

## MEMORANDUM

**TO:** Mayor Deinbo and Members of the Berkeley City Council

**FROM:** Elliot Liebson, Director of Planning and Development

**THROUGH:** Nathan Mai-Lombardo, City Manager

**DATE:** 1/13/2025

**RE:** Chapter 100, Community Improvement District (CID), and tax abatement incentive ordinances and supporting documents for hotel renovation project at 9600 Natural Bridge

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As noted in the November Council meeting approving the Memorandum of Understanding, the developer of this project (9600 Natural Bridge SL Realty LLC) has hired Gilmore Bell to prepare the Ordinances, petition, and other supporting documents authorizing and establishing the requested incentives necessary to redevelop this hotel.

As a refresher, the incentives package consists of the following requests:

- Chapter 100 tax abatement, with a sliding scale of payments to the city (and other taxing bodies) over 20 years.
- Full (100%) abatement of *personal* property tax.
- 100% exemption of sales tax on construction materials only.
- And additional 1% sales tax Community Improvement District, the revenues of which would help pay costs of the project.

As the Council is aware, this property has been a sore spot for Natural Bridge and the City for several years. Since 2014, the hotel has changed brands 4 times, and has been in arrears for property taxes for seven of the last nine years. In 2024 the City revoked the hotel's permanent Occupancy Permit, and this appears to have motivated the current ownership to sell the property. The group that has put the property under contract; Natural Bridge SL Realty LLC (a collaboration between Clover Hospitality Group and Fine Hospitality Group), has an extensive record of successfully renovating and reopening distressed hotels such as this one, and as they will demonstrate in their presentation, they are investing heavily in this project, and are committed to turning an eyesore into a first-class hotel. In order to do so they have requested the incentives package outlined in the MOU in your packet.

Staff feels this is a good deal, first and foremost because the City will receive it's full share of sales tax (estimated at \$100,000 per year), once the hotel is renovated. Moreover, this project will serve as a catalyst for further revitalization (and increased sales and property tax) from the rest of the corridor. It takes the largest vacant property in the City and returns it to productive use, and so we strongly recommend Council approve this project.

A summary of the Ordinances, proposed Incentives, and supporting documents is included in the attached memo from Gilmore Bell.