

ULI Development Handbook Series

Resort Development

SECOND EDITION

Foreword

This second edition of *Resort Development* is part of the ULI Development Handbook Series, a set of volumes on real estate development that traces its roots to 1947, when ULI published the first edition of the *Community Builders Handbook*. That edition was revised several times, and in 1975, ULI initiated the Community Builders Handbook Series with the publication of the *Industrial Development Handbook*. Titles in the series have covered all the various types of real estate development: industrial, office, residential, retail, and mixed use.

Resort development is a complex field spanning a wide range of real estate products, settings, and recreational amenities. It is closely tied to one of the world's largest industries: travel and tourism. Understanding the complexities and nuances of such a vast and diverse business is a daunting undertaking.

As with all the handbooks in the series, the objective of this one is to provide a broad overview of the land use and real estate sector under discussion, as well as a guide to the development process. It aims to promote best practices in resort development, and it addresses four general groups of readers, each of which has an important role in making land use decisions: developers and investors; development consultants; public officials; and citizens' groups and individuals concerned about growth and development and the effects of growth on the environment.

This book presents a comprehensive discourse on resort development, including the history of resorts, discussions of the different resort types, resort market analysis, feasibility analysis and financing, land use planning and product design, operations and management, marketing, and trends and outlook. Among the strengths of the book is its reliance on a variety of

examples and real-world situations. The case study chapter documents the development of 14 resort projects in five nations, including second-home communities, hotel resorts, and resorts that contain a mix of hospitality and residential product types. Numerous other examples are cited throughout the text or appear in feature boxes.

Success in resort development requires depth of expertise in the development and management of the various components that make up a given resort. Risks run high, and fortunes have been won and lost in these endeavors. The risks are particularly high for large-scale projects that require many years to complete and for pioneering projects in remote locations.

Because resorts cater to people's dreams rather than their needs, developers must keep abreast of evolving notions of what constitutes luxury, excitement, and diversion from the everyday. Creating places that address those wishes requires imagination, and succeeding can be rewarding both financially and emotionally. We hope this book will help the reader better understand the business and achieve such rewards.

ADRIENNE SCHMITZ

Project Director and Principal Author

The Carneros Inn

NAPA, CALIFORNIA, USA

The Carneros Inn is a 27-acre (11-ha) resort located in California's Napa Valley about 45 miles (72 km) northwest of San Francisco. Along with 86 guest cottages, ten suites, a spa, two pools, a small town center, and three restaurants, it includes 24 for-sale homes (which can be rented) and 17 fractional ownership units. The property is sensitively situated among the rolling vineyards, with undisturbed views of the Napa River and Mayacamas Mountains. The buildings borrow design from local architecture. Gravel paths connect the guest units, which overlook courtyards landscaped with indigenous plantings. The project was designed to have minimal environmental impact, so it uses geothermal heating and recycles stormwater for on-site irrigation. In addition, the property has a strong connection to the community, featuring works by local artists and photographs from long-standing area families.

The development is the area's first new resort to be built in 20 years. The county's stringent land use regulations discouraged large-scale development and prevented zoning changes on the site, but the developers used a creative strategy to turn a blighted area into a distinctive yet fitting resort community that draws local residents as well as tourists.

The Site

The Carneros Inn is located six miles southwest of downtown Napa and within short driving distance of the wineries that have made the area a leading tourist destination. The project is entered from the Sonoma–Napa Highway. A winding road takes visitors up a small hill to the reception area, which includes the Hilltop Restaurant, the spa, and a pool area offering clear views of the Mayacamas Mountains and neighboring farmland. The surrounding land is owned by area residents and is

used for agricultural purposes. Split-rail fences denote property lines and keep the neighbors' horses from wandering onto the property (although guests enjoy feeding the horses). From the Hilltop Restaurant, the property steadily slopes down to the densely clustered guest cottages, the for-sale and fractional ownership units, and the Boon Fly Café, which can be accessed from either the resort or the Sonoma–Napa Highway.

To the west of the guest cottages, the Orchard stands as the resort's fractional ownership community, made up of 17 well-appointed, mid-sized homes. Next to the Orchard is the property's second pool, a 3,000-square-foot (279-sq-m) fitness center, and a cluster of commercial uses, including the resort's premier restaurant, *E@QL*, meeting halls, a bocce court, a small food market, and a post office.

