SAUSALITO COMMUNITY AND ECONOMIC DEVELOPMENT STUDY
PUBLIC REVIEW AND COMMENT PERIOD

The *Sausalito Community and Economic Development Study* was commissioned under a partnership between the City of Sausalito and the Sausalito Chamber of Commerce. The *Study*:

- Provides data showing that most of Sausalito's business activity is in non-retail industries and that tourism is more than just one-day visitors to downtown Sausalito;
- Notes over 5,000 workers commute into Sausalito and are customers for local businesses;
- Identifies industries which provide the greatest "bang for buck" as well as a vision of business attraction and retention based upon an economic impact analysis using the latest economic and commercial real estate data;
- Determines that the Marinship is Sausalito's business center and the best area for new business opportunities;
- Includes a survey of Sausalito residents and businesses owners which provides data showing a diversity of opinions about Sausalito's future; and
- Concludes with an action plan which recommends the establishment of a partnership of businesses, city government, and residents to shape and monitor business evolution in Sausalito.

The Sausalito Community Development Department invites residents, business owners, and members of the public to review the draft *Study* which can be accessed on-line at http://www.ci.sausalito.ca.us/Index.aspx?page=750 or can be reviewed at the Sausalito Library or the Community Development Department, both located in City Hall, 420 Litho Street. The Community Development Department office is open 7:30 a.m. to 5:00 p.m. Monday through Thursday and 7:30 p.m. to noon on Friday.

Residents, business owners, and members of the public are also invited to submit written comments or suggestions on the *Study*. **The public review and comment period runs through Monday November 21, 2011.** Written comments should be submitted to:

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Following the conclusion of the review and comment period, the *Study* will be revised, as appropriate. The revised *Study* and comments will be provided to the City Council for action.

For more information, contact Community Development Director Jeremy Graves, at 289-4133 or via email at jgraves@ci.sausalito.ca.us.

Sausalito Community and Economic Development Study

Marin Economic Forum

For the City of Sausalito and the Sausalito Chamber of Commerce

Public Review Draft

October 2011

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Table of Contents

Section	Page
Executive Summary	2
1. Introduction	8
2. Sausalito's Current Business Mix	10
3. Retail Industries, Sausalito Residents and Businesses, and Tourism	22
4. Non-Retail Sector: Business Mix and the Marinship	35
5. Local Interviews, Survey Results and Qualitative Data	47
6. Conclusions and Action Plan	51
7. References	55

Table of Tables and Figures

Table or Figure	Page
Table EX-1: Selected Non-Retail Businesses and Economic Impacts	4
Table 1: Employment by Industry Sector, 2005-2010, Estimated Jobs, Sausalito	16
Table 2: Business Revenue Multipliers, Selected Industries	18
Table 3: Employment Multipliers, Selected Industries	19
Table 4: Indirect Business Tax Multipliers, Selected Industries	20
Table 5: Sausalito's Commute Patterns and Locations, 2009, Total Employees and Residents	25
Table 6: Composition of Retail Services in Sausalito	26
Table 7: Composition of Retail Services in Marin County	27
Table 8: Retail and Related Industry Multipliers, Overall Effects of $1 million in new revenue	29
Table 9: Tourism Activities and Industries Impacts on Sausalito	30
Table 10: Estimated Sausalito Commute versus Tourism Ferry Visitors from San Francisco	32
Table 11: Twenty Industries in Sausalito by Business Revenue, Percent of Totals	36
Table 12: Boat Building and Service, Economic Impact on Sausalito	41
Table 13: Estimated Economic Impact of Marinship Economic Mix, 2010	43
Table 14: Summary Economic Impacts, Non-Retail Sector, Sausalito, 2010	45
Figure 1: Business Mix in Sausalito, 2010, Percent of Total Companies	11
Figure 2: Business Mix in Marin County outside of Sausalito, 2010, Percent of Total Companies	12
Figure 3: Net Change in Number of Businesses by Industry, 2005-10, Totals for Sausalito	13
Figure 4: Net Change in Number of Businesses by Industry, 2005-10, Marin County outside Sausalito	14
Figure 5: Business Revenue and Firms in Sausalito, 2010 Estimates	15
Figure 6: Economic Impact Concept	17
Figure 7: Population Pyramid, Sausalito, Census 2010 Data	23
Figure 8: Marin County Population Pyramid, Census 2010	24
Figure 9: Employment in Ship/Boat Building and Marin Support Services, 1990 – April 2011	39
Figure 10: Ship and Boat Building, Production Levels, United States	40
Figure 11: Industrial Use vs. Vacancies, Marinship, 2011	42

Executive Summary

This report was produced as a partnership between the City of Sausalito and the Sausalito Chamber of Commerce to provide the City of Sausalito, its policy makers, residents, and business owners with economic data, insight and guidance concerning Sausalito's economic evolution.

Sausalito as a Place to do Business

Sausalito's economic activity is mostly in non-retail industries and generates over $1.2 billion annually in terms of business revenue for the city's companies. Over 77 percent of companies in Sausalito are non-retail firms; Marin County, in contrast, has over 79 percent non-retail. The recession has forced some changes in Sausalito's business mix, where retail and professional services have seen the largest losses of companies in the city. Professional services companies, such as architecture, legal firms, accounting, environmental design, and many more, generate over $276 million per year in business revenue, and employ over 1,120 workers. The health care industry in Sausalito generates over $160 million in business revenue per year and employs over 240 workers in Sausalito. Retail and related services (bars, restaurants, hotels, and tourism activities) generate over $133 million in business revenue annually, while employing over 1,100. Many businesses in Sausalito are home-based businesses; as of 2010, as much as one-fourth of businesses were operated out of homes. This report provides data that shows how the demand for goods and services produced by Sausalito's companies are connected, and how both gains and losses of businesses, retail or non-retail, affect the revenues, employment and tax revenues generated in Sausalito. Seeing Sausalito as a place where retail, restaurant and recreation spending generates the majority of Sausalito's commerce is incorrect.

Residents, Tourists and Commuting Workers: Demanding Sausalito Goods and Services

As of June 2011, approximately 5,600 people were employed in Sausalito. Sausalito generates is about 5% of the income made by Marin County businesses, and employs about 2.5% of its workforce. Sausalito's companies employ approximately 5,000 people who commute to Sausalito daily and do not live in Sausalito. The retail industry supports these workers while they are in Sausalito on a daily basis as much as other tourists and local residents. Census 2010 data, which has just started to appear from the Census Bureau, state that Sausalito's median age is 51.1 years, while Marin County has a median age of 44.5. Of the 4,112 occupied housing units in Sausalito in 2010, 49.2 percent are rented; Marin County has a 36.9 percent of its housing stock as currently rented. Tourism, people coming to Sausalito for pleasure or business, begins in the downtown, moves through to Caledonia Street, and then comes to

full fruition in the Marinship. The Marinship area includes marine-based business, art and the history of Sausalito as a waterfront community; it also is home to most of Sausalito's businesses and workers across a wide breadth of industries. Most of these workers are commuters and thus have similar characteristics to tourists who come to Sausalito for the day. Over 3,000 people are employed in businesses in the Marinship; the commuting data imply that most of these workers do not live in town.

Retail and Related Industries: Connected to Non-Retail Companies and Commercial Space

Sausalito's businesses, especially its retail and related industries, must serve both residents and tourists of all types. The retail mix is relatively broad in Sausalito; grocery stores generate 9.9 percent of retail business revenue in Sausalito, while miscellaneous goods stores, clothing stores, and consumer electronics retailers are approximately 60 percent of all other retail sales. Sausalito, as do other small towns through Marin County, relies on the proximity to retail centers in Marin County and San Francisco otherwise for retail breadth. However, a recent commercial real estate inventory suggests retail space is available in Sausalito; retail has a 7.5 percent vacancy in the city.

The importance of vacant commercial space as an asset waiting to be utilized, regardless of location, cannot be overstated. Long-term vacancy can lead to more vacancy, due to reduced, complementary flows for proximate businesses, and can lead to major problems for a city. Sausalito, because of tourism's presence, generates sales and transient occupancy taxes from tourists. Empty boat slips, restaurant tables, and hotel rooms, have similar effects as vacant commercial space on a local economy.

Retail and related services provide tax revenue. In 2010, Sausalito collected $1.23 million in sales tax revenues. Sausalito is a little over 11 percent of Marin County's transient occupancy tax collections, collecting over $780,000 in overnight taxes in fiscal year 2009-10. Any leakage in retail implies lost tax revenue for the city. However, an important aspect of Sausalito's business mix is the fact that non-retail businesses, as they grow, generate business for retail and related services because of the employees and additional, business tourism that comes to Sausalito. The largest tourist event coming to Sausalito in the short term is the America's Cup. Once the operation of America's Cup begins, retail and related services will be affected. The attraction and retention of non-retail businesses can be seen in a similar light, specifically in the Marinship. A recent report suggests that more than $1.698 billion in new business revenue to the entire Bay Area, with effects on Sausalito in both retail and non-retail industries.

The Economic Impacts of Non-Retail Demand

Data provided in this report can show how different types of businesses becoming non-retail businesses in available spaces and how these businesses affect the rest of Sausalito. Table EX-1 provides an example of this data, where each business is assumed to generate $1 million of new revenue for the city; these data also work in reverse as Sausalito loses businesses for various reasons. Appendix I shows further details on how certain retail industries gain in indirect and induced ways from growth of non-retail businesses.

Table EX-1: Selected Non-Retail Businesses and Economic Impacts
$1 million of new business revenue generates…

	Employment	Business Revenue	State/Local Taxes
Industrial Design/Architecture	9.9	$1,563,000	$30,000
Sound Recording	17.5	$1,900,000	$30,000
Light Manufacturing	7.4	$1,418,000	$30,000
Boat building and maintenance	5.2	$1,408,000	$30,000
Computer Software and Design	9.2	$1,478,000	$30,000
Boat Slips	13.1	$1,523,000	$90,000
Environmental Design (Green Design)	11.4	$1,532,000	$30,000

Non-Retail Companies and the Marinship: Sausalito's Business Opportunities

Advertising, professional and technical services, sound recording, investment banking, and specialty design firms are major industries within Sausalito. Most of these firms are located in the Marinship. As a result, the Marinship is where most of Sausalito's excess capacity exists in terms of commercial real estate; according to data from recent surveys of commercial space, the Marinship has over 100 vacant commercial units, most of which are business offices, which represents less than 10 percent vacancy. The waterfront provides commercial activities and more capital for Sausalito to utilize, including empty boat slips. For example, if an environmental design firm comes to a vacant office space in Sausalito and generate $1 million in new business revenue, Sausalito business will generate another $530,000 in demand. The marine industry, by independent research reports, data and anecdotes from marine-based businesses in Sausalito, looks to be in decline. However, utilizing vacant commercial space and niche businesses in marine, such as environmental and mechanical design and research firms, may draw more support for the marine industry overall. Any emphasis in the future should be on

supporting a balance of marine against other opportunities in the Marinship because of the commercial real estate opportunities and Sausalito's location.

Opinion is Mixed about Sausalito Businesses

Open forums provided time for residents and business owners to come and talk about the city economy, city issues, and Sausalito's future. A survey was made available, and every mailing address in Sausalito was sent a postcard with the survey's website and timeline for response. We received 461 responses, an 8.3% response rate. Residents suggest that business growth creates increased traffic, but obvious financial benefits for the city and for local businesses. Sausalito's grocery stores and personal services companies were most frequented by residents shopping in town; there was opinion around an expansion of grocery store availability or local market with local goods. Business owners were optimistic about increased tourism and its benefits, as well as increased non-retail business in Sausalito. Many of the survey respondents were long-time residents of Sausalito; over 72 percent of business had been operating for more than five years. For residents, over 79 percent of respondents said they were over 45 years of age. Individual and group meetings suggested many of the same themes as the survey, which was a driver in providing a survey for this project. Business owners and residents gave strong opinions about parking issues for themselves and customers, frustrations with local government and the time to get things done, car and bike traffic that was becoming more dangerous, a need for more focus on business issues and support for local businesses. No one type of retail or non-retail firm stood out as a "must have" by those interviewed; many are concerned about how to both generate a health business environment and preserve the historical aspects of Sausalito's waterfront.

Action Plan:

The commercial vacancy and economic impact data can be used in support of the following set of goals, tasks and actions. An overt partnership (the Partnership) including the Sausalito Chamber of Commerce, the City of Sausalito, and interested residents should be built to monitor, advertise, and drive the tasks and actions below. The Partnership should be composed of no more than seven people, including one City Council member. The Partnership should have at least one meeting every year. Each meeting should invite all interested residents, city staff and elected officials, and businesses of Sausalito and provide a simple, annual "dashboard" report on progress.

Goals, Tasks and Actions on an annual cycle:

- **The Partnership shows a commitment to work together on Sausalito's future from all stakeholders;**
- **Discuss and decide what incentives the City, landlords, and other businesses can provide new firms to be courted, if any, as part of annual budget cycle for City of Sausalito;**
- **Enlist local, commercial real estate brokers and agents to provide semi-annual data on commercial real estate to City of Sausalito Finance Department;**
- **The City of Sausalito Public Works Department then integrates commercial real estate data and economic impact forecasts into the preparation of the City's 5-year Capital Improvement Plan for infrastructure needs. This Plan should include how industries in Sausalito would be affected by these infrastructure improvements, in terms of both new revenues and additional costs;**
- **The Partnership should build and monitor an inventory of firms that currently occupy commercial space in Sausalito as a comparison quarterly;**
    - **As firms are attracted and retained, use the economic impact data and connections in this report to alert other firms that demand growth is coming, especially in retail and restaurants based on data update above; and**
- **The Partnership should inform residents, business owners and city elected officials and staff about these monitored changes, their economic impacts on the city and the planning for Sausalito's future.**

On-going goals, tasks and actions:

- **The Partnership should engage with a city employee as a liaison between the Partnership and the city government and city residents and businesses, to focus on niche, non-retail businesses and advertise Sausalito as a home for these firms:**
    - **Internet software, mobile device software, and other specialty software design;**
    - **Environmental design, architecture and other applied arts based on what exists in Sausalito already;**
    - **Sound recording and other fine arts should be supported due to their relatively large economic impacts; and**
    - **Marine industries that complement other industries in the Marinship and throughout Sausalito (design and education).**
- **Retail and related industries (restaurants, bars, hotels, tourism activities) should actively market to new firms that come into vacant commercial real estate and secure new spending in parallel with business attraction and retention efforts;**
- **The Partnership should seek clusters of firms when possible to act as a magnet for attracting new firms when commercial space becomes available;**
- **The Partnership should plan for and monitor effects of changes on Sausalito's traffic, tourism levels, in-bound commuter levels, and infrastructure, and adjust annual, short-term goals accordingly as costs mount or opportunities arise; and**
- **The Partnership should exist for all tasks as residents, businesses and local government, specifically capital planning which affects all in Sausalito.**

1. Introduction

This report provides a database for decision making by both city government and business leaders engaged in attracting and retaining businesses in Sausalito[1]. The distinction between these two acts is important. Business attraction is about marketing why a business should locate in Sausalito; business retention is about supporting local businesses once they open locally. This report focuses on the demand for commercial real estate as a way to forecast business needs in the city, and target specific types of businesses to fill currently vacant space or space that will become vacant due to a current tenant's choices. This report provides a regional perspective on Sausalito's economy, specifically its role as a gateway to Marin County from the south. The data allows decisions makers to weigh alternative scenarios. The data can also provide planning tools for city government and capital planning; alternative scenarios generate different local tax revenues. Qualitative data are also provided from a survey available to Sausalito's residents and businesses during July 2011. This report also provides a suggested action plan and timeline to guide local decision makers. In short, data show the current demand and potential for Sausalito's business community, using a combination of data sources, commercial real estate inventories, and economic impact measures to guide Sausalito's economic future.

This report was commissioned by a partnership between the City of Sausalito and Sausalito Chamber of Commerce. Its scope was to provide data to 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. The use of economic impact analysis shows which industry gaps provide the most "bang for buck"; the economic impact analysis, combined with the latest economic and commercial real estate data, to provide a vision of business attraction and retention.

Non-retail industries are the largest portion of Sausalito's economy in terms of businesses and employment. Retail and related industries (restaurants, bars, hotels, tourism activities) provide local options for residents, businesses and tourists, capturing local taxes rather than exporting tax dollars due to retail and business leakage. Tourism has two parts: pleasure and business. It is important that any

[1] MEF would like to thank the City of Sausalito, the Business Advisory Committee (BAC), and the Sausalito Chamber of Commerce for their edits, comments and advice. All errors are the authors' and not the above groups. Please contact Marin Economic Forum at info@marineconomicforum.org for more details on this report.

community development strategy going forward recognize the connections between non-retail and retail industries where pleasure tourism is just one part of the economy; Sausalito has over 5,000 people that come to work in the city daily but do not live in Sausalito. In a city of approximately 7,000 residents, that is a large daily influx of potential customers for retail and non-retail.

