



**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 10/07/2025

ITEM NO: 13

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DATE: October 7, 2025  
TO: Mayor and Town Council  
FROM: Chris Constantin, Town Manager  
SUBJECT: **Adopt A Resolution Granting Consent to the County of Santa Cruz to Establish the Santa Cruz Mountain Wine Improvement District (SCMWID) and Include the Town of Los Gatos Within the District.**

RECOMMENDATION: Adopt a Resolution granting consent to the County of Santa Cruz to establish the Santa Cruz Mountain Wine Improvement District (SCMWID) and include the Town of Los Gatos within the District.

FISCAL IMPACT:

There is no cost to the Town to participate in the Santa Cruz Mountains Wine Improvement District (SCMWID). The SCMWID programs are intended to increase visitation to the participating wineries within the Town of Los Gatos; thus there may be an increase in sales tax collections.

STRATEGIC PRIORITY:

This item aligns with the Core Goal of Community Character and the strategic priority to “foster the economic vitality of businesses in Town.”

BACKGROUND:

The County of Santa Cruz is working with the Santa Cruz Mountains Winegrowers Association and Civitas Advisors to form the SCMWID pursuant to the Property and Business Improvement District Law of 1994. The County of Santa Cruz has requested the inclusion of the Town of Los Gatos in the SCMWID, which must be approved by the Town of Los Gatos by Resolution approved by the Town Council (Attachment 1). The data and information provided within this staff report have been provided by the Santa Cruz Mountains Winegrowers Association and

PREPARED BY: Monica Renn  
Economic Vitality Manager

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Reviewed by: Town Manager, Assistant Town Manager, Town Attorney, and Finance Director

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Civitas Advisors, as the Formation Committee for the SCMWID, and have not been calculated or verified by Town staff.

Through the evolution of the process, the proposed boundaries of the SCMWID have shifted and currently contain four wineries located within the Town of Los Gatos that would be included and assessed in the SCMWID should the Town Council adopt the Resolution. These include: Gali Vineyards, Saison Winery Tasting Room, McCarthy Family Estate Vineyard, and La Rusticana D'Orsa Vineyards (currently only operating as a wine grower). Town staff received, from the Formation Committee, signed petitions of support from Gali Vineyards and McCarthy Family Estate Vineyards (Attachment 2). The committee noted that Saison provided verbal support of the district, although no petition of support has been received by Town staff.

#### DISCUSSION:

The SCMWID is a benefit assessment district proposed to create a revenue source to help fund marketing and brand awareness, and business improvement and special project efforts for wineries located in and around the Santa Cruz Mountains. This approach has been used successfully in other wine regions throughout the country to provide the benefit of driving increased sales revenue directly to participating businesses. The SCMWID includes all wineries, existing and in the future, located generally within the boundaries of the cities of Santa Cruz, Saratoga, Scotts Valley, Capitola, and Watsonville; the towns of Los Gatos, Portola Valley, and Woodside; and portions of the unincorporated areas of the Counties of Santa Cruz, Santa Clara, and San Mateo.

Several winery owners opted to pursue the formation of the SCMWID to create a revenue source devoted to marketing SCMWID as a premier wine destination and increasing awareness and demand for visitation at assessed wineries, ultimately increasing the sales revenue for the participating businesses. If established, it is estimated that the SCMWID would generate approximately \$575,000 on an annual basis for promotion of winery businesses participating in the SCMWID.

#### **Wine Improvement Districts**

Wine Improvement Districts (WID) leverage efficiencies of the private sector operation in the market-based promotion of business districts. These special assessment districts allow assessed business owners to organize their efforts to increase sales and promotional efforts. Business owners within the WID fund the WID, and those funds are used to provide direct services that are desired by and benefit the assessed businesses within the WID.

Designed, created, and governed by those wineries being assessed within the district, WIDs provide stable funding for members, and customized benefits to fit the needs of individual destinations, allowing for a wide range of services including destination marketing, business promotion, and sales lead generation. WIDs provides a dedicated and stable funding source for

business promotion without the ability for the funds to be diverted for other government programs.

In California, WIDs are primarily formed pursuant to the Property and Business Improvement District Law of 1994. This law allows for the creation of special benefit assessment districts to raise funds within a specific geographic area. The key difference between WIDs and other special benefit assessment districts is that funds raised are returned to the private non-profit corporation governing the WID.

### **Management District Plan**

The Management District Plan (Attachment 3) includes the proposed boundary of the SCMWID, a service plan, a budget, and a proposed means of governance, dated May 20, 2025. While some of the map boundaries and wineries included in the proposed SCMWID have changed throughout the process, the Management District Plan may not be revised until after the adoption of the resolution by the County of Santa Cruz, scheduled for October 21, 2025.

The annual assessment rate is one percent (1%) of gross direct to consumer sales revenue on winery sales. Beginning in the second year of the SCMWID term, the assessment rate may be increased by the Owners' Association to a maximum rate of two percent (2%) of gross direct to consumer sales revenue on winery sales. Beyond year two, the maximum increase or decrease in a year shall be no more than one-half of one percent (0.5%). If the assessment rate is increased, it may subsequently be decreased but shall not be decreased below a minimum of one percent (1%) of gross direct to consumer sales revenue on winery sales.

Based on the benefit received, assessments will not be collected on wholesale wine sales, purchases made outside of the state of California, or purchases made pursuant to contracts executed prior to November 1, 2025. Revenue generated from the SCMWID is intended only to provide programs and services for assessed wineries, all of which are located in California. Sales made outside of the state of California are not subject to assessment due to a lack of benefit. Assessment dollars will not be spent on any programs or activities to benefit individual wineries outside of the state of California. Assessment dollars may be spent outside of California to elevate the notoriety of the Santa Cruz Mountains as a premier winery destination, with the desired outcome of increased in-person visits to wineries paying the assessment.

