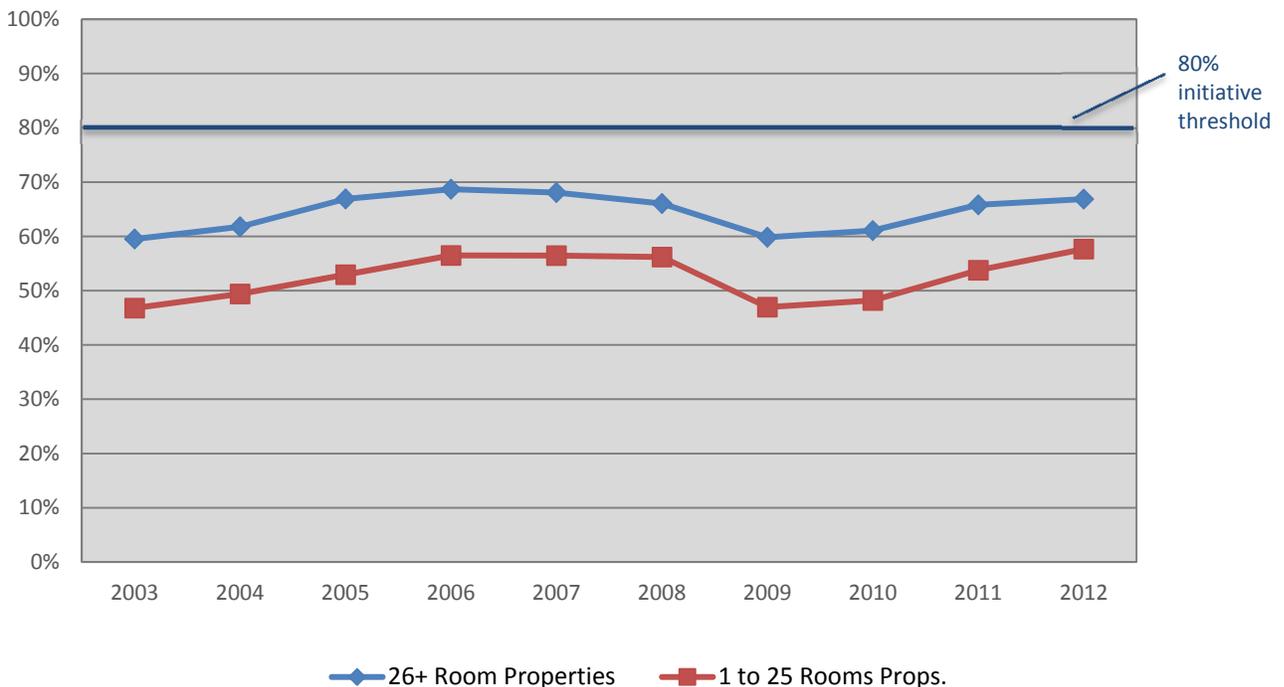
Given the initiative's cap on the size of new hotels, KMA has compared the historic occupancy rates of Sonoma's properties with over 25 rooms to the rates achieved by properties with 25 or fewer rooms. As shown in the following chart, the properties with more than 25 rooms have consistently achieved a significantly higher average annual occupancy rate than the properties with less than 26 rooms. The average annual rate for the 26+ room properties was 64% over the past 10 years, while the average annual rate for smaller properties was 53%. The peak occupancy rate for the small properties was 58%, which was reached in 2012. In comparison, the larger hotels achieved an average annual rate of 67% in 2012.

City of Sonoma Average Annual Lodging Occupancy Trends by Property Size

Average Annual Occupancy	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Avg
26+ Room Properties	60%	62%	67%	69%	68%	66%	60%	61%	66%	67%	64%
1 to 25 Rooms Props.	47%	49%	53%	56%	56%	56%	47%	48%	54%	58%	53%

Source: City of Sonoma, July 2013

**City of Sonoma
Average Annual Occupancy Rate
by Property Size**



2. Impact of Seasonal Demand on Average Annual Occupancy Rate

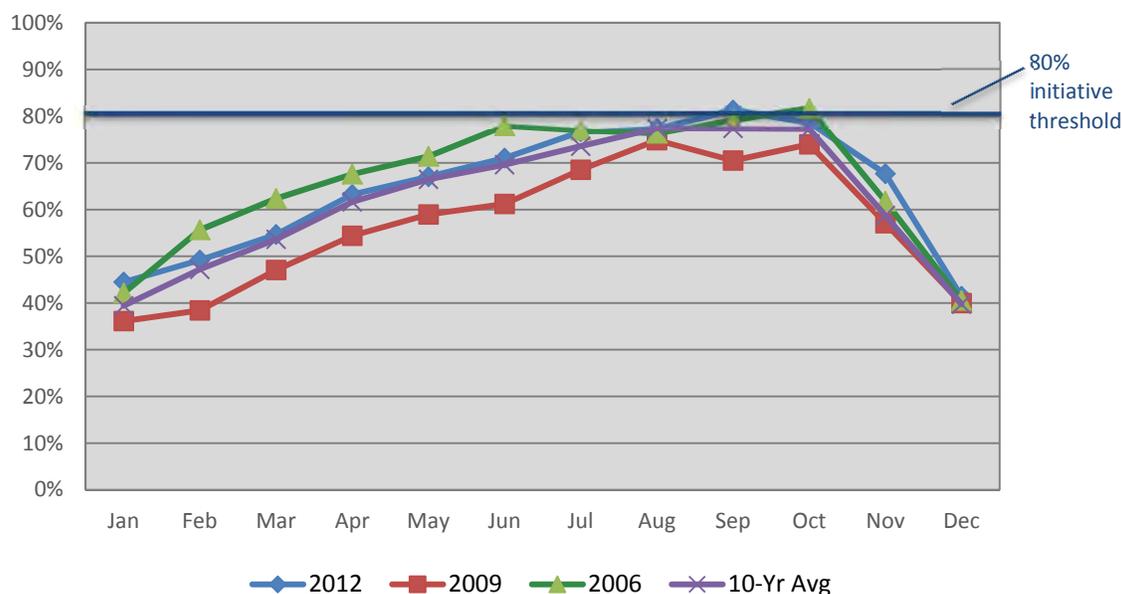
As is the case with the broader Sonoma Valley lodging market, the City of Sonoma's lodging market is largely driven by leisure travelers attracted to the area's world-class wineries and abundant recreational opportunities. Monthly lodging occupancy rates reflect the seasonality of leisure travelers, with the peak occupancy months being during the summer and the fall "crush." Over the 10-year period, August, September, and October have, on average, been the peak occupancy months with an average monthly occupancy rate of 77%. During 2011 and 2012, monthly occupancy exceeded 80% during only the month of September. Occupancy rates decline sharply during the winter months, with the rates averaging 40% or less during the months of December and January. Monthly occupancy data for Sonoma City properties is detailed in Table 2 and summarized below.

City of Sonoma Monthly Lodging Occupancy Rate Trends, All Properties

Seasonal Occupancy	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2012	44%	49%	55%	63%	67%	71%	77%	77%	81%	79%	68%	41%
2009	36%	38%	47%	54%	59%	61%	69%	75%	70%	74%	57%	40%
2006	42%	56%	62%	68%	71%	78%	77%	76%	79%	82%	62%	41%
10-Yr Avg	39%	47%	54%	62%	66%	70%	74%	77%	77%	77%	59%	40%

Source: City of Sonoma, July 2013

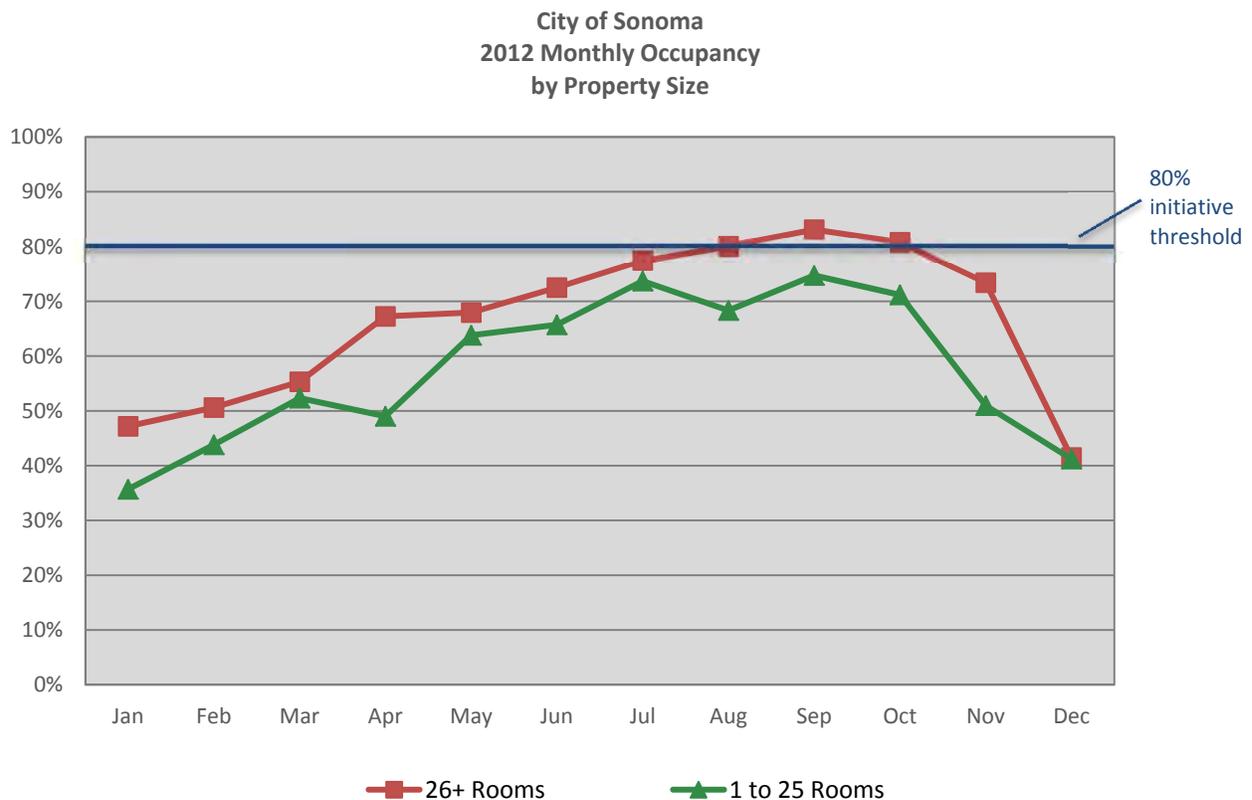
City of Sonoma
Monthly Occupancy in 2006, 2009, 2012 and 10-year Avg.
Total Properties



For comparison purposes, KMA has separately analyzed the monthly occupancy rates of properties with 26+ rooms and the rates achieved by properties with 25 or fewer rooms. As illustrated on the following chart and detailed on Table 2, the properties with 26+ rooms frequently achieve a monthly occupancy rate in excess of 80% during the months of August, September, and October. In comparison, the monthly occupancy rate for lodging with fewer than 26 rooms has not exceeded 80% at any time during the 10-year period.

