



A Tradition of Stewardship  
A Commitment to Service

Agenda Date: 7/1/2015  
Agenda Placement: 10A  
Continued From: May 20, 2015

## Napa County Planning Commission Board Agenda Letter

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**TO:** Napa County Planning Commission  
**FROM:** John McDowell for David Morrison - Director  
Planning, Building and Environmental Services  
**REPORT BY:** David Morrison, Director, Planning, Building & Environmental Servi - (707) 253-4805  
**SUBJECT:** Proposed Method for Evaluating Future Winery Visitation Proposals

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### **RECOMMENDATION**

#### **PROPOSED METHOD FOR EVALUATING FUTURE WINERY VISITATION PROPOSALS**

**CEQA Status:** Procedures by definition do not change the law, but provide for its implementation. Therefore the proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and CEQA is not applicable. Also, it can be seen with certainty that there is no possibility the proposed action may have a significant effect on the environment and therefore CEQA is not applicable pursuant to the General Rule contained in the Guidelines For the Implementation of the California Environmental Quality Act, 14 CCR 15061(b) (3).

**Request:** Continued study session discussion and possible action item to review staff proposed guidelines for evaluating the levels of visitation and marketing events for winery use permit proposals. The Planning Commission has previously requested that staff provide a framework that would allow a more informed and detailed discussion of comparing applications for winery visitation.

**Staff Recommendation:** Take public comment on and provide direction regarding the preparation of draft guidelines that would do the following:

- | Create a baseline for total annual visitation (including both tasting room and marketing events), based on the median of all post-WDO wineries that are within ten percent of the application's proposed production
- | Establish a list of modifying factors that the Commission may use in their discretion to adjust the visitation baseline, taking into account any unique locational and/or operational characteristics of the application.

**Staff Contact:** David Morrison, Director; (707) 253-4805; [david.morrison@countyofnapa.org](mailto:david.morrison@countyofnapa.org)

**CONTINUED DISCUSSION FROM THE MAY 15 and JUNE 17, 2015 REGULAR MEETINGS.****EXECUTIVE SUMMARY****Proposed Actions:**

That the Planning Commission:

1. Accept the staff presentation;
2. Take public comments;
3. Provide direction to staff regarding the proposed approach for evaluating visitation, including any additional research, and;
4. Direct staff to bring any revisions to the approach back at a future date for further review.

**Discussion:**

Over the past year, the Planning Commission has worked to find the appropriate balance between the needs of small wineries that increasingly rely on direct-to-consumer marketing, and the policy goals of ensuring that activities such as marketing remain subordinate to the primary agricultural use. To date, they have relied on the policies and ordinances of Napa County in defining this balance.

However, the WDO guidelines as written are imprecise in that they do not provide any specific means for quantifying either remoteness or production, and/or do not indicate how these criteria relate to marketing and visitation proposals. The vague language does not provide clarity for staff in how to analyze projects for consistency with the guidelines. It also creates uncertainty for both the applicant and the public in giving any indication of what will be approved or denied. Finally, the guidelines do not provide any meaningful guidance to the Planning Commission in how to weigh these factors and come to a decision on what visitation and marketing programs are in the public interest.

The Commission has expressed interest in an approach that combines a common baseline of visitation that would apply to all future applications, while providing modifying factors to providing flexibility in recognizing the unique circumstances involved in each individual proposal and its setting.

**FISCAL IMPACT**

Is there a Fiscal Impact?                      No

**ENVIRONMENTAL IMPACT**

Procedures by definition do not change the law, but provide for its implementation. Therefore the proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and CEQA is not applicable. Also, it can be seen with certainty that there is no possibility the proposed action may have a significant effect on the environment and therefore CEQA is not applicable pursuant to the General Rule contained in the Guidelines For the Implementation of the California Environmental Quality Act, 14 CCR 15061(b)(3).

