



Staff Reports

File #: 244-2020, **Version:** 1

To: Honorable Mayor and Members of City Council

From: Vin Smith, Community Development Director

Prepared By: Steven Rosen, Associate Planner

TITLE:

First and Oxbow Hotel

RECOMMENDED ACTION:

Adopt (1) a resolution denying a Use Permit and Design Review Permit for the First and Oxbow Hotel at 731 First Street and (2) a resolution denying a Certificate of Appropriateness for the relocation of two Local Landmark structures at 731 First Street and 718 Water Street to 58 Randolph Street.

Alternatively, it is within Council's discretion to take actions to:

- (1) Approve a Use Permit and Design Review Permit for the First and Oxbow Hotel at 731 First Street and determine that these actions were adequately analyzed by a previous CEQA action or are otherwise exempt.
- (2) Approve a Certificate of Appropriateness for the relocation of two Local Landmark structures at 731 First Street and 718 Water Street to 58 Randolph Street and determine that these actions were adequately analyzed by a previous CEQA action or are otherwise exempt from CEQA
- (3) Approve an Alternative Equivalent Proposal in lieu of payment of the Affordable Housing Impact Fee.
- (4) Approve the summary vacation of a permanent slope easement located at the corner of First Avenue and Soscol Avenue.

DISCUSSION:

PROJECT DESCRIPTION

The Applicant requests a Use Permit and a Design Review Permit to allow a hotel use and the construction of two hotel buildings at the southeast corner of Soscol Avenue and First Street and the southeast corner of First Street and the railroad. The project consists of two, four-story buildings totaling approximately 122,666 square feet on two lots that combine to be a site 0.8 acres in size. The hotel would have up to 74 rooms, with up to 37 in each building. The west building would have 2,787 square feet of commercial tenant space that could accommodate five commercial tenants as proposed. The pool and fitness facilities would be in the west building. The east building would have 3,507 square feet of commercial tenant space for six commercial tenants as proposed and 5,754

square feet of conference and meeting space. Both buildings would have outdoor bars on their top floors.

The hotel would provide 121 parking spaces divided between each building's two-level subterranean garage. Each building would be served by its own laundry and housekeeping facilities. There will be an improved path between First Street and Water Street adjacent to and parallel to the railroad.

The project also includes a request for the City's abandonment of a portion of the Water Street right-of-way between Soscol Avenue and McKinstry Street and the merger of all parcels on the site.

The project also includes a request for a Certificate of Appropriateness for the relocation of two Local Landmarks, located at 718 Water Street and 731 First Street, to 58 Randolph Street. The project site contains two structures that are designated as Local Landmarks on the Historic Resources Inventory. The Local Landmark at 731 First Street was built as a house and is being used commercially by Trade Brewing. The Local Landmark at 718 Water Street was built as, and is currently being used as, a house. The receiving site, 58 Randolph Street, is developed with a single-family house built in 2013. It formerly held a Listed Resource that was demolished with a Certificate of Appropriateness approved in 2011.

The project approvals requested as a part of this application include:

1. Design Review Permit: Design Review Permit for a 74-room hotel consisting of two, four-story buildings totaling 122,666 square feet on two sites divided by the Wine Train railroad at the southeast corner of the intersection of First Street and Soscol Avenue. The Design Review Permit also includes approval of public art.
2. Use Permit: A Use Permit authorizing the hotel use in the OBC District, where a Use Permit is required for hotels pursuant to NMC Section 17.10.020.
3. Certificate of Appropriateness: A Certificate of Appropriateness to authorize the relocation of the Local Landmark structures at 718 Water Street and 731 First Street to 58 Randolph Street.
4. An Alternative Equivalent proposal to provide off-site deed restricted affordable units as an alternative to payment of the Affordable Housing Impact Fee.
5. Right-of-Way Abandonment: As part of a separate action to be considered by the City Council at this hearing, the Applicant has requested the City to abandon a portion of the Water Street right-of-way between Soscol Avenue and McKinstry Street. The portion of Water Street west of the Wine Train railroad tracks is not currently being used as a street. The portion of Water Street east of the railroad tracks is a dead-end street. This right of way would enlarge the project site to allow larger buildings and the conversion of public street to a smaller access drive.
6. Permanent Slope Easement Summary Abandonment: A permanent slope easement exists at the back of sidewalk along the project frontages of Soscol Avenue and First Street west of the Wine Train tracks. This easement will not be needed by the City once the project is constructed.
7. Lot Line Adjustment/Lot Merger: Request to combine all parcels on the west side of the railroad tracks into a single parcel and all parcels on the east side of the railroad tracks into a single

