



Jamie Scott Lytle

Wineries are alive and well in San Diego County, say George and Kim Murray, owners of Beach House Winery in Oceanside; it's time to promote them.

Turning Tourism Into a Cash Crop

Seven years ago, **George and Kim Murray** left their management jobs at the San Onofre Nuclear Generating Station to start a business devoted to their love of wine-making. Today, the couple's **Beach House Winery** in Oceanside draws hundreds of visitors each winter to its vineyards and tasting rooms.

But Kim Murray says the crowds at

Agri-Tourism Seen as Way to Preserve Farming And Generate Revenue

By **LOU HIRSH**

her venue and other agriculture-oriented businesses in the city could be even bigger — if people only knew what was there, particularly in the city's farm-centric northeastern section.

"Many people just aren't aware that there are wineries in San Diego County," she said. "It would be great to have people coming to these local businesses

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Co. Uses AI to Stay Ahead of Loan Fraud

TECH: Models Are Fast Learners, Keep Up With Data

By **SARAH DE CRESCENZO**

Outstanding auto loans in the United States last year topped a record \$1 trillion.

San Diego startup **PointPredictive Inc.** aims to help auto lenders keep more of the revenue they expect to earn from those loans by identifying potentially fraudulent applications before automobiles leave dealers' lots.

The predictive analytics company, founded in

► *PointPredictive page 17*



Frank McKenna

Palomar Health Works On Financial Recovery

HEALTH: 'Stable' Rating, Multipronged Strategy Helping

By **JOHN COX**

A financial turnaround appears to be underway at **Palomar Health** after the state's largest public health care district badly overspent on a hospital it opened five years ago in Escondido.

Palomar has lifted its annual operating income by tens of millions of dollars during the last four years, and said it is on track to finish the current fiscal year with enough cash on hand to cover operations for 131 days — a 70 percent improvement since it ran afoul of a covenant with bondholders

► *Palomar page 16*

SmartDrive's Roadwork Makes Its System a Contender

TECH: Co. Stresses R&D To Compete in Telematics Race

By **BRAD GRAVES**

If there is a moral to **SmartDrive Systems Inc.**'s remarkable growth streak, it's that it

pays to keep moving.

SmartDrive makes a system that combines video, a telecommunications link and predictive analytics. The system keeps an eye on truck drivers and the conditions they face in an unfriendly world. It can catch drivers engaged in risky behavior and exonerate a driver in the event of an accident.

As the years pass, sensors on the company's core technology gather more information. Systems crunch more data. Customers ask for new functionality — even uses that company leaders had not imagined.

It has all added up to more revenue.

► *SmartDrive page 15*



Jamie Scott Lytle
SmartDrive CEO
Steve Mitgang

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Agri-Tourism:

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that are already so close together, so they wouldn't need to drive a half-hour — or even longer with the traffic — to places like Temecula.”

Two years ago, Oceanside officials launched an effort to bolster agri-tourism, particularly in the region known as South Morro Hills, a largely rural area where the city borders Fallbrook and Bonsall. Oceanside officials approved a \$150,000 investment in the effort, currently being carried out as the city holds public workshops and acts on a strategic plan recommended by **SMG Consulting**.

Tough Environment

For Oceanside, the key goal is to help maintain local farming as a viable business enterprise, at a time when growers are struggling with issues including water shortages, international competition and rising costs to get their goods to market.

At the same time, North County growers steadily have developers knocking on their doors with tempting offers to buy their land and put up housing and other non-agricultural projects.

Government and tourism officials are seeking to carry out the agri-tourism mission by having local agriculture — which generated \$1.7 billion in income countywide in 2015, according to the **San Diego County Farm Bureau** — tap more effectively into growing consumer trends favoring natural, farm-to-table products.

That includes craft beers, artisan wines and coffees, and other fresh, locally made offerings favored by buyers who prefer to know where their food is coming from. Oceanside, for instance, would like to promote similar-themed businesses that are already clustered together, to bring in the kinds of crowds now touring numerous breweries and sampling craft beers produced along North County's state Route 78 — aka the Hops Highway.

County Action

County officials are thinking along the same lines, looking to apply that strategy in unincorporated areas throughout the region. On March 15, the county **Board of Supervisors** is scheduled to review a proposed agriculture promotion program, which would amend zoning rules to allow growers to operate more on-site, visitor-serving businesses.

