

#3

de la Guerra, Sheila

Public Comment - Group 1



From: Stephen Pepe <steve@clospepe.com>
Sent: Thursday, August 13, 2020 8:32 PM
To: sbcob
Subject: BOS Hearing August 18-Departmental Agenda-Public Items & Public Hearing- #3
County Executive Offices-# 20-00632- SB Vintners Wine BID
Attachments: ISSUES TO RAISE AT THE BOS WORKSHOP ON TUESDAY AUGUST 18.pdf

Caution: This email originated from a source outside of the County of Santa Barbara. Do not click links or open attachments unless you verify the sender and know the content is safe.

Hello,

Please read the attached at the August 18th BOS hearing during the public comment section on the SB Vintners Wine BID.

Also please include the attached in the written comments for the Supervisors.

Thank you for your consideration.

Stephen Pepe
Clos Pepe Vineyards LLC
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CONCERNS AND QUESTIONS ABOUT THE SB VINTNERS WINE BID PROPOSAL
TUESDAY AUGUST 18,2020

Supervisors, I am Steve Pepe Co-Owner of Clos Pepe Vineyards. We have lived on our vineyard in the Santa Rita Hills since 1994. We were the sixth vineyard planted in the Santa Rita Hills. We were founding members of the Santa Rita Hills Wine Alliance and one of several who created the Santa Rita Hills AVA. We have served on the Boards of the Santa Rita Hills Wine Alliance and the SB Vintners.

We have concerns and questions about the SB Vintners Wine BID proposal.

WRONG TIME

With the wine industry flattened by Covid 19, now is not the time to be charging the few customers that are showing up at tasting rooms.

NO ONE DISPUTES THAT SB COUNTY WINES NEED A RELIABLE AND STEADY SOURCE OF FUNDING FOR MARKETING.

The questions are, is the SB Vintners the right organization and is a 1 ½% tasting room charge the right way to raise these needed funds?

THE SB VINTNERS REPRESENTS A MINORITY OF THE COUNTY WINERIES

There are 270+/- bonded wineries in SB County.

The SB Vintners' membership is 112+/-.

Since the majority of the county wineries have chosen not to join and support the SB Vintners, does it make sense and is it fair to compel those wineries to charge their tasting room customers 1 ½% to support an organization they have refused to join?

WHY ARE WHOLESALSALES EXCLUDED?

Wholesale sales to grocery stores (whose wine sales are booming) and hotels and restaurants (whose wine sales are miniscule) are not being charged. The SB Vintners have and will continue to promote SB County wine to these folks. Why shouldn't they pay the 1 ½% charge? Because unlike the tasting room consumers, the wholesale buyers have bargaining power and would tell SB Vintners to forget it if they charged them 1 ½% and they would buy wines from others.

WHY ARE WINE CLUB SALES EXCLUDED?

They are excluded because the SB Vintners knows this group of buyers will not accept a 1 ½% charge. They will just buy their wine from other producers.

The SB Vintners will continue to promote SB Wine to these folks.

WHAT IS INCLUDED IN "ALL TASTING ROOM SALES?"

According to the SB Vintners, Tasting Room sales include: "All items (wine, tasting fees, merchandize, food) sold to a customer in your tasting room or for an onsite event..." this would include weddings and wine maker dinners.

Wine Club members who come to pick up their wine club purchases would not be charged, but if they purchased additional wine that was "rung up in the tasting room" they would have to pay the 1 ½%. This will be not only an accounting nightmare but a public relations disaster for the wineries.

THE 50% OF SB COUNTY GRAPES SENT TO OUT-OF-COUNTY WINERIES WILL NOT BE PAYING THEIR FAIR SHARE.

These out-of-county wineries will use the SB County AVAs to sell their wine.

THE SB COUNTY VINEYARD OWNERS WILL NOT PAY THEIR FAIR SHARE.

If the promotion of SB County wines is successful, this will increase the demand for SB County grapes and increase the value of SB County vineyard land. Yet the vineyard owners who will be the beneficiaries will not pay their fair share.

WHY HAS THE SB VINTNERS BEEN UNSUCCESSFUL WHILE ITS COMPETITORS ARE THRIVING?

The SB Vintners has been in existence for four decades. During that time, it has never attracted a substantial majority of the SB wineries to become members. Similarly, it has been able to raise only \$500,000+/- each year.

Meanwhile, the wine associations in Paso Robles, the Willamette Valley and Sonoma have robust memberships and raise \$2,000,000+ each year. Napa raises \$7,000,000.

With this record of underperformance why does anyone think the SB Vintners will do any better than they have for the last four decades?

THE SB VINTNERS HAS REJECTED THE METHODS ITS COMPETITORS USE TO RAISE FUNDS.

The wine associations in Paso Robles, the Willamette Valley, Sonoma and Napa all raise \$2,000,000+ without charging for tasting room sales. They do this with auctions, grape commissions and related business support. The SB Vintners has continuously rejected using the methods for raising funds that other wine associations have proven are successful.

THE 1 ½% CHARGE WILL BALKANIZE THE SB COUNTY WINE COMMUNITY

The BID process provides that if a county imposes a BID, incorporated cities can opt out.

