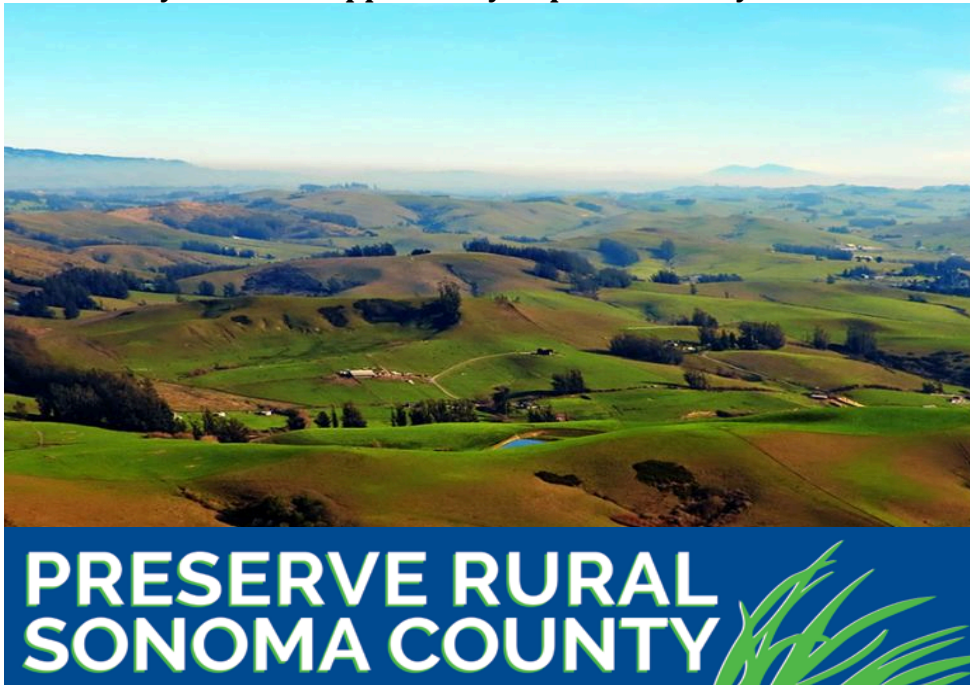


September 29, 2016 Planning Agency workshop on Winery Events

Judith Olney – Co-Chair of Preserve Rural Sonoma County - Good afternoon, and thank you for the opportunity to present today.



Preserve Rural Sonoma County is a broad coalition with community members from every Supervisor District – and countywide groups. All told, we represent thousand of voters – and over 50 of our supporters are here today.

Our Steering Committee includes 6 members of the 2015 Winery Working Group and other professionals with decades of experience in corporations – private enterprise – and government.

- We understand land use planning, and many of us have built business plans. We understand the economics and real challenges associated with running a business, especially in a crowded field.
- However, we are looking to the future and are very concerned by the Disruptions caused by boom-bust cycles.

Preserve Rural Sonoma County's message is: The Do Nothing Alternative is not an option.

- It is time to apply professional land use standards and economic principles to address the public costs and economic risks associated with:
 1. Explosive growth and concentration of wineries; and
 2. Significant increase in the intensity and scale of hospitality uses

Our AG lands are dying a death of 1000 cuts – it is time to address Cumulative Impact.

Preserve Rural Sonoma County supports the County's Mission and General Plan Goals. The County's Mission is for the Supervisors to direct Staff to develop and maintain standards for:

Shared Mission → Mutual Goals

County Mission:

- orderly development of real property,
- balanced with resource stewardship, and
- protect the health and safety of the public.

Policy AR – 6g: Define in the Development Code compatible visitor serving uses and promotional events, which support and are incidental to local AG production, and define their permissible sizes and intensities.

