



**BOARD OF SUPERVISORS
AGENDA LETTER**

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Submitted on:
(COB Stamp)

Department Name: County Executive Office
Department No.: 012
Agenda Date: December 17, 2024
Placement: Departmental
Estimated Time: 30 minutes
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Director(s): Mona Miyasato, County Executive Officer
Contact Info: Brittany Odermann, Deputy County Executive Officer
SUBJECT: Proposed Santa Barbara County Wine Improvement District

DocuSigned by:

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County Counsel Concurrence

As to form: Yes

Other Concurrence:

As to form: N/A

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors consider recommendations as follows:

On December 17, 2024:

- a) Adopt a Resolution of Intent to establish the Santa Barbara County Wine Improvement District (SBCWID);
- b) Adopt a Resolution requesting consent of the Cities of Carpinteria, Santa Barbara, Goleta, Solvang, Buellton, Lompoc, Santa Maria, and Guadalupe to form the SBCWID;
- c) Set a public meeting for January 14, 2025 allowing public testimony regarding the formation of the SBCWID to levy a new business assessment on wine tasting facilities in Santa Barbara County pursuant to Section 54954.6 of the Government Code; and
- d) Set a final public hearing for February 11, 2025 to consider recommendations, as follows:

On February 11, 2025:

- a) Consider adoption of the Resolution of Formation of the SBCWID pursuant to Section 36625 of the Streets and Highway Code; and
- b) Determine that the above actions are not a project under the California Environmental Quality Act (CEQA) pursuant to Section 15378(b)(5) of the CEQA Guidelines because they consist of administrative activities of government that will not result in direct or indirect physical changes in the environment.

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Summary Text:

This item is on the agenda to begin the process of establishing the Santa Barbara County Wine Improvement District (SBCWID) that will levy assessments on wine tasting facilities in the county to fund promotion and engagement efforts. The Santa Barbara Vintners' Association has been developing the proposed SBCWID for several months and has collected the necessary signatures from assessed businesses to initiate formation. The proposed SBCWID would apply to all wine tasting facilities in the unincorporated County and the cities. It would be the first Business Improvement District in which the County is the lead government agency and would be managed by the Santa Barbara Vintners' Association. If established, it is estimated that the SBCWID would generate approximately \$1,650,000 on an annual basis for the promotion of winery facilities specific to the County. The Vintners' Association will participate in the December 17th Board meeting to present their proposed Wine Improvement District.

Discussion:

The SBCWID is a benefit assessment district proposed to create a revenue source to help fund the Santa Barbara Vintners' Association with promotions & engagement efforts for Santa Barbara County (County) wine tasting facilities. The Santa Barbara County Vintners' Association will serve as the Owners' Association for the SBCWID. This approach has been used in the Livermore Valley Region, Temecula Valley and Amador County to improve visitation and drive additional sales to assessed winery businesses. Assessed businesses (wine tasting facility owners) who will pay over 50% of the assessments proposed to be levied have signed and submitted petitions in support of the formation of the SBCWID, meeting the threshold to initiate formation. The SBCWID would impose an annual assessment of 1% of gross sales revenue of assessed wine tasting facilities, and collected only on purchases made within the state. This is estimated to generate \$1,650,000 annually for the promotion of winery facilities specific to the County.

MANAGEMENT DISTRICT PLAN

Details of the proposed Santa Barbara County Wine Improvement District are included in the Management District Plan (Attachment A) and summarized below:

District boundaries: The SBCWID will include all wine tasting facilities, existing and in the future, located within the boundaries of the County, which includes the unincorporated areas of the County and all the cities within the county.

Wine tasting facility: The plan defines this as a business, primarily used for the retail marketing and sales of wine and related goods, open to all settings at which wine and related goods can be sold, including but not limited to: publicly available settings, by appointment only reservations, private and exclusive tastings, or other public or private events where wine and related goods may be sold. Wine tasting facility includes, but is not limited to, vineyard locations with onsite tastings, hospitality and retail rooms on-site at producing wineries, and stand-alone tasting rooms in commercial areas. There are approximately 400 wine tasting facility locations identified in the district boundaries. All wine tasting facilities must possess a 02 Department of Alcohol Beverage Control license.

Assessed rate and in-state only: The assessment rate is one percent (1%) of gross sales revenue of assessed wine tasting facilities. Based on the benefit received, assessments will not be collected on purchases made outside of the state of California or purchases made pursuant to contracts executed

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prior to April 1, 2025. Revenue generated from the SBCWID is intended only to provide programs and services for assessed businesses, all of which are located in California. Sales made outside of the state of California are not subject to assessment due to a lack of benefit. Assessment dollars will not be spent on any programs or activities to benefit individual wine tasting facilities outside of the state of California. Assessment dollars may be spent outside of California to elevate the notoriety of the County as a premier winery destination with the desired outcome of increased in-person visitation to businesses paying the assessment.

