Planning, Rural Service & Environment Committee

Public Comments received in Council Chambers on

November 28, 2018
WHY WASHINGTON POURS IN WOODINVILLE

As Washington wineries continue to grow in both number and reputation, Woodinville is leading the charge.

By Daniel O’Boyle

With nearly 120 wineries and tasting rooms, 1.6 million visitors a year, and $800 million in annual wine sales, this Sammamish Valley town just 30 minutes northeast of Seattle has become a gateway for the state’s wine industry, a growing draw for state tourism, and a creative hotbed for emerging winemakers.

While long-established names like Chateau Ste. Michelle, Columbia, and many others have helped put Washington wines on the international map, few people are aware of the key role they play as local business incubators, fostering and collaborating with nascent winemakers to build a broader, more diverse wine community. The story of Mike Januik, owner and vintner at Januik Winery, reads as a perfect example of this cross-pollination. After serving as Ste. Michelle’s head winemaker throughout the 90s, he started his own label in 1999 and began making Novelty Hill’s wines in 2000. The two wineries share a state-of-the-art production facility and tasting room in Woodinville. Now, Mike’s son Andrew, having spent much of his childhood surrounded by his father’s vines and barrels, is following his dad’s lead. He launched Andrew Januik Wines in 2011.

Another major force contributing to Woodinville’s burgeoning wine scene is its proximity to the thriving King County economy. Many vintners begin their winemaking as a passion project, producing and perfecting wines in their spare time while supporting themselves and their growing hobby with their day job. Gradually, a passion becomes a vocation as they gain the experience and support to make the leap to full time winemaking and their own boutique winery.

The collective economic stimulus provided by these growing wineries returns the financial favor to the county many times over in the form of a $3.3 billion ripple effect.

—Economic Impact Study of Washington Wine & Grapes, April 2012

Nationally, women purchase and drink more wine than men, so it’s no surprise that they’re finally commanding an increasing share of production. Over ten Woodinville wineries have either women owners or vintners, and the number increases every year. Winemaker Erica Orr’s story demonstrates how women are influencing nearly every phase of winemaking to become rising stars on the Woodinville scene. In addition to completing the enology master’s program at UC Davis, Erica has worked in the industry since 1998, learning and honing her craft with some of the finest wineries in California and Washington. Today, in addition to being the principal winemaker at Bier Winery, she runs her own wine consultancy and enology lab, and has started her own Orr Wine label.

Inquiries: Sandra Lee, Executive Director sandra@woodinvillewinecountry.com www.woodinvillewinecountry.com

PHOTOS FROM LEFT: COLUMBIA WINERY (COURTESY COLUMBIA WINERY); ERICA ORR (COURTESY VICTORIA WRIGHT, COURTROOM AT NOVELTY HILL JANUIK WINERY AND MIKE & ANDREW JANUIK (COURTESY NOVELTY HILL JANUIK).
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(Note: The above table is a sample and does not reflect the actual data.)
Trump tax credit to benefit small Washington wineries

BY MELISSA CROWE
Puget Sound Business Journal

In an industry known for making small fortunes out of large ones, a new tax strategy is giving winemakers something to cheer about.

For the next year, Washington state wine makers are taking advantage of a tax break passed under federal tax reform that is saving thousands of dollars.

Andrué Ott, an accounting technician with Moss Adams’ Yakima office, said the biggest benefit for wineries is an increase in cash flow. That cash resource, he said, can go toward buying more fruit, paying down debts, purchasing equipment or leveraging in another way to wineries’ advantages.

“So many of these wineries start from cash projects — home winemakers who want to be their own boss and produce a product they’re proud of,” Ott said. “But with that doesn’t always come the capital investment and the business savvy... The capital investment to start a winery is huge.”

Wine producers have been required to put up a cash or insurance surety bond to cover the tax liability in the event the winery goes under. Once the alcohol is prepared for sale, it can be removed from bond or pay the tax on it. Under the old tax law, Ott cited a winery that removed 18,000 gallons of red and white wines from bond and paid $7,800 in tax from a mix of the two rates — $3.07 for wine with an ABV under 14 percent and $1.57 for wine above 14 percent.