The proposed SCMWID will have a five-year term, beginning November 1, 2025, or as soon as possible thereafter, and ending five years from its start date. The assessment will be implemented beginning November 1, 2025. Once per year, beginning on the anniversary of SCMWID formation, there will be a thirty-day period in which winery owners paying 50% or more of the assessment may protest and begin proceedings to terminate the SCMWID.

The District Administration shall be responsible for collecting the assessment on a quarterly basis from each assessed winery. They shall then forward the assessments to the Santa Cruz

SCMWA, which will have the responsibility of managing SCMWID programs as provided in the Management District Plan. The District Administration shall be paid a fee equal to two percent (2%) of the total amount of assessment collected to cover its costs of collection and administration.

Below are the SCMWID establishment process steps that have been completed to date, with the other jurisdictions' participation status noted.

- Petition Phase - Petitions in favor of SCMWID formation were submitted by 43 assessed wineries, which represent 57.36% of the total SCMWID assessment. This majority petition allowed the County of Santa Cruz Board of Supervisors to initiate proceedings for SCMWID formation at their August 5, 2025, meeting.
- Resolution of Intention Hearing, August 5, 2025 - Upon the submission of a written petitions signed by the winery owners in the proposed SCMWID who will pay more than 50% of the assessments proposed to be levied, the County of Santa Cruz Board of Supervisors initiated proceedings to establish the SCMWID by the adoption of a resolution expressing its intention to establish the SCMWID (Attachment 4).
- Upon adoption of the Resolution of Intention, the County of Santa Cruz Board of Supervisors adopted a Resolution to request consent from all jurisdictions to be included in the proposed SCMWID (Attachment 5). Consent must be received from the jurisdictions prior to the final public hearing for their jurisdiction to be included in the established SCMWID. The final public hearing is scheduled with the County of Santa Cruz Board of Directors on October 21, 2025.
- Pursuant to the Property and Business Improvement District Law of 1994, written notices sent via mail began on August 9, 2025, to the owners of all wineries proposed to be assessed within the SCMWID. Mailing the notice begins a mandatory 45-day period in which assessed winery owners may protest SCMWID formation.
- On September 9, 2025, the County of Santa Cruz held a public meeting to allow public testimony on the formation of the SCMWID. This body heard testimony from several businesses in support of the SCMWID, as well as concerns from a couple of winery businesses not located in Los Gatos. No action was required or taken at this meeting. The presentation shared by the Formation Committee at the meeting is provided with this report (Attachment 6).
- Below is a list of the jurisdictions that have met and adopted a resolution for their respective City, Town, or County to be included in the SCMWID. Staff is unaware of any jurisdictions to date that have declined to adopt the resolution to date.

Jurisdictions in support of the SCMWID: County of San Mateo; County of Santa Clara; City of Woodside; City of Saratoga; City of Scotts Valley; City of Capitola; City of Watsonville; and City of Santa Cruz. The Town of Portola Valley will hear the item on October 8, 2025.

- At the time of this report, the Formation Committee provided the following update:
  - *The latest update from the petition drive shows 76.8% weighted support for the SCMWID, not including more than a dozen wineries that have voiced support, although have not yet submitted signed petitions.*
  - The Formation Committee has reached out to engage the Los Gatos Chamber of Commerce on this initiative.
- The final public hearing will be held on October 21, 2025, by the County of Santa Cruz Board of Supervisors to consider adoption of a final resolution that establishes the SCMWID.

CONCLUSION:

Adopt a Resolution granting consent to the County of Santa Cruz to establish the Santa Cruz Mountain Wine Improvement District (SCMWID) and include the Town of Los Gatos within the District.

ALTERNATIVES:

The Town Council may elect to not adopt the resolution, and as such, would not be included in programs and services provided by the SCMWID. Given the timeline for the Formation Committee to return to the County of Santa Cruz Board of Supervisors for their final discussion, staff requests final direction from the Town Council at the October 7, 2025, Town Council meeting.

COORDINATION:

This staff report was developed in coordination with the Town Manager's and Town Attorney's Offices, with information and data provided by the SCMWID Formation Committee consisting of representatives from the Santa Cruz Mountains Winegrowers Association and Civitas Advisors. The Executive Director of the Santa Cruz Mountains Winegrowers Association has provided a letter to the Town Council for their consideration with this item (Attachment 7).

ENVIRONMENTAL ASSESSMENT:

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SUBJECT: Resolution to include the Town of Los Gatos in the SCMWID

DATE: October 7, 2025

This is not a project defined under CEQA, and no further action is required.

ATTACHMENTS:

1. Draft resolution granting consent to the County of Santa Clara to adopt a resolution to form the Santa Cruz Mountains Wine Improvement District and include the Town of Los Gatos within the district
2. Petitions of Support signed by Gali Vineyards and McCarthy Family Estate Vineyards
3. SCMWID District Management Plan
4. Resolution 158-2025, Requesting Consent to form the SCMWID, adopted by the County of Santa Cruz on August 5, 2025
5. Resolution 159-2025, Requesting Consent from specific jurisdictions for inclusion in the SCMWID, adopted by the County of Santa Cruz on August 5, 2025.
6. Slide presentation provided by the SCMWID Formation Committee to the County of Santa Cruz Board of Directors at its September 9, 2025, meeting.
7. Letter to the Town Council from the Executive Director of the Santa Cruz Mountains Winegrowers Association.