The Marinship provides the best setting for Sausalito to grow and enhance its business opportunities[2]. The waterfront areas of Sausalito and the marine industry encompass industrial, commercial and recreational marine businesses. The waterfront areas also attract visitors and are enjoyed by local residents. The Marinship also has a large amount of commercial space that is related to the waterfront by location, but perhaps not by business use. The connection of Sausalito to its non-retail industries is strongest in the Marinship. For Sausalito to keep its marine heritage and waterfront preservation of the waterfront intact, it must use other businesses to help support and complement the marine industry. Non-marine business may use marine education for leadership training or use tours and travel by boat for recreation. Environmental design firms may interact with local boat builders on marine designs that use renewable resources. Legal, accounting, advertising, and human resource management firms may also provide services to the marine sector. Also, marine art businesses may use studios and galleries in Sausalito as a partnership to promote Sausalito's waterfront. Recent commercial real estate studies for the City of Sausalito and economic impact data can be used to plan for filling vacancies in mainly business office space. This includes empty boat slips, hotel rooms, and restaurant tables that would naturally feed off of enhanced business activity in the City overall, where the Marinship generates the greatest amount of that activity.

Interviews and survey responses of business owners, residents, and employees of local businesses (where employees may not be Sausalito residents), provide qualitative data that help shape public policy in three ways: interviews provide opinions about attitudes toward change and economic development; the opinions 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 the qualitative data offer input from all stakeholders concerning Sausalito's business and residential environment that other data sources would not provide.

[2] The boundary of the Marinship is along Sausalito's Richardson's Bay waterfront, between Bridgeway (street addresses 1750 - 4000), 300 Napa Street (Galilee Marina) to the south and Gate 5 Road on the northern boundary (city limits). See the Waterfront and Marinship (WAM) report for more information at the following website: http://www.ci.sausalito.ca.us/Index.aspx?page=621.

This report is split into five sections.

- Sausalito's current business mix;
- Retail industries, Sausalito residents and businesses, and tourism;
- Analysis of the non-retail industries, including the Marinship's businesses and marine industries;
- Interviews and survey results summary; and
- Conclusions and action plan.

2. Sausalito's Current Business Mix

While casual observers may consider Sausalito's economy primarily based on retail or tourism, the demand for Sausalito's businesses lies in its non-retail firms. Sausalito is a services-based economy where the bulk of those services are non-retail. This is an important strategy issue for the city's economy, as "tourists" come in many forms and come to all parts of Sausalito, including to non-retail firms in the form of commuting workers. The demand for non-retail firms connects to retail services throughout the city, a point shown quantitatively later in this report through the expanded economic impact analysis of Section 4.

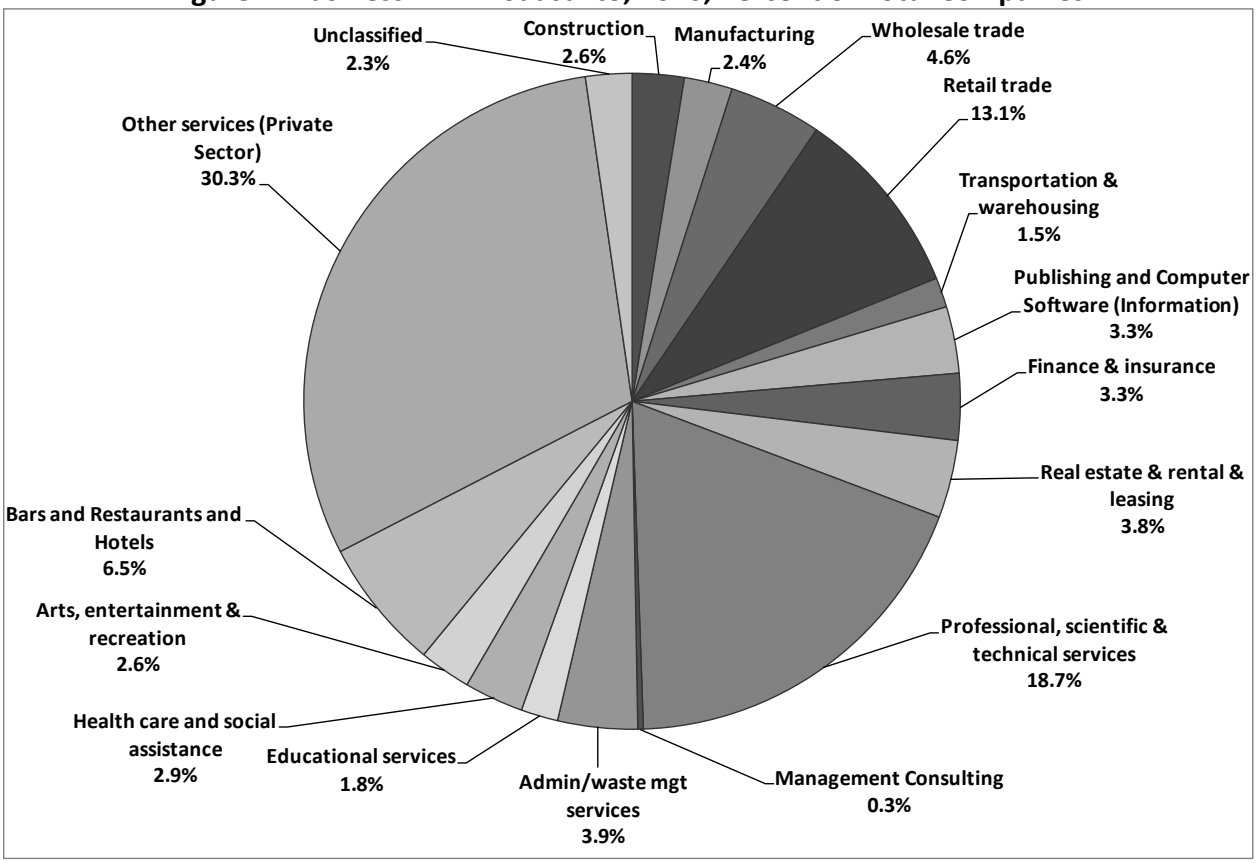
A mix of retailers services both tourists and residents; the large portion of Sausalito's economy is in various personal and professional services. Figures 1 and 2 provide a comparison of Sausalito's business mix to Marin County[3]. Two industries immediately jump out of these charts. The first is the professional, technical and scientific services industry. Sausalito has a larger proportion of its firms in this industry than the rest of Marin County and may want to further look at that industry as a target for filling vacant commercial space. Second, bars and restaurants in Sausalito show some relative strength versus the rest of Marin County. These charts also show the diversity of Sausalito's industries, suggesting that the demand for businesses in Sausalito is far wider in breadth than just tourism and residential support services and retail.

The "Other Services" category represents the largest proportion of businesses in Sausalito. It is comprised of companies that are otherwise unclassified, home-based businesses and employment

[3] These industry breakdowns are based on the North American Industry Classification System (NAICS), Level 2 codes. See http://www.census.gov/eos/www/naics/ for more on NAICS codes and classifications. The "Level 2" codes are the highest level of aggregation, and represent industrial sectors like manufacturing, retail, and professional services.

(including private household staff) of various types, and organizations that are focused on civil or social goals (non-profit organizations).

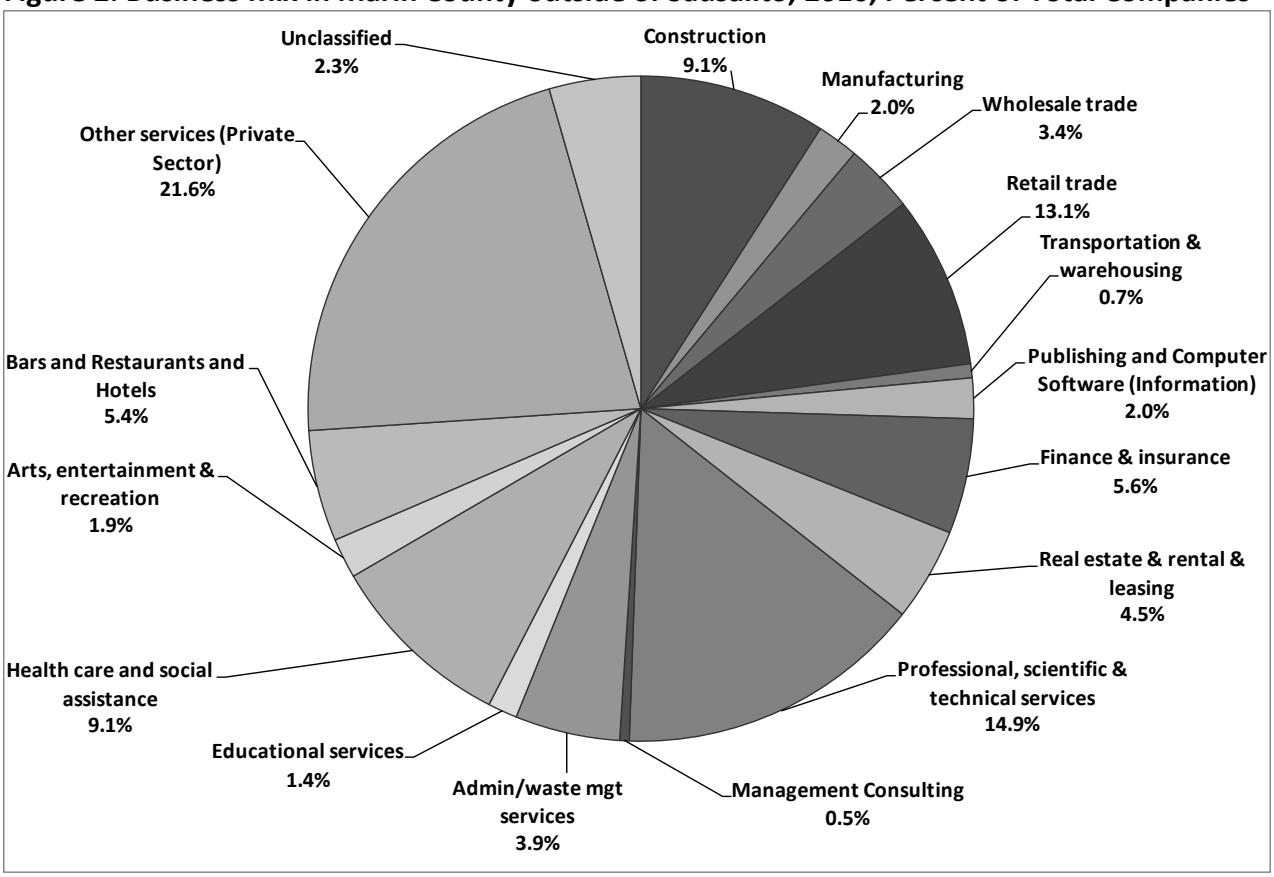
Figure 1: Business Mix in Sausalito, 2010, Percent of Total Companies



Sources: Employment Development Department of California (EDD), City of Sausalito, Census Bureau

Sausalito has, like other cities, an opportunity when businesses leave or fail to reassess its industry mix and find new opportunities. A theme of this report is to utilize Sausalito's location and assets as optimally as possible. This report will later discuss commercial real estate's current use and vacancies, and how that fits professional/technical/scientific and other non-retail services well. Also, Sausalito's location suggests that bars, restaurants and hotels can thrive and draw new business to Sausalito as others fail due to tourism. The recent and lingering economic downturn is the likely cause of some business closures and vacant commercial real estate in Sausalito. Marin County has also lost businesses, as has most of the nation.

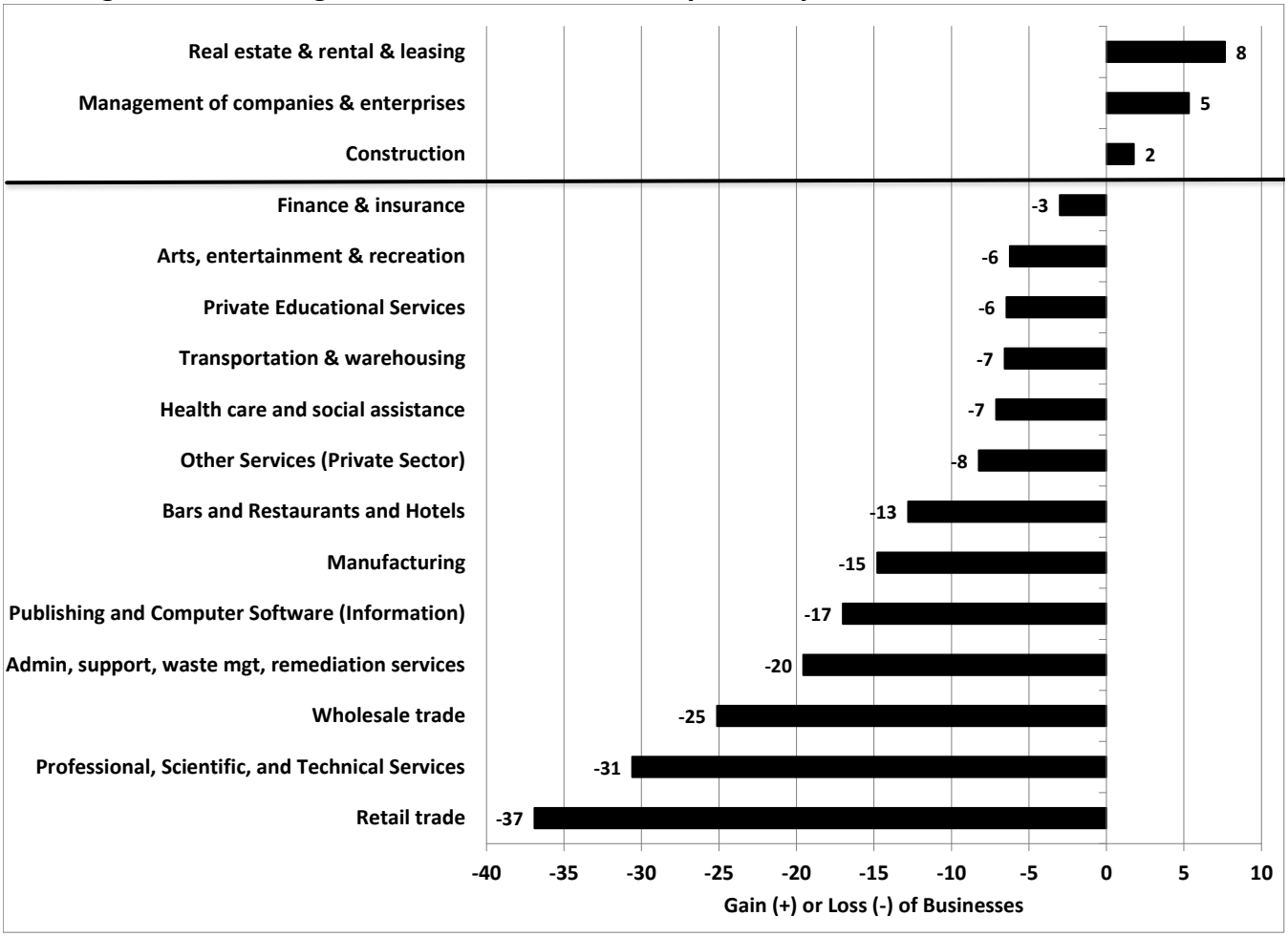
Figure 2: Business Mix in Marin County outside of Sausalito, 2010, Percent of Total Companies



Sources: EDD, City of Sausalito and Census Bureau

Unfortunately, the recent recession left few companies and industries invulnerable to macroeconomic forces. For Sausalito, many firms left the city since 2005; 2005 is arguably the peak of the last business cycle, as the recession began to appear in 2006 and into 2007. Figures 3 and 4 provide a perspective on how Sausalito lost companies by industry and how the rest of Marin County also lost companies respectively. The raw numbers provide a way to consider the actual flow of companies versus percentage changes. Home-based businesses, as tracked by city business licenses in Sausalito, represent a broad base of industries, mainly personal and professional services. Since 2005, the number of these businesses peaked at 410 in 2007 down to 286 in 2010.

Figure 3: Net Change in Number of Businesses by Industry, 2005-10, Totals for Sausalito



Source: EDD, City of Sausalito and Census Bureau

Also, professional and technical services, where research, scientific and technical firms exist fell. These are firms with large multiplier effects, firms that have a large economic impact on other firms such as retail, restaurants, and personal services[4]. This study now looks at the economic impact idea and why it is an important tool for Sausalito's economic evolution beginning with the estimated, current business mix data.

