

County of San Diego

Tiered Winery Expansion Feasibility Analysis

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Prepared for:



Prepared by:





Prepared For:

Planning & Development Services Long Range Planning Division

County of San Diego

Prepared By:

RICK Planning + Design

In Collaboration With:

Planning & Development Services

Long Range Planning

Code Compliance

Public Works

Environmental Health and Quality

Agricultural, Weights, and Measures

County Fire Protection District



Preface

Rick Planning + Design (RICK) is a San Diego-based environmental and planning firm, which has crafted numerous policies, amendments, ordinance updates, agricultural analyses, and strategies related to the wine industry and agricultural uses in San Diego County. The understanding of the interrelationships between vineyards and other agricultural uses has allowed us to gain practical experience and knowledge of processing obstacles and other background information concerning issues facing wine operations in the County. RICK staff serves as the primary author and consultant for the Tiered Winery Feasibility Analysis to gather and analyze data, create a deeper understanding of winery operations, and to present options for the potential expansion of wineries in the unincorporated County.

RICK collaborated with County staff from a wide range of departments that interact with the wine industry and wine facilities. RICK solicited ideas concerning strategies for processing wine facility applications, key issues, and opportunities in developing our options for consideration by the Board of Supervisors.

ACKNOWLEDGEMENT

County of San Diego staff were instrumental in facilitating the community and stakeholder outreach process, developing the framework of the feasibility report, and refining options for consideration.

RICK Planning + Design and the County of San Diego wish to thank all the internal stakeholders (within other County departments) as well as external stakeholders from the community and other agencies that provided their insights and ideas through stakeholder meetings, interviews, and other communication. The collection of comments and observations provided by all stakeholder groups was invaluable in developing RICK's content and recommendations contained in this report.

We look forward to participating with the Board of Supervisors in their deliberation and selection of a preferred option and to provide County staff with valuable direction to guide the expansion and marketing of San Diego County wines.



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Executive Summary

For the past decade, the County of San Diego has been modifying and clarifying the County's Zoning Ordinance that regulates wineries in order to mitigate potential impacts upon surrounding communities. The County has established additional winery categories, clarified thresholds and performance standards, and provided incremental allowances for the expansion of winery uses. The County's overall concept has been to incrementally simplify the winery discretionary or ministerial actions in a manner that is equity based and that encourages wine-based business owners to invest in the County's unincorporated communities.

The purpose of the Tiered Winery Feasibility Analysis is to identify the characteristics of the industry (size, trends, processing and/or permitting), focusing on market potential, consumer demands, regulatory and environmental considerations, and financial feasibility. To address potential equity impacts of future actions from this analysis, the project team has considered how the potential expansion may affect wine/vintner stakeholders and their access to resources and opportunities. It is important to consider the economic impact of the wine industry, as it contributes significantly to the County's economy and job creation. Rick Planning + Design Division ("RICK"), in collaboration with the County of San Diego staff, identified the first component of the process was to conduct a three-step baseline assessment, as follows:

- **Step one** involved consulting with active vintners, reviewing best practices research, conducting an external outreach program, and meeting with internal departmental stakeholders.
- **Step two** involved compiling base information including winery attributes and data sets.
- **Step three** identified relevant consumer trends and involved an overview of winery economics and information from winery stakeholders. The primary response to the wine industry's desire for growth is to simplify the permitting process, especially for wineries wishing to offer wine-related and visitor-serving uses that enable wineries to diversify and produce additional revenues.

The underlying Board directive was to provide a current snapshot of the production of wine and the degree of economic stability regarding the wine industry and then to craft winery use regulations to not discourage small business owners from investing in unincorporated communities in the County.

To direct the stakeholder outreach program, understand challenges facing vintners, and achieve winery reform, the analysis began by creating a baseline for the wine industry. This was achieved through consultation with active vintners and interviewing internal departmental stakeholders to understand the internal policies and challenges of processing either a Conditional Use Permit or Administrative Permit. The project team also conducted additional research to highlight the economic and consumer trends impacting the winery industry in San Diego County.

Opportunities and Challenges Facing Winery Operations

First, our findings indicate that the wine operators must adapt their business models to address rising labor, material, and land costs and changing trends in the winery industry at the state and national levels. Second, we found that the existing regulations can be prohibitive to wine businesses, making the process of complying with state and local regulations expensive to navigate and involving lengthy timelines.



Opportunities

- The San Diego County region continues to grow and continues to attract higher income residents that represent potential customers for premium wine, which continues to enjoy positive sales growth on a national basis.
- The diversity of grapes varietals grown in San Diego County offers a unique opportunity for expansion into other regional markets.
- San Diego County has a stronger and larger economy than Riverside County and has the potential to leverage this context to continue to grow the winery industry.

Challenges

- The winery industry continues to face challenges in securing sufficient labor. The very tight labor market in San Diego County has increased wages across the County, including for agricultural labor, which has increased financial pressure on winery operations.
- Supply chain issues continue to present challenges to wineries across the country. Over the last few years, wineries have experienced supply chain issues with glass, cardboard boxes, and other supplies, and the industry has had to compete with other industry sectors for the provision of many inputs needed for winery operations.
- Coupled with existing regulations, zoning restrictions and CEQA applications for new or expanding wineries can be prohibitive to conduct wine operations, making it expensive to navigate and comply with local and state regulations. These regulatory headwinds, combined with the rising costs of real estate and operations, have created significant impediments to the expansion of winery operations in the County.

Recommendations

The recommended implementation strategies and range of options discussed below build upon addressing external and internal suggestions and the Board's initial directive to expand into only the Rural Residential (RR) zone, then scale up to incorporate additional zoning designations, and consider specific overlay zones for winery areas. Before the initiation of Phase Two, the consultant team is proposing an engagement process – a visioning program – aimed at leveraging vintner group participation. This visioning program will center on setting goals and crafting a set of action items, including the development of a cohesive approach to marketing or branding that would directly contribute to identifying strategic steps, objectives, and actions in Phase Two, that support sustainable growth of the County's wine industry.

The recommended options described below take into consideration both consultant and County staff costs and varied timeframes, as noted:



Option 1: Expansion into Rural Residential (RR) Zones, involves expanding permitted Wholesale Limited, Boutique, and Small wineries into the Rural Residential (RR) zones by allowing an Administrative Permit process. The first option, which from an CEQA perspective may require an Addendum to the Agriculture Promotional Environmental Impact Report (Ag Promo EIR), reflects the expansion into the Rural Residential zones through approval of an Administrative Permit reviewed at the staff level.

The key benefits of Option 1 are that it simplifies the application process, identifies obtainable thresholds or performance standards, allows additional land uses to encourage winery operations by an Administrative Permit, and in some cases may minimize environmental requirements. This analysis could take between 14 to 16 months to complete with an anticipated cost of \$700,000.

Option 2: Expansion into RR, RC, M50, M52, M54, M56, M58 & S88 Zoning Categories, involves expanding permitted wineries into the Rural Residential (RR), Residential Commercial (RC), Industrial (M) and Specific Plan (SP) zones. The RR, RC and S88 zones would be expanded to allow wineries through a Supplemental EIR, and the M zones are already allowed with a “Winery” designation only. This option would be moderately time extensive, requiring the preparation of a Supplemental EIR analysis to be undertaken as allowed under CEQA.

The key benefits of Option 2 build upon Option 1 and allow for the expansion of regulatory uses into non-agricultural zones to provide flexibility to winery operators by allowing off-facility (duplicate ABC Type 02 license only) wine tasting rooms in non-traditional urban areas (similar to what is trending with microbreweries or micro-distillery’s locations). The analysis for the second option could take from 16 to 20 months to complete with an anticipated cost of \$1.25million.

Option 3: Establishment of Winery District Overlay Zones, involves the most comprehensive strategy by expanding permitted wineries into all applicable zones within designated and specific wine growing regions through an Administrative Permit process. This option would involve substantial time and expense, requiring the preparation of a Program EIR analysis as allowed under CEQA.

The key benefits of Option 3 include the unique opportunity to expand the regulatory framework within designated and specific wine growing regions (to be selected in Phase Two). This process could eliminate the need to have specific zones by use, while providing the same thresholds and requirements articulated in the other Options and wider environmental coverage for prospective winery operators. Upon more focused consultation with stakeholders, this option may also provide opportunities for agglomeration of facilities and additional AVA’s (defined further in Section 2.2 of this Report). The estimated timeframes for implementation of this option could range between 20 to 26 months to complete with an anticipated cost of \$1.75 million.



1. Overview and Structure of the Report

For the past decade the County of San Diego has been modifying and clarifying the County’s Zoning Ordinance that regulates wineries in order to mitigate potential impacts upon surrounding communities and provide for incremental allowances or expansion of winery uses. However, the intent of these regulations is that they should not discourage wine-based business owners from investing in unincorporated communities in the County.

On August 4, 2010, (1) the San Diego County Board of Supervisors approved the Zoning Ordinance Amendments to establish a Tiered Winery Ordinance and certified the Final EIR. The amendments addressed regulations in A70 and A72 zones for various sized wineries, including allowing some winery uses “by right” without requiring a discretionary permit. This project established a new winery classification, “Packing and Processing: Boutique Winery”, that is allowed subject to specific standards (concerning buffers, setbacks, operational thresholds, etc.) and with an approved Administrative Permit. It also revised the previous regulations to increase the scale of by-right wine production for “Packing and Processing: Wholesale Limited Winery” and allowed the “Packing and Processing: Small Winery” use type by-right.

On April 27, 2016, (1) the San Diego County Board of Supervisors (the Board) approved Zoning Ordinance Amendments to establish a Tiered Winery Ordinance. These amendments were developed to clarify the intent and to ensure the amendments will be secondary to, and supportive of, agricultural uses.

Then, on March 15, 2017, (3) the County Board of Supervisors amended the Zoning Ordinance language pertaining to the Agriculture Promotion Program. The Board’s action added and clarified agricultural use definitions; supplemented agricultural opportunities to include new agri-tourism accessory uses; allowed wineries in the S92 Use Regulations; and revised the animal use regulations, under a Program Environmental Impact Report.

On July 14, 2021, (4) the Board of Supervisors directed the Chief Administrative Officer to investigate the feasibility of expanding the existing Tiered Winery Ordinance into additional zoning designations, such as Rural Residential, and present options for the Board to consider for potential implementation. To accomplish this, Rick Planning + Design was retained by San Diego County Planning & Development Services to conduct a comprehensive market and economic analysis that would support the creation of zoning strategy options for the expansion of winery operations in the unincorporated area.

1.1 Feasibility Analysis Overview

RICK staff has completed an overview of current trends in the wine industry, the local history of production of wine in the County of San Diego (“County”) and statewide issues and incorporated the findings into this feasibility analysis. The feasibility analysis applies a review of the position of the local wine industry and takeaways from stakeholder outreach to examine the options for the potential expansion of zoning areas where winery operations could be allowed within the unincorporated County.

The feasibility of implementing a tiered winery expansion in San Diego County is structured around providing a clear understanding of the key aspects surrounding the proposed expansion options, an



overview of the current wine industry landscape in the local and regional setting, an assessment of the market potential and consumer demands for wine, an evaluation of the regulatory and environmental considerations, and a financial feasibility analysis. By examining these crucial factors, this report aims to provide valuable insights and three options as recommendations for the Board of Supervisors to consider for the potential expansion of the tiered winery ordinance in the County and thus ultimately contribute to the growth and sustainability of the local wine industry.

1.2 Approach and Methodology

RICK's approach stems from the County's desire to quantify the wine industry composition and determine effective methods to bolster and support the growing wine economy. A key component of this is to understand the interrelationship of winery operations, processing constraints, and the availability of winery resources. Our methodology considers previous articles, one-on-one vintner discussions, outreach to stakeholder organizations, analysis of zoning criteria, and analysis of environmental concerns.

As part of the Board directive in 2021, County staff initiated a phased approach. Phase One includes the completion of the Tiered Winery Expansion Feasibility Analysis to evaluate current zoning regulations pertaining to wineries and related uses. Phase Two will involve crafting recommendations for the modification of the Zoning Ordinance and re-visiting the existing ordinance to consider changes intended to eliminate significant regulatory barriers. Phase Two will involve the selection of a preferred Option and direction to County staff to initiate regulation amendments to facilitate the development of small wine/vineyard operations while maintaining the quality of life for nearby residents.

The definition of "feasibility", for the purposes of this analysis, includes several factors that impact the potential viability of starting or expanding a winery operation in the County.

- Physical constraints such as site configuration, site access, slopes, water and septic capacity, and regulations provided by ordinances and other County policies.
- Regulatory challenges posed by the discretionary approval process, and the timeframes involved in the approval process.
- Economic factors, including costs and operational issues that impact financial sustainability and return on investment, such as rising costs for labor, land, and other inputs, that also impact the potential viability of winery ventures in the County.

Phase One does not include the quantitative analysis of physical constraints that may influence the development of winery operations in the County. Phase Two will establish parameters for parcel characteristics and siting requirements for wineries and will also focus on operational requirements, such as noise, lighting, hours of operations, access, and related factors.



1.3 Report Structure

This report is organized in the following sections:

1. **Executive Summary:** Project Background, Outreach Summary, Key Findings, and Expansion Options.
2. **Introduction:** Board of Supervisors Direction, Analysis Overview, Methodology and Report Structure.
3. **Existing Conditions:** History of the San Diego winery industry, appellation of origin, San Diego County geographic conditions, zoning, and existing market profile.
4. **Best Practice Management Research:** Analysis of best practices for the expansion of winery operations into additional land use zones.
5. **Market Study, Economic Analysis, and Fiscal Analysis:** Technical market analysis of the local, regional, and national wine industry along with an evaluation of the feasibility of winery operation expansion in the County.
6. **Outreach Program:** Description, methodology, overview, and outcomes of the stakeholder outreach program.
7. **Options Analysis:** Presentation of the three options for the potential expansion of winery operations under the County's regulations.
8. **Appendices:** Additional graphics and supporting studies.

1.4 Zoning Ordinance

The County's Zoning Ordinance describes wineries as agricultural uses including "the crushing of grapes, berries and other fruits and fermentation, storage and bottling of a specified amount of wine per year, dependent on the winery tier". Under the existing County of San Diego Zoning Code Section 6910 and the Tiered Winery Ordinance, the County has four wine tiers or classifications for winery operations: Wholesale Limited Winery; Boutique Winery; Small Winery; and Winery.

The County's Zoning Ordinance establishes performance criteria, standards, thresholds, and policies to mitigate potential impacts of winery operations for each of the four winery categories noted below. Importantly, the zoning regulations of A70, A72, and S92 do not include any parcel size minimum requirements for winery operations.

- 1) The **Wholesale Limited** wineries are intended for winery operations that produce less than 12,000 gallons annually, produce at least 25 percent of their wine on-site, and have a minimum of 75 percent of the grapes used in production sourced from within the County. Wineries are required to meet the adopted performance criteria, as described in Table 4 San Diego Tiered Winery Ordinance. The Wholesale Limited classification prohibits special events and has restrictions on tasting rooms, parking, and food preparation activities.



- 2) The **Boutique** classification allows smaller tasting rooms and production of less than 12,000 gallons annually. Boutique wineries must produce a minimum of 25 percent of wine on-site and at least 50 percent of the grapes used in production must be grown in San Diego County. Wineries are required to meet other performance criteria, per Table 4 San Diego Tiered Winery Ordinance. The Boutique classification prohibits special events and has restrictions on tasting rooms, parking, and food preparation activities. However, as part of the Boutique classification the criteria allow limited community events of smaller sizes¹.
- 3) The **Small Winery** classification is intended for medium scale winery operations that produce less than 120,000 gallons annually. Small Wineries must produce at least 25 percent of wine on-site and at least 25 percent of grapes used in production must be grown in San Diego County. This classification allows for larger specialty events, tasting rooms, and food preparation activities on-site, with parking limitations. An Administrative Permit is required to develop a Small Winery, per Table 4 San Diego Tiered Winery Ordinance.
- 4) The **Winery** designation has fewer limitations, compared to the other three classifications, and is intended for the operations of vineyards and full winery operations. A Major Use Permit process is required to operate a Winery, per Table 4 pertaining to the San Diego Tiered Winery Ordinance. This classification allows for larger specialty events, tasting rooms, and food preparation activities on-site, with parking limitations and other criteria subject to provisions in Section 6910.

The Zoning Ordinance currently allows winery operations within the following use designations.

A70 (Limited Agricultural) – Wholesale Limited, Small and Boutique wineries are permitted in this designation, subject to threshold limitations. The larger wineries exceeding the thresholds are subject to a Major User Permit process.

A72 (General Agricultural) – Wholesale Limited, Small and Boutique wineries are permitted subject to threshold limitations. The larger wineries exceeding the thresholds are subject to a Major Use Permit process.

S92 (General Rural Use) - Wholesale Limited, Small and Boutique wineries are permitted subject to threshold limitations. The larger wineries exceeding the thresholds are subject to a Major Use Permit process.

All the categories listed above are subject to Section 2980 of the County’s Administrative and Regulatory Code: Supplemental Limitations on Uses – Item #22, which reverts to the guidelines and thresholds referred to in Section 6910 and cross references specific topics to other sections. Additional processing considerations may include obtaining an agricultural clearing permit, building permits, fire authority review, stormwater/erosion permits, and if required septic system upgrades or well permits.

¹ Pursuant to Section 6106 of the Zoning Ordinance, Community Events as defined in and as limited by Chapter 2 of Division 1 of Title 2 of the San Diego County Code (sections 21.201 – 21.208) may be allowed and subject to all applicable licenses required by the Sheriff pursuant to Chapter 1 of Division 1 of Title 2 of the San Diego County Code (sections 21.101 – 21.117). Only the Small Winery and Winery classifications allow by-right special events.



The larger Winery classification is subject to a Major Use Permit (MUP) process in the RR (Rural Residential), RRO (Recreation-Oriented), RC (Residential-Commercial), and S88 (Specific Plan Area) classifications. Large winery operations are identified as “permitted uses” in the following Industrial zones: M50 (Basic Industrial Use); M52 (Limited Impact Industrial Use); M54 (General Impact Industrial Use); and M56 (Mixed Industrial Use, in industrially designated areas).

1.5 Winery Permitting

Through the consultations with internal and external stakeholders, a clear message formed that the County would need to develop a series of policies to amend the Zoning Ordinance or modify winery criteria with thresholds to simplify the County’s discretionary permitting processing. This simplified process could lead to allowing winery permit applications or expansions of facilities to be approved more quickly and at less cost to the applicants. A deeper analysis of the twenty applications in the County’s system related to new wineries or expansions of winery operations revealed several permitting processes that could be simplified, winery criteria or thresholds that could be amended, or performance standards that could be updated. However, physical site constraints still represent a significant hurdle for existing and future wineries.

1.5.1. Compliance and / or Permitting Logistics

The first common thread stems from winery applicants wishing to expand their existing winery operations as a “Boutique Winery” and request a reclassification to “Small Winery”. This reclassification of winery types is in response to a current trend to accommodate special events of various sizes associated with wine operations/vineyards or tasting rooms as an economic benefit for wineries. These special events include weddings, social gatherings, meetings of business groups, gatherings for campaign supporters, events for clubs, and other types of events.

The second common thread is amplified noise associated with special events. Wholesale Limited and Boutique classifications prohibit outdoor amplified music. The Small Winery classification allows amplified music pursuant to processing an Administrative Permit, which evaluates and sets conditions around the use and activity. All winery operations shall comply with the provisions of Section 36.401 et seq. of the San Diego County Code relating to Noise Abatement and Control.

The third common thread is establishing operations containing only tasting rooms within the Small Winery classification. The Boutique Winery classification allows limited tasting rooms subject to the provisions of Section 6910. However, one criterion of the classification is that tasting rooms are restricted to wine tasting and sales of wines produced on-site. Small Winery classifications allow greater flexibility in tasting room operations with regional or out-of-County wines.

The last common thread is the evaluation of the physical site constraints. The reclassification requests, the expansion of tasting rooms, and additional special events uses and activities have placed a strain on the physical property characteristics, access to properties, and existing wells and septic system capacities. Eight applications analyzed have not met the guidelines nor standards of the Department of Environmental Health and Quality for capacities within the existing well and septic systems. In addition, the access roadways are frequently noted by the local Fire Districts for being too narrow (not built to



County Standards), not having suitable materials to handle emergency vehicles, lacking sufficient water capacities/pressure, and having overhead clearance concerns. These are direct health and safety issue roadblocks that will require expenditures for additional processing, grading, improvements, and/or updating the well and septic systems. Many applicants get deep into permit processing, including clarifying their project description and intent, providing site layout plans, and producing required documents, then subsequently run into physical or capacity issues raised by County staff or local agencies. The overall planning procedures, processes and requirements are not commonly acknowledged at the time of application submittals. During Phase Two implementation the County should explore developing a Winery FAQ document related to expansions that identifies criteria for project approval to aid applicants in navigating the submittal process. One common element across each of the classifications is that each winery facility shall demonstrate compliance with the adopted standards of the applicable fire service provider and the Environmental Health provisions.

1.5.2. Grading, Clearing and Watercourses Ordinance Update

In May 2021, the Board directed staff to update the Grading, Clearing, and Watercourses Ordinance as the first step to allow a consolidation of the agricultural regulations into a single chapter within the Ordinance while maintaining existing requirements, clarifying language, and adding missing definitions. Part Two will involve amending the Agricultural Clearing and Grading Permit Process to pursue an Ordinance update to address agricultural and residential clearing, as well as grading requirements, thresholds, and permit processes.

This update will focus on land disturbance activities under normal agricultural operations that are being curtailed by restrictive sets of regulations causing delays, considerable environmental costs and complicated processing schedules and staff review times. In addition, the update will direct staff to prepare a simplified processing system, work with DHEQ on septic and water resources, and identify upfront County costs.

1.5.3. Winery Ordinance Classifications

Currently, the County Tiered Winery Ordinance and Zoning Ordinance Section 6910 has defined three classifications of wine operations: 1) Wholesale Limited, 2) Boutique, and 3) Small Winery. The Winery classification will require a Major Use Permit in all cases, as further described in Figure 1.



Figure 1: Summary of Existing County of San Diego Tiered Winery Ordinance

Summary of Tiered Winery Ordinance (Ord. No. 10425 (N.S.))					
		Wholesale Limited	Boutique	Small	Winery
Zoning Ordinance Section		6910	6910	6910	1735.d
Requirements for Discretionary Permit		None	None	Administrative Permit	Major Use Permit
Production Equivalent Cases		Less than or equal to 12,000 gallons / year; Less than or equal to 5,000 cases / year	Less than or equal to 12,000 gallons / year; Less than or equal to 5,000 cases / year	Less than or equal to 120,000 gallons / year; Less than or equal to 5,000 cases / year	No minimum or maximum
Origin of Grapes	On-premises origin	At least 25% of total	At least 25% of total	At least 25% of total	No origin required
	Within San Diego County	Up to 75% of total from within or outside San Diego County, may include fruit or juice only, not wine	Up to 50% of total, may include fruit, juice or wine (wine must be made from San Diego County grown grapes)	Up to 25% of total, may include fruit, juice or wine (wine must be made from San Diego County grown grapes)	No origin required
	Outside San Diego County	Up to 75% of total from within or outside San Diego County, may include fruit or juice only, not wine	Up to 25% of total, may include fruit, juice or non-bottled bulk wine	Up to 50% of total, may include fruit, juice or wine	No origin required



Summary of Tiered Winery Ordinance (Ord. No. 10425 (N.S.))					
		Wholesale Limited	Boutique	Small	Winery
Wine Sales	Internet, phone, mail	Allowed	Allowed	Allowed	Allowed
	On-site Sales to Public	Prohibited	Allowed	Allowed	Allowed
	Tasting Room	Prohibited	Allowed	Allowed	Allowed
	Tasting Room Size	Not applicable	Limited to 30% of the square footage of the structure dedicated to wine production	Defined in Administrative Permit	Allowed, but defined in Major Use Permit
Wine Production Structure (required on site for Wholesale Limited, Boutique and Small)		Less than 1 AC = 1,000 SF; Equal to or greater than 1 AC and less than 2AC = 1,500 SF; Equal than or greater than 2AC and less than or equal to 4AC = 2,000 SF; Add 200 SF for each acre greater than 4AC with a maximum of 5,000 SF	Less than 1 AC = 1,000 SF; Equal to or greater than 1 AC and less than 2AC = 1,500 SF; Equal to or greater than 2AC and less than or equal to 4AC = 2,000 SF; Add 200 SF for each acre greater than 4AC with a maximum of 5,000 SF	Defined in Administrative Permit	Defined in Major Use Permit
Emergency Response Time		Shall demonstrate compliance with the emergency travel times specified in the Public Facilities Element, Section 11.			



Summary of Tiered Winery Ordinance (Ord. No. 10425 (N.S.))				
	Wholesale Limited	Boutique	Small	Winery
Food Service	Prohibited	Pre-packaged and catered food only, one mobile food facility, if permitted commercial restroom is located on-site	Pre-packaged and catered food only, one mobile food facility, if permitted commercial restroom is located on-site	Defined in Major Use Permit
Events	Prohibited	Prohibited, except "Community Events" as allowed by County Code Section 21.201 et seq.	Defined in Administrative Permit if findings can be made, and "Community Events" as allowed by County Code Section 21.201 et seq.	Outdoor events on per Major Use Permit for Participant Sports and Recreation (1505.b)
Signs (Section 6252.u)	Up to 4 SF	Up to 12 SF	Up to 12 SF	Defined in Major Use Permit
Hours of Operation	Not Applicable	10am to Sunset, 7 days per week (Nov 1 – Mar 1: 10am to 6pm)	Defined in Administrative Permit	Defined in Major Use Permit



Summary of Tiered Winery Ordinance (Ord. No. 10425 (N.S.))				
	Wholesale Limited	Boutique	Small	Winery
Driveway and Parking (subject to ADA compliance)	Not Applicable	Chip seal, gravel, recycled asphalt, if approved by fire authority. Six spaces for customers and three spaces for operations	Defined in Administrative Permit	Defined in Major Use Permit
Outdoor Amplified Sound	Prohibited	Prohibited	Defined in Administrative Permit	Defined in Major Use Permit
Eating Areas	Prohibited	Outdoors and maximum of 5 tables and 20 seats	Defined in Administrative Permit	Defined in Major Use Permit
Tour Buses	Prohibited	Passenger capacity greater than 15 prohibited	Defined in Administrative Permit	Defined in Major Use Permit
Other Compliance	<p><u>Federal</u>: Hold permits to produce and sell wine issued by TTB</p> <p><u>State</u>: Hold Type 02 Winegrower permit issued by ABC</p> <p><u>County</u>: Obtain required permits for any new grading, construction, or conversion of structures</p>			



The County Zoning Ordinance permits wineries in Agricultural zones through a series of standards intended to ensure that they will be secondary to, and supportive of, existing agricultural uses. These standards are consistent with the guidelines of the General Plan and Community Plans, both of which have policies to protect agricultural land as a diminishing resource in need of conservation. In addition, wine tasting rooms generally located in wine production areas have become local attractions for the new “experimental consumer” and offer a variety of wines, activities, and special events. Wine tasting rooms also provide economic stimulus in unincorporated areas of the County, to supplement other agricultural uses. The opportunity to establish smaller wineries or wine tasting operations has led numerous wineries and/or wine tasting operations (“wine tourism”) to be created without obtaining all of the necessary County permits. This reduced participation in the permitting process has led to code compliance issues related to illegal structures, lack of resources, and health and safety issues which impact County departments such as PDS and DPW, Fire, and Caltrans, place increased demands on limited staffing and add to project costs.

1.6 Non-Regulatory Opportunities

Through discussions with stakeholders, non-regulatory opportunities were identified as a pathway the County of San Diego could investigate to facilitate the expansion of wineries for both prospective operators and currently unpermitted operators. The desire for these opportunities is highlighted by the San Diego Vintners Association 2021 and 2023 Annual Reports, stating that respondents identified three areas where officials can assist the industry, as follows:

- 1) Loosening government restrictions on business operations (including VMT mileage tax);
- 2) Greater financial assistance via loans and grants for wineries; and
- 3) More industry partnerships and assistance with marketing local wine, wineries, and the San Pasqual and Ramona Valley AVAs.

San Diego County continues to explore, address, and support agricultural uses of all types, and wineries are no exception. One program initiated by the County is the Purchase of Agricultural Conservation Easement Program, described below. In addition, different non-regulatory programs have existed in other jurisdictions, and two of these are outlined below. Please note that the feasibility of implementing these examples within a San Diego County context has not been investigated within this project.

1.6.1. Purchase of Agricultural Conservation Easement (PACE) Program

The County of San Diego’s PACE Program is an on-going annually funded program (\$1.5 million annually) designed to promote the long-term preservation of agricultural land in the unincorporated area. Under the program, willing property owners are compensated for placing perpetual easements on their agricultural property, limiting future uses to agricultural operations, and extinguishing future development potential. The PACE Program is a key component of the County’s sustainability efforts. Since the inception of the PACE Program in 2011, the County has preserved 2,405 acres of agricultural land (as of 2021). To be eligible the property must be zoned A70 – Limited Agriculture, A72 – General Agriculture, RR – Rural Residential, S90 – Holding Area, or S92 – General Rural.



The PACE Program supports local agriculture by preventing agricultural lands from being developed for other uses. Agricultural property owners receive a one-time payment from the County for voluntarily placing an easement on their property. As a result, the agricultural land is preserved for continued agricultural use for future generations. Currently, County of San Diego staff have identified one vineyard that has participated in the PACE Program.

The PACE Program also supports and connects property owners to other funding resources through the County's annual monitoring program and Voluntary Conservation and Land Management Assistance Workshops.

1.6.2. Pacific Gas and Electric Incentives

Pacific Gas and Electric Company (PG&E) is a major investor-owned utility company based in San Francisco, California and is one of the largest utility companies in the United States. PG&E provides natural gas and electricity services to millions of customers primarily in Northern and Central California and as far south as Santa Barbara and part of Kern County.

In the past, Pacific Gas and Electric has offered wineries and vineyards design assistance and financial incentives as part of its Wine and Industry Efficiency Solutions (WIES) program. Across various iterations of this program, PG&E has offered rebates and savings from \$150,000 up to \$350,000 per project to support energy efficient and high-performance facilities².

1.6.3. City of Elk Grove Incentive Program

The City of Elk Grove's recently approved Brewery, Restaurant, and Winery Incentive Program (BReW Program) provides financial support to target industry businesses. This financial support seeks to cover, or assist with, expenses and costs associated with the development, improvement, or expansion of breweries, restaurants, and wineries. The program is invitation-only, at the discretion of the City, and will provide a matching grant of up to \$50,000 to reimburse the Applicant for up to 50 percent of eligible project costs. Eligible costs include permit fees, electrical and plumbing work, tasting room equipment, and costs associated with expansions of outdoor seating areas³.

² [Pacific Gas and Electric Energy Management Solutions](#)

³ [City of Elk Grove BReW Program](#)



2. Best Practice Management Research

RICK’s initial focus was to review research undertaken by San Diego County PDS staff with regards to winery ordinances in peer and aspirational-peer jurisdictions. Further, RICK Planning + Design has analyzed efforts within other jurisdictions that encourage industry growth outside of zoning and permitting. These research and review efforts seek to identify precedents and best practices for consideration by the County of San Diego.

2.1 San Diego County Zoning Ordinance

San Diego County PDS staff have completed preliminary Best Management Practice (BMP) research of specific winery ordinances and the provision of winery activities spanning 15 County and three City jurisdictions. The BMP case studies identified by County staff are all located within California, mainly in the Central Valley and in Northern California. The counties and cities identified through the County’s BMP research are notable for either their proximity to established wine grape growing areas or their proximity to San Diego County. The County staff identified jurisdictions as noted below in Figure 2:

Figure 2: List of Counties and Cities Researched by PDS Staff – BMP Research

Counties					Cities
Butte	Nevada	Santa Barbara	Shasta	Sacramento	Calistoga
El Dorado	Placer	Santa Clara	Tehama	San Joaquin	Riverside
Los Angeles	Riverside	Santa Cruz	Madera	Napa	San Jose

The counties analyzed all pursued and adopted a specific Winery Ordinance to streamline the permitting and development of wineries. Many of these counties permitted winery operations within agriculture and rural zoning designations, with some limited exceptions to allow wineries in areas zoned for low density residential uses. Restrictions on the development of wineries across these counties include restrictions tied to parcel sizes, noise levels, traffic counts, hours of operation, annual production capacity (if located within specific zones, particularly rural zones) and fire considerations. Furthermore, several of these counties utilize their zoning ordinances to establish restrictions on special events associated with wineries. These restrictions generally relate to limits on noise and the number of events and attendees allowed at wineries during a given month or year.

Through stakeholder outreach efforts, the Project Team identified that these special events were highly sought after by operators as they allow many smaller wineries to remain economically solvent. These special events can range from educational demonstrations and training for weddings, pop-up markets, birthdays, and corporate retreats to various types of festivals. Most of the county jurisdictions examined do not permit the integration of residential units along with winery operations. Where residential uses are allowed, the counties primarily target residential development to provide housing for agricultural



employees. Providing housing for these workers provides accommodation close to employment at nearby wineries.

The three cities analyzed as part of the County's BMP efforts have all adopted winery standards in various forms. San Jose and Riverside contain specific winery ordinances whereas Calistoga includes standards for wineries within its Rural-Residential zoning standards. San Jose and Riverside, however, may have relatively limited areas within their city limits suitable for the development of productive wineries. In contrast, unincorporated areas outside of these two cities may have larger areas suitable for winery development. Calistoga permits up to four events per year, for each of its large wineries, but prohibits events in small wineries unless they are held within a private residence.