Occupancy Rate by Property Size	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
10-Year Average												
26+ Rooms	42%	49%	55%	64%	69%	72%	76%	81%	80%	80%	62%	41%
1 to 25 Rooms	29%	41%	48%	51%	57%	60%	63%	65%	68%	67%	47%	33%
Total Properties	39%	47%	54%	62%	66%	70%	74%	77%	77%	77%	59%	40%
2012												
26+ Rooms	47%	51%	55%	67%	68%	73%	77%	80%	83%	81%	73%	41%
1 to 25 Rooms	36%	44%	52%	49%	64%	66%	74%	68%	75%	71%	51%	41%
Total Properties	44%	49%	55%	63%	67%	71%	77%	77%	81%	79%	68%	41%

Source: City of Sonoma, July 2013



C. Room Revenues

In FY 2011/2012, the average daily room rate (ADR) of Sonoma's lodging properties approximated \$210. This represented an increase of 6% over the prior year. Room rates have almost recovered to their pre-recession high of \$212 in FY 2007/08. Rates dropped from FY 2008/09 through FY 2009/10, and started to recover in FY 2010/11.

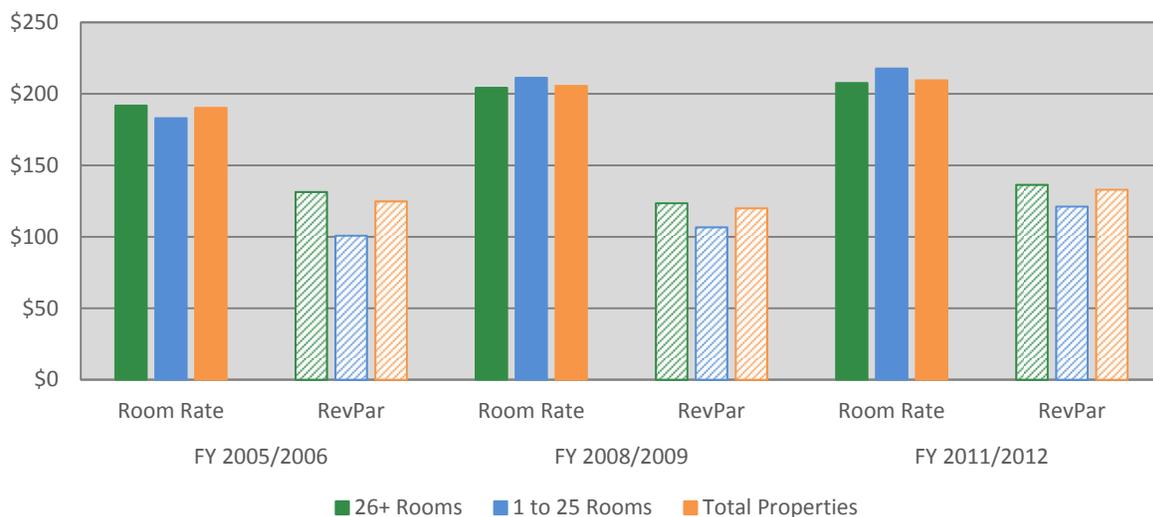
Another useful measure of performance is the amount of revenues per available room (RevPar), which is a calculation of the total amount of hotel room revenue generated each year divided by the total number of rooms in the lodging inventory. This metric takes into account both room rates and occupancy rates. In 2012, the Rev Par for Sonoma properties averaged \$133, which represented an 8% increase over RevPar in FY 2010/11.

City of Sonoma Lodging Properties, Room Rate and Rev Par Trends

Fiscal Year	ADR	% Change	Rev Par	% Change
FY 2011/12	\$210	6%	\$133	8%
FY 2010/11	\$199	3%	\$124	12%
FY 2009/10	\$193	-6%	\$110	-8%
FY 2008/09	\$206	-3%	\$120	-15%
FY 2007/08	\$212	5%	\$141	8%
FY 2006/07	\$201	6%	\$131	5%

The average daily rate of properties with 26+ rooms has historically been slightly less than the average daily rates of properties with up to 25 rooms. In 2012, the ADR of the 26+ room properties averaged \$208 while the ADR of properties with up to 25 rooms was \$218. Because of their relatively higher occupancy rates, however, the RevPar of the 26+ room properties was significantly higher at \$136 than the RevPar of properties with up to 25 rooms, which was \$121.

City of Sonoma, FY 05/06, FY 08/09, FY 11/12: Room Rate and RevPar by Room Count



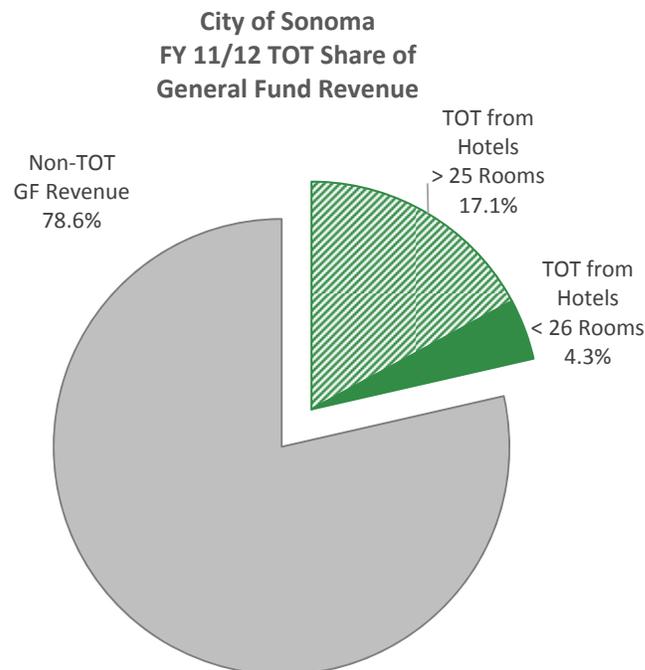
D. City Transient Occupancy Taxes (TOT)

The City of Sonoma levies a 10% transient occupancy tax (TOT) on all lodging properties. In FY 2011/12, over \$2.5 million of TOT revenues was collected by the City, accounting for approximately 21% of the City's entire General Fund budget. TOT revenues are the second largest source of revenue to the City of Sonoma¹. Over the past 10-years, TOT revenues have funded, on average, 22% of the City's General Fund budget, with approximately 83% of the TOT revenues being generated by lodging with 26+ rooms.

Transient Occupancy Tax (TOT) Revenues

Fiscal Year	TOT Revenue	Total GF Revenue	TOT % of GF	TOT from Hotels >25 Rooms	TOT from Hotels >25 Rooms as a % of All TOT
2011/2012	\$2,524,098	\$11,779,222	21%	\$2,015,453	80%
2010/2011	\$2,224,368	\$11,808,237	19%	\$1,791,487	81%
2009/2010	\$1,990,562	\$10,794,094	18%	\$1,611,386	81%
2008/2009	\$2,206,020	\$9,224,724	24%	\$1,789,612	81%
2007/2008	\$2,622,107	\$10,063,588	26%	\$2,165,550	83%
10 Year Total	\$21,985,245	\$98,005,020	22%	\$18,130,977	82%

Source: City of Sonoma, July 2013



¹ The largest source of revenue to the City of Sonoma is property taxes. In 2012, property taxes totaled \$2.8 million.

Given that the lodging properties with more than 25 rooms generally attain significantly higher occupancy rates than the smaller properties, they also generate more TOT per room to the City. In FY 2011/12, for example, the average per room TOT generated by the properties with more than 25 rooms was \$4,980, which exceeded the \$4,420 generated by the smaller properties by approximately 13%.

TOT Revenue by Property Size

Hotel Size	FY 11/12 TOT	TOT per Property	TOT per Room
26+ Rooms	\$2,015,453	\$403,100	\$4,980
1 to 25 Rooms	\$508,645	\$15,000	\$4,420
Total Properties	\$2,524,098	\$64,700	\$4,850

