


MEMORANDUM

DATE: October 6, 2010

TO: Business Advisory Committee

FROM: Jeremy Graves, Community Development Director 

SUBJECT: Kick Off Discussion Regarding Marin Economic Forum Economic Development Study

Background

On June 15, 2010 the City Council reviewed and approved the attached scope of work and budget for the Economic Development Study to be prepared by Robert Eyler, Ph.D. of the Marin Economic Forum. The \$23,000 Study is jointly funded by the City and Chamber of Commerce in equal proportions.

Dr. Eyler will review the scope of the upcoming Economic Development Study and be available for questions from the Business Advisory Committee on the methodology and associated aspects of the Study.

Recommendation

Conduct a kick-off meeting with Dr. Eyler and provide any appropriate direction, consistent with the approved scope of work.

Attachment: Scope of Work and Budget, dated June 16, 2010

June 16, 2010

Scope of Work and Budget
Sausalito, CA
Marin Economic Forum

Executive Summary

Below is an amended scope of work and budget for delivering multiple reports and data to Sausalito for public policy purposes. This reflects input from the Sausalito Business Advisory Committee (BAC) and Chamber of Commerce (COC), provided on multiple occasions since summer 2009. Table 1 provides guidance as to the relative ease of certain projects over others. Much of this work can be done after collecting data on Sausalito from various sources (local, primary data, Census, Bureau of Labor Statistics, Employment Development Department in Sacramento, etc.) and working with a Chamber/City MEF who would support the MEF effort.

The following projects complete this set of work. Many of these projects are linked and rely on the other studies being completed, and there may be others discussed as well.

- Targeted/Optimal Business Mix
- Economic Impact of Industry Groups in Sausalito
- Recreational Boat/Marina Area economic impact
- Qualitative & Quantitative Survey (residents, visitors, local businesses)

The total time to complete these report is approximately six months and an estimated cost of \$23,000.

Introduction

Many studies such as these are concerned with the return on investment or “ROI” for those funding the study. Please consider the following:

- Policy makers will now have data and a database to use when making decisions about Sausalito’s future, which helps explain to constituents why certain decisions are made;
- For local businesses, these reports can better shape how new businesses can be attracted and retained to help service their businesses, indirectly provide new customers and not replicate services to avoid increased competition levels and unbounded land use pressures; and
- For local residents, land use issues can be better assessed knowing what excess capacity exists; the plan is to focus on filling that excess capacity before considering an expansion of land use, if it is considered at all, to preserve Sausalito’s heritage and character while reacting to the regional business climate.
- For the city of Sausalito, an expansion of tax revenues from enhanced flow of tourism, retail activity and new businesses, and a more vital city where community development is proactive rather than reactive.
- Quarterly milestones will be set to monitor ROI based on these research results.

Topic 1: Optimal and Targeted Business Mix

Because empty storefronts can be seen as urban blight or decay by residents and visitors to an area, proactive economic development in a city should monitor, forecast and guide its business mix. Providing guidance on an optimal mix for Sausalito would be a three-step process:

- Identify the current mix of businesses;
- Identify industries that are missing, have recently left the area, or are not in the city but may be located in adjacent areas and provide services demanded by Sausalito residents; and
- Use economic impact analysis to show which of the industry gaps provide the most “bang for buck”.

The data needs for such a study would be a business inventory, the purchase of Sausalito’s economic impact multipliers from Minnesota Implan Group (MIG), which are standard for economic impact analyses, and a commercial space inventory from survey, city and county data. It is important that the data be maintained and monitored after the initial database is collected.

MEF can act as the third party for Sausalito, with no political axe to grind, as an information source and guide for public policy. This can be done without a specific city vision, and can help shape that vision if necessary.

The identification of available commercial space, location and size, and match against industry gaps can be done in conjunction with another MEF (as Sausalito is discussing). It is important that this MEF work closely with MEF on the data for ease of synthesis. These data can also be used to help reduce political constraints by showing what happens if other businesses leave due to a lack of: 1) support from local government and services; 2) similar businesses that drive synergies for remaining companies; and 3) local services that support the community as a whole

Topic 2: Specific Economic Impacts in Sausalito

Tourism

Economically, visitors provide three major, positive outcomes for a local area:

- Provide certain locally-serving businesses with additional cashflow;
 - Hotel rooms & “conference” space to the extent it is available;
 - Restaurants and entertainment; and
 - Retail, specifically boutique shopping;
- Augmented sales, transient occupancy tax (TOT) and parking revenues for the municipality; and
- Visitors act as PR ambassadors for networking to other, potential visitors that would not hear about the local area otherwise.

