MEMORANDUM

DATE: December 16, 2010

TO: Business Advisory Committee

FROM: Jeremy Graves, Community Development Director

SUBJECT: Progress Report on Marin Economic Forum Economic Development Study

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Discussion
Rob Eyler, Ph.D. of the Marin Economic Forum will be in attendance and provide a progress report on the Economic Development Study.

A copy of the Engagement Letter (a.k.a., contract) between the Marin Economic Forum and the City signed on October 12, 2010 is attached for informational purposes.

Attachment: Engagement Letter, dated October 12, 2010

Marin Economic Forum
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September 1, 2010

Engagement Letter between Marin Economic Forum (MEF) and City of Sausalito (Client)

The following is a contract to engage Marin Economic Forum (MEF) as a consultant. Please review it, and if it meets your approval, please date it, sign it, and return two (2) signed copies to the address above. MEF will return one copy countersigned for your records.

1. SCOPE OF ENGAGEMENT

MEF agrees to provide the City of Sausalito with an economic analysis as specified in Attachment A (Scope of Work and Budget). The work performed will result in a Report based on MEF's analysis and data supplied by MEF.

MEF will deliver the Report to the City of Sausalito subsequent to the signing of this agreement and according to the schedule specified in Attachment A (Scope of Work and Budget).

The Consultant shall obtain and maintain a valid City of Sausalito business license for the duration of this agreement.

2. Termination

The City of Sausalito may terminate this agreement at any time, in which event MEF agrees to stop all work immediately, and invoice only for the work performed prior to termination. However, in the event of termination, the paragraph concerning confidentiality, and the confidentiality agreement that MEF has signed shall still be binding.

Initials of Client: AnP

3. CONFIDENTIALITY

All work done by MEF under this engagement, including any reports, data, notes, work papers, correspondence, or other documents generated or received are to be considered a confidential work product. This confidentiality is to include documents that are received by MEF from the client's attorney or directly from the client. If necessary or desired, a separate agreement may be prepared and transmitted concerning the confidentiality of such materials. In that instance the separate confidentiality document shall supersede this agreement and govern all items and matters concerning confidentiality.

Initials of Client: AnP

4. FEES

Fees are to be as follows:

a). A flat fee of $23,000 will be charged for any and all work done on behalf of this project; the rate of $100/hour will be charged for any and all work done beyond the scope of work covered by the flat fee.

b) The City of Sausalito will pay MEF one-half (1/2) of flat fee ($11,500) upon delivery of the administrative drafts of the individual reports listed in Table 1 of Attachment A. The balance for each report shall be paid once each report is deemed complete by the City of Sausalito.

c) Fees are due and payable within 30 days after the respective work product is delivered and an invoice has been provided to the client. If client terminates agreement, MEF will invoice for hours worked on behalf of project to termination date.

Initials of Client: _____

5. DOCUMENT RETENTION

Unless MEF is instructed otherwise, MEF will retain the report and any public data compiled on behalf of the report after employment has been terminated.

Initials of Client: _____

6. CONFLICT OF INTEREST

City Personnel
No officers, member, or employee of City and no member of the governing body of City who exercises any functions or responsibilities in the review, approval of the undertaking or carrying out of the project, shall participate in any decision relating to this Agreement which affects his personal interest or the interest of any corporation, partnership, or association in which she is, directly or indirectly interested; nor shall any such officer, member or employee of City have any interest, direct or indirect, in this Agreement or the proceeds thereof.

Consultant
Consultant covenants that he/she presently has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of his/her services hereunder. Consultant further covenants that in the performance of this Agreement, no persons having any such interest shall be employed.

7. HOLD HARMLESS AND INDEMNIFICATION
Consultant shall indemnify, defend and save City, its officers, elected and appointed officials, employees, contractors and agents harmless from and against any and all liability, claims, suits, actions, damages and/or causes of action of any kind arising out of any bodily injury, personal injury, property damage or in violation of any federal, state or municipal law or ordinance or other cause in connection with the activities

of Consultant, or on account of the performance or character of the Work or otherwise related to its performance of this Agreement to the extent that any such liability, claims, suits, actions, damages and/or causes of action arises out of the intentional, negligent or willful misconduct of the Consultant.

8. INSURANCE

Consultant shall take out and maintain during the life of the Contract Comprehensive General Liability and Automobile Liability insurance in an amount not less than $ 1 million combined single limit applying to bodily injury, personal injury and property damage;

The liability policy(ies) are to contain, or be endorsed to contain, the following provisions:

The City, its officers, elected and appointed officials, employees, contractors and agents must be named as a Named Insured under the coverage afforded with respect to the work being performed under the Agreement.

9. NONDISCRIMINATION

There shall be no discrimination against any employee who is employed in the Work, or against any applicant for such employment because of race, religion, color, sex or national origin. This provision shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer, recruitment or recruitment advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship.

10. ASSIGNMENT AND DOCUMENT OWNERSHIP

MEF shall not assign any interest in this Agreement, and shall not transfer any interest in the same (whether by assignment or novation) without the prior written consent of City.

MEF agrees that all documents produced in the performance of this Agreement shall be the sole property of the City including all rights therein of whatever kind and whether arising from common or civil law or equity. The Work shall be used solely for the project for which it was originally intended.

Initials of Client: AWF

11. LEGAL STATEMENTS AND SIGNATURES

Any controversy or claim arising out of or relating to this contract, or the breach thereof, or as the result of any claim or controversy involving the alleged negligence by any party to this contract, shall be settled in accordance with the rules of the American Arbitration Association, and judgment upon the award rendered by an arbitrator may be entered in any court having jurisdiction thereof. The arbitrator shall, as part of his/her award, determine an award to the prevailing party and the costs of such arbitration and reasonable attorneys' fees of the prevailing party. You acknowledge that by submitting any dispute to binding arbitration, you are waiving your right to a jury trial to decide that dispute. Arbitration will take place in Marin County, California if needed.

This contract contains the entire agreement between said parties. This contract may only be modified by written agreement between MEF and the Client. All terms and conditions of this contract shall be binding on the heir's administrators, personal representatives and assigns of the client. If this document correctly reflects the terms of our engagement, please date it, sign it, and return it immediately.

Dated: September 1, 2010

I agree to the foregoing terms and conditions.

Signature of MEF (MEF Representative)

Harry F. Thomas Harry Thomas, President Marin Economic Forum

Dated: 10-12-10

Signature of Client(s): City of Sausalito

Adam W. Politzer, City Manager, Sausalito	Mary Anne Wagner, City Attorney, Sausalito

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**