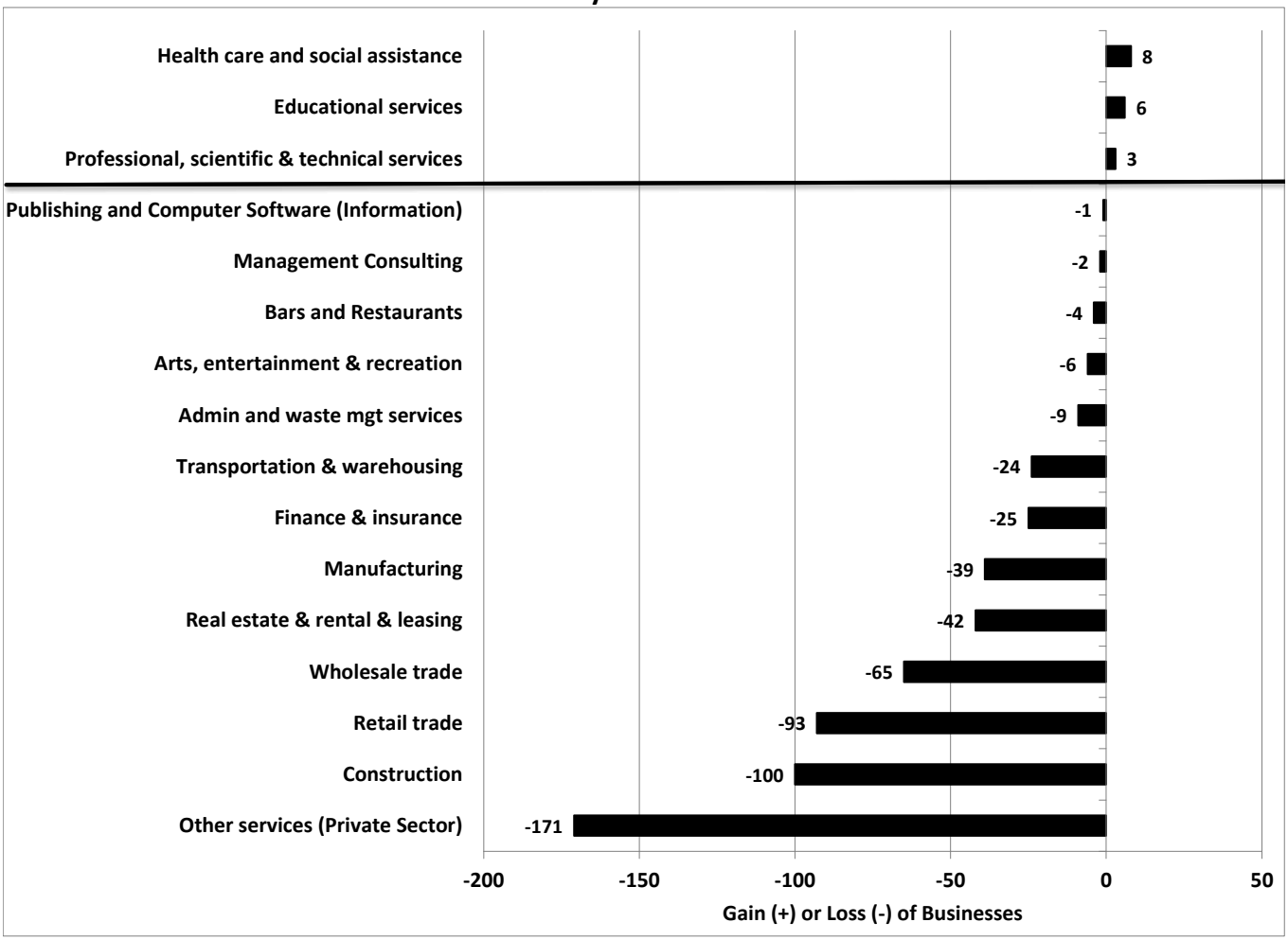
Business Mix Data and Business Development

Sausalito looks like a professional, technical and scientific hub for Marin County given the employment and businesses in these industries within Sausalito in comparison to Marin County. Restaurants also seem to be a place where workers can find jobs and firms can survive. The waterfront

[4] See section 5 of this study for more on the economic impact of a sample of non-retail firms.

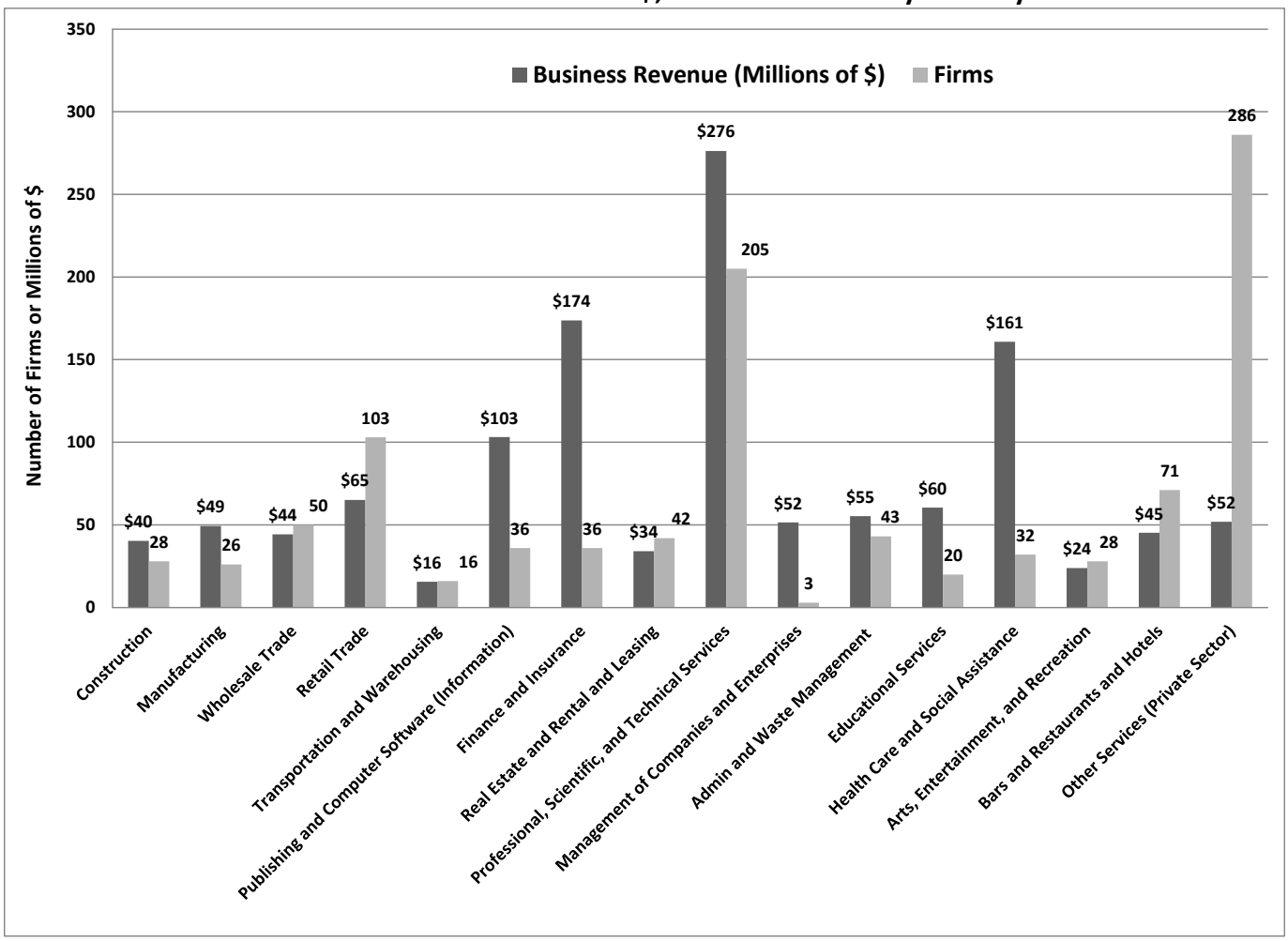
may act as a location factor to attract businesses and customers as well. Linking this data to the commercial real estate data discussed below is a key element of economic development. Sausalito shows demand trends in specific industries and this data acts as a way to show the types of firms that are attracted and retained (this is the importance of looking at the data over time) in Sausalito.

Figure 4: Net Change in Number of Businesses by Industry, 2005-10
Marin County outside Sausalito



Source: EDD, City of Sausalito and Census Bureau

Figure 5: Business Revenue and Firms in Sausalito, 2010 Estimates
Business Revenue in Millions of $, Number of Firms by Industry



Source: City of Sausalito and County Business Patterns, Census Bureau

Figure 5 shows the number of firms in Sausalito by industry and the estimated business revenue generated in 2010. An intriguing aspect of Figure 5's data is the "Other Services" category, which represents jobs such as private household staff, non-profit organizations, and other personal services (hair and nail salons, shoe repair, tailors). Notice the amount of business revenue versus the number of firms in the Other Services category. In many cases, a residence is a "business" in Other Services, due to hiring a personal chef, in-house staff, or full-time child care. Table 1 provides employment by sector, using 2009 data at the industry level and overall employment data for Marin County and Sausalito from

the Employment Development Department of California (EDD); the 2010 figures are estimated from regional data from the Census Bureau and the total employed in Sausalito at the end of 2010 by EDD[5].

Table 1: Employment by Industry Sector, 2005-2010, Estimated Jobs, Sausalito

Industry	2005	2010	% Total 2005	% Total 2010
Construction	204	177	4.0%	3.4%
Manufacturing	232	247	4.6%	4.7%
Wholesale Trade	174	216	3.4%	4.2%
Retail Trade	403	341	7.9%	6.6%
Transportation and Warehousing	34	48	0.7%	0.9%
Publishing and Computer Software (Information)	143	187	2.8%	3.6%
Finance and Insurance	137	163	2.7%	3.1%
Real Estate and Rental and Leasing	256	227	5.0%	4.4%
Professional, Scientific, and Technical Services	1,161	1,121	22.9%	21.6%
Management Consulting	24	44	0.5%	0.8%
Facilities, Human Resource, and Waste Management	281	302	5.5%	5.8%
Private Educational Services	157	188	3.1%	3.6%
Health Care and Social Assistance	107	243	2.1%	4.7%
Artists and Recreation Activities	215	215	4.2%	4.1%
Bars and Restaurants and Hotels	1,171	1,035	23.1%	19.9%
Other Services (Private Sector)	260	293	5.1%	6.8%
Public Sector	113	92	2.2%	1.8%
Totals	**5,072**	**5,108**	**100.0%**	**100.0%**

Sources: Census Bureau, BLS, EDD, 2010 estimates from EDD and Census data

The demand for commercial real estate leads to a demand for other goods and services; the economic impact analysis becomes a demand-driven model for looking at economic development questions. If there is a demand to do business in Sausalito from a specific industry, and commercial space is available, the type of business has multiplier (economic impact) effects on the demand for other businesses and can guide which companies will receive more revenue, including firms that already exist in Sausalito[6].

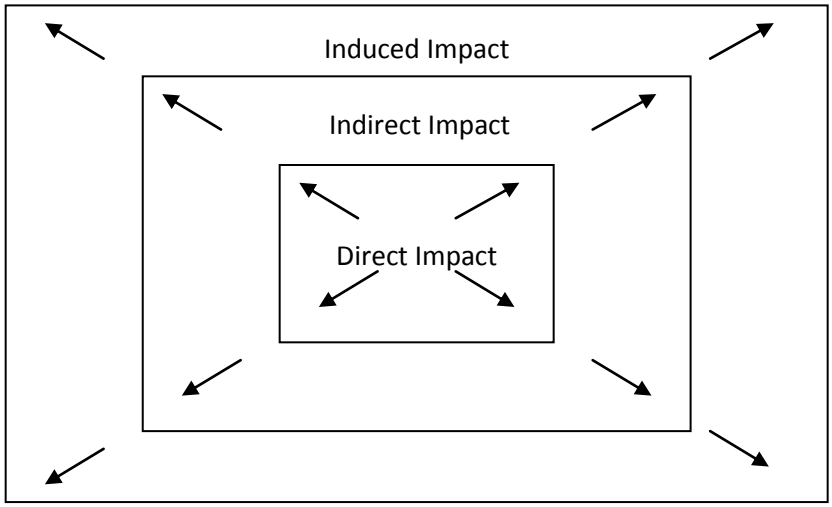
Using Economic Impact Analysis and the Business Mix

[5] For cities of Sausalito's size, official data at the industry level generally lags about 18 months. However, EDD does report summary statistics for Sausalito on a monthly basis. See www.tinyurl.com/labormarketinfo and search for Sausalito for more data.

[6] See http://www.ci.sausalito.ca.us/Index.aspx?page=695 for documents pertaining to the Imagine Sausalito process. See http://www.seagroup.org/ for information on Sausalito Environmental Action (SEA).

The current business mix of Sausalito provides a baseline for understanding the demand for Sausalito's businesses. It is critical to understand the relationship between the generation of jobs, business revenues and tax receipts for local government to engage in long-term economic planning for Sausalito. The data of this section show an estimate of how industries in Sausalito contribute to the city's economy.

Figure 6: Economic Impact Concept



Like dropping a rock into a pond, an industry's expansion has ripple effects on a local economy and beyond based on new jobs created[7]. The IMPLAN® model allows us to look at municipalities and counties worldwide to analyze the employment, revenue, wage, and tax effects of economic events and model possible futures for Sausalito[8]. The economic impact model has three classifications, summing to a total effect. The **direct** effects are those specific to the event. For example, suppose a new ship builder or ship repair firm enters the Marinship and takes over an otherwise empty commercial space. Subsequent operations of these companies, hiring new employees for example, generates direct effects on local employment, tax and business revenues. Figure 6 shows the ripple effect idea of the multiplier process.

[7] The analyses are specific to Sausalito zip codes (94965, 94966). The 94966 zip code covers any post office box businesses that are technically "business residents" of Sausalito and thus counted in business count statistics at the Bureau of Census and the Employment Development Department of California (EDD).
[8] See www.implan.com for more information on the model and its use.

Indirect effects come from these workers and businesses taking their new income and spending a portion of that money on other businesses' goods and services. This revenue flow to other businesses leads to more employment, wages, revenues, and taxes. For example, when a newly-hired ship builder goes out to eat at a local restaurant, creating indirect effects from the original expansion; another example is when a restaurant uses a larger amount of a local linen cleaner's services than before, which creates indirect effects. These additional jobs and revenues then create induced effects. The **induced** effects are similar to the indirect effects, but come from indirectly-affected workers and firms and their economic gains. For example, a new linen-service worker, hired due to the restaurant's expansion described above, may go to the grocery store, dry cleaners, or the doctor's office more often, which induces growth in retail sales, employment and taxes. The sum of these effects is the total or overall economic impacts.

Table 2: Business Revenue Multipliers, Selected Industries

Industry	Type of Company	Sausalito	Marin	Difference
Publishing and Computer Software	Sound recording industries	1.90	2.15	0.25
Publishing and Computer Software	Broadband/Cable television services	1.83	2.09	0.25
Other Services (Private Sector)	Social Advocacy	1.71	2.11	0.40
Other Services (Private Sector)	Religious organizations	1.65	1.89	0.24
Finance and Insurance	**Investment banking**	**1.62**	**1.94**	**0.31**
Artists and Recreation Activities	Event Promotion and Sports Agency	1.62	1.95	0.33
Manufacturing	Veneer and plywood manufacturing	1.61	1.53	-0.08
Other Services (Private Sector)	Non-Profit Associations	1.59	1.99	0.40
Artists and Recreation Activities	Performing arts companies	1.59	1.94	0.36
Publishing and Computer Software	Motion picture and video production	1.57	1.88	0.31

Source: IMPLAN and BEA

Tables 1A and 2A in Appendix I provide data on the levels of employment, companies and business revenue by industry in Sausalito and Marin County for 2009[9]. Tables 2, 3 and 4 show the business revenue, the employment, and indirect tax revenue multipliers for Sausalito and Marin County sorted by the types of companies with the largest multipliers specific to Sausalito. When considering a different business mix by attracting and retaining industries, a city like Sausalito will want to know how business attraction and retention decisions affect the city's economy. New business revenue implies more demand for other businesses and thus more revenue, the essence of the multiplier effect. Table 2

[9] The 2009 data are shown in Appendix I as the baseline for the most current, available data for all three of these variables (employment, companies count, and business revenue). The data in Table 1 and Figure 5 are estimated from these data and the history of these variables.

shows these effects from selected types of companies with the largest business revenue multipliers for Sausalito. A changing business mix can mean more jobs for either local residents or for commuting workers. The more people that work in Sausalito, the more potential spending that takes place on retail, restaurants, and other industries. Table 3 provides the top ten industries concerning job creation as more demand for those industries taxes place. An increase in the number of businesses operating in Sausalito means more tax revenue for the city. An increased number of businesses and workers spending money in Sausalito implies more retail sales and more tax revenue. Table 4 provides the top ten firms in Sausalito from which indirect business taxes are derived.

