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Agenda Date: 5/15/2019

Agenda Placement: 7A

Napa County Planning Commission Board Agenda Letter

TO: Napa County Planning Commission

FROM: Charlene Gallina for David Morrison - Director
Planning, Building and Environmental Services

REPORT BY: Emily Hedge, Planner III - 259-8226

SUBJECT: P17-00394 Matthiasson Winery Use Permit and P19-00190 Viewshed

RECOMMENDATION

SQUIRREL HILL VINEYARDS, LLC / MATTHIASSEN FAMILY WINERY / USE PERMIT # P17-00394 and VIEWSHED #P19-00190

CEQA Status: Consideration and possible adoption of a Negative Declaration. According to the Negative Declaration, the proposed project would not have any potentially significant environmental impacts. The project site is not included on a list of hazardous materials sites compiled pursuant to Government Code Section 65962.5.

Request: Approval of a Use Permit for an 18,000 gallon winery (existing 5,000 gallon winery approved under a Small Winery Exemption - Phoenix Vineyards) to allow the following: a) Maximum annual permitted maximum production of 18,000 gallons (increased from 5,000 gallons); b) Remodel of the interior of the existing winery building (approximately 3,500 square feet) and addition of an employee breakroom (approximately 64 square feet) increasing the winery building size to approximately 3,600 square feet; c) Conversion of an existing, approximately 1,200 square foot agricultural storage building to a winery storage building; d) Construction of an approximately 3,800 square foot cave (spoils being transported offsite to a permitted location); e) Hours of operation seven days a week: 8:00 AM to 6:00 PM - production hours, except during harvest and 10:00 AM to 6:00 PM - visitation hours (the winery was previously only open for production six days a week and no visitation was permitted); f) Employment of seven employees (four full time and three part time) non harvest (increase from 2 full-time employees); g) Tours and tastings by appointment only for 17 per day; weekly maximum of 119 visitors; h) Food and wine pairings with daily visitation (applicant to obtain a food facility permit as required); i) Annual marketing plan of five annual events comprised of four events (maximum of 30 guests per event) and one event (maximum of 50 persons), catered food may be served at events; j) 7 parking spaces (increased from 5); k) Construction of a wastewater system (two options proposed); l) Use of the on-site well (Well #1); m) Installation of two 10,000 gallon water storage tanks; n) Install landscaping on property and driveway; and o) Improvement of the existing on site driveway (widening to 20 feet) to meet Napa County Road and Street Standards. Also included is approval of a Viewshed application for required screening of the proposed water tanks. The project is located on a 5.75 acre parcel, located at 3171 Dry Creek Road, Napa within the AW (Agricultural Watershed) zoning district. APN: 035-460-

022.

Staff Recommendation: Adopt the proposed Negative Declaration and approve the requested Use Permit and Viewshed, as conditioned.

Staff Contact: Emily Hedge, Planner III, (707) 259-8226 or emily.hedge@countyofnapa.org

Applicant Contact: Jill Klein, 73 Luke Drive, Napa, CA 94558; (707) 265-9349 or jill@matthiasson.com

EXECUTIVE SUMMARY

Proposed Actions:

That the Planning Commission:

1. Adopt the Negative Declaration based on recommended Findings 1-7 in Attachment A;
2. Approve Viewshed P19-00190 based on recommended Findings 8-14 in Attachment A, and subject to the recommended conditions of approval in Attachment B; and
3. Approve Use Permit P17-00394 based on recommended Findings 15-19 in Attachment A, and subject to the recommended conditions of approval in Attachment B.

Discussion:

In November 1986, a Small Winery Exemption was approved for a winery (Phoenix Vineyards) with a production capacity of 5,000 gallons annually. The exemption did not permit public tours, wine tastings, sales of winery related items, or public social events. Small Winery Exemptions are inherently not use permits. In order to allow for modifications to a winery that was approved under a Small Winery Exemption, the winery must apply for and be issued a Use Permit. If approved, the current Use Permit application would bring the winery under a Use Permit and allow the requested changes to the existing winery. Regarding the issue of minimum lot size, the WDO expressly provided, specifically 18.104.240(A) - Wineries—Minimum parcel size, that wineries that were entitled prior to the WDO (known as pre-WDO wineries) were not rendered nonconforming uses and, therefore, are allowed to expand despite being on a now substandard lot.

The project also includes review under the Viewshed Protection program, because the proposed hillside location of the two water tanks, would be potentially visible from Dry Creek Road, which is a County designated Viewshed Road.

