



A Tradition of Stewardship
A Commitment to Service

Agenda Date: 9/2/2015

Agenda Placement: 8B

Napa County Planning Commission Board Agenda Letter

TO: Napa County Planning Commission

FROM: Charlene Gallina for David Morrison - Director
Planning, Building and Environmental Services

REPORT BY: David Morrison, Director, Planning, Building & Environmental Servi - (707) 253-4805

SUBJECT: Workshop on Proposed Method for Evaluating Future Winery Visitation Proposals

RECOMMENDATION

PROPOSED METHOD FOR EVALUATING FUTURE WINERY VISITATION PROPOSALS

CEQA Status: Feasibility and planning studies for possible future actions are Statutorily Exempt under 14 California Code of Regulations 15262 (State CEQA Guidelines) and CEQA is not applicable. These recommendations, in and of themselves, do not have a potential for resulting in a direct, physical change in the environment or a reasonably foreseeable indirect physical change, and therefore are not considered to be a project under 14 California Code of Regulations 15378 (State CEQA Guidelines). 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: 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:

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

CONTINUED DISCUSSION FROM THE MAY 15, JUNE 17, 2015, and JULY 1, 2015 REGULAR MEETINGS

EXECUTIVE SUMMARY

Proposed Actions:

That the Planning Commission:

1. Accept staff presentation, and ask any clarifying questions;
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 or the Commission 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 level of visitation and marketing programs are in the public interest.

FISCAL IMPACT

Is there a Fiscal Impact? No

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: Feasibility and planning studies for possible future actions are Statutorily Exempt under 14 California Code of Regulations 15262 (State CEQA Guidelines) and CEQA is not applicable. These recommendations, in and of themselves, do not have a potential for resulting in a direct, physical change in the environment or a reasonably foreseeable indirect physical change, and therefore are not considered to be a project under 14 California Code of Regulations 15378 (State CEQA Guidelines). 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**BACKGROUND:**

The Planning Commission has expressed an interest in developing a more refined process for evaluating proposed visitation and marketing proposals. Based on discussions in Commission hearings conducted

throughout 2014, 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 4th 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 20th 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.

At the July 1st, meeting, the Commission requested more information regarding their relationship to the Agricultural Protection Advisory Committee (APAC), and efforts being undertaken to further improve the winery database. No specific direction was given with regards to the methods by which visitation or marketing should be evaluated in future winery applications.

ISSUES RAISED DURING THE JULY 1, 2015, HEARING:

What are the limits of the existing winery database?

As mentioned previously, the winery database went through a thorough overhaul between November and March this past year, where each entry was rechecked, verified to the extent possible, and checked for quality control. Despite our best efforts, errors remain and will be corrected as soon as they are found. Like any information source, the database is incomplete. Science is an ongoing process and data can never perfectly describe any phenomena. In this situation, it is further made complicated by the differing standards by which wineries operate (pre-Prohibition, pre-Zoning Code, pre-WDO, during WDO, post-WDO, etc.). The database measures very different types of permits and tries to provide them within a comparable context, but the accuracy of the information is sometimes compromised in order to be able to draw the comparisons. This is the best data that is presently available and is much better than the data that was available a year ago. Waiting until a more perfect database is available will not address the concerns currently being expressed in the community. More importantly, data by itself cannot create a direction for policy, because policies reinforce social values in the future and shouldn't be based solely on what has happened in the past.

What is the relationship of the Commission's deliberations with the recommendations of APAC?

The APAC is required to report their findings to the Planning Commission by September 2, 2015. The Commission may add, delete, or modify the Committee's recommendations as appropriate. At a minimum, the Board of Supervisors directed the APAC and the Commission to make recommendations regarding the following

issues:

- | Minimum parcel size for new wineries;
- | Minimum percentage of grapes used in the winery to be grown on-site ("estate grapes");
- | Requiring that new or expanded wineries result in no net loss of vineyards;
- | Requiring that a majority of employees be directly engaged in vineyard or production operations;
- | Limiting the amount of variance allowed for setbacks on new wineries;
- | Requiring that wineries include the number of temporary events in their use permit approval as part of marketing and tasting room visitation; and
- | Requiring different development standards for wineries located in the Agricultural Preserve (AP) and Agricultural Watershed (AW) zoning districts.