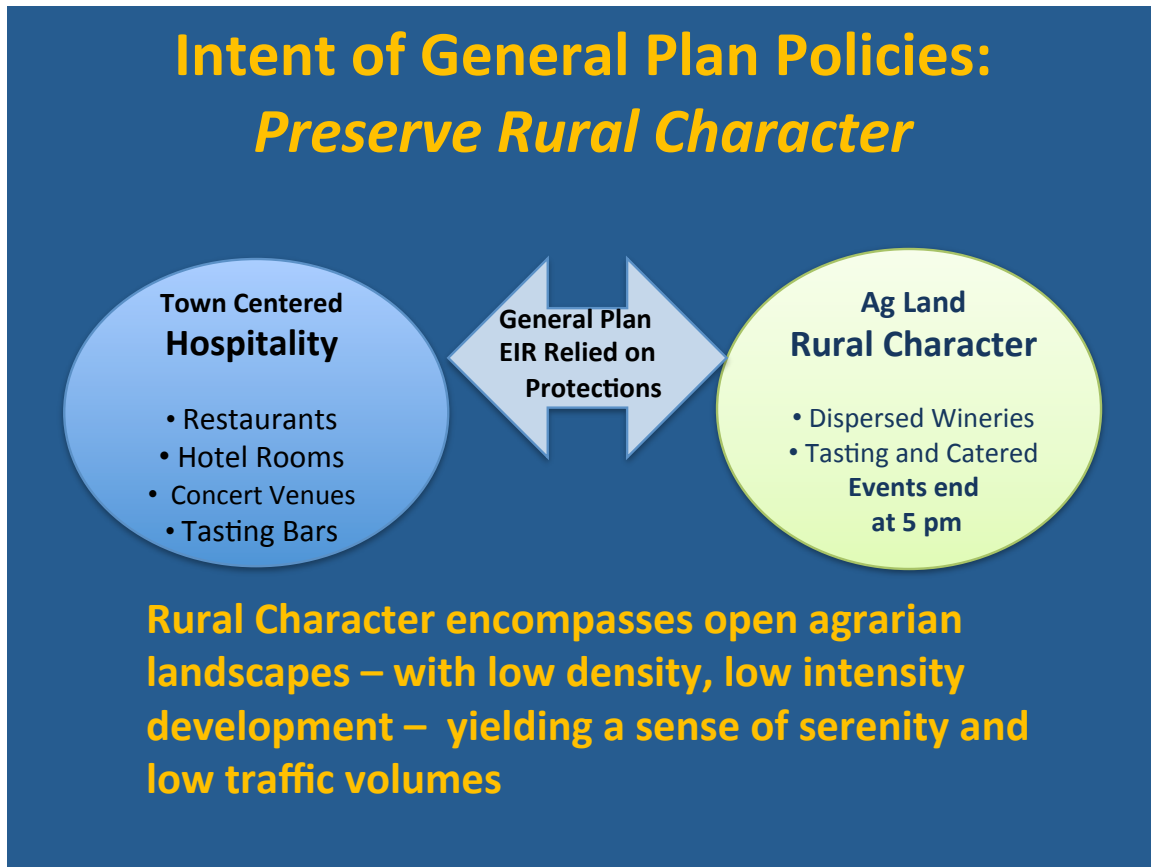
So what is the backstory? How did we get to this point? The 1989 General Plan and parcel specific zoning in the 1993 Zoning Code essentially put a stop to the residential subdivision of AG land – so this is no longer a threat.

However, the 1993 Code opened AG land to promotional uses – provided the protective policies were implemented through standards, criteria and definitions in the Development Code. **And, we are just now - after 23 years - working to implement this GP policy.**

I'm going to take a minute to reinforce some of the key elements of land use law – the County's obligations that Jenifer has so patiently explained:

1. Our Permissive Zoning Code requires a Discretionary Use Permit for Wineries → Tasting Rooms → Promotional uses. In CA, Use Permits are a privilege, not a right, and if a use is not listed, it is not allowed. Silence is not permission.
2. The State mandates environmental review – CA Environmental Quality Act requires the assessment of all uses on a parcel and identification of measures and controls to reduce impacts through the Conditions in the Use Permit.

Bottom Line: The County cannot exempt broad categories of hospitality uses and events from environmental review and Use Permit conditions.



The intent of our General Plan policies are to balance GROWTH and PRESERVE Rural Character.

- "City centered growth" – focuses hospitality in town centers, and
- Preserve the integrity of AG lands

These land use patterns led Trip Advisor to name Sonoma County only 2nd to Tuscany as a **premier wine destination**.

