NAPA COUNTY BOARD OF SUPERVISORS
Board Agenda Letter

TO: Board of Supervisors
FROM: David Morrison - Director
Planning, Building and Environmental Services
REPORT BY: David Morrison, Director, Planning, Building & Environmental Servi - (707) 253-4805
SUBJECT: Carneros Resort and Spa - Use Permit Major Modification and Ordinance Approving Development Agreement (1st reading)

RECOMMENDATION

GF CARNEROS HOLDINGS, LLC / CARNEROS RESORT AND SPA / USE PERMIT MAJOR MODIFICATION NO. P15-00190-MOD, ROAD AND STREET STANDARDS EXCEPTION REQUEST & DEVELOPMENT AGREEMENT

(1) First reading and intention to adopt an Ordinance approving the Development Agreement between GF Carneros Holdings, LLC, GF Carneros, Inn LLC, GF Carneros Tenant, LLC, Carneros Inn Mutual Water Company and Napa County; (2) Consider the Planning Commission's recommendations to approve the Carneros Resort and Spa's Use Permit Major Modification No. P15-00190-MOD and the conditions of approval; (3) Find the project Categorically Exempt from the California Environmental Quality Act (CEQA) pursuant to Class 1 ("Existing Facilities"); Class 3 ("New Construction or Conversion of Small Structures"); Class 4 ("Minor Alterations to Land"); Class 11 ("Accessory Structures"); Napa County’s Local Procedures for Implementing the CEQA, Appendix B, Class 1, Existing Facilities, Section (1) (a)]; and the General Rule in that it can be seen with certainty that there is no possibility the proposed action may have a significant effect on the environment and therefore CEQA is not applicable; and (4) Approve the Carneros Resort and Spa's Use Permit Major Modification No. P15-00190-MOD subject to the recommended conditions of approval.

The project consists of minor alterations and improvements to the Carneros Resort and Spa (or the Resort) and a Development Agreement. The project site is located at 4048 Sonoma Highway, Napa, California on approximately 27.7 acres on the north side of Sonoma Highway approximately opposite Los Carneros Avenue, within the Commercial Limited and Agricultural Watershed Zoning Districts (APN's: 047-110-003, 047-110-027, 047-110-028, 047-110-062, and 047-400-(01-28 SFAP)(the Property).

CEQA Status: Consideration and possible adoption of Categorical Exemptions Class 1, Class 3, Class 4, Class 11, and the General Rule. It has been determined that this type of project does not have a significant effect on the environment and is exempt from the California Environmental Quality Act ("CEQA"); [see Categorical Exemption Class 1 ("Existing Facilities") which may be found in the guidelines for the implementation of CEQA at 14 CCR.
§15301; Class 3 (“New Construction or Conversion of Small Structures”) which may be found in the guidelines for the implementation of CEQA at 14 CCR §15303; Class 4 (“Minor Alterations to Land”) which may be found in the guidelines for the implementation of CEQA at 14 CCR §15304; Class 11 (“Accessory Structures”) which may be found in the guidelines for the implementation of CEQA at 14 CCR §15311; see also Napa County’s Local Procedures for Implementing the CEQA, Appendix B, Class 1, Existing Facilities, Section (1) (a); and the General Rule in that it can be seen with certainty that there is no possibility the proposed action may have a significant effect on the environment and therefore CEQA is not applicable. [See Guidelines for the Implementation of CEQA at 14 CCR §15061(b)(3)]. This project is not on any lists of hazardous waste sites enumerated under Government Code Section 65962.5.

EXECUTIVE SUMMARY

The Applicant for the project and the Development Agreement consists of the four following entities: GF Holdings, LLC (the Carneros Resort Partners), GF Carneros Inn, LLC (the Landowner), GF Carneros Tenant, LLC (the Operator of the Carneros Resort) and the Carneros Inn Mutual Water Company (the nonprofit mutual water company that supplies water to 28-acre Carneros Resort community)(hereafter referred as the Applicant). All of these entities are applicants and parties to the Development Agreement.

