



Economic Impact Study

Appellation Petaluma

June 2023

Economic Impact Study – Summary

The Economic Impact Study examines the Appellation Petaluma’s overall economic impact on the Petaluma market (94952 and 94954 zip codes). Using the IMPLAN input-output model, a widely-accepted and utilized software, the study analyzes three primary impacts, Employment, Economic Output, and Industry Growth in both the short term (“Temporary Economic Impacts”), and long term (“Ongoing Economic Impacts”). Separately, the study examines various tax impacts associated with the project’s operations (“Tax Impacts”).

Temporary Economic Impacts

The Temporary Economic Impacts associated with the Appellation Petaluma project are driven by the project’s development costs, and the resulting implications on the greater Petaluma region. Through the pre-construction and construction periods, the project will support 328 jobs (222 annually) and \$55.25M in economic activity, while fostering growth across several industries. These impacts are primarily showcased in three industries, construction, architecture and engineering, and management company services.

Ongoing Economic Impacts

The Ongoing Economic Impacts associated with the Appellation Petaluma project are driven by the ongoing hotel and restaurant operations after project opening. Through operations, the project will support over 150 jobs annually, and generate \$18.6M of economic activity. The project will additionally foster 2.0% growth across the 15 industries analyzed. These impacts are primarily associated with two industries, full-service restaurants and hotels, and will additionally extend to other related industries.

Tax Impacts

The Tax Impacts associated with the project are driven by the property’s operations and examines three tax categories over 25 years: 1) TOT Tax; 2) Sales Tax; and 3) Property Tax. Over 25 years, the project will generate approximately \$37.1M in TOT Tax, \$36.5M in Sales Tax, and \$24.9M in Property Tax.

1. Background

a) Project Title: Appellation Petaluma (formerly Hotel Weaver)

b) Project Location:

The project is a 0.33-acre vacant parcel located at the southwest corner of Petaluma Blvd. South and B Street.

c) Description of Project:

The Appellation Petaluma is a proposed approachable-luxury hotel and restaurant project that includes 93 hotel rooms, a first-floor restaurant with interior and exterior seating for 150 guests, and a 1,230 square foot conditioned event space on the rooftop with exterior bar/event space with seating for 56 guests.

The following Economic Impact Study for the Appellation Petaluma hotel project is developed to examine three subsets of economic impacts: (1) Temporary Economic Impacts; (2) Ongoing Economic Impacts; and (3) Tax Impacts:

(1) Temporary Economic Impacts

This section of the Economic Impact Study examines the impacts associated with pre-construction and construction stages of the Appellation Petaluma project. Impacts associated with this section will include duration estimates to approximate the annual economic impact of each subset.

(2) Ongoing Economic Impacts

This section of the Economic Impact Study examines the impacts associated with the hotel and restaurant operations on an ongoing basis. Impacts associated with this section are annualized.

(3) Tax Impacts

This section of the Economic Impact Study examines the tax impacts associated with ongoing operations of the property.

2. Temporary Economic Impacts – *Pre-Construction & Construction*

a) Assumptions

- Region of Study – Zip Codes 94952 & 94954 aggregated into study area
- 2021 Economic Data; 2023 Dollar Value
- Impacts:
 - The impacts were generated assuming the incorporation of seven (7) different industries using the cost budgets determined for the Project:
 - Construction of New Commercial Structures
 - \$40,000,000 value (over 1 year & 6 months)
 - Architecture and Other Engineering Services
 - \$3,000,000 value (over 2 years)
 - Other Local Government Enterprises
 - \$3,250,000 value (over 1 year & 6 months)
 - Legal Services
 - \$1,250,000 value (over 1 year)
 - Management Company Services
 - \$2,000,000 value (over 1 year)
 - Wholesale – Other Durable Merchant Wholesalers
 - \$8,000,000 value (over 1 year)
 - Other Real Estate
 - \$2,000,000 value (over 3 years)

b) Impacts

- **Employment Impact Summary:**

- By aggregating each of the spend categories through both pre-construction and construction, the IMPAN input-output model summarizes the top industries by Employment Impact in Table 1 below. The project anticipates supporting 328 jobs over the course of the pre-construction and construction phases, equating to 222 jobs annually.