The breadth of the County's review of BMP research reveals that County jurisdictions generally allow for winery operations within agriculture and rural zoning areas. In addition, many counties across California use winery ordinances to control and streamline the governance of winery and special event operations. Detailed analysis of well-known winery regions (such as San Luis Obispo and Sonoma counties, for example) may further inform adjustments or refinements to the County's winery ordinance and associated regulations. Research concerning other counties in Southern California that may compete with San Diego County for winery tourism, such as Ventura and Orange counties, may also reveal lessons learned for the County.



3. Wine Industry Overview

This overview provides a brief history of San Diego County's wine context, a profile of the existing market conditions, the benefits of wine appellations, and existing geographic conditions, zoning regulations, processing requirements and challenges.

3.1 History of Wine Making in San Diego County

San Diego County has a rich and long history of wine production. The first reports of vineyards in San Diego County can be traced back to Father Junípero Serra, a Spanish Franciscan friar and missionary, and the monks at Mission San Diego de Alcalá. These missionaries planted wine grapes in the late 18th century, marking the beginning of viticulture in the area. The Mission San Diego de Alcalá vineyards played a significant role in supplying wine for religious ceremonies and the local population⁴.

During the 19th century, the wine industry in San Diego County expanded, with various vineyards and wineries being established. European immigrants made significant contributions to the growth of this fledgling wine industry in the late 1800s and early 1900s. They brought their winemaking knowledge and skills, cultivating vineyards and producing wines that gained recognition and popularity. However, the wine industry in San Diego County faced challenges in the early 20th century. Factors such as the Prohibition era, the Great Depression, and urbanization led to a decline in wine production and vineyard cultivation. Many vineyards were uprooted or converted to other agricultural uses, namely avocado and citrus production⁵.

In recent decades, San Diego County's wine industry has experienced increased investment and growing recognition. The region benefits from a diverse range of microclimates and terroirs, allowing for the cultivation of various grape varieties. From coastal areas influenced by the marine layer to inland valleys with warmer temperatures, different areas within the County offer unique conditions for grape growing.

3.2 Wine Labeling and American Viticultural Areas

Today, San Diego County is home to three American Viticultural Areas (AVAs) that showcase the region's distinct terroir and produce a wide range of high-quality wines. These AVAs include Ramona Valley, San Pasqual Valley, and the South Coast AVA.

Wine labeling plays a crucial role in informing consumers about the origin and quality of a particular wine. One widely used system for wine labeling is the concept of appellation of origin. Appellation of origin refers to the geographical indication or specific region from which the grapes used in the wine production originate. It signifies that the wine possesses unique characteristics and qualities associated with that particular region or geographical area. By highlighting the appellation of origin on the label, consumers can make informed decisions about the wine's flavor profile, style, and overall quality.

In the United States, the concept of appellation of origin is defined and regulated by the Alcohol and Tobacco Tax and Trade Bureau (TTB). This regulatory body designates American Viticultural Areas (AVAs)

⁴ <https://calwineries.com/learn/history-of-wine/spanish-mission-system>

⁵ <http://sandiegowineries.directory/history-wine-making-san-diego-county>



as specific wine grape-growing regions with distinctive geographical features, such as climate, soil composition, and topography. AVAs serve as indicators of a wine's origin and are recognized through a rigorous evaluation process. Wineries located within an AVA can use the AVA name on their labels, which provides valuable information to consumers about the wine's origin and the specific qualities associated with that area. To obtain an AVA designation a winery must confirm that 85 percent of the grapes used in producing its wine were grown within the AVA. It must also confirm that the grapes used in production were crushed, pressed, fermented, and aged within the AVA boundaries.

San Diego County includes three designated wine-grape growing AVA regions, described as follows:

- **Ramona Valley AVA** is the most visible, with the highest concentration of approximately 45 wineries within the unincorporated County. This AVA includes an area of approximately 89,000 acres and enjoys strong visibility along the wine trail in the foothills area of the County. Geographically, the Ramona Valley is a broad, flat valley ringed by hills and mountains that isolate it from the surrounding areas. This AVA has an average elevation of 1,400 feet and wineries in the Ramona Valley produce a variety of red and white wine grapes.
- **San Pasqual Valley AVA** includes approximately 9,000 acres. However, none of the wineries within this AVA are located in the unincorporated County (this AVA is entirely within urban city limits). The area is planted with a wide range of grapes, including those used for Merlot, Syrah, and Tempranillo wines. This AVA is geographically similar to the Ramona Valley in several characteristics and generally includes both sides of the San Dieguito River, and portions of Santa Ysabel Creek and Santa Maria Creek to the east side of I-15, between San Diego and Escondido, up to an elevation of 500 feet.
- **South Coast AVA** is a general designation for the remaining winery areas in the County located outside the two primary valleys (San Pasqual and Ramona). This AVA encompasses approximately 2.1 million acres and includes both incorporated cities and unincorporated County islands. This AVA includes approximately 112 wineries within the unincorporated County. Geographically, this AVA bisects the central portion of San Diego County in half from the northern border of the county to the Mexican border, and to the west of the coastal mountain ranges. This AVA includes a greater share of areas that are more difficult to produce grapes due to issues with access to roads and the presence of challenges due to steep terrain.

3.3 Geographic Locations and Influencing Factors

Wine grape growing is influenced by various geographic requirements and factors that contribute to the successful cultivation of a high-yield and high-quality grape harvest. One key consideration is climate. Wine grapes thrive in regions with moderate climates, typically characterized by warm summers and cool nights. This balance of climate and seasonal temperatures allows the grapes to ripen slowly, developing complex flavors and balanced acidity. Additionally, the presence of suitable soils is crucial. Well-drained soils, such as loam or sandy loam, are preferred as they promote root development and prevent



waterlogging. The availability of water resources, either through natural rainfall or irrigation systems, is also essential for vine health and grape production.

Furthermore, the topography and aspect of the land play a role. Slopes and hillsides can provide better drainage and sun exposure, optimizing grape development. Lastly, the presence of geographical features, such as mountains or bodies of water, can create microclimates within larger wine regions, offering unique growing conditions that contribute to distinct wine styles. Overall, the interplay of these geographic factors shapes the terroir of a wine region and significantly influences the quality and characteristics of wine grapes grown in a particular area.

The following explanations expand on the above factors which help determine, and in certain cases define, whether a particular area is suitable for the growing of grapes. Furthermore, these factors assist existing and potential wine operators in selecting the ideal types of grapes to be grown in different regions.

Seasonal Temperature

Seasonal temperature changes can have a significant impact on wine grape growth. During the growing season, temperature variations play a crucial role in the vine's development and the accumulation of sugars and acidity of the grapes. Warmer temperatures promote photosynthesis and metabolic activity, leading to increased sugar accumulation and ripening. Conversely, cooler temperatures can slow down ripening, allowing for more gradual and balanced flavor development. Cooler temperatures during the dormant period are also essential for the vine's dormancy release and subsequent budburst. Moreover, temperature fluctuations between day and night, particularly during the ripening stage, contribute to the preservation of acidity and the development of complex flavors in the grapes.

Slope and Aspects

Vineyard development starts with the analysis of a wide variety of characteristics, with slope consideration being a key element. Typically, slight to moderate slopes (5% to 25%) are desirable as they accelerate the drainage of denser cold air from the vineyard. As cold air is denser than warm air, it will drain downhill. Topography and the orientation of vineyard slopes also have a significant impact on grape development and sugar content. The following provides some examples of how slopes have a direct impact on a vineyard.

A vineyard's aspect refers to the direction that the slope faces (e.g., east, southeast, etc.). Aspect affects the angle that the sunlight hits the vineyard and thus its total heat balance.

- **Southern-facing slopes** - Typically, vineyards that have warmth earlier in the spring may result in the vines undergoing bud break earlier. The early bud break is desirable in locations that do not have a danger of spring frost because it translates into an earlier bloom and harvest of the fruit.
- **Western-facing slopes** - Western-facing slopes are a popular choice for late-maturing grape varieties, such as Cabernet Sauvignon, promoting fruit ripening in the waning heat and daylight of fall.



- **Eastern-facing slopes** - Eastern-facing slopes receive the first of the morning radiation, providing for a warming canopy increasing soil temperatures the fastest when temperatures are generally at their lowest and most limiting.
- **Northern-facing slopes** - In cool climates where summers are cool and growing degree days are low, northern-facing slopes should be avoided.

Climate

Climate plays a crucial role in determining the suitability of a region for wine grape cultivation as different grape varieties have specific climate preferences. Many varieties thrive in regions with moderate climates that provide a balance of warming and cooling influences. Further, diurnal wind patterns, which refer to the fluctuation of winds between day and night, can greatly affect wine grape growth. Wind helps to regulate temperature by circulating air to mitigate extreme heat during the day and preventing excessive cooling at night. Air circulation also assists in the control of fungal diseases by reducing humidity levels, which helps to prevent the spread of pathogens and maintain grape health.

Coastal breezes, such as the maritime influence in regions like San Diego County, provide a cooling effect, extending the ripening period and allowing grapes to develop more slowly and retain higher acidity levels. Similarly, mountain or valley winds, such as those common in Temecula and Riverside County, can enhance vineyard ventilation and create microclimates that contribute to specific flavor profiles in the grapes.

Elevation

Elevation plays a significant role in wine grape growth and can have a notable impact on the resulting grape quality and wine characteristics. As vineyards are established at higher elevations, factors such as temperature, sunlight intensity, ultraviolet (UV) exposure and drainage can affect yield and quality.

Higher elevation generally correlates with a decrease in temperature compared to lower-lying areas. In these cooler temperatures, the ripening process slows down, which can allow grapes to retain higher acidity and develop more complex flavors. The benefits of wine grape growth at higher elevation can be particularly advantageous in warmer regions, where higher elevations offer a respite from excessive heat.

Further, higher elevation vineyards often benefit from increased sunlight exposure. With less atmospheric interference, such as haze or fog, grapevines at higher elevations can receive more direct sunlight. This extended exposure to sunlight can contribute to enhanced flavor development, color pigmentation, and overall grape maturity. In these higher elevations, the intensity of UV radiation also increases due to the thinner atmospheric layers present at the higher elevations. While excessive UV exposure can be harmful, controlled exposure to UV rays can positively impact grapevine health and yield quality.

In addition, elevation is often associated with sloping terrain, which facilitates better natural drainage. Well-drained soils are crucial for vine health, as they prevent waterlogging and excessive moisture around the roots.



Soil

Soil plays a fundamental role in the cultivation of wine grapes by providing the necessary nutrients and minerals that are essential for vine health and growth. The availability and balance of nutrients affects the vine's ability to grow and synthesize sugars and acids, which contribute to the flavor, aroma, and structure of the resulting wines. Soil composition also affects water drainage and retention. In conjunction with topography, well-drained soils allow excess water to move away from the root zone, preventing waterlogging and maintaining optimal moisture levels for vine health. Furthermore, different soil textures, such as sandy, loamy, or clay soils, offer varying degrees of aeration, root depth, and access to moisture and nutrients. These factors impact vine vigor, root development, and the overall balance of vine growth and grape production.

Water

The quality, quantity, and availability of water play critical roles in wine grape growth and development. Water is essential for the vine's survival, photosynthesis, nutrient uptake, and ultimately, the development of wine grapes. Adequate water availability is crucial during key stages of the vine's growth cycle, such as bud break, flowering and fruit set, and ripening. Having insufficient water during these stages can result in poor fruit development, reduced yields, and compromised grape quality. Water quality factors, such as salinity, mineral content, and pH, can also impact nutrient availability, root health, and vine performance. High-quality water that is free from harmful contaminants and has appropriate mineral composition is essential for optimal vine growth and grape quality.

Vineyards, particularly in Southern California, utilize irrigation systems to supplement natural rainfall, ensuring consistent water supply. Controlled irrigation helps maintain soil moisture levels, prevents water stress, and promotes balanced vine growth. Precision irrigation techniques are employed to provide water when and where it is most needed, avoiding water waste and optimizing vine health. While San Diego County is prone to drought and drought-like conditions, the production of grapes consumes far less water than other common agricultural crops in San Diego County, such as almonds, avocados, or various types of vegetables. Figure 3 below identifies the average statewide water consumption for these commonly grown crops in San Diego County.

Figure 3: Water consumption (statewide) of common crops

Crop	Water consumption (Acre ft/acre per growing season(average)) ⁶
Wine Grape	2.85
Almond	4.49
Citrus and subtropical fruits	4.23
Deciduous fruits	3.7

⁶<https://www.pressdemocrat.com/article/specialsections/these-are-the-california-crops-that-use-the-most-water/>



Winery expansion in the County’s unincorporated area would be required to follow the provisions of the County’s Groundwater Resources guidelines. However, it is noted that all areas located to the east of the California Water Authority (CWA) boundary have limited water resources with access limited to wells, small aquifers, and some naturally occurring surface water. The lack of permanent water resources may result in making winery expansion economically infeasible without annexation into the CWA to allow for extension of water services.

Parcel Configuration

Parcel configuration and location may constrain potential winery opportunities based on development standards or siting requirements. However, as part of the Phase Two program, the establishment of parcel characteristics and siting requirements should also focus on operational requirements, such as noise, lighting, hours of operations, access, and related factors.

Discussions with vintners indicate that operational concepts for parcels vary from vineyard to vineyard depending on topography, location, soils, etc. and parcels ranging from at least five to ten acres up to 20 to 25 acres would provide an ideal size for establishing a winery operation. However, this assumption regarding ideal parcel size may be tested, as current winery trends favor the production of higher end or premium wines on smaller parcel sizes. Discussions with stakeholders indicated that small boutique wineries as small as 1.5 acres in size have successfully operated within the County in recent years.

Research conducted by the RICK team indicates that the industry does not have an accepted standard for productivity (in terms of volumes of grapes grown per acre). Differences in planting arrangements, vine cultures, and local climates and methods all affect the volume of grapes produced per acre. Small wineries have developed several entrepreneurial techniques for wine processing that have reduced the overall financial and equipment investments required for the manufacturing end of wine production. This entrepreneurial concept may also manifest into “land assemblages”, where property owners of non-contiguous parcels and/or parcels under separate ownerships provide grapes under one label.

3.3.1. Potential Unincorporated Land Acreages

Applying the above criteria to selected zones in the unincorporated County, RICK undertook a desktop analysis of potential parcels and acreages that may be available for winery operations. The following Figure 2 identifies land within the Rural Residential, Industrial, Rural Conservation and Specific Plan zones that fall outside Military Installation, Ranges, and Training Areas, are within the San Diego County Water Authority and are on slopes of less than 25 percent.

As identified in the below Figure 4, the majority of RR acreage is contained in parcels smaller than 4 acres in size. However, approximately 26 percent of RR acreage is contained within parcels over 4 acres in size. Conversely approximately 92 percent of M, RC and S88 zoned acreage is contained in parcels over 4 acres.



Figure 4: Number of Parcels and Acreages for RR, M, RC and S88 zones

Parcel Size	Number of Parcels	Combined Acreage
Rural Residential (RR) Zones		
<1 acre	17,932	9,463
1-4 acre	10,294	18,702
4+ acre	1,565	15,820
Industrial (M), Rural Conservation (RC), and Specific Plan (S88) Zones		
<1 acre	4,517	534
1-4 acre	15,558	1,699
4+ acre	1,011	24,996

3.4 San Diego County Winery Market

The U.S. Department of Treasury’s Alcohol and Tobacco Tax and Trade Bureau (TTB) grants individual states the authority to oversee alcohol and beverage control. In California, the California Department of Alcoholic Beverage Control (ABC) regulates manufacturers and purveyors of alcohol via a licensing system. Data obtained from the ABC Department in April 2023 indicates that there are approximately 213 winery operations within San Diego County that have valid Type 02 permits to produce, sell or blend wine. However, according to a RICK desktop analysis, due to duplicates in records and non-active permits, only 167 unique wineries operate in the County. This number of unique wineries is reflective of the 166 unique active and planned wineries identified by the 2023 San Diego County Vintners Association Economic Impact Report⁷. In addition, the ABC does not classify individuals producing up to 200 gallons of wine annually for personal consumption as winegrowers. Therefore, the actual figure of active operators within the County may exceed the figures identified above.

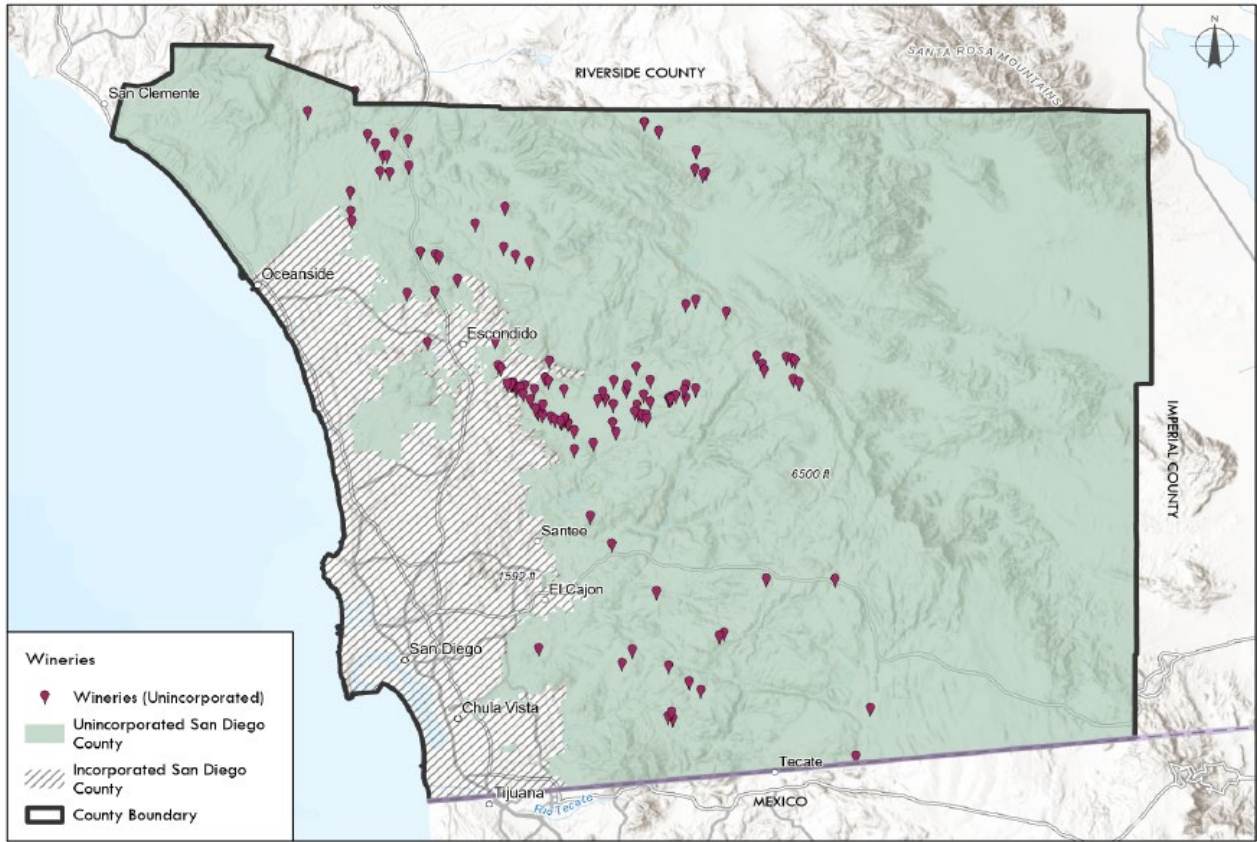
Furthermore, the San Diego County Vintners Association has cited the passage of the County’s landmark winery ordinance in 2010, and its amendment in 2016, for significantly increasing opportunity and investment in the wine sector in the unincorporated County over the last 13 years.

Figure 5 below identifies the locations of wineries within the unincorporated County, according to GIS databases provided by the County capturing either unpermitted or permitted winery operations.

⁷ SDVA Economic Report 2023



Figure 5: Locations of Existing Wineries in the Unincorporated County



Source: RICK Planning + Design

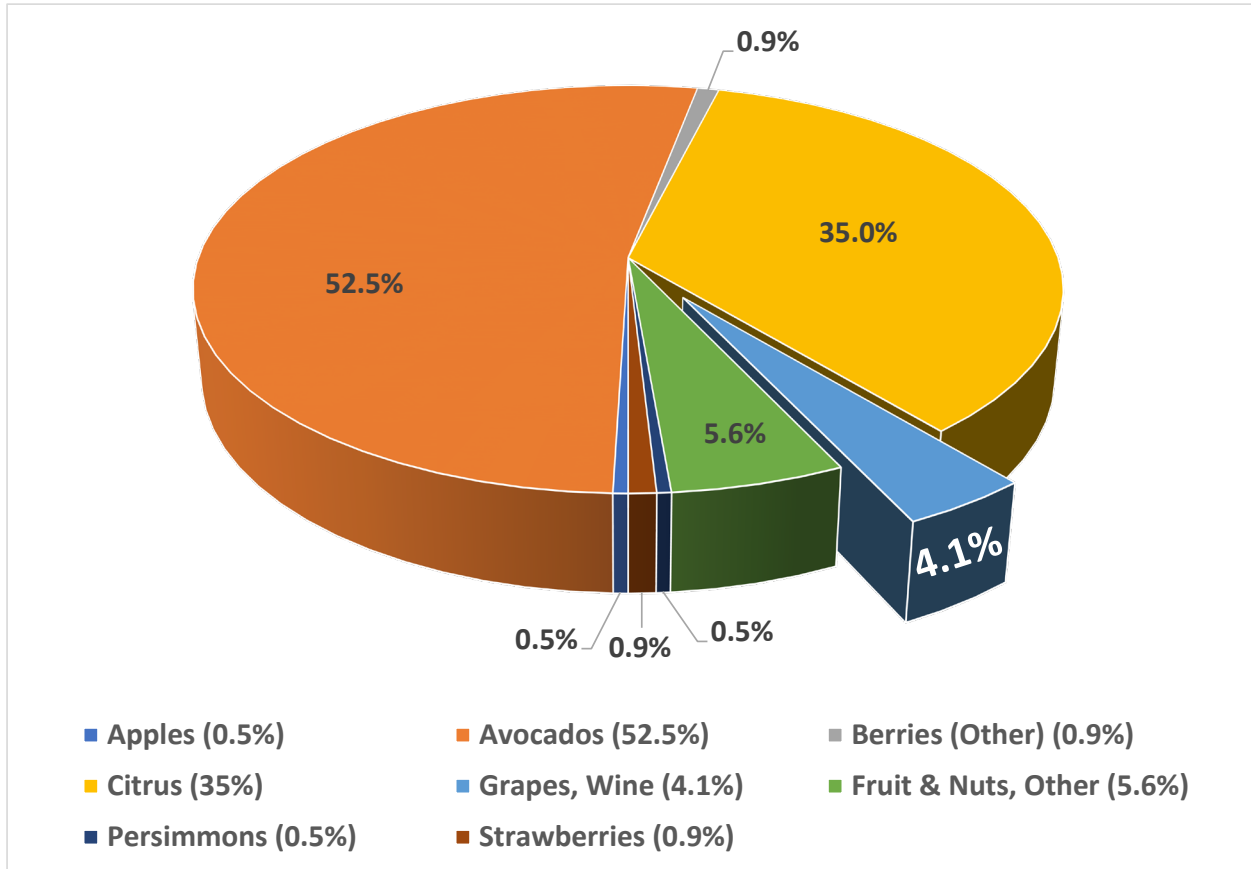
3.5 Agricultural Diversity

San Diego County has a wide variety of commercial agriculture activities. Figure 6 below shows that grape production represents a very small portion of the agricultural acreage in comparison to the growing of fruit and nut crops. As noted in the County’s 2022 Crop Statistics and Annual Report, acreage devoted to grape production represented only 4.1 percent of the nearly 24,000 acres in the County farmed for fruit and nut crops.

The RICK team only focused on the historical data related to the production of grapes. As discussed in the subsequent pages, the acreage devoted to grape production has increased over the last 13 years since the passage of the County’s winery ordinance but has fluctuated from year to year as growing conditions have changed and as the overall economy has expanded or contracted. However, nominally, it would be expected that as grape production increases within San Diego County, the number of wineries will also increase with the current Board direction to expand winery opportunities. This trend would be in line with historical patterns, in which the number of wineries has increased as total acreage devoted to grape production has increased over time.



Figure 6: San Diego County - Acreage of Fruit and Nut Crops, 2022



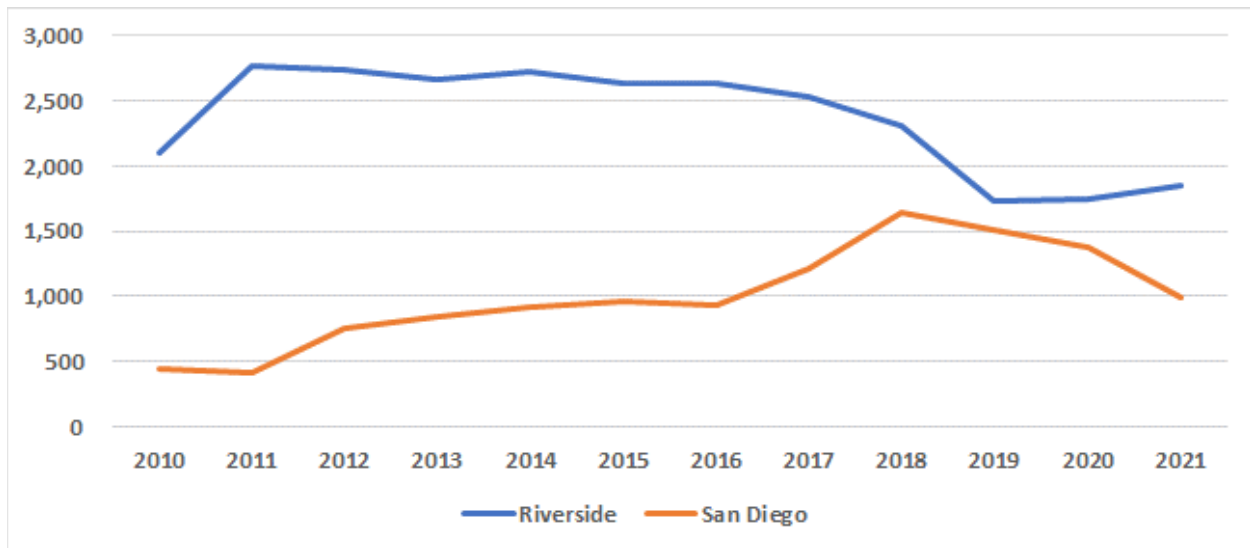
Source: County of San Diego 2022 Crop Statistics & Annual Report

3.6 Competing Wine Markets in Southern California Counties and Mexico

Riverside County, including the Temecula wine country, serves as the most direct local area of competition for wineries operating in San Diego County. Riverside County continues to have a larger winery industry, based upon acres of grapes grown and quantities of wine produced, compared to San Diego County. As shown on Figure 7, during most of the 2010s San Diego County increased its acreage of grapes grown, while the acreage in production in Riverside County decreased. The table implies that San Diego County is “exporting” more grapes produced within San Diego County compared to Riverside County. However, it is noted that these trends reversed starting in 2018 and 2019 with Riverside County’s acres of production marginally increasing and the acres of production in San Diego County decreasing. While wine production logically fluctuates from year to year based upon differences in growing conditions, the overall growth of grape production over the years supports the expansion of wineries in the San Diego County area.



Figure 7: Grape Production Acres, San Diego County vs. Riverside County, 2010 – 2021



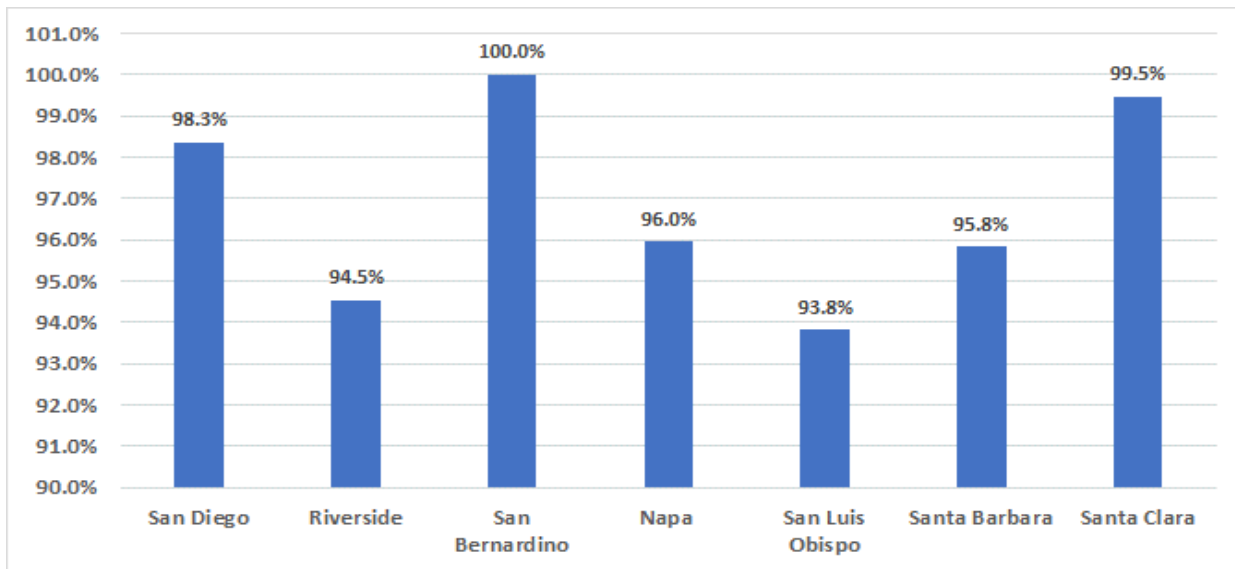
Sources: County of San Diego, Crop Statistics & Annual Reports, 2010 – 2021; Riverside County Agricultural Production Reports, 2010 - 2021

San Diego County has generally performed well in terms of the percentage of total grape growing acreage that has produced in recent harvests. As outlined in Figure 8, over 98 percent of the total grape acreage in the County produced bearing fruit in 2022, compared to 94.5 percent in Riverside County. Most of the major grape growing counties in California reported that between 95 and 100 percent of their grape acreage generated product in 2022, which means that the crop did not experience significant losses due to weather or other conditions.

As illustrated in Figure 9, Riverside County winery operations generally produced a greater quantity of grapes per acre compared to operations in San Diego County during the 2010 to 2021 period. San Diego County reported a peak in terms of grape yield per acre in 2012, with an average of six tons of grapes per acre, but then declined to two tons per acre by 2017. The grape yield per acre remained steady at two tons per acre in San Diego County over the 2017 through 2021 period. Riverside County reported lower yields per acre than San Diego County between 2011 and 2014 but has reported consistently higher yields since 2017. Yields per acre approached seven tons per acre in Riverside County for the 2021 growing year. This may imply that Riverside County has larger operations that are able to generate higher yields on a per acre basis, compared to San Diego County, which tends to have smaller grape producing areas.

