

Exhibit A

BACKGROUND

**Carevan Serai Winery
Use Permit Major Modification Application № P10-00206
4120 Howard Lane, Napa, Calif., 94558
Assessor's Parcel №. 036-180-041**

Owner: Darioush Khaledi Winery LLC

Applicant: Darioush Khaledi Winery LLC

Representative (Attorney): Charles Meibeyer, Meibeyer Law Group

Zoning: AP (Agricultural Preserve)

General Plan Designation: AR (Agricultural Resource)

Filed: June 14, 2010 Complete: March 14, 2011

Winery Size - Existing: +/- 4,500 square feet

Winery Size - Approved: +/- 6,900 square feet

Winery Size - Proposed: +/- 24,000 square feet (and +/- 5,600 square feet of outdoor work areas)

Production Capacity - Approved: 100,000 gallons per year

Production Capacity - Proposed: No change. 100,000 gallons per year

Visitation - Approved: By-appointment tours and tastings; 25 or fewer visitors per day

Visitation - Proposed: By-appointment tours and tastings; 400 or fewer visitors per day*

Number of Employees - Approved: 5 full-time and 2 part-time

Number of Employees - Proposed: 15 full-time and 15 part-time

Hours of Operation - Approved: 8 am to 6 pm, daily (Marketing events to 11 pm)

Hours of Operation - Proposed: 8 am to 10 pm, daily

Hours of Operation - Staff Recommendation: 8 am to 7 pm Sunday through Thursday and 8 am to 10 pm Friday and Saturday

Marketing - Approved: 7 35-person lunch, dinner, or meeting events monthly and 2 50-person wine auction events annually

Marketing - Proposed: 15 12-person dinnertime events monthly with food prepared on-site; 20 8-person lunchtime events monthly with food prepared on-site; 8 150-person large events annually with catered food; and participation in Auction Napa Valley. All figures are max.*

**No more than 400 total daily visitors are proposed, inclusive of both marketing and tours and tastings visitation.*

Parking - Approved: 16 spaces- including 9 customer spaces and 7 employee spaces
Parking - Proposed: 50 spaces- including 28 customer spaces, 22 employee spaces, and 2 ADA-accessible spaces

Parcel Size - Existing: 30.2 acres
Parcel Size - Proposed: 30.2 acres

Accessory/Production Ratio - Approved: approx. 30% (40% allowed)
Accessory/Production Ratio - Proposed: 37% (40% allowed)

Winery Coverage - Approved: Approx. 0.5 acre (15 acres max) and/or 1.7% of the lot area (25% max)
Winery Coverage - Proposed: Approx. 2.3 acres (15 acres max) and/or 7.6% of the lot area (25% max)

Property Line Setbacks - Existing: 427' front (20' required); 20' north side (20' required); 800' south side (20' required); and 790' rear (20' required)
Property Line Setbacks - Approved: 427' front (20' required); 20' north side (20' required); 800' south side (20' required); and 720' rear (20' required)
Property Line Setbacks - Proposed: 614' front (20' required); 20' north side (20' required); 700', or 625' from outdoor seating area, south side (20' required); and 525', or 430' from outdoor seating area, rear (20' required)

Winery Road Setbacks - Existing: Approx. 610' (600' required)
Winery Road Setbacks - Approved: Approx. 610' (600' required)
Winery Road Setbacks - Proposed: Approx. 690' (600' required)

Adjacent General Plan Designation/ Zoning / Land Use

North

Agricultural Resource General Plan designation - AP zoning
Agricultural, residential, and commercial uses; including a 45 acre vineyard parcel (Morgenthaler) and a 6 acre restaurant/multi-family residential parcel (Altamura)

South

Napa County Agricultural Resource General Plan designation - AP zoning. City of Napa Single Family Residential and Tourist Commercial General Plan designation – RS 10 and CT zoning
Residential and commercial uses; including a 1.9 acre residential parcel (Kelley); 0.2, 0.3, and 1.9 acre resort hotel parcels (La Residence); and 0.3 to 0.4 acre residential parcels (Romero, Napa Valley Properties, Hurtado, Hill, County of Napa, Kowaleski, Denby, Vaziri, Barbarick, and Meadows).

West

Agricultural Resource General Plan designation - AP zoning
Transportation improvements including Howard Lane, State Route 29, and the Napa Valley Wine Train Railroad.

