

TEMECULA VALLEY WINE AND AGRICULTURAL HERITAGE DISTRICT

- Frequently Asked Questions -

A photograph of a tractor working in a vineyard during the golden hour of sunset. The tractor is in the center, slightly out of focus, moving through rows of grapevines. The sun is low on the horizon, creating a warm, hazy glow over the entire scene. The foreground shows a close-up of a grapevine with green leaves and some small yellow flowers.

TEMECULA VALLEY
WINEGROWERS

WHAT IS BUSINESS IMPROVEMENT DISTRICT (BID)?

Developed by Temecula Valley Winegrowers Association (TVWA), the Temecula Valley Wine & Agricultural District (TVWAHD) is a Business Improvement District proposed to provide specific benefits to payors, funded by an assessment on the business. Specific benefit may include funding marketing, brand awareness & events programs, and business improvement & special projects for assessed businesses. Usually the assessment is passed along and collected from the consumer. This approach has been used successfully in other destination areas throughout the country to provide the benefit of driving increased business sales directly to payors. For instance, our neighboring hotels charge a small fee on all hotel stays and this is how Visit Temecula Valley is funded.

HOW WILL THE BID BE ESTABLISHED?

The district will be established under California's Property and Business Improvement District Law of 1994. This law requires a thorough approval process beginning with the submission of petitions from the businesses that will be assessed in the district. To move to the next step in the process, we need to collect signed petitions from businesses that together represent over 50% of the projected assessment budget of the district.

WHY IS THE TVWA PURSUING THE BID?

As many of you know, the TVWA is primarily funded through fundraising channels and has long been seeking a way to create sustainable, reliable funding that isn't dependent on fundraising events and membership dues. Additionally, with our current budget, we are not able to engage in the kind of marketing efforts we see in other wine regions. The BID is the most effective solution we have found that will create long-term and stable funding for the Association.

DO OTHER WINE REGIONS HAVE A BID?

Several wine regions are currently pursuing the BID, including Livermore Valley and others in the Sonoma County region. We expect to see more regions begin to explore the pursuit of a BID because it is a sustainable, reliable, and significant form of funding for our industry. We are currently poised to be the first wine region BID in the United States.

WILL THE ASSESSMENT DISSUADE VISITORS FROM VISITING TEMECULA VALLEY TASTING ROOMS?

Historically, each year BIDs see an increase in visitation and sales within their industry and 98% of all BIDs are renewed, which clearly shows that there is high satisfaction with the results that BIDs deliver. Visit Temecula Valley has consistently seen increased yearly visitation, overnight hotel stays, marketing and sales funding and their BID continues to be renewed.

IS THE ASSESSMENT LIKE A TAX

No. The assessment, unlike taxes, requires that those who pay the assessment specifically benefit from the assessments paid. State law explicitly distinguishes taxes from assessments. The district assessment will not go into a government fund. It will be returned to a non-profit corporation that will spend the money for the direct benefit of the assessed businesses. Additionally, an assessment differs from a tax because it is requested and approved by most of the businesses that pay the assessment, rather than the general public. Finally, there is 100% transparency on how the money is raised, where it is spent, and what the results are as an outcome of the assessment.

WHAT ASSESSMENT PERCENTAGE IS THE TVWA RECOMMENDING AND WHAT WILL IT BE ASSESSED ON?

The TVWA is recommending a 1% assessment on all DTC transactions within the State of California. This would include wine, merchandise, and wine clubs sold in the tasting room, events and restaurant sales. It would also include any items shipping to California customers, including orders made through internet, phone and wine club. This allows the BID to be tied to CA sales tax, ensuring a reliable system of collection that is not dependent on self-reporting and does not create additional work for the wineries to report.

HOW IS THE FEE COLLECTED?

You would collect the fee as a part of the normal transaction (the same way tax is auto calculated and charged). In your POS system, you would set up an additional line item to charge 1% on all transactions for customers purchasing in your tasting room, restaurant or special events and any customers shipping wine and/or merchandise to a California address. This fee would appear as a separate line item in the tax area on the receipt. There will be a third-party auditor to collect the fee and distribute it to the TVWA to keep your information confidential. The data needed to process the fee collection will be the same data you submit for California sales tax, so there shouldn't be an increase in accounting work for the wineries.