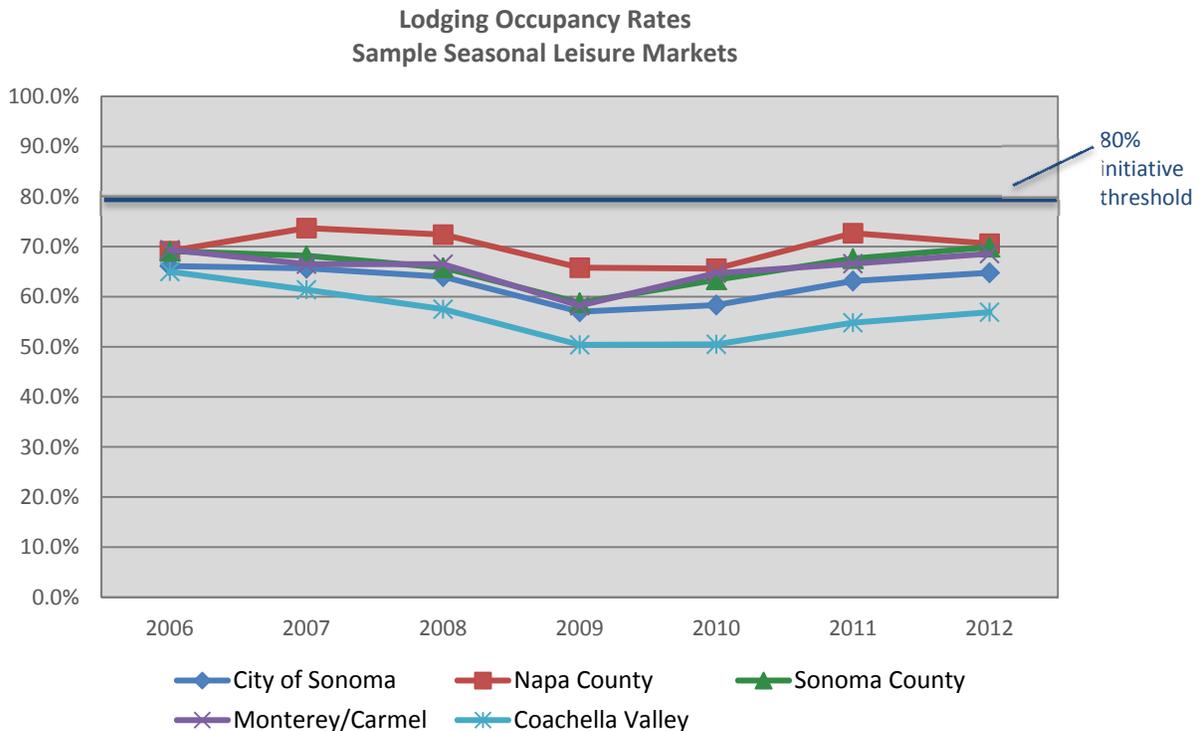
III. OCCUPANCY RATE EXPERIENCES OF OTHER LODGING MARKETS

A. Leisure-Driven Seasonal Lodging Market Areas

To provide some context for evaluating Sonoma's occupancy rates relative to industry norms, KMA has reviewed occupancy rate trend data for other leisure markets in California, including the broader Sonoma County, Napa County, Monterey/Carmel, and the Coachella Valley. As summarized on the following chart and detailed on Table 3, the average occupancy rate for these market areas in 2012 ranged from a low of 57% for the Coachella Valley to a high of 71% for Napa County. Sonoma County properties averaged 70% while properties in the Monterey/Carmel area averaged 69%.

Seasonal Leisure Market Occupancy Rates	2006	2007	2008	2009	2010	2011	2012	Avg
City of Sonoma	66%	66%	64%	57%	58%	63%	65%	63%
Napa County	69%	74%	72%	66%	66%	73%	71%	70%
Sonoma County	69%	68%	66%	59%	63%	68%	70%	66%
Monterey/Carmel	69%	67%	67%	58%	65%	67%	69%	66%
Coachella Valley	65%	61%	58%	50%	51%	55%	57%	57%

Source: PKF Trends in the Hotel Industry Northern California, Southern California Lodging Forecast.

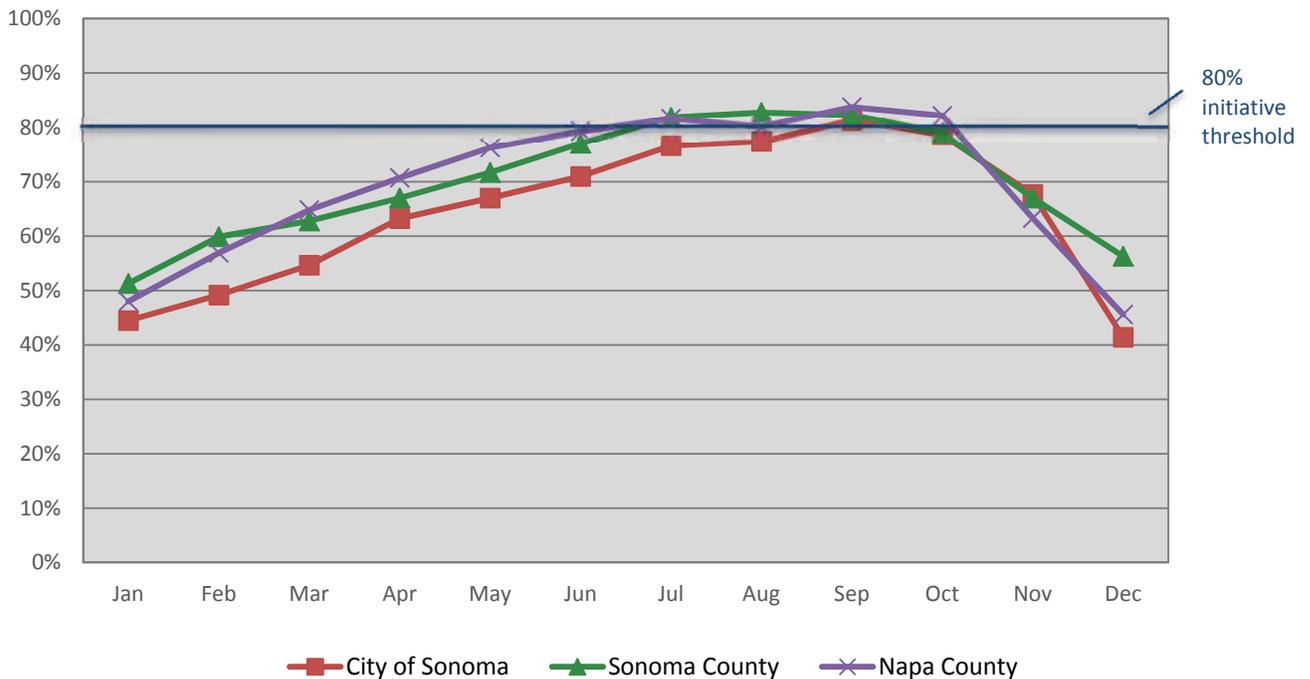


Similar to the City of Sonoma, the average annual occupancy rates of these other leisure-driven markets is constrained by seasonal and day of the week variability in market demand. An examination of the monthly data reveals occupancy rates of less than 50% during the winter months, climbing up to the 80% to 85% range during the height of the season.

2012 Monthly Occupancy	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg
City of Sonoma	44%	49%	55%	63%	67%	71%	77%	77%	81%	79%	68%	41%	65%
Sonoma County	51%	60%	63%	67%	72%	77%	82%	83%	82%	79%	67%	56%	70%
Napa County	48%	57%	65%	71%	76%	79%	82%	80%	84%	82%	63%	46%	71%

Source: City of Sonoma, July 2013

City of Sonoma, Sonoma County, and Napa County
2012 Seasonal Occupancy



While the occupancy rate of City of Sonoma’s lodging properties is somewhat below the other leisure-driven markets, the experiences of these other markets provides further evidence of the inherent difficulty of leisure-drive markets to attain an average annual occupancy rate in excess of the 80% threshold identified in the Initiative. Even at the peak of the season, occupancy rates typically do not exceed 90%, and during the low-season rates dip below 60%.

B. Diversified Lodging Market Areas

Diversified lodging markets are ones in which room demand is generated by several sources, typically comprised of business travel, meeting/group travel, and leisure travel. Multiple sources of demand enable these markets to sustain higher daily and monthly occupancy rates throughout the year. Commercial demand is generally constant throughout the year, while conventions are concentrated in the fall and the spring. Leisure travel is typically concentrated during the summer months and, often, during the weekends. Markets with strong demand from each of these sources and limited growth in supply are able to achieve annual occupancy rates in the mid to high 70% range. The ability of even strong markets to sustain rates in the 80% range is limited, however, due to the addition of new hotels, which increase the supply and suppress market-wide occupancy levels.

KMA reviewed the average annual occupancy rates of major metropolitan areas throughout the country since 2006. As detailed on Table 4, in 2006 New York City achieved the highest average annual occupancy rate of 81%, which was the highest in the nation and the only market with an occupancy rate in excess of 80%. The average occupancy rate for all US hotels was 63% in 2006, but the average for the selected “high-occupancy” markets was 71%. San Francisco achieved an average annual rate of 76% in 2006. Most markets were impacted during the recession, with the average annual occupancy rate for all hotels in the United States falling to 55% in 2009. Performance metrics in 2012 indicate many market areas have recovered from the recession. In 2012, three market areas achieved an average annual occupancy rate in excess of 80%, including New York (84%), San Francisco (83%), and Oahu (85%). The average for the selected group of “high-occupancy markets” was 72%.

The following chart, which compares the 2012 monthly occupancy rate of City of San Francisco hotels to the occupancy rate of Sonoma hotels, illustrates the greater impact that seasonal demand has on Sonoma’s lodging properties. As shown, while San Francisco’s properties do experience lower occupancy during the winter, the difference between peak occupancy during the summer (93%) and low occupancy during the winter (68%) is 25 percentage points. In comparison, for Sonoma properties, the difference between peak occupancy (81%) and low occupancy (41%) is 40 percentage points. It is also interesting to note that while Sonoma’s peak occupancy rate is only 12 percentage points less than San Francisco’s peak occupancy rate, Sonoma’s low occupancy rate is 27 percentage points lower than San Francisco’s low occupancy rate.