The Use Permit would approve an 18,000 gallon winery (increased from the existing 5,000 gallon production approved under a Small Winery Exemption) with a new, approximately 3,800 square foot cave (spoils to be transported offsite to a permitted location). In summary, operational changes include: an increase in production; by appointment visitation for up to 17 people per day; four annual marketing events; and an increase to seven employees (increased from two employees). In summary, physical improvements include: an interior remodel of the existing winery building; construction of an approximately 64 square foot addition to the winery building; conversion of an existing agricultural storage building to winery storage; construction of an approximately 3,800 square foot cave; installation of a wastewater system; and installation of two water tanks. The proposed placement of the tanks and the planting of screening trees, would reduce the visibility of the tanks and would meet the standards of the Viewshed Ordinance.

Staff has reviewed the proposal and found it to be consistent with the Zoning Ordinance and applicable General Plan policies. The proposed winery is comparable to other wineries approved to produce around 18,000 gallons

per year. Implementation of the proposed project, would result in minimal potential environmental impacts. Based on these reasons, staff recommends approval of the project subject to the recommended conditions of approval.

FISCAL IMPACT

Is there a Fiscal Impact? No

ENVIRONMENTAL IMPACT

Consideration and possible adoption of a Negative Declaration. According to the proposed Negative Declaration, the proposed project would not have any potentially significant environmental impacts. The project site is not included on a list of hazardous materials sites compiled pursuant to Government Code Section 65962.5.

BACKGROUND AND DISCUSSION

Property Owner/Applicant: Squirrel Hill Vineyards, LLC; Jill Klein

Zoning: Agricultural Watershed (AW)

General Plan Designation: Agriculture, Watershed, and Open Space (AWOS)

Application Filed: November 17, 2017; **Resubmittals Received:** May 8, 2018; October 10, 2018

Parcel Size: 5.78 acres (Original winery approved under a 1986 Small Winery Exemption)

Existing Development: The parcel is planted with approximately 3.85 acres of vineyards and is currently developed with a single family residence, an agricultural storage building, and the winery building. The agricultural storage building is proposed to be converted to a winery storage building.

Winery Characteristics:

Approved/Existing Winery Buildings Size: Approximately 3,500 square feet

Proposed Winery Buildings Size: Winery building - approximately 3,600 square feet due to 65-square foot addition for an employee breakroom. Winery storage building - 1,200 square feet (existing agricultural building)

Approved/Existing Cave Size: No cave

Proposed Winery Cave Size: 3,800 square foot cave. Type 1 Cave - No visitation or marketing permitted.

Approved Production Capacity: 5,000 gallons of wine per year

Existing Production Capacity: 2015: 60 gallons; 2016: 200 gallons; 2017: 7,200 gallons

Proposed Production Capacity: 18,000 gallons of wine per year

Approved/Existing Winery Development Area: Approximately 4,825 square feet; 0.10 acres

Proposed Winery Development Area: Approximately 6,500 square feet; 0.15 acres

Approved/Existing Winery Coverage: Approximately 26,500 square feet; 0.6 acres; 10% of the site (maximum 25%)

allowed)

Proposed Winery Coverage: 31,510 square feet; 0.72 acres; 12.5% of parcel (maximum 25% allowed)

Approved/Existing Accessory to Production Ratio: 14.1% (500 square feet accessory area and 3,550 square feet production area; maximum 40% of production area allowed)

Proposed Accessory to Production Ratio: 6.3% (500 gross square feet accessory area and 8,000 square feet production area)

Approved/Existing Number of Employees: 2 full-time employees

Proposed Number of Employees: seven employees (four full time and three part time)

Approved/Existing Visitation: No public tours and tastings. The original Small Winery Exemption application anticipated 2 visitors per day; 10 per week.

Proposed Visitation: By appointment, for up to 17 visitors per day. Weekly maximum of 119 visitors. Food and Wine Pairings proposed.

Approved/Existing Marketing Program: None

Proposed Marketing Program: four annual events with a maximum of 30 guests; one annual event with a maximum of 50 guests. Catered Food to be provided.

Approved/Existing Hours of Operation:

Days - Monday - Saturday

Non-harvest production hours – 8:00a.m. to 6:00 p.m.

Visitation – Not applicable; Trade only

Proposed Hours of Operation:

Days - Sunday - Saturday

Non-harvest production hours – 8:00 AM to 6:00 PM

Visitation - 10:00a.m. to 6:00 p.m.