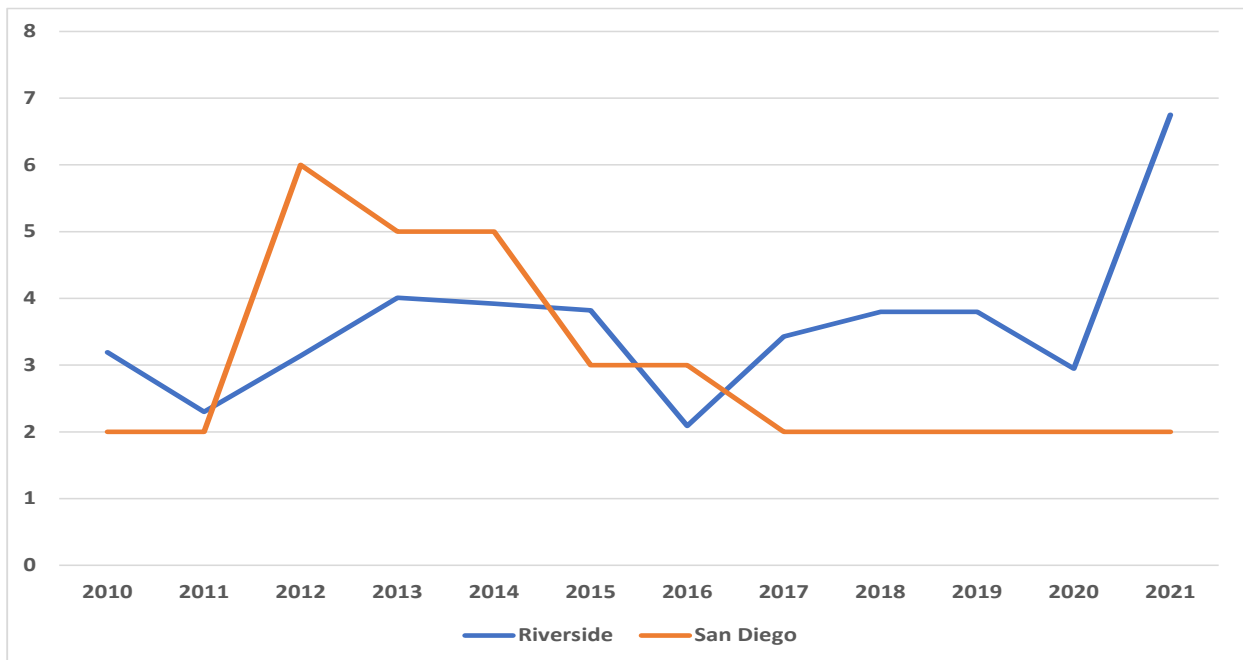


Figure 8: Percentage of Grape Growing Acreage Bearing Fruit, 2022 Crop Year



Source: Grape Acreage Report, 2022 Crop, Calif. Department of Food and Agriculture in cooperation with USDA's National Agricultural Statistics Service, April 19, 2023

Figure 9: Average Tons of Grapes Produced Per Acre, San Diego vs. Riverside Counties, 2010 – 2021

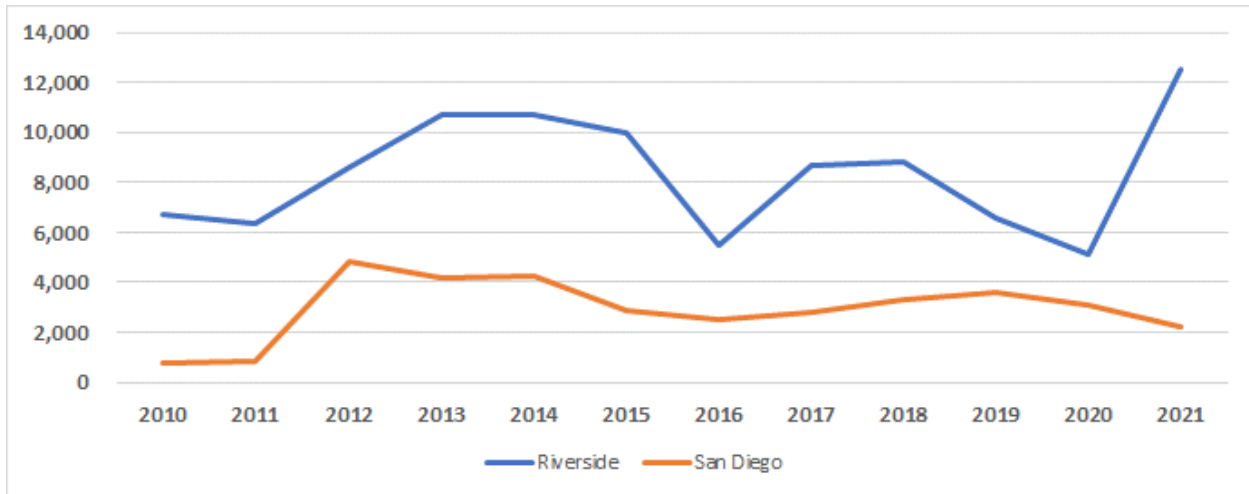


Sources: County of San Diego, Crop Statistics & Annual Reports, 2010 – 2021; Riverside County Agricultural Production Reports, 2010 - 2021

Despite the narrowing of the gap in wine production acreage between the two counties, greater yields per acre for grapes in Riverside County have allowed it to outpace San Diego County in terms of total tons of wine grapes produced over the last decade, as illustrated in the following Figure 10.



Figure 10: Total Tons of Wine Grapes Produced, San Diego vs. Riverside Counties, 2010 – 2021

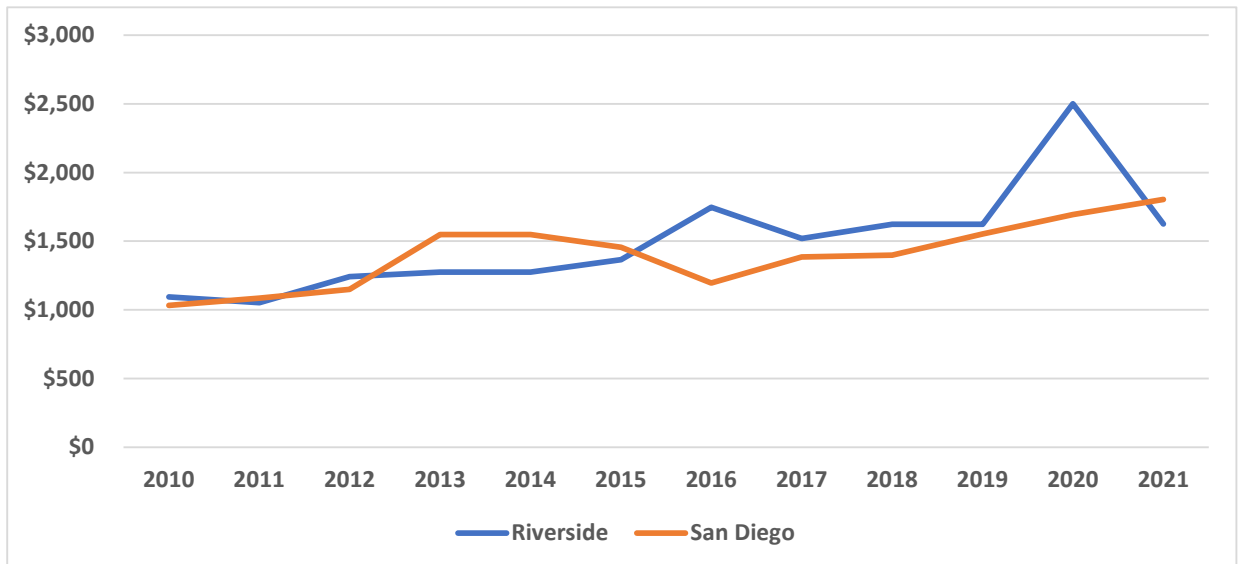


Sources: County of San Diego, Crop Statistics & Annual Reports, 2010 – 2021; Riverside County Agricultural Production Reports, 2010 - 2021

The production of grapes directly correlates with revenues generated for wineries. The winery industry tracks grape production in a given geography on a per-ton basis. In turn, production on a per-ton basis translates into revenues for the wineries. San Diego County experienced a significant upswing in the production of wine grapes in 2012, to nearly 5,000 tons, but total production has still generally fluctuated between 2,000 and 4,000 tons per year over the last seven years.

The revenue generated from grape production, on a per-ton basis, has gradually increased for both San Diego and Riverside counties over the last several years, as shown in Figure 11.

Figure 11: Revenue (\$ per Ton) from Wine Grapes, San Diego and Riverside Counties



Sources: County of San Diego, Crop Statistics & Annual Reports, 2010 – 2021; Riverside County Agricultural Production Reports, 2010 - 2021



Per-ton revenue has increased by over 50 percent in both Riverside and San Diego counties between 2010 and 2021, from approximately \$1,000 per-ton in 2010 to over \$1,500 per-ton in 2021. San Diego County experienced a downturn in revenue on a per-ton basis between 2013 and 2016 but experienced increasing revenues (per-ton) between 2016 and 2021. Riverside County has experienced more erratic swings in revenues paid on a per-ton basis, with price spikes in 2016 and a significant bump for the 2020 year. While these increases in revenues, on a real basis, may be reduced by the impact of inflation over time, the trend still suggests that the revenues have increased significantly in San Diego and Riverside counties over the last decade.

Figure 12 below compares the yield (tons/acre) and the average price (\$/ton) received, for San Diego and Riverside counties, along with the most notable grape producing counties in the state, for the 2019 and 2020 crop years. San Diego County generally trails the larger counties in California in terms of these two metrics.

Figure 12: 2019 and 2020 Grape Harvest Information by County

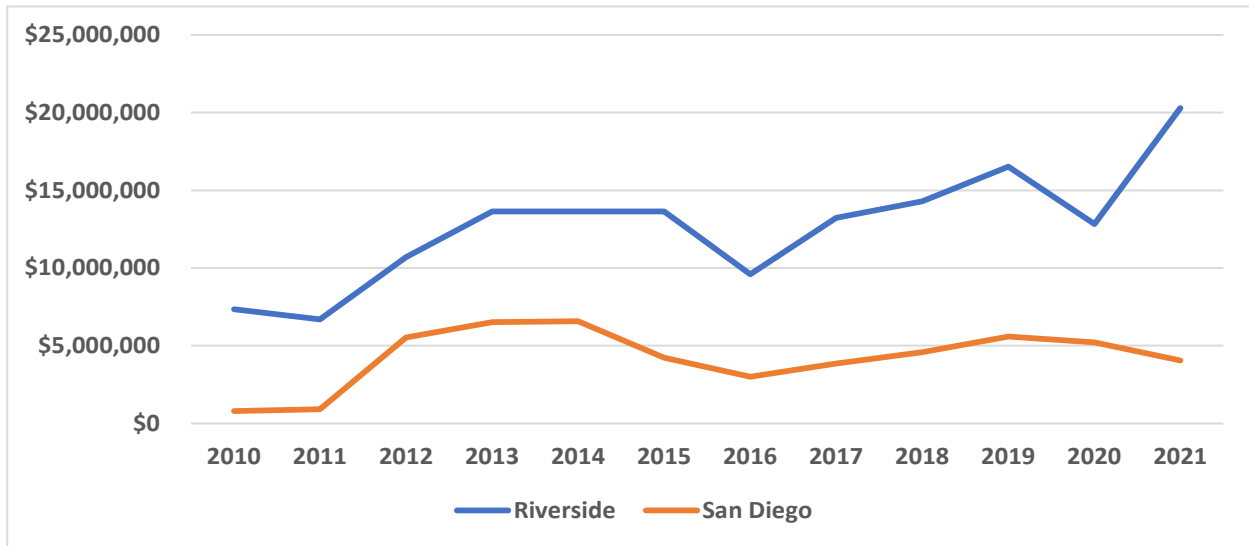
	2019		2020	
	Tons Per Harvested Acre	Dollar Value / Ton	Tons Per Harvested Acre	Dollar Value / Ton
Napa	3.43	\$5,872	2.20	\$4,646
San Luis Obispo	3.38	\$1,699	2.88	\$1,637
Santa Barbara	3.36	\$2,114	3.00	\$2,192
Santa Clara	3.40	\$1,997	3.50	\$1,983
Riverside	3.80	\$1,623	6.72	\$1,625
San Diego	2.38	\$1,552	2.24	\$1,694

Source: San Diego County Economic Impact of Wineries, San Diego County Vintners Association, 2022

Combining the metrics for acreage, tons produced, and price paid per-ton, the total revenue generated from grape production in Riverside County consistently outpaced that of San Diego County during the 2010 to 2021 period. Figure 13 below illustrates the difference in value of grape production.



Figure 13: Total Production Value of Grapes, San Diego vs. Riverside Counties, 2010 - 2021



Sources: County of San Diego, Crop Statistics & Annual Reports, 2010 – 2021; Riverside County Agricultural Production Reports, 2010 - 2021

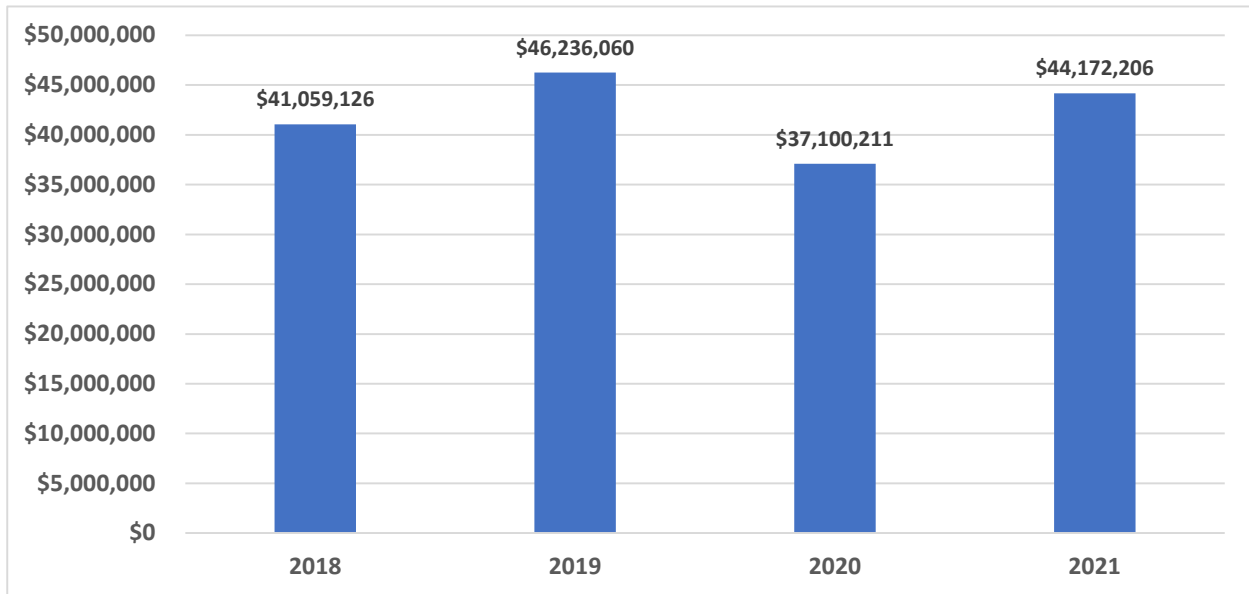
Figure 14 below emphasizes that wineries in San Diego County reported a 19 percent increase in estimated gross sales (which include grape production plus the production of wine and other aspects of their operations) between 2020 and 2021. Estimated gross sales peaked at over \$46 million in 2019, dipped to \$37 million in 2020, in part due to the impacts created by the COVID-19 pandemic, and recovered to just over \$44 million in 2021. The San Diego County Vintners Association notes that, by comparison, the distillery industry in the County generated an estimated \$19.2 million in revenue in 2021.

Wine and grape operations in San Diego County generate an estimated \$4.4 billion in annual economic activity, support 29,700 jobs based in California, result in almost 433,000 tourist visits to wineries, and produce \$911.1 million in annual tourism spending⁸.

⁸ California Wine & Winegrape Impact on San Diego County, Wine Institute and California Association of Winegrape Growers, 2022.



Figure 14: Gross Sales, San Diego County Wineries



Source: San Diego County Economic Impact of Wineries, San Diego County Vintners Association, 2022

Conclusion: Comparison of San Diego County to Riverside County Winery Operations

The overall total production value from grapes in Riverside County increased from just over \$7 million in 2010 to over \$20 million in 2021. Total revenue from grapes in San Diego County increased substantially from 2011 through 2013 but has remained relatively flat since then, with total revenue from grape production in 2021 of just over \$4 million. Winery operations in the Temecula Valley AVA grew from very modest origins in the 1970s and now the Temecula Valley, along with San Diego County, serves as a hub for wineries in the Southern California market. A report commissioned by the Wine Institute and the California Association of Winegrape Growers (CAWG) in 2023 estimated that the Riverside County wine industry generated over 17,000 jobs, total economic activity of \$2.7 billion, nearly 900,000 tourism visits per year, and tourism spending of \$487.4 million annually⁹.

The Board of Supervisors of the County of Riverside adopted a Wine Country Community Plan in 2014, outlining a vision to expand the number of wineries in the county and encourage the development of hotels, restaurants, and other recreational amenities. However, several winery projects in Riverside County did not move forward after 2014 due to a lack of sewer service to the wine country locations. In 2022, Riverside County directed \$19 million in federal American Rescue Plan Act (ARPA) funds to complete two major sewer projects in the wine country. This expansion may result in additional development and expansion of winery operations in the Temecula wine country.

⁹ Economic Impact of California Wine and Grapes on Riverside County, 2022, Wine Institute and California Association of Winegrape Growers



Baja California, Mexico Wineries

In Mexico, Valle de Guadalupe is the primary international wine region competing with San Diego County and is located approximately 70 miles southeast of the San Diego-Tijuana border crossing. It has emerged as the “Napa Valley of Mexico” in recent years. With grape growing conditions comparable to those of Napa County, Valle de Guadalupe produces wines that are typically full-bodied and robust, but contain an attractive mineral character which is attributed to the proximity of the region to the ocean and groundwater irrigation¹⁰. The Guadalupe Valley has more than 200 wineries and has enjoyed significant growth as a popular tourist destination for tastings, boutique hotels, Baja cuisine, wine tours, and food and wine festivals. Baja California has 260 wineries and produces over 70 percent of the \$2.4 billion worth of wine annually produced in Mexico¹¹. Wine-related tourism brings in an estimated 3.6 billion pesos (US \$180 million) of annual revenue to Baja California¹². The number of acres dedicated to grape production in Mexico is experiencing a steady average growth rate of 10 percent per year¹³.

Valle de Guadalupe hosts numerous festivals that attract international visitors, including the Valle Food and Wine Festival, an event featuring dozens of chefs and winemakers from the U.S. and Mexico. The Valley also features music venues including amphitheatres and hosts various music festivals each year.

Wine producers in Valle de Guadalupe cite over-development as one of the biggest risks facing the region. The Valley has lost over 2,500 acres of land that at one time was either fallow or being used for grape production to the development of homes, businesses, and temporary and permanent concert venues. The region lost 18 percent of its agricultural lands between 2014 and 2019. According to information from the Institute of Metropolitan Research and Planning of Ensenada, the number of cultivable hectares will decline from 5,445 hectares in 2017 to approximately 2,000 hectares within the next five years. The Institute also projected that by 2037 the only remaining farmlands in Valle de Guadalupe will be acreage upon which wine grapes are already planted. The Institute and various growers are concerned that uncontrolled growth in the region is having negative impacts on water, soil, agriculture, and the overall landscape of the Valley¹⁴.

Overall wine production in Mexico increased from 2013 through 2016 but fell sharply in 2017, as illustrated in Figure 15 below. Wine production has slowly increased in recent years, with production in 2022 valued at 2.66 billion Mexican pesos (\$148.4 billion USD). Changes in inflation and changes in the exchange rate between U.S. dollars and Mexican pesos may impact the “real” change in revenues for Mexican winery operations in comparison to San Diego County. The figures quoted in this section represent nominal numbers, unadjusted for inflation and currency exchange rates.

¹⁰ “10 Emerging North American Regions Producing Incredibly Tasty Wines”, Provi.Com.

¹¹ “The Number of Wineries and Sustainability Initiatives are Increasing in Mexico”, *Forbes*, February 15, 2023.

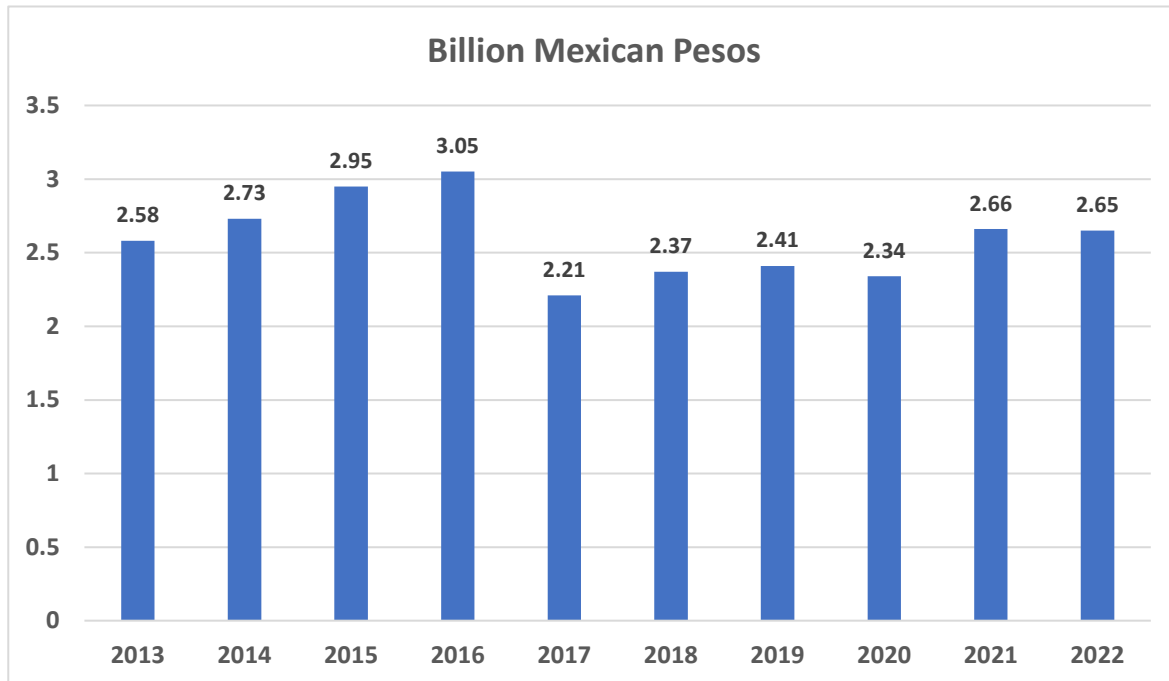
¹² “Winemakers plead for regulation of urban development in Valle de Guadalupe”, *Mexico News Daily*, September 8, 2022.

¹³ “The Number of Wineries and Sustainability Initiatives are Increasing in Mexico”, *Forbes*, February 15, 2023.

¹⁴ “Winemakers plead for regulation of urban development in Valle de Guadalupe”, *Mexico News Daily*, September 8, 2022.



Figure 15: Historical Trend in Mexican Wine Production (Billion Mexican Pesos)



Source: Statista, 2023

3.7 San Diego County Transportation Screening Criteria and Analysis

The County of San Diego commissioned a study by Fehr & Peers and Intersecting Metrics, completed in September 2022, that provides a technical memorandum supplemental analysis on the implementation of SB 743 and the County’s adoption of the Transportation Study Guide (TSG). The primary objective of the VMT supplemental winery analysis was to provide additional substantial evidence to supplement the information, analysis results, and thresholds contained in the adopted TSG.

The County’s TSG identifies seven different types of screening criteria for VMT where a project would be considered to have a less than significant impact under CEQA. It was determined as part of the supplemental analysis technical memorandum for winery projects that the following two screening criteria in the TSG would be the most applicable:

- **Small Projects** – Following the Governor’s Office of Planning and Research (OPR) Technical Advisory on Evaluating Transportation Impacts in CEQA, December 2018 (Technical Advisory), projects generating less than 110 daily vehicle trips may be presumed to have a less than significant impact.
- **Locally Serving Retail/Service Projects** – Following guidance provided by OPR, locally serving retail/service projects comprising less than 50,000 square feet may be presumed to have a less than significant impact.

As part of the technical memorandum for winery projects, a supplemental trip generation analysis was conducted based on the latest industry trip generation rates and the unique characteristics of winery business operations. This analysis resulted in a formula which new discretionary winery projects could



utilize to determine if they meet the *small project* screening criteria in the TSG, which is less than 110 Average Daily Trips.

The other supplemental analysis completed as part of the technical memorandum involved identifying existing wineries within San Diego County located within a three-mile buffer of one of the existing winery clusters or located in areas that have a population density (within three miles) of 2,200 people per square mile. Meeting these thresholds was considered as qualitative substantial evidence to meet the *Locally Serving Retail/Service* threshold identified in the TSG. Please refer to Appendix A for the Three Mile Exhibit.

If a winery project was able to meet either the *small project* threshold or *Locally Serving Retail/Service* threshold based on the utilization of the supplemental analysis identified in the technical memorandum, it would be considered to have less than a significant impact for VMT under CEQA. The two screening criteria can be applied to local serving wine operations and tasting and special events trips, and thus would represent the maximum capacity the winery facility would have to host events or be allowed to occupy the site. The 110 Average Daily Trips (ADT) equates to 137 persons per day at a given event. The memorandum is incorporated into the Options presented later in this report to quantify and provide CEQA compliance for VMT efficient projects.

The concluding statement of the guidelines indicates the following:

“If a winery with a tasting room/event space meets any of the following characteristics it would be presumed to have a less than significant transportation VMT impact:

- *Small project screening: the maximum size of a winery tasting room that qualifies for the small project screening criteria is 1,135 square feet. In addition, wineries that have an event space that can host 137 people or less would also be considered a small project. In the case that winery does host an event with more than 137 people they will be required to apply for a special event permit from the Department of Public Works with the County of San Diego. Wineries with events shall also obtain the applicable permit in accordance with the Zoning Ordinance depending on the operating characteristics of the winery.*
- *Wineries that are located within a three-mile radius of an existing winery cluster (San Pasqual Valley, Ramona Valley, Fallbrook area, and Valley Center area).*
- *Wineries that are located such that the three-mile radius around them has a population density of 2,200 people per square mile or greater.”*



3.8 Effect of COVID-19

As with other hospitality related industries, the COVID-19 pandemic had a negative impact on San Diego County’s wine industry. In-person shopping, tasting and in-restaurant purchases declined during the 2020-2021 period (due to shutdowns and COVID restrictions) but more people purchased wine for consumption at home during the peak of the pandemic period¹⁵.

According to the San Diego County Vintners Association, in 2020 San Diego County wineries generated approximately \$37.1 million in gross sales, a 19.6 percent decline from an all-time-high of sales reached in 2019 (\$46.2 million)¹⁶. However, wineries have largely moved past the COVID-19 pandemic with the San Diego County Vintners Association reporting that nearly half (45 percent) of 2023 survey respondents indicated that their business had returned to normal level of operations with an additional 16 percent indicating that there had been little to no effect on their business¹⁷.

This report assumes that the trends toward industry recovery from the COVID-19 period will likely continue. This trend is likely despite other challenges facing the industry, including increases in input costs that may have been exacerbated, or caused by, the pandemic.

3.9 Conclusions: Winery Industry Overview

The Phased approach for the updating of the Tiered Winery Ordinance serves two primary purposes. The Phase One documentation pinpoints the issues, barriers and challenges facing the winery industry. Second, Phase Two will leverage this information to implement a simplified overall approval process that addresses and promotes winery operations and supports agricultural uses.

Phase One – Tiered Winery Expansion Feasibility Analysis provides a snapshot of the challenges facing the current winery industry, and the County continues to refine, adopt, and amend the policies, criteria, and processes related to winery processing.

Phase Two – will require a collaborative, holistic planning process that outlines a permitting approval process that is simplified, reduces costs, provides for environmental clearances, and provides winery operators a path forward to grow the wine community.

Takeaways:

- San Diego County has experienced growth in the winery and related businesses since 2010, with the passage of regulations governing wineries in the County. However, the scale of grape production in the County (in terms of acreage) continues to trail Riverside County and other larger production counties in California.
- The Valle de Guadalupe region of Baja California has emerged as the top wine country in Mexico and given its relative proximity to the San Diego / Tijuana region, may pose a competitive threat to wineries in the County. While Valle de Guadalupe faces risks from overdevelopment, wineries

¹⁵ [Generation Z and Workers from Home Drove the Growth of California Wine Consumption During the COVID-19 Crisis Lockdown](#)

¹⁶ San Diego Vintners Association 2021 Annual Report

¹⁷ San Diego Vintners Association 2023 Annual Report



in San Diego County will need to continue to offer wines and experiences that retain business from locals and draw more visitors its market.

- San Diego County offers several land use designations for winery operations, depending on the size and preferences of wine operators and vintners.
- The central portion of San Diego County, from the northern border to Mexico, presents the best physical locations for grape production and the operation of wineries. Factors such as soil, climate, topography, access, and the availability of water limit the potential to develop wineries in several areas of the County, most notably in the desert areas to the east.



4. Economic and Fiscal Analysis

This Chapter outlines the economic and fiscal analysis undertaken to determine potential fiscal benefits from winery operation expansion within the unincorporated County. Below are a set of limitations to the analysis and conclusions of this report. Phase Two of the feasibility analysis will address these limitations and provide additional data for consideration.

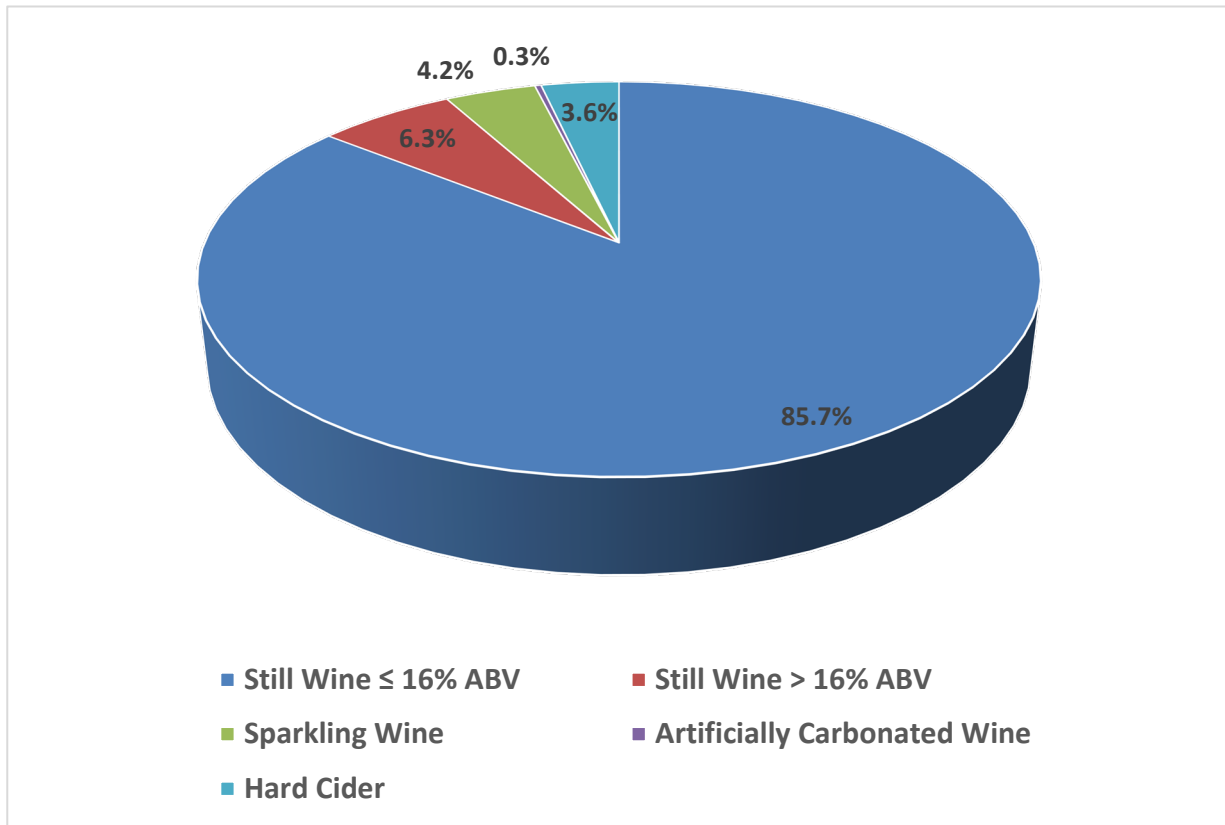
1. This report does not contain a detailed fiscal impact analysis regarding the impact of winery expansion on the County of San Diego, as data necessary to perform this part of the analysis is not available. As the degree of winery expansion may become more definitive and quantifiable after the selection of an option (from this report) by the Board of Supervisors, Phase Two of this analysis may provide more detail concerning the fiscal impacts resulting from expansion of wineries in the unincorporated County.
2. The wine industry has lacked the visibility and consistent data to provide demand projections, as the trends concerning the consumption of wine by younger generations of consumers remain cloudy. As such, this report provides only high-level projections of demand for wine. As additional data becomes available in 2024, the Phase Two analysis should be able to provide more definitive projections of wine demand in San Diego County going forward.

4.1 National and State Trends in Wine Production and Winery Operations

Of the 752 million gallons of wine produced in the United States in 2022, wine and sparkling wine (at various alcohol levels) accounted for approximately 96 percent of production, as shown in Figure 16 below.



Figure 16: Breakdown of U.S. Wine Production, 2022



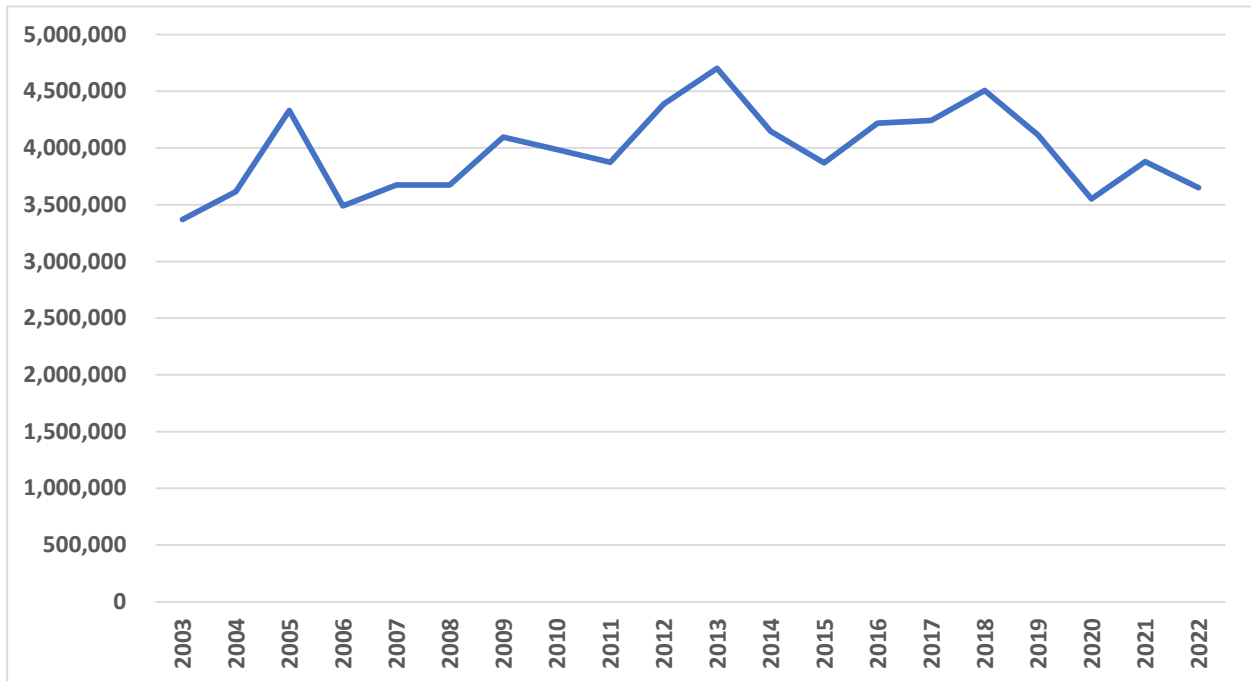
Source: U.S. Department of the Treasury, Alcohol & Tobacco Tax & Trade Bureau

As shown in Figure 17, grape production figures for California reveal that the state’s production has varied over the last decade, depending on growing conditions. More difficult growing conditions caused by the ongoing drought resulted in smaller harvests in 2021 and 2022. Statewide production has not registered below 3.5 million tons of grapes, however, since 2003. Production peaked at 4.7 million tons in 2013.