The Applicant is proposing to relocate and enhance the main entrance, relocate the Boon Fly Café from its current location to an existing building near the improved main entrance, relocate six existing recreational vehicle spaces, alter and enhance the hilltop swimming pool, provide a one-acre site to the County for use by the Fire Department, and other associated improvements. The proposal also includes receiving water from the City of Napa via existing waterlines in the Congress Valley Water District and new private waterlines installed by the Applicant, thereby eliminating reliance on groundwater. The Applicant also proposes to relocate the existing fire facility from the existing Old Sonoma Road location and install a concrete pad or to dismantle and demolish the existing fire facility at Applicant's cost and expense. Regardless of the County's decision to either relocate the existing fire facility or to construct a new fire station, Applicant is proposing, at its cost and expense, to provide a driveway connection from the fire station site to Old Sonoma Road with a surface capable of supporting fire apparatus weighing 75,000 pounds.

The Applicant is also proposing to enter into a Development Agreement with the County. Development Agreements are authorized by state law (Govt. Code Section 65864 et seq.). The purpose of a Development Agreement in this case would be to provide the Applicant with a vested right to develop the project for a period of years in accordance with the applicable laws and entitlements in effect at the time of project approval. In exchange, the Applicant would agree to terms that would address the impacts of the project which could not have been otherwise required under applicable law. A brief summary of public benefits is set forth below in the Background section (also see Section 12 of the Development Agreement for additional details).

On July 17, 2019 the Napa County Planning Commission by a 5:0 vote unanimously recommended that the Board of Supervisors take the following actions: (1) adopt the Categorical Exemptions; (2) approve the Exception to the Road and Street Standards as conditioned, approve Use Permit Major Modification P15-00190-MOD as conditioned; and (3) adopt an Ordinance approving the Development Agreement.

PROCEDURAL REQUIREMENTS:

1. Open Public Hearing.
2. Staff report.
3. Public comments.
5. Clerk reads the Ordinance Title.
6. Motion, second, discussion and vote to waive the balance of the reading of the Ordinance.
7. Motion, second, discussion and vote on intention to adopt the Ordinance.

FISCAL IMPACT

Is there a Fiscal Impact? No

ENVIRONMENTAL IMPACT

Consideration and possible adoption of Categorical Exemptions Class 1, 3, 4, 11, and the General Rule: It has been determined that this project will not have a significant effect on the environment and is exempt from the California Environmental Quality Act pursuant to Section 15301, Class 1, which provides an exemption for “Existing Facilities” including the repair, maintenance, and minor alteration of existing public or private facilities, involving negligible or no expansion of use; Section 15303, Class 3, which provides an exemption for “New Construction or Conversion of Small Structures” including conversion of offices and restaurants, extension of water mains, and the construction of fences and swimming pools; Section 15304, Class 4, which provides an exemption for “Minor Alterations to Land” including new gardening or landscaping; Section 15311, Class 11, which provides an exemption for “Accessory Structures” including on-premise signs and small parking lots; Napa County’s Local Procedures for Implementing the CEQA, Appendix B, Class 1, Existing Facilities, Section (1) (a) which exempts reconstructing or resurfacing pavement; and the General Rule in that it can be seen with certainty that there is no possibility the proposed action may have a significant effect on the environment and therefore CEQA is not applicable. [See Guidelines for the Implementation of CEQA at 14 CCR §15061(b)(3)]. The site of this proposed project is not on any of the lists of hazardous waste sites enumerated under Government Code Section 65962.5 and is not within the boundaries of any airport land use plan.

BACKGROUND AND DISCUSSION

Property History:

The Property known today as the Resort totals 28-acres and includes 24 single-family homes, 17 fractional residences (The Orchard), and a 96-unit recreational vehicle park/resort hotel (The Cottages) with amenities and supporting infrastructure. The three principal parcels are commonly referred to as the Carneros Inn Parcel (APN 047-100-062) and the Carneros Lodge Parcel (APN's 047-110-027/028). A summary of the permit history for the Carneros Inn and Lodge Parcels is summarized below.

The first use permit associated with the Carneros Inn Parcel was issued in 1961, which authorized the establishment of a mobile home park on a 14-acre parcel zoned Commercial Limited (CL). In 1965, the owner at that time received approval to expand the mobile home park, which also included a small bar and restaurant (now the Boon Fly Café). In 1972, both the Carneros Inn Parcel and Carneros Lodge Parcel were rezoned in two separate actions to Planned Development (PD).

