

REBUILD NAPA VALLEY

A call to action for emergency relief measures to protect jobs and stimulate a much-needed economic recovery in Napa County

Rebuild Napa Valley is a call to action for emergency relief measures that would protect jobs and stimulate economic recovery in Napa County. COVID-19 and the recent wildfires have delivered a devastating, unprecedented blow to Napa Valley's wine industry. Our neighbors are losing their jobs. Our businesses are losing money or closing. And both Napa County and the state are losing needed tax revenues. The Napa County Board of Supervisors has the ability to turn this tide, and we ask you to take specific actions to help revitalize our community.

In May, the Board of Supervisors quickly and decisively acted in adopting Resolution 2020-72, providing wineries flexibility for added outdoor visitation and longer operating hours. However, the provisions of Resolution 2020-72 expire this month, and wineries need additional flexibility to safely accommodate visitors for the next several years. This proposal asks the Board of Supervisors to take the following five steps, which are explained in further detail below, to help put Napa County back on the right track:

1. Allow wine tastings and events to take place subject only to infrastructure limitations like parking, septic capacity, fire, health and safety standards and applicable County Code pertaining to noise, health department, etc.;
2. Suspend the by-appointment requirement for wine tasting for all wineries;
3. Expand all winery tasting-room hours to include including mornings and evenings, 9 am – 7 pm, subject only to limitations of infrastructure;
4. Expand tasting areas to include all areas of the winery footprint that comply with ADA requirements; and
5. Set the initial term for recovery through 2023.

Coalition Napa Valley Steering Committee

Julie Arbuckle, Anthem Winery
Tom Davies, V. Sattui Winery
Harvest Duhig, Duhig Wines
Bill Keever, Keever Vineyards
Steven Rea, BE Local
Dario Sattui, Castello Di Amarosa
Stu Smith, Smith-Madrone Vineyards
Chuck Wagner, Caymus Vineyards
Ryan Waugh, Waugh Family Wines

COVID-19 and recent devastating wildfires have delivered a swift and unprecedented 1-2 gut punch to the Napa Valley's wine industry and our local economy. In a matter of days, tasting rooms were ordered closed and restaurants shuttered. While off-premise sales (e.g. grocery stores) have continued, restaurants were major purchasers of local wines for on-premise sales but are now prohibited from full-capacity indoor dining in California and many other states. California's outdoor dining has not produced a rebound in wine sales to restaurants, and this negative trend is mirrored in other states.

Locally, tasting rooms are running at minimal capacity with costly new safety and public health measures and supplies, making it difficult to stay open. Some wineries have not opened at all, which further reduces the County's economic activity. Before the wildfires, local hotel occupancy rose to only to 30% in June 2020 from a low of 7% in April.¹ By comparison, June occupancy historically is 75-80%. The impacts to County revenue in the form of sales tax, Transient Occupancy Tax (TOT), and property tax will be trailing indicators of the severe economic recession that Napa County faces. The lead indicators are the unemployed in Napa County who are immediately feeling the economic effects of this pandemic. While these economic effects were muted temporarily by a federal stimulus, that stimulus has expired.

Compounding our worldwide pandemic, the Napa Valley and surrounding Bay Area counties are currently experiencing the 2nd worst wildfires in California's history with loss of life, a significant number of homes and buildings burned and tens of thousands of people evacuated and displaced. Beyond the tragic loss of life and homes, the nightly images of the fires on TV news have a lasting negative impression on future visitation to our region. The aftermath of the 2017 fires adversely impacted our economy well into early 2019. Smoke taint, whether confirmed through testing or just as a perceived negative by consumers, and potential brand tarnish is a continuing threat and cumulative burden on our economy that will not be resolved for years.

The impacts to our economy include unemployment rates higher even than those experienced during the Great Recession.² With restaurants and winery tasting rooms at historically low levels of activity, the recent wildfires have added more woe to Napa's economy as well as the Bay Area and California as a whole. Continued unemployment means that residents are unable to pay rent, pay bills, or spend money at local businesses. Consequently, increases in loan defaults, small business failures, and even homelessness can result. Board actions to provide regulatory relief to businesses will be directly linked to saving jobs in our community.

In May, the Napa County Board of Supervisors took quick and decisive action by adopting Resolution 2020-72, which allowed wineries some flexibility for added outdoor visitation and longer operating hours. Resolution 2020-72's provisions expire at the end of October, and wineries will need added flexibility to safely accommodate visitors for the next several years. Just as the CARES Act was not the only measure needed at the federal level, Napa County wineries will need ongoing flexibility to conduct business safely during the pandemic. We are asking that the Board take immediate action so that wineries have the flexibility to protect employees and accommodate visitors in a safe manner.