However, the price of wine grapes per-ton across California has continued to grow steadily over the last 20 years, with the exception of a major dip in the price during the COVID year of 2020, as shown in Figure 18.

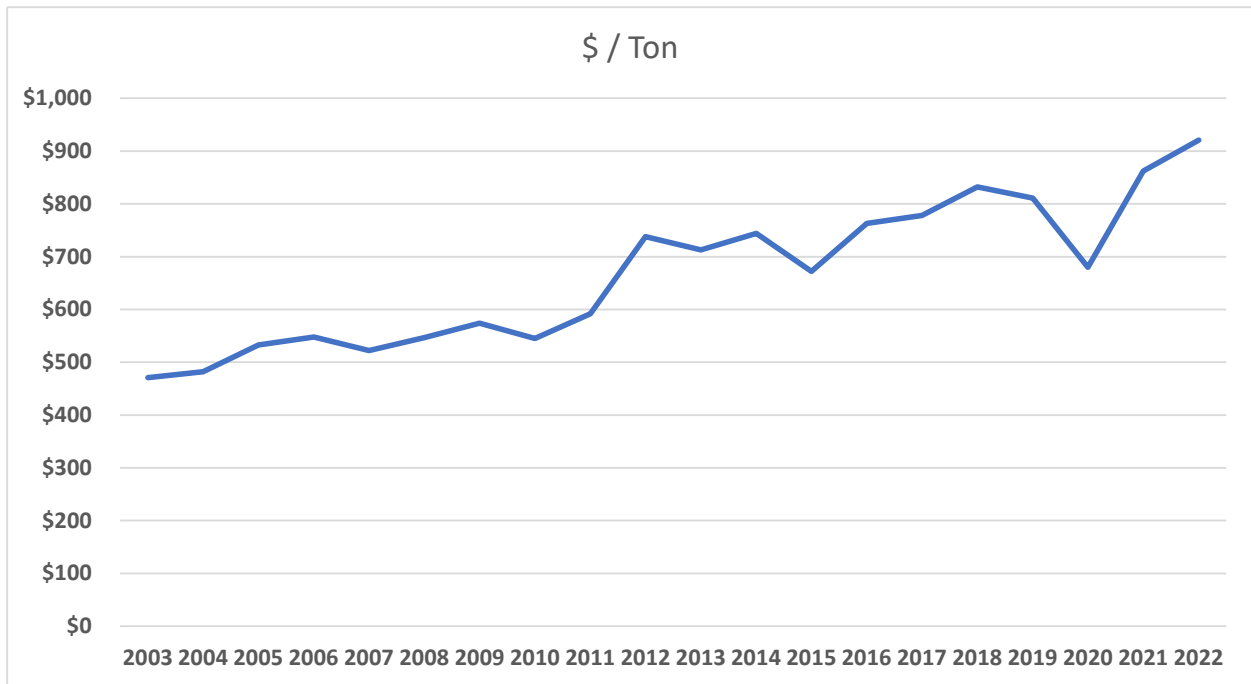


Figure 17: California Grape Production (in Tons) by Year



Source: California Grape Crush Report, Final 2022 Crop

Figure 18: Price (\$ Per-Ton) for Wine Grapes, California

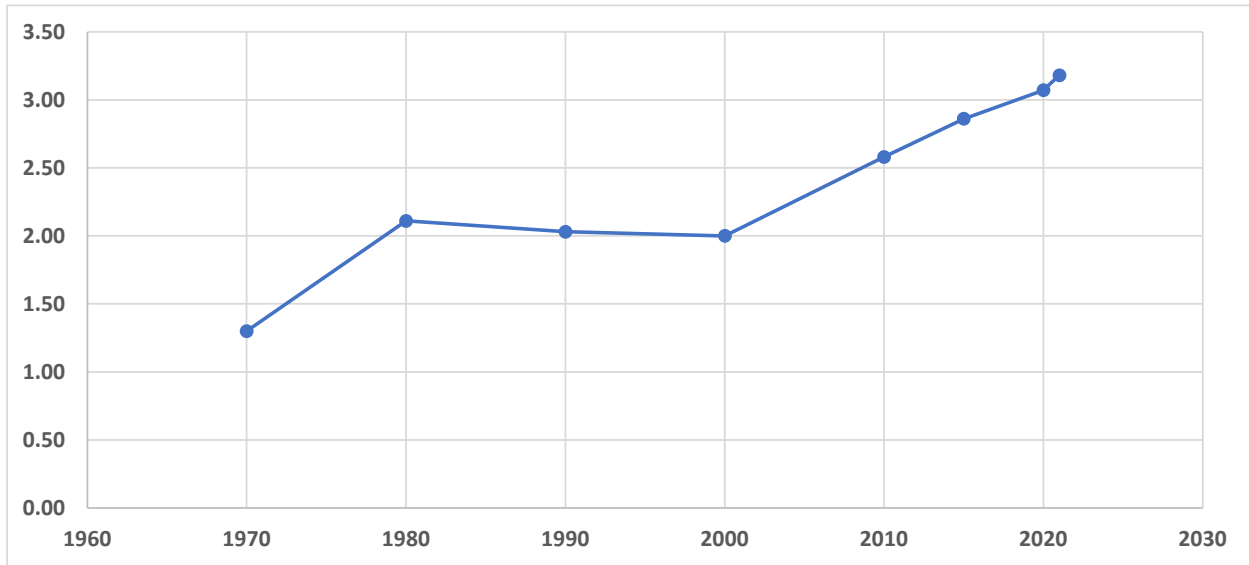


Source: California Grape Crush Report, Final 2022 Crop



Consumption of wine, on a per capita basis, has steadily increased over the last 50 years, as outlined in Figure 19. The U.S. reported total wine consumption of 3.18 gallons per capita on an annual basis in 2021.

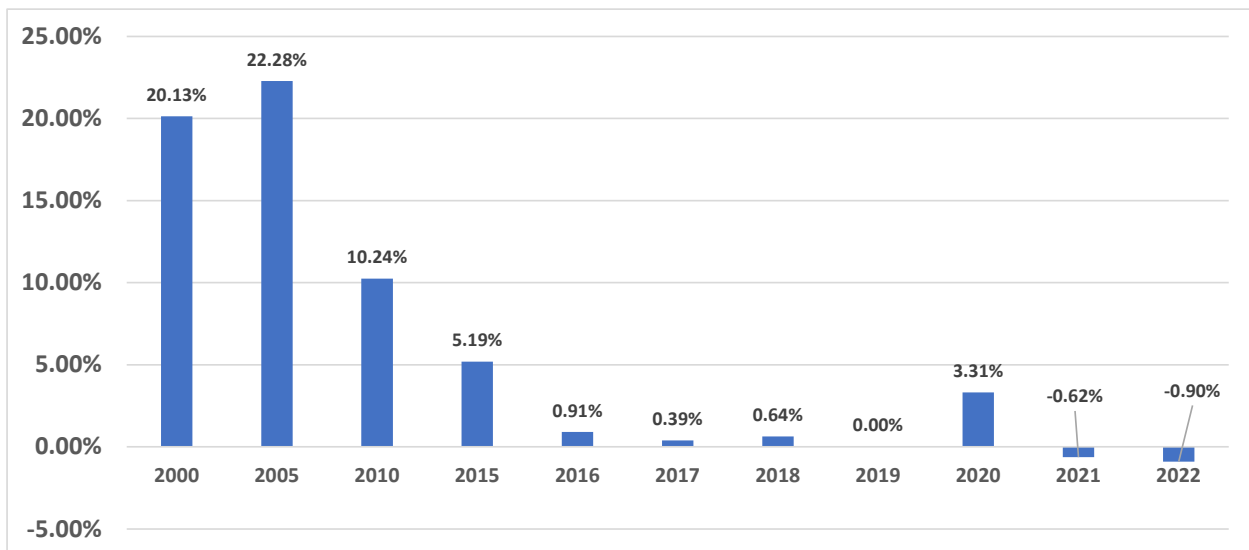
Figure 19: Historical Trend in Per Capita Wine Consumption (U.S.)



Source: The Wine Institute

The wine industry experienced tremendous growth in the 1980s and 1990s as the very large Baby Boomer demographic group entered their prime earning years and began to increase their consumption of wine. However, over the last seven years the wine industry has experienced minimal overall growth, as competition from beer and new offerings such as seltzers has increased. Figure 20 indicates that the U.S. wine industry has experienced exceedingly slow growth since 2015 and reported negative growth in 2021 and 2022.

Figure 20: Year Over Year Change in Wine Consumed, United States



Source: State of the US Wine Industry 2023, Silicon Valley Bank



The wine industry continues to perform well with Baby Boomers older than age 60. However, wine has failed to attract as large of a following among the Millennial and Gen Z generations. Figure 21 below shows that the older age groups (above age 60) accounted for a much larger share of the wine market in 2021 compared to 2007. In turn, the share of sales to people between the ages of 40 and 60 has declined precipitously over the last 15 years.

Figure 21: Share of Direct-to-Consumer Sales by Age Group, U.S.

Age Group	2007	2009	2011	2013	2015	2017	2019	2021
21 – 30	6.5%	6.0%	6.5%	6.7%	9.4%	8.7%	7.5%	6.6%
30 – 40	19.2%	17.5%	17.0%	17.2%	17.9%	18.5%	18.0%	17.9%
40 – 50	27.8%	25.9%	24.4%	22.9%	20.8%	19.8%	19.7%	20.4%
50 – 60	28.1%	28.5%	27.9%	26.9%	25.0%	23.3%	23.2%	22.6%
60 – 70	14.2%	17.0%	18.1%	18.6%	18.5%	19.0%	19.9%	19.7%
70 – 80	3.5%	4.7%	4.9%	6.0%	6.5%	8.2%	9.2%	10.0%
80 - Plus	0.9%	0.6%	1.3%	1.7%	1.8%	2.4%	2.6%	2.9%

Source: State of the US Wine Industry 2023, Silicon Valley Bank

In its annual report, “State of the US Wine Industry 2023”, Silicon Valley Bank (one of the top finance sources for winery ventures across California, prior to its collapse in March 2023) painted a dim view of the industry’s future. Sales of premium wines increased 9.7 percent in 2022 despite headwinds generated by the lingering effects of the pandemic and rising inflation. However, sales of wines priced below \$15 decreased in 2022 and as a result the industry experienced negative growth for all of 2022. Silicon Valley Bank projects negative sales growth in 2023. Consumers under the age of 50 have diversified their drinking to other sources, including seltzers, beer, and craft cocktails. Rising costs for labor and other inputs continue to put pressure on margins for U.S. wineries.

Finally, the wellness trend toward reducing alcohol intake is also cutting into sales of wine and other types of alcohol. As younger consumers experiment with “mocktails” and consume less alcohol compared to earlier generations, the winery industry faces additional headwinds going forward. The aging of higher end consumers in the wine market is the biggest risk factor facing the industry. While people are living longer, the Baby Boomer generation will inevitably decline in size each year. The wine industry must find a way to enhance its marketability to adults in their prime working years (and thus, their prime period of income generation and disposable income). Solving the “demand problem” is the biggest overall challenge facing the U.S. winery industry today.

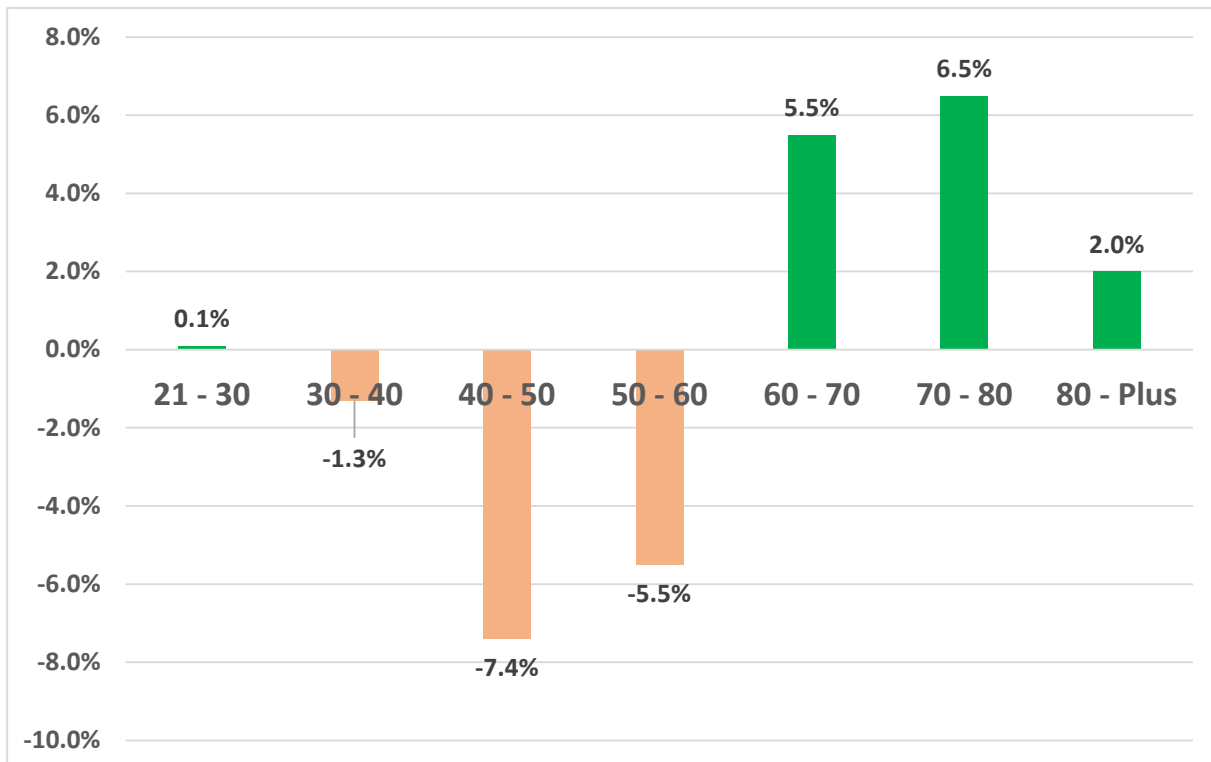


Many observers across the wine industry are looking for a workable “on ramp” to guide Millennials and Gen Z to increase their consumption of wine. Sales of wine coolers (such as Bartles and Jaymes) helped serve as an “on ramp” to generate interest in wine for the Baby Boomer generation during the 1980s. However, a viable “on ramp” strategy has not emerged to generate increased sales of wine to these younger generations.

As restaurants increasingly offer shorter wine menus and have diversified their drink menus to include seltzers and craft cocktails in lieu of wine, wineries are focusing more of their sales on direct-to-consumer channels. The Silicon Valley Bank report calls for the wine industry to increase advertising, explore new ways to provide trials of their products to consumers (besides wine tastings) and other sales strategies to help solve the demand problem.

Despite the negative tone of Silicon Valley Bank’s report, it did note that, as a positive, growth in the wine community outside of California continues. Smaller wineries continue to pop up in San Diego County, across California, and across the country, and the Mexican wine industry continues to grow. Importantly, these non-traditional regions are making wine at affordable prices and bringing in younger consumers in the process. In addition, while the U.S. wine crop was smaller the last two years, this provided a silver lining, in that these harvests reduced overall wine inventories and insulated the industry from a potential recession. Furthermore, the report noted that small wineries focusing on providing premium wines have enjoyed greater success over the last few years.

Figure 22: Change in Share of Direct-to-Consumer Sales by Age Group, 2007 – 2021, U.S.



Source: State of the US Wine Industry 2023, Silicon Valley Bank



4.2 Projected Demand in Unincorporated San Diego County

Given the overall “demand problem” facing the U.S. wine industry, in particular the decreasing demand for wine among the Millennial and Gen Z demographic groups, projections of demand for San Diego County wineries remains uncertain. However, smaller wine regions around the country have fared somewhat better than the macroeconomic story for wine across the nation, and San Diego County features a wide range of smaller wineries, many focusing on premium wines, which remain in favor in terms of sales. Thus, San Diego County has the potential to diverge from the national trend and produce increased sales over the near term and long term. In addition, part-time and small hobby vineyards can be feasible for individuals not relying on these operations for short-term profitability. These smaller wineries and retail wine tasting rooms also help in introducing wine consumers or first-time wine tasters to new grape varieties and the traits of regional wines in the San Diego County area. Prospective owners of both large and smaller vineyards face the inevitable operational and financial pressures faced by operations of all scales, but smaller operations can help in growing the wine industry in the County going forward.

The overall growth of the San Diego County area in terms of population will drive increases in demand for wine and grapes from operations based in the County. Projections by the San Diego Association of Governments (SANDAG) indicate that the San Diego region will grow by 436,522 residents, or by a total of 13.2 percent, between 2016 and 2050¹⁸.

Projections for demand for the wine industry are not available or anecdotal at the national or state-wide level.

4.3 Discussion of Fiscal Benefit and Financial Considerations

Wineries and winery-related businesses provide varying levels of fiscal benefits to the County. Multiple financial factors impact the overall level of financial viability for winery or winery-related operations, as discussed in this section.

Wineries, tasting rooms, and associated operations provide the following categories of fiscal benefit to the County (in the form of tax revenues and the multiplier effects of spending).

- General sales taxes levied on the sale of wine directly.
- Sales taxes levied on goods and services (such as tours) offered at wineries and related businesses.
- Tourism taxes generated from visitation to San Diego County to visit wineries (in the form of hotel taxes, taxes on rental cars, etc.)
- Increases in property tax revenue generated from the development of wineries, tasting rooms, and related retail operations in unincorporated portions of the County.

¹⁸ Series 14 Regional Growth Forecast and Baseline Subregional Allocation



As revenues from the wine industry have increased, the fiscal benefit to the County has logically increased over the last decade. However, a breakdown of revenue growth attributable to each of the multiplier effects outlined above is not available. The County does not levy a specific sales tax tied to alcohol and thus this metric, tied directly to winery operations, is not available to reflect the fiscal benefit to the County. More detailed analysis on a vendor-by-vendor basis, to determine the impact of winery operations on general sales taxes, tourism taxes, and property taxes would be necessary to pinpoint and quantify the fiscal benefit generated to the County from the growth in winery operations over the last decade.

The following discusses the projected financial returns from prototypical winery/grape growing operations in San Diego County. The University of California – Davis, through the UC Cooperative Extension, analyzed winery operations in the Livermore Valley in 2021 and generated the following as a sample proforma for the financial returns on per-acre basis from the establishment of a winery in this growing region of California. The proforma incorporates assumptions regarding the cost of purchasing land, establishing winery operations, and generating revenue from the sale of grapes, on a per-acre basis. The revenue and expense metrics for San Diego County may differ somewhat, given differences in growing conditions, real estate and operating costs, and other factors. The sample proforma for the Livermore Valley indicated that a typical winery would generate a net margin of approximately 24 percent on an annual basis. While the revenues and costs may fluctuate by region in California, the following sample proforma in Figure 23 provides a high-level overview of the financial returns a new operator may expect in other areas of California, including San Diego County. Phase Two may include the development of specific proformas for prototypes, based upon the more detailed physical and site analyses anticipated to be completed as part of Phase Two.

Figure 23: Costs and Returns per Acre to Produce Wine Grapes, Livermore Valley

Sample Proforma (per Acre of Operations)	Value or Cost Per Acre
Gross Returns / Acre (Sale of Wine Grapes)	\$11,200
Operating Costs / Acre	\$3,961
Net Returns Above Operating Costs (per Acre)	\$7,239
Cash Overhead Costs / Acre (Taxes, Insurance, Repairs, etc.)	\$869
Net Returns Above Cash Costs (per Acre)	\$6,370
Non-Cash Operating Costs / Acre (Building, Fuel, Land, Tools, Vineyard Establishment)	\$3,587
Net Returns Above Total Cost (per Acre)	\$2,783
Net Margin	24.8%

Source: Winegrapes Cost and Return Study, Livermore Valley – 2021, UC Cooperative Extension, Agricultural and Resource Economics, UC Davis.



4.4 Discussion of Fiscal Costs to the County from Potential Winery Operations

Wineries and associated operations in the County provide several positive effects, including the following:

- Wineries and associated operations generate additional revenue for the County and create additional interest in tourism in various geographic areas around the County.
- The presence of wineries helps to diversify the local economy and diversify the range of land uses exhibited in unincorporated portions of the County.

However, the expansion of winery operations into additional zones within the County may have the potential to generate direct or perceived fiscal burdens on the County and operators, across the following categories. Additional and more detailed analysis would be needed to quantify the fiscal costs to the County resulting from these categories of costs:

Agricultural Clearing Permits – The County is currently reviewing how to simplify the processing of permits and exemptions, which could significantly reduce threshold criteria to make on-site clearing more feasible. However, the process of obtaining grading and clearing permits is costly and time-consuming and involves the completion of technical studies related to environmental clearances.

Traffic management and enforcement – Increased development of wineries in the unincorporated portion of the County could result in increased demands for traffic controls and traffic enforcement resulting from increased traffic on roads that provide access to/from new wineries or expanded wineries. Furthermore, increased traffic from winery operations could hamper emergency evacuation procedures in the event of adverse environmental events that require an evacuation order, such as flooding or wildfires.

Administrative costs – An aggressive approach to tracking, processing and monitoring wine permits would increase administrative costs. In addition, the need for other County departments to assist with applications and approvals of potential wineries may result in the need for additional staff and associated employment costs to the County.

Fire Compliance – The County Fire Department is a key partner in the monitoring and public interface regarding health and safety concerns at wineries and retail event spaces. The department considers compliance issues on a case-by-case basis pertaining to access improvements and the provision of adequate water supplies, fire sprinkler systems for larger wineries, fire hydrants, and related considerations. These general health and safety inspections may increase the case load for County staff and could result in increased staffing costs for the County.

Stormwater – For all ministerial and discretionary permit processes, new development and redevelopment projects must comply with the County Watershed Protection Ordinance (WPO) and the Municipal Separate Storm Sewer Systems (MS4). This process requires site planning, erosion control plans, grading and/or drainage plans, and related studies, which can make projects economically infeasible.

Wastewater Systems – A considerable cross section of the unincorporated County is served by septic systems. Expansions of agricultural uses, such as wineries and retail wine tasting operations, must



demonstrate and provide evidence of having sufficient septic system capacity, or of having sufficient service provided by on-site wastewater systems. Costly upgrades to septic systems or costly projects to provide on-site wastewater systems may be required in conjunction with winery-related projects. Other projects may require the extension of sewer systems to serve a winery (if an area is served by a public wastewater system). The costs of these sewer system extensions would also represent a constraint on growth and a potential fiscal cost to the County or other jurisdictions.

Department of Public Works Traffic Operations – This department would require Traffic Control Plans/Permits regarding how wineries will accommodate traffic and parking for large events, and 2) Sight distance certifications for project access driveways.

4.5 Opportunities and Challenges Facing Winery Operations

Based upon national and state trends, winery operations in San Diego County face the following opportunities and challenges going forward.

Opportunities:

- Wineries have continued to develop across the County over the last decade and the industry has the potential to develop an even stronger reputation across the region, the state, and the nation as an up-and-coming winery region.
- The San Diego County region continues to grow and continues to attract higher income residents that represent potential customers for premium wine, which continues to enjoy positive sales growth on a national basis.
- The diversity of grapes varietals grown in San Diego County offers a unique opportunity for expansion into other regional markets.
- San Diego County has a stronger and larger economy than Riverside County and has the potential to leverage this context to continue to grow the winery industry.

Challenges:

- The rising costs of labor and other inputs will likely continue to put pressure on the profitability of winery operations across San Diego County and across the nation over the next few years.
- The high costs of water, wastewater or sewer service, energy, labor, and housing will continue to negatively impact the financial viability of winery operations across the County.
- Rising costs for transportation / fuel and other inputs will continue to impact wineries across the County.
- The winery industry continues to face challenges in securing sufficient labor. The very tight labor market in San Diego County has increased wages across the County, including for agricultural labor, which has increased financial pressure on winery operations.



- Supply chain issues continue to present challenges to wineries across the country. Over the last few years, wineries have experienced supply chain issues with glass, cardboard boxes, and other supplies, and the industry has had to compete with other industry sectors for the provision of many inputs needed for winery operations.
- As the number of wineries across San Diego County continues to grow, the industry faces the risk of reaching saturation, or having too many different wineries from which to choose. This situation may make it difficult for new entrants to emerge in an already crowded market. Since it takes many years for grape vines to reach maturity, it is possible that expansions in grape production (in terms of planting) would result in oversaturation of the local market several years into the future.
- The impacts of climate change (ranging from droughts and fires to floods) threaten the viability of winery operations in California. The production of a gallon of California wine requires the use of 496 gallons of water¹⁹, and the recent drought has threatened to limit the supply of water, from the Colorado River and other sources, which is used in the winery industry. Researchers anticipate that between 25 and 73 percent of suitable growing areas in existing wine regions will become unusable for grape production by 2050²⁰. During the same period, grape production may expand into northern climate zones, including additional areas in the Pacific Northwest and British Columbia.
- The rising cost of real estate needed to produce grapes may impede growth in wineries in Southern California. Demands to use lands for other purposes (including rural residential) may drive land prices too high to make grape production feasible in parts of San Diego County.
- Coupled with existing regulations, zoning restrictions and CEQA applications for new or expanding wineries can be prohibitive to conduct wine operations, making it expensive to navigate and comply with local and state regulations. These regulatory headwinds, combined with the rising costs of real estate and operations, have created significant impediments to the expansion of winery operations in the County.

¹⁹ World Wildlife Fund, www.worldwildlife.org

²⁰ "Climate Change Will Radically Alter World Wine Map", *Wine-Searcher News & Features*, April 9, 2013.



5. Stakeholder Outreach

5.1 Overview

RICK Planning + Design undertook a comprehensive stakeholder outreach program aimed at soliciting best practice research. As part of this endeavor, the Project Team organized a series of four outreach workshops, one internal and four external, designed to foster dialogue and gather valuable input from County Staff, residents, stakeholders, industry experts and wine enthusiasts alike. Through these interactive workshops, the Project Team sought to build upon research to analyze the feasibility of potential expansion of winery operations within the unincorporated County.

This section summarizes the feedback garnered as part of these workshops with internal County staff and external stakeholders.

5.2 Internal Stakeholders

RICK Planning + Design hosted insightful and engaging virtual internal workshops, bringing together various divisions of the Planning & Development Services Department of San Diego County. The purpose of these workshops was to foster collaboration and gather valuable feedback regarding winery operations, as well as identify the challenges and opportunities that exist within the County. The workshops provided a platform for participants to share their expertise and perspectives, contributing to a comprehensive understanding of the local winery industry. The first workshop was conducted on April 6, 2023 and the second workshop was held on October 5, 2023, attended by the stakeholders identified in the table that follows.

Figure 24: Departments and Divisions for County of San Diego Internal Stakeholders

County of San Diego Internal Stakeholders	
Department	Division
Planning and Development Services	Long Range Planning (Lead Division)
	Sustainability Planning
	Project Planning
	Land Development
	Code Compliance
Environmental Health and Quality	Onsite Wastewater Treatment Systems
	Retail Food
	Wells
	Housing
County Fire	San Diego County Fire Protection District



The following provides a summary of the discussions and observations between the internal stakeholders, categorized by topic area.

Permitting:

- The Ramona Valley area, including within the existing AVA, is an area of recent winery expansion.
- Common issues uncovered in the processing of discretionary permits for wineries pertain to traffic and VMT, noise, biology, and water availability and allocation.
- Wineries that want to provide on-site consumption of food that is not pre-packaged, such as crackers or pretzels, require permitting through the Department of Environmental Health and Quality and must meet the requirements of the California Retail Food Code.
- Wineries that serve a minimum of 25 persons for at least 60 days out of a year would require a public water system permit to operate, issued by the State Water Resources Control Board, Division of Drinking Water²¹.
- Most wineries are smaller and maintain operations under the thresholds of the County's VMT ordinances. However, large wineries have VMT challenges associated with traffic generated from tasting rooms and events.
- Traffic-related challenges for wineries concern the provision of adequate lines of sight at project driveways and the ability of access roads to safely accommodate the volume of traffic anticipated to be generated by wineries. The impacts appear to be related to roadways not being constructed in anticipation of higher traffic volumes resulting from winery operations. Access roads may need to be improved to County Private or Public Road Standards to adequately and safely accommodate added winery traffic. Funding sources would need to be identified to pay for private and/or public roadway improvements.
- At the time of interviews, oversized vehicles (i.e., buses, shuttles, etc.) visiting wineries were not causing significant issues on either roadways or shoulders. However, oversized vehicle traffic could become an issue in the future with the increase in wineries, depending on their location on smaller or private roads. Participants noted that the County has requirements for providing on-site oversized vehicle parking and turnaround areas to help mitigate these traffic operation concerns, and these requirements should be enforced.
- County of San Diego permitting receives frequent phone calls from members of the public regarding damage to private roads and easements as a result of additional traffic generated by wineries.

Environmental:

- Major environmental challenges include impacts to biological resources and the potential for groundwater depletion including drawdown effects on neighboring wells. County staff are aware

²¹ https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/Permits.html.



that the required technical reports to support project applications are expensive and can preclude further winery development, especially for smaller operations.

- Mitigation efforts that may be required for clearing or grading can be expensive and prohibitive to the continuation of the project.
- Development east of the boundary of the San Diego County Water Authority is generally required to complete hydrological and/or soils reports to determine where and how much water is available. These reports are expensive and time-consuming and can prohibit the realization of projects.
- How would this analysis impact the preservation of existing agricultural lands, especially being considered in the North County Multiple Species Conservation Plan (MSCP) under the Priority Conservation Areas?

Code Enforcement:

- Complaints received by the Code Enforcement Division come from neighbors and/or competitors and usually concern noise and traffic issues.
- The Tiered Winery Ordinance requires the reporting of various metrics. However, most operations are not consistent in submitting harvest quantities to zoning or enforcement officials. This lack of information on harvest quantities results in a decrease in the ability of the County to track compliance.
- Wineries are inspected annually for fire issues and are generally in compliance, with relatively few violations uncovered.
- Code infractions pertaining to fire protection relate to the presence of locked gates and issues with driveway widths and general access. Locked gates are a notable issue as they impede access by emergency services to these properties after hours.

Sustainability:

- The Organic Materials Ordinance was adopted in September 2022 and therefore at the time of this analysis (mid-2023), there has been limited opportunity to evaluate its effectiveness.
- There is potential for coordination with the Climate Smart Land Stewardship Program, which is currently in-development and was previously known as the Pilot Carbon Farming Program.
- Winery operations should be able to process their own organics on-site, regardless of zoning categories. This lessening of zoning restrictions could provide opportunities to decrease operating costs.

Health and Quality:

- Food service must be conducted in a properly approved and permitted food facility. Depending on the scale and type of operation, and the land use allowance for food service based on the tier under which the winery operates, food service could be conducted from a small full-service



restaurant located on-site, a licensed caterer, a mobile food facility that operates each day but must return to its designated commissary at the end of the operating period, through a designated community event, or from a Microenterprise Home Kitchen Operation that operates from the primary residence with no food prep or storage outside of the private residence located elsewhere on the winery property.

- Expansion can require a Conditional Use Permit and Outdoor Assembly Permit from the Sheriff’s Department, resulting in additional costs for operators.

5.3 External Stakeholders

Four stakeholder workshops were held to seek feedback from external interested parties. The first and fourth events comprised a Public Meeting open to any interested party from the public, whereas the second and third meetings were smaller, targeted events.

Workshop sessions were conducted via Zoom virtual meetings between May 11, 2023, and January 10, 2024. Participants contributed by responding to Zoom poll questions and open forum discussions and live comments were posted to the Zoom chat page.

