



WINE BUSINESS IMPROVEMENT DISTRICT FAQ



SANTA BARBARA VINTNERS
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All Photos Courtesy of George Rose

The Big Why:

The Santa Barbara County Wine Region is Southern California's largest and fastest growing wine destination. Over the past 50 years, the wine industry has grown to over 300 licensed wineries, more than 70 grape varieties, and has a vibrant culinary scene. Wine is the backbone of tourism in Santa Barbara County as evidenced by the extremely successful Direct-To-Consumer (DTC) business model used by virtually all of our wineries.

Starting just 90 miles north of Los Angeles, the Santa Barbara Wine Region is surrounded by more than 22 million people. We need to reach them, and Wine Business Improvement Districts are fast becoming the industry standard on how wine regions promote and protect their industry.

A Wine District is a sustainable, reliable, and significant form of funding for our industry paid for by the consumer. It removes association dues from wineries, allows wine regions to market competitively, funds industry education, and government engagement.

In 2019, the Santa Barbara Wine Region was a trailblazer, getting further in the process of forming a Wine District than any other region had before. Not wanting to be the first to attempt something so new, the effort was tabled.

Our world has changed dramatically in the past few years, and Wine Districts are successfully being implemented in other wine regions to attract visitors. Now is the time for us to pursue stable funding and providing longevity for our industry, or we risk lagging behind our competition when we should be surging ahead.

The talents of our winemakers, the unique geography of our region, and the high quality of our wines has been noticed. In 2021, Santa Barbara County was named the Wine Region of the Year by Wine Enthusiast Magazine. We raised over \$750,000 through government grants and have proven how promotional funding helps our market.

We have experienced a retail sales growth factor of almost 50% in the past five years, documented by the Santa Barbara County Auditor–Controller’s Office, the Santa Barbara Wine industry has been gaining momentum and is a significant player on the global stage. According to data from the California Wine Institute in 2023, Santa Barbara County’s wine industry has an economic impact of \$1.7B, once wine customers dine at restaurants, stay in our lodging, and attend special events.

These successes are the result of individual efforts by wineries to promote themselves, as well as a collective effort to fund the Santa Barbara Vintners to promote and protect the region as a whole. The Santa Barbara County Vintners Association was incorporated as a nonprofit in 1984. The organization was formed to promote and protect the wine region through marketing, public events, and government advocacy. The organization is funded through membership dues and fundraising mechanisms such as special events (Vintners Festival) and state agricultural grants (CDFA). These funding methods are unpredictable and do not meet the ambitions of the industry. At this point, in order to build on the economic growth and international reputation the region has achieved, the association needs stable, significant funding to support the region in achieving its full potential. A Wine Business Improvement District offers such funding.

Read on to understand the details and how you can support the effort to establish a Wine Business Improvement District.



What is a Wine Business Improvement District?

A Wine District is a geographically determined area (a “district”) that contributes stable funding to promote the wine industry within that area. The funding is generated through an assessment (fee) on the retail sale of wine.

For example, a 1% assessment (fee) on a \$50.00 bottle of wine = \$0.50.

These funds then go to a non-profit organization, usually the regional association, for the exclusive benefit of the industry. Benefits include marketing and government engagement efforts that promote and protect the wine industry, including advertising, events, and special projects.

Usually the assessment is passed along and collected from the consumer. This approach has been used successfully in many destination areas throughout the country.

If you travel at all, you have probably already paid an assessment. For instance, our local hotels charge a small fee on all hotel stays and this is how Visit Santa Barbara and Visit the Santa Ynez Valley are funded. Their work drives overnight stays and benefits the hotel industry.

This is not a tax.

Taxes fund the government, a Wine District funds our industry.

It is crucial to understand that the assessment fee is for the exclusive benefit of the industry that collects the funds. It does not go to any other industry and may not be used by the government.

The assessment fee, unlike taxes, requires that those who pay the fee specifically benefit from the fees paid. State law explicitly distinguishes taxes from assessment fees. This fee will not go into a government fund. It will be returned to a non-profit corporation that will spend the money for the direct benefit of the businesses that pay the fee.

Additionally, an assessment fee differs from a tax because it is requested and approved by the majority of the businesses that pay the fee, rather than the general public.