**BACKGROUND AND DISCUSSION**

The Planning Commission has expressed an interest in developing a more refined process for evaluating proposed visitation and marketing proposals. Based on discussions in prior Commission hearings, as well as working with individual Commission members, staff proposed a two-step approach at the March 4, 2015 meeting:

1. Create a baseline, using either average or median of the permitted annual production for other wineries within a standard range (plus or minus 5 or 10 percent) of the amount of production being proposed. Alternatively, a general standard could be used, based on other metrics, such as the Napa County Transportation and Planning Agency (NCTPA) study or other source.
2. Create a series of modifying factors that be applied to the baseline number. For each of these factors, the baseline amount of total visitation could be increased or decreased, either by a set percentage or on a case-by-case basis.

At the March 4<sup>th</sup> meeting, the Commission generally supported the two-step approach proposed by staff, but requested additional information. Specifically, the Commission requested that staff break out the baseline in more detail, to remove the pre-WDO wineries from the analysis. The Commission also asked that the modifying factors be expanded and grouped together into categories of “Locational” and “Operational” criteria.

At the May 20<sup>th</sup> meeting, the Commission requested that the visitation analysis be broken down into smaller categories of production, to provide greater detail than that provided by using quintiles. The Commission also asked that each category be analyzed in terms of agricultural zoning (AP and AW), pre-WDO and post-WDO, as well as by tasting and marketing visitors. Finally, the Commission directed staff to provide analysis regarding temporary events.

**Visitation Analysis**

Previously, staff provided a general analysis of existing visitation data by grouping wineries into quintiles, based on their level of production. The Commission felt that this did not provide enough detail and requested a more discrete analysis of smaller production categories. Dividing data into categories always involves a measure of discretion on the part of the analyst. In this case, if categories are too large, smaller trends and differences may be lost. On the other hand, if categories are too small, they may have only a handful of data points which may create associations that are not statistically significant. After reviewing the data, staff believes that the following organization of wineries based on production provides a fair balance between these two concerns.

<b>Total Permitted Annual Production (gallons)</b>	<b>Number of Wineries</b>
0-9,999	50
10,000-19,999	70
20,000-29,999	116
30,000-39,999	43

40,000-49,999	19
50,000-59,999	30
60,000-69,999	16
70,000-79,999	9
80,000-89,999	4
90,000-99,999	3
100,000-199,999	51
200,000-299,999	18
300,000-399,999	11
400,000-499,999	6
500,000-599,999	3
600,000-699,999	4
700,000-799,999	2
800,000-899,999	3
900,000,999,999	2
1,000,000 +	17

As has been pointed out in previous staff analyses, approximately half of all wineries have permitted production of less than 30,000 gallons annually. Over 75% of wineries are below the 100,000 gallon annual production limit. Those facilities with over 1 million gallons of permitted annual production makes up less than 4% of all wineries (although they account for 72% of the total permitted winery production of 126.8 million gallons).

For comparison, staff has provided a similar breakdown of visitation (annual permitted visitation of both tasting room and marketing events combined). More than half of all wineries are permitted 3,000 visitors or less per year (58 people per week on average). Over 75% of wineries are allowed fewer than 10,000 visitors per year (192 people per week on average). Only 20 wineries are permitted more than 100,000 visitors per year (1,923 per week), but they make up 49% of the total permitted annual visitation of 7.6 million people.

Total Permitted Annual Visitation	Number of Wineries
0-999	152
1,000-1,999	49
2,000-2,999	30
3,000-3,999	24
4,000-4,999	17
5,000-5,999	24
6,000-6,999	15
7,000-7,999	23
8,000-8,999	7
9,000-9,999	3
10,000-19,999	44
20,000-29,999	23
30,000-39,999	15
40,000-49,999	8
50,000-59,999	8

60,000-69,999	2
70,000-79,999	3
80,000-89,999	1
90,000-99,999	1
100,000-199,999	14
200,000-299,999	5
300,000-399,999	0
400,000-499,999	0
500,000 +	1

As requested by the Commission, staff has analyzed the average and mean number of permitted annual tasting room visitors, the average and mean number of permitted annual marketing visitors, and the average and mean permitted annual production figures for each category of production outlined above. Within each category, staff has provided the total numbers, as well as providing separate results for wineries located in cities, in the Airport Industrial Area, for pre-WDO wineries, post-WDO wineries, wineries in the AP (Agricultural Preserve) zone, and wineries in the AW (Agricultural Watershed) zone. The results are as follows.

