

THE TRENDSETTER

ULI San Francisco District Council Newsletter

Winter 2005/2006



VENTURES IN VINEYARDS

by Jeff Smith, Sack Properties, ULI Young Leaders Group



"When you drink the water, remember the spring"

- Chinese Proverb

In 1976, a Paris wine tasting ended with judges choosing two Napa wines over France's Grand Cru as the top wines in the competition. This landmark tasting put California's Napa Valley on the map, and began the transformation of the valley from a sleepy California farming community to a worldwide tourist destination. Over the last 30 years, as its reputation has grown, Napa Valley has been host to a number of ventures in the vineyards.

In November, thirty members of San Francisco ULI's Young Leaders Group visited a few of the newer ventures in the Napa Valley. In addition to visiting the first two resorts developed in the area in almost twenty years, the group learned about the local residential real estate market, and attended an excellent presentation about a CALPERS-funded REIT investment in the wine industry.

It is a surprise to most people that only 9% of Napa County is planted with vineyards. As Napa has grown, the county has adopted a strict urban growth boundary as well as zoning ordinances that protect the valley views and its agricultural base. Developers have had to work hand-in-hand with the County and have used considerable creativity with current zoning in order to get new projects approved.

Both luxury resorts toured, Calistoga Ranch and The Carneros Inn, were zoned as mobile home parks, forcing the developers to think creatively in an effort to comply with local zoning requirements. Luxury cottages were constructed throughout the properties and were adorned with all of the comforts of a top hotel. Incredibly, underneath each cottage was a true mobile home on piers, with hidden axles and wheels keeping the property in compliance. The cottages are operated as a hotel, or can be purchased.

The day started with a tour at Calistoga Ranch, a 46-room resort located just outside of Calistoga, developed by Olympus Real Estate Partners and Criswell Radovan. On the tour, Brandyn Criswell was able to convey the difficulty and the creativity that was necessary to construct this property. For instance, mobile home parks cannot have restaurants, but they can have a snack bar, and their Lakehouse "snack bar" might be worthy of three Michelin Stars! Another challenge in the property's development was a County-imposed limit on the amount of enclosed square footage. To make the most of this, two walled buildings with a roof, outdoor heaters, terraces, and canvassed areas created beautiful and hospitable indoor/outdoor space that does not count against the enclosed totals.

The afternoon was spent at The Carneros Inn, where Keith Rogal, the CEO of Carneros Partners, toured the group through the 86 cottages, 24 residences and two restaurants. Keith's tour captured the passion and perseverance that was needed to develop this elegant country property.

The day ended with a unique venture in the vineyard, as Dick Wollack of Premier Pacific Vineyards gave a presentation on their fund's investment in high-end vineyards throughout California, Oregon and Washington. They have focused on land that has a reputation of producing fine wine priced at \$25 a bottle or more, a direction he believes is the industry's largest growing demographic, as well as the most supply constrained.

While wine has attracted the world to Napa, it has also attracted a number of investment opportunities. The inventiveness, creativity, and perseverance to find solutions and work with the county on creating a successful project were clearly illustrated on this trip. ■