

SCOTT GREENWOOD-MEINERT  
scottgm@dpf-law.com

June 9, 2015

**VIA EMAIL: [John.McDowell@countyofnapa.org](mailto:John.McDowell@countyofnapa.org)**Mr. John McDowell, Deputy Planning Director  
Planning, Building and Environmental Services  
1195 Third Street, Room 210  
Napa CA 94559**Re: Reverie On Diamond Mountain; Major Use Permit Modification**  
**No. P13-0000237**

Dear John:

Following up on our meeting with you and Ms. Gallina last Thursday, this sets forth our efforts to reach a compromise with you and PBES that addresses the concerns and mixed messages articulated by the Planning Commission on Wednesday. This letter is provided to you in a DRAFT form for discussion purposes. Based on the issues we discussed last Thursday, here are compromises we believe that you and your staff can support, and that we hope the Planning Commission can not only appreciate, but approve.

1. In light of the Planning Commission's apparent consensus on Wednesday to retain the entertainment areas on the west side of Teal Creek, but to seek habitat conservation and restoration on the property in keeping with staff's recommendation, attached is a report from Jeannette Owen, Senior Biologist with First Carbon Solutions, with a diagram that outlines areas for both (i) conservation of oak woodlands and wetlands, and (ii) areas suitable for restoration with native plants (a list of which is also attached to Ms. Owen's report). Ms. Owen literally dropped everything she was working on to assist us in getting this report to you as fast as possible given the tight time lines we must keep to in this matter. Your original staff report stated 15,000 sq. ft. of restoration, but as we discussed yesterday, there are conservation opportunities on this wonderful property, which is why Ms. Owen's report identifies over 70,000 sq. feet of mitigation and preservation opportunities.
2. Reverie also proposes that the maximum annual visitation be modified downward to 6,800 visitors in the first year after approval of the application, with a 1,000 person increase annually thereafter for three years, with the annual increases based on substantial compliance with all other aspects of the approved use permit as evaluated by staff. Please note the visitation charts submitted with this letter, prepared by Reverie, that clearly justify the original visitation request of 10,840 annual visitors. However, it is apparent from the first commission hearing that our original request simply was not acceptable, no matter how thorough and how supportable the facts and analyses are to support the visitation request. So, we submit our even further developed rationale for our original visitation request, we offer this compromise in the hopes of your support and

Mr. John McDowell  
June 9, 2015  
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the commission's approval. Please note that the original permit's number of 20 visitors a week is not, and has not been for a long time, a number that allows Reverie to survive. The simple fact is, as we discussed, that no owner of Reverie can stay in business at that number, a number that is 20 years old and from a different era of wine marketing.

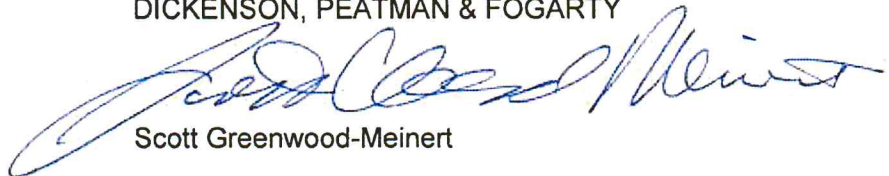
3. Reverie will report its visitation, if the compromise above is approved, for three year after approval.
4. Reverie will agree to an estate fruit designation, subject to being allowed for winemaking purposes to bring in minor amounts of fruit for blending purposes and subject to needing to bring in fruit as necessary to replace lost fruit due to replanting or disease. And of course the WDO would be complied with regarding fruit brought in, just as it would be now.
5. Reverie will agree to a temporary hold and haul program until it gets a "live" system installed. We cannot get a live system installed in time this year.
6. Reverie will agree to modified visitation hours of 10:00 a.m. to 5:00 p.m., instead of the 8:00 a.m. designation in its original permit.

The visitation and marketing analyses provided with this letter are confidential. Our intention is to provide them to staff and to the commission because we believe it is necessary, particularly in light of the demands for justification of our visitation requests by staff and commission. However, we insist that this information remain undiscoverable and undisclosed to the public until such time as we agree otherwise. If this request is challenged by the public, the indemnification of the County that has been signed by Reverie would also apply.