East

City of Napa Single Family Residential General Plan designation – RS 5 zoning Residential uses; including 0.2 to 0.3 acre residential parcels (Newman, Medvin, Hanson, Lockhart, Moneta, Williams, Garver, Hickey, Ogara, Hernandez, Brownfield, Brady, Hansen, O'Neill, Rogala, Orfali, and Hundley).

Nearby Wineries (located within 1 mile of the project)

Laird Family Estates - 5055 Solano Avenue - *Producing - 900,000 gallons per year* - By appointment

Simone Winery - 4581 Solano Avenue - *Producing - 5,000 gallons per year* - By appointment

O'Brien Family Vineyard - 1200 Orchard Avenue - *Producing - 20,000 gallons per year* - By appointment

Domaine Montreaux - 4101 Big Ranch Road- *Producing - 20,000 gallons per year* - By appointment

Trefethen Vineyards – 1160 Oak Knoll Avenue- *Producing - 500,000 gallons per year* – Open to the public

Parcel History and Evolution of this Application

June 1988 - The Planning Department approves **small winery exemption № SW-38889**, allowing a 2,000 gallon per year winery with no visitation (Strack Vineyards). At that time, the property was owned by William Strack.

November 1996 - The Planning Director approves **site plan approval № 95691-SPA** allowing, “nine panel antennas and one global positioning system attached to an existing barn and a 174 square foot equipment pad.”

1999 - George Altamura purchases the subject property.

April 2000 - The Planning Commission approves **use permit № 98425-UP** allowing, among other things, an increase in annual production from 2,000 to 100,000 gallons, construction of new production space including a barrel storage building and an outdoor work area, “custom wine activities including crushing, fermentation, barrel aging, mobile bottling, retail wine sales, and tours and tastings by prior appointment for four entities comprising a maximum of 75,000 gallons,” 25 by-appointment tours and tastings visitors per day, and a marketing plan including 6 “private promotional dinners and lunches” per month for up to 35 people, 1 meeting per month for, “various wine related organizations of up to 35 people,” and 2 wine-auction related events for up to 50 people. No turn lane improvements were required at Highway 29, but the Department of Public Works recommended that, “all truck traffic utilizing the winery turn right in from the highway and right out onto the highway.”

July 2006 - Then-Assistant Director Patrick Lynch issues a letter determining **use permit № 98425-UP** “used” consistent with NCC §18.124.080 based on the following analysis;

According to the building permit records, for permit number B02-00370, the Napa County Building Division scheduled and performed their first inspection on April 5, 2002

for forms and footings associated with the barrel storage building approved by the Planning Commission.

July 2009 - Darioush Khaledi Winery LLC purchases the subject property.

June 2010 - Chuck Meibeyer files the subject application (**use permit major modification application No. P10-00206**) on behalf of Darioush Khaledi Winery LLC.

March 2011 - The applicant team submits final revised plans and application materials which, among other changes, incorporate a crush pad and all other facilities necessary for start-to-finish winemaking at the proposed facility.

April 2011 - The Planning Division releases the **P10-00206** subsequent mitigated negative declaration (State Clearinghouse Number **2011042030**) for public comment and agendas the requested use permit modification for review by the Planning Commission at their May 18, 2011 regular meeting. The subsequent mitigated negative declaration comment period runs from April 12, 2011 to May 12, 2011. Comments received to-date are addressed at **Response to Comments**, attached.

May 11, 2011 - The applicant requests a continuance from the May 18 Planning Commission meeting to allow him additional time to address concerns raised by neighboring property owners in attached correspondence (see **Comments**). The May 18 meeting is automatically cancelled and all items are continued to the June 1 regular meeting due to a resulting lack of business.

May 19, 2011 - The applicant submits a Memorandum (attached at **Applicant's Response**) outlining his agreement with neighboring signatories to the May 10, 2011 Pat Rogala letter. Changes agreed to in that Memorandum are outlined as relevant at **Discussion Points**, below.

Code Compliance History

Having discussed the application with Enforcement staff, toured the property, and reviewed the Department's files, Planning Staff is not aware of any code compliance issues on the subject parcel.