Do other wine regions have a Wine District?

Yes, both Temecula Valley and Livermore Valley have passed Wine Districts.

- Temecula Valley implemented a 1% Wine District and collected \$1,700,000 in 2022. *Budget has tripled.*
- Livermore Valley implemented a 2% Wine District and collected \$700,000 in 2022. *Budget has doubled.*
- Paso Robles – pursuing, expected 2024
- Monterey County – pursuing, expected 2024
- Mendocino County – pursuing, expected 2024
- Amador County – pursuing, expected 2024

Wine Districts are fast becoming the industry standard on how wine regions promote and protect their industry. The District is a sustainable, reliable, and significant form of funding for our industry. If we do not pursue this, we run the risk of our customers being recruited to other wine regions.

What businesses would have to pay the Wine District fee?

All wineries in the Santa Barbara County wine region will pay the assessment fee whether they are current members of the association or not.

Everyone will benefit from the money generated from this District, as it will allow us to market and advocate for our wines and region at a level we have not previously been able to achieve. As the hoteliers have learned through this funding model, working together for the greater good is a proven business model.



What would the assessment fee be and what sales would be included?

The assessment fee would be 1% on all DTC transactions within the State of California. This includes:

- Wine
- Merchandise
- Wine club
- Events
- Food
- Any items shipping to California customers, including orders made through internet, phone and wine club

By choosing retail sales, the fee is paid on the same sales as CA sales tax. This ensures a reliable system of auditing and collection that is not dependent on self-reporting and does not create additional work for the wineries.

How much money would the Wine District generate for our industry?

The District is estimated to generate approximately \$1.65 million in funds. This is roughly double the current budget of the Santa Barbara County Vintners Association. This estimate is based on the 2022 retail tax receipts for the wineries in Santa Barbara County and the 1% fee structure described above.

Who decides if this gets approved?

All winery owners located within the boundaries of Santa Barbara County who have a Direct-to-Consumer business are eligible to sign the petition in favor of the Wine District. Anyone against the Wine District abstains.

Does everyone have an equal vote to establish a Wine District? What's a weighted vote?

To establish a Wine District, votes are weighted based on the percentage of DTC business your brand generates of the County's total retail sales.

This ensures that the economic majority of the industry is in favor of pursuing a Wine District. It also ensures that the wineries that will pay the most towards the Wine District have a vote that aligns with their contribution.

To calculate how a vote is weighted, take the total industry retail sales and divide it by a winery's annual sales.

- Total Annual Industry Sales = \$165,000,000
- Winery Sales Example = \$100,000
- Weighted vote calculation: $\$100,000 / \$165,000,000 = 0.06\%$

Winery Annual Sales	Weighted Vote
\$100,000	0.06%
\$250,000	0.15%
\$500,000	0.30%
\$750,000	0.45%
\$1,000,000	0.61%
\$2,000,000	1.21%

51% of the economic value of the industry has to be in favor of establishing the Wine District for it to be approved and move to the Cities and the County for final approval.

If the Wine District is approved, do the weightings remain the same?

Once the Wine District is established, all wineries have the same voting rights: one vote per winery, regardless of production size.

Weightings are only used for the Wine District formation and dissolution processes.

How will the Wine District be established?

The district will be established under California's Property and Business Improvement District Law of 1994. This law requires a thorough approval process beginning with the submission of petitions from the businesses that will be assessed in the district. The proposal to form a Wine District is then presented to all city governments within the district, and finally the Board of Supervisors.

To assist with the formation of the District, the Santa Barbara Vintners has hired Civitas Advisors, a full-service consulting firm specializing in tourism improvement districts.



Will the assessment dissuade visitors from visiting Santa Barbara County tasting rooms?

No! Historically, districts see an increase in visitation and sales within their industry and 98% of all districts are renewed, which clearly shows that there is high satisfaction with the results that districts deliver.

Temecula Valley, the nation's first Wine District, has seen an increase in visitation of 18.7% from Sept 2022 to Sept 2023, according to Community Benchmark. This was significantly higher than any other region.

Since the District was implemented in March of 2021, the Temecula Valley association has received one complaint from a consumer.