Using the new rates, the tax on that winery’s 18,000 gallons would have been $1,200, Ott said.

Under the new tax law, red wine is now taxed at the same level as white and rosé, representing an immediate savings of 67 cents per gallon of merlot, cabernet sauvignon and other red varietals.

“People were making wine specifically for those tax classes as part of their business model,” Ott said. “If your white wine had a little too much sugar in it, and you were going to break that 14 percent ABV barrier — if you weren’t planning on paying that tax rate... they’d water back the product to bring the alcohol down to the right class.”

By increasing the ABV threshold on the tax classes from 14 percent to 16 percent, wineries “don’t have to vary their production style for what they’re trying to get on the tax side,” Ott said.

On top of that change, the small producer tax credit was expanded. The tax credit previously applied to wineries producing between 100,000 and 250,000 gallons annually. Now it’s a tiered system for producers of all sizes. Instead of being taxed on the amount produced, wineries pay based on the volume removed from bond.

$9.6 billion
Amount Washington’s wine industry generates in economic activity — production, distribution, sales and consumption — according to The National Association of American Wineries.

$1.5 billion
The amount the state’s wine industry paid in taxes in 2017 (not counting consumption taxes): about $623.7 million in state and local taxes and $838.9 million in federal taxes, according to the winery association.
King County is considering legalizing wine-tasting rooms that have been operating in a gray zone, a move that could resonate far beyond wineries. County officials are aware of the potential for these establishments to change the landscape of the wine industry. "Many times, when something is new and special, the county has to adapt to how we’re going to deal with that," said King County Council Member Kathy Lambert. "We are adjusting to what exists and putting parameters around it."

Some of the tasting rooms call themselves wineries, even though they don’t produce wine on site, said Michael Tankeley, a member of Friends of Sammamish Valley, a nonprofit formed to oppose the changes and preserve the valley’s rural character. Only nine of the nearby 130 wineries in the area are operating illegally, he said.

King County’s planning committee is considering an ordinance that would update regulations for wineries and allow these tasting rooms for three years to study the impact. After that, they could be shut down or be allowed to stay open, along with any others that open.

The committee would also remove a mandate that a winery operating on rural land must get 60 percent of its produce from within the Puget Sound counties.

Finally, as written, it would change the rules on agricultural land so 60 percent of the grapes would need to be grown on the property for a winery to operate there. This could make it almost impossible for wineries to operate on agricultural land, since grapes don’t grow well in the Sammamish Valley.

"One hundred percent of people bring grapes in from everywhere else. The growing area in Washington is Eastern Washington," said Samuel Castillo, owner of Castillo de Felsiciana, which produces its wine in Walla Walla and has a rural Woodinville tasting room that was cited in 2015.

He opened the tasting room six years ago and considers it in compliance because the county hasn’t closed it down.

"I’m an optimist, so I don’t have any fear that we’ll be shut down by the opposition," he said. "King County, I believe, knows how valuable what the wine industry has brought in is to the county and to the city of Woodinville. I don’t think there’s any stepping back."

“Nobody set up a tasting room and just started selling alcohol out of the back of a truck. It makes it sound like we have speakeasies.”

SCOTT HEINRICH, owner of Genoa Cellars
Castillo said he believes the 60 percent rule will wither on the vine because "it's not feasible."

The ordinance changes are still being negotiated, and the final version which could be voted on as soon as Dec. 4 may have fewer agricultural regulations, preliminary county documents show.

Buyers and sellers are standing by. The owners of a four-acre equestrian property who listed it for $6.5 million in May took it off the market in September to see what happens with the vote.

Teresa Leatham, the Keller Williams agent who listed the agricultural-zoned property, said her clients are retiring and plan to sell either way, but are holding out for a bigger payout from someone who wants to use the property for a wine-tasting business or event venue.