parcel. Should the City approve the right-of-way abandonment, the additional land area would be reconfigured to accommodate the project, and each building would be on a separate parcel separated by the railroad tracks. The Lot Line Adjustment/ Lot Merger would be approved administratively should the City Council approve the abandonment and project entitlements.

DESIGN REVIEW PERMIT

The Napa Municipal Code requires hotels to obtain a Design Review Permit to ensure that the design conforms to the ordinances, policies, and guidelines adopted by the City Council. These regulations ensure that the built environment will be attractive and functional.

Staff Analysis

The Project was designed to incorporate advice given by the Planning Commission at its preliminary review of the project held on March 1, 2018, and the Downtown Napa Specific Plan's (DNSP) design review guidelines. The project is consistent with the objective standards for the Downtown II area within the DNSP. The development would have a floor area ratio (FAR) of 3.97 where the maximum FAR is 4.0. The front setbacks would be 10.8 feet where the maximum allowed is 15 feet.

The maximum building height is 60 feet in the Downtown II area. This is measured from the ground to the mid-point of a pitched roof. The Zoning Regulations define the ground from which height is measured as the average grade, or the mean of the finished grade at the outermost corners of a building. The average grade is 21.57 feet above sea level. The building measures 54.83 feet from finished floor at 24.90 feet above sea level to the mid-point of the pitched roof. The building height would be 58.16 feet. This complies with the height regulation.

Staff's analysis showed that the project conforms to General Plan design policies that call for development to be oriented toward and to contribute to active streetscapes and to relegate vehicle and service entries to where they are less visible from the street. The project could also be found consistent with DNSP land use policies that call for interesting pedestrian environments and high-quality design that are oriented to public spaces.

The project could be found consistent with the City's design guidelines by having a design that responded to the unique and difficult circumstances associated with the irregular site; being an appropriate height and scale for the project's prominent location and for the size of the site; having articulated walls with awnings, balconies, and planters that would be visually interesting and colorful; having setbacks that would function as part of the public realm, providing more room for walking and for activities like outdoor dining; using attractive genuine materials like *beton brut* concrete and stained wood; and well-designed lighting.

The proposed public art, a piece by Gordon Huether called "U R Here" or "You Are Here," would be a giant pop art arrow embedded in the corner of the western hotel building. It can be seen in Attachment 9. The entire Planning Commission staff report is included as Attachment 7 to this report.

Based on the analysis in the Planning Commission staff report (Attachment 6) as summarized above, the Planning Division recommended that the Planning Commission recommend approval of the Design Review Permit.

Planning Commission Recommendation

At the July 16, 2020, hearing, the Planning Commission considered the staff report and project plans. The Commission disagreed with the Planning Division's recommendations and found that the building was too tall and out of scale to be appropriate for the site. Commissioners were concerned that the new buildings were "out of scale" with the Oxbow District and would create a wall between Downtown and the Oxbow.

The Commission was concerned about the effect that the grade differences would have on the buildings' apparent height. The elevation drawings and renderings of the building show the buildings on a flat site, level with the surrounding streets, but First Street is on a grade up to be level with the raised railroad tracks, and Water Street is about one story below that level.

The Commission recommended that the City Council deny the Design Review Permit on these grounds.

USE PERMIT

Staff Analysis

The Napa Municipal Code requires that hotels in the Oxbow Commercial district obtain a Use Permit from the City Council. This requirement is to ensure that the hotels will not be detrimental to their surroundings or to the city at large and provides the City Council with broad discretion over whether to approve or deny hotel proposals. Proposed hotel projects are reviewed for conformance with the standards, policies, guidelines, and regulations adopted by the City Council.