Term: The proposed SBCWID will have a five (5) year term, beginning April 1, 2025, or as soon as possible thereafter, and ending five (5) years from its start date. The assessment will be implemented beginning April 1, 2025. Once per year beginning on the anniversary of SBCWID formation there is a thirty (30) day period in which business owners paying fifty percent (50%) or more of the assessment may protest and begin proceedings to terminate the SBCWID.

Collections by a Third-Party: A third-party collection agency will be responsible for collecting the assessment on a quarterly basis from each assessed wine tasting facility. The third-party collection agency will forward the assessments to the Santa Barbara County Vintners' Association, which will have the responsibility of managing Wine Improvement District programs as provided in the Management District Plan. The third-party collection agency will be paid a fee of up to two percent (2%) of the amount of assessment collected to cover its costs of collection and administration. The third-party collection agency "shall take all reasonable efforts to collect the assessments from each wine tasting facility" pursuant to the Management District Plan.

The law places the obligation for levying the assessment on the governing agency, in this case, the County. The County will not be involved in collecting the assessment because we currently do not have the systems or staff in place to collect revenue based on individual businesses' gross sales receipts. In California, sellers are responsible for calculating sales tax and paying the correct amount to the California Department of Tax and Fee Administration (CDTFA), not the County. In comparison, the existing Tourist Business Improvement Districts (TBIDs) are based on short-term room rental revenue; as such, the County Treasurer-Tax Collector collects the assessment and remits to the managing organizations because the County collects the TBID assessment concurrently with transient occupancy taxes (TOT). The Vintners' Association will indemnify the County for any liability involving inaccuracies in the collection, calculation or remittance of the assessment as well as any other challenges related to the district. Upon formation of the district, this will be reflected in a contract with the Vintners' Association discussed in the section below.

Oversight by the County: If approved, the County as the sponsoring government agency, would enter into a contract with the Vintners' Association for the management and administration of SBCWID activities and transfer the governmental power to levy the assessment to the Vintners' Association. An annual report will be submitted to the County to provide oversight into the management of SBCWID funds. The annual report allows the Board of Supervisors the ability to provide input, within the framework of the Management District Plan, to the Vintners' Association on the management of the district. The 94 Act requires the owners' associations to comply with the Ralph M. Brown Act and the California Public Records Act to provide transparency. Staff recommends additional County oversight including submittal of annual audited financial statements and compliance reports prepared by an independent Certified Professional Accountant (CPA), which would be detailed in the contract between the County and the Vintners' Association.

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Use of Assessment Revenues: Approximately 20% (\$330,000) will go toward administration costs; 5% (\$82,500) for a contingency/reserve; 2% (\$33,000) for collections; and 73% (\$1,204,500) for promotions and engagement for the initial annual assessment and budget, per the Management District Plan.

SBCWID FORMATION PROCESS

[May 7, 2024](#)

RESOLUTION AUTHORIZING EXAMINATION OF SALES TAX DATA

The Board adopted a resolution authorizing HdL and Civitas, consultant to SBCVA, to examine the County's sales and use tax records. The resolution granted authority to HdL and Civitas to access the County's sales tax records, in order to determine the wineries within the proposed district, and their share of business compared to the total wineries within the proposed district. HdL used this information to calculate a verified weighted vote for submittal to the County.

December 17, 2024 RESOLUTION OF INTENTION HEARING

Upon the submission of a written petition, signed by the business owners in the proposed district who will pay more than fifty percent (50%) of the assessments proposed to be levied, the Board of Supervisors (Board) may initiate proceedings to establish the SBCWID by the adoption of a resolution expressing its intention to establish the SBCWID. To establish the Wine Improvement District, votes are weighted based on how much a winery will pay in assessments. 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 contributions.

Petition Status: Petitions in favor of SBCWID formation were submitted by assessed businesses, which represent over 50% of the total SBCWID assessment. This majority petition allows the Board to initiate proceedings for SBCWID formation at the December 17, 2024 meeting.

December 17, 2024 RESOLUTION REQUESTING CONSENT

Upon adoption of the Resolution of Intention, the County must request consent from *all jurisdictions* to be included in the proposed SBCWID. Consent must be received from the jurisdictions prior to the final public hearing for their jurisdiction to be included in the established SBCWID.

No later than

December 27, 2024 NOTICE

The 94 Law requires the County to mail written notice to the owners of all businesses proposed to be assessed within the SBCWID. Mailing the notice

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begins a mandatory forty-five (45) day period in which assessed business owners may protest SBCWID formation.

January 14, 2025 PUBLIC MEETING

Allow public testimony on the formation of the SBCWID and levy of assessments. No Board action required.

February 11, 2025 FINAL PUBLIC HEARING

If written protests are received from the owners of wine tasting facilities in the proposed SBCWID which will pay fifty percent (50%) or more of the assessments proposed to be levied, and protests are not withdrawn so as to reduce the protests to less than fifty percent (50%), no further proceedings to levy the proposed assessment against such businesses shall be taken for a period of one (1) year from the date of the finding of a majority protest by the Board.

