

Summary:

This item is on the Board agenda to allow a contractor, Civitas Advisors, access to confidential sales tax data for the purposes of assisting the Santa Barbara County Vintners Association in determining the viability of a wine business improvement district. State law requires that the Board pass a resolution authorizing access to sales tax data, and the County to enter into an agreement with the entity receiving the data, in this case Civitas Advisors, to ensure confidentiality of the information.

The Santa Barbara County Vintners Association has contracted with Civitas Advisors, Inc. to consider forming a wine business improvement district in Santa Barbara County, called the Wine Preserve, in order to create jobs, attract and retain businesses, and promote economic growth and revitalization. Per the Vintners Association, if formed, the Vintners Association would fund programs and activities that promote Santa Barbara County's high-quality wine region as a desirable place to visit and purchase wine, with the goal to increase visitation and demand for Santa Barbara County wine. To examine this possibility and determine potential assessment methods, Civitas must analyze the County's sales tax data related to the wine industry as a first step to determine the winery businesses within the County and the percentage of business a winery represents of the whole industry.

Discussion:

In [August 2020](#), the Santa Barbara Vintners Association, working through the County Auditor-Controller's office, 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. During the evaluation stage, the County had raised concerns regarding calculation and collections of the assessment; these were not resolved and became moot as the Vintners Association decided not to proceed.

The Santa Barbara Vintners Association is revisiting the formation of a Wine Business Improvement District (BID) called the Wine Preserve. A BID is a defined geographical area that an industry would like to improve, and in which they collect an assessment, that will be used for specific promotional purposes, in this case, for the wine industry within the County. The Wine Preserve is proposing an assessment of 1% on all retail sales made direct to consumers from a winery or tasting room within the County. This assessment is proposed to be applied on all items (wine, tasting fees, merchandise, food, and events) sold to a customer in the tasting room or for on-site events. The proposed assessment would not be applied on wine club shipments outside of California. Today's recommendation does not put the assessment in place, but rather begins the process of working with the Vintners Association and Civitas to examine sales tax data to initiate the process required to form a district.

As part of this effort, it is recommended that Civitas be authorized to examine the County's sales and use tax records. Civitas is a specialized firm with experience in assisting local governments and groups in forming various types of business improvement districts, including hospitality improvement, restaurant improvement, and beverage improvement districts respectively. Given the confidential nature of this data, State law requires the governing body to adopt a resolution of authorization granting access to the data. The proposed resolution (Attachment A) grants the authority to Civitas to access the County's sales tax records. This is required in order to determine the wineries within the proposed district, and their share of business compared to the total wineries within the proposed

district. This information is needed to calculate a weighted vote. To establish the Wine District, votes are weighted based on the percentage of business a winery represents of the whole industry. 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. The examination of the sales and use tax records will initiate the petition formation process.

In addition to the resolution authorizing access, State law also requires that the County enter into a contract with the entity that is granted access. Therefore, staff also recommends approving an Agreement to Examine Sales and Transactions and Use Tax Records in order to comply with Revenue & Taxation Code Section 7056. Consistent with that state law, Civitas is required by the agreement to disclose information contained in, or derived from, the sales and transaction and use tax records only to an officer or employee of the County who is authorized by resolution to examine the information.

To form a business improvement district, several actions are required. The following chart outlines the steps that would occur after the initial step in the process of adopting the resolution and signing the Agreement. The timeline is tentative. Attachment C also details the steps associated with the formation of a business improvement district.

ACTION	DATE
FORMATION	
Winery Business outreach and consensus building	January – July 2024
Initiate project with Civitas	March 15, 2024
Winery Business Meeting	March 19, 2024
Develop initial draft Management District Plan (MDP); Ongoing Review – circulation to County for review	April- May 2024
MDP and Petition reviewed by County	June 2024
Petition Drive – Over 50% based on assessments	June - July 2024
Board of Supervisors Resolution of Intention (ROI) to form District	July 2024
Mail Notice of Public Meeting/Hearing - <i>Should be mailed 1 day after ROI is adopted. Must be mailed 45 days before public hearing. Clerk certification of mailing is required</i>	July 2024
Consent Hearings at Cities with Wine District Boundaries	July – October 2024
Board of Supervisors – Public Meeting	September 2024
Board of Supervisors – Public Hearing	October 2024
Collection of assessment begins	Goal of January 1, 2025

Background

The Property and Business Improvement District Law of 1994 (“94 Act”) (Streets and Highways Code Section 36600 et seq.) allows for local government agencies to form a business improvement district (“BID”) in order to create jobs, attract and retain businesses, and promote economic growth and revitalization. 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. A district cannot be approved if protests received from businesses in the proposed district exceed 50 percent of the total assessment to be levied.

A nonprofit entity, commonly referred to as the “owners’ association”, in concert with proposed assessed businesses and key stakeholders, work together to initiate a BID’s formation to set forth the district parameters, including activities and improvements to be funded. This document is known as the Management District Plan (MDP). Businesses within a BID pay an assessment as outlined in the MDP.

The lead agency then enters into a contract with the owners’ association associated with the BID for the management and administration of BID activities.

As part of a BID, improvements, maintenance, and/or activities are funded through the levy of assessments upon the businesses or real property that receive benefits from the funded improvements or activities. The County has approved resolutions of consent for two business improvement districts in the unincorporated county: the Santa Ynez Valley Tourism BID (City of Solvang serves as lead agency) and Santa Barbara South Coast Tourism Business Improvement District (City of Santa Barbara serves

as lead). These districts fund tourism-related promotional activity.

Fiscal and Facilities Impacts:

While there are no fiscal and facilities impacts to adopt a resolution authorizing the examination of sales tax data and signing an agreement to share the data, if over 50% of the wine industry support the formation of the district, and the Board approves the resolution of intent and resolution of formation to form the District, the County would become the lead agency for the proposed BID. County costs of forming the Wine BID would relate to any staff time and mailing of the hearing notice to the businesses to be assessed. The County will also incur ongoing administrative costs associated with the BID. These costs would include costs of annual filings with the BOS and other oversight activities.

Special Instructions:

Please return one signed electronic copy of the Resolution and Agreement to Jasmine McGinty at jmcginty@countyofsb.org.

Attachments:

Attachment A – Agreement with Civitas – to Examine Sales and Transactions and Use Tax Records
Attachment B – Resolution Authorizing Examination of Sales and Transactions and Use Tax Records
Attachment C – Forming Wine Marketing Districts – Civitas

Authored by:

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