LIVERMORE
CALIFORNIA

CITY COUNCIL STAFF REPORT **ITEM NO. 8.2**

DATE: November 23, 2026

TO: Honorable Mayor and City Council

FROM: Brandon Cardwell, Innovation and Economic Development Director

SUBJECT: Downtown Hotel Project Update

RECOMMENDED ACTION

Staff recommends council receive an informational update regarding the Downtown Hotel project. No action is requested.

SUMMARY

The Downtown Hotel has been a longstanding City Council priority and an important component of Downtown revitalization. Since the project began in 2016, the City Council has taken numerous actions to facilitate its development, including approving project entitlements, responding to legal challenges, modifying development requirements, extending contractual deadlines, and providing financial assistance. Despite these efforts, the project has not commenced construction due to a combination of prolonged legal challenges, the COVID-19 pandemic, and subsequent changes in hotel market conditions. As a result, a 2026 feasibility analysis concluded that the previously approved hotel is not financially feasible under prevailing market conditions. Staff is now working with the Developer and City Council's Downtown Development Subcommittee to evaluate potential development models and pathways forward and anticipates returning to Council with additional information and recommendations early next year. No Council action is requested as part of this informational update.

DISCUSSION

Project History

The Downtown Hotel project (Project) has been underway for more than 10 years. The Project began in 2016 when the City entered into an Exclusive Negotiating Rights Agreement with Presidio Companies (Developer) to facilitate development of a boutique hotel on City-owned property at the southeast corner of South Livermore Avenue and Railroad Avenue. In September 2018, following extensive community engagement and Downtown planning efforts, the City Council approved a four-story 133-room hotel together with a Disposition, Development and Loan Agreement (DDLA) for the purchase and development of the property. The Project was intended to implement the Downtown Specific Plan and advance the City's vision for a vibrant Downtown. At the time, the Developer had secured necessary City

approvals and was ready to commence development.

However, within days of the original approval, the Project encountered the first of several legal challenges. On October 11, 2018, the City received a referendum challenging amendments to the Downtown Specific Plan, which halted hotel development and resulted in the City Council repealing the challenged amendments in November 2018. A subsequent citizens' initiative sought further changes to Downtown development regulations, delaying the Project before ultimately being withdrawn. On August 28, 2019, the City received a second referendum challenging the ordinance approving the hotel's Development Agreement. The City Council subsequently called a special election, and on March 3, 2020, Livermore voters approved Measure P by more than a two-thirds majority, affirming the Development Agreement and the Project. Collectively, these legal and electoral challenges delayed implementation by approximately two years, pushing the Project into the onset of the COVID-19 pandemic (Pandemic).

The Pandemic and subsequent economic conditions substantially altered the hospitality market, requiring the City and Developer to revise the original development approach in response to challenges to the feasibility of the Project as described in the *Market Conditions and Financial Feasibility* section below. In January 2022, the City Council approved an Amended and Restated Disposition, Development and Loan Agreement (DDLA), eliminating underground parking and authorizing approximately $1.9 million in financing to acquire a site for off-site parking. The City Council subsequently approved revised project entitlements and conveyed the hotel property to the Developer in 2022.

In July 2024, the City Council approved another DDLA amendment extending project deadlines and establishing additional procedures to address changing market conditions and financial feasibility. Collectively, these actions reflect the City's sustained efforts to accommodate changing circumstances and preserve the opportunity for hotel development. A more detailed project history can be found in Attachment 1.

Development Agreement and DDLA Status

The Project remains subject to the Amended and Restated DDLA, as amended in July 2024. The DDLA expressly anticipates changing market conditions and establishes procedures for evaluating project feasibility and extending performance deadlines following a determination of financial infeasibility following a Feasibility Analysis.

In accordance with the DDLA, the Developer submitted a Feasibility Analysis to the City in April 2026, which demonstrated that the Project as previously approved was no longer feasible; this is further described in the *Market Conditions and Financial Feasibility* section of this report. As such, performance deadlines for the Project have been extended and the Project remains consistent with the development objectives and anticipated public benefits contemplated by the City's agreements. The feasibility determination does not terminate the agreements or eliminate the Developer's underlying obligations.