Table 1 - Top Industries by Employment Impact			
	Industry	Total Employment Impact	Annual Employment Impact
1	Construction of new commercial structures, including farm structures	254.00	169.33
2	Architectural, engineering, and related services	18.69	9.35
3	Management consulting services	15.96	15.96
4	Other real estate	9.36	3.12
5	Other local government enterprises	8.48	5.66
6	Other Services (Employment & Building)	7.14	4.76
7	Legal services	6.64	6.64
8	Wholesale - Other durable goods merchant wholesalers	6.56	6.56
9	Food & Beverage	1.19	0.79
	Total Employment Impact	328.02	222.16

- **Impact Output Summary:**

- The Appellation Petaluma project anticipates generating over \$55.2M of economic value for the regional industries over the course of the pre-construction and construction phases.

Table 2 - Top Industries by Impact Output			
	Industry	Total Output Impact	Annual Output Impact
1	Construction of new commercial structures, including farm structures	\$40,000,000.00	\$26,666,666.67
2	Other local government enterprises	\$3,280,038.68	\$2,186,692.45
3	Architectural, engineering, and related services	\$3,000,000.00	\$1,500,000.00
4	Wholesale - Other durable goods merchant wholesalers	\$2,210,008.64	\$2,210,008.64
5	Other real estate	\$2,061,033.32	\$687,011.11
6	Management consulting services	\$2,018,485.34	\$2,018,485.34
7	Legal services	\$1,253,260.73	\$1,253,260.73
8	Other Services (Building & Employment)	\$1,402,038.28	\$934,692.19
	Total Output Impact	\$55,224,864.98	\$37,456,817.12

- **Industry Growth:**

- The Appellation Petaluma project will foster growth across numerous industries throughout the pre-construction and construction process. In the short-term, the construction industry is anticipated to grow by 46.67% when compared to the 2021 baseline year.

Table 3 - Top Industries by Growth Percentage			
Industry	Baseline (2021)	Growth	Growth Percentage
Construction of new commercial structures, including farm structures	\$85,540,610.85	\$40,000,000.00	46.76%
Legal services	\$26,942,721.32	\$1,253,260.73	4.65%
Management consulting services	\$54,315,896.40	\$2,018,485.34	3.72%
Wholesale - Other durable goods merchant wholesalers	\$74,352,536.93	\$2,210,008.64	2.97%
Architectural, engineering, and related services	\$107,399,012.25	\$3,032,543.58	2.82%
Other local government enterprises	\$215,155,536.08	\$3,279,941.05	1.52%
Other real estate	\$272,158,554.29	\$2,061,033.32	0.76%
Other Services (Building & Employment)	\$329,010,486.55	\$137,211.38	0.04%

3. Ongoing Economic Impacts – *Hotel & Restaurant Operations*

a) Assumptions

- Region of Study – Zip Codes 94952 & 94954 aggregated into study area
- 2021 Economic Date; 2023 Dollar Value
- Impacts:
 - The impacts were generated assuming the incorporation of two (2) different industries using the projected revenues determined for the Project:
 - Hotel Annual Revenue
 - \$9,500,000 value
 - Restaurant Annual Revenue
 - \$8,500,000 value
 - The projected revenues generated by the project are the *stabilized revenue projections*. These projections are generated from the third year of operations, at which point the revenues are assumed to have achieved a steady state and will minimally fluctuate. The stabilized revenues have been inflation adjusted to a 2023-dollar value.

b) Economic Impact

- **Employment Impact Summary**
 - Table 4 summarizes the annual employment impact for both the hotel and restaurant operations of the Appellation Petaluma project.
 - The Employment Impact Summary below does not represent the number of employees hired by the Project. The employment impacts represent the total direct, indirect, and induced jobs supported by the project.

Table 4 - Top 5 Industries by Employment Impact

	Industry	Total Employment Impact
1	Full-service restaurants	86.06
2	Hotels and motels	63.06
3	Services (Employment, Accounting, Real Estate)	1.53
4	All other food and drinking places	0.63
5	Other Wholesale and Programming Services	0.18
	Total Employment Impact	151.82

- **Impact Output Summary**

- By aggregating the revenue generated through hotel, restaurant, and event operations, the model summarizes the Top 5 Industries by anticipated economic value in Table 5 below. Across these industries, the Appellation Petaluma project will foster over \$18.5M of economic activity annually.