Table 3: Employment Multipliers, Selected Industries

Industry	Type of Company	Sausalito	Marin	Difference
Other Services (Private Sector)	Private household operations	84.6	87.0	2.4
Artists and Recreation Activities	Performing arts companies	32.3	34.8	2.5
Health Care and Social Assistance	Food Banks, Housing and Rehab Services	30.5	32.9	2.5
Artists and Recreation Activities	**Fitness and recreational sports centers**	**27.5**	**29.6**	**2.1**
Facilities, Human Resource, and Waste Management	Investigation and security services	27.2	29.5	2.3
Retail Trade	Retail Stores – Miscellaneous	26.7	28.8	2.2
Agriculture, Forestry, Fishing	Commercial Fishing	26.3	27.8	1.5
Facilities, Human Resource, and Waste Management	Employment services	25.8	28.2	2.5
Artists and Recreation Activities	Event Promotion and Sports Agency	25.7	28.0	2.3
Transportation and Warehousing	Rail Transportation	25.7	27.4	1.8

Source: IMPLAN and BEA

The idea of indirect business taxes are that a business, by its operations, generates taxes for the local municipality, state and federal government without their operations being directly taxes. Sales taxes are a tax on consumption, and the retailer is merely the entity that collects those taxes for the local and state government, as an example. What a city like Sausalito retains from those tax revenues, including property taxes, transient occupancy taxes (TOT), sales taxes, and other fees, depends on the current tax laws and rates.

Appendix I has tables that provide the full breadth of planning data to forecast the effects of specific companies currently in or coming to Sausalito. Notice the firms are not the same in each category; a decision about the type of growth Sausalito would like (business revenue, employees, tax revenue for government) helps determine which of these groups is most important. Notice the difference between Marin County and Sausalito in these multipliers. When a new business comes to

Sausalito from outside Marin County, or if it is grown from nothing within Sausalito, Marin County overall is assumed to benefit from this. The "Difference" is an assumed augmentation of Marin County's business revenue, employment and indirect tax revenues due to a particular industry in Sausalito expanding. The broad implication of this difference is that if Sausalito is viewed as a gateway to Marin County, Marin County benefits from Sausalito's business activity.

Table 4: Indirect Business Tax Multipliers, Selected Industries[10]

Industry	Type of Company	Sausalito	Marin	Difference
Retail Trade	Motor vehicle and parts	0.18	0.20	0.02
Retail Trade	Building material and garden supply	0.18	0.20	0.01
Retail Trade	**Grocery Stores**	**0.18**	**0.20**	**0.01**
Retail Trade	General merchandise	0.18	0.19	0.01
Retail Trade	Sporting goods, hobby, book and music	0.18	0.19	0.01
Retail Trade	Furniture and home furnishings	0.17	0.19	0.01
Retail Trade	Health and personal care	0.17	0.18	0.01
Retail Trade	Clothing and clothing accessories	0.17	0.18	0.01
Retail Trade	Miscellaneous retail items	0.17	0.18	0.01
Retail Trade	Direct and electronic sales	0.17	0.18	0.01

Source: IMPLAN and BEA

Using Tables 2 - 4 and Their Data

In its raw form, the data in Tables 2, 3 and 4 (and in Tables 3A, 4A, and 5A in Appendix I) are based on an additional $1 million of revenue generated by businesses, the additional jobs that $1 million of new business revenue would create, or the tax revenue created by $1 million of additional business revenue. Using Table 2, $2 million dollars of new revenue for an investment banking firm that moves into an office space in the Marinship is estimated to generate $3.24 million in revenues throughout the city, including the original $2 million. Other businesses would see an additional $1.24 million in revenue or demand for their products and services due to the investment banking's rising demand or entry into currently vacant office space. Using Table 3, an increase of $500,000 of revenue in a local fitness center would lead to approximately 13.75 new, full-time equivalent employees for those firms (1/2 of $1 million x 27.5). Using Table 4, $1,000,000 of new revenue at a local grocery store has an estimate increase of $180,000 in government revenue for Sausalito. The same algebra holds for demand increases in industries for Tables 2 through 4 and Tables 3A through 5A.

[10] The indirect tax data should be seen as the estimated effect on the local area (Sausalito only) as a result of that industry generating $1 million in new business revenue. This is from the direct, indirect and induced effects combined as discussed above.

It is important to recognize these multipliers also work in reverse. If a business is about to leave Sausalito, the cost of that change can also be estimated through these multipliers. These data provide a way to forecast the effect on Sausalito as a result of that change, specific to businesses. Later in the report, we will discuss matching vacant real estate as recently identified as a case on using these data to determine an optimal mix of businesses, balancing between the effects of a new business on existing local business, fiscal budgets, and increased employees in Sausalito. Sausalito can use these data to compare and contrast demand for businesses, employment and the generation of tax revenue in pursuing specific types of businesses versus others to fill vacant commercial real estate.

Summary of Current Business Mix and Economic Impact

The current mix of businesses above provides an economic foundation for generating jobs and income for Sausalito. Sausalito is more a mix of retail and tourism than the remainder of Marin County and more reliant on these industries than Marin County overall. However, there is a strong non-retail element in Sausalito that acts as the foundation for future business entry in the city. Commercial real estate availability in Sausalito also suggests that retail space is well occupied, and it is in office and industrial space that Sausalito has resources lying fallow. These data allow planning to take place and the beginnings of the connections between business attraction to occupy otherwise vacant commercial real estate and generate more tax revenue for Sausalito overall. Appendix I provides detailed tables on specific businesses that link to other parts of this report. To understand the retail and related services sectors more completely, understand some new data on Sausalito's residents and the commute patterns of local workers to add breadth to that perspective.

3. Retail Industries, Sausalito Residents and Businesses, and Tourism

This section describes how Sausalito's retail and related industries goods and services are demanded, and how tourism connects to retail. These data provide the City of Sausalito, in conjunction with the multipliers discussed above, a way to consider the dynamics of retail businesses, and understand the impact a changing mix of retail services demand. Retail and related services (restaurants, bars, hotels, tourism activities) demand should be seen as "pulled" by local growth in other industries rather than be seen as Sausalito's economic engine. Retail demand is a by-product of residential incomes and business activity. This section provides summary data about local residents, based on recent data from Census 2010, tourism data for Marin County and Sausalito, and how workers that commute to Sausalito are also "tourists" and add to the demand for local retail and related services. Local businesses, which also shop and dine throughout Sausalito, demand retail and related services like tourists, employees and residents. Recent commercial real estate studies and the economic impact data come together for the first time in this section.

Census 2010 Summary: Residents

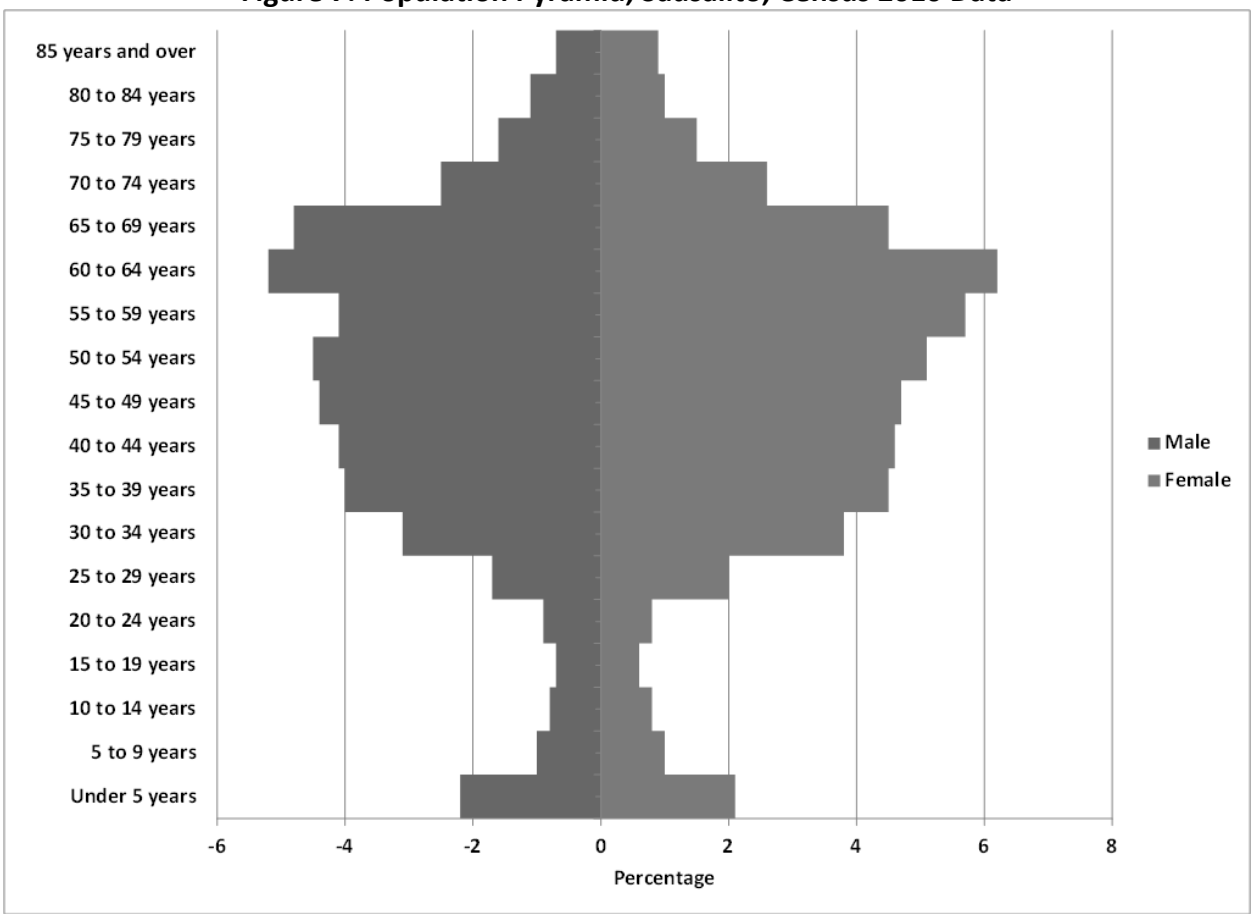
The Census 2010 data is slowly becoming available, and Table 3 summarizes Sausalito and Marin County for comparison purposes. There are some noteworthy census items for Sausalito concerning local demography and the evolution of both resident and business needs in terms of retail and other locally-serving businesses. The population of Sausalito is 7,061 residents per Census 2010. The median age in Sausalito is 51.1 years, where Marin overall is 44.5 years (Census 2010). Households are smaller in Sausalito (1.7 people on average) than the County overall (2.4); only 8.7% of Sausalito's population is under 18 years old; Marin County has 21% of its population under 18 years old overall (ibid). Figures 7 and 8 are population pyramids; this figure should look like an Inca ruin in that the younger population provides a local workforce for local jobs and as a base for retail and related services. Figures 7 and 8 show, as compared to Marin County, that Sausalito is a relatively senior community[11].

The Census 2010 data has housing data, specifically data about the type of occupancy for these units. According to Census 2010, Sausalito has 4,536 housing units, of which 424 were counted as

[11] See www.census.gov for more data from Census 2010 for Sausalito, and also check Marin Economic Forum's website for the Census data.

vacant, a 9.3 percent vacancy rate[12]. Marin County outside of Sausalito has 7.1 percent vacancy. Of the 4,112 occupied housing units in Sausalito, 50.8 percent of these units are occupied by the owner.

Figure 7: Population Pyramid, Sausalito, Census 2010 Data

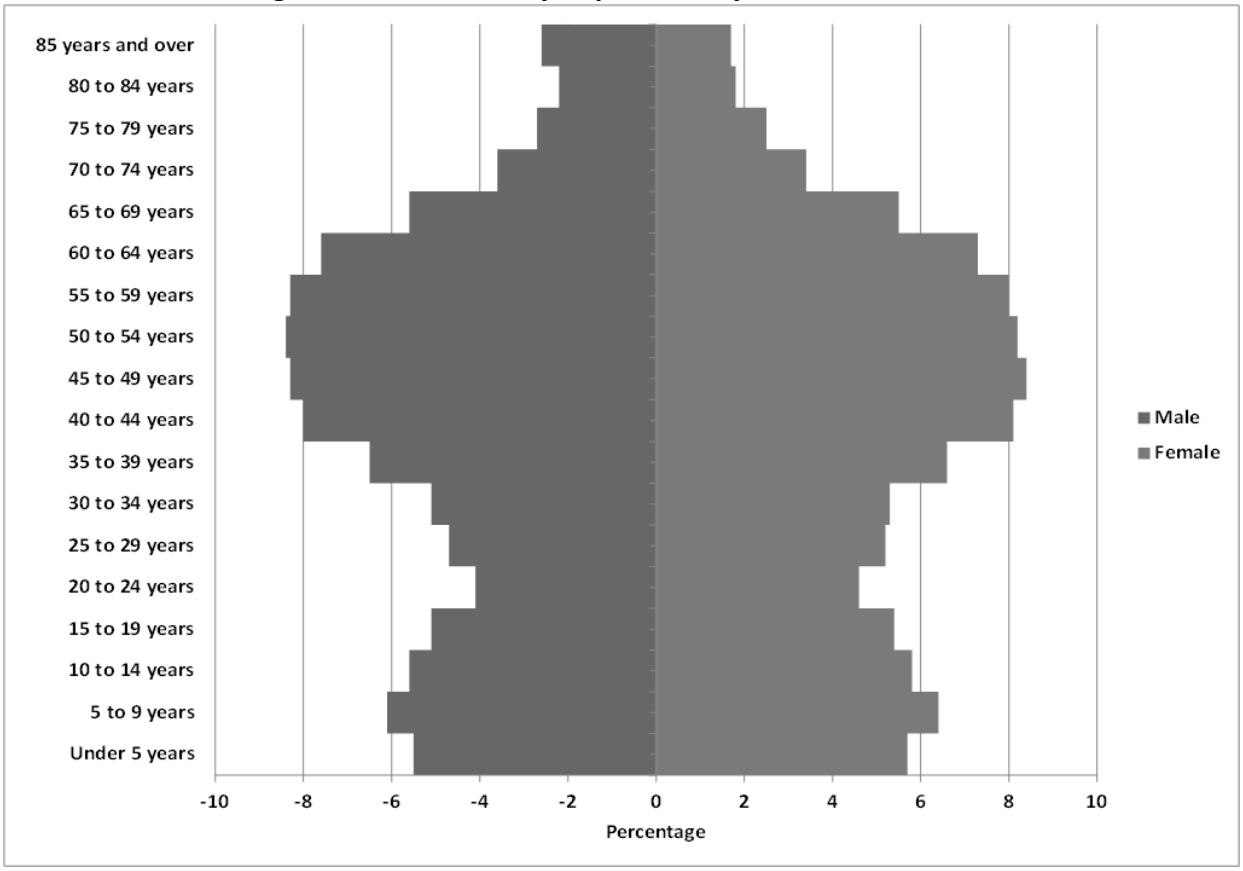


Source: Census 2010 (http://factfinder2.census.gov/main.html)

For Marin County otherwise, Census 2010 reports 63.1 percent of the 99,098 housing units occupied are lived in by the owner. This census does not include commercial properties. Also, there is more data to come from Census 2010 to compare Sausalito to Marin County and the greater Bay Area, specifically income and employment data. Tables 6A through 8A in Appendix I provide comparison stats for Sausalito versus the remainder of Marin County.

[12] Local real estate professionals that specialize in commercial, multi-family home properties suggest that the Census 2010 estimate is too large. See http://factfinder2.census.gov/main.html for more information and tables 6A through 8A in Appendix I.

Figure 8: Marin County Population Pyramid, Census 2010



Source: Census 2010 (http://factfinder2.census.gov/main.html)

Workers in Sausalito and Where They Live

The Longitudinal Employment and Housing Dynamics (LEHD) database of the Census Bureau provides data on the flow of workers and residents in and out of Sausalito daily. These data suggest that Sausalito is a place where people live but do not work in Sausalito, if they work at all. If they work, Sausalito residents work in San Francisco, Oakland, and other parts of Marin County; over 93 percent of the workers in Sausalito live outside of Sausalito. Table 5 provides summary data on where Sausalito's workers live and where Sausalito's residents work.

The reason residential demography is important for economic development strategies is the connection to the current business mix. There are thousands of people that come into Sausalito daily simply to work, these folks may leave Sausalito without spending money on local business, their incomes are exported rather than goods and services sold to them while here. This line of reasoning continues below when tourism is discussed in more detail. Appendix I provides a more complete data set for Sausalito concerning the working population in Table 9A.

