

# City of Calistoga

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## Staff Report

**TO:** Honorable Mayor and City Council  
**FROM:** Kenneth G. MacNab, Senior Planner  
**VIA:** Charlene Gallina, Planning & Building Director  
**DATE:** December 7, 2010  
**SUBJECT:** Indian Springs Resort and Spa Expansion Proposal

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APPROVAL FOR FORWARDING:

  
William C. Norton, Interim City Manager

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2 **ISSUE:** Consideration of a request by John and Pat Merchant to enter into a  
3 Memorandum of Understanding for expansion of the Indian Springs Resort and  
4 Spa.  
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6 **RECOMMENDATION:** Receive presentation, discuss merits of executing the  
7 attached Memorandum of Understanding with the Merchants and adopt a  
8 resolution.  
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10 **BACKGROUND:** The City's Growth Management System (GMS) requires that  
11 development proposals receive a Growth Management Allocation awarded by  
12 the City Council prior to the filing of a formal development application. However,  
13 the GMS allows projects which will be subject to a Development Agreement to  
14 precede through the development application review process outside of  
15 established GMS procedures.  
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17 The proposed expansion of Indian Springs Resort and Spa does not presently  
18 have a GMS allocation. The property owners, John and Pat Merchant, wish to  
19 advance their development application and desire to execute a Development  
20 Agreement with the City (Attachment 2).  
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22 **HISTORY:** Indian Springs was originally developed as a resort between 1912  
23 and 1920 and has been in operation for over 90 years. The resort was built on  
24 the site of Sam Brannan's Calistoga Hot Springs, which is credited with ushering  
25 in the resort era to Calistoga in the 1860's. In 1988 the resort was purchased by  
26 the Merchants, who have made numerous improvements to the resort while

27 preserving and maintaining its iconic features and character. In 2002, the  
28 Planning Commission approved Conditional Use Permit U 2002-01 which  
29 formally recognized and authorized use of the property as a resort and spa. In  
30 2005, the Merchants purchased the adjoining Nance's Hot Springs hotel and spa  
31 after it had been destroyed in a fire. The Merchants received Conditional Use  
32 Permit (U 2005-05) and Design Review (DR 2005-06) approval to renovate  
33 Nance's and incorporate it as part of the Indian Springs Resort and Spa  
34 operation. Renovation of Nance's – now known as "The Lodge at Indian  
35 Springs" – has been completed and the Merchants are now in the final stages of  
36 fulfilling the remaining conditions of project approval.

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38 On September 1, 2010, a Conceptual Design Review application for a major  
39 expansion of the resort was received by the Planning and Building Department.  
40 The expansion plans (detailed below) involve adding additional rooms to the  
41 resort along with a new event facility, a restaurant and a wine cave.

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43 **PROJECT PROPOSAL:** The project site is located at the northern end of the  
44 core commercial area in downtown Calistoga (see Attachment 1). The subject  
45 properties (Indian Springs and The Lodge) are approximately 16.6 acres in size  
46 and zoned for commercial development ("CC-DD", Community Commercial –  
47 Design District overlay). Currently there are 41 guest units at the resort,  
48 including: 24 units at "The Lodge", 15 bungalow units and two units on top of  
49 Mount Lincoln (the "Hill House" and the "Merchant House"). Resort amenities  
50 include a spa facility; massage rooms; an Olympic-sized mineral pool; a clay  
51 tennis court; bocce ball courts; and several outdoor lounging areas.

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53 The proposed expansion plan involves construction of 79 new guest units (for a  
54 total of 120 guest rooms), a 3,000 square foot restaurant, a 4,000 square foot  
55 event center, a wine cave, a new family/children's pool, and the reconstruction of  
56 an old observation deck. The development concept is to take advantage of the  
57 scenic and secluded environment around Mount Lincoln, which serves as the  
58 central organizing element of the expansion plan. Access to the new buildings  
59 would be provided by a new "loop" road that wraps around Mount Lincoln and  
60 connects with the existing internal circulation network (see Attachment 7).