Approved/Existing On-site Parking: 5 spaces. The original small winery exemption approved 6 spaces. Parking spaces for the residence are located adjacent to the residence.

Proposed On-site Parking: 7 spaces

Setbacks Required: 20 feet from property lines, 300 feet from centerline of Dry Creek Road

Existing Setbacks:

The existing winery building is approximately 27 feet from the northern "side" property line, 265 feet from the closest property line to the east, 387 from the rear property line, 325 feet from the southern "side" property line, and 660 feet from centerline of Dry Creek Road. The existing storage building proposed to be converted to a winery storage building is approximately 250 feet from the northern "side" property line, 26 feet from the closest property line to the closest property line to the east, 378 from the rear property line, 143 feet from the southern "side" property line, and 680 feet from centerline of Dry Creek Road.

Proposed Setbacks: No change to the location of the winery building or the existing storage building proposed to be converted to a winery storage building. The addition to the winery building is in line with the existing structure and will not change the setbacks to the closest property lines.

Adjacent General Plan Designations/Zoning Districts/Land Uses:

North, South, East, and West: AWOS General Plan, AW Zoning, with residences and vineyards. Nearby properties on the east side of Dry Creek Road have a General Plan Designation of Agricultural Resource (AR) with a Zoning

Designation of Agricultural Preserve (AP). Land uses also include residences and vineyards.

Nearby Wineries (within one mile of project site):

The Winery Comparison Analysis lists six wineries operating or approved to operate on properties within one mile of the Matthiasson Winery site, with one undergoing a major modification (Anthem Winery). Of the six wineries, four have annual production levels that are comparable to the requested increase in production (20,000-30,000 gallons), one has lower levels, and one has higher levels. Three of the wineries have no visitation, one has lower levels and two have higher levels. The winery with the lower production level and no visitation appears to be inactive.

Parcel History:

Small Winery Use Permit Exemption for Phoenix Vineyards – November 26, 1986, it was determined that the proposed winery qualified for a small winery use permit exemption. At the time, a small winery definition limited production capacity to 20,000 gallons per year, and did not permit public tours, wine tastings, sales of winery related items, or public social events. The winery was approved for production of 5,000 gallons annually.

Code Compliance History:

There are no current code violations related to this property. In 2010 a Code case was opened regarding an expired building permit. The case was resolved with issuance and final inspection on a new building permit.

Discussion Points:

Small Winery Exemption and Parcel Size - In 1986, prior to the adoption of the Winery Definition Ordinance (WDO) regulations, it was determined that the original proposed winery qualified for a small winery use permit exemption. At 5.75 acres, the property would not be eligible for a new winery today because the WDO implemented a 10-acre minimum size. However, the WDO expressly provided, specifically 18.104.240(A) - Wineries—Minimum parcel size, that wineries that were entitled prior to the WDO (known as pre-WDO wineries) were not rendered nonconforming uses and therefore are allowed to expand despite being on a substandard lot. In order to allow for modifications to a winery that was approved under a Small Winery Exemption, the winery must apply for and be issued a Use Permit. It has been the County practices to recognize the changing business needs of small wineries and to allow reasonable expansions of those facilities. If approved, the current Use Permit application would bring the winery under a Use Permit and allow the requested changes to the existing winery. Staff believes the currently proposed project is a reasonable expansion.

Setting - The 5.75 acre project site is located at 3171 Dry Creek Road, approximately 0.8 miles north of the City of Napa. The project site is currently developed with a single family residence, an agricultural storage building, and the winery building. Approximately 3.85 acres are planted in vineyards. The project parcel is accessed via a private driveway off of Dry Creek Road. The driveway serves five residences, including the residence on the project parcel and one residence past the project parcel. The winery building is located approximately 700 feet down the private driveway, past four of the residences that share the driveway. The nearest neighboring residence is approximately 225 feet from the existing winery building. The property is surrounded by rural residential uses and agricultural (vineyards) uses. Surrounding undeveloped areas further to the west, include naturally vegetated and/or wooded hillsides.