The Commission is required to submit its recommendations to the Board of Supervisors by November 10, 2015.

DISCUSSION:

This is the fourth Planning Commission workshop on the issue of visitation, in addition to the several meetings during the previous year when this issue was discussed and debated. After researching and reviewing extensive data and analysis, the Commission has not been able to concur on a methodology for developing a new visitation threshold. Staff has suggested several different approaches, but it does not appear that the Commission is any closer to a solution today than it was when it began these series of workshops six months ago. At this time, it is unclear where the discussion should go from here. As a result, staff suggests a review of the issues to try and provide clarity to the discussion so that a clear direction can be established as a part of the Commission's recommendations to the Board of Supervisors in November.

What are the concerns that need to be addressed in the Commission's view?

The first concern, as staff understands it, is that the increasing reliance of new wineries on direct-to-consumer wine sales, and the intensity of tasting room visitation and marketing events that are required to support consumer direct sales, have created a perception that hospitality is no longer subordinate to agricultural production and processing (i.e., the growing of grapes and wine making).

The second concern is that the increased reliance on hospitality activities is creating cumulative impacts to the community with regards to traffic, water use, and affordable housing. These include both direct impacts from wineries, as well as indirect effects associated with the increase in hotels, restaurants, and other tourist support industries within the cities.

Is there evidence to support these concerns?

It is true that there has been a significant increase in the direct sales of wine to consumers from Napa in recent years. Total direct sales in the US have increased from 2.5 million cases in 2010 to 3.9 million in 2014. As reported previously, nearly half of all wine shipped directly to customers in the United States comes from the Napa Valley. As more states allow for the direct sales of wine, the total amount purchased directly by the consumer nationwide is expected to double over the next 10 years.

Visit Napa Valley data indicate that while the number of days spent in Napa by tourists has increased to 5.5 million in 2014, the number of tourists visiting here annually (3.3 million) has not yet reached pre-2008 levels. Wineries are not required to report visitation, except as part of the Wine Audit, so there is no available industry wide data to show a trend one way or the other. Levels of tasting room visitation requested by applicants in Napa County has generally increased since 2011. The total number of approved tasting room visitors increased by more than

200,000 for each of the last past four years. Between 2005 and 2010, approved tasting room visitors generally increased by less than 100,000 per year.

The NCTPA Travel Behavior Study indicated that traffic associated with tourism accounted for approximately 21 percent of total daily trips. Employment in the hospitality and winery industries account for about 26 percent of all employment within Napa County. According to the Environmental Impact Report for the General Plan, agricultural and rural uses are estimated to account for about half of all water use in Napa County. While wineries play a substantial role in contributing to issues such as traffic, water, and commuting employees; there are many other factors that contribute to these impacts. While every sector should be looked to contribute towards resolving these issues, further regulations on the winery industry alone will not solve community wide problems.

What are the principles that should be used to address these concerns?

Staff suggests three main principles be employed:

Be consistent. This is important to create a level playing field among businesses, ensure predictability so that wineries can plan long-term financing and investments, inform private landowners as to what can and cannot be developed on adjoining properties and within their immediate neighborhoods, and assure the public that individual projects are being approved in accordance with the overall vision set in the General Plan. Recent approvals have seen a variety of intensities on a range of parcel sizes and locations. This has led to concern in the industry and the public that the existing rules are either inadequate or are not being appropriately administered, leading to uncertainty. A measure of consistency is critical towards enhancing confidence in the planning process.

Be fair. Businesses should be held accountable for their proportional contribution to potential problems. Impacts should be evaluated based on sound science and generally accepted thresholds, not on anecdotal information or personal perceptions. Exceptions to established standards should be rare and used only when the implementation of adopted standards would create inequity or a greater environmental impact.