Lompoc recently passed a 1% sales tax. At a recent meeting of most of the Lompoc wineries, the officers and some of the board members of the SB Vintners, the Lompoc wineries overwhelmingly said they would not support the tasting room charge. The SB Vintners were told there is no reason to believe that the

Lompoc City Council will impose a tasting room charge when most of the Lompoc Wineries oppose it. The SB Vintners' response was they will "cut out" Lompoc from its marketing efforts.

It is presently unknown what the cities of Buellton, Solvang and Santa Barbara will do. It is known that some wine consumers will go to Lompoc to avoid the tasting room charge.

Thank you for your consideration.

de la Guerra, Sheila

From: Steve Beckmen <Steve@beckmenvineyards.com>
Sent: Friday, August 14, 2020 11:53 AM
To: sbcob
Subject: # 20 -00631 SB Vintners Wine BID

Caution: This email originated from a source outside of the County of Santa Barbara. Do not click links or open attachments unless you verify the sender and know the content is safe.

Hello,

We at Beckmen Vineyards, long time county residents, winegrowers and winemakers for over the past 25 years, strongly oppose the SBCV BID.

First, now is not the best time to be asking our customers to pay an additional tax on our wines. Our tasting room business has been negatively effected by the COVID-19 shutdown and our tasting room revenues have dropped dramatically because we had to close for several months. We have re-opened since mid-July, but we are only servicing 25% of the customers prior to COVID. In addition to that the tasting room is our main source to sign up and grow our wine club. The numbers of the club have slow declined because we do not have the traffic to sign up new members and sustain the wine club membership. Also wine sales have become extremely price sensitive where a \$1 or \$2 tax could complete change a customers mind about a purchase.

Beckmen was a member of the SBCV for over 20 years and we made a decision several years ago to stop our membership. Over that time we have reallocated the membership dues to better serve the growth of our winery. The fact that far less than half of the wineries currently in Santa Barbara are members of the SBCV should say a lot about the current state of the SBCV and it's ability to function as a strong voice for marketing Santa Barbara County wines. I personally sat on the board for 2 years and know first hand the struggles of the association and its ability to serve the many different wineries and all of their different ideas about how to best market Santa Barbara County wines. Rarely on that board was there a consensus on issues causing an inability to move forward on the various issues SB County wineries have doing business in this county.

In addition, the way the BID is set up is unfair. Only the customers of wineries with tasting rooms will pay the BID tax. Some winery tasting rooms in cities like Santa Barbara, Lompoc, Buellton, Solvang and Santa Ynez will not have their customers pay the tax if these cities vote against the tax leaving all the other wineries in unincorporated Santa Barbara County to foot the bill for the marketing of SB County wines. Wineries that only sell SB County wine in distribution will not have to support the BID either. More SB County wine is sold in distribution than in all the tasting rooms in the county. In addition, half or more of the grapes grown in this county are shipped out of the county for processing and bottling yet still use the Santa Barbara County AVA as a marketing tool. None of these wineries who will benefit from marketing of SB County wines through the BID have to pay anything towards the BID. These reasons alone show the BID is completely unfair as the marketing of the county's wine will become the responsibility of only some of the participants in the SB County wine business not all.

The bottom line is this proposal seems highly unconstitutional. Wineries have no choice in the matter if they are out voted. It would no doubt open the whole process to lawsuits which will get the county and the SBCV nowhere. This will only continue to divide the county wineries and not bring them together which is the only way for an association in SB County to survive and thrive.

I know there are many others who feel the same way as we do. Hopefully you will hear from many of them who will point out more reasons why the BID is a bad idea and should not happen. There are much better, more equal and fair

ways to support an association and its marketing efforts. The proof of this is in the success of the Lodi, Paso Robles, Napa and Sonoma associations. These are the finest marketing groups in the state and none of them has a BID tax on their customers. Their marketing efforts are supported by dues, auctions and grape commissions not by a tax on their customers. It is not smart business and now is definitely not the time for that.

I hope you take the time to read this letter. We are unable to come to the meeting next week to voice our opinion in person. This letter serves as our strong opposition to the BID tax on SB County tasting rooms.

Thank you for taking this into consideration.

Sincerely
Steve Beckmen
Beckmen Vineyards

de la Guerra, Sheila

From: rick@longoriawine.com
Sent: Friday, August 14, 2020 11:29 AM
To: sbcob
Cc: Diana Longoria
Subject: Comment on SB Vintner's BID- #20-00631

Caution: This email originated from a source outside of the County of Santa Barbara. Do not click links or open attachments unless you verify the sender and know the content is safe.

To County of Santa Barbara Board of Supervisors,
I would like to make a comment regarding the SB Vintner's BID proposal, item #20-00631 County Executive Offices on your August 18 meeting of the Departmental Agenda Public Items & Public Hearings #3.

I am the owner of a small family operated winery located in Lompoc and I am opposed to this proposed BID. It is my belief that instituting this tax will alienate many of my customers who will object to paying an additional tax for the self-serving marketing efforts of our county's wine industry. I also believe that it will be extremely difficult to administer and will subsequently lead to non-compliance issues. Most importantly, the SB Vintner's Association needs to be transparent when they claim that a majority of the county's wineries are in favor of this proposal. It is imperative that the association reveal the actual number of wineries that participated in their survey on which they are basing their 60% approval. The survey did not include an option to vote an opposition to the proposal so in effect all opposing wineries have been excluded from voting on the proposal.

Thank you for your time and consideration of my thoughts.

Respectfully yours,
Rick Longoria

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