Table 5: Sausalito's Commute Patterns and Locations, 2009, Total Employees and Residents

Workers in Sausalito			Working Residents of Sausalito		
Work in Sausalito and Live in	**Count**	**Share**	**Live in Sausalito and Work in**	**Count**	**Share**
San Francisco	1,367	24.8%	San Francisco	1,093	43.8%
San Rafael	361	6.6%	**Sausalito**	**357**	14.3%
Sausalito	**357**	6.5%	San Rafael	164	6.6%
Novato	268	4.9%	Oakland	81	3.2%
Marin	195	3.5%	Novato	77	3.1%
Mill Valley	153	2.8%	Mill Valley	61	2.4%
Oakland	109	2.0%	Corte Madera	54	2.2%
Richmond	107	1.9%	Larkspur	45	1.8%
Petaluma	91	1.7%	Berkeley	37	1.5%
San Anselmo	86	1.6%	Kentfield	30	1.2%
All Other Locations	2,410	43.8%	All Other Locations	495	19.8%
Total All Jobs	5,504	100.0%	Total all Residents	2,494	100.0%

Source: Census Bureau (2011), LEHD (2011)

Retail Characteristics of Sausalito

Without explicit tracking of the type of customer, Sausalito's retail and related services demand is a mix of residents, pleasure tourists and commuting employees. Marin County outside Sausalito provides many complementary retail goods and services to those available within Sausalito. San Francisco also provides a large array of retail, albeit with an opportunity cost of bridge tolls, ferry rides, parking, or lost time in traffic. Tourists coming to or through Sausalito spend money on retail and related services much like residents do, but may also purchase hotel stays. The main difference is that a tourist may or may not stay overnight paid, especially a commuting worker.

Sausalito should continue to find ways of generating more overnight stays in hotels to enhance not only the revenue for those business owners, but to add another day in which the tourist, in any form, will demand more goods and services in Sausalito. Some basic ideas guide us through this section's data to guide and task business attraction and retention efforts concerning retail and related services:

- Resident retail is difficult to differentiate from tourist retail for many businesses given the flow of both pleasure and commuting employees into Sausalito daily;
- Data about tourism in Marin County, specifically where tourists come from and attractions that are important to tourists overall, may provide additional guidance, especially as Sausalito is a gateway to Marin County from the south;

- The economic impacts between retail demand and non-retail businesses need to be considered in both directions (this report provides data on the types of businesses affected by the growth of retail revenues and how affecting the growth of non-retail businesses affects retail); and
- There is a trade-off between Sausalito residents spending some portion of their income outside Sausalito, which is known as "retail leakage", and space availability to expand retail options in Sausalito based on commercial real estate availability.

The data on retail sales at the city level are generally estimated from taxable transactions, which the city of Sausalito tracks to estimate sales tax receipts. Further, there are employment estimates for retail and related services. Table 6 summarizes estimated data from city retail sales data and data available from 2009; Appendix I provides a more complete set of data on retail industries and their impacts. What these data show are the proportions of each retail sector, the bar and restaurant sectors, and the hotel industry in comparison to the whole of Sausalito's economy, as measured by the total demand for goods and services, retail and non-retail. These are compared to similar numbers for Marin County[13].

Table 6: Composition of Retail Services in Sausalito, % of Total Employment, Business Revenues, Estimated for 2010

Retail Category: Sausalito	Est. Employment Sausalito		Est. Business Revenue Sausalito	
	Workers	**% of Retail**	**Revenue**	**% of Retail**
Motor vehicle and parts	16	4.5%	$3,278,000	5.0%
Furniture and home furnishings	5	1.4%	1,116,000	1.7%
Consumer electronics and appliances	96	27.0%	22,579,000	34.7%
Building material and garden supply	3	0.8%	669,000	1.0%
Food and beverage	35	9.9%	6,749,000	10.4%
Health and personal care	18	5.1%	3,200,000	4.9%
Gasoline stations	3	0.8%	2,528,000	3.9%
Clothing and clothing accessories	44	12.4%	9,462,000	14.5%
Sporting goods, hobby, book and music	21	5.9%	2,755,000	4.2%
General merchandise	1	0.3%	114,000	0.2%
Miscellaneous Goods	80	22.5%	6,958,000	10.7%
Direct and electronic sales	34	9.6%	$5,735,000	8.8%
Total Retail Industry in Sausalito	**355**	100.0%	**$65,142,000**	100.0%

Sources: City of Sausalito, IMPLAN® and Bureau of Economic Analysis (BEA)

[13] See www.bls.gov for more details on industry categorizations at http://www.bls.gov/iag/home.htm.

Focusing on retail's various categories, we see in Table 7 that retail is concentrated in Sausalito to grocery/convenience stores, clothing, hobby/sporting goods retail, and a large amount of miscellaneous. Comparing these categories to Marin County, we see that Sausalito is very heavy on "miscellaneous" retail than Marin County overall. These data point to Marin County as acting as a complementary retail source to Sausalito's retail mix. For Marin County, there is larger participation by building supply stores, auto sales and auto parts stores, and clothing; there is also more balance across the retail sectors.

Table 7: Composition of Retail Services in Marin County
% of Total Employment, Business Revenues, Estimated for 2010

	Marin County		Sausalito	
Retail Category	Employment	Business Revenue	Employment	Business Revenue
Motor vehicle and parts	9.1%	10.0%	4.5%	5.0%
Furniture and home furnishings	5.2%	5.7%	1.4%	1.7%
Electronics and appliances	4.7%	5.8%	27.0%	34.7%
Building material and garden supply	8.7%	11.5%	0.8%	1.0%
Food and beverage	19.0%	19.1%	9.9%	10.4%
Health and personal care	6.8%	6.3%	5.1%	4.9%
Gasoline stations	1.6%	7.7%	0.8%	3.9%
Clothing and clothing accessories	9.4%	10.4%	12.4%	14.5%
Sporting goods, hobby, book and music	6.7%	4.7%	5.9%	4.2%
General merchandise	7.6%	4.9%	0.3%	0.2%
Miscellaneous	11.2%	5.1%	22.5%	10.7%
Direct and electronic sales	10.0%	8.8%	9.6%	8.8%
Total Retail Industry in Marin County	**100.0%**	**100.0%**	100.0%	100.0%

Sources: City of Sausalito, IMPLAN® and Bureau of Economic Analysis (BEA)

Tables 6 and 7 provide a way to compare Sausalito's retail sectors to Marin County as a whole; Sausalito's retail sectors service a large amount of tourist and commuting worker demand versus Marin County overall. Both areas have a broad array of retail (as evident in the miscellaneous category); Sausalito has a smaller concentration of electronics and clothing retail than Marin County otherwise. This complementary mix is good for a city the size of Sausalito, given its location: San Francisco, Marin City, Corte Madera, and the remainder of Marin County provide myriad retail options for Sausalito's residents. What Sausalito's retail does is service both tourism and residents more than Marin County overall, which services residents based on the retail breadth. Recent commercial real estate surveys provide some data about the current state of space for retail.

Short-Term Business Needs Study and Retail

A recent report known as the Short-Term Business Needs (STBN) Study, published in January 2011, examined the physical inventory of retail, office and industrial space throughout the city[14]. Its purpose was to determine the current mix of retail industry businesses in Sausalito and to assess the current, commercial real estate vacancy situation (STBN, 2011). Reported vacancies provide a sense of the excess capacity and room for expansion within Sausalito. For retail, this is most relevant in downtown Sausalito and the Caledonia Street area[15]. The STBN Study assessed vacancies in three industry areas: retail, office/design, and industrial. The authors of the STBN Study suggested that the information on vacancies will assist in determining if a public-private, joint leasing effort would be productive.

In retail, there were 241 parcels identified in the study throughout Sausalito. Several vacancies reported are "special situations"; 18 retail vacancies were reported overall, for a 7.5 percent vacancy rate out of the 241 addresses identified as retail units. In terms of retail space, a 7.5 percent vacancy rate is relatively strong. Cassidy-Turley BT Commercial (CTBT) tracks retail vacancies throughout the Bay Area as part of their market research. As of the first quarter of 2011, which is the same timing as the STBN Study, CTBT reports that retail vacancies in Marin County are under 5 percent; however, most of the retail space in Marin County outside of Sausalito is in shopping centers (Terranomics, 2011). Sausalito's vacancy percentage is based on 18 vacant parcels as of January 2011. In contrast, Sausalito's office space has a vacancy rate of approximately 10.9 percent, where Marin County overall had a vacancy rate of 19.9 percent[16]. We will reference this report again when looking at non-retail in Section 4.

In using the economic impact data below, the retail vacancies dictate to those engaged in business attraction and retention a set of possible, new retail firms that can enter Sausalito's market. Table 10A shows Marin County's retail market, across the retail categories, from 2007 to 2010 as a guide to how Marin County's retail sector has evolved by store type since the latest recession.

The Economic Impact of Retail on Sausalito's Economy

Table 8 provides the economic multipliers to analyze an expansion of retail and related industries. Notice the relatively large number of workers needed to generate $1 million of retail

[14] See the STBN Study at http://www.ci.sausalito.ca.us/Index.aspx?page=750

[15] The STBN Study did not take into consideration marine vessels that act like commercial space and derive revenue for land-based businesses that use capital floating on the water. The boat slips themselves could be seen the same as empty office/rental/commercial space and are discussed later in this report.

[16] A commercial site, Loopnet (www.loopnet.com), provided additional data on office/design space in the STBN Study. Marin County data overall is from Cassidy Turley BT Commercial Research (see www.ctbt.com).

revenue and that the business revenue multipliers are similar across the major retail categories and that the business-related taxes generated by these firms is also similar and relatively large. The logic is the same as used above in Section 2 for Tables 2 through 4. If a motor parts retailer were to buy or lease an available retail parcel in Sausalito, it may forecast generating $1,000,000 of revenue the first year. From the data in Table 6, that implies there will be at least 13 new workers in Sausalito, that Sausalito businesses overall will generate $1,500,000 in new business revenue (including the new company) and the city of Sausalito will generate $180,000 in revenue based on new taxes generated by the $1,500,000 of new business revenue throughout the city. That logic holds for any new retailer identified in one of the categories of Table 6. Related industries to retail, such as restaurants, bars and hotels are also included in Table 8. Notice hotels have a more robust effect on tax revenues due to their multiplier effect (which generates sales, property, business license, and other taxes and fees), and also generates transient occupancy tax (TOT) revenue. In the case of grocery stores, $1 million of revenue generates a little over 14 jobs and $180,000 in tax revenue for Sausalito; it also generates an additional $510,000 for other businesses[17].

Table 8: Retail and Related Industry Multipliers, Overall Effects of $1 million in new revenue Employment, Business Revenue and Tax Revenue

Industry	Employment	Business Revenue	Indirect Tax
General merchandise	19.95	1.51	0.18
Furniture and home furnishings	13.38	1.51	0.17
Grocery Stores	14.24	1.51	0.18
Sporting goods, hobby, books, and music	18.72	1.51	0.18
Hotels	14.01	1.51	0.24
Building material and garden supply	11.65	1.50	0.18
Motor vehicle and parts	13.37	1.50	0.18
Consumer Electronics	12.26	1.50	0.15
Clothing and clothing accessories	13.06	1.49	0.17
Miscellaneous retail	26.68	1.49	0.17
Health and personal care	14.92	1.48	0.17
Gasoline stations	5.59	1.46	0.16
Direct and electronic sales	15.19	1.44	0.17
Bars and restaurants	18.12	1.44	0.09

Sources: City of Sausalito, IMPLAN® and Bureau of Economic Analysis (BEA)

[17] The top ten businesses affected by grocery stores in terms of indirect and induced effects on other companies' business revenues are shown in Table 11A in Appendix I.

Table 8's data provides a way to analyze an empty hotel room's effect on Sausalito's economy, or an empty restaurant table. For a hotel or restaurant owner or manager, if an empty hotel room or reduced number of turns for tables at a restaurant takes place, this has an effect on the city economy as a whole. Table 8 (and Tables 12A and 13A in Appendix I) provide some simple algorithms to watch what other types of companies are affected by changes to hotel occupancy and bars/restaurants. Restaurants generate an additional $440,000 for every $1 million of revenue they create and $90,000 of tax revenue as well. For hotels, $1 million of new revenue creates 14 new jobs, $510,000 of business revenue for other companies, and approximately $240,000 in business-related tax revenues. This is why cities and towns want tourism and overnight stays. Converting an empty hotel room or restaurant table to an amount of revenue lost and using these data in reverse can also provide a way to state the importance of these industries to the local economy through what is lost by their excess capacity, similar to vacant commercial real estate. Also, notice the similarity of these industries to each other in terms of their effects on Sausalito. These retail or related industries also are connected to tourism, which is discussed in more depth below.

Tourism's Economic Effects on Sausalito as Expanded Retail

With over 5,000 workers coming daily to Sausalito from places other than within Sausalito itself, a broad view of tourism is needed to encompass any "consumers" that come through the city demanding retail and related services. For example, Sausalito could utilize the waterfront more completely in terms of a business tourism destination. This could come in the form of sailing schools, leadership training using sailing, and corporate retreats or meetings. Tourism's economic impact on a local economy is mainly in retail; goods, services, and experiences are purchased by a local area's visitors whether they come for pleasure or business. As with any city or place where pleasure tourists come, there is also a natural flow of non-traditional "tourists" that come for business reasons daily.

Table 9: Tourism Activities and Industries Impacts on Sausalito
Overall Effects of $1 million in revenue on Employment, Business Revenue

Industry	Employment	Business Revenue
Hotels	14.01	1.51
Museums, historical sites, and parks	8.7	1.53
Recreation Activities	10.3	1.56
Other amusement and recreation industries	12.0	1.54
Scenic/Tourism Transportation	9.65	1.41
Bars and Restaurants	18.12	1.44

Sources: City of Sausalito, IMPLAN® and Bureau of Economic Analysis (BEA)

The bar and restaurant data in Table 9, which is also true of retail services data, is an example of data that mixes servicing residents and servicing tourism; these data are difficult to use in terms of discovering and estimating tourism's impact. Bars and restaurants and hotels have data repeated here to be explicit about this problem: these data must be differentiated to understand tourism more completely, and they currently are not in Sausalito (or elsewhere for that matter).

The data on tourism in Sausalito does not specifically track any type of traveler through the city in one place, which would mix ferry traffic, bus traffic, commuting employees, and visitors otherwise. Some metrics exist at county, state and national levels. The state of California suggests that Marin County received $744 million in tourism revenue in 2008, which has likely fallen since then. Transient occupancy tax receipts (TOT) alone do not accurately depict the breath of tourism currently operating Sausalito, but provide some gauge. Sausalito has the highest TOT tax rates in Marin County, charging 12% of the room rate for overnight stays in local hotels/motels. Table 16A in Appendix I provides data for Marin County and selected cities and towns from 2001 to 2009 for TOT receipts. It is important to recognize that TOT receipts are a metric for overnight stays and not for overall tourism. It is one metric, and one that provides a large amount of government revenue per unit of sale[18]. However, overnight stays in Sausalito imply restaurant and retail demand otherwise. Appendix I provides the main industries that are linked to growth in tourism spending in Sausalito[19]. We now look at the flows from ferry traffic briefly as metrics to assess tourism flows to Sausalito in general.

Ferry Traffic

The Golden Gate Ferry ridership provides another way to examine tourism flows, using San Francisco as a source for travelers. This data set is another mix of pleasure tourism and those that come as workers to Sausalito otherwise. The number of tourists might be estimated looking at ridership on time-specific ferries during the day and on weekends. Golden Gate Ferry provided day-by-day ridership from the Ferry Building to Sausalito runs from July 1, 2003 to Feb 28, 2011. Assuming ferries between

[18] See Marin County Visitor's Bureau (2011) at www.visitmarin.org. In Marin County, a Business Improvement District (BID) exists for the financing of the Marin County Visitors Bureau (MCVB), which is now at 2 percent of member TOT receipts. Not all of Marin County's hotels, motels, and TOT collectors are within the BID, which is used to enhance the promotion of Marin County tourism specific to member properties.

[19] See Appendix 1, Figure 17A for a breakdown of tourism spending in Marin County on average from 2001 – 09 from Dean Runyan Associates (2010).

10am and 4pm, as well as ferries after 6:30pm are mainly tourists. Table 10 shows a comparison of commute to tourism flows to Sausalito via the Golden Gate Ferry[20].

Table 10: Estimated Sausalito Commute versus Tourism Ferry Visitors from San Francisco Annual and Daily Estimates, 2004-10[21]

Annual Visitors	2004	2005	2006	2007	2008	2009	2010
Commute	82,321	87,197	94,895	99,244	101,185	96,148	97,198
Tourist	124,031	131,693	166,859	175,849	192,413	195,360	191,671
Totals	206,352	218,889	261,754	275,092	293,597	291,508	288,869

Daily Visitors	2004	2005	2006	2007	2008	2009	2010
Commute	317	335	365	382	389	370	374
Tourist	343	364	461	486	532	540	529
Totals	659	699	826	867	921	909	903

Source: Golden Gate Ferry and MEF

Table 10 provides assumed commute versus tourism flows using the ferry from 2004 to 2010. There are the daily averages and annual averages using ferry runs before 9am and runs that land in Sausalito after 5pm but before 7pm as "commute" runs; the remainder runs are considered tourism. These data can also be used as a foundation for tracking tourism and as a metric for how the ferry acts as a gateway to retail and other tourism revenues for Sausalito. The conversion to overnight stays increases business and overall tax revenue dollars that Sausalito businesses and city government retains from the flow of tourism. Marketing Sausalito is an important issue in terms of providing support to businesses that currently exist in Sausalito and to those that may come to Sausalito as a result of a focus on new, complementary businesses. For example, if one focus of expansion is on attracting business and "conference" customers to local hotels and restaurants, there must be viable conference space or viable partnerships with regional conference spaces where businesses would stay in Sausalito and meet here or elsewhere. These data, like TOT receipts, should be seen as parts of a set of data to be monitored and not individually telling the entire story behind tourism.