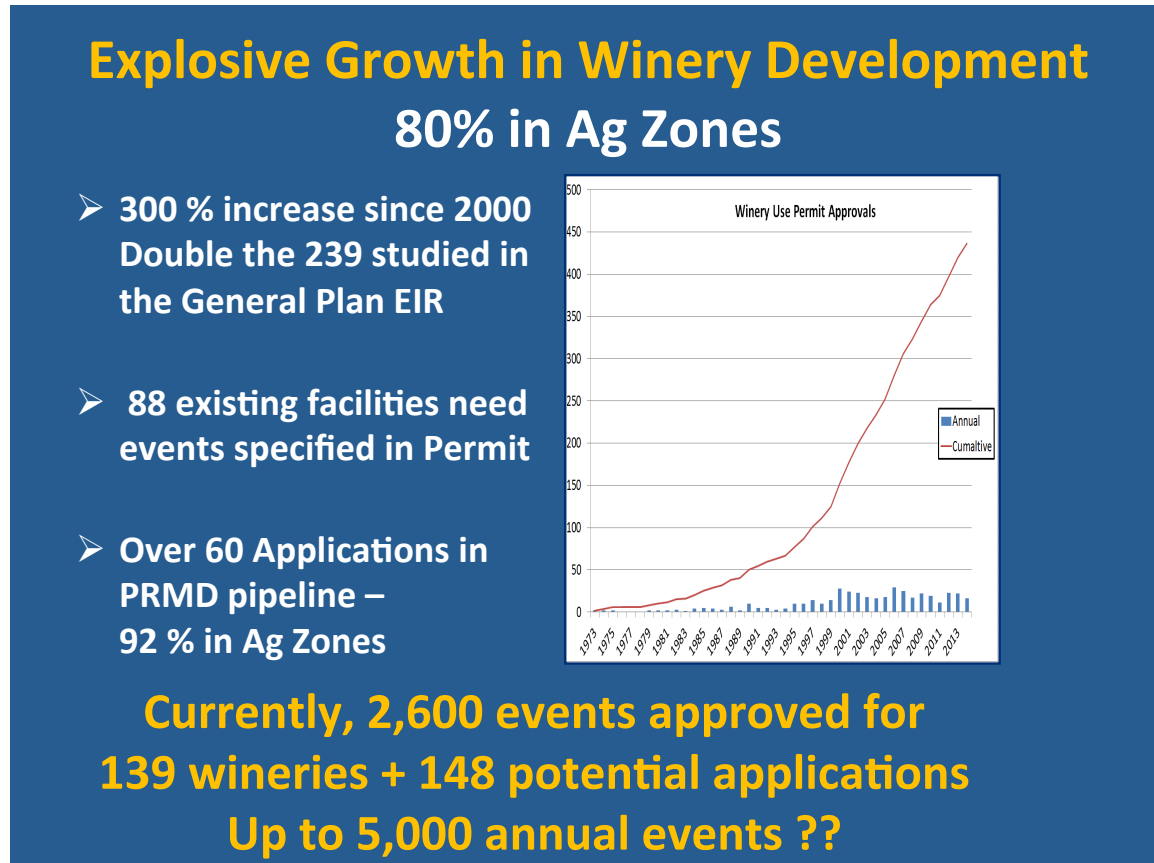
It is not to anyone's best interest to focus only on wine and tourism top line Benefits and fail to address the associated costs – while these costs are still manageable. Continuing to do so we risk degrading Rural Character ... defined as ...

Our rural charm is what leads to tourists to choose Sonoma County over other destinations... rural character gives us competitive advantage.

This is not a quality of life issue – it is an economic imperative.

The next few slides tell the STORY of development by free market forces alone – with no cumulative impact analysis.

Our General Plan's Environmental Impact Report (GP EIR) relied on certain standards and criteria – as well as a prohibition on new restaurants and hotels on AG land - to make the finding of “No Significant Impact from opening AG land to promotional uses. **Below are just 3 examples of how recent approvals are taking us out of compliance with environmental laws.**



1st: The Graphic shows new facility approvals in a cumulative curve, and the scientists in the room will recognize the classic “J Curve” – depicting a boom-bust cycle.

- Gold rush for permits from 2000 to 2015 led to a 300% increase in facilities (127 in 2000 and nearly 450 now)
- **This is DOUBLE the 239 studied for impacts in the GP EIR**

2nd: The sheer number is only one aspect of Doubling – Down: As the County data shows, less than HALF our eligible wineries have permits that specify events.