Be sustainable. Policies need to ensure environmental stewardship, economic viability, and social equity. Each of those factors needs to be weighed equally and balanced against each other. The County's role is to develop strategies that achieve the greatest measure of all three goals, not one at the expense of the other two. In addition, strategies need to take the long-term effects into consideration.

What are the challenges in addressing these concerns using new metrics based on visitation?

None of the other major wine-producing counties in California regulate the number of visitors on a daily, weekly, monthly, or annual basis (see Attachment prepared by Sonoma County staff). Generally, if tasting room visitation is regulated, it's limited based on the tasting room size (maximum number of square feet or as a percentage of the winery development footprint), or on the maximum number of visitors allowed at any one time. As such, there is no comparative literature to reference in assessing the benefits and disadvantages of this approach, nor are there similar approaches that we be incorporated into Napa's methodology.

In general, planning practices don't regulate other businesses in the same way. A major retailer like Costco is not limited to the number of customers it can serve in a day, nor are restaurants like Brix or Mustard, nor are hotels like Meadowood or Springhill Suites. These businesses are limited by the size of their retail space, or the number of tables and chairs, or the number of hotel rooms. Consequently, there are no parallel situations that can be readily adapted for use in developing a visitation matrix for wineries.

Visitation is difficult to verify. Currently, staff relies on logs or appointment books kept by the winery operators. There

is no method for independently verifying the accuracy of these records. The Commission can set standards, but ensuring that the standards are being met presents challenges.

It's difficult to develop a formula that can account for the hundreds of different types of winery business plans. Some are highly dependent on direct-to-consumer sales, while other wineries do not include any visitors. Wineries have different degrees of access to national distributors, different price points, and different marketing strategies. Creating a single formula that can accommodate or respond to the variety of winery business plans may not be achievable without causing disruption within the industry due to disparate application of the numbers. While the County is not obligated to find a way to allow every business model to be developed, the County's role is to facilitate those proposals that are consistent with and support the vision of the General Plan.

Instead of adopting a broad approach, should visitation levels be developed on a case-by-case basis using the CEQA analysis prepared for individual applications?

No, but it is appropriate to evaluate applications based on their proportional contribution to cumulative CEQA impacts. Traffic, air quality, water availability, and other infrastructure or natural resources have carrying capacities. The purpose of planning is to look at the potential cumulative, long-term implications of proposed development by comparing it against projected build-out. Both CEQA and planning law require decision-makers to consider individual projects within the context of the General Plan and its broad goals and policies. In addition, if decisions are made on the incremental basis of each proposed project, those applicants who obtain early approval will have access to the majority of the available capacity. Later applicants may not be able to obtain approval once the existing capacity is exhausted, without cost-prohibitive mitigation or the adoption of overriding considerations.

What options are available as alternatives to establishing a visitation metric?

If the Commission cannot resolve how to create a consistent approach for regulating winery visitation, by adopting a metric to be used as guidelines in evaluating future applications, they may wish to consider other alternative approaches:

-) Limit the hours of operation and/or days of the week tasting rooms may open;
-) Limit the number of marketing events;
-) Limit the parking area;
-) Limit the number of non-production and/or processing employees;
-) Limit the size of tasting rooms and other hospitality areas (patios, lawns, caves);
-) Limit the number of temporary events; and/or
-) Limit the number of tasting room visitors that may be allowed at any one time.

Other Issues:

Just a reminder that there are two other issues for which the Commission has expressed an interest in developing policies and procedures:

1. Whether or not to include outdoor hospitality areas in the calculation of accessory winery uses. The APAC has included this in their list of Final Recommendations. The Commission can take this issue up as a part of their review of the APAC's work.
2. Whether or not to set new rules for the display of public art at wineries. This was in response to concerns that art is being used as commercial signage to create an iconic marketing image for a winery. Due to the time spent on

the issue of visitation, the Commission has not yet had the opportunity to pursue this issue.

SUPPORTING DOCUMENTS

A . Attachment A - ComparableCounty Winery Regulations

Napa County Planning Commission: Approve

Reviewed By: Charlene Gallina