2012 Monthly Occupancy	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg
City of Sonoma ¹	44%	49%	55%	63%	67%	71%	77%	77%	81%	79%	68%	41%	65%
City of San Francisco ²	68%	75%	78%	80%	85%	91%	90%	93%	90%	90%	78%	72%	83%

1) Source: City of Sonoma, July 2013

2)Source: PKF Consulting

IV. IMPLICATIONS OF INITIATIVE ON LODGING DEVELOPMENT OPPORTUNITES IN SONOMA

A. Feasibility of Achieving the 80% Average Annual Occupancy Threshold to Permit Development of Lodging Properties with over 25 Rooms

Based on the data presented in Section II B of this report, it is our professional judgment that it is highly unlikely that Sonoma's existing lodging properties will achieve the 80% average annual occupancy rate prescribed by the initiative. As a result, if the initiative is approved by the voters, it is unlikely that any hotels over 25 rooms will be built in the City of Sonoma. This is due to the following key considerations:

- The lodging stock in Sonoma has not achieved the 80% threshold in any year during the past decade and the stock's peak annual rate of 66% is far below the initiative's 80% threshold. The average annual occupancy rate over the past decade is 62% and the average annual rate in 2012 was 65%. The current average annual occupancy rate would have to increase by 23% in order to achieve the 80% threshold.
- Lodging demand in Sonoma is driven by seasonal leisure travel and the average annual occupancy rate of other seasonal leisure-travel dominant markets is less than 80%. For example, over the past ten years, Sonoma County's lodging's peak average annual occupancy rate was 70%, Napa County's peak was 74%, Monterey/Carmel's peak was 69%, and the Coachella Valley's peak was 65%. Because of the inherent low occupancy rates during the low-tourist season and the concentration of demand during the weekends, it is very difficult for leisure lodging markets to achieve average annual occupancy rates in excess of 75%, even if the supply of new properties is constrained.
- An 80% average annual occupancy rate is unusual throughout the nation. In 2012, only three metropolitan market areas in the nation achieved an 80% average annual occupancy rate: San Francisco, New York, and Oahu. Each of these markets is very large and is supported by a diversified demand from business travel, convention visitors, and leisure visitors. Occupancy rates in these markets do not fluctuate as much per month because seasonal tourism comprises only one source of lodging demand.

B. Development Opportunities With a 25-Room Cap

The lodging properties with 25 or fewer rooms that are currently serving the Sonoma and Napa Valley markets range from single cottages to small luxury hotels. If the ballot measure is approved and the 25-room cap becomes effective, it is likely that new lodging development in Sonoma will continue to be comprised of independently operated small inns and hotels. Examples of these types of properties include: Hotel Les Mars in Healdsburg, the North Block Hotel in Yountville, and the Ledson Hotel in Sonoma. The depth of the investor pool for these types of properties is limited, however, as these properties do not have the room count, the operating efficiencies, and typically the marketing advantages of properties that are associated with a national or international reservation system.

V. LIMITING CONDITIONS

The data in this report regarding Sonoma's hotel inventory, occupancy rates and transient occupancy tax revenue have been provided by the City of Sonoma. Information regarding other lodging markets is from data published by nationally recognized firms that specialize in collecting data on hospitality businesses. While KMA believes that these third party sources are reliable, KMA is not responsible for the accuracy of these data sources.

Table 1**City of Sonoma Lodging Inventory****Impacts of "Large Hotel Growth Management Initiative" on Lodging Development Opportunities****City of Sonoma, California****August 5, 2013***Source: City of Sonoma, July 2013*

	Business License Date	Rooms	Total Rooms	Total Properties	Avg. Rooms / Property	Median Rooms / Property
26+ Room Properties			409	5	82	64
The Lodge at Sonoma Renaissance Resort & Spa	2000	182				
Best Western Plus Sonoma Valley Inn	1988	80				
Mac Arthur Place	1998	64				
El Pueblo Inn	1988	53				
El Dorado Hotel	1989	30				
1 to 25 Room Properties			118	34	3	2
Inn at Sonoma	2002	19				
Sonoma Hotel	1998	16				
Cinnamon Bear Creekside Inn Inc	2010	7				
Kenwood Ramekins	2009	6				
Ledson Hotel	2003	6				
Bungalow 313 (Brickhouse Bungalow)	1999	5				
Swiss Hotel	1992	5				
Mission B & B	2009	4				
Victorian Garden Inn	1988	4				
Cooperage Inn	1988	3				
The Cottage	NA	3				
Hidden Oak	1999	3				
Rose Garden B & B	1999	3				
Sonoma Farm House	2000	3				
Auberge Sonoma	2008	2				
Peter Mathis	2006	2				
Schaefer House	2009	2				
Sonoma farm House #2	2011	2				
Susan's	1999	2				
Woodfield Properties	NA	2				
Alexandra's Plaza Suite	1999	1				
An Inn 2 Remember	2010	6				
Andrea's Hidden Cottage	1997	1				
Beautiful Places	NA	1				
Benziger Solana Cottage	2005	1				
Bungalow Sonoma	2011	1				
Caroline's Cottage	2011	1				
Casa de Carroll	NA	1				
Cottage Sonoma	2003	1				
Cuneo Cottage	1999	1				
Donner Cottage	1999	1				
InnWine Country	2008	1				
Mary Jean's Place	2009	1				
Kate Murphys Cottage	1999	1				
Total Properties			527	39	14	3

Inventory for individual properties is subject to availability.

Table 2

**City of Sonoma Historic Average Monthly Lodging Occupancy Rates, by Year and Size of Property¹
Impacts of "Large Hotel Growth Management Initiative" on Lodging Development Opportunities**

City of Sonoma, California

August 5, 2013

Source: City of Sonoma, July 2013

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg
26+ Rooms													
2012	47.2%	50.6%	55.3%	67.2%	68.0%	72.5%	77.5%	80.1%	83.1%	80.8%	73.4%	41.5%	66.9%
2011	43.0%	53.5%	59.9%	69.1%	67.4%	71.8%	81.1%	78.7%	84.6%	78.0%	59.5%	43.7%	65.8%
2010	37.7%	38.7%	43.3%	57.6%	61.5%	69.4%	74.8%	83.1%	78.7%	78.0%	67.7%	41.8%	61.1%
2009	39.0%	39.4%	47.3%	57.1%	60.7%	63.9%	73.3%	80.1%	73.1%	76.9%	61.4%	42.6%	59.8%
2008	41.8%	51.8%	65.1%	69.4%	75.4%	76.3%	76.6%	83.9%	76.5%	82.4%	56.1%	36.8%	66.0%
2007	45.1%	53.6%	58.8%	67.5%	76.4%	74.4%	76.6%	84.1%	86.4%	83.3%	61.6%	48.2%	68.1%
2006	46.5%	58.5%	64.4%	69.2%	74.8%	82.1%	79.3%	77.6%	80.7%	84.0%	65.2%	42.5%	68.7%
2005	41.7%	54.1%	59.0%	70.3%	69.4%	75.5%	78.7%	82.3%	83.4%	81.4%	64.0%	39.6%	66.9%
2004	40.5%	47.6%	53.1%	60.2%	68.0%	71.1%	75.8%	75.6%	76.7%	77.8%	56.6%	37.9%	61.8%
2003	<u>38.4%</u>	<u>40.7%</u>	<u>43.0%</u>	<u>55.1%</u>	<u>68.6%</u>	<u>66.0%</u>	<u>70.6%</u>	<u>81.1%</u>	<u>76.1%</u>	<u>77.4%</u>	<u>56.4%</u>	<u>39.7%</u>	<u>59.5%</u>
	42.1%	48.9%	55.1%	64.3%	69.1%	72.3%	76.4%	80.6%	79.9%	80.0%	62.0%	41.4%	64.5%
1 to 25 Rooms													
2012	35.7%	43.8%	52.3%	49.0%	63.8%	65.7%	73.7%	68.3%	74.7%	71.2%	51.0%	41.2%	57.7%
2011	31.1%	41.4%	46.3%	56.2%	59.0%	57.1%	65.0%	65.9%	69.2%	66.8%	48.8%	33.1%	53.8%
2010	25.9%	33.5%	42.5%	45.3%	53.5%	51.4%	54.5%	59.1%	64.5%	65.7%	44.8%	33.5%	48.2%
2009	24.9%	34.6%	46.4%	44.5%	53.0%	51.5%	51.9%	56.5%	61.3%	63.6%	40.8%	30.0%	47.0%
2008	32.2%	44.3%	54.4%	59.0%	62.8%	68.4%	64.4%	72.7%	65.3%	68.1%	48.3%	33.6%	56.2%
2007	29.7%	46.0%	48.9%	54.2%	59.6%	65.1%	69.6%	72.5%	74.4%	70.1%	51.2%	34.6%	56.5%
2006	24.5%	44.3%	55.9%	61.0%	60.8%	64.8%	67.4%	70.6%	73.4%	72.1%	47.9%	32.5%	56.5%
2005	29.4%	43.7%	52.0%	52.9%	55.0%	58.5%	64.1%	66.1%	68.1%	66.8%	45.3%	31.5%	53.0%
2004	33.2%	37.4%	41.9%	47.8%	52.8%	56.8%	57.7%	57.0%	64.9%	62.7%	44.2%	33.2%	49.4%
2003	<u>20.9%</u>	<u>36.7%</u>	<u>40.4%</u>	<u>45.5%</u>	<u>50.5%</u>	<u>54.3%</u>	<u>57.2%</u>	<u>63.7%</u>	<u>61.6%</u>	<u>57.2%</u>	<u>44.5%</u>	<u>29.1%</u>	<u>46.8%</u>
	28.9%	40.7%	48.4%	51.5%	57.2%	59.5%	62.6%	65.2%	67.7%	66.7%	46.7%	33.3%	52.6%
Total Properties													
2012	44.5%	49.2%	54.7%	63.2%	67.0%	71.0%	76.6%	77.4%	81.3%	78.7%	67.7%	41.4%	64.8%
2011	40.6%	51.1%	57.1%	66.5%	64.6%	68.6%	77.5%	75.9%	81.2%	75.5%	57.2%	41.4%	63.1%
2010	35.3%	37.7%	43.1%	55.0%	59.9%	65.7%	70.4%	77.7%	75.6%	75.4%	62.7%	40.0%	58.4%
2009	36.1%	38.4%	47.1%	54.4%	58.9%	61.2%	68.5%	74.9%	70.5%	74.0%	57.1%	40.0%	57.0%
2008	39.8%	50.2%	63.0%	67.3%	72.7%	74.7%	74.1%	81.6%	74.2%	79.4%	54.5%	36.2%	64.0%
2007	42.1%	52.0%	56.7%	64.8%	72.9%	72.5%	75.1%	81.7%	83.9%	80.6%	59.5%	45.4%	65.7%
2006	42.1%	55.6%	62.3%	67.6%	71.4%	77.9%	77.0%	76.3%	79.2%	81.6%	61.8%	40.5%	66.1%
2005	39.2%	51.9%	57.5%	66.5%	66.4%	72.4%	75.7%	79.0%	80.2%	78.5%	60.1%	37.9%	64.0%
2004	39.1%	45.6%	50.9%	57.6%	64.9%	68.1%	72.1%	71.8%	74.3%	74.7%	54.1%	37.0%	59.3%
2003	<u>35.0%</u>	<u>40.0%</u>	<u>42.5%</u>	<u>53.2%</u>	<u>65.0%</u>	<u>63.6%</u>	<u>68.1%</u>	<u>77.8%</u>	<u>73.2%</u>	<u>74.1%</u>	<u>54.1%</u>	<u>37.7%</u>	<u>57.1%</u>
	39.4%	47.2%	53.6%	61.6%	66.5%	69.6%	73.6%	77.4%	77.4%	77.3%	58.8%	39.7%	62.0%

¹ Average based on the total number of rooms occupied and available in each size category by month.