- Nearly 90 can apply for Permit Modifications to permit food pairing, AG promotional and private events;
- And, there are over 60 applications in the pipeline.

Our event problem is a lot bigger than “a few bad apples” – The elephant in the room are the 2,600 winery events – in addition to industry-sponsored events – already

approved, which can easily double in the next year or so. **Are 5000 events sustainable? This trajectory makes no economic sense**

Love this picture – no, it is not photo shopped - and yes, the helicopter did land in the neighbor's yard.

ARMS Race for “over the top” Experiences

Large event centers and parking lots are degrading the very characteristics that visitors crave ...

Time for STANDARDS – before visitors take their money to more charming wine tourism destinations.



2nd: The ARMS Race for leads to events on steroids as each owner seeks to maximize the income potential of their property.

- Dinners and wine pickup parties have far more impacts than drop-in tasting.

3rd: The third General Plan compliance issue is the focus on hospitality leads to larger event space – private dining areas – overnight accommodations:

- Recent applications – even for micro-wineries – are requesting building sizes that are up to twice the square footage criteria used in the GP EIR.
- Add in the associated large parking lots required for 100+ person events, which were not assessed at all in the GP EIR, our analyses indicate that we are taking far more land out of AG production than ever assumed.

We are literally paving over paradise – time for standards to bring market discipline and avoid irreparable impacts.

So, what do the Experts – the Advisors and Lenders to the CA Wine Industry say?

Even the experts agree:

More is not Sustainable

“My belief is that tourists come to wine country because it is beautiful...

**...If wine country gets crowded and loses its charm
– whether from locals or from tourists –
we will be killing the goose that laid the
golden egg.” – Rob McMillan –**

Source: 2016 Report - Wine Division, Silicon Valley Bank –
Advisor/Lender to the California wine industry

The 2016 Report then urges County and Industry leaders to address the root causes of the impacts degrading the tourist experience.

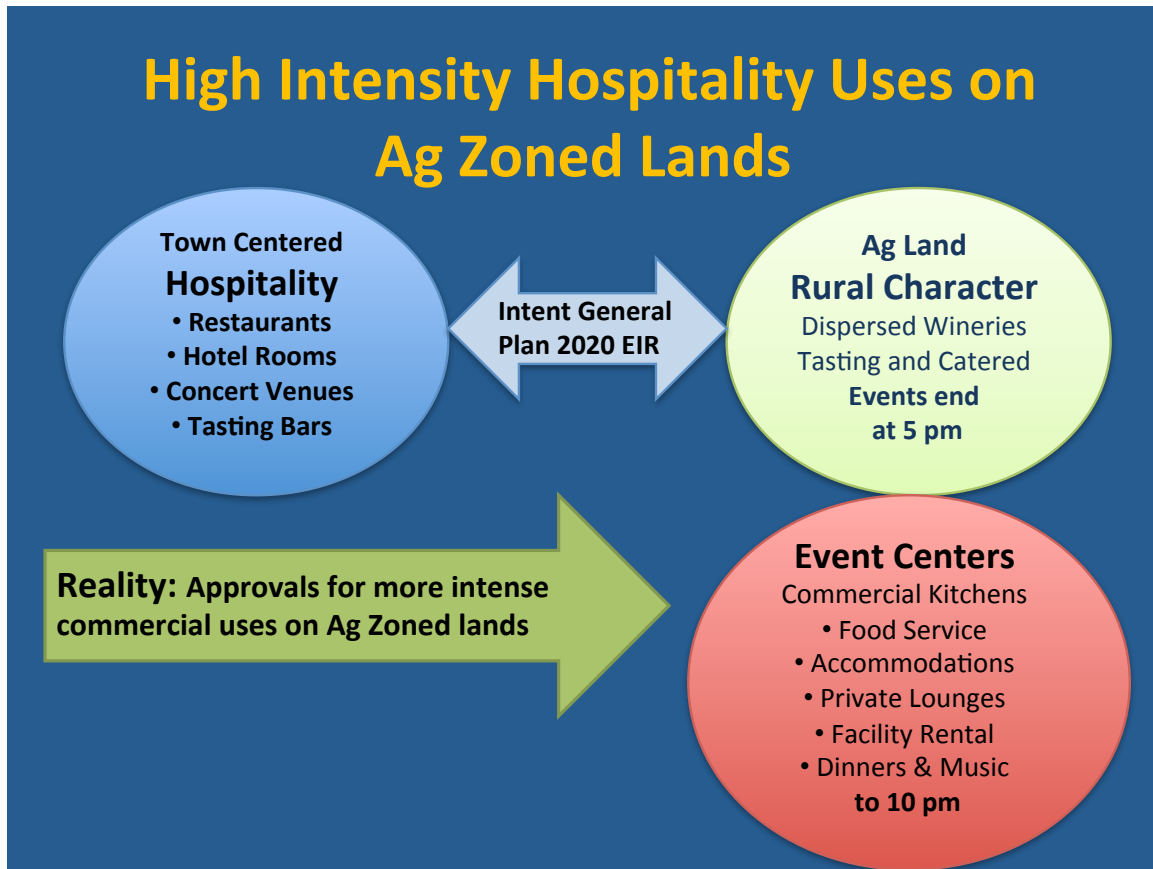
What are just some examples of these Root Causes?

