DRAFT MEMORANDUM

DATE: July 8, 2013

TO: City Council

FROM: Business Advisory Committee (BAC)

SUBJECT: Sausalito Strategic Asset Planning Report

Background

As the impacts of the "Great Recession" were becoming evident in Sausalito in 2008-2009, the Business Advisory Committee realized that the City should have a strong role in supporting economic vitality in Sausalito for the benefit the residents, businesses and the long range sustainability of revenue for City services.

The Marin Economic Forum under the direction of Dr. Robert Eyler was engaged to research and prepare the Sausalito Community and Economic Development Study, jointly funded by the City and the Sausalito Chamber of Commerce. The final report, presented to the City Council in January 2012, provided substantial detail data on Sausalito's current business mix; lists of the businesses that can provide the greatest net economic benefit; profiles of our residents, retailers and visitors; Marinship businesses and marine industries; and the results of extensive interviews and a public survey.

With the completion of this study, the residents, businesses and policy makers have a database of factual information to make informed decisions for the attraction and retention of businesses that provide the most economic benefit, with the lowest impact consistent with Sausalito's heritage and character.

The Sausalito Strategic Asset Planning Report

The Sausalito Strategic Asset Planning Report (the "Report") is the first follow-on effort recommended by the Sausalito Community and Economic Development Study (the "Study"). The Study provides the raw data for the development of an implementation plan, and the Report utilizes this data to make specific recommendations for business "clusters" having the most positive economic benefit within the constraints of existing land use policies and infrastructure. The MEF and Dr. Eyler were authorized and funded by the City in January 2013, and the final Report is being submitted to the City Council on July 23, 2013.

Scope of the Report

The Sausalito Strategic Asset Planning Report analysis and recommendations consider only permitted land use regulations as of the date of the report. As pointed out in the Study and again in the Report, the majority of employment in Sausalito is in the Marinship. For this reason, the Report is focused on that area, but does acknowledge that complementary businesses are also located elsewhere throughout town. The Report makes no deviation from the permitted uses in the Marinship Specific Plan or zoning. This means that some businesses will have to wait for vacancy of currently occupied space if they desire come to or expand in Sausalito.

Benefits from the "Multiplier Effect"

The Study presented the economic benefits to be derived from each business type on an extensive list. The first step in preparing the Report was to consider this data as it applies to Sausalito.

The highest net economic benefit comes from those businesses that can generate the most revenue in town beyond their own enterprise. This is called the "multiplier effect." The multiplier effect results from a business spending part of its revenue on local vendors and suppliers, and the pay to employees that they spend at local merchants. The multiplier effect extends to these complementary businesses as well, resulting in more hiring and new tax revenues to the City.

To realize the full benefit of the multiplier effect, the required complementary services must be available locally, or otherwise leakage will occur to other areas. This means that some consideration (market-driven or otherwise) must be made to have an appropriate business mix.

Revenues per Worker

A consideration in providing the highest net economic benefit is the demand placed upon infrastructure by the number of employees required to produce the enterprise's revenue. This affects building space requirements, parking, traffic, etc. This was the second consideration in the Report's analysis.

Along with considering the potential business revenue per employee for a variety of businesses, the Report considered the indirect business tax revenue potential per worker. Those industries with high revenues per worker for both the business and he City are considered most desirable.

Current and Permitted Uses and Space Availability

Finally, the Report narrowed the recommendations by considering only currently permitted uses in the Marinship and elsewhere in town. It also lists categories of currently operating businesses in the Marinship, as they may already form a "cluster" of

economically advantageous businesses, or could be complementary to preferred uses that may come. Limited space availability is a further constraint, as some uses would be permitted only in space previously occupied by the same use (e.g. office space).

Recommendations

Based upon this multilevel analysis, the Sausalito Strategic Asset Planning Report makes the following recommendations as those uses having the greatest positive economic impact within current limitations and space availability.

Primary Clusters

 Wealth and Financial Management Cluster (Using office/industrial space only as it turns over)

These businesses have relatively large economic impacts on the local economy, providing services to local, regional and global markets.

2. Technology, Research and Design (Using only vacant applied/fine arts and industrial space)

These businesses take advantage of design businesses already in place, and Sausalito's marine history. Internet applications provide systems design that can take advantage of the Bay Area labor force. Design firms in Sausalito can do the same and service regional and global markets.

3. Business Incubator

A business incubator fosters growth of businesses that would fit directly into primary clusters. By incubating and growing small businesses in systems and program design, for example, any of the above businesses may be complemented or replaced as space allows.

Overall Rationale:

- These businesses have markets beyond Sausalito's businesses and residents
- These businesses have relatively large revenue generation per worker
- These businesses include marine support businesses where Sausalito already has a niche (specialty design firms) and complements existing shipyards and other marine businesses

Complementary Clusters

(Using vacant office, applied arts, industrial and warehousing space)

1. Professional Services Cluster

These are businesses like legal, accounting, architectural and engineering services that are in primary business supply chains.

2. Logistics and Support Cluster

These businesses are in the primary business supply chains or their employees. Examples are dry cleaning/linen services, warehousing/storage of dry goods, data storage specialists and sailing schools.

Overall Rationale:

- These businesses lie in the supply chain of businesses already in Sausalito or to be targeted
- These businesses also support marine industries in the Marinship and Sausalito overall
- These businesses can use the local population, tourists, and other businesses in Sausalito as additional markets to balance against economic downturns

BAC Commentary – Next Steps

The Business Advisory Committee has reviewed and accepted the Report from Dr. Eyler and the MEF for transmittal to the City Council. Both the Study and Report provide invaluable resource material for the public, property owners, businesses and the City.

The BAC recommends that these resources by publicized to residents through posting on the City's website, though a link transmitted in Sausalito Currents, and on Open City Hall. In addition, the Chamber of Commerce is urged to inform its members of the benefits of promoting Sausalito to the targeted enterprises. Also, property owners should be encouraged to seek tenants in the preferred categories as space becomes available, and/or ask their leasing agents to do so.

Finally, while beyond the scope of the current effort, the Report does form a basis for consideration during the forthcoming planned revision to the Marinship Specific Plan.