Again, we appreciate your efforts the last few days to meet with us and discuss the significant issues remaining after the hearing on Wednesday. Please contact me at your first opportunity to discuss the contents of this letter so that we can keep the tight timeframes we have for returning to the commission on June 17<sup>th</sup>.

Sincerely,

DICKENSON, PEATMAN & FOGARTY



Scott Greenwood-Meinert

Enclosure

cc: Planning Commissioners  
Norm Kiken, Reverie  
David Gilbreth





June 5, 2015

Scott Greenwood-Meinert  
**DICKERSON PEATMAN & FOGARTY**  
1544 First Street, Suite 301  
Napa, California 94559

**Subject: Reverie Vineyard & Winery: Potential Onsite Mitigation**

Dear Mr. Greenwood-Meinert,

FirstCarbon Solution (FCS) completed A Biological Resources Baseline Conditions Report (2014) and letter report Reverie Vineyard & Winery; Current and Historic Riparian Habitat (2015). Both reports discuss the existing conditions within the project site including the presence of an unnamed drainage located approximately 30 feet east of the existing winery/office building, wine cave and associated facilities. It was determined, through the review of historical aerial imagery, that the unnamed drainage feature does not currently and has not historically supported riparian vegetation.

It is my understanding that the owner/applicant and Napa County staff are working together to mitigate approximately 15,000 square feet (ft<sup>2</sup>) of natural habitat within the existing project parcel. Onsite mitigation opportunities, as shown on Exhibit 1, include preservation and enhancement of the existing seasonal wetlands (5,916 ft<sup>2</sup>), preservation of existing oaks (62,112 ft<sup>2</sup>), invasive species removal and native plant restoration (129 ft<sup>2</sup>), and planting of native vegetation (3,835 ft<sup>2</sup>) at locations that are suitable onsite; however there will be no plantings within the unnamed drainage or Teal Creek. Exhibit 2 is a list of vegetation native to Napa County that can be used as a planting resource.

Please contact Jeannette Owen at 916.447.1100 with any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Owen', with a stylized flourish at the end.

Jeannette Owen  
Senior Biologist/Regulatory Specialist

Enclosures:

- Exhibit 1: Onsite Mitigation Opportunities
- Exhibit 2: Native Vegetation to Napa County