1st High intensity hospitality uses have created a current reality that is far different from our General Plan’s Vision.

2nd Use Permits granted on small parcels, where impacts cannot be contained on-site, and on sub-standard roads, leading to public safety issues

3rd Denial of the external costs, especially in areas of over concentration, with costs to road, emergency service and water infrastructure being borne by the taxpayers.

4th Opening wineries to daily food service, and wineries morphing into restaurants.



High intensity hospitality uses have created a current reality that is far different than our General Plan's vision.

- Commercial kitchens – private chefs – daily food service
- Commercial office space taking AG land out of production
- Overnight accommodations and supper clubs with dining and dancing until 10 pm.

When we say, "The problem is the commercialization of AG land, we mean that the Direct to Consumer model relies on uses historically restricted to commercially zoned lands. Are we seeing real economic growth or are wineries merely cannibalizing our in-town restaurant's customers?

The wine industry is a powerful political force and with power comes responsibility for self-discipline. Best Practices for the 6 Industry-sponsored event weekends are important, yet this is only the tip of the iceberg.

We need all winery-hosted events specified in permits with controls, coordination, monitoring and meaningful enforcement to address the intensity and scale of thousands of events.

2nd: Use Permits being granted on small parcels and on sub-standard access roads. The inconvenient truth is that not every parcel is appropriate for hospitality uses.

Commercialization of Ag Lands

Rural Character



Rural Character – NOT!



We must address the impacts of wineries and promotional events both on-site and on a cumulative basis.

Westside's iconic Thompson's curve is a perfect case study for why we need responsible siting standards. On an industry-sponsored event day:

- Look to the east – you see Thompson's barn – one of the most photographed scenes of rural character in the County; then...
- Look to the west – WHOA!! There is a car – HEAD-ON in your lane!

This is an example of a site where the impacts of large events cannot be contained on-site:

- The entry/exit has inadequate site distance from a blind curve
- The steep driveway and limited parking backs traffic onto Westside Road, even with Traffic Management Staff doing their best
- Leading to frustrated drivers imperiling public safety.

3rd Denial of the external costs, especially in areas of over concentration, with costs to road, emergency service and water infrastructure being borne by the taxpayers.

Impact is Impact... *regardless of what you name it.*

**Sales and Promotional
uses have the same
impacts no matter
who is attending or
whether named a...**

- *Direct Sales Activity*
- *Special Event*
- *Fundraiser or*
- *Ag Promotional Event*



It is time to stop playing games with semantics. The impacts of a dinner until 10 pm do not change just because it's distributors or the trade sitting at the table.

Impacts are generated by concentration, intensity and scale:

- Fundraisers are laudable, as long as they are held at a winery with a Use Permit that specifies the rights to hold large events or events after tasting room hours.
- And, private events – where the primary purpose of the event is not AG promotion – should be limited in number per the intent of the Zoning Code.

4th: Opening wineries to daily food service – Wineries will morph into restaurants.

Food service is morphing into meals. And, if the County does not include wine maker lunches and dinners as events, limited as to number in the Use Permit -

wineries could serve meals every day – which is the definition of a restaurant – prohibited on AG zoned lands.

Oh wait! They already have morphed ...