Despite being relatively close to a major roadway, the lack of surrounding development and the siting of the buildings make the property exceptionally quiet. The commercial uses and key infrastructure buildings housing water and wastewater treatment are located next to the highway, which buffers the guest and residential units from the traffic noise while allowing for convenient access to the town center from outside the resort. The property functions as a self-contained village but is not isolated or exclusive. The location of the commercial uses at the entrance encourages patronage from area residents who do not live in the resort.

The site originally contained a trailer park, an RV storage lot, and a mix of small-scale commercial uses that faced the Sonoma–Napa Highway. The property was neglected and stood in sharp contrast to its striking natural surroundings. As the Carneros Inn, the site has been transformed, with brightly colored vernacular-influenced buildings subtly announcing its location along the highway.



MARK HUNDLEY

The Carneros Inn, in Napa, California, is a 27-acre (11-ha) resort with 17 fractional- and 24 whole-ownership homes.

Development Process

A group of young real estate professionals—Keith Rogal, Richard Walsh, Caspar Mol, and Nicholas Monroe—conceived the vision for the project. They visited Napa and thought the underused site, with its pristine surroundings, would be an ideal place for an imaginative redevelopment. However, the site presented several challenges, the foremost being Napa’s restrictive growth policies. When Rogal, Walsh, Mol, and Monroe pooled their resources and those of family and friends

to put the property under contract in 1997, it had been 15 years since a luxury resort development had won approval in Napa County. The group then spent several years working with the community and overcoming various hurdles in the development process.

Napa’s roots lie in agriculture, especially wine making. As American vintages became more popular during the 1970s and 1980s, tourists came to the Napa Valley to experience its wines, regional restaurants, and rural character. However, the tourism boom, resulting traffic

The designs of the manufactured guest cottages echo the Napa vernacular. The corrugated metal roofs, color scheme, and porches are drawn from the surrounding agricultural landscape.



ANGIE SILVY

congestion, and escalation in real estate values greatly concerned the vineyards' landowners, fearful that they would end up losers in a battle for property against real estate developers. Further, the perceived gentrification of the area angered many residents, who successfully joined with agricultural land interests to tighten development regulations. Minimum lot sizes of 160 acres (65 ha) were established across most of the valley, and voters and elected officials rejected any new project that seemed to threaten their quality of life.

The Carneros Inn development team, however, envisioned a resort that would respect Napa's particular character as well as the natural environment and that would offer something to the residents, not just the tourists. Rogal launched a monumental community outreach campaign. He spoke of the development team's vision of an environmentally sensitive destination that would reflect the values of the community in its project program and design character, and he talked one-on-one with residents and business owners to shape those ideas. After years of community meetings, conversations, and compromises, the project gradually won political and popular approval.

The development team was faced with relocating the residents of the trailer park—an often controversial and expensive undertaking. Rogal and his colleagues put in the time to handle this issue one-on-one, directly with the tenants, on terms that were clear and uniform. As a result, most of the trailer park residents voluntarily terminated their tenancies, accepting the development team's offers to buy their units or to have them moved to another location. Most residents then relocated to

other housing in the area. Remarkably, the process never led to contentious public discussion in the press or at community forums.

Another challenge, which turned out to be an advantage, was the site's zoning. The 27 acres were a jumble of parcels containing various commercial uses along with the trailer park. It would have been nearly impossible to rezone the site, as the county requires a majority vote by its citizens to overturn a zoning designation. The developers chose to use the existing zoning and densities, which, after some creative thinking, proved to work in their favor. The approved density that existed in the RV park allowed for the 86 guest cottages and 24 residential sites. The development team worked within the constraints of the RV and mobile home park building codes to produce structures that conformed with those regulations but were designed from scratch to meet the standards of understated luxury accommodations. The remaining parcels, which had conventional commercial zoning, were used for the restaurants and town center.

The mobile home park, with its existing density of six units/acre, constituted a significant exception to the surrounding agricultural zoning of a 160-acre (65-ha) minimum for a single house. By creating factory-built homes to conform with the mobile home code, the development team was able to build twenty-four 2,400-square-foot (223-sq-m) single-family homes in the site's southeastern section. These homes were sold as market-rate units at an average price of \$1.8 million. They are used as second homes and year-round residences, with some placed by their owners into a rental pool for short-term guests.