Leatham said she has other clients in the area who want to sell but are also waiting to see what happens.

"There's definitely opportunity," she said. "I would love it if somebody bought our property (to partner) with a farm-to-table and maybe some kind of attraction like a venue for a destination, winery and distillery," said Leatham.

More development may be coming to the area soon. The 24-acre Woodinville Wine Village property sold for $16.2 million in September to an entity of Windward Real Estate Services of Kirkland. Windward wants to add more residential and commercial space to the plans for the mixed-use property, which has been in various stages of development for over a decade due to legal and financial difficulties.

DeLille Cellars co-founder Greg Lill, Matthews Winery owner Cliff Otis and other business leaders envision more. They presented the committee with a list of other changes they would like to see in the Sammamish Valley, including hotels, art galleries, restaurants, bike, rollerblade and kayak rentals, youth hostels and a passenger train station.

Lambert said none of those changes are being considered yet.

Tanksley and other members of the Friends of Sammamish Valley are opposed to any changes that would reduce regulations on agricultural land.

They say this could increase area land prices which would impact farmers and that the area doesn't have the infrastructure to support additional tourism more development could bring. Instead, Tanksley encourages wineries and other businesses to set up in the city of Woodinville or in the nearby tourist district.

Scott Heinrich opened Genoa Cellars tasting room in a rural area in 2015. His business was federally and state licensed, he said, and King County had a chance to raise concerns about the location during the state licensing process, but never did.

"Nobody set up a tasting room and just started selling alcohol out of the back of a truck," he said. "It makes it sound like we have speakeasies."

Heinrich eventually moved his business into the city of Woodinville not because of the zoning, but because of challenges associated with running a business on undeveloped land. Heinrich offered words of caution to speculators placing bets before officials act.

"It's risky as an investor," he said. "If it doesn't pan out, they are stuck holding agricultural land that they have to go grow something on."
Comments by Aslaug Haraldsdottir

King County Council PRE Committee meeting regarding King County Ordinance #2018-0241 ("Beverage" Ordinance)

November 28, 2018

Ladies and Gentlemen of King County Council,

My husband and I live just above a narrow greenbelt from one of the larger parcels included in “Overlay B.” Every day I have to plan my driving in the valley around the nightmare traffic congestion on SR202. This narrow 2-lane road, with no left turn lanes or sidewalks, can in no way handle the increase in traffic the “overlay” would create. The inevitable parking lots created by new businesses would rapidly increase water runoff that already causes difficulty for the agriculture in the valley.

Another key issue is the use of septic systems for bars and event centers. The increased volume of affluent that would run through these septic systems can reach into the aquifer and ultimately into the farmland in the valley below. Bars and event centers need sewer hook up, which do not and should not exist on rural land.

The final point I want to make is this: We have a lovely rural oasis in this valley with deep fertile soil that is so rare in our otherwise hilly terrain. This is key to the tourist draw and outdoor recreation in the valley, and we are blessed with the opportunity to continue to preserve this gem!

I plead for your support of the amendment from Friends of Sammamish Valley for proposed King County Ordinance #2018-0241. Thank you.
Dear Members of King County Council-

My husband & I have lived here almost 30 years, raised family here – bought here due to beauty, quiet and peace of rural character of valley but also proximity to cities.

Drastic changes have occurred over last several years. I don’t know at what point it became okay to ignore the laws that protected and outlined the use of the valley. It is a nightmare going down Redmond Woodinville Road on weekends. Traffic is chaotic with no turn lanes and pedestrians cross everywhere. The infrastructure does not exist for what is being allowed now, much less what some future proposals outline. Former homes, designed for a family, have been turned into tasting rooms with dozens of cars parked on what likely could be drain fields or reserve drain fields. Paved or compacted soil does not drain and causes water runoff problems.

There is an opportunity now to do what is right, to safeguard what the current laws have been designed to protect. Doing the right thing is not always about what generates the most revenue. As a tax-paying resident of King County, I ask you to be part of the solution and not perpetuate what has proven to be a problem for those of us who live and work in the area and for the land that is rich for agricultural use and recreational purposes. This is the legacy I hope you choose.