Discussion Points

Setting

The project is proposed on a 30 acre parcel located on the east side of Highway 29, just southeast of its intersection with Howard Lane. The property is surrounded on three sides by the City of Napa and is located approximately ¼ mile north of the stoplight-controlled intersection of Highway 29 and Salvador Avenue. The property currently houses a residence, a large storage barn, the foundation of a never-completed winery production building, a small crushpad, two wells (one of which serves the non-restaurant uses on the neighboring Don Giovanni parcel), and approximately 28 acres of producing vineyard. All-but 2.8 acres of the existing vineyard is proposed to remain as a component of this project. The large winery parcel stretches from Howard Lane on the west to the City of Napa's Sandalwood/Mosswood/Morse Ct./Bella Dr.

residential neighborhoods to the east and south. Areas to the north are unincorporated and are generally planted to vineyard.

As noted above, land uses in the area are a mix of relatively dense residential uses (averaging slightly less than 5 residences per acre), active vineyard operations on lots averaging 40 acres in size, and scattered commercial uses including the La Residence hotel at 4066 Howard Lane and the Bistro Don Giovanni restaurant at 4110 Howard Lane. The adjacent Don Giovanni property also houses a number of non-restaurant improvements, including 6 or more residential apartments and a number of storage structures. Major transportation facilities including State Route 29, the Wine Train railroad right-of-way, and the Solano Avenue bike route are all located more or less directly to the west of the subject parcel.

The Proposed Winery

As detailed at **Recommendation**, Darioush Khaledi (as Darioush Khaledi Winery LLC) proposes to construct an entirely new winery on the subject parcel. The Winery, to be called Carevan Serai¹, would maintain the existing 100,000 gallon per year winery entitlement currently associated with the property, but would include entirely new winery production and hospitality facilities, redesigned parking lots, wastewater systems, drives, and other accessory improvements, as well as a totally revised, updated, and enlarged visitation and marketing program.

The proposed Carevan Serai winery would include two primary structures, located at the property's northwestern corner, some 525 feet from the residential neighborhood to the east and 700 feet from the residential neighborhood to the south at their nearest points.

A new 16,500 square foot winery production building is proposed to replace the existing winery barn and the partially-constructed barrel storage building associated with the Strack Vineyards winery. The production building would be 28 feet tall at its highest point, with over-height single story interior space to allow for the flexible placement of tanks and stacked barrels. Other uses proposed within the production building include lofted dry storage and approximately 300 square feet of office space. A covered crush pad and a covered outdoor work area totaling approximately 5,600 square feet are proposed along the production building's southern elevation.

The applicant also proposes a new 7,500 sq. ft. single-story winery hospitality building which would serve as the hub of the winery's administrative and marketing activities. Uses proposed within the hospitality building include slightly more than 300 square feet of offices, approximately 2,500 square feet of wine tasting areas, a commercial kitchen and communal dining area, and a 692 square foot retail area for the sale of wine related products consistent with 2010's Winery Definition Ordinance update (Ordinance № 1340). The proposed production building has, in staff's opinion, a distinguished architectural design and would utilize a mix of cladding materials including stone, plaster, copper and wood siding. The structure would have a finished height of approximately 28 feet, though fill proposed at the building site would make the structure

¹ From Wikipedia- "A caravansara, or khan (Persian: ارسان اورك kārᵛānsarā, Turkish: kervansaray) was a roadside inn where travelers could rest and recover from the day's journey. Caravansaras supported the flow of commerce, information, and people across the network of trade routes covering Asia, North Africa, and South-Eastern Europe, especially along the Silk Road. These were found frequently along the Persian Empire's Royal Road, a 2500 km long ancient highway that stretched from Sardis to Susa. According to Herodotus, "Now the true account of the road in question is the following:- Royal stations exist along its whole length, and excellent caravansaras; and throughout, it traverses an inhabited tract, and is free from danger."

effectively 2 to 3 feet taller. Extensive courtyard, terrace, and outdoor sitting area improvements are proposed around the hospitality building itself.

Roadway Improvements

Highway 29 is presently 4 lanes wide near the proposed winery (2 lanes northbound and 2 lanes southbound), with a median break located in-line with the Howard Lane intersection and northbound acceleration and deceleration tapers at Howard Lane. Although most of Highway 29's major intersections have left turn lanes, there is presently no southbound left turn lane at Howard Lane.