Viewshed Protection Program - The two proposed 10,000-gallon water tanks would be located on the hillside west of the winery storage building. Dry Creek Road is a County designated Viewshed Road. The proposed tanks would potentially be visible from the road and, therefore, require review under the Viewshed Program. The tanks would be partially dug into the hillside and would sit approximately 8 feet above grade when viewed from the east. The

applicant proposes plantings 13 evergreen trees surrounding the tanks. Proposed tree types include evergreens such as Olive trees, Catalina Cherry, and Strawberry tree and would range from eight feet to ten feet in height. The trees would reduce visibility of the tanks from Dry Creek Road, and the project will be substantially screened in compliance with County Code Chapter 18.106, Viewshed Protection Program.

Modifications to Winery Operations – This permit would allow an increase production, allow the winery to operate seven days a week (currently closed on Sundays), and add visitation by appointment and an annual marketing program of five events.

Modifications to Existing Winery Building and Physical Improvements - Changes to the existing winery building would include an interior remodel and construction of an approximately 64 square foot addition for an employee breakroom. The existing agricultural storage building would be converted to a winery storage building. An approximately 3,800 square foot cave for production activities would be constructed. Spoils would be transported offsite to a permitted location. Infrastructure improvements include installation of a new septic system and two water tanks, widening of the existing driveway, and installation of landscaping.

Visitation and Marketing Program - In comparison to other by-appointment wineries producing 20,000 gallons, the proposed daily visitation of 17 people is slightly higher than the average of other by-appointment wineries at 14 people a day. The weekly visitation is a significantly higher number, which may be due to wineries providing an average weekly calculation or not being open seven days a week. The higher weekly number also generates a higher annual visitation number. The annual marketing plan consists of five events, including four events with a maximum of 30 guests and one event with a maximum of 50 guests. In comparison to other by-appointment wineries producing 20,000 gallons, the proposed number of marketing events and marketing visitors are both less than half of the average calculation.

Noise - There may be a change in the ambient noise level due to the addition of daily visitation and annual marketing events. Proposed visitation would occur indoors, while the proposed marketing events may take place outdoors near the winery building. The events are generally small in size and limited to five events per year. The winery would be subject to County noise standards and our standard Conditions of Approval including the prohibition of outdoor amplified music. Additionally, existing development on the property, including the residence, surrounded by trees, and the trees and landscaping along the driveway, would assist in reducing noise levels reaching other properties.

Wastewater System - The Wastewater Feasibility Report prepared by Madrone Engineering (Revision 1: May 2, 2018) proposes two options for managing the disposal of domestic and process wastewater generated by the proposed winery. The applicant has indicated that they intend to go with "Option 2" which would install an engineered systems to process the combined domestic and process wastewater and disperse into sub-surface driplines. This option does not include usage of a hold and haul. The study concludes that the parcel contains suitable soils, adequate available dispersal area, and that the proposed increase in winery wastewater disposal needs can be accommodated onsite by either option.

Groundwater Use - The project location is categorized as "all other areas" based upon current County Water Availability Analysis policies and therefore a Tier 1 and Tier 2 analysis was required. A Water Availability Analysis Tier 1 and Tier 2 analysis was completed by Madrone Engineering on May 2, 2018 (original submittal November 10, 2017) and a Memorandum (Updated Draft October 10, 2018) was prepared by Richard C. Slade and Associates LLC (RCS) to provide a calculation of the estimated annual groundwater recharge rate for the project parcel. The analyses conclude that water demand of the project (0.58 acre feet per year) can be met with the existing on-site project well and that the total groundwater usage of the winery is less than the estimated annual recharge for the parcel (1.44 acre feet per year). Although water usage associated with the winery will increase, due to the reduction in water usage associated with vineyard irrigation (conversion to dry farming), overall water usage on the property will decrease by approximately 10 percent. The project will not substantially deplete local

groundwater supplies. Two project specific conditions of approval (#4.20.a and #6.15.a) have been included to require a Groundwater Demand Management Program to meter all wells serving the property and ensure that the total water usage on the parcel does not exceed the proposed estimate which includes the assumption of the reduction in irrigation water.