[20] See Figure 19A in Appendix I for the percentage in ridership on Golden Gate Ferry comparing Larkspur's to Sausalito's runs. The recession effects are part of the 2007 and after reduction in ridership.

[21] The annual data come from the raw data from Golden Gate Ferry, and converted to commute and tourist by assuming that Monday through Friday specific runs were for workers or commute (before 9am and then between 4-6pm), and all else were tourist trips. The daily figures used 260 work days (52 weeks x 5 days a week) for commuters and 362 days for tourists (assumes three holidays where the ferry does not run). Also, these figures are divided by two to represent the same person using the ferry to return as a way to estimate people versus tickets sold.

The coming of America's Cup will likely affect Sausalito more than any other city in Marin County and showcases how tourism affects other industries in Sausalito beyond retail.

A Note on America's Cup

The timing of the America's Cup competition provides a case study for an event that the city knows is coming, will draw visitors to the city no matter what planning takes place, and will also provide revenue by which to plan for infrastructure to use for business attraction and retention after the event by building on its success. Tourism of all types will come to Sausalito. Marine businesses will receive a stimulus, and an ability to sell goods and services now and in the future.

The America's Cup event is estimated to bring as much as 11,000 jobs and $1.698 billion to the Bay Area economy, as well as over $107 million in tax revenue for the state and local governments[22]. Among other pursuits concerning Sausalito's business attraction and retention, it is important for Sausalito to see America's Cup as an opportunity to implement long-term changes to infrastructure and create partnerships that will live beyond the event itself. Because this is an event focused on the waterfront area, but will also test the tourist infrastructure of Sausalito, the challenge for Sausalito is to choose whether these are permanent or temporary changes for the city, as some see these changes as long-overdue improvements.

The Bay Area Council's report provides some insight as to what ways Sausalito can use this opportunity to engage in change that becomes valuable additions to Sausalito's infrastructure. The economic impacts of America's Cup show the industries to be involved beyond those directly related to the events. The study estimated the economic impacts of the America's Cup on the Bay Area economy and found 10 specific industries that were primarily affected. These include the following: These include the following: Cup management (medium-term, business housing for the management team for the event), team housing and spending (medium term, business and personal housing for teams), local tourism (stay at home and come to races, no overnight stays needed), nonlocal visitor spending (spend more per person, overnights included), infrastructure (spending on capital projects to support the cup, teams, and tourism influx), media (advertising and other media), super yachts (spending by large vessels

[22] See the joint venture between the Bay Area Council's Economic Institute and Beacon Economics at http://tinyurl.com/americascupeconimpact.

that will not participate in the race but need a home), and miscellaneous expenditures (additional tourism-like spending), including extended visits and side trips[23].

The Bay Area Council Economic Institute (2010) report does not break Sausalito out separately from the rest of the Bay Area. However, Appendix I provides additional economic impact data for use in planning for this event in Sausalito; because a large amount of these effects are tourism spending, the additions are in rental income for commercial and residential space for Cup management and the teams, as well as infrastructure construction. Table 18A shows the overall effects of America's Cup on the Bay Area; it is important to recognize that these data are the opinion of the BACEI (2010) authors and are subject to change; also, Sausalito specifically was not broken out in that study with data.

Summary for the Retail Industry and Tourism

The retail sector is appealing as a target of business attraction and retention strategies. The tax revenue generated by local retailers and related services provides incentives to create or expand shopping and dining districts in a city. In Sausalito, retail and related services provide tax revenue from both tourists and residents, but also from commuting workers. These three groups of people, and business that buy goods and services from local merchants, are the drivers of retail demand. It is important that Sausalito see retail as reacting to growth of non-retail industries, in terms of demand coming from business and employees.

Anecdotal evidence exists in terms of tourism flows, and some partial measures exist for Sausalito, but there is no definitive data source to track tourism. Again, that is also a function of the fact that there are many types of "tourists" coming to Sausalito daily. Pleasure tourists come from all over the world; business people and employees come to Sausalito for work-related reasons; and consumers use Sausalito as a place to stop on their way to other destinations. All these classes of tourism are potential economic opportunities; the coming of America's Cup to the Bay Area is a microcosm of this idea. While the next section discusses non-retail industries, the connection to retail and tourism in Sausalito is important to keep in mind as workers and visitors to non-retail businesses generate opportunities in retail and tourism-related businesses.

[23] Ibid, p. 35

4. Non-Retail Sector: Business Mix and the Marinship

The non-retail sector is Sausalito's largest set of companies, industries, and commercial opportunities. Over 75 percent of businesses in Sausalito are in non-retail industries, which vary between architecture to wood boat repair[24]. The demand for commercial real estate in Sausalito will be mainly in these industries; there are over 100 vacancies in commercial parcels designated for non-retail use as of January 2011 (STBN, 2011 and City of Sausalito, 2011). The number of vacancies will constantly change, and its exact number is more an indicator of opportunities than anything. There are economic opportunities in non-retail that affect retail and related industries as discussed in Section 3 above when non-retail firms are attracted and retained. This happens through their economic impacts on the rest of Sausalito when non-retail firms grow and prosper locally.

Table 11 shows the top twenty types of companies in Sausalito in terms of their business revenues as a proportion of Sausalito overall. Table 11 is important for two reasons. First, it shows the types of companies that currently generate commerce, employment and tax revenues in Sausalito. Second, when matched with vacant commercial real estate, allows a way to build a strategy around attracting and retaining specific types of businesses. This may happen through "industry clusters", for example. These industry clusters could be in legal and accounting services and support internet start-ups that began to locate in the Marinship; there could be a design cluster, where environmental design, architecture, engineering, and other design consultants began to locate close to each other and utilize vacant commercial space. This is much like the retail concept of anchor tenants drawing demand for vacant commercial real estate to form a hub of activity in a specific sector; in this case, it would be in non-retail industries.

For those engaged in business attraction and retention for Sausalito, this table shows the major non-retail industries and their relative importance in terms of estimate business revenue to the city of Sausalito. What Table 11 states is that non-retail industries are of major economic importance to the city of Sausalito. Appendix I, as discussed in detail below, provides data to estimate the effects of attracting and retain businesses in non-retail sectors on Sausalito overall. For example, if a new legal firm enters a vacant office space and generates $1 million of revenue, it creates another $499,000 in

[24] Although technically part of the non-retail sector, local, state and federal government are not discussed in this section. While local government will need to be a direct partner of any economic vitality strategies in Sausalito, its economic impact in terms of business attraction and retention is not in the same context at the private sector.

business revenue indirectly and in an induced way throughout Sausalito using Table 20A in Appendix I. Further, using Table 4A in Appendix I, legal services growth of $1 million in demand generates 11.3 jobs; by Table 5A in Appendix I, it also generates an additional $50,000 in tax revenue for Sausalito. This section expands on the theme that vacant commercial real estate matched with these data provides a planning tool for the city.

Table 11: Twenty Industries in Sausalito by Business Revenue, Percent of Totals

Industry or Industry Group	Employment	Business Revenue
Real estate establishments	12.3%	12.5%
Other support services	4.9%	9.2%
Imputed rental activity for owner-occupied dwellings	0.1%	6.6%
Advertising and related services	5.7%	4.9%
State & local gov't, non-education	5.3%	3.0%
Miscellaneous professional, scientific, and technical services	0.5%	2.7%
Investment banking	2.4%	2.7%
Sound recording industries	0.6%	2.6%
Scientific research and development services	2.5%	2.6%
Custom computer programming services	2.5%	2.5%
Wholesale trade businesses	1.6%	2.5%
Management, scientific, and technical consulting services	2.1%	2.4%
Architectural/engineering services	2.5%	2.1%
Computer systems design services	2.9%	1.9%
Management of companies and enterprises	0.8%	1.7%
Electric power generation, transmission, and distribution	0.3%	1.6%
Other personal services	0.8%	1.5%
Hand tool manufacturing	0.7%	1.2%
Construction: new residential structures	1.0%	1.0%
Construction: new nonresidential commercial structures	0.8%	0.9%
Other Non-Retail	25.6%	21.1%
Total Non-Retail	**76.1%**	**77.1%**
Retail	**8.5%**	**5.3%**
Bars and Restaurants	**12.9%**	**5.6%**
Hotels	**1.0%**	**0.6%**
Other Tourism	**1.7%**	**1.4%**
Total	100.0%	100.0%

Sources: IMPLAN® and BEA

Short-Term Business Needs Study and Non-Retail

Earlier in this document, we referred to the STBN Study prepared by the Business Advisory Committee (BAC) for both city staff and the business community (STBN, 2011). This study not only looked at the retail assets of the city, but also how office, industrial and other units were demanded as of January 2011. Reported and continuous inventory of commercial vacancies provide a sense of the excess capacity and room for expansion within Sausalito, especially for retail in downtown Sausalito[25]. In addition to providing information for the study of business mix, the STBN Study assessed vacancies in office/design and industrial; the report notes an increase in advertising, packaging, product development, and "creative" businesses. Also, financial services and more traditional business users in Class A and B space are decreasing. The overall Class A and B office space has a vacancy rate of approximately 10.9 percent, where Marin overall in March 2011 had a vacancy rate of 19.9 percent[26]. These data suggest Sausalito as a better business address with respect to Marin County overall; its proximity to San Francisco may help explain this. Class A and B space can be simply described in many ways, where the below definitions are examples:

- Class A Buildings: These buildings sport modern construction with state-of-the-art functionality and architectural design, infrastructure, life safety and mechanical systems. Class A buildings are also located in the most sought-after areas. Not surprisingly, Class A buildings typically command the highest rents, include the best amenities and, consequently, offer the least attractive concession packages for tenants.
- Class B Buildings: These buildings are usually highly functional, well-located facilities more than 10 years old. Class B buildings generally feature a less desirable design and infrastructure than Class A buildings, although a well-located B building can be renovated and reclassified as Class A[27].

According to the STBN Study, traditional users of Class A office space such as financial services and more traditional businesses are decreasing; the types of firms that can occupy office space are

[25] The STBN Study did not take into consideration marine vessels that act like commercial space and derive revenue for land-based businesses that use capital floating on the water. The boat slips themselves could be seen the same as empty office space, see Appendix I's Table 29A for the economic effects on Sausalito for $1 million of additional boat slip rental taking place.
[26] A commercial site, Loopnet (www.loopnet.com), provided additional data on office/design space in the STBN Study. The Marin County data overall is from Cassidy Turley BT Commercial Research (see www.ctbt.com).
[27] See **http://tinyurl.com/classAB**

extremely varied. During a recession, firms and industries tend to leave quickly and in groups, especially if that group is affected at a global level as an industry. The Marinship, based on the excess capacity in office space, commercial space seems to be the best place to populate firms (firms designing green technology, internet software, movie production, advertising, etc. would be a good fit). Because most of the industries represented in Table 11 are professional services industries beyond real estate industry firms (agency, title, escrow) and apartment buildings, we will focus on these firms with the idea that the vacant commercial space as shown in the STBN Study and in a recent report by the city of Sausalito all come together in the Marinship.

The Marinship as Sausalito's Place to do Business

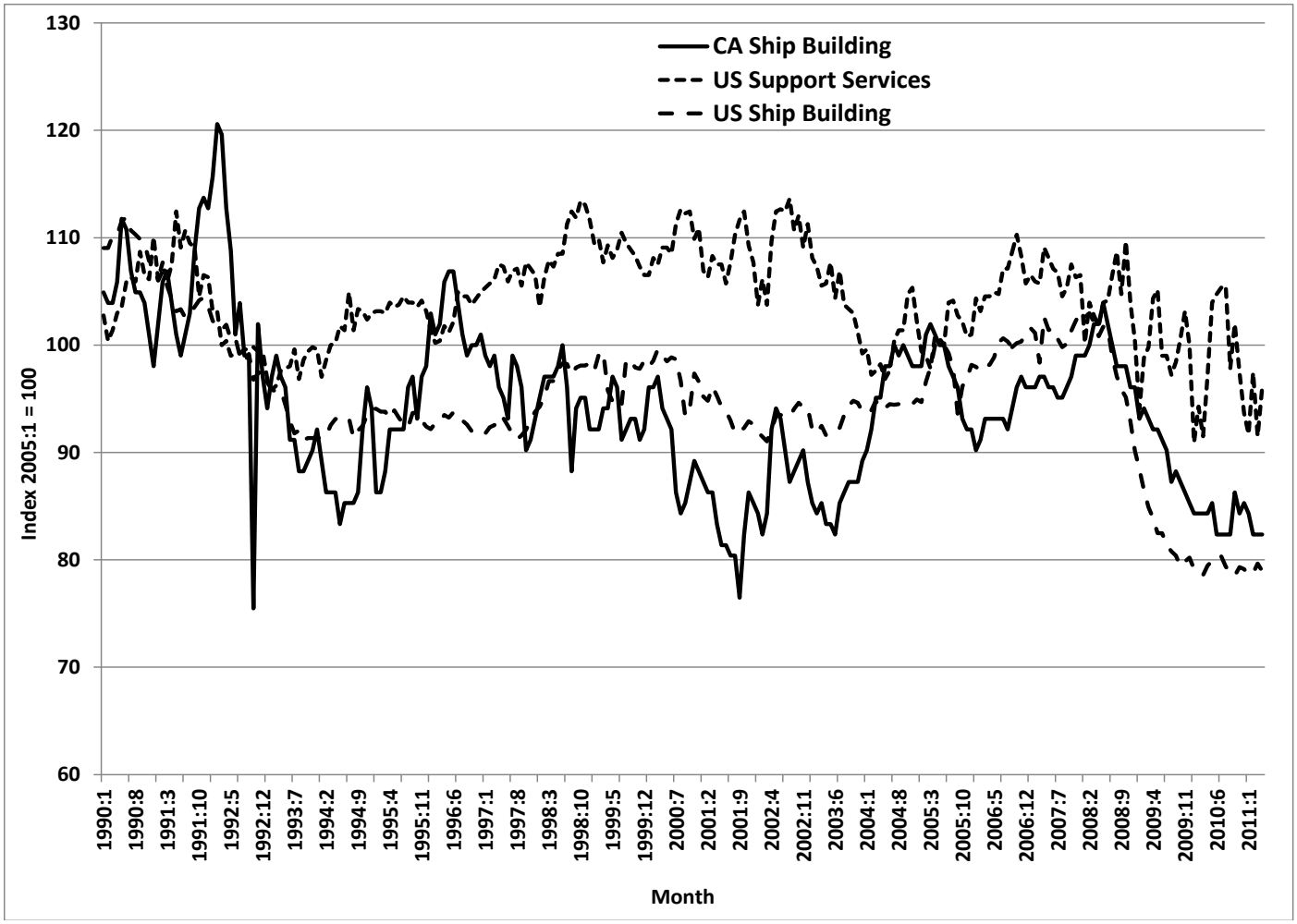
For Sausalito, its location on the waterfront has been a magnet for artists, residents, marine and other businesses, and tourists alike. There is a diverse set of businesses that reside in the Marinship, including light industrial, restaurants, professional services, grocery and other retail, and personal services. Proximity to US 101 also makes this area attractive for businesses that would naturally feed off of a worker base that primarily commutes. The marina areas and industries in Sausalito encompass industrial, marine support, and recreational marine businesses. The floating homes at the northern edge of the city provide both residential and additional tourist flows on the waterfront. A brief overview of trends in the marine industry provide some background on targeting marine-based businesses within the possible mix of firms to fill commercial vacancies.

The occupied and vacant real estate in the Marinship also provides a way to examine data and planning to reduce vacancies, increase long-term occupancy and generate multiplier effects throughout Sausalito. A recent study by the City of Sausalito on the Marinship's Land Use (see City of Sausalito, 2011) is a comprehensive look at the Marinship, its real estate, and the harbor as capital; this report complements the STBN Study. The Marinship boundaries were defined as Sausalito's Richardson's Bay waterfront, between Bridgeway for street addresses 1750 - 4000, 300 Napa Street (Galilee Marina) to the south, and Gate 5 Road on the northern boundary (city limits). The bulk of these non-retail businesses are located in the Marinship because infrastructure and location work there versus other parts of Sausalito; the Marinship has the best non-retail opportunities to expand Sausalito's economy. We first review the waterfront area's main industry, the marine industry, and its relationship to other companies.