In 1990, the County approved Use Permit No. U-89-20 for the construction and operation of a 96-unit recreational vehicle park on the Carneros Inn Parcel, including a 12,000 square foot recreational building, a storage reservoir, and a sewage pond. By then, the parcel had expanded to 18-acres and included a bar and restaurant, and a 22-
space mobile home park. Later that year, the northern portion of the parcel on which the recreational vehicle park was situated was rezoned Agricultural Watershed: Recreational Vehicle Park Combining District (AW: RVP), while the southern portion, encompassing the restaurant and mobile home park, retained its PD zoning.

In 1999, use permit (U-89-20) was modified to redesign the layout of the mobile home and recreational vehicle parks; reconstruct and relocate the restaurant; and construct a new package wastewater treatment plant. The permit was modified again the following year to change the layout of internal roads; to relocate certain recreational vehicle sites, the restaurant and wastewater treatment plant; and to change certain building uses, elevations, and floorplans.

A predecessor of the Carneros Lodge Parcel was permitted in 1972 as a storage yard for trailers, mobile homes, recreational vehicles, and campers. A portion of the property was rezoned PD; the rest retained its CL zoning. Various parties expressed interest in developing the property over the years, but development activity did not begin until the Carneros Lodge Parcel and the Carneros Inn Parcel came under common ownership in the 1990s.

In 1999, a predecessor of the current Applicant applied for a use permit to establish a new resort hotel facility on the Property and in 2002, the County approved a proposal to build a lodge consisting of 25 cottage-style units; retail, meeting and banquet space; a 100-seat restaurant; and a 10,000 square foot public square. Use Permit No. 98511-UP recognized that the Carneros Lodge Parcel and Carneros Inn Parcel were under common ownership; would share amenities and infrastructure, such as roads, sewage treatment, water supply, and recreational facilities; and would effectively operate as a single integrated resort complex. Modifications to the use permit in 2005 and 2006 reduced the total number of cottage units from 25 to 17.

Water Supply/Use - Use Permit No. 98511-UP for the development of the Carneros property stated that the project had a groundwater extraction threshold of 26.96 acre-feet per year. Subsequently, the County issued a Domestic Water Supply Permit (# 249815) to the Carneros Resort which authorized use of an on-site well as the approved water supply source and the use of trucked water by haulers to serve the water system only during emergency water shortfalls. Approximately four years ago, the Environmental Health Division confirmed that the Carneros Resort was importing trucked water from the City of Napa fire hydrants to supply potable water to the Property on an ongoing basis, to supplement groundwater extraction. In 2015, over 8 acre-feet use at the Resort was reported to come from trucked water. At that time, the California Department of Health Services indicated that trucked water was not an acceptable long-term source for a community water system.

To address on-going water supply issues, in early 2018 the City of Napa conceptually approved the terms of a Wholesale Water Agreement whereby the City would supply an uninterruptible water supply consistent with the terms of the Wholesale Water Agreement to the Carneros Inn Mutual Water Company (Mutual Water Company). The final Wholesale Water Agreement may be approved by City staff and does not require further action by the City Council. The water would be wheeled through an existing Congress Valley Water District waterline to a privately owned waterline that would be constructed and maintained by the Mutual Water Company. The water supplied to the Mutual Water Company would be solely for the Mutual Water Company’s shareholders for their own use within the Mutual Water Company’s existing Service Area, as provided by law and the Mutual Water Company’s articles of incorporation. Under the terms of the Wholesale Water Agreement, the Mutual Water Company would build, install, and maintain approximately 0.5 miles of a permanent private water line from the Congress Valley Water District to the Mutual Water Company within the County right-of-way along Old Sonoma Road. Once the water line is operational, 26.96 acre-feet per year of current groundwater pumping at the Resort would cease and all trucked water to the Resort would also cease, except in the case of emergency and with immediate notification to the County. The Wholesale Water Agreement prohibits the Mutual Water Company and its customers from providing water to third parties or transferring water outside of the Resort's Service Area in effect on March 1, 2018. The conceptual term sheet of the Wholesale Water Agreement is attached to the Development Agreement as Exhibit D of Attachment D to this report and is expected to be approved in substantially the same form by City Staff in 2019.
Current Request:

Use Permit Modification No. P15-00190, as proposed by the Applicant, includes the following: 1) relocation of the main entryway and installation of a new entry structure and signage; 2) installation of off-site roadway landscape improvements within Caltrans and County right-of-ways; 3) replacement of the existing wood fence along Old Sonoma Road with a decorative masonry wall; 4) relocation of the Boon Fly Café restaurant to The Market location and use of the existing Boon Fly Café location for storage and staff needs; 5) relocation of The Market space to a smaller, existing office space in the adjacent building; 6) relocation of six existing recreational vehicle spaces to the Hilltop location; 7) alteration and enhancement of the existing Hilltop pool area; 8) relocation of the kitchen gardens located on the flag lot to the farm area; 9) Carneros Inn Mutual Water Company’s installation of a private waterline from the terminus of an existing waterline to the Property so that the City of Napa can supply water to the Carneros Inn Mutual Water Company, thereby eliminating groundwater use at the site; 10) installation of two pickle ball courts; (11) use of the adjoining CL zoned parcel (APN 047-110-027) as overflow parking for the Carneros Resort; (12) abandonment of the southerly portion of the Old Sonoma Highway and re-use as kitchen gardens; (13) conveyance to the County of one-acre of Carneros Resort land on Old Sonoma Road for use as a future new fire facility; and, (14) relocation of the existing fire facility from the 0.2-acre parcel to the Old Sonoma Road location including the construction of a concrete pad or dismantle and demolish the existing fire facility at Applicant's cost and expense. Regardless of the County’s decision to either relocate the existing fire facility or to construct a new fire station, Applicant, at its cost and expense, will provide a driveway connection from the fire station site to Old Sonoma Road and allow the County to connect to the new private waterline. An Illustrative Site Plan is attached as Attachment E.

The request includes an exception to the County’s Road and Street Standards (RSS) to allow commercial driveway widths of less than 22-feet (20-foot wide road with 22-feet of unobstructed horizontal clearance). The existing internal roadway widths generally vary in width from 17 to 19 feet. The RSS were amended in 2017 requiring, among other things, commercial driveway widths of 22-feet. The existing internal roadways are bound by numerous lodging units, residences and other structures that make up the Resort. The roadways cannot be widened without demolition of numerous existing structures. The realigned main entrance and additional parking spaces have been designed in compliance with the current RSS. The requested exception has been reviewed by the Fire Department and the Engineering Services Division; both have concluded that it meets the required findings.

The Applicant is also proposing to enter into a Development Agreement with the County. Development Agreements are authorized by state law (Govt. Code Section 65864 et seq.). The purpose of a Development Agreement in this case would be to provide the Applicant with a vested right to develop the project for a period of 10 years in accordance with the applicable laws and entitlements in effect at the time of project approval. In exchange, the Applicant would agree to terms that would address the impacts of the project which could not have been otherwise required under applicable law. The County has determined a Development Agreement is appropriate for this project and is being processed concurrently with the use permit major modification. The Development Agreement will eliminate uncertainty in the County’s land use planning process and secure orderly development of the project consistent with the approval of the project by the County, assure progressive and timely installation of necessary improvements, and otherwise achieve the goals and purposes for which the Development Agreement Statute was enacted.

Following is a brief summary of public benefits (see Section 12 of the Development Agreement for additional details):

- Payment to the County of $100,000 over a five year period for affordable housing.

- Conveyance in fee title to the County of one-acre of Resort land for a future new fire station located off Old Sonoma Road and a connection to the Resort's private waterline once it is complete and operational.
- Relocate the existing fire facility from the existing Old Sonoma Road location and install a concrete pad or dismantle and demolish the existing fire facility at Applicant's cost and expense. Regardless of the County's decision to either relocate the existing fire facility or to construct a new fire station, Applicant, at its cost and expense, will provide a driveway connection from the fire station site to Old Sonoma Road with a surface capable of supporting fire apparatus weighing 75,000 pounds.

- Construction and maintenance of a private waterline sized to only serve the Resort. Upon completion of the waterline the Resort shall refrain from trucking water to the Property except in an emergency and groundwater will not be used by the Resort, eliminating the pumping of 26.96 acre-feet per year of groundwater.

