

CITY OF AMERICAN CANYON



October 11, 2011

Madison Vineyard Holdings, LLC
Attn: Ms. Lisa Wendt
5619 DTC Parkway, Ste. 800
Greenwood Village, CO 80111

SUBJECT: Request for a Water Service "Will Serve" Letter
Napa County APN 057-140-010 and 015
Valley Gate Vineyards

Dear Ms. Wendt :

The City of American Canyon ("City") has received a request from Mr. Eric Kroll ("Applicant") representing Madison Vineyard Holdings ("Owner") for a "Will-Serve Letter" for improvements and use as described below related to the proposed improvement of real property located on 1 Kirkland Ranch Road, Napa County Assessor's Parcel Number 057-140-010 and 015 ("the Property"). You are seeking to increase production at the existing winery from 200,000 gallons per year to 1.3 million gallons of production and an additional 2.4 million gallons of bottling. The request is subject to both City and State legal requirements as detailed below.

The City's understanding of the development of this property is based on the representations of the Applicant in a Will Serve Questionnaire dated September 30, 2011 which states that the proposed project will increase production at the existing winery from 200,000 gallons per year to 1.3 million gallons of production and an additional 2.4 million gallons of bottling. According to the Applicant's will-serve questionnaire and the summary table below, the water demand for the site is estimated to be 25,922 gallons per day.

Building:	57,000 square feet
Total lot acreage:	69 acres

Anticipated Average Daily Water Demand in gallons per day:

Domestic:	457
Irrigation:	0
Industrial:	25,465
Total:	25,922 gpd

Anticipated Maximum Day Demand in gallons per day:

Domestic:	686
Irrigation:	0
Industrial:	48,010
Total:	48,696gpd

The City reviews proposed developments to ensure that Will-Serve Letters are issued based only on assumed water and sewer demands for specified allowed densities of development,



taking into account the overall demand for water and the overall demand for effluent discharge within the City's system.

The City will continue to provide water service to the site subject to the following conditions and/or the continued existence of the following described conditions:

1. Applicant shall be subject to the City's rules and regulations in force at the time application for service for the authorized and described development is made, including all fees and charges, unless otherwise agreed in writing.
2. Applicant shall construct all facilities required to serve the development property which shall be determined by the City based on the authorized and described development. Applicant shall bear 100% of the costs of the facilities required to serve the development property, subject to review and approval of the City's Public Works Department. Applicant shall also be responsible for paying its proportionate fair-share allocation of any additional regional facilities required to serve the development property, including, but not limited to, participation in a mutual beneficial assessment district to be initiated by others.
3. Applicant shall submit to the City cost estimates for the construction of all on- and off-site public water facilities required for the authorized and described development. If the City finds the costs reasonable, the Applicant shall pay to the City an amount equal to Applicant's proportionate fair share of 5% of the agreed-upon construction costs to cover plan check and inspection services by the City. This fee is fixed and non-refundable. This Will Serve Letter is conditional upon the City's agreeing in writing to the estimated costs.
4. Because the City faces a cutback of up to 96% in its allocation from the State Water Project during extremely dry years, as documented by the City's Urban Water Management Plan, it is seeking additional water supply in the form of transfers of rights. The cost of this water supply is not known, nor is it included in the current City rates. The City is considering a drought surcharge on all customers, existing and new, in order to finance a drought reserve. The Applicant agrees to waive any protest to such a drought surcharge during its formulation and implementation and review under the California Environmental Quality Act, Public Resources Code section 21000 *et seq.* ("CEQA").
5. As a result of *Vineyard Area Citizens for Responsible Growth v. Rancho Cordova* (2007) 40 Cal.4th 412, the lead agency as defined under CEQA, here the County of Napa, in its environmental review of a development project, including what is currently proposed by the Applicant, must at a minimum accomplish an environmental review under CEQA that: (a) presents sufficient facts to evaluate the pros and cons of supplying the water that the project will need; (b) presents an analysis that assumes that all phases of the project will be built and will need water, and includes an analysis to the extent reasonably possible of the consequences of the impacts of providing water to the entire project; and (c) where it is impossible to determine that anticipated future water sources will be available, some discussion of possible replacement sources or alternatives to use of anticipated water and of the environmental consequences of those impacts must be presented. *Vineyard, supra*, 40 Cal.4th 430-434.
6. The City Council of the City of American Canyon adopted a Zero Water Footprint Policy (ZWF) policy on October 23, 2007, which requires development to offset all (100%) of its water demand for a project. As a result of this policy those applicants who do not meet

the ZWF will be required to pay a surcharge on their monthly water rate. The applicant is requesting a new demand therefore the project does not have a zero water footprint and the surcharge to the City's monthly water rate does apply.

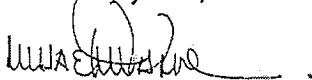
7. Financial Obligation For Water Service
 - a. Monthly water service charge will be \$4.81 per 100 cubic feet. (This fee is subject to change to coincide with current City of American Canyon outside the City water rates.) The estimated monthly water service charge (based on 25,922 gpd average daily water demand) is approximately \$5,000 month.
 - b. The water capacity fee for the subject use will be \$500,180.
 - c. Annual Short Term Mitigation in accordance with the Water Supply Report dated September 30, 2011.
8. Applicant must comply with the items and conditions of the Water Supply Report attached and hereto made a part of this "will serve" agreement.
9. The City reserves the right to audit the site's water demand as deemed necessary in order to verify that the applicant's water use is in accordance with this Will Serve Letter.

This Will Serve Letter supersedes all prior purported Will Serve Letters and service commitments to the development of the Property with any use. This Will Serve Letter is only valid for the authorized development and expires two years from the date of issuance unless connection fee payment is made. The City reserves the right to further condition extension of water service if development different from that presently proposed and authorized is pursued or if events out the City's control impact the City's ability to furnish water.

Except to the extent set forth, this letter does not create a liability or responsibility to the Applicant or to any third party on behalf of the City. The City does not make a determination as to land use entitlements required for the proposed project, and the issuance of this Will Serve Letter shall not be construed to be an expression of the City of a position regarding the use or intensity of use of the development property or that the County has complied with applicable law in assessing the proposed project under CEQA.

This Will Serve Letter only becomes effective upon acceptance of the conditions set forth in this letter by execution of the acceptance provision set forth below and the transmittal of the executed acceptance to the City Public Works Department.

Sincerely yours,



Michael W. Throne, P.E.
Public Works Director

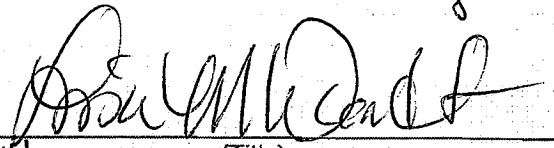
Enclosure

cc: Richard J. Ramirez, City Manager
William D. Ross, City Attorney
Greg Baer, Civil Engineer II
Barry Whitley, Finance Director

Susan Presto, Finance Manager
Utility Billing Department
Hilary Gitelman, Napa County Conservation, Development & Planning
Eric Kroll, Valley Gate Vineyards
Chamber of Commerce

ACCEPTANCE
of
WILL-SERVE CONDITIONS
for
Valley Gate Vineyards
APN 057-140-010 and 057-140-015

I, Madison Vineyard Holdings, LLC, accept the conditions set forth in this
communication. for Valley Gate Vineyards


Manager (Title)

(Title)

Date: 10/12/2011

Date: _____