Event Centers morphing into Restaurants

Highway 12 – Oakmont to Pythian - is over capacity

St. Francis Winery – Voted #1 Restaurant in US by Open Table

Ledson Event Center – Tasting room with Menu Service

ADD 3 un-built wineries
with events approved

Ledson pending request
for 24 Events



This over-capacity segment of Highway 12 is book-ended by two de-facto restaurants. And, again, what you now experience is less than HALF the story.

- There are 3 wineries – most with events and one with the additional truck traffic associated with custom crush, not included in the County's analysis - APPROVED but UN-BUILT on this segment of road; and
- Even though limited parking at the Ledson facility regularly results in parked cars blocking the bicycle paths on both sides of the Highway, there is a pending request for high impact events.

Highway 12 is a perfect case study as to why Project-specific or Case – by Case permitting – without cumulative impact analyses - does NOT work:

1+1+1 DOES NOT equal 1.

Case by Case Permitting results in cumulative impacts

Sonoma Valley has 1200 events with 170,000 visitors

Ledson + St. Francis + 3 New Un-built =

**5 Facilities alone, with no cumulative impact studies,
will generate nearly 25,000 vehicle trips**

1,800 + truck trips

4,600 tasting trips

and 109 events ...

**Events generate 75%
or 18,600 vehicle trips**



Once built and operational, these 5 facilities will generate 25,000 vehicle trips on a road already choked with traffic – and the vast majority of these trips are associated with the 5 winery's permitted events – this is in addition to industry-sponsored event days.

It's time for accurate and credible technical studies by impartial experts to assess overall or cumulative traffic → noise → visual and water availability impacts when facilities are permitted.

We want our Sonoma County Vintner's to thrive – focusing on a quality product and the experience as necessary to compete with other wine regions. Yet, it's hard to focus outward when you have to constantly look over your shoulder ... worried that the highly capitalized new entrant or the hot venue permitted just down the street will cannibalize your wine club members.

Let's return to our Wine Industry Guru's who urge the County and Industry leaders to come to grips with the economic consequences of Unconstrained Approvals.

More is not Sustainable....

Silicon Valley Bank found the greatest obstacle to tasting room profitability is

“more and more competition from more and more tasting rooms...”

Costs of the Direct to Consumer model and competition erode pre-tax profits

Source: Silicon Valley Bank May 2015 Webcast

Key findings from the May 2015 webcast on tasting room profitability were that competition and the costs associated with the Direct to Consumer model that erode the bottom line.

- By 2014, pre-tax profits had not returned to pre-2008 crash levels
- Key driver eroding the bottom line were the costs of the Direct to Consumer model
 - Capital expenditures for more facilities and expensive infrastructure
 - Increased operating costs for hospitality

**We espouse a value around “small family businesses” – yet our actions seem to be putting these exact businesses at a disadvantage to new entrants.
... and luckily new consulting practices are helping our existing businesses plan events that are profitable and build brand loyalty.**

One last point before our Recommendations: The County data shows that the vast majority of Sonoma County's wineries are in the SMALL category – under 50K cases – and a trend toward approving MICRO wineries – under 10K cases.

Survival of AG *does not* depend on more small wineries

- Under 50K cases = 9% of cases and 75% of events
- Under 10K cases = 2% of cases and 45% of events



Wineries with over 90 % of total case production buy the vast majority of grapes – this market does not rely on event income for viability.

We sorted the data to answer the question of whether the SURVIVAL of AG – the growing and selling of grapes – depends on approving more and more Small wineries.

- Fact is that these wineries produce less than 10 % of the total case production. And, the 15% of wineries that purchase the vast majority of the grapes provide enough competition to prevent monopoly pricing.
- As a grape grower – I sold my grapes when there were 127 wineries and I sell my grapes now that there are nearly 450 wineries.

Mother Nature and the US economy have greater influence on the market for grapes.

We have hit a point of diminishing returns:

- Local businesses are moving out or being acquired
- Real estate speculators are cashing in; and
- Taxpayers are left bearing the costs to improve roads, emergency service and water infrastructure.

It is time for reasonable standards and definitions with observable standards to guide Sonoma County's future growth.