- Waiver of rights to construct any new residential units that were previously permitted on the property but not yet constructed.

**Procedural History:**

On October 30, 2018, the Board of Supervisors held a public hearing regarding the proposed terms of a Development Agreement with the Applicant. The Board considered Staff, Applicant and public comments and thereafter directed Staff to negotiate with the Applicant and prepare a Development Agreement consistent with the terms and conditions described herein.

On July 17, 2019, the Napa County Planning Commission held a public hearing on the proposed project and Development Agreement and recommended that the Board of Supervisors take the following actions: (1) adopt the Categorical Exemptions; (2) approve the Exception to the Road and Street Standards as conditioned; (3) approve Use Permit Major Modification P15-00190-MOD as conditioned; and (4) adopt an Ordinance approving the Development Agreement. The Planning Commission's recommendation included relocating two conditions of approval from previous approvals to condition of approval 4.12 addressing future conveyance of the site as a whole because of shared access (condition of approval 4.12(l)) and that advertising be worded such that it would not attract nonregistered guests to the facility (condition of approval 4.12(m)). The Commission also recommended adding a condition requiring the applicant to submit annual water use data to the County (condition of approval 4.12(n)). View the July 17, 2019 Planning Commission staff report, via the following link: [http://services.countyofnapa.org/AgendaNet/GranicusMeetingDocuments.aspx?id=5731](http://services.countyofnapa.org/AgendaNet/GranicusMeetingDocuments.aspx?id=5731)

The recommended conditions of approval (Attachment B) include conditions of approval from previous entitlements on the properties comprising the project site spanning back to the early 1960's. A number of the early entitlements have been superseded or in some cases replaced by subsequent approvals. The previous entitlements and conditions that have been superseded or replaced have been struck through. Annotations indicate where older permits or conditions have been replaced or superseded by more recent permits or if the improvements have been completed. Those previous conditions that have been struck through but have not been annotated were generally satisfied or required to be complete prior to issuance of final occupancy or finaling a building permit.

Where the Board of Supervisors is the decision maker on any companion action to a use permit (i.e. a proposed Development Agreement), the Commission makes a recommendation to the Board of Supervisors pursuant to County Code Section 18.124.010 to approve or disapprove the entire action. The Board thereafter makes the final decision on the entire action, including any determination to be made under the California Environmental Quality Act (CEQA). The Development Agreement is executed through the adoption of an ordinance by the Board of Supervisors. As prescribed by County Code and State law, before the Board of Supervisors can act on the request they must consider the recommendation of the Planning Commission.

**Actions Before the Board:**
The Board is being asked to take the following actions:

1. Find the project Categorically Exempt from CEQA pursuant to Class 1 (“Existing Facilities”) which may be found in the guidelines for the implementation of the CEQA at 14 CCR §15301; Class 3 (“New Construction”) which may be found in the guidelines for the implementation of the CEQA at 14 CCR §15303; Class 4 (“Minor Alterations to Land”) which may be found in the guidelines for the implementation of the CEQA at 14 CCR §15304; Class 11 (“Accessory Structures”) which may be found in the guidelines for the implementation of the CEQA at 14 CCR §15311; Napa County’s Local Procedures for Implementing the CEQA, Appendix B, Class 1, section 1(a); and, the General Rule based on Findings 1-3 of Attachment A;
2. Approve the Road and Street Standards Exception request based on Findings 4-6 of Attachment A and subject to recommended conditions of approval (Attachment B);
3. Approve Use Permit Major Modification No. P15-00195 based on Findings 7-11 of Attachment A and subject to the recommended conditions of approval (Attachment B); and

Staff recommends approval of the Categorical Exemption, the Exception to the Road and Street Standards, Use Permit Major Modification as conditioned, and adoption of the Ordinance approving the Development Agreement.

SUPPORTING DOCUMENTS
A . Recommended Findings
B . Recommended Conditions of Approval and Final Agency Approval Memos
C . Draft Ordinance Approving the Development Agreement
D . Development Agreement
E . Illustrative Site Plan

CEO Recommendation: Approve
Reviewed By: Leigh Sharp