Table 3

Sample Seasonal Leisure Markets Historic Occupancy Trends

Impacts of "Large Hotel Growth Management Initiative" on Lodging Development Opportunities

City of Sonoma, California

August 5, 2013

Source: PKF Trends in the Hotel Industry Northern California, Southern California Lodging Forecast.

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg
<u>Napa County</u>													
2012	48.0%	56.9%	64.8%	70.7%	76.3%	79.3%	81.6%	80.1%	83.7%	82.1%	63.3%	45.6%	70.6%
2011	49.2%	58.1%	65.3%	72.8%	73.2%	78.4%	84.8%	83.8%	87.0%	83.7%	65.3%	52.3%	72.7%
2010	43.5%	53.5%	59.9%	64.5%	72.3%	75.0%	77.4%	74.8%	76.8%	80.6%	61.8%	45.5%	65.6%
2009	44.6%	45.5%	51.2%	63.7%	66.5%	72.0%	74.5%	79.5%	68.5%	76.9%	61.2%	41.7%	65.8%
2008	55.3%	57.1%	72.2%	79.5%	78.6%	83.6%	78.5%	86.1%	79.7%	82.1%	68.2%	46.5%	72.4%
2007	47.5%	64.1%	68.8%	73.5%	73.9%	78.3%	81.9%	82.4%	90.6%	87.2%	73.9%	56.1%	73.7%
2006	<u>52.8%</u>	<u>60.7%</u>	<u>64.8%</u>	<u>63.6%</u>	<u>71.4%</u>	<u>75.8%</u>	<u>74.4%</u>	<u>77.4%</u>	<u>77.9%</u>	<u>81.9%</u>	<u>63.5%</u>	<u>49.1%</u>	<u>69.1%</u>
	48.7%	56.6%	63.9%	69.8%	73.2%	77.5%	79.0%	80.6%	80.6%	82.1%	65.3%	48.1%	70.0%
<u>Sonoma County</u>													
2012	51.3%	59.9%	62.8%	67.0%	71.7%	77.1%	81.8%	82.7%	82.2%	79.0%	67.0%	56.3%	69.9%
2011	48.1%	54.7%	60.5%	64.3%	72.9%	75.0%	82.2%	80.3%	83.0%	75.2%	64.4%	50.9%	67.6%
2010	42.1%	49.6%	54.7%	60.3%	67.4%	69.5%	76.9%	74.8%	75.1%	72.8%	61.1%	47.2%	63.4%
2009	43.7%	50.1%	54.1%	58.2%	63.2%	61.3%	71.3%	75.7%	69.9%	74.8%	54.3%	41.8%	58.8%
2008	40.2%	57.8%	63.6%	64.0%	71.8%	74.8%	74.1%	85.5%	75.2%	75.4%	59.5%	46.1%	65.8%
2007	51.1%	61.8%	63.9%	66.0%	72.5%	80.5%	80.8%	81.4%	73.0%	76.3%	62.1%	50.7%	68.2%
2006	<u>55.5%</u>	<u>58.0%</u>	<u>61.9%</u>	<u>66.3%</u>	<u>73.7%</u>	<u>78.3%</u>	<u>82.6%</u>	<u>83.2%</u>	<u>80.6%</u>	<u>77.6%</u>	<u>67.8%</u>	<u>51.9%</u>	<u>69.1%</u>
	47.4%	56.0%	60.2%	63.7%	70.5%	73.8%	78.5%	80.5%	77.0%	75.9%	62.3%	49.3%	66.1%
<u>Monterey / Carmel</u>													
2012	48.2%	58.9%	63.5%	68.4%	71.5%	79.1%	83.4%	84.2%	78.5%	74.7%	62.5%	49.7%	68.6%
2011	43.2%	59.3%	58.3%	66.3%	82.5%	70.7%	83.2%	84.4%	79.5%	73.7%	62.0%	51.2%	66.6%
2010	41.6%	51.7%	58.1%	67.2%	70.9%	71.4%	79.9%	82.7%	72.2%	71.0%	60.4%	44.8%	64.7%
2009	40.7%	47.5%	53.6%	58.5%	57.3%	62.2%	69.0%	72.8%	67.1%	69.6%	56.7%	50.1%	58.2%
2008	47.4%	58.4%	67.5%	62.2%	69.1%	72.5%	78.1%	81.8%	76.2%	74.4%	62.9%	47.5%	66.5%
2007	50.6%	62.4%	64.8%	67.2%	65.7%	72.8%	83.3%	86.7%	80.1%	72.8%	63.2%	47.5%	66.5%
2006	<u>51.4%</u>	<u>63.2%</u>	<u>65.2%</u>	<u>73.6%</u>	<u>76.6%</u>	<u>74.9%</u>	<u>84.4%</u>	<u>83.0%</u>	<u>77.2%</u>	<u>73.3%</u>	<u>62.4%</u>	<u>48.2%</u>	<u>69.4%</u>
	46.2%	57.3%	61.6%	66.2%	70.5%	71.9%	80.2%	82.2%	75.8%	72.8%	61.4%	48.4%	65.8%
<u>Coachella Valley</u>¹													
2012													56.9%
2011													54.8%
2010													50.5%
2009													50.4%
2008													57.5%
2007													61.4%
2006													<u>65.0%</u>
													56.6%

¹ Monthly data not available for Coachella.

Table 4**Lodging Occupancy Rates of U.S. Metropolitan Markets****Impacts of "Large Hotel Growth Management Initiative" on Lodging Development Opportunities****City of Sonoma, California****August 5, 2013***Source: PKF Trends in the Hotel Industry - United States Metro Areas.*

Lodging Occupancy Rates of U.S. Metropolitan Markets	2006	2009	2012
Boston	67.4%	62.3%	71.7%
New York	81.0%	77.6%	83.6%
Chicago	68.1%	56.6%	66.7%
Fort Lauderdale	70.8%	63.8%	72.6%
Miami	72.2%	65.3%	76.4%
Orlando	67.3%	59.3%	68.8%
Washington DC	69.0%	65.4%	67.5%
Austin	69.2%	61.1%	68.1%
Houston	66.2%	56.3%	65.4%
New Orleans	62.2%	58.1%	67.8%
San Antonio	69.1%	57.3%	63.3%
Anaheim	n/a	64.4%	73.0%
Los Angeles	75.9%	64.8%	75.4%
Oahu	n/a	73.4%	84.7%
San Diego	73.7%	63.8%	70.6%
San Francisco ¹	76.0%	76.0%	83.0%
Seattle	71.0%	61.7%	71.2%
Avg. Selected High Occupancy Markets	70.6%	64.0%	72.3%
Avg. All US Cities	63.3%	54.7%	62.4%

¹Represents the average occupancy of hotels within the City of San Francisco.

Attachment “B”

IMPACT REPORT Existing Land Use Planning Policies

Planning Review

Planning staff was requested to evaluate the proposed ballot measure in terms of the General Plan, the Development Code, and any other planning-related considerations. The following contains staff's review of the proposed initiative with respect to existing land use and development planning policies.

General Plan

Modifications. The ballot measure would make the following changes to the General Plan:

- 1) Reads General Plan Goal CD-5, which reads as follows: “Reinforce the historic, small-town characteristics that give Sonoma its unique sense of place.”
- 2) Establishes a new policy, Policy 5.10, which reads as follows: *“Preserve Sonoma's small-town character by managing the growth of new large hotels. No new large hotel over 25 rooms, and no expansion of an existing hotel to exceed a total of 25 rooms, shall be permitted unless Sonoma's annualized hotel room occupancy rate exceeds 80 percent. The City may permit a new large hotel or expansion of an existing hotel to exceed a total of 25 rooms if it determines that: (a) Sonoma's existing annualized hotel room occupancy rate exceeds 80 percent; and (b) such approval will not adversely affect the historic, small-town characteristics that give Sonoma its unique sense of place.”*
- 3) Establishes a new policy, Policy 5.11, which reads as follows: *“The Large Hotel Growth Management Initiative (“Initiative”) readopted Goal CD-5, adopted Policy 5.10, this Policy 5.11, and Implementation Measure 5.10.1, and added a new section 19.50.045 and related definitions to the City's Development Code. These General Plan and Development Code provisions may not be amended or repealed except by a vote of the people.”*
- 4) Establishes a new implementation measure, Measure 5.10.1, which reads as follows: *“Implement the Development Code Special Use Standards for Large Hotels.”*
- 5) In the “Conforming Amendments” section, the ballot measure would amend the definition of the Gateway Commercial land use designation by identifying hotels and motels as uses that may be allowed subject to use permit review.

All of these changes would occur within the Community Development Element of the General Plan. No other General Plan element would be altered.

Observations. Planning staff has the following observations on the revisions to the General Plan that would occur under the adoptions of the ballot measure.

- 1) The revisions are consistent with the structure and formatting of the General Plan. In and of themselves, the revisions are internally consistent. In addition, the revisions are consistent with the revisions to the Development Code that are proposed under the ballot measure.

- 2) Although the regulatory thresholds that would be established by the ballot measure would be more typically found in a zoning ordinance or development code, they are within the realm of what may occur in a General Plan.
- 3) The ballot measure appears to run counter to the objectives of Policy 1.5 of the Community Development Element, which establishes an Urban Growth Boundary for Sonoma. (Coincidentally, this policy was established by a voter initiative adopted in the year 2000.) As stated in the General Plan, *“The UGB protects the health, safety, welfare, and quality of life of the residents of Sonoma by concentrating future residential, commercial, and industrial growth in areas already served by urban services.”* In addition, the ballot language submitted with the Urban Growth Boundary initiative included the following arguments in its support:
 - Encourage efficient growth patterns and protect the City of Sonoma Quality of life by concentrating future development largely within existing developed areas, consistent with the availability of infrastructure and services.
 - Promote continued agricultural and open space uses lands outside of the Urban Growth Boundary.
 - Prevent urban sprawl and shift city development from the developer to a citizen-driven process.
 - Emphasize infill development and support a thriving downtown center.