Table 5 - Top 5 Industries by Impact Output

	Industry	Output
1	Hotels and motels, including casino hotels	\$9,497,250.11
2	Full-service restaurants	\$8,470,016.28
3	Services (Employment, Accounting, Real Estate)	\$322,685.84
4	Other Wholesale and Programming Services	\$260,217.99
5	Other Local Government Enterprises	\$21,493.22
	Total Impact Output	\$18,571,663.44

- **Industry Growth**

- The annual revenue associated with the project will result in industry growth across Petaluma's economy. On an ongoing basis, the project will grow the hotel and motel industry by 41.84% compared to the 2021 baseline and will additionally grow the restaurant industry by 7.00%.

Table 6 - Top 5 Industries by Growth Percentage

Industry	Baseline (2021)	Growth	Growth Percentage
Hotels and motels, including casino hotels	\$22,700,103	\$9,497,250	41.84%
Full-service restaurants	\$121,049,414	\$8,470,016	7.00%
All other food and drinking places	\$55,142,867	\$52,732	0.10%
Performing arts companies	\$16,144,080	\$11,066	0.07%
Services (Employment, Accounting, Real Estate)	\$681,680,609	\$384,178	0.06%

3. Tax Impacts – *Property Operations*

a) Economic Impact

- **TOT Tax**
 - The Appellation Petaluma project will generate substantial TOT tax revenue for the City of Petaluma annually.
 - First 5-years of Operations: **\$5.1M TOT Tax**
 - 10-years of Operations: **\$11.4M TOT Tax**
 - 25-years of Operations: **\$37.1M TOT Tax**
- **Sales Tax**
 - In addition to TOT Tax Revenue for the City of Petaluma, the Project will additionally generate substantial sales tax revenue directly from operations.
 - First 5-years of Operations: **\$5.2 Total Sales Tax**
 - **\$549K in City Sales Tax**
 - 10-years of Operations: **\$11.3M Total Sales Tax**
 - **\$1.2M in City Sales Tax**
 - 25-years of Operations: **\$36.5M Total Sales Tax**
 - **\$3.8M in City Sales Tax**
- **Property Tax**
 - The Appellation Petaluma project will additionally generate substantial Property Tax revenue for the region.
 - First 5-years of Operations: **\$3.6M Property Tax**
 - 10-years of Operations: **\$7.8M Property Tax**
 - 25-years of Operations: **\$24.9M Property Tax**



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Appendix

Introduction to IMPLAN

a) What is IMPLAN?

The following Economic Impact Study is developed utilizing the IMPLAN input-output model. IMPLAN is a widely-accepted and utilized software model. For a specified region, the input-output table accounts for all dollar flows between different sectors of the economy. Using this information, IMPLAN models the way a dollar injected into one sector is spent and re-spent in other sectors of the economy, generating waves of economic activity, or so-called “economic multiplier” effects. The model uses national industry data and county-level economic data to generate a series of multipliers, which in turn estimate the total economic implications of economic activity.

b) Regional Economic Data

In order to estimate the regional impacts, IMPLAN combines national industry production functions with region-level economic data. IMPLAN collects data from a variety of economic data sources to generate average output, employment, and productivity for each of the industries in a given county. It also collects data on average prices for all of the goods sold in the local economy. In the case of this study, IMPLAN uses an average of the economic data across the two predominant zip codes, 94952 and 94954, to estimate the impacts to the region. In addition, the IMPLAN model determines the consumption functions of regional households, local government, taking into account the availability of each commodity within the specified geography.

c) Multipliers

IMPLAN combines the data to generate a series of type-SAM multipliers for the local economy. The multipliers measure the amount of total economic activity that results from an industry spending an additional dollar in the local economy. Based on these multipliers, IMPLAN generates a series of tables to show the economic event’s direct, indirect, and induced impacts to gross receipts, or output, within each of the model’s over 500 industries. For the purpose of this study, the direct, indirect, and induced impacts are summarized and totaled.

d) Summarizing the Impacts

IMPLAN generates a series of output tables to show the impacts within each of the model's sectors. IMPLAN generates these tables for three types of impacts: output, employment, and value added. The study will examine all three of these impacts for both (1) Temporary Economic Impacts and (2) Ongoing Economic Impacts.

- *Output* refers to the total economic value of the project in the local economy.
- *Employment* shows the number of employees needed to support the economic activity in the local economy.
- *Value Added* shows the total income that the project generates in the local economy.