Figure 25: External Stakeholder Workshop Series Participant Information

Date	Workshop Series	Participant Group(s)	Number of Participants
May 11, 2023	Stakeholder Meeting #1	General Public	16
May 18, 2023	Small Group Meeting #1	Wine Operators Property Owners Farm Bureau San Diego County Vintners Association	4
June 1, 2023	Small Group Meeting #2	US Fish and Wildlife Service California Fish and Wildlife Service California State Water Resources Control Board	6
January 10, 2024	Stakeholder Meeting #2	Wine Operators Winery Architects Property Owners San Diego County Vintners Association Wine Institute	31



5.4 Stakeholder Meeting #1

The County of San Diego sent e-blasts with invitations to Public Meeting #1 to over 4,700 stakeholders. This workshop was attended by wine industry representatives (54 percent of attendees), interested residents (23 percent), Non-Governmental Organizations (NGO's) (8 percent) and other interested stakeholders (15 percent). The meeting began with the PDS staff providing an outline of the Board's direction, the history of the industry, the scope of the project and timelines, and efforts undertaken prior to the workshops. RICK staff then outlined initial findings and solicited feedback from participants through several open-ended questions intended to provoke discussion. The following provides a summary of feedback from the workshop participants:

- Noise from wineries is a common issue, primarily from special events such as weddings or large gatherings. Participants expressed that noise from gatherings can be noticeable around the Fallbrook area.
- Placer County and Oceanside ordinances may be applicable to the County's Best Practice research efforts.
- Permitting processes for existing zones are difficult to overcome and these processes should be investigated to determine any options for streamlining.
- Many rural areas may be unsuitable for new or expanded winery operations due to increased traffic on narrow, rural roads unless upgrades are completed. The County of San Diego annually continues to upgrade roadway surfaces, shoulders, signage, barriers, etc. which should lead to improving rural roads to County Public Road Standards. Funding sources would need to be identified for public roadway improvements.
- Pre-existing issues pertaining to the quality and overall quantity of groundwater resources may be exacerbated with an expansion of winery operations. However, it is acknowledged that winery operations are very efficient via drip irrigation.
- Small wineries can be a viable option and should be encouraged. Examples of small wineries range from 1.5-acre lots (such as the Joy Collins winery in Ramona) to 3-acre lots. However, smaller wineries face greater economic constraints and challenges.
- State ABC data estimates the number of wineries within the County at approximately 200. However, after removing duplicate licenses and inactive operations from the list, the San Diego Vintners Association estimates that there are approximately 140 active operations, with 100 to 120 of these only open on weekends.
- Approximately 60 percent of the wineries within San Diego County are members of the San Diego County Vintners Association.



5.5 Small Group Meeting #1

The second externally focused outreach event was targeted toward wine operators, property owners and non-governmental organizations (NGOs) including the San Diego County Farm Bureau and the San Diego County Vintners Association. The meeting commenced with County PDS staff introducing the project, the tentative schedule, and the intent of the Feasibility Analysis prior to soliciting feedback and discussion from the participants. The following provides a summary of responses from the workshop participants:

- Small wineries can be a viable option and should be encouraged by the County of San Diego.
- One participant offered up anecdotal evidence of an operation residing on five acres, with three acres planted in grapes. This winery operation commenced in 2019 with a Type 2 ABC license and is still going through the County permitting process, highlighting the difficulties in County permitting.
- The Napa, Sonoma, and Los Angeles areas may be out of scale when making comparisons with San Diego County. Suggestions of more comparable counties for the analysis included El Dorado and Placer counties.
- RR lands or other special districts that have not been converted to other uses may provide opportunities for the expansion of wineries.
- The San Diego County Vintners Association outlined that since 2020, the County has lost eight to nine wineries not due to the market, but primarily from family issues or deaths in the family.
- San Diego County produces quality wines which are available to nearby urban areas and the industry has been doing better over the past three years, which has set up the County for success.
- Vineyards are good stewards of the environment and have relatively low water usage.
- Costs for labor and materials are still going up. Advertising for small wineries is very limited and small operations have little operational cushion.
- The County needs to adjust its permitting processes. There are building permit issues, staff reviews are costly, and the permitting of wineries has become bogged down.
- There appear to be opportunities to revise grape origin thresholds within the existing ordinance.
- Some participants provided anecdotal evidence that up to 20 to 25 percent of visitors to tasting rooms are from outside of the County.
- Small wineries regularly find it hard to provide adequate patio space or spaces for food offerings such as food trucks.
- Meeting participants agreed with the approach of the analysis and applauded the County for being creative in approaches to facilitate a stronger, more resilient winery industry within the unincorporated County.



5.6 Small Group Meeting #2

The third external outreach event was intended for institutional stakeholders and was attended by representatives of the US Fish and Wildlife Service, California Fish and Wildlife Service and California State Water Resources Control Board staff. The meeting commenced in the same format as the previous Small Group Meeting with County PDS staff introducing the project, the tentative schedule, and the intent of the Feasibility Analysis prior to soliciting feedback and discussion from the participants. The following provides a summary of responses from the workshop participants:

- Conflicts between agricultural and wildlife movements could create adverse impacts. An example of this conflict was avocado orchard fencing which could have similar negative impacts on wildlife as winery fencing.
- Concerns were raised that an expansion of winery or vineyard operations would result in increased demand for water resources, which are already under pressure. Participants noted that additional drawdowns of water resources may not only have effects on other water users but also on amphibian species.
- Agri-voltaic systems were provided as an example of complementary land uses that agricultural operations could employ to leverage additional revenue streams.

5.7 Stakeholder Meeting #2

The fourth external outreach event was intended to cycle back to previous stakeholders on the proposed options, garner comments or observations. The meeting commenced in the same format as the previous stakeholder meeting with County PDS staff introducing the project, the tentative schedule, and the intent of the Feasibility Analysis prior to soliciting feedback and discussion from the participants on the proposed options under consideration. The following provides a summary of responses from the workshop participants:

- Noise from wineries is a common issue, primarily from special events such as weddings or large gatherings. Participants expressed that noise from gatherings can be noticeable.
- Permitting for wineries within gated communities is an issue in their community and additional oversight of consideration is required by County staff.
- Expanding into RR zones will add to the economic value of the County.
- Offered comments on the tiered winery systems will change the process for permitting Urban Wineries.
- Expressed concerns over the processing costs that will be handed onto the applicants for expanding or establishing a winery and agricultural zoning should not be used for any development in the future.
- Agrees that San Diego County has the opportunity to expand the wine footprint and that the County offers a different experience including reduce travel times.



- Observation that small wineries have received exemptions for water, storm drain, and winery discharge development requirements and costs. These exemptions are based on size and production, however now with a higher concentration of wineries in an area, the agencies are unwilling to allow exemptions. Exempted properties now must mitigate or meet more of the development requirements because the density of wineries nearby has increased.
- Different rules are applied based on departments or agencies review, that causes processing delays and costs.



6. Options Analysis

Expanding upon the Board directives, the County and the RICK team crafted this section to outline options and to provide implementation strategies for potential changes to the County's Tiered Winery Ordinances regarding winery operations. The proposed amendments would be cross referenced with other zoning and policies statements for compliance and consistency. These will draw upon the economic data, stakeholder and community outreach, and Best Practice research described in the previous sections. This section provides a summary of takeaways from discussions with internal and external stakeholders and a recap of overarching health and safety issues that directly impact the viability of expansions of winery operations and activities. It concludes with a brief overview of the Options, a detailed breakdown of each Option, the potential considerations for the Options regarding the California Environmental Quality Act (CEQA), implementation timelines, and cost estimates.

Upon selection of the preferred option by the Board of Supervisors, a comprehensive review will be conducted during Phase Two of the winery ordinance update to define thresholds and standards, establish siting criteria and cross-over referencing, and complete an environmental analysis. This environmental analysis will provide applicants seeking to operate a winery or tasting room with upfront environmental documentation which would generally reduce initial evaluation costs, may lower processing obstacles (depending upon the scale of wine operators), and allow applicants to expand business opportunities. Phase Two may also include the development of Winery FAQs for potential winery operators, provide processing guidance and staff evaluation criteria, and outline potential costs and permit requirements. To supplement the Winery FAQ, the County could establish a checklist for the winery application process (for internal and external use), to reflect the overall approval process, including permits, environmental issues, and guidance for applicants in choosing the appropriate tiered winery option to pursue with the County.

To frame the "Feasibility Options", County staff and the RICK team gathered input from internal and external stakeholders, individual contacts within the broader wine industry, and from within the County's wine industry specifically, to help define the zoning criteria for the winery approval process and the time and fiscal requirements associated with the environmental analysis. The Board's initial direction, in 2021, was to expand the winery categories into the Rural Residential (RR) zoning and use regulations. However, to balance or at least acknowledge future trends in the wine industry and social activities, we have examined other zoning and environmental options for consideration. Currently, the County allows all four winery tiers within the A70, A72 and S92 zoning categories. The proposed options would be complementary to these zoning categories, along with current regulations or criteria, and would only be modified if inconsistencies are determined during Phase Two of the winery ordinance implementation.

Stakeholders Specifics

One common thread the team heard from stakeholders was that many existing winery operators are requesting a re-classification of wine operations from Boutique to Small Winery, primarily to allow by-right hosting of special events, weddings, campaign parties, and larger gatherings to supplement or balance the economics of operating a winery.



A second common thread gathered from the community input concerned amplified noise associated with special events. Wholesale Limited and Boutique classifications prohibit outdoor amplified music. The Small Winery classification allows amplified music pursuant to processing an Administrative Permit which evaluates and sets conditions around the use of music and associated activity. All winery operations must comply with the provisions of Section 36.401 et seq. of the San Diego County Code relating to Noise Abatement and Control.

The third common thread gathered from community input concerned the establishment of tasting rooms within the Small Winery classification. The Boutique Winery classification allows for limited tasting rooms subject to the provisions of Section 6910. However, an important criterion of this classification is that it restricts tasting rooms to **wine tasting and sales of wines produced on-site**. Small Winery classifications allow greater flexibility in tasting room operations, since they allow for the serving of regional or out-of-County wines.

Physical Condition Constraints

However, despite the above, there are two overarching health and safety issues directly related to winery operations or activities that should be acknowledged upfront.

First, the winery ordinance was developed to allow for commercial operations within agricultural zones. As many of the existing structures and utility systems are designed for non-commercial purposes, potential winery operators can face challenges in permitting the use of barns and similar agricultural buildings as tasting rooms and production areas. These challenges exist for all tiers of the winery ordinance but are especially common for wineries expanding from a Boutique Winery to a Small Winery. These impacts are also prevalent for code compliance cases where existing structures and wastewater systems are not able to meet the various code requirements for commercial winery operations.

Examples of potential challenges faced by both the Department of Environmental Health and Quality (DEHQ) and Planning and Development Services (PDS) are ongoing code compliance cases related to unauthorized grading, unapproved expansion, or use of unapproved structures, as well as limitations in the capacities of the septic and water systems. These are generally processed through additional discretionary applications to determine the following issues: 1) whether the water well supply (gpm) is inadequate, and 2) whether the septic/leach field systems are too small. Both limitations may require, for instance, drilling a deeper well, providing an additional well, the redesign or expansion of the existing leach fields or potentially the installation of a larger septic tank to meet the needs of operations.

The second issue is the interface with the San Diego County Fire Protection District and the other unincorporated fire districts, which have indicated that they typically encounter inadequate access to driveways with widths smaller than the 24-foot minimum, poor driveway surfacing (with many driveways composed of dirt material) or inadequate water supply or pressure (as previously noted) and the repurposing of farm structures into a winery or public tasting rooms with poor quality or lack of fire-rated improvements, sprinklers, or emergency access points.



Overall, addressing physical site limitations, public health, and workplace safety considerations can be a lengthy and expensive process, significantly hindering the potential growth of smaller winery operations. The substantial nature of these challenges has, in certain instances, prompted property owners to withdraw their winery-related applications with the County. To achieve time and cost savings in winery permitting, the County could explore ways to achieve permit processing cost efficiencies, streamlining, and accelerated reviews. It may be worthwhile to contemplate integrating these objectives into an initiative, which could assess and develop ways to incentivize agricultural tourism and expand economic possibilities in diverse unincorporated communities.

6.1 Options Overview

Addressing stakeholder discussions and suggestions from our outreach correspondence, vintners and other interested stakeholders revealed that the lack of a cohesive approach to marketing or branding the County's wine industry remains a significant impediment to local operators and the County's winery industry. The PDS / RICK Planning + Design team recommends that the Board consider initiating an engagement process, prior to establishing the work scope for Phase Two. The proposed engagement process – a visioning program – aims at leveraging vintner group participation. This visioning program will center on setting goals and crafting a set of action items, including the development of a cohesive approach to marketing or branding that would directly contribute to identifying strategic steps, objectives, and actions that support sustainable growth of the County's wine industry. The results of this effort would be delivered to the Board via a staff memorandum for review, deliberation, and direction. Neither a CEQA process or a formal adoption would be required to complete the visioning program.

The first option, ***Expansion into Rural Residential (RR) Zones***, would generally be the least time extensive and expensive for applicants and require lower levels of environmental review that fall below CEQA thresholds. The first option, from a CEQA perspective considered as an Addendum to the AG Promotional Environmental Impact Report (EIR), is to reflect the expansion into the Rural Residential zones through approval of an Administrative Permit process. This first option could take from 14 to 16 months to complete with an anticipated cost of \$700,000.

The second option, ***Expansion into RR, RC, M50, M52, M54, M56, M58 and S88 Zoning Categories***, would be moderately time extensive, requiring the preparation of a Supplemental EIR analysis as allowed under CEQA. The Supplemental EIR process could also be prepared due to the scope of expansion of winery operations into seven zoning districts and potential similar impacts as Option 1. County staff would determine whether the proposed zoning amendments, thresholds and/or standards applied would result in new significant impacts or substantially more severe effects, not discussed or examined in the AG Promotional EIR, that would trigger the need for a Supplemental EIR process. The analysis for the second option could take from 16 to 20 months to complete with an anticipated cost of \$1.25 million.

The third option, ***Establishment of Winery District Overlay Zones***, would involve substantial time and expense, requiring the preparation of a new Program EIR analysis as allowed under CEQA. It would require a lengthy period to conduct the review, and the fiscal impact on the County to perform the review would be significantly higher than for the other options. A Program EIR would be required due to the scope and expansion of winery uses into a wider variety of zoning districts (such as RV and several commercial zones



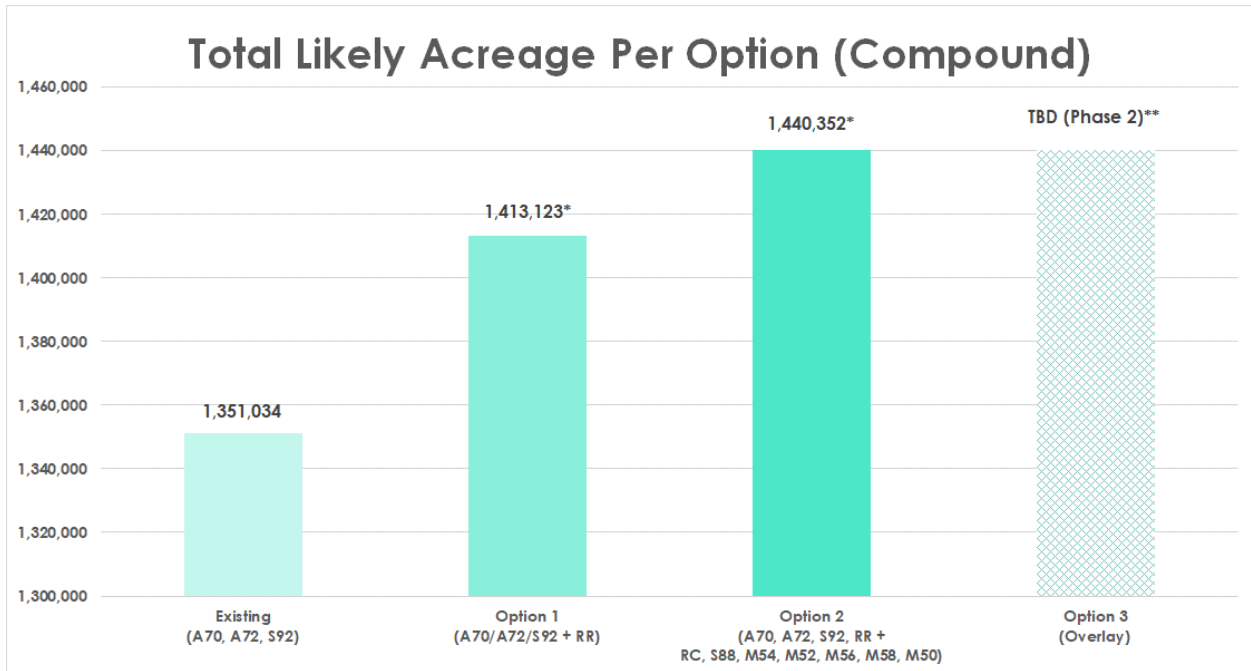
with limitations), the potential of these changes to result in greater environmental impacts and the creation of several zoning overlay districts in selected areas of the unincorporated County. During Phase Two, County staff would determine whether additional proposed zoning amendments, thresholds and/or standards applied, and characteristics of the Winery District overlays, would result in new significant impacts or substantially more severe effects (not discussed or examined in the AG Promotional EIR) that would trigger the need for a new Program EIR. The estimated timeframes for implementation of this third option could range from 20 to 26 months to complete with an anticipated cost of \$1.75 million.

Figure 26: Winery Expansion Options Summary

Summary of Tiered Winery Options				
Option	Option Characteristics	CEQA Documentation	Estimated Timeline	Estimated CEQA Cost*
Expansions into RR Zones	Allowed expansion of Tiered Winery Ordinance to allow for Wholesale, Boutique, and Small Wineries	Addendum	14 to 16 months	\$700,000
Expansion into RR, RC, and M zones /Specific Plan Zone S88	Allowed expansion of Tiered Winery Ordinance into Industrial and Specific Plan zones	Supplemental EIR	16 to 20 months	\$1.25 million
Winery District Overlay Areas	Establishment of selected Winery District Overlay areas for selected zones	Program EIR	20 to 26 months	\$1.75 million



Figure 27: Acreages for Expansion Options



* Acreage totals for Options 1 and 2 exclude Military Installation, Ranges, and Training Areas

** Acreage totals for Option 3 would be determined as part of work under Phase 2.



6.2 Option 1: Expansion into Rural Residential (RR) Zones

Option 1 allows for an incremental step by establishing a new baseline for winery operations within desired threshold or standards. These thresholds and standards would be complementary to the existing Tiered Winery Ordinance (Section 6910) while providing a regulatory framework that protects the characteristics desired for rural lands in the County. Thresholds or standards for Option 1 may take the form of additional requirements for the siting of new winery operations or facilities or additional analyses related to access, driveways, noise, lighting, and buffers to protect adjacent rural residential uses.

The Rural Residential (RR) designation is intended for very low-density residential uses on land generally unsuitable for intensive development with density limitations of 1 dwelling unit per 20 acres. The nature of Rural Residential areas varies from valley floors to rolling ridges to steep slopes and many areas potentially include biological resources. These resource areas are typically assigned a “G” Designation and are subject to the Sensitive Resource Area Regulations of the Zoning Ordinance (which require a Site Plan Review Process) and require the completion of a Resource Management Plan approved by the County prior to any development, including clearing or grading.

The County Zoning Code Section 2180 states: *“Typically, the RR Use Regulations would be applied to rural or semi-rural areas where urban levels of service are not available and where large lots are desired. Various applications of the RR Use Regulations with appropriate development designators can create buffers between residential and agricultural uses, family or small farm areas, or large lot rural residential developments.”* In addition, under Section 6157 (b), Agricultural Tourism activities may be allowed in the RR zones as an accessory use to the primary agricultural operations under specific criteria.

Only a portion of the nearly 206,362 acres in the County’s Rural Residential category would be feasible for the development of winery facilities due to ownership, environmental or physical constraints and issues with the size or configuration of individual parcels. In addition, only a portion of the Rural Residential lands would be considered for winery operations, given the desires of many landowners to retain their current uses. In determining the portion of RR zoned land that could be feasibly developed for winery facilities, the Project Team excluded acreages east of the County Water Authority line, parcels with a slope gradient exceeding 25 percent, and parcels located within military installations, ranges, and training areas (MIRTA). This calculation results in the total RR acreage of 206,362 being reduced to approximately 45,892 acres (or 22 percent of land) that could realistically be expected to allow the opportunity to develop a winery facility under Option 1. To further define the feasibility of a winery facility, our team assessed how many RR acres were within the County’s VMT Efficiency Areas, which resulted in 33,793 acres. This acreage calculation indicates that approximately 16 percent of the 206,362 acres is suitable for winery development.

This first option is crafted to create winery opportunities for Wholesale Limited, Boutique and Small Winery properties which are zoned RR to be allowed under specific circumstances through an Administrative Permit review process. Option 1 represents an increase of 13 percent in potential RR zoned parcels to be allowed by an Administrative Permit with specific performance standards related to siting and operational components to apply for a winery permit.

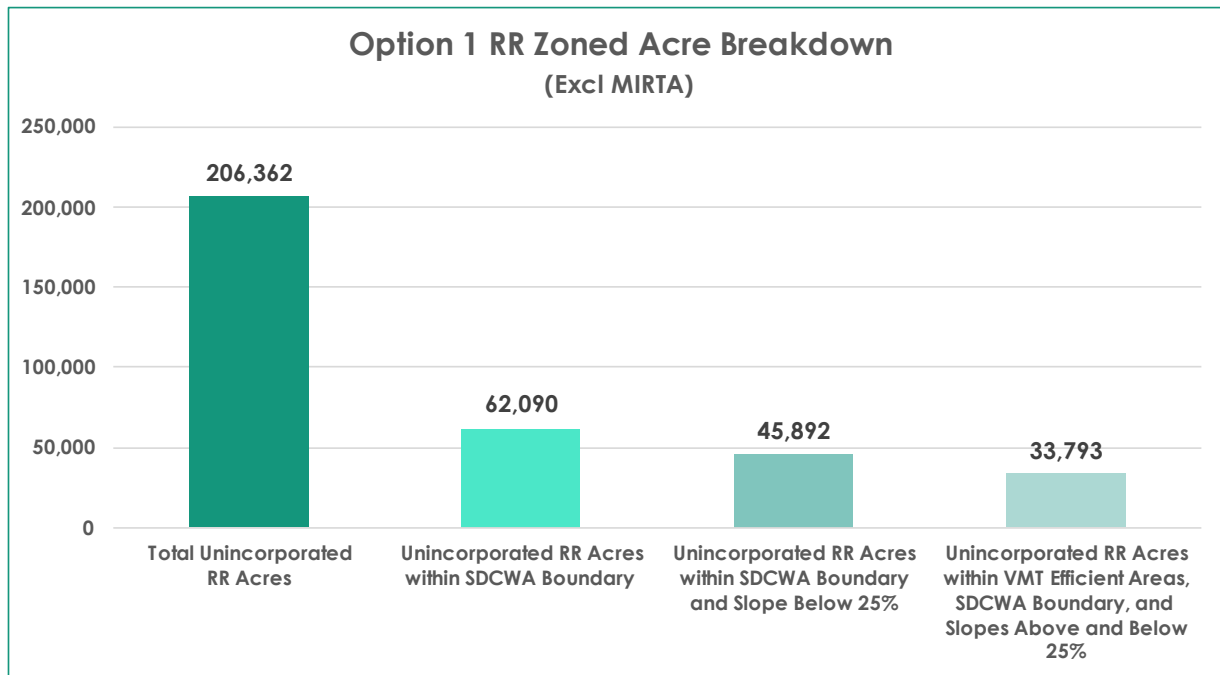


The key benefits of Option 1 are that it simplifies the application process, identifies obtainable thresholds, allows additional land uses to have winery operations with an Administrative Permit, and in some cases may minimize environmental requirements. This analysis could take between 14 and 16 months to complete with an estimated cost of \$700,000.

Figure 28: Option 1 Explanatory Matrix

Option 1 - Expansion into Rural Residential (RR) Zones with clarifying thresholds and limitations				
Zoning Classifications	Winery Classifications			
	Wholesale Limited	Boutique	Small Winery	Winery
RR- Section 2180	Admin Permit & Performance criteria	Admin Permit & Performance criteria	Admin Permit & Performance criteria	Allowed – MUP
A70 -Sections 2700/6910	Permitted subject to limitation & performance criteria	Permitted subject to limitation & performance criteria	Permitted subject to limitation & performance criteria	Allowed – MUP
A72 -Sections 2720/6910	Permitted subject to limitation & performance criteria	Permitted subject to limitation & performance criteria	Permitted subject to limitation & performance criteria	Allowed – MUP
S92 - Sections 2920/6910	Permitted subject to limitation & performance criteria	Permitted subject to limitation & performance criteria	Permitted subject to limitation & performance criteria	Allowed – MUP

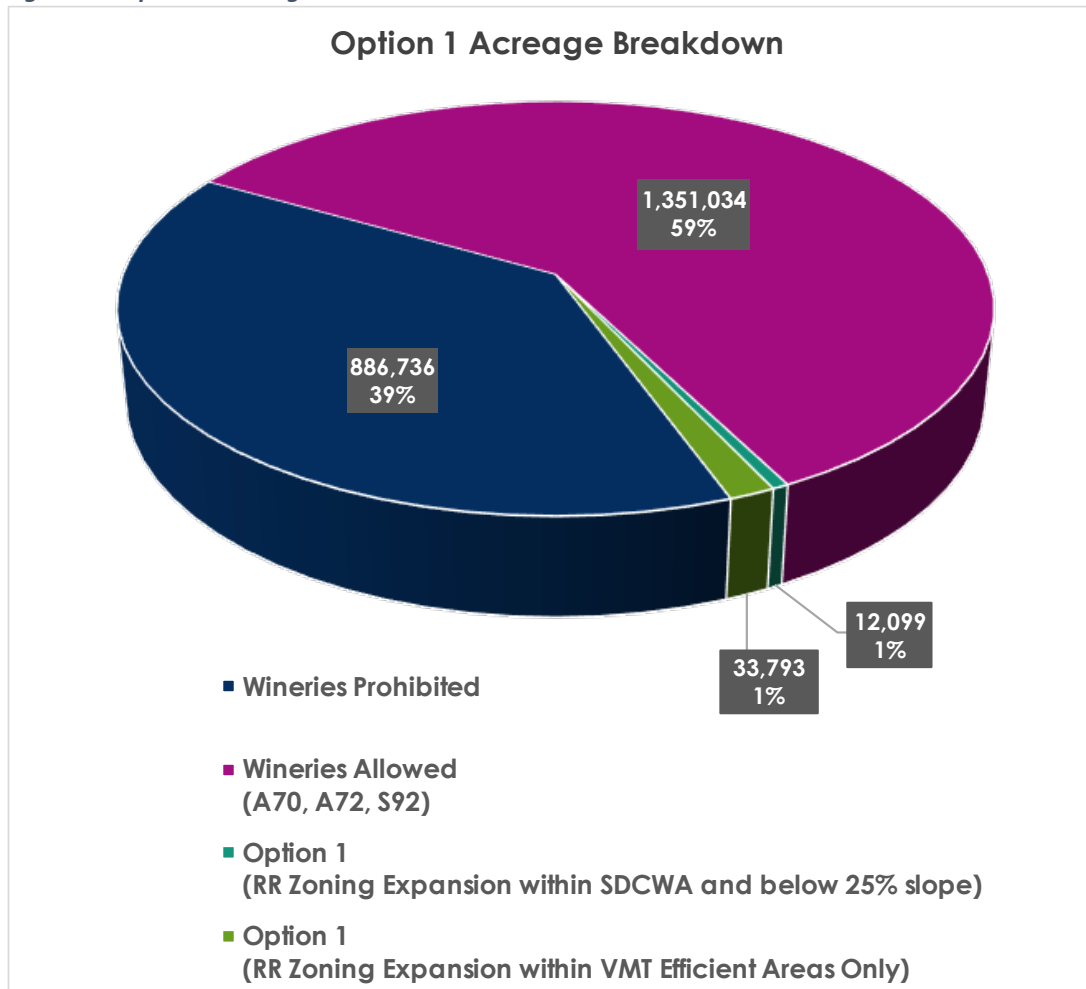
Figure 29: Option 1 Acreage Breakdown



Source: RICK Planning + Design.



Figure 30: Option 1 Acreage Breakdown



Source: RICK Planning + Design.

Opportunities – Option 1 meets the Board’s initial directive, provides guidance to the applicants seeking permits and may allow for a more simplified process. The primary benefit is to allow greater flexibility for the expansion of wineries (Wholesale Limited, Boutique, and Small Wineries classifications) in a new zoning category with an Administrative Permit and with the use of specific approval criteria.

Challenges – Option 1 incrementally builds upon the existing zoning categories which allow the range of winery operations. However, some existing challenges to the establishment of a winery facility and environmental clearances will remain, such as the challenges of obtaining approvals through staff discretionary reviews, limitations of water and sewage capacities, and access issues. If any grading exceeding 200 cubic yards is proposed (per provisions specified in the Grading, Clearing, and Watercourse Ordinance), then a lengthy grading permit process would be required, necessitating multiple County departmental approvals. However, if projects propose the reuse or repurposing of existing structures, applicants may apply for an exemption from the Grading Permit requirements under Section 87.202 if County staff determines that the specific requirements of this section have been met.



6.3 Option 2: Expansion into RR, RC, M50, M52, M54, M56, M58 and S88 Zones

Option 2 allows for a mid-level expansion of wineries in the County, resulting in a moderately time extensive approval process for applicants, and it would require the preparation of a Supplemental EIR (SEIR) analysis to be undertaken as allowed under CEQA. Option 2 would require greater review time and would be more costly for the County to implement. The use of the Supplemental EIR process would be required due to the potential scope and expansion of wineries into seven zoning districts and the potential of these projects resulting in greater environmental impacts (such as noise, access, lighting, impact buffers and driveways). County staff would determine whether the proposed zoning amendments, thresholds and/or standards applied would result in new significant impacts or substantially more severe effects that are not discussed or examined in the AG Promotional EIR, thus triggering the need for a Supplemental EIR.

The Industrial (M) designations (M50, M52, M54, M56 and M58) are intended to create and preserve areas for basic manufacturing operations. These areas are typically located in urban and suburban use areas and subject to specific development standards. A high percentage of the County's existing industrial zones (2,652 acres) may not be suitable for winery operations. However, all of the industrial zones permit high-level winery operations through a MUP process, and Option 2 would expand other winery tiers through a Supplemental EIR process. This environmental analysis would take into consideration the location of the parcels and the County's VMT Efficiency Areas. This analysis would cover 2,652 acres for industrial uses to determine whether tasting rooms are feasible and would require the County to amend the zoning ordinance.

The Industrial areas, as noted, are typically located in urban and suburban areas in proximity to goods and services, with adequate roadway systems and nearby access to existing utility resources. This option would create a situation similar to the one in which craft breweries have created a boom in utilizing structures and parcels with competitive rental/leasing of space in industrial areas. Opportunities may exist for wineries to operate wine tasting rooms in industrial areas and wineries could also share resources, parking, food options, and common activity nodes by locating in the same industrial area. Locating in a common district could also increase foot traffic to other nearby tasting rooms or wineries.

Operationally, existing wineries that hold a Type 02 license for their on-site wine operations may obtain what is known as a Duplicate Type 02 license, which allows a winery to have a tasting room away from the facility where the wine is made. Some wineries have tasting rooms both at their production facility and in another location, and some have a single off-site tasting room, with no tasting at their production facility. Either way, a winery may have no more than one off-site tasting room. The existing zoning ordinance would need to be amended to allow for off-site tasting rooms.

The Residential Commercial (RC) (22 acres) and Specific Plan (S88) (17,387 acres) zones are similar in nature, given that expansion of wineries into these zones would be allowed by either an Administrative Permit or written into the Specific Plan guidelines, both requiring specific thresholds and performance standards. The only exception is that under RC the more extensive and larger winery operations are allowed through a Major Use Permit process and under the Specific Plan process the project could propose language to allow all tiers of the winery operations and set specific standards and/or guidelines for development criteria and environmental analyses. Option 2 allows for an increase in potential RR, RC,



M50, M52, M54, M56, M58 and S88 zoned parcels to be allowed with specific performance standards related to siting and operational components to apply for a winery permit.