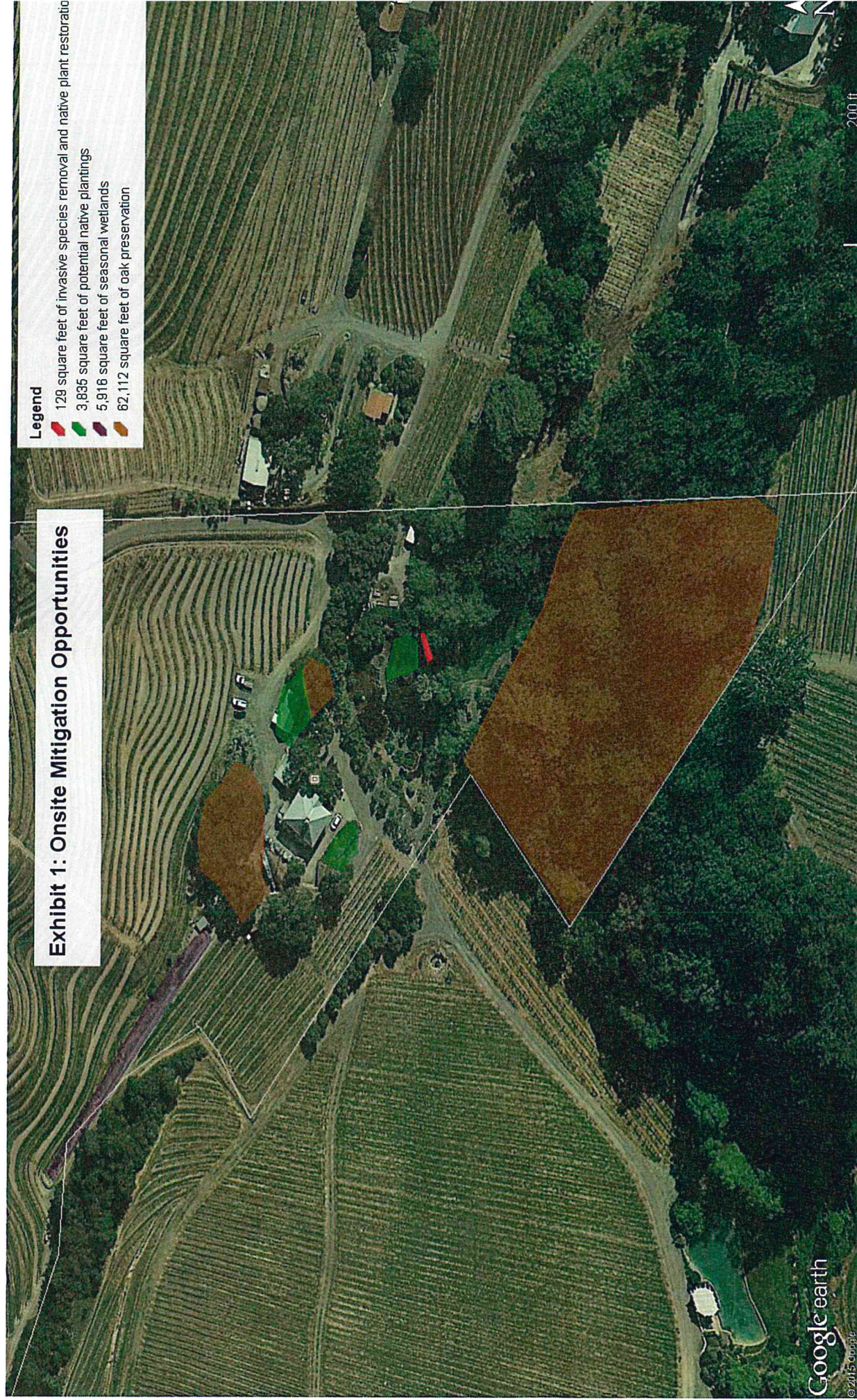
## Enclosures



# Exhibit 1: Onsite Mitigation Opportunities

## Legend

- 129 square feet of invasive species removal and native plant restoration
- 3,835 square feet of potential native plantings
- 5,916 square feet of seasonal wetlands
- 62,112 square feet of oak preservation