The draw of tourism to Sonoma Valley is not limited to the City of Sonoma and to the extent that there is future demand for hotels that exceed 25 rooms in size, these would need to be developed outside of city limits in areas of the valley that are typically less suited to support them with respect to infrastructure and services and where they are more likely to be disruptive with respect to agricultural preservation, sprawl, and the diminishment of rural character. Although the ballot measure makes reference to prospective “Large Hotels” as *“...one of the biggest development pressures facing the City of Sonoma and surrounding areas...”*, by definition, the ballot measure cannot prevent applications for the development of “Large Hotels” outside of city limits. That said, many other forms of commercial and residential development of equal or greater intensity than that of “Large Hotels” would continue to be possible within city limits. The discrepancy with the UGB objectives that would be created if the ballot measure were to be adopted would only apply to a narrowly defined class of development.

- 4) With respect to the other elements of the General Plan, the policies introduced by the ballot measure would arguably undercut the following policies of the Local Economy Element:

1.1 Focus on the retention and attraction of businesses that reinforce Sonoma’s distinctive qualities—such as agriculture, food and wine, history and art—and that offer high-paying jobs.

1.5 Promote and accommodate year-round tourism that is consistent with the historic, small-town character of Sonoma.

1.6 Ensure that city regulations do not unduly burden local business operation and development and provide incentives for business improvement.

It should be noted that the ballot measure essentially suggests that its proposed thresholds and limitations with respect to hotels clarify what is and is not considered to be “...*consistent with the historic, small-town character of Sonoma.*” In addition, it is sometimes necessary to balance potentially conflicting General Plan policies (e.g. policies that promote economic development and policies that require environmental protection). Such balancing does not necessarily lead to a conclusion that competing policy objectives are fatally inconsistent.

- 5) The specific regulatory thresholds employed in the ballot measure are not drawn from the General Plan and are unrelated to any existing General Plan policies or implementation measures.
- 6) As explicitly provided for in proposed Policy 5.11, none of the revisions to the General Plan introduced by the ballot measure could be modified, except through a subsequent vote of the people.

While planning staff has identified some areas of potential inconsistency that could be introduced by the ballot measure, we draw no final conclusions as to whether any of them would rise to a level of legal significance. Under the law, the City Council is the final arbiter of the General Plan and determinations of General Plan consistency.

Development Code

Modifications. The ballot measure would make the following changes to the Development Code:

- 1) Adds text to the “Special Use Standards” section (19.50.040) establishing permit requirements for “Large Hotels”. Along with the use permit basic findings already provided for in the Development Code, two additional findings would be required for approval. First, that the annualized occupancy rate for all lodging during the calendar year preceding the application exceed 80%. And second, that the approval would “*not adversely affect the historic, small town characteristics that give Sonoma its unique sense of place.*” It should be noted that these findings would apply not only to applications for new development, but also to applications to add rooms to any existing “Large Hotel” as defined. The added section would also provide that in the event of an appeal of a Planning Commission decision to approve or deny an application for a Large Hotel, a 4/5ths vote of the City Council would be required for approval.
- 2) Establishes a definition for a “Large Hotel” as a hotel having greater than 25 guest rooms.
- 3) Establishes a definition of “Annualized Occupancy Rate” as follows: “... *total number of hotel room nights rented in the City of Sonoma, expressed as a percentage of the total number of hotel room nights available for rent in the City, as reported on the City of Sonoma Transient Occupancy Tax monthly reporting forms, for a calendar period of 12 months beginning on January 1 and ending on December 31. If the City ceases to use or collect rental information on the reporting forms, the City shall independently collect this information. For purposes of calculating annualized hotel room occupancy rates, hotel shall mean any hotel, motel, bed and breakfast inn, or vacation rental.*”
- 4) Readopts the existing definitions for “bed and breakfast inns”, “hotel or motel”, and “vacation rental.”

- 5) In the “conforming amendments” section of the ballot measure, the tables in the “Zones and Allowable Uses” section of the Development Code (Chapter 19.10) are amended to reflect the new use category of “Large Hotel” and the special use regulations that apply to it. In addition, section 19.01.040 (F) of the Development Code would be amended to specify that the new regulations on “Large Hotels” would apply to any pending application that has not received “final approval” at the time that the measure goes into effect.

Observations. Planning staff has the following observations on the revisions to the Development Code that would occur under the adoption of the ballot measure.

- 1) The Development Code amendments are appropriately structured with respect to the format of the Development Code. Staff has not identified any inconsistencies that would be created as a result of the measure. In addition, the revisions are consistent with the revisions to the General Plan that are proposed under the ballot measure.
- 2) The two key regulatory thresholds that would be established by the ballot measure—defining a “Large Hotel” as having more than 25 guest rooms and that of the 80% annualized occupancy required for the approval of a new “Large Hotel” or the addition of rooms to an existing “Large Hotel”—are clear and quantified, meaning that they can be readily administered should the ballot measure be adopted.
- 3) The regulatory thresholds are seemingly arbitrary. No rationale is provided to support them.
- 4) The inclusion of vacation rentals and bed and breakfasts in the calculation of the annualized occupancy rate seems odd, since presumably “Large Hotels” serve a different clientele.
- 5) Based on occupancy data in Sonoma and comparable communities, an annualized occupancy rate of 80% is exceedingly unlikely to be reached, which results in an effective ban upon any new hotels of 26 rooms or more or the expansion of any existing hotel that exceeds or would exceed the size threshold.
- 6) Existing “Large Hotels”, such as MacArthur Place, the Sonoma Valley Inn and the El Pueblo, would become legal conforming uses. This status would allow them to keep operating as they exist (including maintenance and repair) and if they were damaged or destroyed by fire, earthquake or other incident, they could be rebuilt. The non-conforming status would only be lost if the use were to cease for a continuous period of one year. One potential problem created by the non-conforming status is that, under section 19.82.020(A) of the Development Code, *“Additional uses on a site shall not allowed unless the nonconforming use is first discontinued and any replacement use complies with all applicable provisions of the Development Code.”* This means no new use could be introduced to any site containing a “Large Hotel”, even if that use was not an expansion of hotel room capacity and even if the new use was unrelated to the hotel. In staff’s view, this section of the Development Code could be amended to address that issue, if desired, without contradicting the provisions established by the ballot measure.

As with the revisions to the General Plan, none of the provisions introduced by the ballot measure could be modified (including the existing definitions reintroduced by the measure), except through a subsequent vote of the people.

Development Pressure

The ballot measure states that: “Recently, one of the biggest development pressures facing the City of Sonoma and surrounding areas has been large hotel developments.” The table below summarizes planning applications received for lodging facilities of all types from 2003 to the present.

Applications for Lodging Facilities 2003-2013		
Address/Zoning	Proposal	Outcome
2003		
155 East Spain Street Mixed Use	Review of DEIR for Artesian Lodge (34 unit hotel and 10 apartment units)	A public hearing was held on the DEIR. The application was subsequently withdrawn in light of concerns expressed by the Planning Commission regarding the scale and intensity of the development.
2004		
143 West Spain Street Medium Density Residential	Application for Vacation Rental	Approved
2005		
304 First Street East Medium Density Residential	Application for Vacation Rental	Approved
329 West Spain Street	Application for Vacation Rental	Withdrawn
491 Patten Street Low density Residential	Application for Vacation Rental	Denied
2006		
19450 Sonoma Highway Commercial	Application add 8 rooms to the Trojan Horse Inn	Withdrawn
247 Fourth Street East Hillside Residential	Application for Vacation Rental	Approved
2007--None		
2008		
758 Broadway Mixed Use	Application for Vacation Rental	Approved
151 East Napa Street Medium Density Residential	Application for Vacation Rental	Approved
663 Second Street East Low Density Residential	Application for Vacation Rental	Approved.
171 Newcomb Street Low Density Residential	Application for Vacation Rental	No action taken by the Planning Commission. This existing vacation rental was ultimately determined to be a legal-nonconforming use.
146 Mission Terrace Medium Density Residential	Application for Vacation Rental	Denied
339 East Napa Street Low Density Residential	Application for Vacation Rental	
20073 Broadway Mixed Use	Application for Vacation Rental	Approved
2009--None		
2010		
652 Broadway Mixed Use	Application for an 18-unit hotel.	This application was approved, but the approval subsequently expired.
2011		

454 Third Street West Commercial	Application for Vacation Rental	Approved
854 Broadway Mixed Use	Application for Vacation Rental	Approved
2012		
171 West Napa Street Commercial	Study session on Anderson hotel (59 rooms, plus restaurant, meeting rooms, spa)	Application suspended.
640 Broadway Commercial	Application to expand the Inn at Sonoma by converting an existing office building into 8 hotel rooms.	Approved.
2013		
20079 Broadway Mixed Use	Application for Vacation Rental	Approved.
284-294 West Napa Street Commercial	Application for Vacation Rental	Approved.
464 Third Street West Commercial	Application for Vacation Rental	Approved.
853 Broadway Mixed Use	Application for Vacation Rental	Approved.
180 East Napa Street Medium Density Residential	Application for Vacation Rental	Approved.
780 Broadway Mixed Use	Application for Vacation Rental	Application pending.

Over the past ten years, three applications have been made that meet the definition of a “Large Hotel” as defined in the ballot measure.