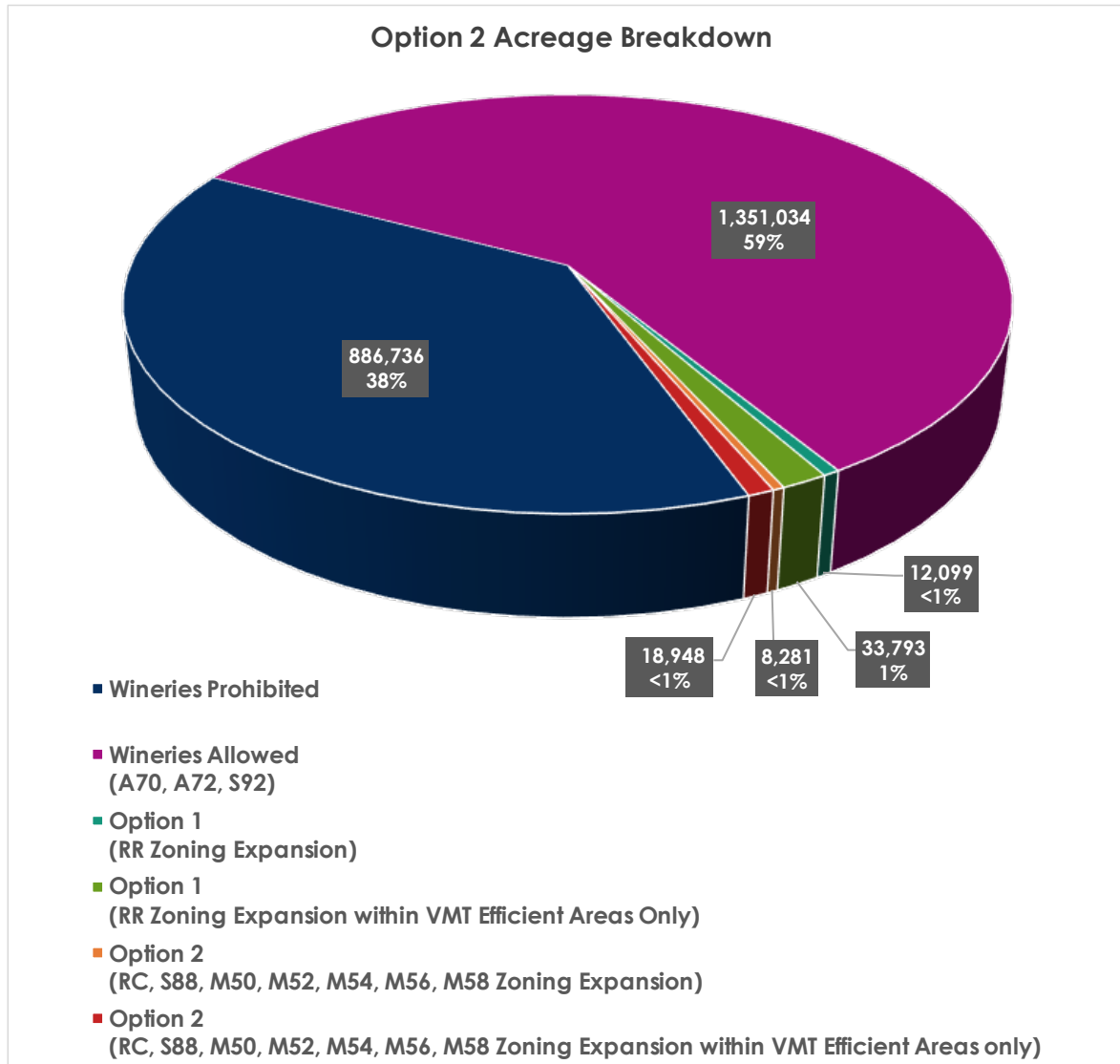
The key benefits of Option 2 are that it builds upon Option 1 but expands the regulatory uses into non-agricultural zones to provide flexibility to winery operators by allowing off-facility (duplicate Type 02 license only) wine tasting rooms in non-traditional urban areas (similar to what is trending with brewery locations). The analysis for the second option could take from 16 to 20 months to complete with an anticipated cost of \$1.25 million.

Figure 31: Option 2 Explanatory Matrix

Option 2 - Expansion into RR, RC, M50, M52, M54, M56, M58 & S88 Zoning Categories				
Zoning Classifications	Winery Classifications			
	Wholesale Limited	Boutique	Small Winery	Winery
RR- Section 2108	<i>Admin Permit & performance criteria</i>	<i>Admin Permit & performance criteria</i>	<i>Admin Permit & performance criteria</i>	Allowed - MUP
RC- Section 2260	<i>Admin Permit & performance criteria</i>	<i>Admin Permit & performance criteria</i>	<i>Admin Permit & performance criteria</i>	Allowed - MUP
A70 -Sections 2700/6910	Permitted subject to limitation & performance criteria	Permitted subject to limitation & performance criteria	Admin Permit	Allowed - MUP
A72 -Sections 2720/6910	Permitted subject to limitation & performance criteria	Permitted subject to limitation & performance criteria	Admin Permit	Allowed - MUP
S92 - Sections 2920/6910	Permitted subject to limitation & performance criteria	Permitted subject to limitation & performance criteria	Admin Permit	Allowed - MUP
M - Sections 2500, 2520, 2540, 2560 & 2580	<i>Admin Permit subject to limitation & performance criteria</i>	<i>Admin Permit subject to limitation & performance criteria</i>	<i>Admin Permit subject to limitation & performance criteria</i>	Allowed - MUP for M54 only
S88 - Section 2880	<i>Specific Plan & performance criteria</i>	<i>Specific Plan & performance criteria</i>	<i>Specific Plan & performance criteria</i>	Allowed - MUP, until Specific Plan has been adopted



Figure 32: Option 2 Acreage Breakdown



Source: RICK Planning + Design.

Opportunities – Option 2 expands on the Board’s initial directive, by acknowledging winery trends (stated in the economic and marketing sections of this report) and broadening applicants’ opportunities in other zones through the application of similar processing techniques. The primary benefit is to allow greater flexibility in the expansion of wineries in a new zoning category through an Administrative Permit process and with specific criteria.

Challenges – Option 2 substantially builds upon the zoning categories which allow a wider range of winery operations. However, some existing challenges to the establishment of a winery facility and environmental clearances may remain. Issues relating to development in more urban areas may arise,



including parking requirements, storage and landscaping issues, additional improvements required in public rights-of-way, additional required traffic operation and safety enhancements, and other issues.

6.4 Option 3: Establishment of Winery District Overlay Zones

Option 3 represents a departure from allowing certain winery uses only within specific zoning categories and would require the preparation of a new Program EIR analysis to be undertaken as allowed under CEQA. It would require a lengthy review process and the fiscal costs to the County would be significantly higher than those of other options. A Program EIR program would be required due to the scope and establishment of potential overlay districts in selected areas of the unincorporated County. During Phase Two, County staff would determine whether the proposed overlay amendments, revised thresholds and/or standards apply. These districts would also determine whether the characteristics of the overlay districts would result in new significant impacts or substantially more severe effects, not discussed or examined in the AG Promotional EIR, that would trigger the need for a new Program EIR.

Through this process the County could establish suitable and appropriate winery areas, incorporating the VMT winery efficiency areas analysis, and identify potential environmental impacts and mitigation strategies. These environmental strategies would allow County staff to establish predetermined winery overlay areas, suitable for upfront analysis, thus reducing or even eliminating concerns when winery projects are proposed. Key components of the environmental analysis would expand the evaluation criteria to include areas where there is: (i) less likelihood of having probable, significant, or adverse environmental impacts that cannot be mitigated; (ii) adequate infrastructure; and (iii) compatibility with existing zoning and adjacent land uses.

The Winery District Overlay is intended to complement the rural urban uses with existing agricultural uses and in some cases to preserve long-term viable agricultural areas and intensive farming operations in adjacent areas. The Winery District Overlay serves to preserve rural residential uses in specific areas but provides opportunities to cluster or co-operate developing winery-related uses for shared workspaces where wine could be produced and sold.

Allowable winery uses will be evaluated using specific area environmental analysis for the winery operations, addressing traffic, utilities, open spaces, and beneficial uses employing shared water resource facilities; limited agriculture, and accessory uses, and necessary supportive uses, such as winery processing (not including harvesting, wine making, bottling, storage, etc.); and the potential of identification of winery parcels.

The intent of the Winery District Overlay Design Guidelines would be to encourage or preserve the rural characteristics of lands occupied by small to large vineyards and thus, enhance the wine operations, create new uses that are supported by property owners, and enhance the rural residential atmosphere of the overlay district. Overall, the design of the Winery District Overlay is to ensure that unique site characteristics, such as natural topography, soil quality, drainage patterns, scenic vistas, etc. are considered. It also assists with blending winery operations or facilities and associated roads or driveways into the natural terrain. The guidelines will provide for the sizing of operations to accommodate the needs



of health/safety and fire agencies, in terms of standards, and provide for the mitigation of physical or visual impacts through specific district site design and planning.

Should the Board of Supervisors select and direct County staff to pursue Option 3, the first task for Phase Two would involve the formal determination of what is a specific “winery district” area(s), definitions, locations, and criteria. This could be completed within the engagement process to garner vintners and other winery stakeholders’ input and agreement. Initially, our team identified several potential Winery District Overlay areas, based on the concentration of existing wineries and in-process winery applications, as well as the identification of parcels within the VMT efficiency areas. In addition, the Phase Two scope should include area delineation and establishment of thresholds, standards, parcel identifications, etc. to be incorporated into the appropriate CEQA documentation.

The key benefits of Option 3 are that it expands the regulatory framework within designated specific wine growing regions (to be selected in Phase Two), and this process could eliminate the need for specific zones by use, while providing the same thresholds and requirements found in the other Options and a wider environmental coverage for perspective winery operators. The estimated timeframes for implementation of this option could range between 20 to 26 months to complete and are estimated to cost \$1.75 million.

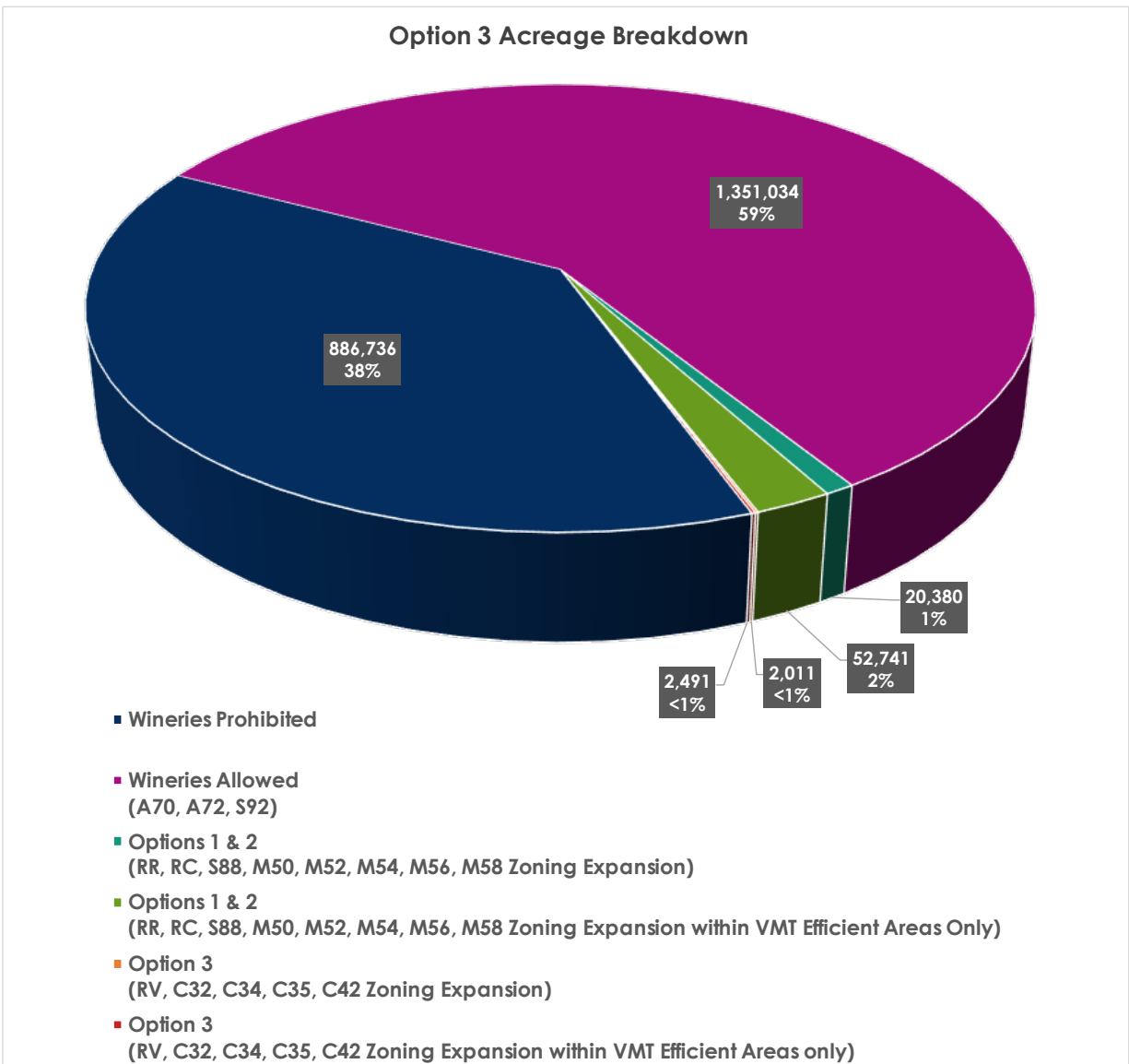
Figure 33: Option 3 Explanatory Matrix

Option 3 – Winery District Overlay within designated areas		
Compatible Zoning Categories		
Existing (Allowed)	A70 (Limited Agriculture)* A72 (General Agriculture)* S92 (General Rural)*	
Board Directive	RR (Rural Residential)*	
Additional Zones	RC (Residential Commercial)* S88 (Specific Plan)* M50 through M58 (Industrial Uses)*	
Overlay (Phase Two Implementation)	RV (Variable Family Residential) C32 (Convenience Commercial) C34 (General Commercial/Residential) C35 (General Commercial/Limited Residential) C42 (Visitor Serving Commercial)	
Non-Compatible Zoning Categories		
RS (Single Family Residential) RD (Duplex/Two Family) RM (Multi Family Residential) RRO (Recreation Oriented Residential) RMH (Mobile home Residential)	C30 (Office Professional) C31 (Residential-Office) C37 (Heavy Commercial) C38 (Service Commercial) C40 (Rural Commercial)	C44 (Freeway Commercial) C46 (Medical Center) S80 (Open Space) S86 (Parking) S90 (Holding Area) S94 (Transportation & Utility Corridor)

*Subject to limitation & performance criteria in Options 1 and 2, as applicable.



Figure 34: Option 3 Acreage Breakdown



Source: RICK Planning + Design.

Opportunities – Option 3 substantially expands on the Board’s initial directive and provides specific areas covered by a Program EIR to broaden the opportunities for applicants to actively pursue a wine vineyard or associated winery uses within specific thresholds and guidelines. This opportunity would allow the County to encourage the growing winery trends with greater control over the location, the atmosphere, and the environmental impacts of wineries. It also provides more certainty to applicants within those overlay areas that they could enter a simplified process, thus reducing their evaluation time and overall project uncertainty. The environmental analysis would be limited to specific areas and the identification of parcels or groups of parcels that have a higher degree of common winery characteristics within a



Winery District Overlay area. While the Winery District Overlay may exclude parcels or zones, the County would be identifying areas where environmental issues would be analyzed, vetted, and mitigated.

Challenges – Option 3 builds upon the winery strategies for expansion into other zones noted in the report. However, some existing challenges to the establishment of Winery District Overlay areas and environmental clearances may remain. As a component of Phase Two, the project team will need to determine if Option 3 should operate as a standalone, since it may not include all of the zoned RR or industrial expansion areas. As part of the Phase Two efforts, it is quite possible that the other desired locations within the Winery District Overlay would/should have been excluded because of the environmental/siting challenges and issues with parcel sizes, location, and other factors.



7. Conclusion and Implementation

The Board of Supervisors has diverse options to consider in expanding the scale of wineries across San Diego County. While each option comes with different advantages and disadvantages, pursuing one of the options presented in this report will provide clarity in expanding the local winery operations and market. Beyond these regulatory changes, the County should consider how other implementation steps would help promote the local winery industry.

The County should consider and pursue potential partnerships with other winery organizations across the region and the state to help fine-tune the implementation of regulatory changes and accelerate efforts to increase educational and marketing efforts for the winery industry in San Diego County. Organizations including, but not limited to, the Wine Institute, the California Association of Winegrape Growers, the National Association of Wine Retailers, the Wine Marketing Council, and the San Diego County Vintners Association may serve as good partners for the County in implementing one of the options outlined in this report, along with enhancing the organizational and marketing environment for wineries in the County. As it looks to help with the winery industry's economic development and marketing, the County should look to these organizations for resources and potential collaborations.

The County and its partners should also look to other organizations for funding and educational possibilities. The USDA has funded numerous winery opportunities across the country over the last few years, particularly in the wake of the Pandemic. For example, the USDA has funded the Value-Added Producer Grants Program to help farmers enter new markets by adding value to their products through manufacturing or marketing improvements. It has provided funding from this program to numerous wineries nationwide. The USDA also offers Business and Industry (B&I) loans to wineries and other farm producers to help the agricultural industry recover from the Pandemic. The USDA provides grants to enhance the marketing of wineries. For example, the agency recently provided grants to the Washington state winery industry to develop marketing experiences to increase brand awareness of wineries in the state. The USDA also offers a Regional Agricultural Promotion Program (RAPP) to promote exports of U.S. agricultural products, including California wine. The County, along with partner organizations, should work to ensure that the local winery industry takes advantage of USDA funding programs as much as possible.

The UC Davis Viticulture and Enology Extension program also can serve as a significant partner for the winery industry in San Diego County. The program offers educational and other courses throughout the state every year, including topics related to marketing and the management of winery operations.

Above all, the County should proceed with implementing regulatory changes, initiating an engagement process with winery stakeholders, and developing Countywide strategies to expand the local winery industry. Many potential winery operators have grown very frustrated in recent years as applications have languished and become costly, and as other bureaucratic hurdles have impeded potential expansions or future development. Given the cost of real estate, economic fluctuations, and other inputs facing wineries, the local wine industry is at a crossroads, and the County will need to implement strategies or tools to foster industry growth.



Appendix A

Fehr and Peers VMT Memorandum





MEMORANDUM

To: Jacob Armstrong and Damon Davis, County of San Diego
From: Stephen Cook, Intersecting Metrics; Katy Cole, Fehr & Peers
Date: December 8, 2022
Regarding: **County of San Diego Screening Criteria for Transportation Related Impacts – Wineries**

1.0 Background and Purpose

The purpose of this technical memorandum is to identify the characteristics (size, event capacity and/or location) for wineries located within the unincorporated portions of San Diego County which are able to be screened out from conducting a vehicle miles traveled (VMT) analysis under CEQA. The County of San Diego permits the use of wineries through various permit types in accordance with the Zoning Ordinance depending on the operations and type of winery. This technical memorandum is intended to provide additional substantial evidence to supplement the information, analysis results, and thresholds contained within the *County of San Diego Transportation Study Guidelines, September 2022 (TSG)*. As such, this technical memorandum is not intended change or modify the currently adopted TSG.

2.0 Transportation Related Impacts - Significance Thresholds

The TSG was adopted by the County Board of Supervisors on September 28. The County's TSG establishes SB-743 compliant VMT based significance thresholds for transportation related impacts under CEQA, within the unincorporated portions of San Diego County. Section 3.3.1 of the County's TSG identifies various screening thresholds for land use projects. Land Use projects that meet at least one of the seven screening criteria outlined in the TSG can be assumed to have a less than significant VMT related impact. Therefore, the seven screening criteria outlined in the TSG were reviewed and the following two were identified to be most relevant to wineries:

- *Small Projects* – Following the Governor's Office of Planning and Research (OPR) *Technical Advisory on Evaluating Transportation Impacts in CEQA, December 2018*¹ (Technical Advisory), projects generating less than 110 daily vehicle trips may be presumed to have a less than significant impact.
- *Locally Serving Retail/Service Projects* – Following guidance provided by OPR, locally serving retail/service projects less than 50,000 square feet may be presumed to have a less than significant impact.

Wineries, specifically the tasting rooms, are considered commercial and can be considered locally serving as they may attract local residents to visit a winery closer to home. These trips would fall under the "Locally Serving Retail/Service Projects" criteria and would have a less than significant VMT related

¹ https://opr.ca.gov/docs/20190122-743_Technical_Advisory.pdf

impact. Wineries that are located in rural areas of the County may not qualify as locally serving. However, these wineries may fall under the small project criteria if their trip generation is less than 110 vehicle trips per day, thus, resulting in a less than significant VMT related impact. The determination of the locations within the County where a winery location would be considered locally serving and the maximum size of a winery that would fall within “small project” is described in the subsequent sections.

3.0 Small Winery Trip Generation - Day to Day Operations

To determine the largest winery size that can qualify for the small project screening criteria, daily trip generation rates were derived from the *Institute of Transportation Engineers (ITE) - Trip Generation Manual 10th Edition, September 2017*. Trip generation rates for the Winery land use (970) were utilized to determine their associated daily trip generation. As outlined on Page 426 of the second volume of the ITE Trip Generation Manual, “For the purposes of this land use, the independent variable “1,000 sq. foot gross floor area” refers to the square footage of the building that houses the tasting room.” As such, the provided trip generation rates are representative to the tasting area component of a winery.

The ITE Trip Generation Manual provides separate daily vehicular trip generation rates for weekdays (Monday through Thursday), Fridays, Saturdays, and Sundays. Therefore, the daily vehicular trip generation was calculated for each day of the week and then averaged across the full week to determine the average trip daily generation across the entire week. Based on these rates the maximum size of a winery to yield an average number of 110 vehicular trips per day could be calculated, as displayed in **Table 1**. Relevant pages from the ITE Trip Generation Manual are provided in **Attachment 1**.

Table 1: Winery Trip Generation

Day	Size	Rate	ADT	Days Per Week	Total Weekly Trip Gen
Weekday	1,135	SF	45.96	53	4
Friday			80.73	92	1
Saturday			203.48	231	1
Sunday			205.11	233	1
Weekly Total				7	768
Average Number of Vehicular Trips Per Day					110

Source: ITE Trip Generation Manual 10th Edition, September 2017

As shown in Table 1, the maximum size of a winery that can qualify as a small project is 1,135 square feet. Therefore, any proposed winery with a tasting room smaller than 1,135 square feet can be assumed to have a less than significant VMT related impact, under the small project screening criteria.

4.0 Small Winery Trip Generation - Special Events

In addition to tasting rooms, some wineries may have areas dedicated as event space that may attract non-local guests, thus potentially resulting in a VMT related impact. **Table 2** calculates the event capacity that may generate 110 daily vehicular trips. This represents the maximum capacity the winery event space can host before exceeding the County’s prescribed daily trip threshold for small projects.

Table 2: Trip Generation – Event Space

Land Use	Capacity	Vehicle Occupancy	Total Trips	In	Out
Event Space	137 People	2.5 ¹	110	55	55

Note:

¹FHWA states that “[a] vehicle occupancy factor of 2.5 persons per vehicle represents a common metric, however for forecasting purposes, practitioners should consider a range of factors from 2.2 to 2.8 depending on local conditions.” An average of 2.5 vehicle occupancy factor was used as it represents groups larger traveling to the winery together, but also smaller groups or single patrons traveling to more rural wineries.

As shown in Table 2, a winery’s event space can accommodate up to 137 attendees before it exceeds the County’s threshold for “Small Residential and Employment Projects.” Therefore, wineries that host events with more than 137 people will be required to apply for a special event permit from the Department of Public Works with the County of San Diego, as is typical with events of this size. Wineries with events shall also obtain the applicable permit in accordance with the Zoning Ordinance depending on the operating characteristics of the winery.

5.0 Locally Serving Winery

The County of San Diego has many existing wineries which offer tasting rooms and small event space. Many of these wineries are clustered together and as a result, patrons may visit multiple wineries in one trip. In addition, adding additional wineries within locations that already have wineries are not expected to generate brand new winery trips; they will simply become additional stops or perhaps a new stop/diverted stop for patrons that would have been visiting other wineries in the area. In addition, creating more winery options in San Diego County may reduce winery trips originating in the San Diego Region to the Temecula Wine Country. These factors allow us to qualitatively conclude that additional wineries within San Diego County that are nearby the existing wineries will not generate additional VMT. Additionally, there is a potential to reduce VMT by providing more robust winery options as it would attract some trips that would otherwise be destined for farther away Temecula wine country.

Figure 1 displays the location of wineries in San Diego County and the Temecula area. In San Diego County, the map shows clusters of wineries in the San Pasqual Valley, Ramona Valley, Fallbrook area, and Valley Center area. Figure 2 shows a 3-mile capture area around each winery, overlaid on population density based on the base year of the current SANDAG travel demand model (ABM2+). The average population density within a 3-mile radius of the clustered wineries (San Pasqual Valley, Ramona Valley, Fallbrook area, and Valley Center area) is 2,200 people per square mile. Three miles is generally considered a rule of thumb market capture distance for locally serving projects. In other words, we would consider a three-mile trip between an existing winery and a new winery to be a local trip. In addition, we would consider the population within three miles of a winery to be the wineries local community.

Based on the assessment above, a winery that is located within a three-mile buffer of one of the existing winery clusters (San Pasqual Valley, Ramona Valley, Fallbrook area, and Valley Center area) or that has a population density within a three-mile radius of 2,200 people per square mile would be considered locally serving. Note that as described above, wineries that host events with more than 137 people will

be required to apply for a special event permit from the Department of Public Works with the County of San Diego, as is typical with events of this size. Wineries with events shall also obtain the applicable permit in accordance with the Zoning Ordinance depending on the operating characteristics of the winery.

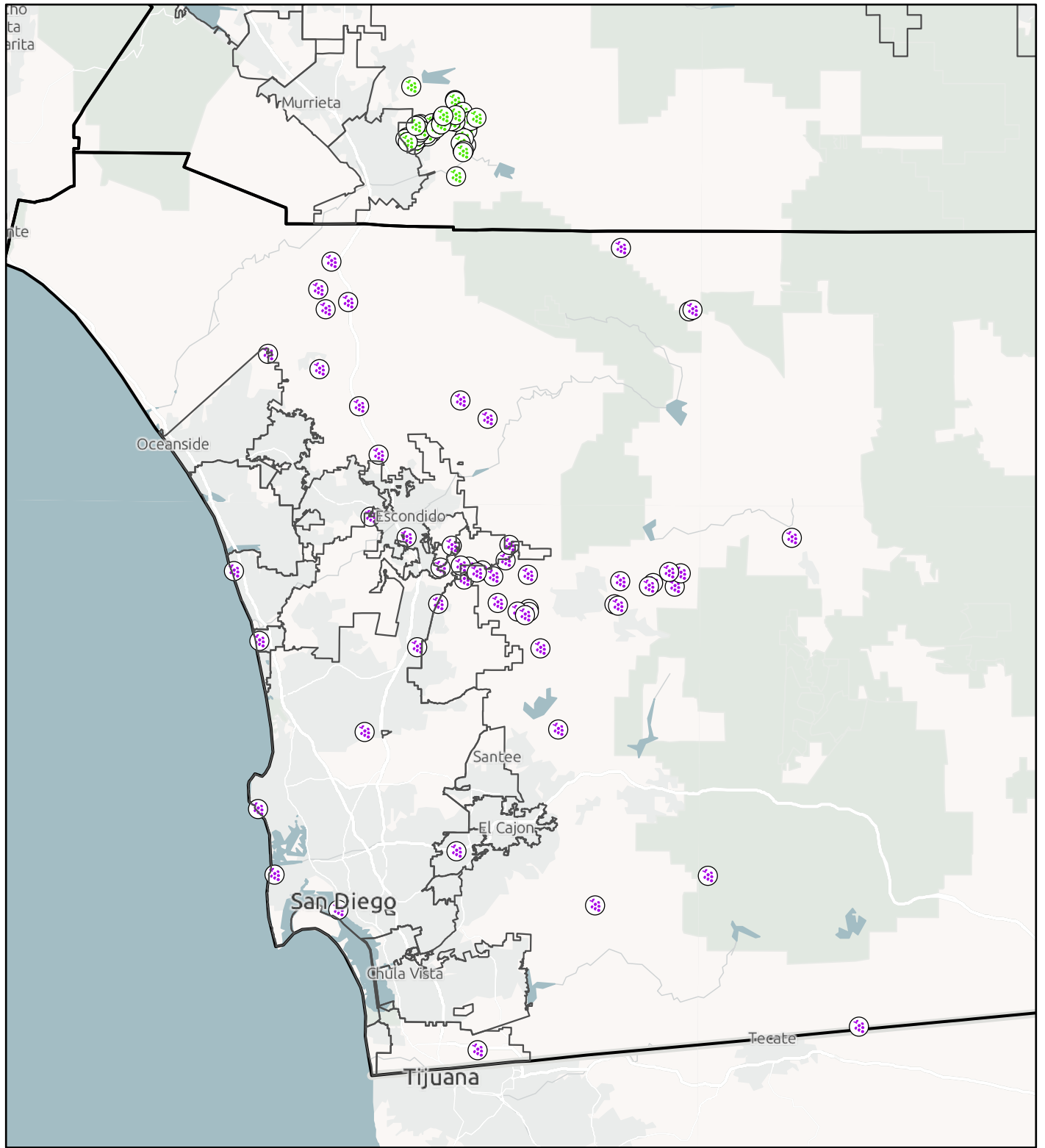
6.0 Conclusions

Based on the information in this memorandum, if a winery with a tasting room/event space meets any of the following characteristics it would be presumed to have a less than significant transportation VMT impact:



- Small project screening: the maximum size of a winery tasting room that qualifies for the small project screening criteria is 1,135 square feet. In addition, wineries that have an event space that can host 137 people or less would also be considered a small project. In the case that winery does host an event with more than 137 people they will be required to apply for a special event permit from the Department of Public Works with the County of San Diego. Wineries with events shall also obtain the applicable permit in accordance with the Zoning Ordinance depending on the operating characteristics of the winery.
- Wineries that are located within a three-mile radius of an existing winery cluster (San Pasqual Valley, Ramona Valley, Fallbrook area, and Valley Center area) as shown on Figure 2.
- Wineries that are located such that the three-mile radius around them has a population density of 2,200 people per square mile or greater.

Figure 1

DRAFT



-  San Diego County Wineries
-  Riverside County Wineries

-  County Boundaries
-  Cities

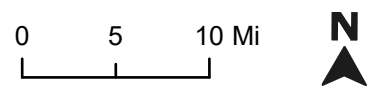


Figure 1



San Diego County and Neighboring Riverside County Winery Locations

Figure 2

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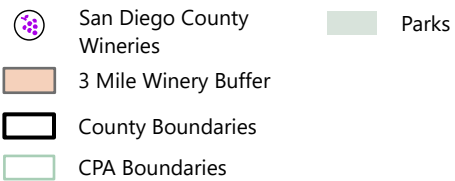
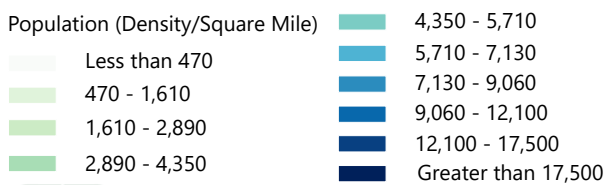
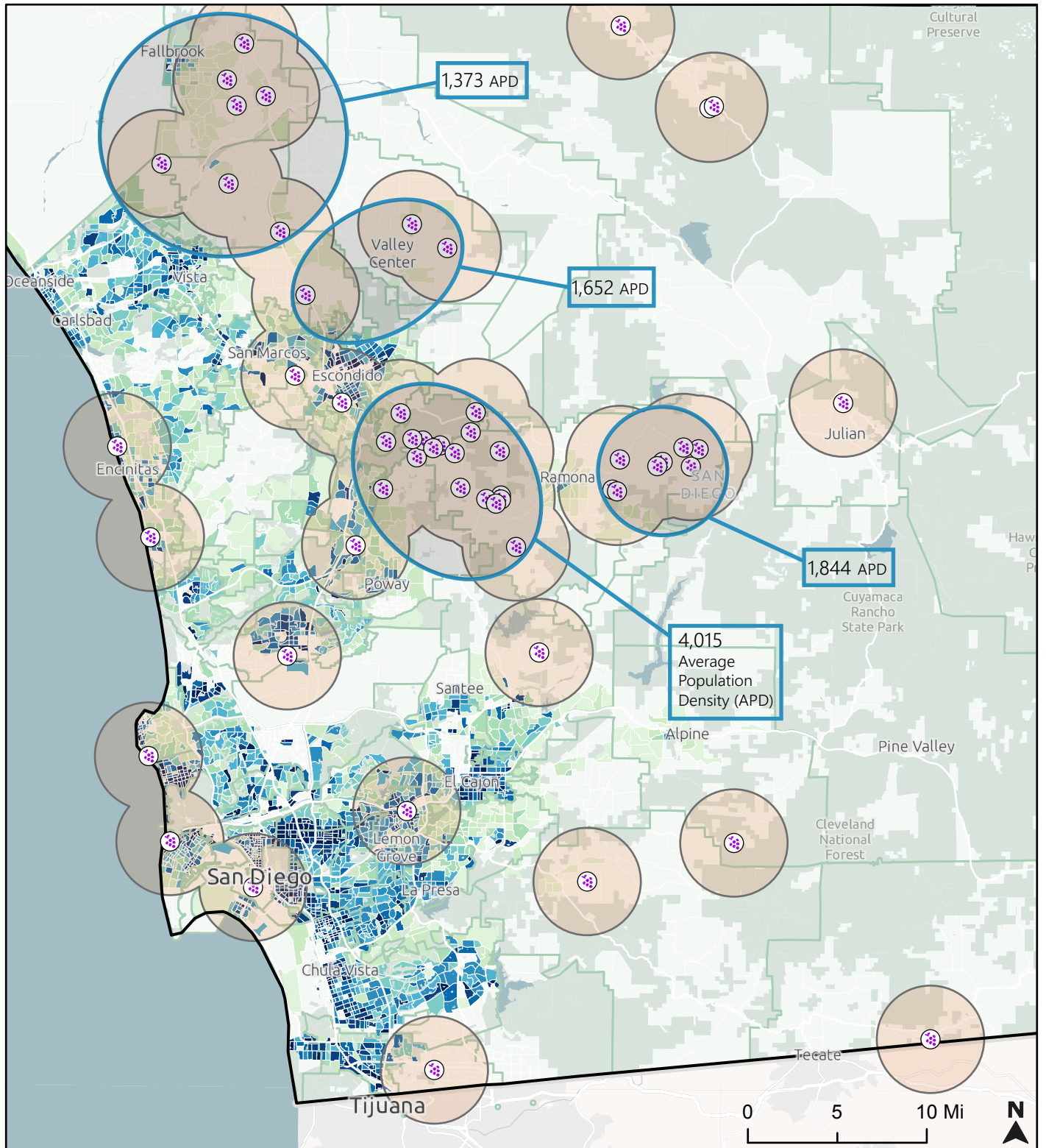


Figure 2

San Diego County Population Density: 3 Mi Buffer On Wineries

Attachment 1

Relevant Pages from the ITE
Trip Generation Manual

Land Use: 970

Winery

Description

A winery is a property used primarily for the production of wine. Wineries typically include tasting room facilities and may offer special events such as weddings or parties. Wineries often offer complimentary tours and wine tasting. Visitors also may purchase wine or wine-related products.