Will I still have to pay association dues?

No, winery membership dues would be eliminated as soon as the Wine District funding reaches the organization. This occurs approximately four months after assessment collections begin.

All wineries in the district who pay into the Wine District become de facto voting members of the new winery association. Once the assessment is passed, all wineries have equal voting rights, regardless of production size.

The Association will still have voting Grower Members and non-voting Business Members, both of which will pay dues, but all assessed wineries are automatically granted membership.

How is the fee collected and who is it sent to?

The fee is collected as a part of the normal transaction (the same way sales tax is auto calculated and charged).

In your POS system, an additional line item would be set up to charge 1% on all transactions for customers purchasing in your tasting room, restaurant or special events and any customers shipping wine and/or merchandise to a California address. This fee would appear as a separate line item in the tax area on the receipt.

A third-party accounting firm would collect the fee and distribute it to the SBV to keep your information confidential. The data needed to process the fees that you have collected from your customer will be the same data you submit for California sales tax; therefore, we expect a minimal increase in accounting work for the wineries.

Will this work with my point of sale (POS) system?

Because this is becoming an industry standard, POS systems have a feature built in that can support this fee. As an example, Wine Direct has a feature called "Handling Charge" that you can set to 1% for all sales in California. ShipCompliant has built in a feature to support Districts for multiple regions. In Square, you can add it as a separate line item. The SBV staff will work with you to determine how to add the District to your POS system.

Who will decide how the money is spent?

A governing Board of Directors composed of representatives from large, medium and small wineries in the District will identify specific marketing and advocacy programs that will be funded through the District.

What will the money be spent on?

It is a requirement of the law that all funds raised by the assessment specifically benefit those paying the assessment. There is 100% transparency on how much funding is raised, where it is spent, and what the results are as an outcome of the assessment. All Districts in California are required to adhere to the Brown Act and the California Public Records Act for transparency.

The programs that are intended to be provided are sales and marketing programs, public relations, government advocacy, and events. The programs will be described in detail in a document called a Management District Plan (MDP). The MDP also includes a budget and will be distributed to the prospective members prior to the vote and posted on our website at www.sbcountywines.com

The plan will include the following goals, which are what wine regions are allowed to fund:

- **Marketing:** To make wine consumers aware that Santa Barbara County produces wines that compare favorably to any in the world, and guide them to visit us and buy our wines;
- **Public Relations:** Including familiarization tours, media pitching and influencer relations;
- **Events:** Consumer and trade events that expand the reach of the region;
- **Industry Education:** To provide education and assistance to member wineries and growers to help them continue to improve the quality of their wines and grapes;
- **Government Engagement:** To work with legislative bodies to ensure that laws and regulations contribute to the preservation of agriculture and the sustainability of member businesses;
- **Community Relations:** To maintain good relationships within our community.

Once the Wine District is established, is it permanent?

No. The district will be established for five years. Once per year, beginning on the anniversary of the formation of the Wine District, there is a thirty (30) day period in which owners paying fifty percent (50%) or more of the assessment may organize a protest and initiate a Board of Supervisors hearing on Wine District termination.



What if I still have questions?

Please feel free to send any questions to any of our Board Members or staff:

BOARD OF DIRECTORS 2023-2024:

Tim Snider, President
(2022-2024, Second Term)
Fess Parker Winery & Vineyard

Chase Carhartt
(2022-2024, First Term)
Carhartt Family Wines

Jason Djang
(2022-2024, First Term)
Brave & Maiden Estate

Steve Gerbac
(2022-2024, First Term)
Rusack

Pierre LaBarge
(2022-2024, First Term)
LaBarge Winery

Dan Glaeser
(2023-2025, First Term)
Montecito Bank & Trust

Kevin Gleason
(2023-2025, First Term)
Gleason Family Vineyards

John H. Haan, Jr.
(2023-2025, First Term)
Rogers, Sheffield & Campbell, LLP

Nicholas Miller
(2023-2025, First Term)
J. Wilkes
Miller Family Wine Company

Keith Saarloos
(2023-2024, First Term)
Saarloos and Sons

Denise Shurtleff
(2023-2025, First Term)
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