

CITY OF CALISTOGA

JUL 01 2011

CITY MANAGER

Lois Ann Battuello  
P.O. Box 506  
St. Helena, CA 94574  
June 30, 2011

Mayor Gingles and Members of the City Council  
City of Calistoga  
City Hall  
1232 Washington Street  
Calistoga, CA 94515

Re: July 19, 2011 Agenda Item: Silver Rose Ventures Development Agreement

Dear Mayor Gingles and Council members,

I am not a resident of Calistoga, however my cousins are among the multi-generational owners of Calistoga Spa Hot Springs. Theirs is a core business with plans for future expansion, and it concerned me when I heard of Silver Rose Ventures' plans for development. This is a project that would compete for limited water and waste handling capacities, and is non-core. It would also compete for off-times scarce hotel guests.

If you approve this request for a Development Agreement, you will be giving up the most fetching, if not compelling, message on the bulletin board south of St. Helena: "Up the road, DOWN TO EARTH." You will likely be approving a brand operation in violation of your General Plan, whether it's "Four Seasons" or another major.

If you approve this request, you will be giving up control, by suggesting the vision presented by Silver Rose Ventures deserves a green light -- that it just might be okay to develop 80 hotel rooms, 24 luxury homes, conference center, spa, expanded winery facilities, and a general store, more likely to be a high end leather goods shop than something for guest convenience. And at a time when there are serious questions about runoff and drainage problems that plague neighbors from the existing structures and facilities with a much smaller footprint.

I checked with hotel mortgage brokers in the Bay Area, and received guidance on financing. Simply put, unless the owner has experience and a brand, financing isn't available. Already this distress property is 100% leveraged as to the three parcels that secure Merrill Lynch's debt. Add the two project parcels that are un-leveraged, and the loan to value ratio drops to 70%, while mortgage brokers limit their financing in today's economy at 60%. This project suggests the owner has access to capital through Alcion that kicks in at some point (approval of Development Agreement?), and will be a deep pockets name brand operator more concerned about "getting into Calistoga at any cost," than in profits from the site -- willing to call this location a "loss leader" so they can flesh out their portfolio of impressive locations. This again violates the General Plan's prohibition on chain/brand operations.

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A Development Agreement is a contractual commitment, as you know. Furthermore, it signals a type of public-private partnership that has gotten many communities and agencies into trouble over the years. Legal fees paid to remove the most minor of the proposed amenities, or to scale the size, could cost hundreds of thousands of taxpayer dollars to remedy.

There are 24 luxury homes proposed for the site. If you approve a Development Agreement under the current plan, how do you propose to remove them later, when you learn these types of housing arrangements lack security, can't be controlled by the hotel due to ownership issues, provide anonymous stays that can pose security risks, and are wide open for abuse in living arrangements? With a Development Agreement, you have few bargaining chips, even if security issues are raised later.

I understand the City's position with a distress property like Silver Rose, but I don't agree with a position that would kick the can down the road.

Winery expansion is a stand-alone issue, one that shouldn't be under the umbrella of a Development Agreement. You know nothing of the viability of this project or its environmental impacts.

The proposed Silver Rose Ventures plan fails as a gateway project, and I urge Council members to view a comparable gateway project. Explore Carneros Inn, which failed in its professed vision to provide an attractive transition to City of Napa. The Silver Rose Ventures project would privatize vineyard views as an exclusive for their guests, just as Carneros Inn privatized views of rolling hills. Much like Carneros Inn, the proposal is too intense for the 22 acres, which already create runoff, flooding area vineyards and threatening residences.

I urge you to decline the Silver Rose Ventures' request, and keep the city and residents in charge of the process. Please reject what could be a catastrophic slippery slope -- this request for a Development Agreement.

Thank you for your time and consideration.

Sincerely,



Lois Ann Battuello