RESOLUTION OF FORMATION

If the Board, following the public hearing, decides to establish the proposed SBCWID, the Board shall adopt a resolution of formation.

Information and Frequently Asked Questions on the proposed SBCWID can be found at this website:
<https://sbcountywines.com/santa-barbara-county-wine-preserve/>

Background:

Formation of a benefit assessment district is pursuant to the Property and Business Improvement District Law of 1994 (94 Law). This law allows for the creation of special benefit assessment districts to raise funds within a specific geographic area. Only a county or city can form a benefit assessment district and levy an assessment. A county may not form a district within the territorial jurisdiction of a city without the consent of the city council of that city, and vice versa. The 94 Law allows a private nonprofit entity, commonly referred to as the Owners' Association, to administer or implement the activities of the benefit assessment district.

Wine Improvement Districts (WIDs) allow assessed business owners to organize their efforts to increase promotions & engagement. Business owners within the WID fund the WID, and those funds are used to provide services that are desired by and benefit the assessed businesses within the WID.

Aspects of such districts include:

- Funds cannot be diverted for other government programs;
- They are customized to fit the needs of each destination;
- They allow for a wide range of services; including: promotion, engagement, and sales lead generation;
- They are designed, created and governed by those who will pay the assessment; and
- They provide a stable funding source for promotion of assessed businesses.

The County has approved resolutions of consent for two other business improvement districts in the unincorporated county: the Santa Ynez Valley Tourism BID (City of Solvang serves as lead) and Santa Barbara South Coast Tourism Business Improvement District (City of Santa Barbara serves as lead).

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These districts fund general tourism-related promotional activity. In these other BIDs in Santa Barbara County, the assessment is on hotel occupancy. Because the County Treasurer-Tax Collector collects transient occupancy tax (TOT) for the County already, collection of the assessment for the South Coast and Santa Ynez BIDs is relatively straightforward and easy to verify.

In [August 2020](#), the Santa Barbara Vintners' Association, working with County staff, presented to the Board an informational report on a proposed wine business improvement district (BID). During that time, no action was taken and the wine BID formation process did not move forward.

Challenges

Any assessment based upon sales presents challenges, as unlike TOT, County government does not have a role in the collection of sales taxes. That is a function of the State. The collection of sales-based assessments requires a new assessment collection process to be designed and implemented. Additionally, other collection related processes will be needed to address the remittance of collected assessments to the Vintners' Association and to ensure business owners are complying with assessment requirements including the correct calculation of assessment amounts and timely payment. It is proposed that a third party will be contracted by the Vintners' Association to administer the collection of these assessments as there are no existing tax collection processes within County Offices that can be leveraged nor is there any capacity to create new processes. The cost of the third party will need to be funded by the BID assessments.

While On-Site Direct-to-Consumer sales are included in the sales activity reported to the State they are not specifically identified as such in sales tax filings. This means that the collection process will not be able to leverage sales reported to the State as a tool to simplify assessment reporting and verification. Most likely the calculation of the assessment would be based upon data self-reported by wineries which will require more efforts to verify businesses are accurately reporting and correctly paying their assessments. Assessments are usually accepted on a "trust but verify" basis. The Vintners' Association has identified HdL Consultants as the likely third party to administer assessments and collections. HdL specializes in collections and taxes/fees and they have processes in place for ensuring the businesses are paying. HdL reported that they will conduct variance analysis and comparisons to look for potential issues, and then conduct an audit as needed. The state is not involved, however HdL has access to sales tax filings through an existing contract with the County and will use this data as part of their review and analysis to determine audit candidates.

In the event of non-payment, collections will be under the scope of HdL's proposed contract with the Vintners' Association. HdL has a current contract with the County for collections of delinquent sales tax. HdL specializes in collections and employs various strategies to ensure payment.

Fiscal and Facilities Impacts:

Budgeted: No

County costs of forming the SBCWID includes staff time and mailing the hearing notice to the businesses to be assessed. The Management District Plan designates the Santa Barbara County Vintners' Association as the governing board but there will be ongoing administrative costs associated with oversight and review of annual budget and audit filings. The Management District Plan also designates that there will be a contract with a third party for assessment collections.

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Special Instructions:

Please return one signed electronic copy of the Resolution of Intent and the Resolution Requesting Consent to Brittany Odermann, County Executive Office. Work with the Deputy CEO to prepare and mail the required written notice (Attachment D) to the owners of all businesses proposed to be assessed within the SBCWID no later than December 27, 2024 to start the mandatory forty-five (45) day protest period.

Attachments:

Attachment A – SBCWID Management District Plan

Attachment B – SBCWID Resolution of Intent

Attachment C – SBCWID Resolution Requesting Consent

Attachment D – SBCWID Draft Notice

Authored by:

Brittany Odermann, Deputy CEO, bodermann@countyofsb.org