

Long Range Planning

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To: Olivia Story <olivia.story@co.yakima.wa.us>

From: Emily Fergestrom <emily@fortuitycellars.com>

Sent: Wednesday, February 23, 2022 2:44 PM

To: Long Range Planning <longrangeplanning@co.yakima.wa.us>

Cc: Amanda McKinney <amanda.mckinney@co.yakima.wa.us>; Ron Anderson <Ron.Anderson@co.yakima.wa.us>; LaDon Linde <ladon.linde@co.yakima.wa.us>; Lee Fergestrom <lee@fortuitycellars.com>

Subject: Fortuity Comment on the Agritourism Draft Staff Report/Code

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Dear Planning Commission and Yakima County staff,

Thank you for the opportunity to comment on the draft staff Agritourism code changes. I had the opportunity to attend a few of the Agritourism Advisory Group meetings last year.

My husband Lee Fergestrom and I own Fortuity Cellars, located at 160 Lombard Loop Road, Wapato, WA 98951. Our home is on-site and we are residents of Yakima County.

We purchased the property in September 2017 and started construction on our new winery production building in June 2019 and completed it in December 2019. Our building was fully licensed as a working winery and tasting room in March 2020. We were set to open April 2020, but the current pandemic pushed that opening back to August 2020.

We currently have a Destination Agricultural Tourist Operation, which was approved by the Yakima County Hearing Examiner in February 2018. The previous owners of our property also received a Destination Agricultural Tourist Operation in May 2015.

We currently process grapes (crush/destem/ferment), age, blend and bottle wine on-site. We also conduct tastings with the public at our winery.

While we have only been in operation at this location during the pandemic, about 70 percent of our revenue comes directly from consumers visiting our winery. The other 30 percent is off-site permitted events, online sales and wholesale sales. This breakdown is very consistent with industry standards for small wineries (under 5,000 cases). The Silicon Valley Bank recently reported that 57 percent of winery revenue comes from tasting room, club and other sales associated with on-premise sales. SOURCE: <https://www.svb.com/globalassets/trendsandinsights/reports/wine/svb-state-of-the-wine-industry-report-2022.pdf>. The smaller the winery, the more important direct to consumer (DTC) sales are – making tasting room, winery and wine club activities that much more important. As noted on the Washington Wine Commission's website, 90 percent of Washington state wineries produce less than 5,000 cases annually. My guess is in Yakima County that number would be even higher. Fortuity currently produces 1,500 cases and we plan to grow up to 2,500 cases.

Wine club membership is critical to the success of small wineries. Attracting and retaining these loyal customers is how we sustain our business and increase profitable. The ability to host events on-site several times a year for our club members (and potential club members) is absolutely critical to our success. 2021 was the first full year of operations for us at our Wapato location. And while we were still under a pandemic, our wine club membership grew 50 percent. Given this growth, we do have more than 100 people on-site at these wine club events, new wine

release parties and other celebrations. Any changes to the code that would restrict a winery's ability to host these types of events would greatly impact their profitability and could force them to look at relocating to a different county.

Yakima County needs and should want more wineries like ours choosing to build and grow their businesses within our county lines. We generate B&O and sales tax and we create jobs. We also support other local small businesses (insurance, packaging, storage, freight, hospitality, professional services and much more). Any changes should be to grow our craft beverage and tourism industries in Yakima County.

We need to be able to compete with other wine-tasting/tourism/wine-producing regions like Chelan, Walla Walla, King County, Willamette Valley, Columbia Gorge, etc. Having tourism infrastructure like food and lodging is critical to our success of being a world-renowned wine-tasting and producing region.

I understand there are three main areas of this discussion: lodging, food and event size. For the purposes of our winery, which is focused on producing the wine on-site and marketing/selling direct to consumer, I will focus the remaining of my comments on the event size and ATO grandfathering. While it is not our plan to have a restaurant or lodging, we do currently hold a Destination ATO and we believe we should be able to retain this investment.

From the beginning of this process, and as part of the Advisory Group, I have encouraged county staff to clearly define the problem they are trying to solve so that any future code changes or legislation could address these specific concerns. I commend the county staff for their communications and regular meetings.