	Average Annual Tasting Visitors	Mean Annual Tasting Visitors	Average Annual Marketing Visitors	Mean Annual Marketing Visitors	Average Annual Production	Mean Annual Production
<b>0 - 9,999 Gallons Production</b>						
50 Wineries	728	208	72	0	5,031	5,000
4 Cities	0	0	0	0	5,233	5,355
26 Pre-WDO	454	0	18	0	5,020	5,000
24 Post-WDO	934	312	115	49	5,043	5,000
10 AP	780	0	28	0	5,240	5,000
34 AW	731	208	77	0	4,771	5,000
<b>10,000 – 19,999 Gallons Production</b>						
70 Wineries	2,411	1,300	256	151	13,053	12,000
3 Airport	5,737	7,020	207	200	12,500	13,667
12 Pre-WDO	1,105	416	128	0	13,042	12,250
58 Post-WDO	2,681	1,508	283	190	13,055	12,000
13 AP	1,388	520	316	144	12,462	12,000
54 AW	2,194	1,378	222	140	13,170	12,000
<b>20,000-29,999 Gallons Production</b>						
116 Wineries	2,289	1,040	262	106	20,837	20,000
3 Cities	347	1,040	67	100	24,200	24,400
2 Airport	7,644	7,644	5,450	5,450	20,000	20,000
58 Pre-	1,220	286	40	0	20,379	20,000

WDO							
58 Post-WDO	3,240	1,872	417	300	21,295	20,000	
37 AP	1,450	520	519	106	20,824	20,000	
72 AW	2,672	1,040	263	103	20,768	20,000	
<b>30,000-39,999 Gallons Production</b>							
43 Wineries	5,312	3,640	561	270	31,256	30,000	
1 Cities	0	0	100	100	30,000	30,000	
6 Pre-WDO	7,973	1,820	370	15	30,833	30,000	
37 Post-WDO	4,593	4,680	580	258	31,324	30,000	
16 AP	5,514	4,940	371	155	31,563	30,000	
26 AW	3,934	3,120	502	350	31,115	30,000	
<b>40,000-49,999 Gallons Production</b>							
19 Wineries	4,621	1,176	869	410	44,781	48,000	
8 Pre-WDO	3,846	720	285	0	44,313	45,250	
11 Post-WDO	7,128	2,912	1,294	660	45,122	48,000	
8 AP	6,981	5,148	265	50	42,668	41,250	
11 AW	2,904	1,040	1,309	660	46,318	48,000	
<b>50,000-59,999 Gallons Production</b>							
30 Wineries	8,869	5,096	1,215	823	51,233	50,000	
1 Airport	0	0	0	0	50,000	50,000	
9 Pre-WDO	8,938	3,640	1,256	325	52,111	50,000	
21 Post-WDO	8,840	7,280	1,258	920	50,857	50,000	
10 AP	10,208	6,370	1,365	860	50,900	50,000	
19 AW	8,019	3,640	1,124	720	51,474	50,000	
<b>60,000-69,999 Gallons Production</b>							
16 Wineries	11,595	6,474	700	460	60,625	60,000	
2 Airport	1,170	1,170	250	250	60,000	60,000	
10 Pre-WDO	14,532	4,550	489	32	60,100	60,000	
6 Post-WDO	6,699	8,008	1,051	864	60,000	60,000	
7 AP	18,308	6,240	761	500	60,714	60,000	
7 AW	4,554	3,900	693	63	60,714	60,000	
<b>70,000-79,999 Gallons Production</b>							
9 Wineries	13,946	10,400	702	60	73,222	75,000	
6 Pre-WDO	19,327	19,240	697	381	72,333	72,000	
3 Post-WDO	3,183	450	713	0	75,000	75,000	
7 AP	14,226	10,400	663	60	73,143	75,000	
2 AW	12,965	12,965	840	840	72,500	72,500	
<b>80,000-89,999 Gallons Production</b>							
4 Wineries	21,500	19,210	1,642	20	81,625	80,750	
1 Airport	10,920	10,920	1,300	1,300	80,000	80,000	