## Exhibit 2: Napa County Native Plants

Genus species	Common Name	Plant Community	Genus species	Common Name	Plant Community
<i>Achillea millefolium</i>	common white yarrow	coastal, meadow, chaparral	<i>Iris Pacific Coast Hybrid</i>	Iris Pacific Coast Hybrid mix	coastal, woodland
<i>Achillea various hybrids</i>	red, lilac, yellow yarrow	coastal, meadow, chaparral	<i>Jurcus asstd</i>	wire grass	all
<i>Adiantum sp.</i>	maidenhair ferns	redwood, riparian	<i>Linum lewesii</i>	western blue flax	meadow
<i>Asclepias sp.</i>	milkweed	meadow - for monarchs!	<i>Lupinus albifrons</i>	silver bush lupine	coastal, meadow
<i>Arctostaphylos</i>	Manzanita	chaparral	<i>Lupinus arboreus</i>	yellow flower bush lupine	coastal, meadow
<i>A. u. 'Pt Reyes'</i>	Pt Reyes bearberry	coastal, chaparral	<i>Mimulus aurantiacus</i>	golden sticky monkeyflower	woodland, meadow, chaparral
<i>A. u. 'Radiant'</i>	bearberry	coastal, chaparral	<i>Mimulus cardinalis</i>	red monkeyflower	riparian, woodland, meadow
<i>A. u. 'Carmel Sur'</i>	Carmel Sur manzanita	coastal, chaparral	<i>Mimulus hybrids</i>	hybrid monkeyflower	riparian, woodland
<i>A. 'John Dourley'</i>	hybrid manzanita	chaparral	<i>M. guttatus</i>	yellow monkeyflower	meadow
<i>A. palmerensis 'Paradise'</i>	Pajaro Manzanita	chaparral	<i>Muhlenbergia rigens</i>	deer grass	coastal, woodland
<i>A. 'Sentinel'</i>	Sentinel Manzanita	chaparral	<i>Myrica californica</i>	Pacific wax murtle	meadow
<i>A. 'Louis Edmonds'</i>	pink manzanita	chaparral	<i>Oenothera</i>	evening primrose	redwoods
<i>A. 'Dr Hurd'</i>	Dr Hurd manzanita	chaparral	<i>Oxalis oregana</i>	redwood sorrel	meadow
<i>Aquilegia formosa</i>	western columbine	chaparral	<i>Penstemon azureus</i>	purple penstemon	meadow
<i>Asarum caudatum</i>	wild ginger	redwoods	<i>Penstemon 'Midnight'</i>	phacelia	meadow, woodland
<i>Aster chilensis</i>	common aster	coastal, riparian, woodland, meadow	<i>Polystichum munitum</i>	Catalina cherry	chaparral
<i>Baccharis pilularis</i>	coyote brush	coastal, meadow, chaparral	<i>Prunus lyonii</i>	polypody fern	redwoods, riparian, woodland
<i>Blechnum spicant</i>	deer fern	coastal, meadow, chaparral	<i>Polypodium</i>	buttercups	meadow, woodland
<i>Brodiaea laxa</i>	lithurlet's Spear	woodland, riparian	<i>Ranunculus californicus</i>	coffeeberry	coastal, riparian, wood, chap
<i>Calycanthus occidentalis</i>	spice bush	riparian	<i>Rhamnus californica</i>	lemonade berry	coastal, woodland
<i>Carpenteria californica</i>	bush anemone	chaparral	<i>Rhus integrifolia</i>	pink flowering currant	redwoods, riparian, woodland
<i>Caeanthus</i>	California wild lilac	chaparral	<i>Ribes sanguineum</i>	golden currant	redwoods, riparian, woodland
<i>C. gloriosus porrectus</i>	wild lilac	coastal, chaparral	<i>R. speciosum</i>	fuchsia flowering gooseberry	riparian, woodland
<i>C. g. 'Anchor bay'</i>	wild lilac	coastal, chaparral	<i>Ribes viburnifolium</i>	Catalina perfume	chaparral
<i>C. 'Frosty Blue'</i>	wild lilac	chaparral	<i>Romneya coulteri</i>	matilija poppy	woodland, riparian
<i>C. 'Dark Star'</i>	wild lilac	chaparral	<i>Sambucus mexicana</i>	blue elderberry	woodland, riparian
<i>C. 'Julia Phelps'</i>	wild lilac	chaparral	<i>Salvia</i>	Sage	chaparral
<i>C. 'Concha'</i>	wild lilac	chaparral	<i>S. apiana</i>	white sage	chaparral
<i>Cercis occidentalis</i>	western redbud	chaparral, desert	<i>S. 'Bee's Bliss'</i>	bee's bliss sage	chaparral
<i>Chilopsis linearis</i>	desert willow	meadow	<i>S. 'Winifred Gilman'</i>	cleveland sage	chaparral
<i>Clarkia</i>	clarkia	chaparral	<i>S. clevelandii 'Whirly Blue'</i>	whirly blue sage	chaparral
<i>Clematis lasiantha</i>	clematis	chaparral	<i>S. 'Allen Chickering'</i>	Allen Chickering sage	chaparral
<i>Dudleya sp.</i>	dudleya	coastal	<i>S. leucophylla 'Pt Sal'</i>	Pt Sal dwarf sage	chaparral
<i>Encelia californica</i>	brittlebrush	chaparral	<i>S. sonomensis</i>	Sonoma sage	woodland, chaparral
<i>Eriophyllum stachaeifolium</i>	lizard tail	chaparral, meadow	<i>S. spatulacea 'Las Pilitas'</i>	hummingbird sage	woodland, riparian
<i>Epilobium assorted species/cvs</i>	California fuchsia	chaparral	<i>Sedum species/cvs</i>	bee plant	coastal
<i>Erigeron glaucus</i>	seaside daisy	chaparral	<i>Sisyrinchium bellum</i>	blue eyed grass	meadow
<i>Eriogonum fasciculatum</i>	California buckwheat	chaparral	<i>Sisyrinchium californicum</i>	yellow-eyed grass	riparian
<i>E. grande rubescens</i>	St. Catherine's lace	chaparral	<i>Spirea densiflora</i>	mountain spirea	riparian, woodland
<i>Epilobium, various</i>	red buckwheat	chaparral, meadow	<i>Symphoricarpos albus</i>	snowberry	riparian, woodland
<i>Eschscholzia californica</i>	California poppy	meadow	<i>Tellima grandiflora</i>	fringe cups	riparian, woodland
<i>Euthamia occidentalis</i>	goldenrod	meadow, woodland	<i>Thermopsis macrophylla</i>	false lupine	meadow, woodland
<i>Festuca idahoensis</i>	Idaho fescue grass	meadow, woodland	<i>Triteleia hyacinthia</i>	Triteleia	meadow, woodland
<i>Festuca californica</i>	blue Idaho fescue	meadow, woodland	<i>Vaccinium ovatum</i>	huckleberry	redwoods
<i>Festuca l. 'Siskiyou Blue'</i>	California fescue	meadow, woodland	<i>Verbena lilacina 'De La Mina'</i>	lilac verbena	coastal, chaparral
<i>Fragaria sp.</i>	wild strawberry	redwoods, riparian, woodland	<i>Vitis californica 'Roger's Red'</i>	California grape	woodland, riparian
<i>Fremontodendron</i>	hybrid flannel bush	chaparral	<i>Woodwardia fimbriata</i>	fern	meadow, woodland
<i>Gilia</i>	birdseye	meadow	<i>Wyethia mollis</i>	Mule's ear sunflower	woodland, woodland
<i>Grindellia stricta</i>	gumplant	chaparral, meadow	<i>Zauchneria californica</i>	California fuchsia	chaparral, meadow
<i>Heteromeles arbutifolia</i>	toyon	chaparral, woodland			
<i>Heuchera species/cvs</i>	alum root/coral bells	redwoods, woodland			