Reasonable Standards to:

- Re-direct development to less impactful locations
- Address impacts to rural character and the safety of our roads
- Ensure Use Permits **assess ALL** promotional activities and events
- Prevent irreparable cumulative impacts



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SONOMA COUNTY**

The objective of the Zoning Code is to avoid land use conflicts. To this end, PRSC recommends 5 measurable siting standards:

Measurable Siting Standards

Siting Standards effect less than 20% of the projects in the pipeline:

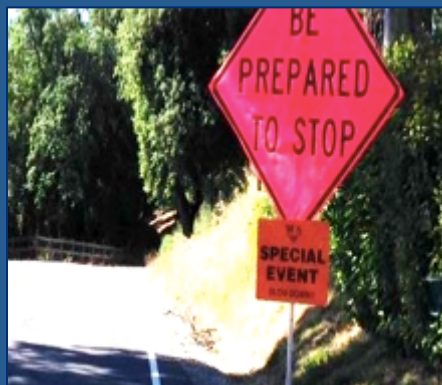
Minimum Parcel Size

Minimum Road Width

Adequate Sight Lines

Scenic & Noise Setbacks

Density Criteria



Our analysis of pending applications indicates that siting standards remove only the highest impact parcels from Use Permit development. These highly controversial projects create negative perceptions of our wine industry – cost applicants and neighbors tens of thousands in technical expert and legal fees and provide very little upside potential.

- Parcels under 10 acres or 20 acres when there is amplified sound cannot accommodate impacts on site – and often do not meet the criteria of “secondary and incidental to Agriculture.”
- And, projects proposed on sub-standard roads and roads where there are joint road use conflicts put our technical experts in an ethical bind – trying to jigger the analyses when safe passing or stopping distances are inadequate.

We support the County and industry’s practice of defining all hospitality activities and promotional uses in the Use Permit – a practice codified in permits for years - and the definition of events that has observable criteria.

Maintain Definitions with Observable Criteria

Any sales or promotional use – other than drop-in or appointment tasting – is an EVENT if it has *one or more* of the following CRITERIA:

- ✓ **Outside of Tasting Room Hours**
- ✓ **Advertised to Consumers or Fee**
- ✓ **Food Service of Meals**
- ✓ **Music or Amplified Sound**



Observable criteria are required if the Compliance Manager is to monitor Use Permits for meaningful enforcement and for implementation of the tax-payer funded calendaring system.

A key learning from the Winery Working Group effort was that Standards benefit Decision Makers: Planners → Commissioners → Supervisors. Standards create more certainty and an even playing field for Applicants.

Standards Benefit Decision Makers and Applicants

Fair and Consistent Use Permit Process:
Increase predictability for applicants through siting standards and definitions.

Re-direct Projects from High-Impact Locations:
Set siting standards and address areas of over concentration.

Address Public Safety: Define access road safety standards, and set conditions that discourage long- duration drinking.

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In conclusion, our wine industry experts → our tourism board's survey results → and the Voters all agree: Sonoma County's tourist draws – our economic engine – are the assets that we have protected and preserved:

1. Small, charming towns
2. The integrity of our AG and open space landscapes; and
3. A pristine coast.

Our coast has a thriving tourist draw based on its natural beauty – there is no need for the pending amendment of the local coastal plan to open this thin strip of coastline to tasting rooms and events.

And, to end on a Sobering Note – Public Safety is a Real Issue

Protect Public Safety



As hospitality at wineries shifts to seated food service – where whether at a restaurant or a winery - once seated and sated it is only human nature to order “one more for the road,” our rural byways are becoming inebriation highways.

California Highway Patrol statistics are sobering: In the past 15 years:

- **Over 325 people have been killed on Sonoma County roads, with 75% of these deaths being DUI related**
- **Statewide, 36% of total fatalities are alcohol related**
- **Sonoma County’s DUI related fatalities are twice the state average.**

Think about it before you approve any more events that extend through the cocktail hour and into the night on dangerous one-lane roads.

We put our trust in our County officials to uphold our land use laws through the development of definitions, guidelines, criteria and standards to guide future growth and ensure Sonoma County continues to thrive for the long run.

On-Going Success of our County's Economy is in your Hands



PLAN for the long term – bring balance through solid land use and economic principles to:

Preserve a high quality tourist experience

Ensure constructive, not destructive, competition

Respect the rights of all property owners

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We can no longer delay addressing the downside economic risks and the externalities that are increasing our public costs. It's time to bring balance.

Thank you for your time and consideration

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