1 Pre-WDO	27,500	27,500	200	200	81,500	81,500
3 Post-WDO	19,500	10,920	19,500	1,550	80,167	80,000
1 AP	27,500	27,500	200	200	81,500	81,500
2 AW	23,790	23,790	2,533	2,533	82,500	82,500
<b>90,000-99,999 Gallons Production</b>						
3 Wineries	159,913	32,850	32,800	3,000	94,000	96,000
2 Pre-WDO	223,444	223,444	47,700	47,700	96,000	96,000
1 Post-WDO	32,850	32,850	3,000	3,000	90,000	90,000
1 AP	32,850	32,850	3,000	3,000	90,000	90,000
2 AW	223,444	223,444	47,700	47,700	96,000	96,000
<b>100,000-124,999 Gallons Production</b>						
28 Wineries	23,846	17,316	3,150	982	105,000	100,000
1 Airport	0	0	0	0	120,000	120,000
17 Pre-WDO	29,273	20,800	1,229	480	105,882	100,000
11 Post-WDO	15,458	10,920	6,120	1,440	103,636	100,000
18 AP	20,904	17,836	3,300	1,250	104,444	100,000
8 AW	28,919	12,740	3,388	662	105,000	100,000
<b>125,000-149,999 Gallons Production</b>						
9 Wineries	9,556	2,600	2,206	1,212	133,444	130,000
6 Pre-WDO	10,261	2,860	1,933	125	137,667	139,500
3 Post-WDO	8,147	4,368	2,754	2,500	125,000	125,000
3 AP	2,080	1,872	1,237	1,212	126,000	125,000
6 AW	13,295	10,660	2,691	2,400	137,167	139,500
<b>150,000-174,999 Gallons Production</b>						
9 Wineries	22,574	27,300	8,745	2,860	152,233	150,000
7 Pre-WDO	24,707	31,200	11,173	3,100	152,150	150,000
2 Post-WDO	15,106	15,106	248	248	152,254	152,524
3 AP	19,171	21,840	3,058	2,860	153,333	150,000
6 AW	24,275	29,250	11,589	1,843	151,683	150,000
<b>175,000-199,999 Gallons Production</b>						
5 Wineries	23,993	26,000	5,490	1,730	181,000	180,000
1 Cities	29,640	29,640	0	0	190,000	190,000
3 Pre-WDO	21,441	26,000	8,960	3,600	178,333	180,000
2 Post-WDO	27,820	27,820	285	285	185,000	185,000
3 AP	21,441	26,000	8,960	3,600	178,333	180,000
1 AW	26,000	26,000	570	570	180,000	180,000
<b>200,000-299,999 Gallons Production</b>						
18 Wineries	55,490	23,140	4,246	1,271	223,056	205,000