REVERIE on DIAMOND MOUNTAIN, LLC  
MARKETING PLAN

**CONCLUSION:** The following information and attached calculations support our request for production of 9,200 gallons of wine and daily visitation of a maximum of 40 persons with an average of 200 persons per week (10,400 persons annually.) Such calculations were made based on our existing marketing emphasis of direct consumer sales with special emphasis on wine clubs membership. Our marketing plan also takes advantage of our unique walking tour with tasting that takes utilizes our beautiful gardens and breath taking redwood circle.

Direct-to-consumer marketing and particularly wine clubs are a major source of sales for all wineries and particularly for smaller wineries. The 2014 Wine Business Monthly/Silicone Valley Bank Tasting Room Survey, noted "...the direct to consumer sales channel is more vibrant than ever...." and that "...80% of all wineries now offer [wine]clubs.... Also, it noted that the "average winery saw the ranks of wine club members increase by 20%...."

**HISTORY:** The vineyard was planted in 1989-1990 to three varieties of grapes, Cabernet Sauvignon (about 80%), Cabernet Franc (about 10%) and Merlot (about 10%.) The property was bought in 1993 by Norman and Evelyn Kiken approximately 2 weeks before the first harvest. At that time, Norman, a CPA, was the CFO of a public company that was a major investor in Pine Ridge Winery. Norman served on the Pine Ridge Board and had worked several harvests there. As a super "wine geek" Norman left in 1994 to become the full time winemaker, Manager and (then) sole employee at Reverie. He is still the winemaker and Manager.

The first harvest was very small and the wine was custom crushed. Distribution was to friends and acquaintances and a small amount to New York restaurants. After harvest, a portion of the vineyard was budded over to Petit Verdot and to trial blocks of Barbera, Tempranillo and Malbec (since expanded.)