The below proposed action items are intended to work together to create the changes needed to rebuild Napa Valley. Any of these items on its own will not achieve the impact required – i.e., they are not separate proposals but rather a package of imperative action items we ask the County to implement. Only in tandem with each other will these steps serve to protect not just Napa County’s most critical industry, but the overall local and even state economy.

1. Allow wine tastings and marketing events to take place subject only to infrastructure limitations like parking, septic capacity, fire, health and safety standards and applicable County Code pertaining to noise, health department, etc.

- a. Tours and Tastings: The demand for wine tastings likely will vary based on infection rates, weather, and economic conditions. Allowing wine tastings based on available infrastructure will enable wineries to accommodate what is likely to be a fluctuating demand in the next few years. When winery guests are able to visit wineries, accommodating higher numbers of tastings in a safe, socially distant manner allows wineries to sell wine when demand is high. Napa County does not regulate any other land use in the manner that it regulates wineries. Wineries are subject to visitation limits that are not based on occupancy limits, septic capacity, parking, or any other physical constraint. Instead, wineries are given arbitrary limitations sometimes based on opposition from neighbors or an average of past approvals to other wineries. It was not always this way. Winery use permits approved prior to 1990 were not given numeric limitations on guests. Application forms listed expected visitors for purposes of CEQA review, but the use permits themselves did not contain such limitations. Even after the adoption of the Winery Definition Ordinance (WDO), the first use permits for post-WDO wineries approved did not include limitations on the number of tastings
- b. Marketing Events: Similar to tours and tastings, the WDO does not require that marketing events be limited in number and guests. Napa County does not regulate event numbers at restaurants or hotels. The definition of “marketing of wine” requires that marketing events educate the consumer on wine made by the winery. Marketing events restrained only by infrastructure limitations still would serve as accessory uses by selling that winery’s agricultural product to a dedicated audience and will help establish loyalty and relationships, and support sales, even when the guests have returned home. This includes social and cultural events that can educate the guests on the wines produced by the winery. Currently, the distinction between allowable and prohibited events is based on the categorization of event type and not on the activities of the winery in selling its agricultural product. Regulating land use in this way is an arbitrary distinction. This dynamic makes enforcement very difficult, and this regulation again differs from the way Napa County regulates any other land use. Wineries need flexibility to host events to educate customers. We ask the Board to allow all events that educate the customer on the winery’s agricultural product.

2. Suspend the by-appointment requirement for wine tasting for all wineries (open to the public and not subject to a requirement for advance reservations).

The WDO imposed the “by-appointment” requirement through its definition of tours and tastings. Since 1990, the appointment requirement is sometimes characterized as traffic mitigation. However, it never was traffic mitigation, and the WDO EIR actually concluded that “private tours and tastings can, and often do, attract as many visitors as public tours and tastings.”³ On that basis, the WDO EIR concluded that the appointment requirement would have no traffic impact or mitigate traffic impact.

The appointment requirement is outdated. When the WDO was adopted, cell phones were bulky, rare, and expensive. In 1990, Napa County’s cities and town had not developed restaurants and hotels that attract tourists as destinations in themselves. Now, Napa County visitors do not make appointments before coming to Napa. In fact, less than 40% make such reservations before traveling on our roads.⁴ With ubiquitous cell phone technology, visitors making appointments can do so while driving up Highway 29 or the Silverado Trail because “prior appointment” is not further defined as to time. In short, the by-appointment condition has become a form over substance requirement that only serves to alienate visitors with some 30% disliking the appointment requirement.⁵ Napa Valley wineries cannot survive this pandemic recession by exasperating almost one third of their customers.

Information on guests for contact tracing is possible without a prior appointment, just as is done in other businesses like restaurants and retail. Those wineries preferring to require reservations or appointments, for whatever reason, may continue to do so. As the WDO EIR concluded, there would be no impact to traffic from suspending this requirement. We ask the Board to suspend the by-appointment requirement.

3. Expand all winery tasting room hours to include including mornings and evenings, 9 am – 7 pm, subject only to limitations of infrastructure.

Past thinking on wine tastings has been to require that all tastings end at the same time (usually 4:30 or 5:00 pm), which is when all other employees from other sectors of our economy are leaving work. Limiting tastings room hours is not a requirement in the WDO, but this limitation has arisen as a practice in approving individual winery use permits. Artificially limiting tasting hours in this manner concentrates visitation, which makes social distancing more difficult and results in negative traffic impacts at concentrated times. Part of the current traffic problems on Highway 29 and the Silverado Trail are directly attributable to this forced expulsion of winery guests during peak traffic hours.⁶ Rather than pushing winery guests into peak hours, we should disperse guest arrival and departure and allow tastings in a greater range applying seasonal adjustments in late spring, summer and early fall with an increase in daylight hours.