HOW WILL THIS WORK WITH MY POINT OF SALE (POS) SYSTEM?

Many POS systems have a feature built in that can support this. As an example, Wine Direct has a feature called "Handling Charge" that you can set as a percentage of a sale made to California residents. Additionally, ShipCompliant is building in a feature to support BIDs as they expect this to be a needed feature in the future for multiple regions. In Square, you can add it as a separate line item. The TVWA staff will work with you to determine how to add the BID to your POS system.

HOW MUCH MONEY DOES THE TVWA EXPECT TO RECEIVE THROUGH THE BID?

Based on the 2018 tax receipts for the wineries in the Temecula Valley AVA, we expect the BID would generate approximately \$1.2 million in funds for the TVWAHD. With the BID and the elimination/reduction of dues, and based on the 2019 budget, we'd anticipate a yearly budget of approximately \$1.6 million; almost tripling our current yearly budget. Of course, the COVID-19 pandemic could have a significant effect on these numbers and therefore, because of this uncertainty, we cannot precisely predict 2021 budget numbers.

WHO DOES THIS APPLY TO AND HOW WILL IT BENEFIT THE BUSINESSES BEING ASSESSED?

All wineries in the Temecula Valley AVA will be assessed whether they are current members of the association or not. Everyone will benefit from the money generated from this BID, as it will allow us to advocate for our wines and region in a more strategic, methodical way, based on research and analysis. We haven't had the funds to do this in the past. As the hoteliers have learned through this funding model, working together for the greater good is a proven business model.

WHAT WILL YOU SPEND THE MONEY ON?

It is a requirement of the law that all funds raised by the assessment specifically benefit those paying the assessment. The programs that are intended to be provided are sales and marketing programs, special projects (i.e. hospitality & sales training programs, special events, wine education and events programs, etc.), community organization programs (community engagement programs, community development initiatives, etc.), and destination advocacy initiatives. All BIDs in California are required to adhere to the Brown Act and the California Public Records Act for transparency.

WHO WILL DECIDE WHERE THE MONEY IS SPENT?

The Board of Directors will appoint members to a BID Marketing Committee. This committee will be composed of representatives from large, medium and small wineries. The committee will make recommendations to the Board of Directors for specific marketing programs and tactics that could be funded through the BID. The committee will be separate from the Board of Directors and will not have the full authority to spend any BID funds. The Board of Directors will have final approval on how the funds will be spent.

WHO DECIDES IF THIS GETS APPROVED?

All winery owners located within the boundaries of the TVWAHD who have a Direct-to-Consumer business are eligible to sign the petition in favor of the Wine BID. Votes are weighted based on the percentage of DTC business your brand represents of the County's total. We need 51% to be in favor for the BID to be approved and to move to the County for final approval. The County Supervisors will then have to approve through a majority vote of the Supervisors.

IF THE BID IS APPROVED WILL THE WEIGHTINGS REMAIN THE SAME?

Once the TVWAHD is implemented, all wineries have the same voting rights under the Temecula Valley Winegrowers Association; one vote per winery, regardless of production size. Weightings are only used for the TVWAHD approval process.

WILL I STILL HAVE TO PAY ASSOCIATION DUES?

No! All wineries in the district who pay into the TVWAHD become de facto voting members of the new Owners Association. Once the TVWAHD is passed, all wineries have equal voting rights, regardless of production size. The Association will still have non-voting Grower Members and Affiliate Members who pay dues, but all assessed wineries are automatically granted membership.

ONCE THE DISTRICT IS ESTABLISHED, IS IT PERMANENT?

No. The district will be established for five years. Once per year, beginning on the anniversary of the formation of the BID, there is a thirty (30) day period in which owners paying fifty percent (50%) or more of the assessment may protest and initiate a Board of Supervisors hearing on TVWAHD termination.

HOW CAN I LEARN MORE?

You can contact Board President, Phil Baily at (951) 757-5226 or you can reach out to Krista Chaich, Executive Director, TVWA at (951) 699-3626.



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