Market Conditions and Financial Feasibility

The Pandemic fundamentally altered the hospitality industry’s market conditions. Business closures, travel restrictions, and reduced visitor activity caused substantial declines in hotel occupancy and revenues. Tri-Valley hotel room revenues declined by more than 50% in 2020, significantly undermining the financial feasibility of new hotel construction. Although the hospitality industry has subsequently

improved, the Tri-Valley's regional hotel performance remains below pre-Pandemic levels. In 2026, in accordance with the Project DDLA and as a result of ongoing financial strain, the Developer provided a Feasibility Analysis to the City. According to the Feasibility Analysis, from 2019 to 2025, occupancy among comparable Livermore-area hotels declined approximately 7%, while average daily rates (ADR) declined approximately 13%, and revenue per available room (RevPAR) declined approximately 21%.

Simultaneously, the post-Pandemic economy created additional obstacles for new development, including sustained inflation, higher labor and material costs, and increased interest rates. According to the California Department of General Services' California Construction Cost Index, construction labor and material costs increased approximately 61% cumulatively between 2018 and 2026.

As a result, Tri-Valley hotel revenues have sharply declined while the cost of developing and financing new hotels has increased significantly. These opposing trends have created a large gap between development costs and asset values, significantly challenging hotel feasibility across the region.

Unlike other select-service and extended-stay hotels recently constructed in the Tri-Valley, the proposed Downtown Hotel is envisioned as an upper-upscale boutique hotel with higher quality finishes and fixtures, more extensive food-and-beverage offerings, meeting facilities, rooftop amenities, and public improvements. These features create a more complex and capital-intensive development model than the standardized hotel concepts recently constructed in the region.

For these reasons, the Feasibility Analysis concluded that the approved Downtown Hotel is not financially feasible under prevailing market conditions and that, upon completion, the hotel’s value would be over $20 million less than its construction costs. These results demonstrate the challenges in advancing the Project in its current form and emphasize the need to consider alternative development and financing approaches.

Private Financing and City Assistance

The Developer has expended considerable resources on design and predevelopment of the hotel since 2018. The extended development timeline, combined with unfavorable market conditions, has placed additional financial pressure on the Project. To sustain the Project through these challenging conditions, the Developer secured approximately $2 million in private bridge financing in late 2024 to cover ongoing project carrying costs, including property taxes, insurance, and other expenses, and to provide additional time for construction costs, interest rates, and hotel market conditions to improve. However, without project-generated revenues, the Developer has experienced difficulty maintaining payments on this obligation. Approximately $1.7 million in private financing is scheduled to mature in January 2027.

To support continued progress toward a financially feasible hotel, in June 2026 the City entered into a separate Economic Development Agreement providing a $200,000 loan from the City's Community Benefit Fund. The Community Benefit Fund consists of negotiated financial contributions from developers rather than taxpayer funding. The loan was designed to assist the Developer in making monthly principal and interest payments on its private financing through the remainder of 2026, providing additional time for the City and Developer to evaluate revised hotel development and financing approaches. As a condition of the assistance, the Developer is required to provide a revised hotel concept and supporting financial feasibility analysis demonstrating that the Project can be constructed, financed, and operated successfully.

Downtown Development Ad Hoc Subcommittee and Next Steps

In September of 2026, the City Council formed a Downtown Development Ad Hoc Subcommittee to assist staff with implementation of the City's approved Downtown development agreements. Staff subsequently began working with the Subcommittee and Developer to evaluate the hotel's financial feasibility and potential pathways forward. Discussions have included financing strategies, modifications to the approved hotel, and evolving hospitality models.

Staff will continue working with the Developer and Subcommittee to evaluate potential development approaches, with particular attention to the Developer's private financing obligations and the City's existing contractual rights and financial interests. Staff anticipates returning to the City Council early next year with a more comprehensive update and recommendations regarding the Project's future. The City's objective remains to facilitate a financially viable Downtown Hotel that supports visitation, local businesses, economic vitality, and the public benefits contemplated by the Downtown Core plan.

ENVIRONMENTAL IMPACTS

There are no environmental impacts associated with receiving the Downtown Hotel update. Receiving an update is not a project under the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines Section 21065.

FISCAL AND ADMINISTRATIVE IMPACTS

There is no direct fiscal impact associated with receiving this informational update. The City's previously authorized financial assistance remains subject to the applicable agreements. Any proposal involving additional financial commitments or amendments to existing obligations would be evaluated separately and brought to the City Council for consideration, as appropriate.

COMMUNITY PILLAR

2. Economy that Prospers.

ATTACHMENTS

1. Downtown Hotel Historical Timeline

Prepared by: Jake Potter
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Approved by:

Marianna A. Burch
City Manager

Fiscal Review by:

Dustin Claussen
Administrative Services Director