We do not have to wonder whether adverse impacts would result from expanded tasting hours because Napa County already has allowed expanded winery hours from 10:00 am to 7:00 pm through Resolution 2020-72. Unfortunately, this flexibility expires on October 31, 2020. No one believes that the pandemic, or the recession it has caused, will be over by October 31. We ask that the provisions of Resolution 2020-72 be extended for years, not months.

4. *Expand tasting areas to include additional outdoor areas.*

As this pandemic continues, social distancing requires wineries to use more outdoor areas to space guests. The Board of Supervisors recognized this in Resolution 2020-72 by allowing visitation in alternative outdoor areas. We ask that this flexibility be clarified to allow greater areas than the indoor areas replaced and to include outdoor areas where ADA compliant access can be provided.

Regarding vineyards, it is true that “Winery Development Area” defined in County Code Section 18.104.210 does not include vineyards. This fact does not mean that the WDO intended to prohibit tastings or events in vineyards, and there is no code section expressly prohibiting tastings or events in vineyards. The purpose of the winery development area was to document the footprint of pre-WDO wineries so that future expansions could trigger the 75% rule.⁷ The purpose of the definition is not to prevent wine tastings or events in vineyards. The position that vineyard may not be used for any winery related operations is not required by the WDO and does not match past practice. For many years, parking for marketing events has been allowed in vineyards avenues.⁸ Similarly, winery process wastewater is treated and used as irrigation.

Resolution 2020-72 provides that alternate areas must be equivalent to previously approved indoor areas. However, social distancing requires more space, not equivalent space. For that reason, we ask that outdoor areas be expressly allowed to exceed the indoor areas being replaced and to include accessible outdoor and vineyard areas. State agencies have been more expansive in regulatory relief. The California Department of Alcoholic Beverage Control (“ABC”) is not an agency known for its regulatory flexibility. However, ABC has allowed wineries to serve wine anywhere on the winery’s licensed property during the pandemic. We ask the Board of Supervisors to follow suit and provide more flexibility for social distancing by allowing visitation activities in these areas.

5. *Initial term recovery through 2023.*

Experts have predicted that the COVID pandemic will continue through 2022.⁹ The economic effects of this pandemic will continue for years just as the effects from the Great Recession lingered long after financial institutions were stabilized. Expert forecasts on hotel occupancy are that Napa will not be back to 2019 levels until 2023.¹⁰

We ask the Board of Supervisors to give wineries certainty regarding the flexibility to adjust operations due to the pandemic while keeping employees, customers and our community safe. As already indicated, these proposed action items are not intended as a menu from which a couple of selections are made. All of these measures are needed to save jobs and therefore our local economy. To paraphrase public health experts, if you feel like you are doing too much, then you have done the right thing. Napa County needs the Board to take leadership and do the right thing by adopting this proposed package of job and economic protection measures.

¹ STR Custom Forecast and Report created August 6, 2020 for Visit Napa Valley.

² After hitting 16.1% in April 2020, Napa's unemployment rate is at 10.4% for July 2020 according to the Bureau of Labor Statistics website. (https://www.bls.gov/eag/eag.ca_napa_msa.htm). In 2020, the unemployment rate for Napa County peaked at 10.3% according to statistics maintained by the Federal Reserve. (<https://fred.stlouisfed.org/series/LAUCN06055000000003A>)

³ WDO FEIR, page A-28.

⁴ Visit Napa Valley 2018 Napa Valley Visitor Profile (page 30) and Visit Napa Valley 2012 Napa Valley Visitor Profile (page 5) both of which are available at <https://www.visitnapavalley.com/about-us/research/>.

⁵ 2012 Napa Valley Visitor Profile (page 5).

⁶ 2015 Traffic Behavioral Study citation

⁷ Page 2 of Memorandum from Chief Deputy County Counsel Margaret Woodbury to Board of Supervisors dated October 16, 1989.

⁸ Condition 4.12 of the Napa County Standard Conditions of Approval.

⁹ https://www.cidrap.umn.edu/sites/default/files/public/downloads/cidrap-covid19-viewpoint-part1_0.pdf.

¹⁰ STR Custom Forecast and Report created August 6, 2020 for Visit Napa Valley.