Unfortunately, I do not believe the problem statement was fully defined. It appears that one of the biggest problems is neighbor noise complaints. If this is the driving force for limiting the size of an event, I would encourage the Board of Yakima County Commissioners to look at the Compliance/Enforcement budget. YCC 6.28.030 already addresses noise complaints. Additionally, ATOs, like ours, address it in the Hearing Examiners decision. Our ATO specifically says that music must conclude by 10 p.m. and all events must end by 11 p.m.. Writing code for a few people who violate the existing code is not the appropriate or fair approach.

As I noted above, the success of our small, family winery depends on people coming out to our winery to taste and buy wine. Additionally, a successful small winery will continue to grow its wine club – cultivating the most loyal customers. At Fortuity, we hold pickup and release parties for members featuring local chefs or restaurants, not just pre-packaged veggies and cheese. Because our club is well above 100 members, our winery events certainly have more than 100 guests. Limiting winery events to 100 guests would require us to turn people away. As costs of food, freight, labor, etc. continue to rise and drive up event budgets, we need to be able to attract more people to our winery to cover these costs and have some profitable. If we have to put a maximum number of people who can attend an event at an establishment that only has a general WBD permit, I recommend that they can hold events up to 250 guests. Otherwise, the code will certainly stifle growth of existing wineries, as well as, discourage businesses from selecting Yakima County as their headquarters.

I also wanted to address the staff presentation on the permit cost. It appears that there would be a \$485 WBD, \$1925 WBD or \$1925 ATO permit cost. I am hoping that what we have already paid to date to obtain our ATO would apply to any new permit costs. Additionally, it was unclear from the presentation if this was an annual or one-time permit. An annual cost of \$485 or \$1925 would be a significant expense to a small winery.

The staff also presented a change in parcel size. I suggest removing that or greatly reducing it. Our winery production operations clearly fit under the definition of agricultural uses and we can do that on less than half the size of our current property. I understand that growing grapes would require a lot more acreage, but agricultural processing does not. Please consider removing the parcel size requirement for an ATO or reduce to no more than two acres.

Finally, if new code is passed, I recommend that wineries/breweries/distilleries who have existing ATOs be grandfathered in. We bought our property because it had the ATO. We saw the value of this ATO from the very beginning and it was factored into the purchase/market price. Our business plan was developed based on our ability to host large gatherings as a winery. We purchased our property with those revenue targets in mind. We also spent

a significant amount of money changing the Destination ATO into our name, since we were changing the core agricultural business to a winery. Requiring us to pay an additional permit or go through an additional regulatory process would place a financial and resource burden our business, particularly coming out of a pandemic.

In summary, the following are the items I ask the Planning Commission to address:

- All WBD businesses (general WBD permit and any ATO) should be able to have up to 250 people at an event that is part of their WBD operations and marketing.
- For those applying for a new WBD permit or ATO, make the fee structure more reasonable and one-time to encourage new wineries to select Yakima County as their headquarters.
- Remove parcel limitations for an ATO; not all agricultural uses require a lot of acreage
- Transition all existing ATO-holders to new ATO-designations - current Type I and II to new ATO-Retail and current Type III and IV to new ATO-Destination – without any additional fees.
- Evaluate whether current code enforcement officers need additional tools or budget to address noise complaints and determine if a business is violating the current County noise ordinance (YCC 6.28.030).

Yakima County has a real opportunity to do the right thing with this Agritourism policy. We have an opportunity to send a message to the rest of the state (and beyond) that we are open for craft beverage businesses and we are open for tourism. Let's work to build out our infrastructure in a careful, yet open manner.

I'm happy to discuss this further with any of you. Thank you for taking the time to deliberate this important issue.

Sincerely,
Emily Fergestrom
Owner, Fortuity Cellars
Board Member, Washington Wine Institute

CC: Lee Fergestrom, Commissioners Amanda McKinney, LaDon Linde and Ron Anderson

EMILY FERGESTROM
OWNER & CHIEF BRAND OFFICER
[425-247-6332](tel:425-247-6332)

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