Additional Data

For the purposes of this land use, the independent variable “1,000 sq. foot gross floor area” refers to the square footage of the building that houses the tasting room.

Time-of-day distribution data for this land use for a weekday, Friday, Saturday, and Sunday are presented in Appendix A. For the sites with weekday, Saturday, and Sunday data, the overall highest vehicle volumes during the PM were counted between 1:45 and 2:45 p.m. For the sites with Friday data, the PM peak hour was between 4:00 and 5:00 p.m. For all four days, the AM peak hour was between 11:45 a.m. and 12:45 p.m.

The sites were surveyed in the 2010s in California, Illinois, and Virginia.

Source Numbers

807, 851, 894

Winery (970)

Vehicle Trip Ends vs: 1000 Sq. Ft. GFA
On a: Weekday

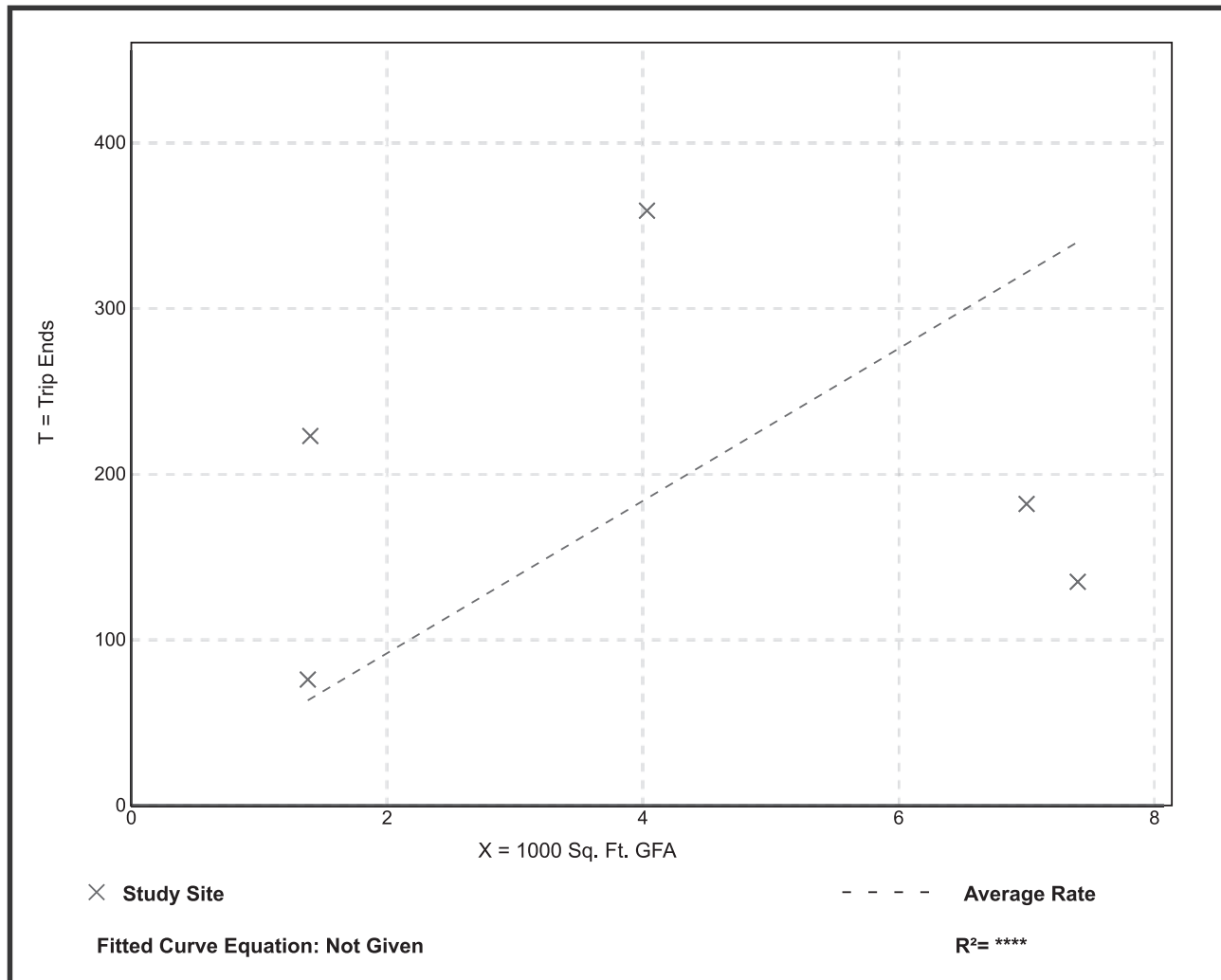
Setting/Location: Rural
Number of Studies: 5
1000 Sq. Ft. GFA: 4
Directional Distribution: 50% entering, 50% exiting

Vehicle Trip Generation per 1000 Sq. Ft. GFA

Average Rate	Range of Rates	Standard Deviation
45.96	18.24 - 159.29	44.79

Data Plot and Equation

Caution – Small Sample Size



Winery (970)

Vehicle Trip Ends vs: 1000 Sq. Ft. GFA
On a: Weekday,
Peak Hour of Adjacent Street Traffic,
One Hour Between 7 and 9 a.m.

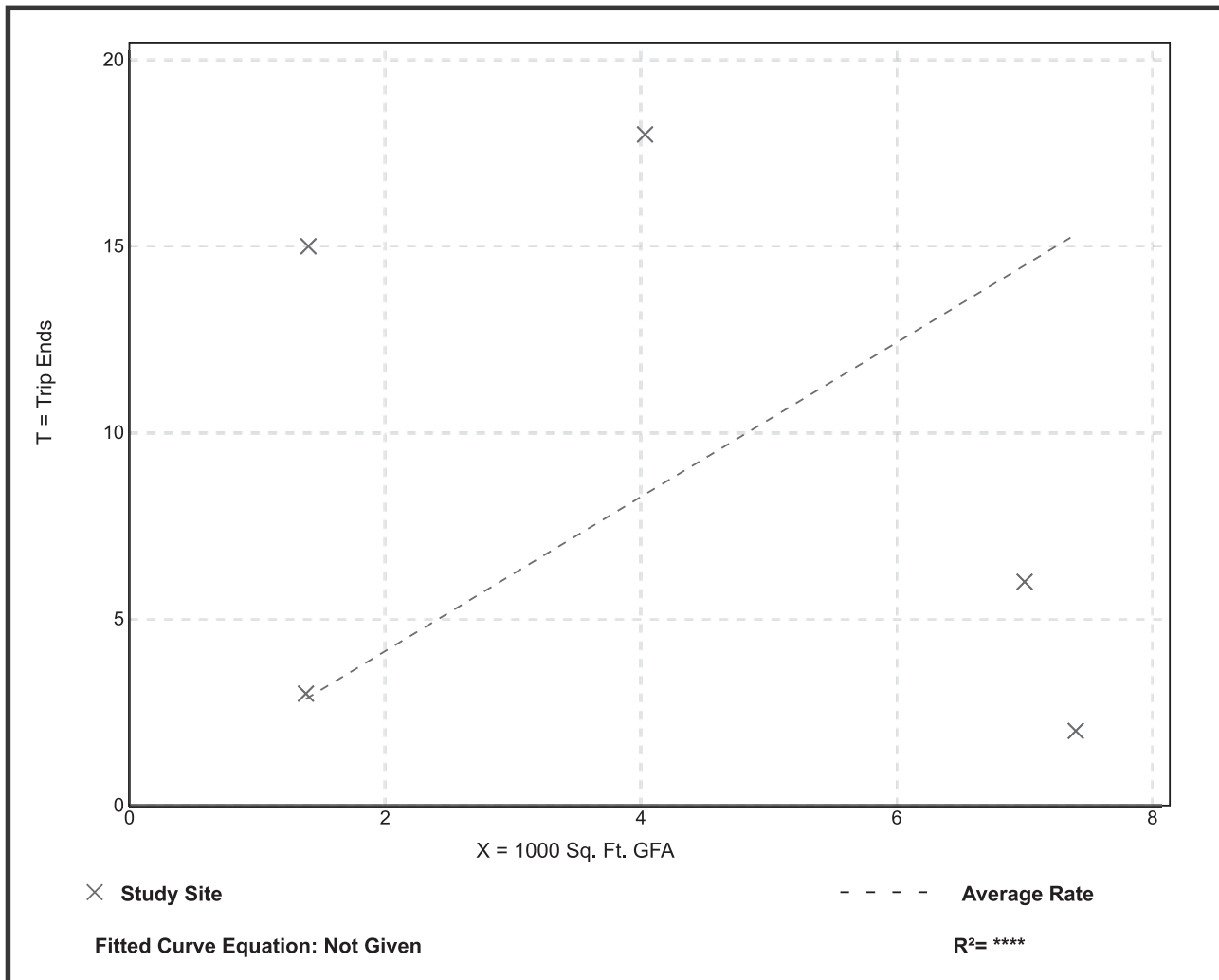
Setting/Location: Rural
 Number of Studies: 5
 1000 Sq. Ft. GFA: 4
 Directional Distribution: 70% entering, 30% exiting

Vehicle Trip Generation per 1000 Sq. Ft. GFA

Average Rate	Range of Rates	Standard Deviation
2.07	0.27 - 10.71	3.09

Data Plot and Equation

Caution – Small Sample Size



Winery (970)

Vehicle Trip Ends vs: 1000 Sq. Ft. GFA
On a: Weekday,
AM Peak Hour of Generator

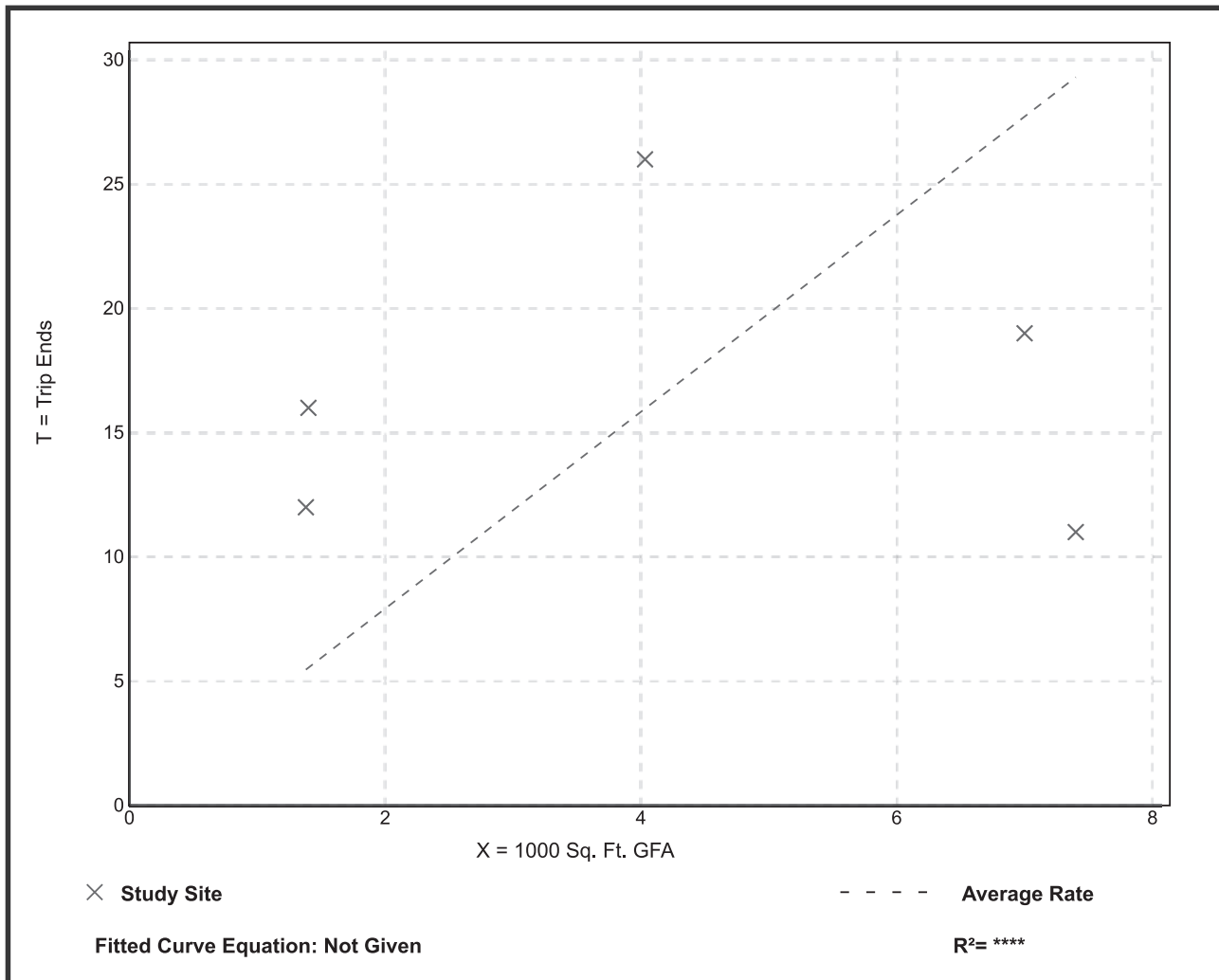
Setting/Location: Rural
 Number of Studies: 5
 1000 Sq. Ft. GFA: 4
 Directional Distribution: 57% entering, 43% exiting

Vehicle Trip Generation per 1000 Sq. Ft. GFA

Average Rate	Range of Rates	Standard Deviation
3.96	1.49 - 11.43	3.35

Data Plot and Equation

Caution – Small Sample Size



Winery (970)

Vehicle Trip Ends vs: 1000 Sq. Ft. GFA
On a: Weekday,
PM Peak Hour of Generator

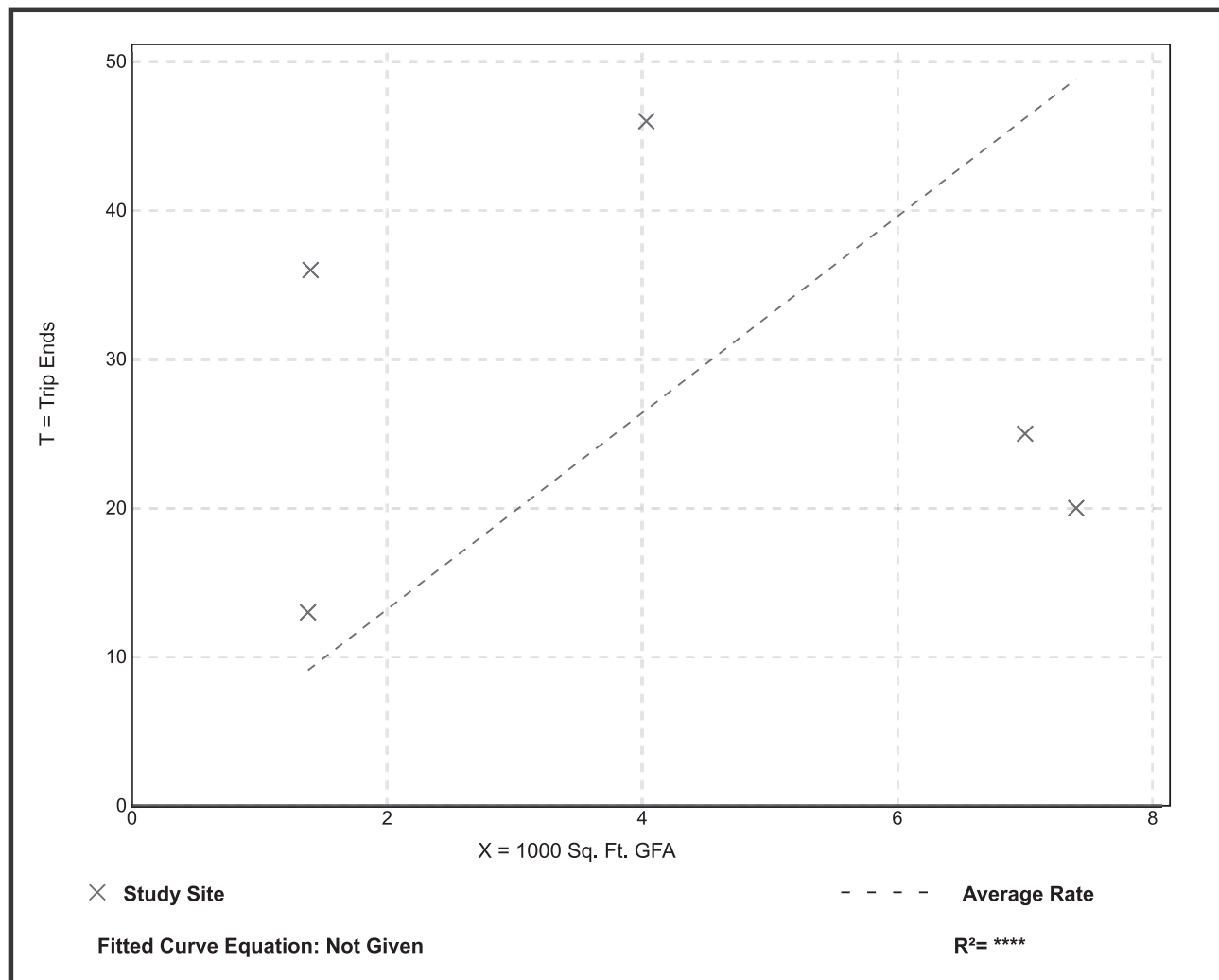
Setting/Location: Rural
 Number of Studies: 5
 1000 Sq. Ft. GFA: 4
 Directional Distribution: 56% entering, 44% exiting

Vehicle Trip Generation per 1000 Sq. Ft. GFA

Average Rate	Range of Rates	Standard Deviation
6.60	2.70 - 25.71	6.83

Data Plot and Equation

Caution – Small Sample Size



Winery (970)

Vehicle Trip Ends vs: 1000 Sq. Ft. GFA
On a: Friday

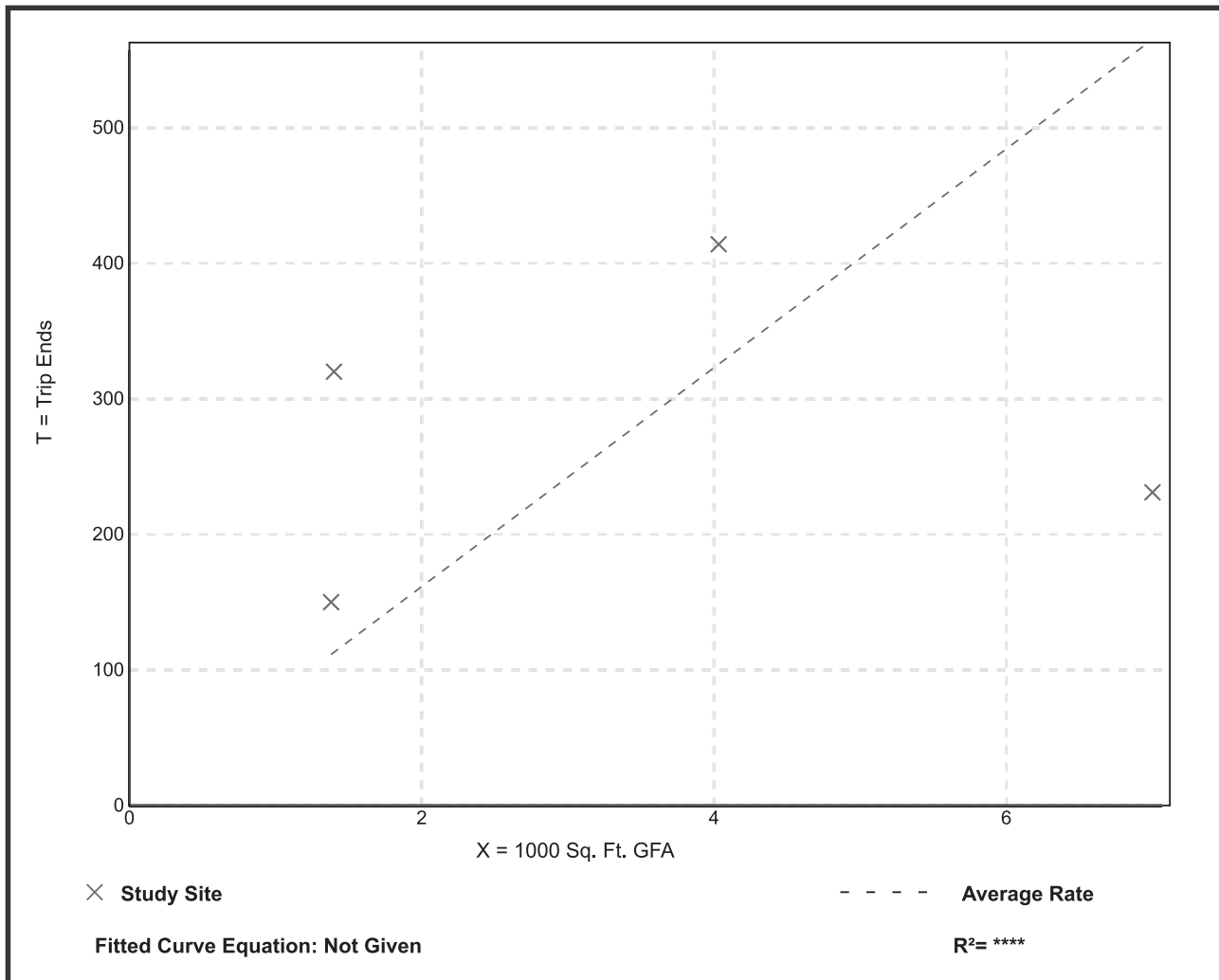
Setting/Location: Rural
Number of Studies: 4
1000 Sq. Ft. GFA: 3
Directional Distribution: 50% entering, 50% exiting

Vehicle Trip Generation per 1000 Sq. Ft. GFA

Average Rate	Range of Rates	Standard Deviation
80.73	33.00 - 228.57	69.17

Data Plot and Equation

Caution – Small Sample Size



Winery (970)

Vehicle Trip Ends vs: 1000 Sq. Ft. GFA
On a: Friday,
AM Peak Hour of Generator

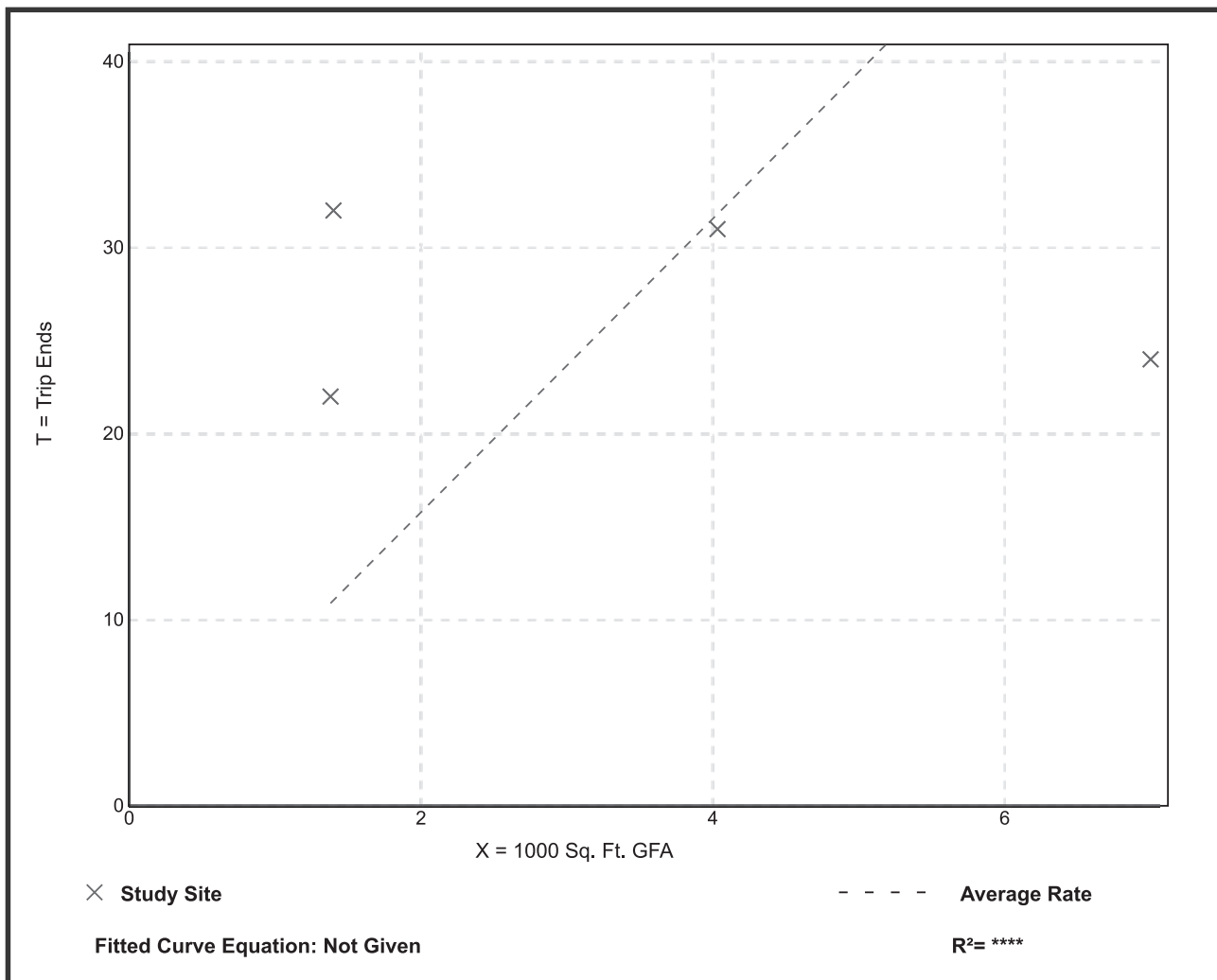
Setting/Location: Rural
 Number of Studies: 4
 1000 Sq. Ft. GFA: 3
 Directional Distribution: 71% entering, 29% exiting

Vehicle Trip Generation per 1000 Sq. Ft. GFA

Average Rate	Range of Rates	Standard Deviation
7.89	3.43 - 22.86	7.24

Data Plot and Equation

Caution – Small Sample Size



Winery (970)

Vehicle Trip Ends vs: 1000 Sq. Ft. GFA
On a: Friday,
PM Peak Hour of Generator

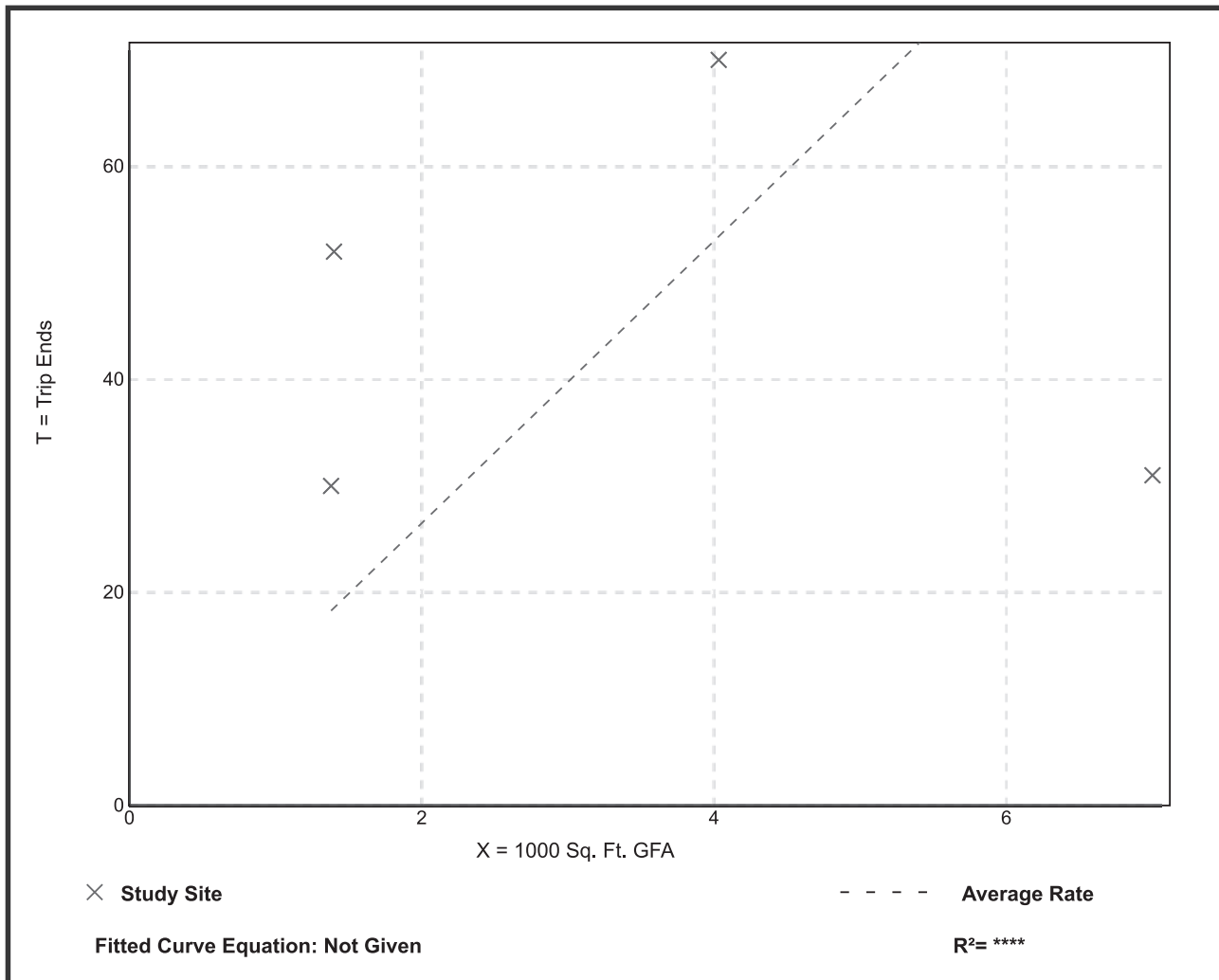
Setting/Location: Rural
 Number of Studies: 4
 1000 Sq. Ft. GFA: 3
 Directional Distribution: 54% entering, 46% exiting

Vehicle Trip Generation per 1000 Sq. Ft. GFA

Average Rate	Range of Rates	Standard Deviation
13.25	4.43 - 37.14	12.08

Data Plot and Equation

Caution – Small Sample Size



Winery (970)

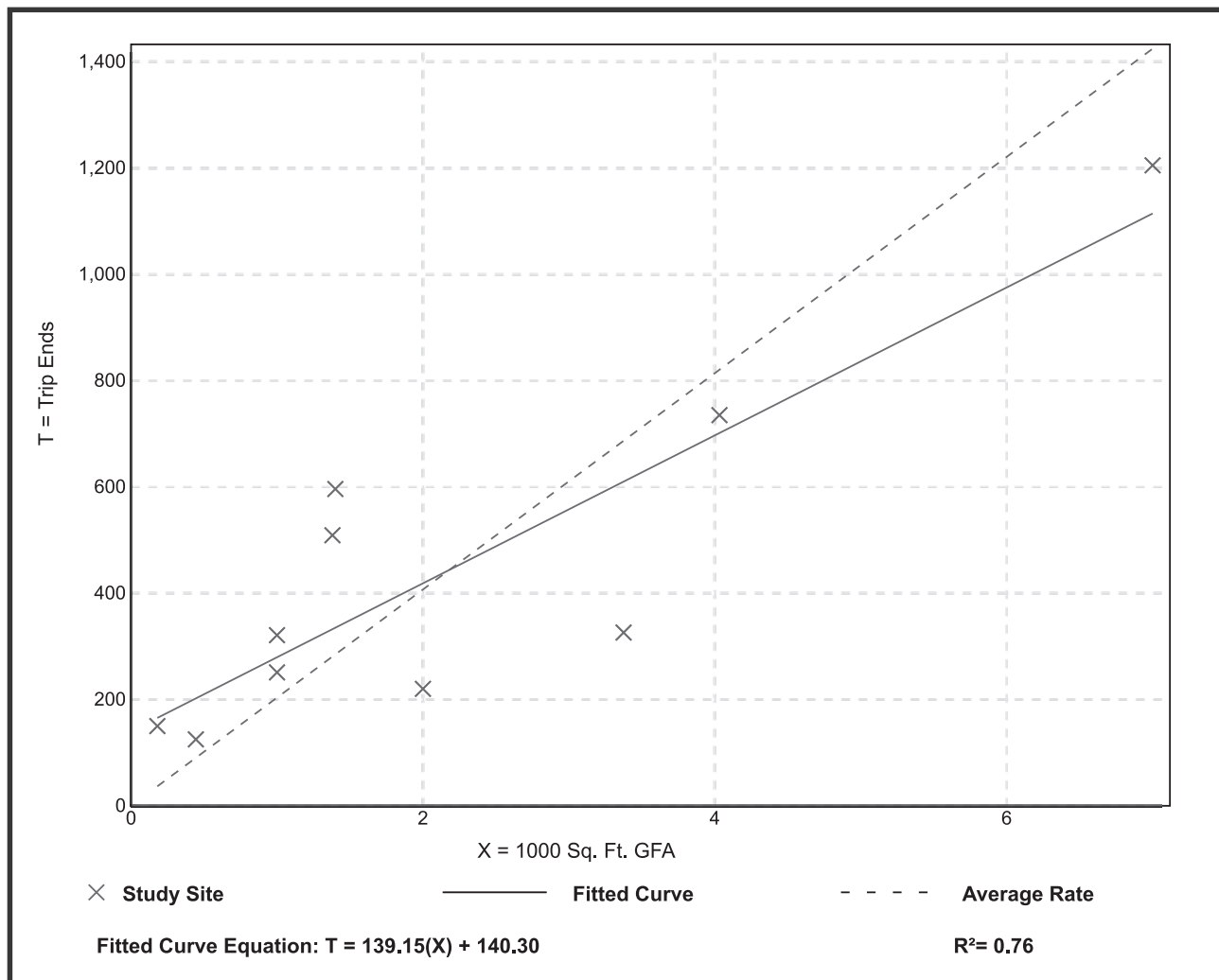
Vehicle Trip Ends vs: 1000 Sq. Ft. GFA
On a: Saturday

