

## Napa County to explore the price of wine success



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Napa County's wine country is facing a type of soul-searching that often comes with wealth and fame – is it being true to its roots or in danger of being ruined by its own success?

Some people say there are too many wineries emphasizing too much tourism and generating too much traffic while sucking aquifers dry. Others say that Napa Valley's agricultural paradise is in no danger of being paved over.

An activity that once seemed a natural in wine country – building wineries – is increasingly sparking debate. So far, the discussion has come largely on a piecemeal, project-by-project basis. That's about to change.

The county Board of Supervisors and Planning Commission will meet on March 10 to discuss what Supervisor Diane Dillon has called “the big picture.” That could be just the beginning of a months-long public discussion that could shape Napa's future.

Data will be important. County Planning, Building and Environmental Services Director David Morrison has mentioned using the latest traffic, tourism and growth information.

He also sees a question that goes beyond numbers.

“Are we being true to ourselves?” Morrison said. “Napa has always viewed itself as being an agricultural area. There are some who would say we’re more of a resort area and less of an agricultural area. What are we and what do we want to be? That’s more of an abstract issue.”

Napa County is embarking on a discussion with room for both number crunchers and philosophers.

The county’s operative vision is already in place. The 2008 Napa County General Plan includes a statement of purpose – Napa will be home to world-famous wines and a residential population smaller than most Bay Area cities, with a rural character.

“Napa will continue to be a place with abundant natural resources, a vibrant agriculture-center economy, an enviable quality of life and a responsible and inclusive government,” the General Plan states.

Now the county is preparing to look in the mirror.

Gary Margadant is president of the Mount Veeder Stewardship Council. He and the citizens group regularly comment on proposed wineries and vineyards, be they on Mount Veeder, in the Napa Valley or the hills to the east.

He wants to see how the county addresses tasting rooms and the amount of visitors allowed at wineries. He called some wineries “event centers.”

“Event centers are when wineries are trying to do direct marketing sales and get as many people as possible,” Margadant said.

He talked about the effect this can have on neighbors, be it traffic or groundwater depletion. He talked about wineries being able to live within the resources of their properties and being sustainable, as opposed to doing such things as trucking in water.

“The people who live here are starting to say, ‘We came to live a certain way and live the dream of this beautiful place. If it’s going to be full of traffic and tourists and event centers and weddings – we thought it was a place to grow grapes and make wine,’” Margadant said.

The wine industry points to changing economics, which makes it harder for some wineries to use the traditional distribution system of producer to wholesaler to restaurant or retailer. They are increasingly emphasizing direct sales to winery visitors.

Rex Stults sees this trend. He is a spokesman for Napa Valley Vintners, which represents more than 500 members. “It used to be direct consumer sales was the cherry on top of the sundae for wineries in the Napa Valley,” Stults said. “Now it’s the ice cream.”

Craig Underhill talked about wine industry economics during a Nov. 5 Planning Commission study session. He is a certified public accountant with St. Helena-based Brotemarkle, Davis and Co.

“If you’re in the smaller winery playground, if you don’t have more than 50 percent of your sales direct-to-consumer, you will not stay in business,” Underhill said.

All of this plays out at Planning Commission meetings on a regular basis. For example, family-owned Larkmead Vineyards near Calistoga on Jan. 21 successfully asked the commission to triple the visitation limit for the winery.

“The only way we can really make this work is when the visitors come that are qualified, that we can convert them to Larkmead friends and get them on the allocation list,” Larkmead owner Cam Baker said.

Stults said Napa Valley Vintners has urged wineries to comply with their county-issued use permits. More wineries are examining their permits and realizing visitation caps appropriate 20 years ago no longer reflect reality and are asking for changes.

“That’s not to say Napa Valley should have unlimited visitation to wineries, unlimited marketing events or anything like that,” Stults said. “If we don’t have a balance and respect the rights of neighbors and community stakeholders, it’s not a viable mode.”

Traffic and water problems aren’t fully due to the wine industry and can’t be fully solved by county government, Stults said. The cities and the hospitality industry must also be involved, he said.