I support Friends of Sammamish Valley amended ordinance,

Suzie Ramsey
13323 157th Ave NE
Redmond, WA 98052
We've heard the science & we know why it's important to keep this small valley from overdevelopment.

There are very few places left where we can say "enjoy the land." "Respect the land."

Let's do that here and now. Not only for the short term but for the generations to come.

The Sammanish Valley is a treasure that should be passed on to future generations.

Let's do it!!!

1. Support Friends of Kam Valley
I support the
Friends of Sammamish Valley
Ordinance.
Submitted by Brenda Vanderloop; presented to King County Council, Nov. 28, 2018

Brenda Vanderloop, commenting on behalf of 21 Acres and Sammamish Valley Alliance.

Preserving and protecting the farmland and rural spaces in the Sammamish Valley has direct impact on the farms and organizations that offer their products and educational resources to the community. Farming in the Valley is a viable entity and we’ve seen growth in recent years with farm production and education programs bringing in an increasing number of young farmers growing food on acreage in the Valley. Education programs that provide increased opportunities for food access and food security. Farming practices that regenerate the soil addressing weather issues and climate challenges that affect production.

Each year thousands of youth and young adults are in the fields and on the grounds on these Sammamish Valley farms learning valuable skills about how food is grown, harvested and used in their family kitchens. Farmers host field trips for youth, from preschool to college, are adventure centers for farm camps, serve as homes for veterans healing, and are locations for volunteering and community service. The SAgE program, as one example, is a collaboration of five Seattle area colleges, and WA State University, who use their Valley farmland for hands-on curriculum as part of their Sustainable Agriculture degree programs. Participants continue their education working on the SAgE farm, they become successful incubator farmers growing MORE food in the Valley for the community. They look for land to farm they can call their own. Access to affordable, useable farmland is key, it allows these farmers to remain in business, increase food production goals and support the local food economy.

Please protect this viable farmland and keep the rural buffers free from development creating additional water issues that affect production. Do NOT put our Valley farmers out of business. In fact, King County’s current Local Food Initiative has established goals for GROWING 25 NEW farmers every year and INCREASING the amount of King County acreage in food production. Please support Friends of Sammamish Valley’s amended Ordinance.

Thank you.

Brenda Vanderloop
bvanderloop.sva@gmail.com
206-498-9731
The farms produce food for families, restaurants and numerous charities throughout the
This farmland can feed 80,000 people and must be preserved for now and the future.
The Rural Buffer must remain in place to protect the Sammamish River and the farmland soils.
These toxics and sediments will damage multiple migratory salmon runs.
Flood farmland and contaminate the soils and the Sammamish River.
If commercial zoning is allowed the ecosystem will be destroyed, sediments and toxics will
undisputed, it provides pure water resources to the valley and the Sammamish River.
The Rural Buffer is the steep, sloped walls of the valley.
The Rural Buffer is an essential part of the Sammamish Valley ecosystem.
Climate Reality endorses the Friends of Sammamish Valley amendment to Ordinance 2018-0241, to retain the Rural Buffer Zoning.
The Kernel Buffer is the steep walls of the Valley.
Water flows to the valley and into the Squamish River.
Trash
"Whether or not, Nature is party to all our deeds and decisions, she has more votes, a longer memory and a stern sense of justice than we do."

Sammamish Valley.

- Buffer zoning by supporting the proposed Ordinance Amendment by the Friends of Sammamish Valley.
- The County cannot let this valuable resource be damaged, please keep the necessary rural buffer.
- Protecting the fertile soils.
- The Sammamish Valley can provide this food, if we do not disturb the rural buffer, thus all need to eat.
- With increasing the numbers of climate migrants, our County has increasing populations that shortages of agricultural fertile lands nationwide already create produce climate change is decreasing agriculture fertile lands nationwide already create produce.