Staff's analysis showed that the project could be found to conform with the General Plan's policies concerning the location of commercial and tourist-oriented land uses by making efficient use of difficult parcels to create commercial development that could serve residents, workers and visitors and by locating a tourist-oriented use in a prominent location easily seen and accessed from arterial roads and within walking distance of tourist attractions.

Further, Staff's analysis of the parking proposal determined that the parking amount is consistent with Zoning Ordinance requirements (121 parking spaces) and that the design was acceptable with a mix of single-stacked and tandem parking spaces. The tandem spaces would be for hotel guests and served by valets so that the tandem parking could be managed. The single-stack parking spaces would be reserved for the hotel's employees; this convenience would encourage them to park on-site rather than in the surrounding neighborhood.

The project was reviewed for consistency with the City's hotel policies, adopted in 2008. These policies call for the placement of hotels in downtown, for hotels to include meeting and banquet rooms, to be accessible by public transit, to provide jobs with opportunities for advancement, to have design features that reduce the environmental impacts of hotel operations, and to provide an economic impact statement. Further analysis of this issue, and other aspects of the Use Permit, is in the Planning Commission staff report (Attachment 7).

Planning Commission Recommendation

At the July 16, 2020, hearing, the Planning Commission considered the staff report and materials. The Commission disagreed with Staff's recommendation and found that the concentration of hotels in the area would be detrimental to Napa residents' enjoyment of the area by concentrating too many visitors in the area. They also expressed their belief that the hotel building was out of scale for the proposed location, inconsistent with the General Plan Land Use Element, which encourages attractive, well-located commercial development to serve the needs of Napa residents, workers, and visitors, by over-emphasizing tourism at the expense of residents.

The Commission also found that the additional traffic caused by valets circling the blocks in the area while delivering cars could be detrimental to pedestrian and vehicular safety in the pedestrian-oriented area. The Commission believed that it could be detrimental to the area to have this hotel operating across the street from the approved Black Elk Hotel, and expressed concern that the Oxbow District needs additional planning beyond that done with the Downtown Napa Specific Plan.

The Commission recommended that the City Council deny the Use Permit on these grounds.

CERTIFICATE OF APPROPRIATENESS

There are two Local Landmarks (LLM) standing on the eastern portion of the project site. The applicant proposes to mitigate the impact of building a new hotel where they are standing by relocating them to a vacant lot at 58 Randolph Street in Napa Abajo. This requires a Certificate of Appropriateness pursuant to the Historic Preservation Ordinance.

Mark Hulbert of Preservation Architecture, a qualified professional in the field, concluded that the relocation of the structures would preserve their historical character. This is because their character is based on the physical features of the buildings themselves and not their context. The proposed arrangement of the buildings at the receiver site would allow visitors to see their important physical features, and conforms to the development standards of the RT-5 Zoning District.

Cultural Heritage Commission Recommendation

The Cultural Heritage Commission (CHC) reviewed the application at its July 9, 2020, meeting and recommended that the City Council approve the Certificate of Appropriateness.

AFFORDABLE HOUSING IMPACTS

NMC Chapter 15.94 requires payment of an Affordable Housing Impact Fee to mitigate the impacts that development projects have on the need for affordable housing. The Affordable Housing Impact Fee for hotels is \$6 per square foot. The proposed First and Oxbow hotel would be 122,666 gross square feet, excluding the underground parking area, resulting in an Affordable Housing Impact Fee payment of \$735,996. However, Applicants may propose an Alternative Equivalent to fee payment to satisfy the affordable housing impact fee requirement by providing documentation, to the satisfaction of the Council, that the Applicant can further affordable housing opportunities within the city to an equal or greater extent than paying the Affordable Housing Impact Fee.

The Applicant has prepared an Alternative Equivalent proposal as an alternative to paying the Affordable Housing Impact Fee. The Applicant proposes to place an affordable housing covenant (deed restriction) on a residential site within City limits to facilitate not fewer than three deed-

restricted affordable housing units prior to issuance of building permits for the hotel project. The units would be deed-restricted to be affordable to low income (households earning 50% to 80% of average median income) or very-low-income (households earning less than 50% of average median income) households. The Applicant has further stated their intention that the three deed-restricted affordable units would be part of a project that may include moderate income or workforce housing to provide a mix of housing affordability levels. The proposal does not name a site or specify whether new units would be built or whether market-rate units would be acquired and restricted.