The Marine Industry and the Waterfront

Figures 9 and 10 provide two ways to viewing the marine industry's recent history in a more global way. The Bureau of Economic Analysis (BEA) tracks the quantity of production for ship and boat building and maintenance and marine support services, two industries that are at the heart of the Marinship's history. The Bureau of Labor Statistics (BLS) and the Employment Development Department of California (EDD) track employment in the same industries for both the nation and California specifically. These figures show that boat building is in decline both in production levels and in terms of overall employment at the national level. Further, the employment in ship and boat building in California shows a trend falling faster than the United States overall. If the marine business is to be reinvigorated or protected from decline, these simple data suggest the economic incentives to do so are shrinking quickly.

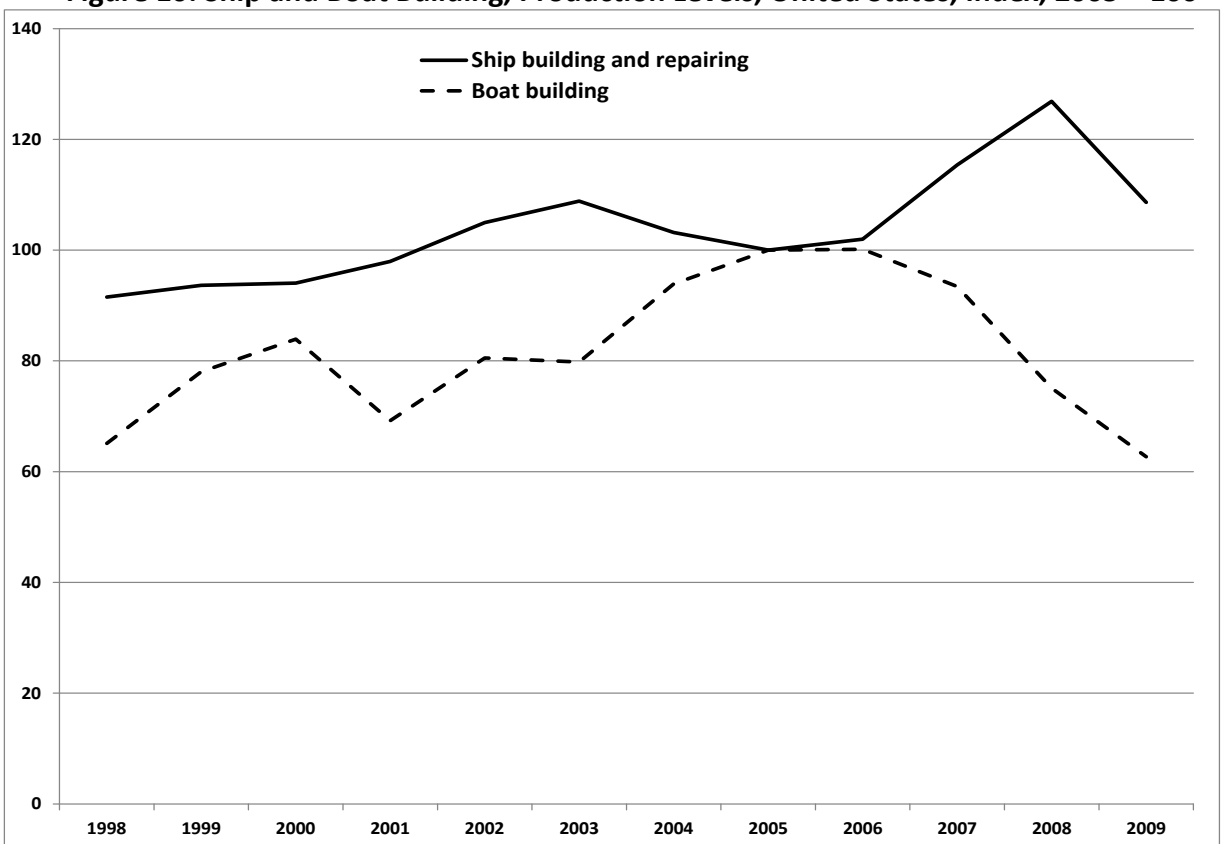
Figure 9: Employment in Ship/Boat Building and Marin Support Services, 1990 – April 2011
Index, June 2005 = 100, US and CA



Sources: Bureau of Labor Statistics (BLS) and Employment Development Department (EDD)

A recent report by Datamonitor (2011) provides a global view of the marine services industry. Datamonitor (2011) forecasts reduced growth in marine services and port revenue through 2015, positive growth in marine services demand overall. However, entry into these markets on a small scale is likely to be unsuccessful according to this report; increasing operational costs, large barriers to entry and an uncertain economic situation augment the uncertainty in these markets[28].

Figure 10: Ship and Boat Building, Production Levels, United States, Index, 2005 = 100



Sources: Bureau of Economic Analysis (BEA)

For Sausalito to successfully retain its marine industry, a focus on niche markets and on cost reductions may be needed. High barriers to entry mean it is unlikely that Sausalito will experience new marine-based firms in terms of traditional services. Marine design, which would be part of the specialty design cluster of firms discussed above, may be a niche given Sausalito's location and its available office space. Recent reports suggests that the Bay Area is becoming a hub for environmental design in many areas, and that "green" jobs in producing or design goods that enhance sustainability are likely to grow

[28] Datamonitor (2011), page 17

through 2020[29]. The further implication of this is to combine marine industry with the matches in environmental design and other non-retail firms that would occupy commercial space throughout the Marinship.

The economic impact of $1 million in boat repair, building or servicing revenue is below in terms of the jobs it creates and the revenue in other businesses throughout Sausalito it provides[30]. Boat building, from an economic standpoint, has the same economics as non-residential construction. Notice the types of firms that boat building and service affects in terms of indirect and induced effects, which are the figures for all other industries in Table 12. The America's Cup event is likely to have a large impact on the Marinship given the ties to the marina areas and the commercial real estate available for leases as the teams come to the Bay Area. If there is one short-term activity that Sausalito can prepare and plan any community development plan concerning the waterfront on, it would be America's Cup[31].

Table 12: Boat Building and Service, Economic Impact on Sausalito
$1 million of new revenue

Boat building	$1,000,000
Other engine equipment manufacturing	44,761
Wholesale trade businesses	36,101
Management of companies and enterprises	34,646
Imputed rental activity for owner-occupied dwellings	29,967
Real estate establishments	17,573
Bars and Restaurants	16,906
Advertising and related services	16,559
State & local gov't, non-education	15,944
Investment banking	12,205
All other miscellaneous professional, scientific, and technical services	11,372
All Others	171,540
Total	$1,407,573

Source: IMPLAN® and BEA

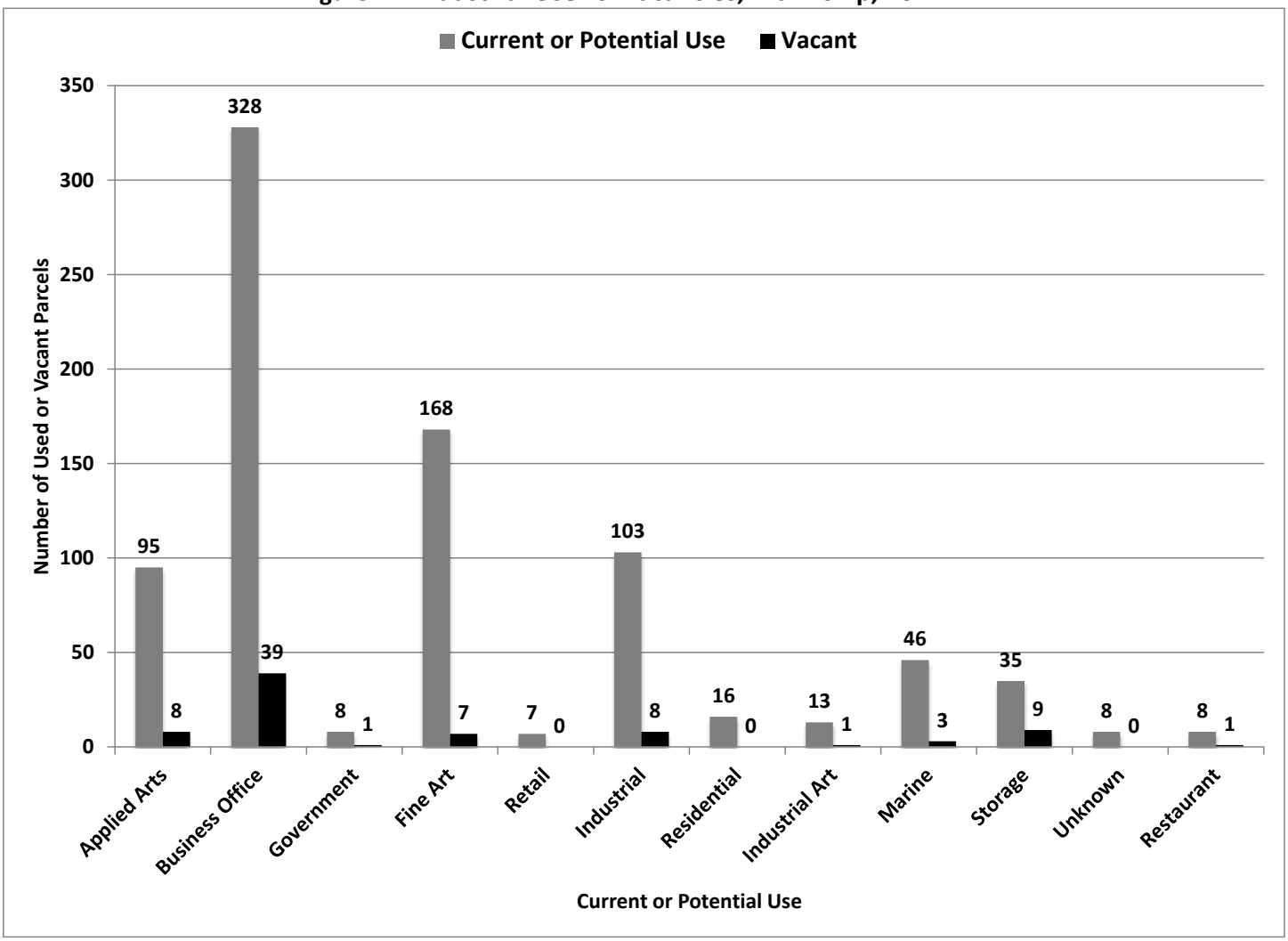
[29] See Next 10's Many Shades of Green (2009). This report mentions that there is growth in energy generation using the Bay Area's waterfront, but does not mention environmental design specifically in marine industries. However, this report does suggest growth in environmental design, where green marine design would be a potential fit for Sausalito. See analysis on environmental design firms entering Sausalito.

[30] Interviews with a mix of marine-based firms on the waterfront suggested that environmental mitigation, the cost of dredging, and the low growth (and negative growth) of potential demand long-term, provided few economic incentives to expand the number of slips without a partnership with the City or to start a new company in marine services. This corroborates Datamonitor (2011) in terms of new entrants and their attraction to marine industries.

[31] See brief discussion on this earlier in this report and in Appendix I, Table 19A, for the economic impact of changes to come to the Bay Area, based on Bay Area Council's estimates (BACEI, 2010).

According to City of Sausalito (2011), there is less than 10% vacancy in the Marinship commercial real estate, which is below the average in Marin County but the highest vacancy rate within Sausalito. There is also commercial space in terms of the empty boat slips and other physical capital available. Figure 11 shows that the amount of marine use commercial space and its vacancy is low.

Figure 11: Industrial Use vs. Vacancies, Marinship, 2011



Source: City of Sausalito (2011) and STBN (2011)

The key to Figure 11 is to recognize the amount of business office space that exists in the Marinship versus marine, retail, and restaurants. The Marinship provides a wide diversity of businesses and business opportunities for the City of Sausalito. Their economic impact will depend on the business attraction and retention strategies of the city.

The Marinship Business Mix: The Possibilities

The Marinship can be seen in three ways: (1) the waterfront itself, including the docks, boat slips, railways, and businesses that use the water as their legal marketplace; (2) the industrial waterfront, which may or may not be attached to the marine industry, including light manufacturing, marine, some retail, and other firms; (3) there are the creative industries and a mix of professional, retail and personal services. It is important to use Figure 11 as a way to understand the flow of business in and out of the Marinship, and in some ways in and out of Sausalito overall. Business offices by identified use represent 39.3% of the total commercial space in the Marinship. This provides a large amount of flexibility in the types of businesses that Sausalito may target for any vacancies. From the mix in Figure 9, we will look at relatively large vacancy categories and show the economic impacts of attracting firms that would generate at least $1 million in new revenue each. The reader can use the tables below as algorithms for changing demand in Sausalito for existing commercial space; if a firm comes in that generates $5 million in annual revenue, multiply the appropriate tables below by 5.

Table 13: Estimated Economic Impact of Marinship Economic Mix, 2010

Description	Employment	Business Rev	Employment	Business Rev
Professional services	273.6	$223,501,000	9%	35%
Specialized design services	157.4	$27,405,000	5%	4%
Banks, Credit Unions	93.5	$26,173,000	3%	4%
Wholesale Trade and Commercial	95.4	$22,687,000	3%	4%
Fine Arts	327.7	$22,675,000	11%	4%
Business support services	287.6	$22,410,000	10%	4%
Bars and Restaurants	228.1	$15,357,000	8%	2%
Real estate agencies	92.9	$15,031,000	3%	2%
Legal services	102.2	$14,631,000	3%	2%
All others	1,347.00	$241,598,000	45%	38%
Totals in Marinship	**3,005.40**	**$631,468,000**	**100%**	**100%**

Source: IMPLAN, EDD and BEA (2011)

Tables 13 and 14 provide an estimation of economic impacts from Sausalito's industrial mix of the Marinship. These data show the important industries and combined with Tables 11 and 12 can be used to target specific commercial space vacancy within Sausalito. The Marinship is the most important business area in Sausalito for two reasons. First, the Marinship has a large amount of diversity in terms of current use of commercial space and potential use based on the transition of firms in and out of Sausalito. Second, the Marinship involves the waterfront as a business asset, not only in terms of location of businesses, but businesses based on marine industries.

Non-Retail Sector: Economic Impacts

The economics of occupied or vacant real estate depend on the revenue generation of the occupant and business connections to other companies in Sausalito. The economic impact analyses and commercial vacancy data can act as a guide for planning; as one type of firm or industry builds up a presence or cluster in an area, it implies the stimulus of business activity for other industries. What Figure 11 shows is that "business office", "applied arts" and "fine arts" are currently most vacant. Vacancies will shift, as will the available uses in the vacant spaces. What this study provides is data to understand the way that space is currently demanded, the demand for Sausalito's businesses, and if a business attraction and retention strategy is formed, what the economic implications of that change may be.

The analyses below compare and contrast the economic impacts from focusing on one industry versus the other. Office space is the most underutilized capital in the Marinship. The filling of these offices may form industry clusters. What these data provides is a way to understand how local businesses and government can gain from specific industry expansions. Due to the relative size of the non-retail sector in Sausalito, it is good to look at how changes in non-retail affect other industries throughout the city. This section provides a breakdown of major industries by employment, and business revenue and then simple multiplier ideas. The analysis below will look at several industries that could fill vacant space or may be targeted to augment the number of businesses operating in Sausalito:

- Applied Arts (Environmental Design, Architecture, etc.);
- Computer software and internet design and businesses;
- Business Offices (Legal, Accounting, medical, miscellaneous services);
- Fine Arts[32] (artists, musicians, motion picture and sound/music production);
- Light Manufacturing (ceramics, sails, consumer products);
- Marine (Shipbuilding, services, storage); and
- Boat Slip Rentals (specific type of commercial rental).

What the analysis of this section will do is look at different ways of filling the current, underutilized space which serves both a current purpose in terms of potential economic development,

[32] "Fine arts" as defined for this section is a mix of artists and professional services, including some computer design for motion pictures.

but also looks forward to how the Marinship could evolve and generate different scenarios for both property owners and the city overall. The summary provides an overview of these effects and recommends the pursuit of specific industries based on their effects on the City's economy.

Table 14: Summary Economic Impacts, Non-Retail Sector, Sausalito, 2010
From $1 million of new business revenue for these Selected Industries

Industry	Employment	Business Revenue	Taxes
Legal Offices	9.2	$1,500,000	$50,000
Marine Services (Boat building/ maintenance)	5.2	$1,408,000	$30,000
Light Manufacturing	7.4	$1,418,000	$30,000
Fine Arts (Artists)	18.9	$1,487,000	$30,000
Sound Recording	17.5	$1,900,000	$30,000
Environmental Design (Green Design)	11.4	$1,532,000	$30,000
Computer Programming and Design	9.2	$1,478,000	$30,000
Applied Arts: Design/Architecture	9.9	$1,563,000	$30,000
Boat Slips	13.1	$1,523,000	$90,000
Accounting Offices	10.3	$1,496,000	$30,000
Medical and Dental Offices	8.9	$1,459,000	$30,000

Sources: IMPLAN® and BEA

Using these Data for Planning

Table 14 provides a summary of the economic impacts from different types of non-retail industries entering Sausalito. For the non-retail sectors discussed above, the direct effect is $1 million of additional revenue for that industry, and the overall effect on Sausalito is due to indirect and induced revenues, jobs and taxes generated. Tables 20A and 31A provides data similar to other sections of this report to estimate the effects on other industries throughout Sausalito concerning business revenue; tables 3A through 5A provide summary information for each of the industries in Table 14.