13 Pre-WDO	56,297	27,375	4,658	1,720	225,000	225,000
5 Post-WDO	53,394	18,200	3,174	900	218,000	200,000
12 AP	63,965	31,200	5,794	2,666	216,667	200,000
6 AW	38,541	11,544	1,151	846	235,833	245,000
<b>300,000-399,999 Gallons Production</b>						
11 Wineries	21,040	13,000	2,516	600	324,091	315,000
1 Airport	0	0	400	400	310,000	310,000
7 Pre-WDO	32,617	36,400	3,805	1,760	320,000	300,000
4 Post-WDO	780	260	259	268	331,250	327,500
5 AP	27,640	20,800	1,900	600	318,000	300,000
5 AW	18,647	2,600	3,554	275	333,000	340,000
<b>400,000-499,999 Gallons Production</b>						
6 Wineries	40,300	29,900	567	0	446,167	450,000
5 Pre-WDO	44,720	41,600	680	0	440,400	450,000
1 Post-WDO	18,200	18,200	0	0	475,000	475,000
3 AP	42,467	18,200	767	0	458,333	450,000
3 AW	38,133	41,600	367	0	434,000	432,000
<b>500,000-599,999 Gallons Production</b>						
3 Wineries	105,553	106,600	15,918	5,100	521,500	500,000
3 Pre-WDO	105,553	106,600	15,918	5,100	521,500	500,000
3 AP	105,553	106,600	15,918	5,100	521,500	500,000
<b>600,000-699,999 Gallons Production</b>						
4 Wineries	16,550	7,800	4,289	3,778	610,000	600,000
3 Airport	6,067	5,200	4,067	2,600	600,000	600,000
2 Pre-WDO	25,300	25,300	2,778	2,778	620,000	620,000
2 Post-WDO	7,800	7,800	5,800	5,800	600,000	600,000
1 AW	48,000	48,000	4,955	4,955	640,000	640,000
<b>700,000-799,999 Gallons Production</b>						
2 Wineries	79,300	79,300	4,585	4,585	735,000	735,000
2 Pre-WDO	79,300	79,300	4,585	4,585	735,000	735,000
1 AP	145,600	145,600	9,170	9,170	750,000	750,000
1 AW	13,000	13,000	0	0	720,000	720,000
<b>800,000-899,999 Gallons Production</b>						
3 Wineries	58,933	26,000	8,323	4,450	860,000	850,000
1 Airport	0	0	0	0	880,000	880,000
2 Pre-WDO	88,400	88,400	12,485	12,485	850,000	850,000
1 Post-WDO	0	0	0	0	880,000	880,000
2 AP	88,400	88,400	12,485	12,485	850,000	850,000
<b>900,000-999,999 Gallons Production</b>						



2 Wineries	61,360	61,360	8,537	8,537	900,000	900,000
1 Pre-WDO	91,000	91,000	11,714	11,714	900,000	900,000
1 Post-WDP	31,200	31,200	5,360	5,360	900,000	900,000
1 AP	91,000	91,000	11,714	11,714	900,000	900,000
1 AW	31,200	31,200	5,360	5,360	900,000	900,000
<b>1,000,000 Gallons Production or More</b>						
17 Wineries	90,424	54,600	6,375	2,450	5,336,471	2,000,000
3 Cities	48,533	0	0	0	32,470,000	33,266,667
1 Airport	3,640	3,640	2,640	2,640	44,500,000	44,500,000
12 Pre-WDO	106,997	83,044	7,586	2,835	2,711,667	1,650,000
5 Post-WDO	50,648	3,640	3,468	0	11,636,000	3,700,000
10 AP	117,425	125,944	8,781	4,575	3,054,000	1,850,000
3 AW	71,240	78,000	5,973	3,220	1,900,000	1,000,000

A few broad conclusions can be drawn from this data. The mean for tasting room visitation is higher in post-WDO wineries than pre-WDO wineries up until the 70,000 gallon annual production threshold. At 70,000 gallons and above, pre-WDO wineries generally have higher mean visitation rates. Staff believes that this reflects the prevalence of smaller wineries in the post-WDO era, and their greater reliance of direct to consumer marketing. Bigger wineries tend to be pre-WDO facilities, which had high visitation rates established before the WDO went into effect. Interestingly, there is no similar pattern among the marketing event data, which has mixed results throughout the overall production range. The results are equally mixed for mean tasting room visitation and marketing event visitors when broken out by zone. This is somewhat surprising. Staff had assumed that pre-WDO wineries were generally located in the AP zone and that post-WDO wineries were generally located in the AW zone. However, while it's true that most post-WDO wineries are located in the AW zone, there are slightly more pre-WDO wineries in the AW zone than in the AP zone (93 in AP and 118 in AW). Consequently, there is not the same clear distinction that was seen with the earlier data.