Supervisor Brad Wagenknecht grew up in the Browns Valley area in the city of Napa. He served on the Napa City Council from 1984 to 1998, when he was elected to the county Board of Supervisors.

Some people say the county is driving like a drunken sailor down the road and is going to put the long-term agricultural preserve in a ditch, Wagenknecht said. Others say county planners are in a panic, imposing more requirements and changing the rules.

Every eight or 10 years, there’s a recession that slows things down in wine country and people think the world is coming to an end, Wagenknecht said. Then the economy gets hot and people think Napa is going to hell in a handbasket because they see so much development.

“I don’t want to approach it hysterically,” Wagenknecht said. “I want to approach it reasonably and come up with good and thoughtful answers.”

Marc Pandone, chairman of the Napa Group Sierra Club, said people tend to focus on the Napa Valley, but that there are issues facing the entire county.

“There’s no doubt that from all corners of the county, local citizens groups are concerned about development and the habitat in their particular area,” Pandone said.

He mentioned Walt Ranch as a development issue outside of Napa Valley. Walt Ranch owners want to create about 300 acres of vineyards in the hills between the city of Napa and Lake Berryessa. Pandone noted the proposed project could also mean removing 28,000 trees.

The Sierra Club wants the county to resume work on its climate action plan. The plan will provide a better idea how much growth and expansion can take place in the county, Pandone said.

In 2012, Napa County created a proposed climate action plan calling for a 15 percent reduction from 2005 greenhouse gas production levels in unincorporated areas by 2020. The Board of Supervisors asked for a revision after the wine industry argued the plan would hurt small winery expansion.

“The Sierra Club wants the invitation to sit at the table, wants to work with the grape growers, vintners, county personnel and planners and come up with a good solution,” Pandone said. “We’re not wanting to throw a wrench into the system and say, ‘Tear it down, burn it down.’”

Napa County Farm Bureau President Norma Tofanelli pointed out the county’s Winery Definition Ordinance requires post-1990 winery construction and expansion to use 75 percent Napa County grapes. That ties the amount of winery expansion possible to grape supplies.

“It’s pretty apparent we have either exhausted capacity or soon will,” said Tofanelli, who farms near Calistoga. “And that raises the issue of what do you do then?”

The question is whether Napa County maintains an agricultural economy that benefits tourism or has a tourism economy that capitalizes on agriculture, Tofanelli said. She left no doubt where the farm bureau stands.

“Agriculture has to come first,” Tofanelli said. “We have to preserve the land. The land can only be preserved if it’s not paved over.”

Dillon is ready for Napa County to have what she called a “meaningful dialogue.”

“You can look at it from so many different levels,” Dillon said. “At the 30,000-foot-level, you can say we’re grappling with our success as a tourist destination, as a premium wine producer and our decades-long community interest in protecting our agricultural land. That’s the big issue – how do we balance all of those things.”

She doesn’t see an immediate risk of Napa County slipping off track from its vision and roots. Nobody needs to come up with a reform ballot measure tomorrow, she said.

But people must remain vigilant about the nips and cuts and policy changes that can add up and ultimately create a scenario where it's too late, Dillon said. The danger for Napa is death by a thousand cuts, she said.

Napa County government cannot solve traffic, housing and water problems by itself, Dillon said. She wants the cities to join the discussion.

Napa Mayor Jill Techel agreed. It's healthy to have this type of conversation, and it's important everyone be at the table, she said.

"I think we definitely need to be a part of it," Techel said.

County Planning Commission meetings have become long, drawn-out affairs as commissioners wrestle with such issues as how much winery expansion is too much. Commissioners have been concerned about winery visitation growth.

"By the same token, none of us is really wanting to say we also want to mess with the economy of the Napa Valley and create a situation where wineries start to become unprofitable," Commissioner Matt Pope said at a January meeting.

The March 10 meeting between the Board of Supervisors and Planning Commission could be the beginning of a long community attempt to find answers.

"We need a lot of debate about what's going on because the future we all share in Napa Valley has a lot of aspects to it," Morrison said.