- *Artesian Lodge (2003)*. Application for a 34-room hotel and ten apartment units on a 1.14-acre site zoned as Mixed Use. This application was withdrawn in response to significant concerns expressed by the Planning Commission regarding its scale and intensity relative to its location in a transition area between the downtown and low density residential development to the east.
- *Inn at Sonoma Expansion (2012)*. Application to expand an existing 19-room hotel by adding eight guest rooms developed through the conversion of an existing office building (having an area of 3,000 square feet). The size of the expansion parcel is 8,300 square feet and it is zoned Commercial. This application was approved and has since been implemented.
- *Anderson Hotel (2012)*. Application for a 59 room hotel, with event space and spa, two restaurants, and 2,800 square feet of retail space on a 1.55-acre site (zoned Commercial). The Planning Commission and the Design Review Commission held study sessions on this proposal in August and September of 2012. A draft initial study has been prepared that indicates an environmental impact report would be required. However, the processing of this application has been suspended at the request of the applicant.

It should be noted that this table does not include discussions between staff and prospective developers concerning proposals for which no application was filed. In this regard, earlier this year planning staff held preliminary discussions with a company called the Kessler Group on the

concept of developing a hotel of unknown size at the former Sonoma Truck and Auto site on Broadway (which is zoned Mixed use), but no application was ever filed.

Development Intensity

The ballot measure identifies the concerns that: *“As a general rule, large hotels over 25 rooms create imposing developments that can dominate streetscapes and neighborhoods. They can also concentrate traffic and other services such as restaurants, spas and fitness centers in one development, which erodes Sonoma’s sense of place, small-town charm, and community character.”* These concerns relate to various aspects of development intensity. With respect to how the ballot measure would regulate development intensity, planning staff has the following comments:

- 1) *Development Code:* The Development Code regulates the scale, mass, and intensity of development by placing limitations on building height, lot coverage, and floor area ratio, and other physical characteristics. These limitations vary based on zoning district. The proposed ballot measure does not address these aspects of development intensity and it cannot be said that the ballot measure would reduce the building height, building mass, or Floor Area Ratio of any future development anywhere in Sonoma.
- 2) *Traffic Generation:* Another aspect of development intensity is traffic generation. The table below compares traffic generation for various types of development that would be expected to occur on the Commercial, Gateway Commercial, and Mixed Use zones.

Comparison of Trip Generation*		
Use Type	Average Weekday Trip Generation Factor	Weekday Trip Generation per 10,000 square feet of development
Apartments**	6.59 (per unit)	66
General Office	11.01 (per 1,000 sq. ft.)	110
Hotel***	8.92 (per occupied room)	202
Medical Office	36.13 (per 1,000 sq. ft.)	361
Shopping Center	42.94 (per 1,000 sq. ft.)	429
Specialty Retail	44.32 (per 1,000 sq. ft.)	443
Quality Restaurant	89.95 (per 1,000 sq. ft.)	899

*Based on Trip Generation, Institute of Traffic Engineers, 8th edition.

**Assumes a unit size of 1,000 square feet.

***Assumes a guest room size of 375 square feet and 85% occupancy.

As shown in the table, hotels are in the lower range of traffic generation among uses normally expected in commercial and mixed-use zoning districts. In addition, the traffic generated by hotels is often off-peak relative to commute traffic and traffic generated by other types of commercial uses. In downtown settings, hotel traffic is further reduced by virtue of the fact that guests may walk to many destinations. (It should also be noted that new ground-floor office uses are discouraged in the Plaza area through Development Code regulations in order to maintain the retail character of the downtown.)

Except for effectively banning new “Large Hotels” and the addition of rooms to any existing “Large Hotel”, the ballot measure does not address development intensity. While one narrowly

defined type of development would be precluded, other types of development that could be more intense in terms of scale, massing, and traffic generation are not addressed.

Effect of the Ballot Measure

Very simply, if adopted the ballot measure would effectively preclude any application for a new hotel of 26 rooms or more or any expansion of an existing hotel that would exceed the threshold of twenty-five rooms. Apart from simply stating that restriction, it is hard to predict what future proposals would be foreclosed except for the specific examples of the Anderson Hotel proposal and, perhaps, the inquiries that were made concerning the former Sonoma Truck and Auto site at 870 Broadway. Still, it is possible to look back at past applications that would have been subject the restrictions on “Large Hotels” proposed in the ballot measure:

- *Sonoma Valley Inn Expansion*: in 1995, a use permit was approved allowing the addition of seven hotel suites (and three meeting rooms) to the Sonoma Valley Inn, increasing its room supply from 75 rooms to 82 rooms. This was accomplished through the development of a separate building located on First Street West.
- *Sonoma Lodge*. The Sonoma Lodge is a 182-room hotel with a restaurant, conference facilities, a spa, and 13,000 square feet of commercial space that was approved by the City Council in 1997. It is located on a 9.5-acre that is zoned Gateway Commercial.
- *MacArthur Place/MacArthur Place Expansion*. The original MacArthur Place development was approved in 1997. It included 35 rooms, a restaurant, and limited conference facilities and resulted in the renovation of the historic Goode residence and barn. In 1999, a use permit was granted allowing its expansion from 35 rooms to 64 rooms.
- *El Pueblo Inn Expansion*. In 2001, a use permit was approved to renovate and expand the El Pueblo Inn (located at 896 Broadway) from 39 rooms to 53 rooms.
- *Inn at Sonoma Expansion*. In 2012, a use permit was approved allowing the Inn at Sonoma to expand from 19 rooms to 27 rooms. This expansion was accomplished by converting an existing office building into 8 hotel rooms.

In the view of planning staff, what many of the examples listed above illustrate is the effect that the ballot measure could have on expansion opportunities involving existing hotels that are near or above the 25-room threshold.

Comparison to Existing Planning Process

Except under conditions that are quite unlikely to occur, the hotel ballot measure precludes applications for any new hotel of 26 units or more or the expansion of any existing hotel that would exceed the 26-room threshold. This approach does have the virtue of simplicity and if the measure is adopted it will be easy to implement. However, the restrictions imposed by the measure would be binding across the board, meaning that it would not be possible for the community and decision-making bodies such as the Planning Commission and the City Council to weigh the circumstances of a particular proposal on a particular site. Under the initiative process and the terms of the proposed measure, apart from signature gathering and campaign activities, public involvement is limited to the day of the vote. In contrast, the existing planning

process applicable to all hotel developments and expansions (even those smaller than the 25-room threshold proposed in the ballot measure) are subject to use permit review by the Planning Commission and possible appeal to the City Council. This process normally includes the following steps:

- 1) *Study Session.* For larger projects or for small projects that may be subject to controversy, a preliminary study session is normally held by the Planning Commission in order to provide an early opportunity for public notice and feedback. Study sessions are typically noticed as public hearings. Preparation of an initial study. Planning staff will prepare an initial study in order to identify the areas of potential environmental impact that will require detailed study, such as cultural resources and traffic.
- 2) *Environmental Review.* Once an application is filed, staff makes a preliminary determination as to level of environmental review that will be required. This determination is subject to the review and approval of the Planning Commission at a public hearing. For larger projects that involve potential environmental impacts, an environmental impact report (EIR) may be required. If an EIR is required, the draft EIR and the final EIR are circulated for public comment and are reviewed by the Planning Commission in public hearings.
- 3) *Review by the Sonoma Valley Citizens Advisory Committee.* If a project is subject to a level of environmental review that calls for either an EIR or negative declaration, it will be referred to the Sonoma Valley Citizens Advisory Commission for comment, once the draft environmental review is completed. Review by the SVCAC takes place in a public hearing.
- 4) *Use Permit Review.* Once the environmental review is complete and has been certified as such, the Planning Commission will review the application for use permit approval of the project in a public hearing. The approval of any use permit is subject to the making of findings that the project is consistent with the General Plan (including policies regarding the retention of Sonoma's small-town character and that the project will be compatible with its surroundings, typically based on consideration of factors such as scale, mass, design compatibility, and intensity.
- 5) *Architectural Review.* If the project is approved in some form, it would then be subject to architectural review, which is conducted by the Design Review Commission. (Public meeting).
- 6) *City Council Review.* Decisions of the Planning Commission and the Design Review Commission are subject to appeal to the City Council. If an appeal occurs, it is heard by the City Council in a public hearing.

The current planning process is undoubtedly lengthier and more complicated than the implementation of the limits that would be effected by the ballot measure. It is also the case that outcome of the planning process is uncertain. However, the planning process does have the advantages of allowing for case-by-case review of development applications as well as multiple opportunities for public input and participation.



CITY OF SONOMA
City Council
Agenda Item Summary

City Council Agenda Item: 4B

Meeting Date: 08/12/2013

Department

Administration

Staff Contact

Carol E. Giovanatto, City Manager

Agenda Item Title

Discussion, Consideration and Possible Action on the Hotel Limitation Measure including:

- a. Adopt an Ordinance amending the Sonoma General Plan and Development Code, or
 - b. Call for a Special Election.
-

Summary

The California Elections Code is very specific in the actions required in the initiative process. Upon the filing and validating of the petition, the Council may request an impact report to address potential issues addressed in the petition. Direction was given to the City Manager to have the impact report prepared. The reports for both Fiscal and Development-related impacts have been presented in the prior agenda item. The Council must determine which next action is to be taken as follows:

1. **ADOPT ORDINANCE.** The Council could immediately adopt (or adopt it within 10 days) the Ordinance set forth in the petition amending the Sonoma General Plan and Development Code to require that the establishment of a hotel with more than 25 rooms must receive a use permit approved by the Planning Commission. Similarly, the expansion of an existing hotel, motel, or bed and breakfast inn to more than 25 rooms will have to receive a use permit approved by the Planning Commission. The Planning Commission would be prohibited from granting such a use permit unless it found, among other things, that (a) the annualized hotel room occupancy rate for the calendar year (January 1 to December 31) preceding the filing of the hotel application exceeds 80%, and (b) the proposed hotel will not adversely affect the historic, small town character of Sonoma. The measure provides that the annualized hotel room occupancy rate would be calculated by comparing the total number of hotel, motel, bed and breakfast inn and vacation rental room nights rented in the City with the total number of room nights available for rent in the City, during the relevant calendar year. In calculating whether the occupancy rate of 80% has been exceeded, the measure requires inclusion of the rooms available for rental and rented at (i) bed and breakfast inns, which are defined to mean rental facilities possessing 5 or less rooms and (ii) vacation rentals, which are defined to mean rental properties containing one or two residential units.
2. **CALL FOR SPECIAL ELECTION.** Should the Council vote not to adopt the Ordinance elections code requires that a Special Election be called to allow voters within the City limits to decide whether or not to approve the Hotel Limitation Ordinance. Per the Sonoma County Registrar of Voters, the election would be held on November 19th.