In 1994-1995, the Kiken's reconstructed a 150 year old barn that was to become the winery building and also served as a temporary residence while the primary home was being constructed elsewhere on the property. A winery permit which has not been modified since was granted in 1995.

The 1994 crop was also custom crushed as well as the 1995 grapes except for the Barbera and Tempranillo which were fermented at Reverie after the permit was obtained.

The original marketing plan was to sell a substantial amount of grapes to other wineries and to estate bottle the balance. As was typical at the time, Reverie utilized distributors and brokers to distribute the bulk of its production. Reverie's experience with this form of distribution was that it required expensive personal visits to the ultimate buyers, generally resulting in single case sales to high end restaurants and collection problems from its distributors. It also became more difficult to find good distributors as there was significant distributor consolidation and increased competition from new brands. Also, even good distributors did not provide adequate attention to small producers as they were under pressure from large wineries to sell their products. As a result, the winery was financially unsuccessful and needed to develop viable alternatives.



Reverie had started to receive individuals who had heard both good things about the wines and the uniqueness of its beautiful property, particularly its redwood "fairy ring." These visits combined with changes in the marketplace led to the conclusion that direct to consumer sales (utilizing only its own estate grown grapes) was the best marketing approach. Also, the low yields and high costs of farming a steep mountain vineyard made sales of grapes a non-viable alternative. Further, the small production varietals Reverie produced, while creating an interesting variety of wines for consumers, were not in demand by other wineries at adequate prices. (For example in 2014 Cabernet Sauvignon production was only 45% of total compared to approximately 80% when the property was acquired.) Eventually, a visitor based sales program with an emphasis on wine club sales was developed and has been very successful.

#### Wine clubs:

The principal advantage of a wine club to a winery is that shipments are automatic, most members remain customers for a period of time and bad debts are eliminated. It also requires personal attention from sales people, generally a discount from posted prices and incurrence of pouring costs. Most significantly, a large percentage of drop outs every year need to be replaced to maintain a static membership.

In implementing the visitation program, Reverie evaluated its assets. Its major asset is of course outstanding wines. However, good wines are the norm in Napa Valley and Reverie needed to separate itself from the many wineries, including the many new showplace wineries also emphasizing visitation program. Its major unique asset was the unusually large and perfect circular stand of majestic redwood trees as well as the gardens created by Evelyn Kiken, a Master Gardiner. Reverie was also producing varietal estate wines that were not widely available in the Napa Valley such as Barbera, Tempranillo, Grenache and Roussanne. (Reverie believes it is producing the only Napa Valley Estate Barbera, one of two producing a 100% Napa Valley Estate Roussanne and one of the few bottling a Napa Valley Estate Petit Verdot as a varietal.) Reverie also found that not having its wines in distribution and therefore being only available from the Winery was important to its sales effort. (See attached calculations.)

Reverie was aware most wineries had an indoor tasting bar or room and/or some outside sitting area with amenities. Reverie decided to use its assets by creating a unique walking tour with tasting along the way. A typical visitor would remain outside throughout the tour. Generally, the visitor will tour the fermentation area to discuss the process, see fermentation tanks, the grape press and pumps and perhaps look at some nearby vines to discuss viticulture with the tour guide. The visitor would observe the barrel storage area leading to a discussion of barrels and ageing and then walk through the beautiful gardens to the redwood area. The tour would finish at several tables where orders were taken. During fermentation, the lucky visitor frequently got to see pumpovers from the top of a fermenting tank, taste new or fermenting grape juice and toss a few clusters into the destemer.

#### Non Wine Club Sales:

A high percentage of visitors who do not join the wine clubs, purchase wine. However the average aggregate sale to these customers is substantially less than to wine club members. (see attached calculations.)



Reverie also distinguishes itself by having an experienced group of tour leaders all of whom have been at Reverie for at least 3 years and includes the owner's son. Being a small hands-on winery, the owner/winemaker frequently meets with visitors. We believe this is a unique and memorable experience for them.

Unlike most Napa Valley wineries, Reverie does not normally charge a tasting or visitation fee.