Recently approved by the county Planning Commission, the measure would simplify permitting processes to allow for businesses including restaurants, bed-and-breakfasts, microbreweries, distilleries, self-harvesting or “U-Pick” operations, and other offerings geared to agricultural tours and education programs. Under certain conditions, farmers and ranchers could also operate their own small agricultural retail stores of 1,500 square feet or less, with larger venues requiring additional permits.

Under the county proposal, agri-tourism would require that 50 percent of a property's acreage stay available for agricultural uses, with active agricultural production on 25 percent of that acreage.

Zoning Provisions

Other San Diego County cities have taken their own steps to preserve agriculture as viable segments of their economies. Since 2006, Carlsbad voters and officials have approved a series of zoning provisions to keep certain areas focused on grower-centric enterprises.

For instance, Carlsbad-based developer **Carlitas Co.**, which owns about 46 acres



Kim and George Murray own Beach House Winery in Oceanside. They hope an effort by city and county officials to promote the region's agricultural assets will generate more business.

Jamie Scott Lytle

near the city's well-known flower fields off Interstate 5 near Cannon Road, is at work on a city-approved project called **North 40 Urban Farm**. The first phase is expected to open later this year.

Long-term plans for North 40 include areas where berries, fruits and olives will be grown and processed from small orchards. There will also be an on-site restaurant, craft brewery and an outlet of the nearby wholesale **Floral Trade Center**.

In Oceanside, officials note that the city is already home to numerous crop categories in which San Diego County is among the nation's biggest producers. Those include avocados, flowers, nursery plants, citrus fruits, wine grapes and macadamias. In recent years, the city has seen a rising presence of coffee-bean growers and other niche businesses.

Still in its early implementation stages, the city's strategy is aimed at making conditions more conducive to smaller growers, who could contribute to a “real farm experience” that could bring in visitors seasonally or potentially year-round. Changes being studied include easing zoning and other regulations to streamline processes for establishing farm stands and related operations by local growers, and promoting those farm-based businesses through **Visit Oceanside**, the city's main tourism agency.

“It's getting harder and harder for the farmers to make money from agriculture, so it's putting pressure on them to sell to developers,” said **Leslee Gaul**, president and CEO of Visit Oceanside. “It was felt that this kind of program could help the farmers but also help the local tourism industry as a whole.”

Educational Experience

Michelle Castellano is now vice president and part of a third generation in charge of the family-run, nearly century-old **Mellano & Co.**, which operates a



250-acre flower field that employs more than 200 in Oceanside. It also maintains a smaller flower-field operation in Carlsbad.

While her company is not a visitor-serving enterprise, Castellano said programs like what is now being discussed in Oceanside could be crucial to boosting the business viability of local growers, along the lines of what has already happened in places like Temecula and Napa.

“There are lots of kids growing up who have no idea where their food comes from,” Castellano said. “You need to create an experience, like what you see in places like Temecula, where the businesses don't make most of their money on the wine. They make money from people wanting to visit there and have weddings and special events and take in the bigger experience of visiting these places.”

She said she and her family want to stay in the farming business, where their passion remains. “A better climate for agriculture would help us take on these competitive pressures, like land and labor costs, and the fact that costs are much cheaper in places like South America where they're also producing and selling flowers.”

'Farm Preservation Program'

While it remains a significant economic generator, the overall value of commercial agriculture in San Diego County fell 6.4 percent from 2014 to 2015. **Eric Larson**, executive director of the County Farm Bureau, said city and county efforts could help the agricultural industry capitalize on visitors who are already coming here — nearly 35 million people in 2016, according to the **San Diego Tourism Authority** — but who aren't aware of the region's farm-related offerings.

“We want people to spend a couple more days in this region when they're already here, and it doesn't take that long to get from the urban core to the farm areas,” Larson said. “Tourism is a big part of it, but this is really a farm preservation program.”

The city of Oceanside is also looking at establishing an agri-tourism grant program, to engage entrepreneurs and businesses and build up related tourism infrastructure. Grants might come from the city, county, state agencies and possibly the **U.S. Department of Agriculture**.

A city consultant's report said the initial goal is to establish three to five seasonal farm stand operations that could enable visitors to Oceanside to “experience an operating farm on a seasonal level.” With marketing support, South Morro Hills, spanning 3,500 acres, could become “a more fully developed” brand.



Leslee Gaul



Michelle Castellano



Eric Larson