Given the substantial baseline traffic generated by Bistro Don Giovanni and La Residence Inn, it was recognized from the outset by the County and the applicant team that the additional traffic generated by the proposed Carevan Serai winery would necessitate substantial improvements to the existing Winery Driveway/ Howard Lane/ Highway 29 intersection.

In consultation with traffic engineers at the Crane Transportation Group, the applicant is proposing extensive safety and traffic-flow improvements, including a new southbound left-hand turn lane at Highway 29, a new southbound refuge lane at Highway 29, an expanded northbound right-hand turn deceleration lane at the Highway 29 /Howard Lane intersection, new stop signs and intersection improvements at Howard Lane's 90 degree bend (the point at which Howard Lane would intersect with the Don Giovanni driveway and the driveway of Carevan Serai winery), and improved street lighting at the Howard Lane/ Carevan Serai driveway intersection.

We would point the Commission towards the attached mitigated negative declaration for a more thorough review of the project traffic analysis and all of the recommended improvements. However, in net, Planning and Public Works staff is confident that the project would result in substantially improved safety and traffic flow conditions along Highway 29 and Howard Lane in the vicinity of the proposed winery.

Visitation and Marketing

Tours and tastings visitation to the proposed Carevan Serai Winery would be by-appointment, with a maximum of 400 visitors per day and an average of 2,800 per week. A tandem marketing plan is also proposed, including 15 12-person dinner events monthly with food prepared on-site, 20 8-person lunch events monthly with food prepared on-site; and 8 150-person larger events annually with catered food. Both tours and tasting marketing visitation would be subject to a cumulative 400 persons per day maximum - meaning that total visitation to the site could never exceed 2,800 persons in a week.

Staff has provided a table comparing marketing and tours and tastings visitation at similar sized wineries below. The table makes a series of general assumptions regarding marketing event visitation which cause it to be somewhat imprecise in specific cases, but it is useful and valid for purposes of broad-brush comparison. When marketing and tours and tastings visitation are combined, only the V. Sattui Winery and Darioush Winery produce wine at levels similar to Carevan Serai while having similar or more intensive visitation programs. In that context, it would appear that Carevan Serai Winery proposes a comparatively aggressive marketing plan. However, Carevan Serai's location on Highway 29 is quite prominent and there is an argument to be made that if any winery location within the Agricultural Preserve warranted such relatively high visitor numbers, this may be it. Additionally, background traffic levels generated by the neighboring Bistro Don Giovanni are so high that it is entirely possible that the approximately

250 additional busiest-day visitor trips proposed here will be difficult to perceive against background traffic levels when spread out over an 11 to 14 hour business day - at least on a qualitative basis.

Changes Agreed to by the Applicant – In their May 19th Meibeyer memorandum (attached), the applicant team agrees to:

- limit dinner events to Friday and Saturday night, with the exception of two monthly dinners which may be held Sunday through Thursday;
- limit larger 150-person events to no more than 2 such events per calendar month and no more than 4 such events from June through September; and
- delete the request that AB 2004 picnicking/on-premise consumption occur at the proposed “vineyard sitting areas” (now “vineyard viewing areas.”) AB 2004 consumption would only occur in the hospitality building and its courtyard.

<i>Winery</i>	<i>Approved Production</i>	<i>Tours & Tasting</i>	<i>Marketing (Ave/Week)</i>	<i>Tours and Tasting (Ave/Wk)</i>	<i>Total Visitation (Ave/Wk)</i>
TWOMEY	81,480	Public	7	75	82
KENZO	85,000	By Appointment	45	75	120
PROVENANCE	85,000	Public	245	300	545
MCKENZIE MUELLER	96,000	By Appointment	<i>no data</i>	50	50
V. SATTUI	96,000	Public	811	3,850	4,661
ANDRETTI	100,000	Public	<i>no data</i>	100	100
MONTICELLO	100,000	Public	<i>no data</i>	84	84
MOSS CREEK	100,000	Public	<i>no data</i>	600	600
BLACK STALLION	100,000	Public	<i>no data</i>	350	350
TRINCHERO NAPA VALLEY	100,000	Public	6	1,000	1,006
DI AMBROSIO	100,000	By Appointment	13	100	113
BARREL STOP	100,000	By Appointment	26	50	76
PAHLMAYER	100,000	By Appointment	26	70	96
CE2V WINERY (COSENTINO)	100,000	None	17	20	37
ROUND POND	100,000	By Appointment	23	90	113
DARIOUSH	100,000	Public/By Appointment	225	2,000	2,225
DUCKHORN	110,000	Public	29	50	79
CAYMUS	110,000	Public	<i>no data</i>	180	180
OPUS ONE	110,000	By Appointment	<i>no data</i>	100	100
HAVENS	120,000	By Appointment	<i>no data</i>	85	85
FLORA SPRINGS	120,000	By Appointment	<i>no data</i>	175	175
ZAPOLSKI RUDD	120,000	By Appointment	<i>no data</i>	2	2
PALISADES	120,000	By Appointment	35	60	95
PEJU PROVINCE	120,000	By Appointment	17	450	467
CAREVAN SERAI	100,000	By Appointment	Included in T&T Avg--->	2,800	2,800