#### Obtaining Visitors:

The major sources of visitors are referrals from existing customers, including wine club members, private tour drivers, concierges, repeat visitors and travel web sites (such as Trip Advisor), where Reverie has very high consumer satisfaction ratings. Reverie attempts to make itself known to concierges and private tour drivers by staff visits, customer recommendations, tastings and invitations to the winery.

#### Our Visitation Request:

Reverie is basing its request for visitation based on the number of visitors needed to purchase its estate grown production. (See calculations.)

The production limit being requested is 9200 gallons. Based on that amount, approximately 3800 cases would be produced before losses. Based on Reverie's average grape production in the last ten years approximately 3400 cases would be produced. However, during the last 10 years, production has been as great as 30% above the 10 year average as well as above average in each of the last 2 years. As a result of the likelihood of crops above the average, Reverie has requested an additional visitation of noted in the attached calculations (See Note g).

Wine club membership in recent years has been about 2,400 members. However, somewhere between 20% and 28% of Members need to be replaced every year due to lapse of membership. Most visitors to Reverie come as couples. Reverie believes about 15%-20% of visitors (or 30-40% of couples) join one of its wine clubs. A substantial percentage of visitors who do not join the wine clubs purchase wine. However the average aggregate sale to these customers is substantially less than to wine club members.

Reverie offers wine club members a 15% discount from posted prices on both wine club shipments and other wine purchases. Non-club visitors purchasing a case of wine or more receive a 10% discount. Almost all purchases of 6 bottles or more and wine club shipments are shipped by a commercial shipper generally in Spring or Fall as weather permits. Customers pay for shipping and sales taxes, if any. Virtually all sales are paid by credit card.

Sales to restaurants, retailers and on-line are miniscule.

#### Calculation and Conclusion:

Attached is a calculation of required visitation under two scenarios. Based on his experience of over 22 years as a wine maker-winery owner, winery board member, financial executive and (former) CPA, Norman Kiken believes the calculations are reasonable and fully support Reverie's request for visitation of a maximum of 40 persons a day and an average of 200 per week (a total of 10,400 annually).

For 9,232 Visitors

		SENSITIVITY					
		**		PEF			
	Club	.5 CASES	12%	14%	16%	18%	20%
	Bottles	.25 CASES	36%	34%	32%	30%	28%
	Total % Buying		<u>48%</u>	<u>48%</u>	<u>48%</u>	<u>48%</u>	<u>48%</u>
CASES SOLD	Club	.5 cases	554	646	739	831	923
	Bottles	.25 Cases	831	785	739	692	646
	Samples	305 cases	<u>305</u>	<u>305</u>	<u>305</u>	<u>305</u>	<u>305</u>
	Total sold		<u>1,690</u>	<u>1,736</u>	<u>1,782</u>	<u>1,828</u>	<u>1,874</u>

\*\* Used in principal analysis



# TY ANALYSIS

## CENT CONVERSION

22%	24%	26%	28%	30%	32%
<u>26%</u>	<u>24%</u>	<u>22%</u>	<u>20%</u>	<u>18%</u>	<u>16%</u>
<u>48%</u>	<u>48%</u>	<u>48%</u>	<u>48%</u>	<u>48%</u>	<u>48%</u>
1,016	1,108	1,200	1,292	1,385	1,477
600	554	508	462	415	369
305	305	305	305	305	305
<u>1,921</u>	<u>1,967</u>	<u>2,013</u>	<u>2,059</u>	<u>2,105</u>	<u>2,151</u>
0					

Visitors needed to sell:

3800 cases

Per Individual

Visitors %

Wine club	9232	18%
Bottles/cases	9232	30%
No Sale		52%
Samples	9232	100%

Per Couple

1/2 of 2 x of  
above Above

Wine club	4616	36%
Bottles/cases	4616	60%
No Sale	4616	4%
Samples	4616	100%



Number of Buyers	Cases per Buyer	Total Cases
1,662	0.500	831
2,770	0.250	692
9,232	0.033	<u>305</u>
		1,828

Number of Buyers	Cases per Buyer	Total Cases
1,662	0.50	831
2,770	0.25	692
0		
4,616	0.066	<u>305</u>
		<u>1,828</u>