ANALYSIS OF ALTERNATIVE EQUIVALENT PROPOSAL

The Council has approved Alternative Equivalent proposals in the past, most recently for Napa Creek Condos and for the Trinitas Hotel. Examples of an alternative equivalent to mitigate a project's impact on affordable housing may involve substituting payment of the impact fee for another measure including, but not limited to, construction of affordable housing units either on- or off-site, dedication of land to be reserved for the construction of affordable units, provision of affordable rental units, conversion of existing market rate units to affordable ownership units, preservation of affordable units at risk of loss, or other similar means.

Money raised with the Affordable Housing Impact Fee is used to increase, improve, and preserve the supply of affordable housing units serving the workforce and residents of the City. The City does this by collecting the impact fees and then contributing funds to affordable housing developers, who combine the City's contribution with other funds from investors, lenders, and grantors to develop deed-restricted housing affordable to low income households.

The City and County have partnered to locally fund affordable housing projects. Past affordable housing projects supported by the City's impact fee fund have utilized an average of \$79,000 of total local funding for each affordable rental unit. With this estimated per-unit contribution, the City could contribute to the construction of three new affordable units for a total contribution of \$237,000, which is less than the \$735,996 required by the Affordable Housing Impact Fee requirements. An Affordable Housing Impact Fee of \$735,996 would allow the City to contribute to the creation of nine affordable rental housing units. The downside to this approach is that the City does not build housing units but rather must wait until it can lend the funds to a developer who has identified a development project and controls the property, assembled the necessary funding from other sources, including investors, loans, and grants, and acquired land use entitlements.

The Applicant's Alternative Equivalent Proposal is to provide three affordable housing units. According to a previous City report regarding the Napa Creek Condos Affordable Equivalent, each affordable ownership unit actually requires a subsidy of \$250,000. Under this idea, the proposed alternative equivalent of providing three affordable units could be found equivalent or superior to payment of the impact fee of \$735,996.

The Applicant's proposal indicates that the true cost of building new affordable units would be \$600,000 per unit, which is supported by recent issues of construction and business trade periodicals. This would result in a cost to the Applicant of \$1.8 million if they were to build the units and not collect rent or keep the proceeds from their sale. Under this scenario, the proposed alternative equivalent of providing three affordable units could be found equivalent or superior to payment of the impact fee of \$735,996.

CULTURAL HERITAGE COMMISSION HEARING

On July 9, 2020, the Cultural Heritage Commission considered the proposal (see Attachment 5). At that meeting, the Commission heard a summary of the project from Staff and a presentation by the Applicant. The Commission then opened the public hearing and heard from one member of the public. The issue raised by the public speaker was outside the purview of the Commission, and the speaker was advised to attend the Planning Commission hearing the following week.

The Cultural Heritage Commission deliberated on the proposal and voted to recommend that the City Council (1) determine that the potential environmental effects of the hotel project, including the removal of the Local Landmark structures from 718 Water Street and 731 First Street were adequately analyzed and addressed by a prior CEQA action; (2) determine that the relocation of the Local Landmark structures to 58 Randolph Street is exempt from CEQA pursuant to CEQA Guidelines Sections 15303, 15331 and 15332; and (3) approve the Certificate of Appropriateness based on a determination that the application is consistent with the Secretary of the Interior's Standards, and the City's Historic Preservation Ordinance and Historic Design Guidelines, and other applicable City requirements and policies.

PLANNING COMMISSION HEARING

On July 16, 2020, the Planning Commission considered the proposed project (see Attachment 7). At that meeting, the Commission heard a summary of the project from Staff and a presentation by the Applicant. The Commission then opened the public hearing and heard from 11 members of the public. The primary issues raised by the speakers included the impacts of the hotel on the housing market and traffic caused by workers commuting from out of the area, tree and vegetation removal, non-native landscaping, the adequacy of the CEQA document, and the loss of the open space. There was also support for the project and recognition that the site is difficult.

After deliberation, the Planning Commission voted to recommend denial of the project. Their recommendation came with the request that the City Council consider their specific concerns and comments on the project. Comments regarding the Design Review Permit and Use Permit are summarized above. In addition, the Commission expressed the following comments:

- Concern about whether the project met the needs of the community. Commissioners were concerned that the hotel would exacerbate a jobs-housing imbalance between the wages that would be paid to the hotel's employees and the rents charged within Napa. They feared that this would worsen housing crowding or commute traffic. They were also concerned that this hotel in this location would make the Oxbow Market and District into a tourism-oriented area.
- Concern that the Affordable Housing Impact Fee of \$735,996 would not be enough to mitigate the impact of the hotel on the housing supply.

Commissioner Murray moved to forward a recommendation to the City Council to adopt a resolution approving a Use Permit and Design Review Permit for the First and Oxbow Hotel and determining that the potential environmental effects of the Project were adequately analyzed and addressed by a prior CEQA action. The motion was not seconded. The motion failed.

By a vote of 3-1-1, (Murray voting no, Huether recused) the Planning Commission forwarded a

recommendation to the City Council to deny the Use Permit and Design Review Permit for the First and Oxbow Hotel as submitted, with request to consider Planning Commission input when reviewing the application.

FINANCIAL IMPACTS:

No direct financial impact to the General Fund have been identified with this application.

CEQA:

The Community Development Director has determined that the Recommended Action described in this Staff report is not subject to CEQA, pursuant to CEQA Guidelines Section 15270.

If the Council intends to take action to approve any of the requested entitlements for this Project, City staff recommends that City Council find that, as documented in the Initial Study/Addendum for the First and Oxbow Gateway Project dated June 2020 that was prepared as an Addendum to the Downtown Napa Specific Plan Environmental Impact Report (SCH#20100042043) certified by the City Council by Resolution No. R2012-54 ("DNSP EIR"), the potential environmental impacts of the Project were adequately analyzed and addressed by the DNSP EIR and no further environmental review is required pursuant to CEQA Guidelines Sections 15162, 15164, and 15168.

DOCUMENTS ATTACHED:

ATCH 1 - Draft resolution denying a Use Permit and Design Review Permit for the First and Oxbow Hotel

ATCH 2 - Draft resolution denying a Certificate of Appropriateness for the Relocation of 731 First Street and 718 Water Street

ATCH 3 - Draft resolution approving a Use Permit, Design Review Permit and Alternative Equivalent for the First and Oxbow Hotel

EX A - DNSP EIR Mitigation Monitoring and Reporting Program

EX B - Napa Sanitation Conditions

EX C - Affordable Housing Alternative Equivalent Proposal

ATCH 4 - Draft resolution approving a Certificate of Appropriateness for the relocation of two Local Landmark structures

EX A - DNSP EIR Mitigation Monitoring and Reporting Program

EX B - Napa Sanitation Conditions

ATCH 5 - Cultural Heritage Commission minutes and staff report for the hearing dated July 9, 2020 (attachments removed to avoid duplication)

ATCH 6 - Historic Resource Relocation Evaluation and Site Plan

ATCH 7 - Planning Commission minutes, public comments, and staff report for the hearing dated July 16, 2020 (attachments removed to avoid duplication)

ATCH 8 - Pedestrian Facilities Plan

ATCH 9 - Public Art Application

ATCH 10 - Architectural and Landscape Plans

ATCH 11 - Civil Engineering Plans

ATCH 12 - CEQA Initial Study/EIR Addendum

ATCH 13 - Draft resolution approving a Conditional Abandonment of Slope Easements

EX A and EX B - Slope Easements

NOTIFICATION:

Notice of the scheduled public hearing was provided on November 5, 2020, by US Postal Service to all property owners within a 500-foot radius of the subject property. Notice of the public hearing was also published in the Napa Valley Register on November 6, 2020 and provided to people previously requesting notice on the matter at the same time notice was provided to the newspaper for publication. The Applicant was also provided a copy of this report and the associated attachments in advance of the public hearing on the project.