Note:

Marketing Ave/Wk numbers are approximate.

Hours of Operation

As noted in the project description, the applicant team is proposing a change in the facility's hours of operation from the 8 am to 6 pm schedule approved for Strack Vineyards to an 8 am to 10 pm schedule with marketing event cleanup not to extend past 11 pm. While it is not at all uncommon for wineries throughout the Valley to hold marketing events which run to 10 pm, the present application is somewhat unique in that it proposes to lump tours and tastings and marketing event visitation together and subject both to a 10 pm closing.

A submitted noise study (attached) finds that the project will not result in evening-hour noise above the, relatively high, baseline condition created by a combination of Highway 29 traffic and patrons coming and going from Bistro Don Giovanni. Based on this analysis, the Planning Division's subsequent mitigated negative declaration finds no significant impacts related to noise. However, there is no denying that winery closing times, at least in this County, do not generally extend past 6 pm. It is really only restaurants, nightclubs, bars, and the like which traditionally operate past 6 or maybe 7 pm. Given that the Carevan Serai property is surrounded by dense residential development on two sides and is located proximate to an occupied apartment building on a third, staff would urge some conservatism with regard to the issue of closing hours.

The attached recommended conditions of approval attempt to take a middle course. The draft conditions propose to:

- 1.) disallow evening (after 6 pm) and early morning (before 10 am) outdoor visitor activities, except those that occur entirely within the enclosed hospitality building courtyard;
- 2.) reduce the requested 10 pm closing-time on "school nights" (Sunday-Thursday) to 8:30 pm in the summer and 8:00 pm throughout the rest of the year; and
- 3.) allow the winery to remain open for both marketing and tours and tastings visitation until 10 pm on Fridays and Saturdays year-round.

If the Commission adopts staff's proposed approach, our hope is that the 10 pm Friday and Saturday closing time can function as something of a test. Should the 10 pm close not create negative neighborhood impacts after a reasonable period of winery operation, we see no reason why the applicant should not return to the Commission in order to extend hours of operation during the remainder of the week. On the other hand, if the 10 pm close creates issues on Friday and Saturday nights, the Commission may want to consider weeklong 8:00 to 8:30 pm closing time (or an earlier closing). Staff proposes a condition of approval requiring Planning Commission review of project closing hours and neighbor impacts approximately one year from the beginning of marketing activities at the winery.

Changes Agreed to by the Applicant – In their May 19th Meibeyer memorandum (attached), the applicant team agrees to:

- hours of operation generally consistent with the staff-recommended hours, above;
- no construction activities on Sunday; and
- construction of minimalist vineyard viewing areas akin to the Darioush vineyard viewing areas pictured in the memorandum attachment.

Other Conditions of Note

In addition to the more restrictive hours of operation discussed above, there are a few additional places where staff is recommending non-standard conditions of approval and/or conditions which are more restrictive than those requested by the applicant. They are, in brief:

Initiation of Marketing and Tasting Activities- While the WDO and the Planning Department's "Winery Production Process" document include various definitions of wine production for purposes of establishing maximum allowable production and describing the types of wines which can be sold at a winery at retail, the Zoning Code's definition of a winery is both singular and succinct. According to Napa County Code §18.08.640 a winery is, "an agricultural processing facility used for the *fermenting and processing of grape juice into wine* or the refermenting of still wine into sparkling wine" (emphasis added). Per Napa County Code §§18.16.030(G)(5) and 18.16.030(H) marketing, tours and tastings, and the sale of wine-related products can only occur where they are accessory and "clearly incidental" to the operation of a winery as a production facility. It is staff's interpretation that while some level of bulk wine importation/exportation and barrel aging of wine fermented off-site is clearly permissible at a winery, in order to meet the WDO's cornerstone definition of a winery, the facility must engage in the "fermenting and processing of grape juice into wine." To that end, **Condition No 2** states that no marketing or tours and tastings activity may occur at Carevan Serai until the "fermentation and processing of grape juice into wine has actually commenced at the facility."

Lighting- Condition No 7 incorporates language requiring that interior lighting which is visible from off-site be shielded and designed to reduce outward glare. This condition mimics standard language addressing exterior lighting, and has been included because the hospitality building includes expansive windows (see, for instance, the eastern elevation) visible from residences off-site. Staff fears that interior lighting which is not carefully selected and located to minimize spillover lighting might represent a detrimental new source of light and glare when viewed from these off-site residences.

Changes Agreed to by the Applicant – In their May 19th Meibeyer memorandum (attached), the applicant team agrees to staff's proposed interior lighting limitations and further agrees to:

- "install metal, etched, or printed screening along the top approximate three to four feet of the windows on the east and south side of the hospitality building that will diffuse and screen lighting within the building" and
- "install anti-reflective or anti-glare glass in the hospitality building to minimize glare during the daylight hours and minimize light release from the building at night."

Noise- In an attempt to address potential noise impacts associated with the proposed parking lot, the applicant team has incorporated a sound buffer into their parking lot plan. **Condition No 14** requires 1.) that the final sound buffer design be analyzed for effectiveness by a qualified noise engineer prior to the County's issuance of a building permit and 2.) that the noise buffer actually be in place before new visitation and/or marketing activities begin.

Traffic- Because Highway 29 and Howard Lane roadway improvements are key to the suitability of this site for the increased visitation proposed in this application, staff has

incorporated language at **Condition No 18** which requires that all roadway improvements be completed prior to winery occupancy. However, because Caltrans encroachment permitting can be difficult, staff is recommending a safety valve in the form of language which allows occupancy of the winery in the absence of required roadway improvements if the applicant can document that, “despite his earnest and continuing efforts to meet the requirements of this approval, his failure to complete said improvements resulted from Caltrans action or inaction entirely beyond his control.”

Other Changes Agreed to by the Applicant

In addition to changes addressed above, the applicant and the Rogala group of neighbors have also agreed to the following:

- The proposed storm water infiltration pipe will be realigned from west-to-east to north-to-south;
- As a component of the project, the winery will attempt to re-engineer existing site drainage such that drainage flows are more effectively conveyed to the existing City of Napa drainage inlet at the property’s southeast corner;
- Extensive screening, including mature trees, is proposed adjacent to the production building and winery parking lot; and
- All winery tanks will be painted an earth-tone color.

Consistency with Standards

Zoning

The project is consistent with AP (Agricultural Preserve) zoning district regulations. A winery (as defined in Napa County Code § 18.08.640) and uses in connection with a winery (see Napa County Code § Section 18.16.030) are permitted in the AP district with an approved use permit. This application complies with the Winery Definition Ordinance and those other requirements of the Zoning Code as applicable.

Building Division Requirements

The Building Division recommends approval with standard conditions. Please see their attached memo.

Fire Department Requirements

The Fire Marshal's office recommends approval with standard conditions. Please see their attached memos.

Department of Public Works Requirements

The Department of Public Works recommends approval with conditions addressing the timing and nature of proposed roadway and roadway lighting improvements. Please see their attached memo.

Department of Environmental Management Requirements

The Department of Environmental Management recommends approval with standard conditions. Please see their attached memo.

Site Photos



View to the site from Highway 29



Existing Highway 29 median break



Existing winery barn



Existing barrel building foundation



From the winery site- looking east



From the winery site- looking south



View to the winery site- looking north from Encina Dr.



View to the winery site- looking west from Mosswood Dr.



Existing residential development- Don Giovanni (Altamura) property



Existing residential/storage/cell site development- Don Giovanni (Altamura) and Carevan Serai properties