Site Access, Traffic, and Parking - The winery would continue to be accessed via the private driveway off of Dry Creek Road. W-Trans prepared a Traffic Impact Study that evaluated sight distances from and to the project driveway along Dry Creek Road based on sight distance criteria contained in the Highway Design Manual published by Caltrans. The study determined that sight distances are adequate toward the north and south. Based on Left Turn Lane Warrant Graph from the Napa County Road and Street Standards, a left-turn lane is not warranted on Dry Creek Road at the project driveway. The existing site access and proposed improvements were reviewed and approved by the Napa County Public Works Department, Fire Department, and Engineering Services Division, as conditioned. The W-Trans study analyzed the of Level of Service (LOS) and Roadway segment operation at the study intersections of Dry Creek Road/Orchard Avenue and Dry Creek Road/Trower Avenue and calculated the Existing Conditions (current operation based on existing traffic volumes during the weekday p.m. and weekend midday peak periods); Baseline Conditions (Existing plus Approved projects near the study area); and Future Conditions (Future volumes for the horizon year 2040). Under Existing conditions, the studied intersections operate acceptably at LOS A or B during both peak periods and the studied roadways are operating acceptably at LOS A or B. The intersection and roadways are projected to continue operating acceptably under all scenarios. The study evaluated a proposal of six parking spaces (project proposes seven) and determined that based on the parameters of a typical week day traffic, six spaces is expected to be adequate for typical daily activity. For the largest, 30-person marketing event, the applicant would allow temporary overflow parking near the winery storage building.

Grape Source - The applicant has noted that the on-site vineyard currently produces approximately 3,300 gallons of wine. They have contracts with other vineyards in order to meet the standards of the 75% rule. The remaining grapes would be trucked in. The Winery Trip Generation Sheet estimates the average annual tons of grape on-haul of 90 tons, which calculates to less than two daily trips during the crush period.

Greenhouse Gas (GHG) Reduction Strategies - GHG reduction methods at the winery: installation of energy conserving lighting and water efficient fixtures; installation of solar panels; installation of electrical vehicle charging station(s); implementing bicycle incentives; constructing low-impact development for storm water management; installing water efficient landscaping including planting native plant habitat and working with Healthy Soils Program of the CDFA; recycling 75% of all waste and composting 75% of food and garden materials; educating staff and visitors on sustainable practices; and implementing a sustainable purchasing and shipping program. The winery currently uses 70-80% cover crop; retains biomass for reuse on site; utilizes two electric vehicles; and has shade trees in close proximity to the building.

Public Comments – Multiple comment emails have been received and included in Public Comments attachment.

Decision-Making Options:

As noted in the Executive Summary Section above, staff is recommending approval of the project with conditions of approval as described in Option 1 below.

Option 1: Approve Applicant's Proposal (Staff Recommendation)

Discussion – Approval of the project would bring the winery under a Use Permit and allow the requested changes to the existing winery.

This option has been analyzed for its environmental impacts, which were found to be less than significant. Furthermore, the project as proposed meets all County Code requirements, including the Viewshed Protection

Program and other County regulations and complies with General Plan policies. Furthermore, sufficient water is available to implement the project, the applicant proposes to incorporate GHG reduction measures as part of the project, comply with the 75% grape sourcing requirement, and there will be no significant environmental impacts to the site. While the parcel size does not meet the current standards, because the winery was approved prior to adoption of the WDO, it is allowed to apply to become a full winery with visitation and marketing. The analyses have led staff to conclude that the project merits the approval as proposed and conditioned.

Action Required – Follow the proposed action listed in the Executive Summary.

Option 2: Reduced Project Alternative

Discussion - This option could result in a potential decrease in production capacity, visitation, or number of marketing events.

Action Required – Follow the proposed actions listed in the Executive Summary and amend scope and project specific conditions of approval to place limits on use. If major revisions of conditions of approval are required, the item will need to be continued to a future date.

Option 3: Deny the Applicant's Proposal

Discussion - In the event the Commission determines that the project does not, or cannot meet the required findings for grant of the Use Permit, Commissioners should articulate what aspect or aspects of the project are in conflict with required findings. State law requires the Commission to adopt findings, based on the General Plan and County Code, setting forth why the proposed use permit modification is not being approved.

Action Required – Commission would take tentative motion to deny project and remand the matter to staff for preparation of required finding to return to the Commission on specified date.

Option 4: Continuance Option

The Commission may continue an item to a future hearing date, at its discretion.

SUPPORTING DOCUMENTS

- A . Recommended Findings
- B . Recommended Conditions of Approval and Final Agency Memos
- C . Small Winery Exemption
- D . Initial Study Negative Declaration
- E . Use Permit Application Packet
- F . Viewshed Application Packet
- G . Water Availability Analysis Reports
- H . Wastewater Feasibility Report
- I . Traffic Impact Study
- J . Winery Comparison Analysis and Summary of Changes
- K . Graphics

L . Public Comments

Napa County Planning Commission: Approve

Reviewed By: Charlene Gallina