Setting/Location: Rural
Number of Studies: 10
1000 Sq. Ft. GFA: 2
Directional Distribution: 50% entering, 50% exiting

Vehicle Trip Generation per 1000 Sq. Ft. GFA

Average Rate	Range of Rates	Standard Deviation
203.48	96.59 - 833.33	115.48

Data Plot and Equation



Winery (970)

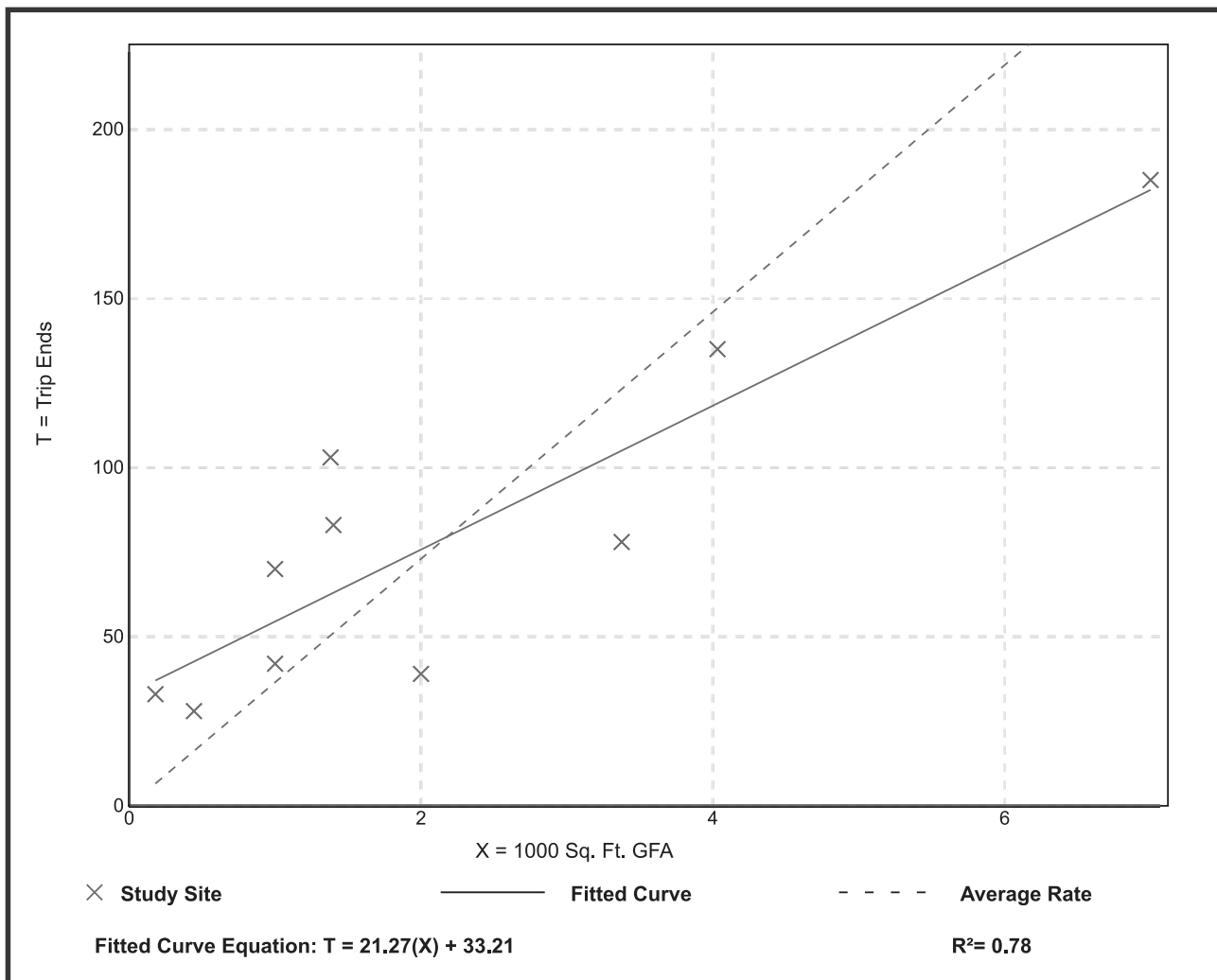
Vehicle Trip Ends vs: 1000 Sq. Ft. GFA
On a: Saturday, Peak Hour of Generator

Setting/Location: Rural
 Number of Studies: 10
 1000 Sq. Ft. GFA: 2
 Directional Distribution: 47% entering, 53% exiting

Vehicle Trip Generation per 1000 Sq. Ft. GFA

Average Rate	Range of Rates	Standard Deviation
36.50	19.50 - 183.33	22.58

Data Plot and Equation



Winery (970)

Vehicle Trip Ends vs: 1000 Sq. Ft. GFA
On a: Sunday

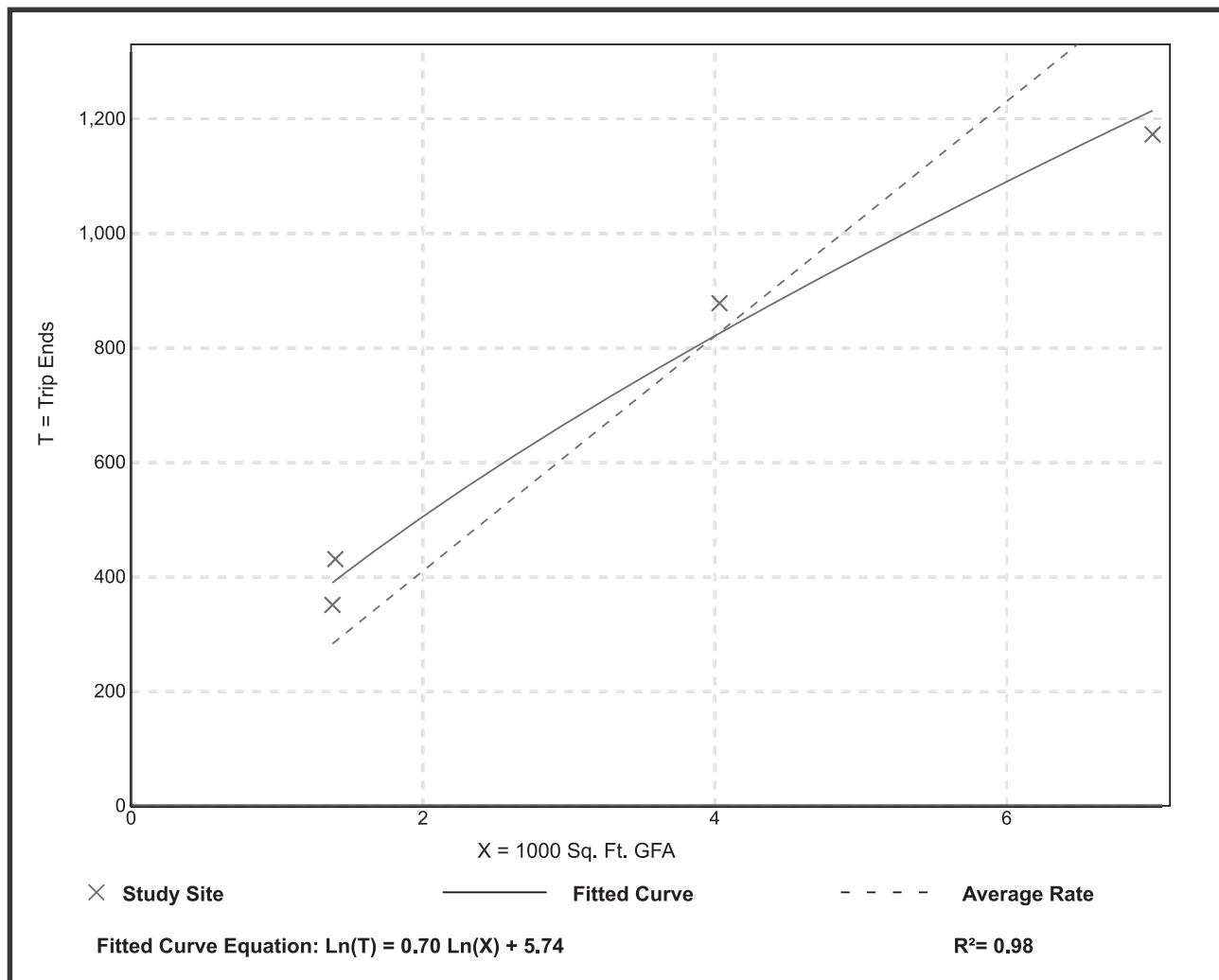
Setting/Location: Rural
Number of Studies: 4
1000 Sq. Ft. GFA: 3
Directional Distribution: 50% entering, 50% exiting

Vehicle Trip Generation per 1000 Sq. Ft. GFA

Average Rate	Range of Rates	Standard Deviation
205.11	167.57 - 307.86	52.58

Data Plot and Equation

Caution – Small Sample Size



Winery (970)

Vehicle Trip Ends vs: 1000 Sq. Ft. GFA
On a: Sunday, Peak Hour of Generator

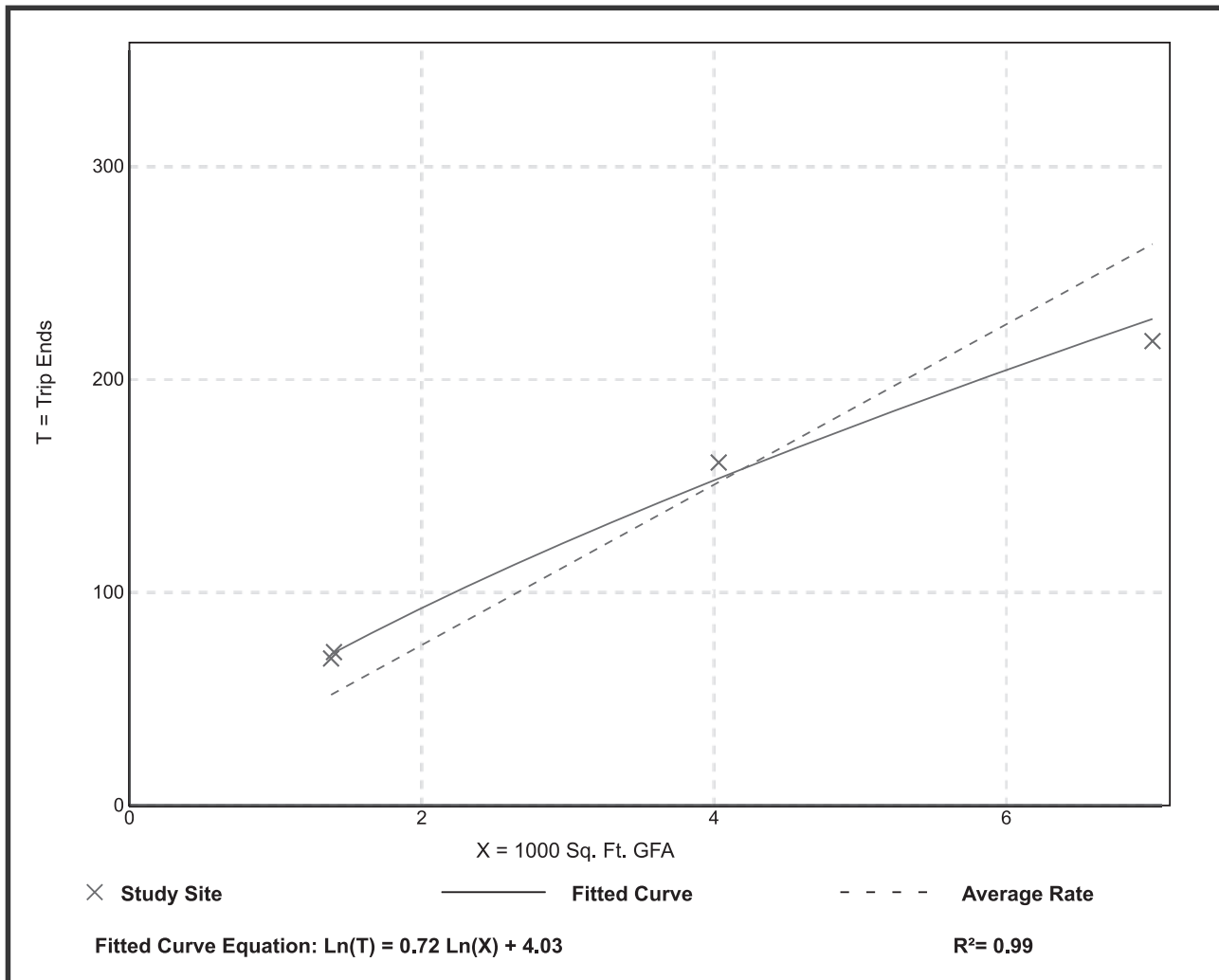
Setting/Location: Rural
 Number of Studies: 4
 1000 Sq. Ft. GFA: 3
 Directional Distribution: 48% entering, 52% exiting

Vehicle Trip Generation per 1000 Sq. Ft. GFA

Average Rate	Range of Rates	Standard Deviation
37.65	31.14 - 51.43	8.75

Data Plot and Equation

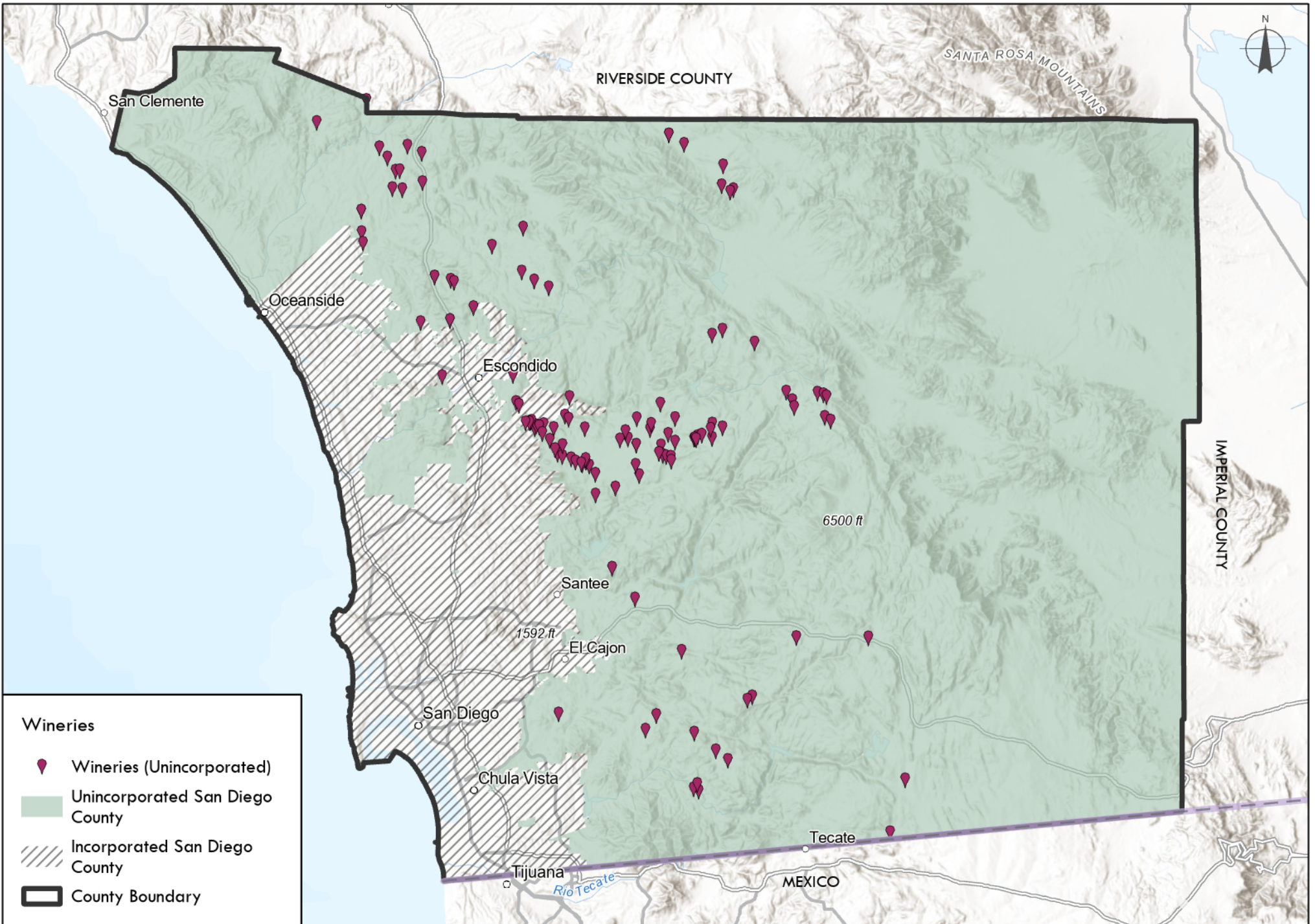
Caution – Small Sample Size

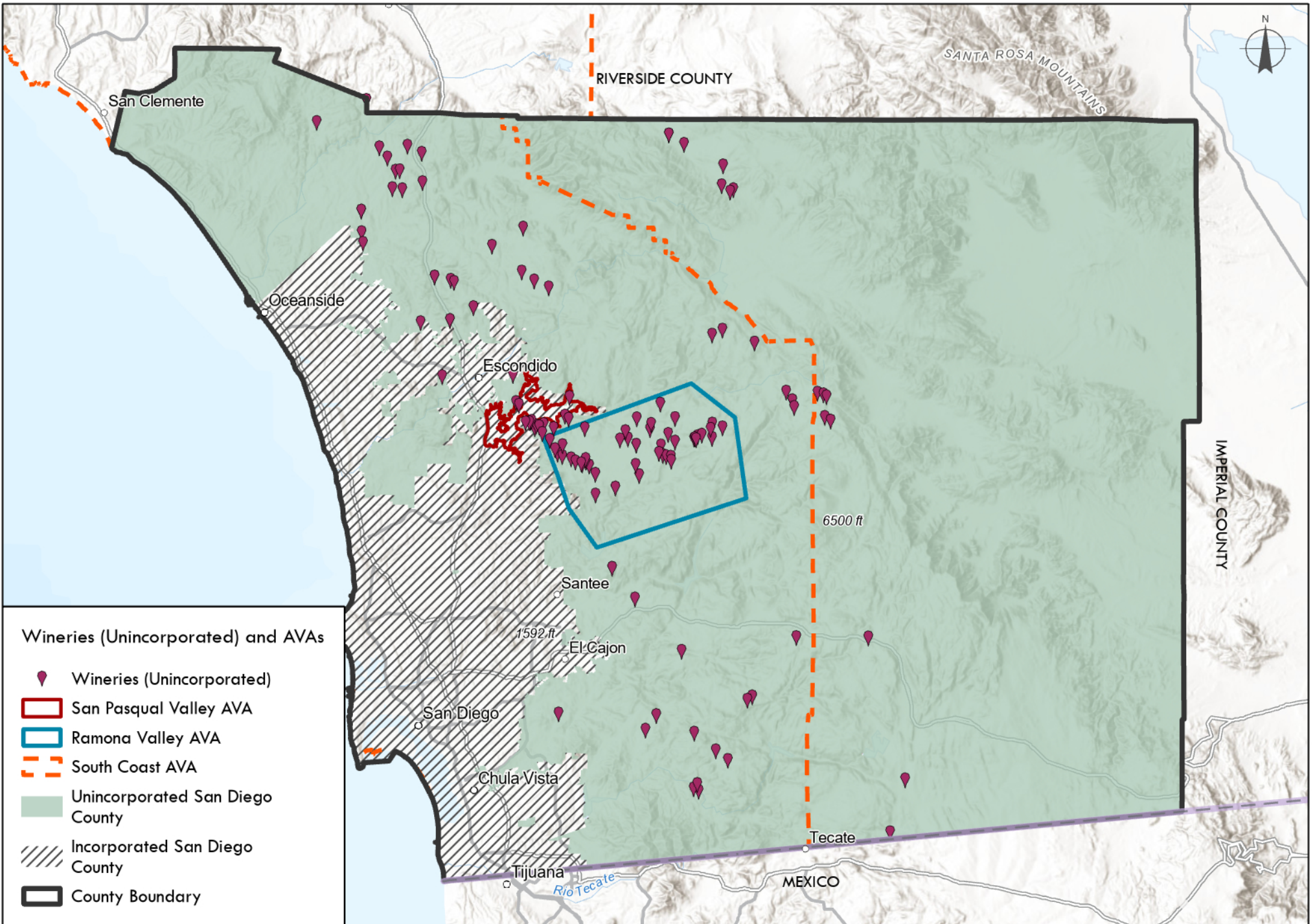


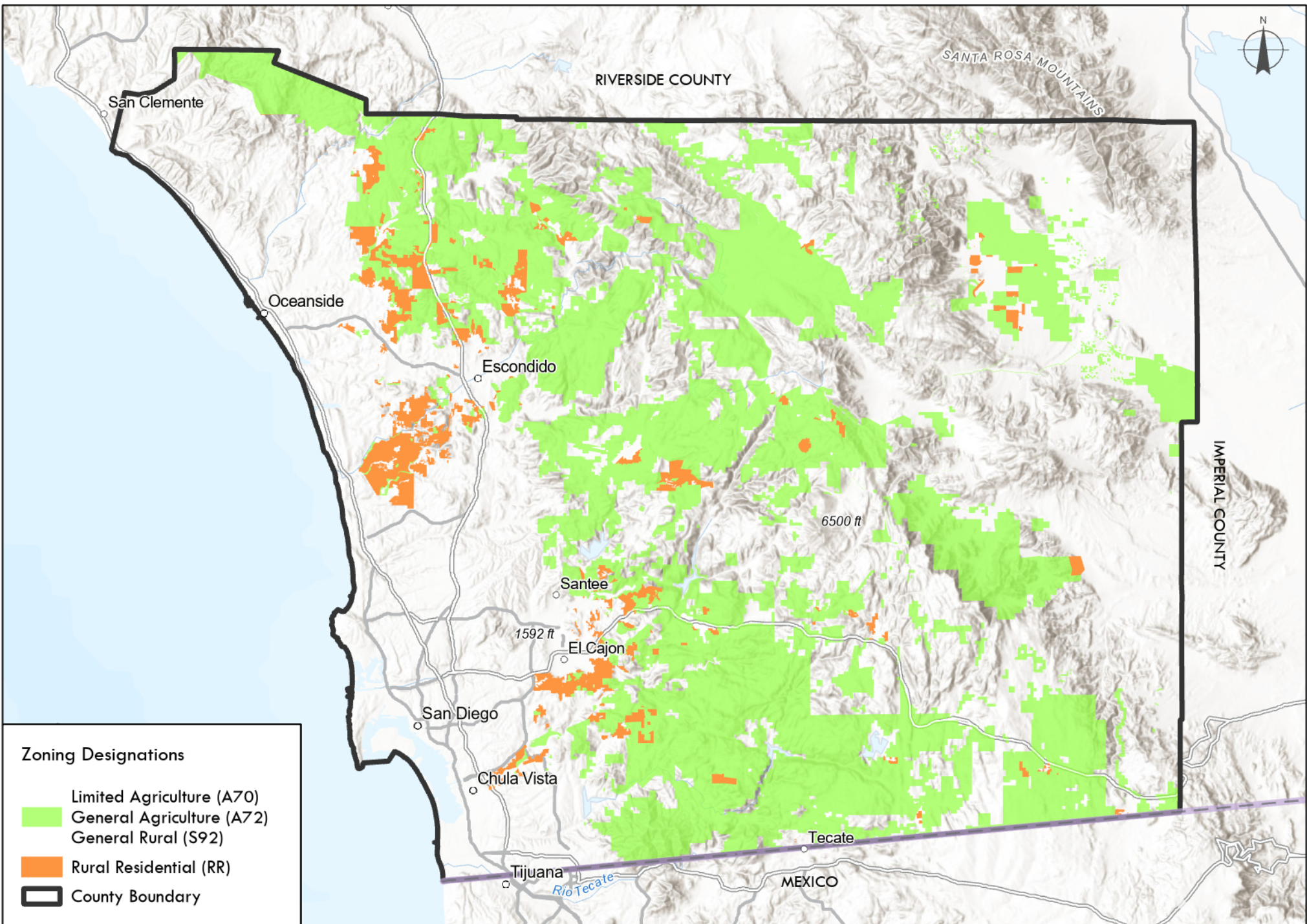
Appendix B

Supporting Graphics



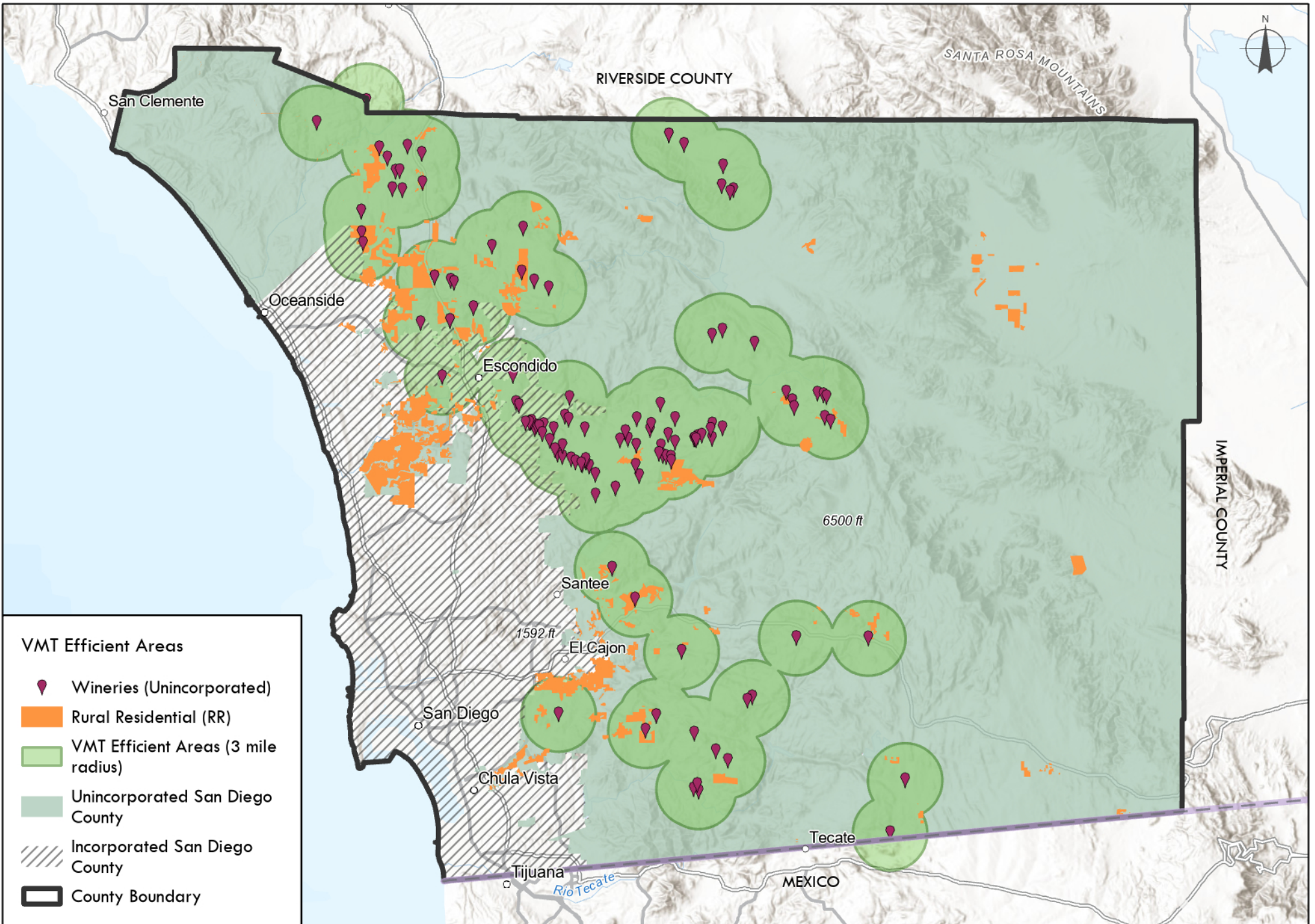


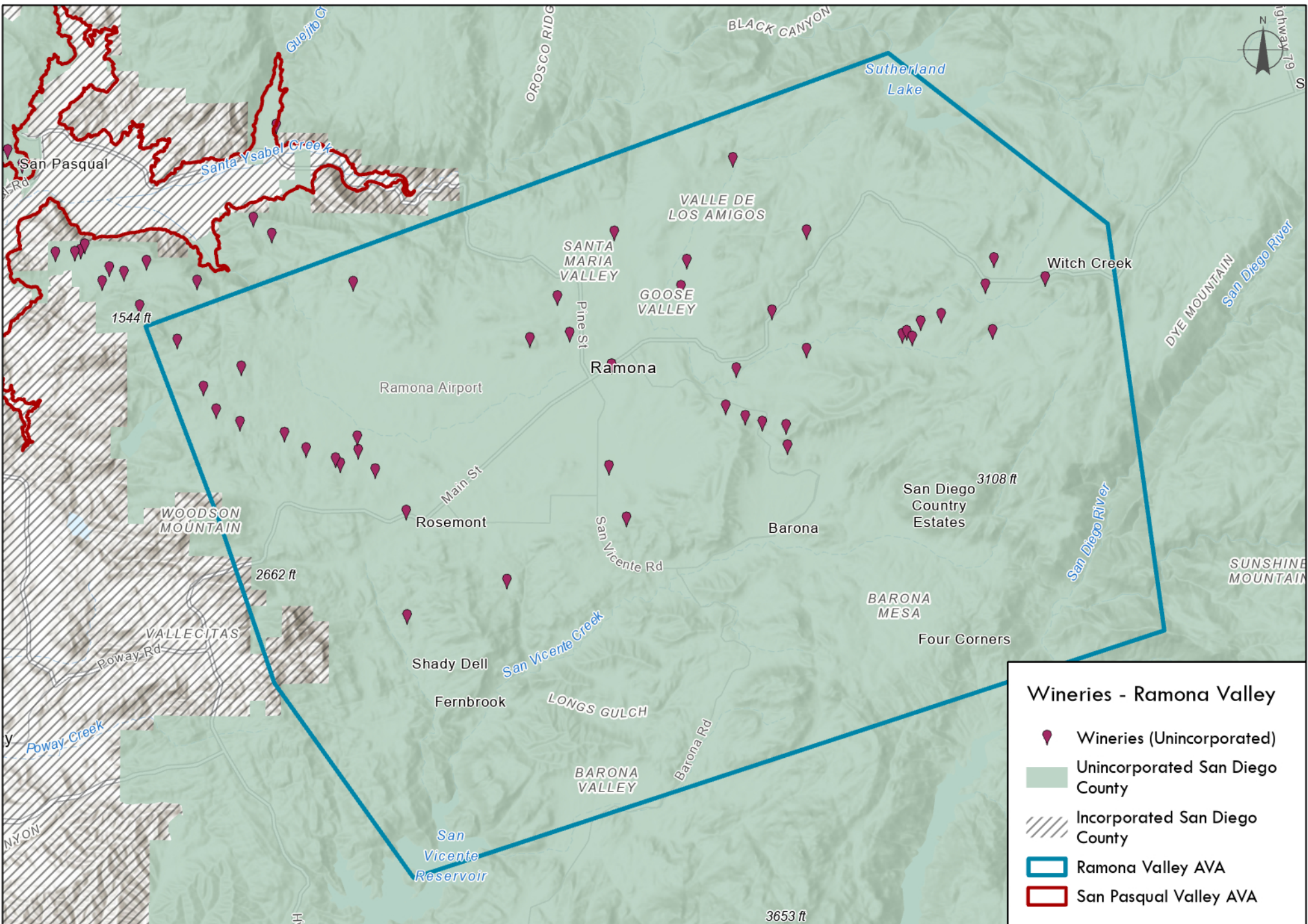









Zoning Designations

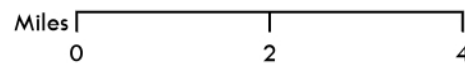
- Limited Agriculture (A70)
- General Agriculture (A72)
- General Rural (S92)
- Rural Residential (RR)
- County Boundary





Wineries - Ramona Valley

-  Wineries (Unincorporated)
-  Unincorporated San Diego County
-  Incorporated San Diego County
-  Ramona Valley AVA
-  San Pasqual Valley AVA



SOURCE: SanGIS