In the end, while the above approach provides a great deal more data, it does not necessarily provide greater insight. It is not clear that using average vs. mean calculations, or that differentiating between pre-WDO and post-WDO or AP and AW zoning creates a more accurate reflection of either the wine industry as it is or as it should be. More importantly, basing a system on the average or mean of existing wineries only reinforces one of two past models. It models new wineries off of the relatively unregulated pre-WDO era where wineries were allowed production and visitation levels that while perhaps necessary to allow for the establishment and early growth of a rapidly successful wine industry, are vastly larger and more intensive than wineries that are currently approved. Alternatively, it encourages new wineries to model the post-WDO era where the success of the direct to consumer approach has created broad demand for tasting visitation and marketing, which in turn has resulted in hundreds of small wineries being located throughout the valley.

The wine industry is incredibly diverse and cannot easily be boiled down to one formula that's going to accommodate every business plan. However, it is important for the Commission to establish a standard. Predictability and consistency are crucial to land use policy. Currently, land owners and residents do not have any assurance that a one million gallon winery with 100,000 annual visitors is not going to go in next door to their home. Business owners do not have any reasonable expectation that if they invest in the studies and costs associated with obtaining a Use Permit, they will obtain approval of the levels needed to

see a future return on investment. Finally, County decision makers need better tools to make consistent and equitable rulings. A standard is needed, but the complex set of calculations provided above may not provide the clarity that the public, industry, and County staff require.

Staff suggests other approaches to looking at this problem. As previously suggested, instead of evaluating wineries by associating them with operations of a similar production level, one can create a ratio of visitors per 1,000 gallons of production that can be equally applied to any application. Staff began by excluding wineries in the AISPA, within cities, or those that were established prior to the WDO, similar to the revised analysis shown in the second table above. Each of the remaining wineries was evaluated individually to determine the ratio of visitors per 1,000 gallons. The result was 126 total visitors (both tasting and marketing events) per 1,000 gallons of production, a lower ratio than that found in the NCTPA study. (If the same method is used to include all pre-WDO wineries, the number drops to 106 visitors per 1,000 gallons. Some pre-WDO wineries have large production facilities with very little visitation, which lowers the overall average.) The figure of 126 visitors per gallon includes 110 visitors based on tasting room visitation and 16 visitors based on visits associated with marketing events.

Alternatively, the Agricultural Protection Advisory Committee recently began considering a number of criteria for wineries. They are looking at limiting winery tasting room visitation and marketing event visitors by the size of the parcel.

### **Temporary Events**

Over the past 20 years (1995-2014), a total of 1,683 temporary event permits have been issued by the County, for an average of 84 permits annually. The annual number of permits peaked in 2009 at 133. The lowest number was issued in 1999 at 55.

Of the permits issued over the past 10 years, since the General Plan baseline of 2005 was established, a total of 962 temporary event permits have been approved. More than half (55%) have been issued to a total of 40 locations. Most of these locations are wineries, however, there are three non-winery facilities included within the list. The most frequent permittee has held 41 approved temporary events in the last decade, averaging out to four events or about 1,000 visitors per year.

Data is incomplete regarding the number of attendees requested for each event permit. Based on the information available, more than half of temporary events are permitted for less than 200 visitors. Another third are permitted for between 200 and 400 attendees. The remaining 10 percent of events are for more than 400 people, with 5 events approved for between 2,000 and 3,000 visitors per day.

Staff's best estimate is that permits are issued for temporary events hosting between 10,000 and 20,000 annually. It should be noted that the vast majority of events are non-profit fundraisers, and may draw participants primarily from Napa Valley, rather than create new additional tourists. While temporary events contribute to concerns about traffic and commercialization, they are fairly small compared to the more than 764,000 annual tasting and marketing visitors allowed through approved Use Permits.

<b>Year</b>	<b>Number of Temporary Event Permits Approved</b>
2015	55
2014	75
2013	73

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2012	81
2011	95
2010	104
2009	133
2008	129
2007	127
2006	90
2005	107
2004	90
2003	97
2002	71
2001	62
2000	56
1999	55
1998	69
1997	63
1996	56
1995	50

**SUPPORTING DOCUMENTS**

None

Napa County Planning Commission: Approve

Reviewed By: John McDowell