There are those who consider tourism detrimental to Sausalito’s charm. There are two potential issues to consider with increased tourism:

- Increased traffic on city streets and in parking areas may restrict local residents from utilizing local businesses with ease; and
- A free rider problem for local services, including:
 - Police, fire, health care demanded by visitors that use these services but are unlikely to “pay” for the full cost of their use.

Data assembly and a simple report can be put together to describe the economics of Sausalito’s visitor industry, where both sides are presented. Further, this report could contain ways in which some of the issues described above can be mitigated.

Non-Retail, Commercial Business Impact

Sausalito is also home to many businesses which are not retail establishments. Retail and non-retail business feed off of each other and provide local options (and thus capture local taxes rather than exporting tax dollars due to retail leakage). The identification of the non-retail sector happens in some of the previous studies when a business inventory is done. This specific study is about the economic impact of these businesses, and the magnitude of their existence on Sausalito’s economy.

- Provide an overview and economic impact of non-retail, commercial enterprises in this area

These businesses include philanthropic firms, design and advertising companies, and financial firms that tend to be outside the downtown area. Such firms serve both Sausalito’s businesses and residents. The key is to provide a contrast of economic impacts for the downtown area and recognize support businesses exist beyond retail. Also, this analysis will discuss how, if at all, these businesses are impacted by seasonal tourism and may act as a balancing force against tourism cycles.

The following research would help direct public policy to recognize the need for a more efficient economy in Sausalito as well as some of the constraints that may exist.

Topic 3: Recreational Boat/Marina Area Impact/Analysis & Recommendations

There are many boats and marine vessels in Sausalito’s harbor. The marina areas in Sausalito and their marine industry encompass industrial, commercial and recreational marine businesses, each with a distinct economic impact on Sausalito. There are people employed for driving and repairing boats, and dockage for boats that provide revenue for business and the city. The marina areas also attract visitors and are enjoyed by local residents.

- Provide an overview of the local industry, the number of workers, firms and customers, and the economic impacts of this industry’s existence – both commercial and recreational.
- How do we retain and incentivize this industry?

Scope: This is another economic impact analysis, but the focus is on the current state and future of the marine industry along the waterfront of Sausalito. This industry is linked to local tourism, retail and services, as transient boaters and those using the marine services are likely to use other

businesses locally. Sausalito's marine heritage and preservation of the waterfront are issues to consider in the analysis. Much like a commercial real estate market, this study can show the number of slips available, an occupancy rate (like a hotel), and the amount of employment generated by this industry in Sausalito.

Topic 4: Local Interviews

Interviews of both business owners, employees and residents (where employees may not be Sausalito residents) provide qualitative and quantitative data that help shape public policy in three ways: interviews provide opinions about attitudes toward change and economic development; they provide a way to track behavior, such as where residents shop, what customers use local firms, and what businesses are focused on for future growth; and they offer input from all stakeholders concerning Sausalito's business and residential environment. This professional, statistically valid outreach will provide information that secondary data cannot easily show.

Conclusion

It is important to realize that no change truly means stagnation and that the MEF approach to economic development is about shaping growth around an image of the local area not now but ten years from now. Once that strategy is in place, benchmarks are set, monitored and proactively engaged through strong forecasting protocols that business, government and residents understand because the process is transparent. Preservation of Sausalito's charm is not inconsistent with a sustainable, robust local economy and business growth.

Summary of Topics and Costs

The table below summarizes the costs of each task or topic above and provides an indication of the relative ease of accomplishing the task and how long it would take once given the green light. The costs are based on flat-rate fee for services.

Table 1: Summary of Topics, Costs, and Ease of and Time for Delivery*

Topic	Cost	Relative Ease	Timeline (from initiation date)
Business Mix	\$8,000	7	12 weeks
Specific Impacts	10,000	6	18 weeks
Marine Industry	5,000	8	24 weeks
Survey**	0	6	6 weeks
Totals	\$23,000		24 weeks for reports and data

Notes: Relative ease is in eyes of author, and range from 1 to 10, where 10 is the most difficult.

* Modifications approved by Sausalito City Council on June 15, 2010

** Costs to be incorporated into above tasks