BALLOT ARGUMENT: Should the Council order the measure be placed on the ballot, the Council will have the opportunity to prepare an argument in favor of or against the measure. Regarding arguments to appear in the ballot, a resolution is attached addressing this issue. The City Council may designate the Mayor, the Council, or a number of Councilmembers to write the argument in favor of the measure. The attached resolution authorizes the filing of rebuttal arguments. It is recommended that the same persons who are authorized to author and sign the original argument also be authorized to author and sign the rebuttal argument (although such identicality is not required). No more than five persons can sign the argument and no more than five persons can sign the rebuttal argument. It is recommended that the Council determine who is to author these arguments and the person or persons who are to sign the arguments on behalf of the Council. If it is desired that one or more non-Councilpersons sign the arguments too, then it is recommended that the Council either decide who those persons are going to be or delegate that authority to the Mayor or a committee of the Council.

IMPARTIAL ANALYSIS PREPARED: City Attorney is required to prepare an impartial analysis which will be included in the ballot pamphlet. If the measure is approved by a majority of the voters voting on it, it becomes effective. The substantive portions of the measure which impose conditions precedent to the filing of and approving an application for a hotel containing more than 25 rooms may not be amended or repealed except by a subsequent vote of the registered voters.

Recommended Council Action

Council direction.

Alternative Actions

N/A

Financial Impact

Undetermined at this time.

Environmental Review

- Environmental Impact Report
- Negative Declaration
- Exempt
- Not Applicable

Status

- Approved/Certified
- No Action Required
- Action Requested

Attachments:

- Resolution calling a special election (Proposed ordinance attached as Exhibit A)
- Resolution regarding written arguments and impartial analysis

cc:

CITY OF SONOMA

RESOLUTION NO. xx - 2013

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SONOMA, CALIFORNIA CALLING FOR THE HOLDING OF A SPECIAL MUNICIPAL ELECTION FOR THE SUBMISSION TO THE VOTERS OF A PROPOSED ORDINANCE AND REQUESTING THAT THE BOARD OF SUPERVISORS OF THE COUNTY OF SONOMA AUTHORIZE AND DIRECT ITS ELECTION DEPARTMENT TO CONDUCT SAID SPECIAL ELECTION ON TUESDAY NOVEMBER 19, 2013

WHEREAS, pursuant to authority provided by statute a petition has been filed with the City Clerk, signed by more than 15% of the number of registered voters of the City of Sonoma to submit a proposed ordinance relating to hotel development or expansion; and

WHEREAS, the Sonoma County Registrar of Voters examined the records of registration and ascertained that the petitions were signed by not less than 15% of the voters of the City and has so certified; and

WHEREAS, the petitions contain a request that the initiative measure be submitted immediately to a vote of the people at a special election; and

WHEREAS, Elections Code §§ 9214(a), (b) and 1405(a) provide that in those circumstances where the above-stated facts exist, as they do here, the City Council must, *inter alia*, either adopt the initiative measure at the meeting where it is presented the impact report described in Elections Code §9212 or within 10 days thereafter, or order a special election pursuant to Elections Code §1405(a); and

WHEREAS, on August 12, 2013, the City Council was presented with said impact report; and

WHEREAS, the City Council has declined to adopt the measure within the time provided under law; and

WHEREAS, it is desirable that a special election be called for the purpose of permitting the City's voters to determine whether the initiative measure should or should not be adopted; and

WHEREAS, under these circumstances, the City Council is authorized and directed by statute to submit the proposed ordinance to the voters; and

WHEREAS, it is desirable that the County Election Department of the County of Sonoma canvass the returns of said special election; and

WHEREAS, the Election Department for the County of Sonoma requires payment by the City of a reasonable fee to perform the election service of holding the election and this reasonable fee is related to and based upon the actual cost of conducting the election:

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SONOMA, CALIFORNIA, DOES RESOLVE, DECLARE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. That pursuant to the requirements of the laws of the State of California relating to general law cities, including Elections Code §§1405, 9214 and 10201, there is called and ordered to be held in the City of Sonoma, California, on Tuesday, November 19, 2013 a Special Municipal Election for the purpose of submitting to the voters of the City of Sonoma the following question:

Shall the Hotel Limitation Measure be adopted?"	YES
	NO

Section 2. That the text of the ordinance submitted to the voters is attached as Exhibit A.

Section 3. That the Board of Supervisors of the County of Sonoma is hereby requested to consent and agree to the holding of a Special Municipal Election on Tuesday, November 19, 2013, for the purpose of submission to the voters the proposed ordinance attached as Exhibit A and to direct the County Election Department to canvass the returns and conduct the election as specified herein.

Section 4. That the County Election Department is authorized to conduct the election and canvass the returns of the Special Municipal Election.

Section 5. That the City Clerk is hereby directed to issue instructions to the County Election Department to take any and all steps necessary for the holding of the election.

Section 6. That the City of Sonoma recognizes that costs will be incurred by the County by reason of this election and agrees to reimburse the County for its reasonable costs.

Section 7. That the City Clerk is hereby directed to file a certified copy of this resolution with the Board of Supervisors and the County Election Department of the County of Sonoma.

Section 8. That the City Clerk shall certify to the passage and adoption of this resolution and enter it into the book of original resolutions.

Section 9. That in all particulars not recited in this resolution, the election shall be held and conducted as provided by law for holding municipal elections.

Section 10. That notice of the time and place of holding the election is hereby given and the City Clerk is authorized, instructed and directed to give further or additional notice of the election, in time, form and manner as required by law.

PASSED AND ADOPTED this 12th day of August 2013, by the following vote:

AYES:
NOES:

ABSTAIN:
ABSENT:

Ken Brown, Mayor

ATTEST:

Gay Johann, City Clerk

CITY OF SONOMA

RESOLUTION NO. xx – 2013

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SONOMA,
CALIFORNIA, SETTING PRIORITIES FOR FILING WRITTEN ARGUMENTS
RELATED TO THE NOVEMBER 19, 2013 SPECIAL MUNICIPAL ELECTION AND
DIRECTING THE CITY ATTORNEY TO PREPARE AN IMPARTIAL ANALYSIS

WHEREAS, a Special Municipal Election is to be held in the City of Sonoma on Tuesday November 19, 2013 at which there will be submitted to the voters the following measure:

Shall the Hotel Limitation Measure be adopted?"	YES
	NO

WHEREAS, whenever a municipal ballot measure is authorized, State law provides that the City Council may provide for the filing of written arguments for and against a measure; and

WHEREAS, Elections Code Section 9282 sets forth the procedures for arguments in favor of or in opposition to a City measure; and

WHEREAS, Elections Code Sections 9220 and 9285 set forth the procedures for rebuttal arguments, whose provisions are hereby adopted.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SONOMA DOES RESOLVE, DECLARE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. That the City Council authorizes the individuals identified in section 3, below, to file written arguments [in favor of][against] the Hotel Limitation Measure not exceeding 300 words, accompanied by the printed names and signatures of the authors submitting it, in accordance with Article 4, Chapter 3, Division 9 of the Elections Code of the State of California. The arguments may be changed or withdrawn until and including the date fixed by the City Clerk after which no arguments for or against the City measure may be submitted to the City Clerk.

Section 2. The arguments shall be filed with the City Clerk, signed, with the printed names and signatures of the authors submitting it, or if submitted on behalf of an organization, the name of the organization, and the printed name and signature of at least one of its principal officers who is the author of the argument. The argument shall be accompanied by the Statement of Accuracy Form.

Section 3. The deadline for filing arguments for and against the ballot measure with the City Clerk shall be September 2, 2103, and the argument shall not exceed 300 words in length. Rebuttal arguments shall be filed with the City Clerk by September 12, 2013 and shall not exceed 250 words in length. Councilmembers _____ and _____ are hereby authorized to prepare a written argument [in favor of] [against] the proposed ordinance, not to exceed 300 words, on behalf of the City Council. Councilmembers _____ and _____

_____ are authorized to select two Councilmembers (including themselves) and three community members to sign the argument. In no case shall more than five persons sign the argument, at least one of whom must be a Councilmember. Pursuant to Section 9285 of the California Elections Code, when the City Clerk has selected the arguments for and against the measure, which will be printed and distributed to the voters, the City Clerk shall send copies of the argument in favor of the measure to the authors of the argument against, and copies of the argument against to the authors of the argument in favor.

Section 4. The same persons authorized in Section 3 above to prepare and sign the direct argument [in favor of][against] the proposed ordinance shall be authorized to prepare and sign the rebuttal argument. Rebuttal arguments shall be printed in the same manner as the direct arguments. Each rebuttal argument shall immediately follow the direct argument, which it seeks to rebut.

Section 5. That the City Council directs the City Clerk to transmit a copy of the measure to the City Attorney who is hereby directed to prepare an impartial analysis of the measure not exceeding 500 words showing the effect of the measure on the existing law and the operation of the measure. The impartial analysis shall be filed with the City Clerk by September 2, 2013.

Section 6. That the City Clerk shall certify to the passage and adoption of this resolution and enter it into the book of original resolutions.

PASSED, APPROVED AND ADOPTED on the 12th day of August 2013 by the following vote:

AYES:
NOES:
ABSENT:

Ken Brown, Mayor

ATTEST:

Gay Johann, City Clerk



CITY OF SONOMA
City Council
Agenda Item Summary

City Council Agenda Item: 4C

Meeting Date: 08/12/2013

Department

Administration

Staff Contact

Jeff Walter, City Attorney

Agenda Item Title

Providing Information About a Ballot Measure by a Public Agency.

Summary

Staff will present information regarding the limitations imposed on public agencies in providing information about a ballot measure.

Recommended Council Action

Receive the information.

Alternative Actions

N/A

Financial Impact

N/A

Environmental Review

- Environmental Impact Report
- Negative Declaration
- Exempt
- Not Applicable

Status

- Approved/Certified
- No Action Required
- Action Requested

Attachments:

None

cc:
