



TITLE

Napa Airport Corporate Center Development Agreement Extension

RECOMMENDATION

Waive first reading, read by title only, and introduce an Ordinance to approve a Development Agreement for a 5-Year extension to the Napa Airport Corporate Center Development Agreement from September 3, 2025, to September 3, 2030, located at the southeast corner of Devlin Road and South Kelly Road APN 057-090-086 (PL25-0008).

CONTACT

Brent Cooper, AICP, Community Development Director

BACKGROUND & ANALYSIS

On August 4, 2020, the City Council approved the Napa Airport Corporate Center Development Agreement (DA)(Ordinance No. 2020-03, Agreement 2020-08, Napa County Document No. 2020-0021130). The DA provides the Owner with a 5-year vested right to develop the NACC "Project Approvals." A copy of the 2020 DA is included as Attachment 1, Exhibit C. A map depicting the location of the NACC project is included as Attachment 2.

The NACC "Project Approvals" include the following entitlements that accommodate up to 193,741 square feet as follows:

1. A Tentative Subdivision Map for subdivision of the Property into five lots, including public road rights-of-way;
2. Conditional Use Permits for Buildings A and B on Lots 1 and 2;
3. Conditional Use Permit and Design Permit for Building E on Lot 4;
4. Conditional Use Permit and Design Permit for Building G on Lot 5. These approvals allowed development of the Property with up to 261,541 square feet of industrial uses (warehouse, distribution, and/or E-commerce with accessory retail/office uses), and allowed the relaxation of certain lot size, front yard setbacks, and side yard landscaping requirements. The City conditioned the approval of the Project on the Owner's agreement to provide public infrastructure and other benefits to the City; and
5. On July 10, 2020, the Owner obtained approvals from the City for modifications of the Conditional Use Permit/Design Permit for Building E and Building G.

Recent Events

On June 12, 2023, G3 Kelly Devlin LLC ("G3") acquired the Napa Airport Corporate Center ("Property") and modified the Project Approvals as follows:

1. On February 19, 2025, the Owner obtained a Minor Modification approval of the Conditional Use Permit /Design Permit for Building E (PL24-0016) and G (PL24-0017).
2. On February 20, 2025, the Owner obtained a Minor Modification approval of the Conditional Use Permit /Design Permit for Building A and B (PL24-0023) and D (PL24-0024).

On March 6, 2025, G3 submitted an application to extend the NACC DA for an additional 10 years to September 3, 2035 (PL25-0008).

On May 12, 2025, the applicant submitted a revised Development Agreement with redline strikeouts to certain parts of the March 6 version. A copy of the revised Development Agreement extension is included as Attachment 3.

On May 22, 2025, the Planning Commission conducted a public hearing and recommends City Council approve six amendments to the Development Agreement extension. Each amendment and the reason for it is described further in the staff report.

What is a Development Agreement?

When a developer plans a large project that will take a long time to complete, or if construction is expected to start several years in the future, the project entitlements (such as Design Permit, Conditional Use Permit, Tentative Parcel Map) may expire before the project begins. When an entitlement expires, the approval is no longer valid, and a new entitlement is required.

Additionally, over time, changes to city zoning rules, fees, or other regulations may take effect before the project starts. While changes to city rules, fees or other regulations are done for the public benefit, the possibility of entitlement expiration and future regulatory changes can create uncertainty for the developer.

A Development Agreement provides the developer with long-term certainty by "locking in" (i.e. "Vesting") the rules and regulations that apply to the project. This means the developer is protected from changes in zoning laws or other regulations that could impact the project's feasibility. However, except in limited situations such as public health and safety, locking in old rules means the project does not adhere to new laws that were implemented for good reasons.

The term (years) that a Development Agreement is effective is subject to negotiation between the City and the Developer. The original NACC DA is effective for 5 years. The proposed extension is for 10 years. As discussed below, staff recommends a 5-year extension. Staff discussed the shorter term with the developer on May 15, 2025, and he stated that he understands our reasons.

In exchange for providing regulatory certainty, and exemption from future rules not yet known, a Development Agreement will include "public benefits." Sometimes, the public benefit is the project itself. Other times, the public benefit includes infrastructure improvements, affordable housing, or community amenities that exceed the City's requirements. The public benefits for each Development Agreement are evaluated on a case-by-case basis at the discretion of the City Council.

State Law requires the developer to submit an annual report to the City explaining how the DA fulfills the terms of the public benefit. The most recent annual report for the 2023 Calendar Year was reviewed by the City Council on May 21, 2024 and is included as Attachment 4.

Justification for the Development Agreement Extension

The applicant's justification for extending the Development Agreement is described in Recital B of the Development Agreement Extension. It states as follows:

Since the approval of the Development Agreement, Developer and its predecessors in interest have been proceeding with the development of the Project in accordance with the requirements of the Development Agreement and the Project Approvals. Developer's progress is detailed in Annual Reports submitted to the City as required by the Development Agreement. Section 3.4 of the Development Agreement expressly states that market conditions could affect the timing of the Project's development. The Parties agree that market conditions, including interest rates, local economic investment related to the wine industry, and industrial building supply, have changed significantly since the execution of the Development Agreement.

Statistically, vacancy for warehouse property in American Canyon has risen $\pm 13\%$, from $\pm 2\%$ vacancy at the time of current Developer's acquisition (6/12/2023) to 15.7% at the time of this writing, per Costar.com. This increase in vacancy has had a corresponding effect on lease rates, which have declined $\pm 15\%$ during the same time period. Consequently, the current development landscape presents considerable challenges.

As discussed below, extending the Development Agreement also supports several of the City Council's key strategic initiatives.

Proposed Development Agreement

The proposed Development Agreement extension maintains all terms in conditions from the original Development Agreement, except for the following revisions:

- Extends the Development Agreement term by ten years.
- Incorporates the 2025 Minor Modification approvals to Buildings A, B, D, E, and G.
- Deletes a noise mitigation measure (Mitigation Measure MM NOI-1a) because an adjacent residence in unincorporated Napa County purchased by the NACC developer is unoccupied and scheduled for demolition.

NACC Development Agreement Public Benefits

The public benefits from the proposed Development Agreement bring forward and extend the term of the original Development Agreement, and include the following:

1. Irrevocable offer for Roadway Dedication : A shown on the approved Tentative Subdivision Map, Owner shall provide to the City:

(1) Irrevocable Offers of Dedication for the right-of-way necessary to accommodate the planned widening of South Kelly Road and the planned improvements to the intersection of South Kelly Road with both Devlin Road and SR 29 as shown on the final approved plans for these improvements; and,

(2) Offers for public utility and public access easements, within thirty (30) days of receiving a notice from the City that approval of the final plans for the construction of the improvements associated with the particular requested right-of-way and easement has been obtained from Caltrans, the City, and all other necessary governmental agencies and that construction of the improvements will proceed within sixty (60) days of the date of the notice.

2. Agreement to pay Current City fees: Pursuant to Section 2.10, Owner has agreed to pay applicable City fees at the rates in existence at the time of the applicable application submittal or permit issuance as required by the terms of such fees.

3. Project Benefits to City: The Project will provide additional substantial financial benefits to the City through increased taxes, sales, jobs, business license fees, and other sources.

The public benefits listed above will remain in effect by the amended Development Agreement. The most recent account of public benefit status is included in the 2023 Calendar Year annual report. See Attachment 3.

Planning Commission Proposed Revisions to the Development Agreement

On May 22, 2025, the Planning Commission conducted a public hearing and recommends City Council approve six amendments to the Development Agreement extension. Each amendment and the reason for it is described below:

1. Retain Paragraph D fair share memorandum and Exhibit B. Add a sentence to Paragraph D that states: "The parties further acknowledge that they shall negotiate in good faith to modify the fair share infrastructure costs to better reflect current buildout development demands."

JUSTIFICATION: Several large industrial projects in American Canyon share the cost of infrastructure improvements. However, because the square footage and intended uses of these projects can change over time as they are built out, each project's "fair share" of infrastructure costs may also change. Exhibit B provides a helpful framework for calculating these fair share contributions, but additional discussions are needed among the developers and the City. The staff's proposed

amendment acknowledges that all parties are open to negotiating the fair share obligations.

2. Modify Paragraph F Development Agreement term from September 3, 2035 to September 3, 2030 (5 years instead of 10).

JUSTIFICATION: The original Development Agreement, approved in 2020, granted the NACC project a 5-year vesting period and included a specific Public Benefit. Due to unforeseen circumstances beyond everyone's control, the project and the associated public benefits could not be completed within that timeframe. Extending the Development Agreement for another 5 years to allow delivery of the project with the same public benefit appears reasonable. Additionally, the City is interested in seeing the project completed within the next 5 years. By limiting the vesting period to 5 years rather than 10, the shorter-term extension encourages the developer to move forward with construction sooner than later.

3. Add an Agreement paragraph that states: Article 2 of Ordinance 2020-03 (Vesting Rights and Limitations) shall be modified to reflect the development rights, obligations, terms, and conditions in effect at the time the amended Agreement becomes effective.

JUSTIFICATION: The original 2020 Development Agreement protected the project from being subject to certain new rules and regulations adopted after its approval. The updated Development Agreement will continue to provide this protection, but the proposed clause updates the baseline to the rules and regulations in effect today.

4. Add an Agreement paragraph that states: Developer shall pay applicable fair share infrastructure costs prior to issuance of the first building permit or prior to expiration of the Development Agreement, whichever occurs first.

JUSTIFICATION: The original Development Agreement requires the developer to pay their fair share of infrastructure costs when building permits are issued. Extending the Development Agreement by 5 years allows the developer more time to complete the project, but also delays fair share payments. To prevent indefinite postponement of fair share payments, the revised Development Agreement ensures the payment is made within 5 years - even if no building permits are issued during the Development Agreement term.

5. Add an Agreement paragraph that states: Section 3.3 of Ordinance 2020-03 (Public Benefits) is amended to require the Developer to meet and confer in good faith with the City to implement the roadway dedication (Public Benefits) no later than December 31, 2025.

JUSTIFICATION: The dedication of roadway right-of-way was a key public benefit identified in the 2020 Development Agreement. Although the dedication did not occur during the Agreement's original term, staff is now close to completing the necessary steps to make it happen. To provide assurance that the dedication will occur soon, staff has proposed a deadline at the end of the

calendar year.

6. Add a Recital that states the City has an interest in extending the Development Agreement in the public interest to further City Council Key Initiatives. These include: 1) attract and expand diverse business and employment, 2) improve the transportation network within the City to alleviate congestion; and 3) implement current regulations that demonstrate leadership in environmental sustainability.

JUSTIFICATION: Approving the Development Agreement extension supports several of the City Council's key strategic initiatives. The new recital in the agreement outlines the specific key initiatives that will be advanced through its implementation.

Each of the six recommendations are incorporated into the draft Development Agreement, Attachment 1.

COUNCIL PRIORITY PROGRAMS AND PROJECTS

Economic Development and Vitality: "Attract and expand diverse business and employment opportunities."

FISCAL IMPACT

The fiscal impacts of the Projects were addressed as part of the Tentative Parcel Map, Conditional Use Permits and Development Agreement.

ENVIRONMENTAL REVIEW

The Amended Development Agreement monitoring is categorically exempt from California Environmental Quality Act (CEQA) in accordance with Government Code 15321 – Enforcement Actions by Regulatory Agencies (Class 21). Class 21 applies as an exemption because the Development Agreement is intended to serve as a tool to enforce the Napa Airport Commerce Center Entitlements.

In addition, 1. The City had the 2020 Addendum to the Napa Airport Corporate Center Project Final EIR prepared (the "Addendum") to evaluate the proposed reduction in project square footage, proposed expansion of preserved wetlands on the project site, and implications of the approval of the Development Agreement for the approved project, which was identified in the FEIR as a potential project approval.

2. As set out in the 2020 Addendum, there have been no Project changes, changed circumstances, or new information which would result in new, or substantially more severe, environmental impacts.

3. The environmental impacts of the NACC Project, as anticipated to be modified by minor modifications to the Conditional Use Permits for Lots 4 and 5 and as modified by the approval of the proposed Development Agreement, which would extend the life of the Project Approvals for five

years and require the project owner contribute certain substantial community benefits, were adequately considered in the certified Final EIR as set forth in City Council Resolution No. 2018-85, which adopted findings, a Mitigation Monitoring and Reporting Program, and a statement of overriding considerations for the NACC Project.

4. Based on its own independent review, consideration, and exercise of its independent judgment, the Planning Commission hereby finds and determines on the basis of substantial evidence in the entire record before the City that none of the circumstances necessitating further environmental review under CEQA and the CEQA Guidelines are present for the reasons set forth in the Addendum and the Final EIR. A copy of the addendum is included as Attachment 1, Exhibit B.

ATTACHMENTS:

[1. NACC DA Extension Ordinance](#)

[1. Exhibit A PC Recommended Development Agreement 2025.06.17](#)

[1. Exhibit B CEQA Addendum Analysis for DA](#)

[1. Exhibit C NACC DA ORDINANCE 2020-03](#)

[2. NACC Project Location](#)

[3. Applicant Proposed Development Agreement Extension 2025-05-12](#)

[4. 2023 NACC DA Annual Report Final](#)