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62 On October 13, 2010, the Planning Commission considered a Conceptual Design  
63 Review application for the proposed expansion. Copies of the Planning  
64 Commission Staff Report, a Meeting Minute Excerpt and correspondence from  
65 the Planning and Building Department summarizing Planning Commission  
66 comments and comments received from residents of the Calistoga Springs  
67 Mobile Home Park are attached (Attachments 5 and 6). Overall the project was  
68 well received, however there were a number of concerns raised about the  
69 impacts of the project on residents of the mobile home park that will need to be  
70 addressed. It should be noted that since the Planning Commission meeting the

71 Merchants have initiated discussions with the owners and residents of the Mobile  
72 Home Park and are working to resolve issues of concern to park residents. In  
73 addition to impacts on residents of the adjacent Mobile Home Park, it is also  
74 anticipated that the project could result in potentially sensitive environmental  
75 impacts that will need to be mitigated.

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77 **DISCUSSION:** On October 19, 2010, the Merchants submitted a letter  
78 expressing an interest in entering into a Development Agreement to allow  
79 construction phasing and specific structuring of impact fees (Attachment 2). The  
80 first step in considering a request for a Development Agreement is for the City  
81 Council to review the proposal and make a determination on whether it merits a  
82 Development Agreement. If the Council finds that sufficient merit does exist,  
83 then a Memorandum of Understanding (MOU) expressing the City's interest and  
84 intent to consider a Development Agreement is drafted for Council consideration  
85 and authorization. Typically, an MOU is prepared by the City Manager (at the  
86 direction of Council) or through an appointed sub-committee. In this case, the  
87 applicant has requested that the City Council approve an MOU concurrently with  
88 a determination to proceed with a Development Agreement (should that be the  
89 Council's direction). A draft Resolution and MOU has been prepared and is  
90 attached to this report (Attachments 3 and 4). Execution of the MOU will then  
91 allow the filing of development applications and commencement of the formal  
92 land use review process.

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94 It is important to note that the adoption of an MOU is an expression of City  
95 encouragement of a development application. It is not a project approval nor  
96 does it suggest that the development proposal is endorsed by the City and will be  
97 approved. The conceptual expansion plan, while well received in many regards,  
98 has raised some issues which must be addressed through refinement of the  
99 project's design and through environmental evaluation. With project refinement  
100 and environmental evaluation, additional issues may be revealed which would be  
101 subject to review and action during the development application public review  
102 process.

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104 Staff recommends that the Council:

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106 1. Determine whether the proposed project merits preparation of a  
107 Development Agreement; and
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109 2. Take one of the following actions should it be determined that a  
110 Development Agreement is warranted:
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112 (a) Adopt Resolution authorizing the City Manager to finalize and  
113 execute the attached draft Memorandum of Understanding  
114 (Attachments 3 and 4); **OR**

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- (b) Establish a two-member Ad-Hoc Subcommittee to explore additional potential merits of entering into a Development Agreement with the owners to permit the proposal to advance through the development application review process.

**FISCAL IMPACT:** The costs to the City related to review of the conceptual development plans, including efforts involved in preparation of the MOU and subsequent work related to a development application will be borne by the developer through a direct cost-for-service deposit account.

Should expansion of uses on the property occur as a result of the property owner's efforts through the process outlined above, revenue will be derived to the benefit of the community. The nature and amount of any fiscal impact derived from a development project will be determined by staff in conjunction with the evaluation of any future development proposal.

**ATTACHMENTS:**

1. Project Vicinity Map
2. Correspondence from John and Pat Merchant, dated October 19, 2010
3. Draft City Council Resolution 2010-XXX
4. Draft Memorandum of Understanding (MOU)
5. Planning Commission Minute Excerpt and Staff Report from October 13, 2010 Planning Commission Meeting
6. Copy of October 22, 2010 correspondence from Ken MacNab, Senior Planner, summarizing Planning Commission and public comments on the conceptual expansion plan
7. Project Concept Plans
8. December 3, 2010 Letter from Larry Kromann