For example, if an environmental design firm were to locate in a currently available Class A office space, that $1 million of revenue would generate 9.9 new, full-time equivalent jobs in Sausalito overall; this new business is estimated to also generate almost $1.532 million in new business revenues for city business (including the original $1 million in revenues for the design firm and approximately $532,000 in indirect and induced revenues for businesses beyond environmental design) and almost $30,000 in new state and local tax revenues annually[33]. This logic holds for any of the industries in Table

[33] It is difficult to generate a number for just the local tax revenue due to state tax revenue coming back to cities through various means (sales tax revenue redistributes to cities, towns and counties, for example). Thus the state and local estimates provide the potential, local tax revenues that may be state or locally based.

14; some further details on the effects of a new environmental design firm are available in Table 26A in Appendix I.

These industries were selected as examples because they have the largest sum of indirect and induced effects from generating $1 million in business revenue on the business revenues of other companies throughout Sausalito. Tables 3A through 5A in Appendix I provide company-level effects for many different types of companies. The key is that the selected industries of Table 14 also match the use of commercial real estate in the non-retail sectors.

Summary for Non-Retail

The non-retail industry data has three forms for use for business attraction and retention activities for Sausalito. First, vacant commercial real estate provides space for potential commerce for the city, including new workers and tax revenue. Second, the economic impact data of Table 14 and Appendix I's tables, tells us the types of firms most likely to grow as a result of attracting and retaining specific types of firms. Third, there are additional employment and tax revenue implications of the economic impacts; retail and income leakage are incorporated into the impact data. In sum, when new firms enter vacant real estate, Sausalito can foresee changes in demand for current firms and market current firms, including retail and related industries, most affected by new entrants to support their needs and also reduce retail and business revenue leakages as much as possible.

These data also work in reverse. If firms leave Sausalito, not only does commercial space become vacant, but there is also a reduction in demand for goods and other services otherwise that follow the logic in Appendix I's tables. If grocery stores sales rise when a vacant boat slip is rented, those sales are lost when that slip remains vacant. Local interviews and a survey instrument used to collect qualitative data as part of this study provide insights from residents and businesses about the types of businesses they would like to see attracted and retained.

5. Local Interviews, Survey Results and Qualitative Data

Given all the quantitative data that Sausalito can use in Appendix I and the body of this report, this section summarizes survey data collected through an online survey instrument. Our team also spoke with many individuals and some groups as either specific appointments or in open sessions held by Marin Economic Forum. Those that came forward were primarily business people; some residents, city staff and elected officials also attended our open forums or requested individual meetings. Appendix II provides summary data, the questions, the qualitative answers provided by those who had opinions about Sausalito's future, and a lot of information to consider. The authors of this study worked with the Business Advisory Committee (BAC), which includes local residents, business people and city staff and elected officials, on the survey questions asked. A postcard was sent to every postal address in Sausalito from Marin Economic Forum with the survey's website link, in an effort to survey Sausalito's business and resident population. The City of Sausalito and the Sausalito Chamber of Commerce also used the press and social media to market the survey. Of 5,536 postcards mailed, we received 461 responses (a response rate of 8.32 percent). The survey was anonymous ex ante; all respondents had the option to provide their name and mailing address at their discretion to signal a desire to participate in future discussions of Sausalito's business and community future[34]. In this section, we summarize themes that emerged from the survey and individual/group meetings. There is a wide breadth of opinions shown in the survey results that await Sausalito as it engages in planning for future development activities.

Themes from the Survey Instrument

Please consult Appendix II of this study for more details. The survey's first question asked if the respondent was a resident, business owner, or both. Of the 461 responses, 278 identified themselves as residents, 61 identified themselves as business owners, and 122 identified themselves as both. Of the respondents, approximately 32 percent had lived or done business in Sausalito for over 20 years. 394 respondents said they shopped or dined in Sausalito at least once a week; 22 percent of respondents said that they rarely (less frequently than monthly) shop or dine in the downtown area of Sausalito. When shopping in Sausalito, grocery and personal services were the main sectors of focus. This question also allowed respondents to provide specific answers; respondents suggested they used a

[34] Of the 461 respondents, 134 provided their name and other contact information.

diverse range of businesses, including marine services, hardware stores, and fitness-related services, as well as categories specifically provided in Question 5.

Question 6 asked what services or businesses are not in Sausalito that the city is currently lacking. Only 304 respondents provided an answer, and of those, 136 respondents (44.7 percent) said a "grocery store". The next question asked about non-retail businesses and if the city would benefit from non-retail business growth. 170 respondents said "yes" and 180 said "maybe". After this question, the respondents were asked to provide any reasoning based on how they answered the previous question. Respondents appear to be optimistic but cautious about non-retail growth. The respondent's answers were diverse in the type of businesses they would like to see in Sausalito.

Question 9 asked about the perceived effects of a potential increase in tourists to Sausalito and the impact of that on the city (positive or negative). This question asked for one of five answers, ranging from very negative to very positive. The answers were somewhat evenly distributed for residents and resident/business owners. Business owners that were not residents were more positive about the possibilities of more tourism in Sausalito. Question 10 asked the respondent to expand on their opinion given in Question 9. Overcrowding the city emerged as a negative theme where increased city revenue emerged as a positive theme. 349 respondents provided an elaborative answer to question 10 of the 436 that answered Question 9.

Of the business owners, most were in retail and professional services, where 88 of the 179 business owners (who may have been residents or non-residents) were in businesses outside of real estate, restaurants, retail, grocery, personal services, or professional services. This question, Question 13, also allowed for specific responses, where were varied as to the types of businesses owned or represented by the respondents. Question 15 asked about the use of local services by business owners; 141 gave specific, open-ended responses that are listed in Appendix II. Business owners generally used banking, food, copy and mailing services, as well as other retail. Question 16 asked about the business perspective on increased tourism, similar to how residents were asked in Question 9; only those that identified themselves as business owners or representing businesses were able to answer this as to provide a comparison to residents. Businesses verified their moderately positive outlook on increased tourism from Question 9. Question 17 asked a similar query to Question 10 for an expanded opinion to the answer for Question 16. In general, business owners and representatives suggested that their business do not directly serve tourists, so the impact would be minimal from a business standpoint.

Question 18 asked about concerns local businesses have about doing business in Sausalito. Concerns and challenges in dealing with the City became a theme in these answers.

Over half of the respondents that identified themselves as business owners said they had been in Sausalito as a business for over 10 years, and over 72 percent have been in Sausalito for over 5 years. Question 20 asked the annual revenue of the business; over 25 percent declined to state that number. Of those that did state the number, over 75 percent make at least $100,000 per year; over 12% make over $1 million. Question 21 asked business owners what can be done to enhance the business community in Sausalito. The respondent's answers were detailed, diverse, and passionate. Generally, the responses discussed the idea of creating a Sausalito that is both welcoming and enjoyable for residents to live, work, and in which to do business.

Question 22 asked the respondent's age. Over 79 percent were over the age of 45, and over 23 percent were over 65. The next question asked about household income and there was a relatively even distribution over the selected ranges; 399 respondents answered this question. Question 24 asked if the respondent owned or rented a home. Of the residents that answered this question, 64 percent own their homes. Question 25 asked for the respondent's contact info if they cared to give it as part of a follow-up for this survey; and the final question asked for any further thoughts, of which 108 respondents gave final statements.

These data should be seen as a perspective on Sausalito, and simply additional information from which to form strategies about Sausalito's business community and how that involves the city's residents and businesses, who should be also seen as residents regardless of a business entity's ability to vote. This is why the survey asked for respondents that were both residents and business owners. Readers are invited to peruse Appendix II, as the open-ended answers have been kept in their raw, unedited form.

Themes from Individual or Group Meetings

Opinions and discussions in these meetings ranged from economic to cultural to political, from historic to residential to business preservation. Many perceptions about business in Sausalito were posited, many with regard to the Marinship specifically. Three major themes about business in Sausalito emerged from the interviews:

- As a city, preservationist politics have curbed good business opportunities that can help Sausalito enhance the Marinship area to provide and sustain a diverse mix of businesses in that area;
- Tourism, while filling the city coffers with sales tax revenue annually, should remain in the southern portion of Sausalito, the "downtown" area, and the business mix in the northern portions should not cater to a transient, tourist crowd; and
- There needs to be better integration between the businesses and city government concerning simple issues such as parking for business owners and residents, permits for use and tenant improvements, as local residents do not patronize the downtown businesses due to a mix of transient tourism and lack of available parking.

Those that were residents and not business owners discussed the preservation of a small-town, coastal community feel in Sausalito; local merchants, some of whom were also residents, suggested that patronage of their firm was more a function of their own advertising and outreach than an inability of residents to park or to be turned off by tourism. In fact, many suggested that Sausalito also has three times that define its residential and economic flows daily:

- 6am – 9am is residential and commute flows;
- 9am – 6pm is local workers, tourism, and return commute; and
- 6pm to 10pm is residential mainly.

In our interviews, individual and groups spoke passionately about living and doing business in Sausalito. The Marinship stirs both cultural and political passion for the city, and will likely remain a highly-disputed part of the city's economy. The preservation of Sausalito's history as a waterfront community, based on marine industries, came up as a theme from residents; business owners did not disagree with those ideas, but wanted it done in a business-friendly manner.

However, it is important to recognize that the city, Chamber of Commerce, merchants, landowners, and residents must all find a common vision for Sausalito. There are opportunities, such as the America's Cup, on the horizon, and Sausalito needs to be prepared. The interviews suggest that Sausalito is some distance away from that happening.

6. Conclusions and Action Plan

This report provides the City of Sausalito, its policy makers, and those interested in community development with economic data and suggestions concerning the demand for Sausalito's businesses and Sausalito's economic evolution. Economic activity in Sausalito generates over $1.2 billion annually in terms of business revenue for Sausalito companies. Over 77 percent of companies in Sausalito are not retail or tourism-driven companies. The recession has changed Sausalito's business mix; many retail and professional services were lost. Professional services generate over $276 million per year in business revenue, and employ over 1,140 workers. The health care industry in Sausalito generates over $160 million per year in business revenue and employs over 240 workers. Retail and related services generate over $133 million in revenues for companies, while employing over 1,100 workers. Seeing Sausalito as a place where retail, restaurant and recreation spending generates a majority of Sausalito's commerce is incorrect.

As of June 2011, approximately 5,600 people were employed within the city. Sausalito's businesses bring in approximately 5,000 people daily as employees that do not live in Sausalito. Sausalito's median age is 51.1 years, while Marin County has a median age of 44.5. Sausalito rents 49.2 percent of its housing stock. Sausalito's businesses, especially retail and related industries, serve both residents and tourists. The retail mix is relatively broad in Sausalito; miscellaneous goods stores, clothing stores, and consumer electronics retailers are approximately 60 percent of all retail sales. Sausalito's proximity to retail centers in Marin County and San Francisco provide retail breadth beyond merchants inside Sausalito; a recent commercial real estate inventory suggests 18 retail parcels are available in Sausalito, approximately a 7.5 percent vacancy rate. Economic impact data in the main report and Appendix I provide algorithms by which Sausalito can plan for any new business attracted and retained, and also when businesses leave, on other business incomes, employment and tax revenue.

The importance of vacant commercial space as an asset waiting to be utilized, regardless of location, cannot be overstated. Empty boat slips, restaurant tables, and hotel rooms, have similar effects as vacant office, industrial and other retail space on a local economy. Any leakage in retail implies lost tax revenue for the city. Non-retail businesses, as they grow, generate business for retail and related services because of the employees and additional, business tourism that comes to Sausalito. Sausalito, because of tourism's presence, generates sales and transient occupancy taxes from tourists. Over 3,000 people are estimated to be employed in businesses in the Marinship based on the location

and type of Sausalito's businesses. In 2010, Sausalito collected $1.23 million in sales tax revenues. Sausalito is a little over 11 percent of Marin County's transient occupancy tax collections, collecting over $780,000 in TOT revenue in fiscal year 2009-10. The coming of America's Cup to the Bay Area provides Sausalito an opportunity to generate economic impacts from both non-retail and retail businesses to support the event. Economic impact data included in the report provide an ability to analyze changes in demand for Sausalito businesses on other businesses, both retail and non-retail.

Advertising, professional and technical services, sound recording, investment banking, and specialty design firms are major industries in the non-retail sector within Sausalito. Two recent surveys of commercial space suggest the Marinship has over 100 vacant commercial units, most of which are business offices. The waterfront provides commercial activities and location for Sausalito to utilize, including empty boat slips. For example, if empty boat slips are filled and generate $1 million in new business revenue for dock owners, Sausalito receives an additional $400,000 for other businesses in the city. The marine industry, by independent research reports, data and interviews with marine-based businesses in Sausalito, looks to be in decline. However, utilizing vacant commercial space and niche businesses in marine, such as environmental design, mechanical design, and research firms, may provide synergies between the available space and the support for the marine industry in Sausalito. Future planning should support a balance of marine against other opportunities in the Marinship because of the commercial real estate opportunities and Sausalito's location. This report provides data throughout, and in Appendix I, to show how different types of businesses becoming non-retail businesses in available spaces and how these businesses affect the rest of Sausalito.

Economic impact data coupled with vacant commercial real estate inventories can help guide a planning process that considers target firms to be attracted or retained and firms that may be needed to support those businesses. Qualitative data was also generated for this report in two ways. Open forums provided time for residents and business owners to come and talk about the city economy, city issues, and Sausalito's future. A survey was made available, and every mailing address in Sausalito was sent a postcard to provide the survey's website and timeline for response. There were 461 responses received, an 8.3% response rate. Residents suggest that business growth creates increased traffic, but obvious financial benefits for the city and for local businesses. Sausalito's grocery stores and personal services companies were most frequented by residents shopping in town; there was opinion around an expansion of grocery store availability or local markets with local goods. Business owners were optimistic about increased tourism and its benefits, as well as increased non-retail business in Sausalito.

Many of the survey respondents were long-time residents of Sausalito; over 72 percent of business had been operating for more than five years. For residents, over 79 percent of respondents said they were over 45 years of age. Business owners and residents, both those that were interviewed or that came to group sessions, gave strong opinions about parking issues for themselves and customers; the time to get things done with local government and; car and bike traffic that was becoming more dangerous; and a need for more focus on business issues and support for local businesses. No one type of retail or non-retail firm stood out as a "must have" by those interviewed; many are concerned about how to both generate a health business environment and preserve the historical aspects of Sausalito's waterfront.

Action Plan:

The commercial vacancy and economic impact data can be used in support of the following set of goals, tasks and actions. An overt partnership (the Partnership) including the Sausalito Chamber of Commerce, the City of Sausalito, and interested residents should be built to monitor, advertise, and drive the tasks and actions below. The Partnership should be composed of no more than seven people, including one City Council member. The Partnership should have at least one meeting every year. Each meeting should invite all interested residents, city staff and elected officials, and businesses of Sausalito and provide a simple, annual "dashboard" report on progress.

Goals, Tasks and Actions on an annual cycle:

- **The Partnership shows a commitment to work together on Sausalito's future from all stakeholders;**
- **Discuss and decide what incentives the City, landlords, and other businesses can provide new firms to be courted, if any, as part of annual budget cycle for City of Sausalito;**
- **Enlist local, commercial real estate brokers and agents to provide semi-annual data on commercial real estate to City of Sausalito Finance Department;**
- **The City of Sausalito Public Works Department then integrates commercial real estate data and economic impact forecasts into the preparation of the City's 5-year Capital Improvement Plan for infrastructure needs. This Plan should include how industries in Sausalito would be affected by these infrastructure improvements, in terms of both new revenues and additional costs;**
- **The Partnership should build and monitor an inventory of firms that currently occupy commercial space in Sausalito as a comparison quarterly;**

    - **As firms are attracted and retained, use the economic impact data and connections in this report to alert other firms that demand growth is coming, especially in retail and restaurants based on data update above; and**
- **The Partnership should inform residents, business owners and city elected officials and staff about these monitored changes, their economic impacts on the city and the planning for Sausalito's future.**

On-going goals, tasks and actions:

- **The Partnership should engage with a city employee as a liaison between the Partnership and the city government and city residents and businesses, to focus on niche, non-retail businesses and advertise Sausalito as a home for these firms:**
    - **Internet software, mobile device software, and other specialty software design;**
    - **Environmental design, architecture and other applied arts based on what exists in Sausalito already;**
    - **Sound recording and other fine arts should be supported due to their relatively large economic impacts; and**
    - **Marine industries that complement other industries in the Marinship and throughout Sausalito (design and education).**
- **Retail and related industries (restaurants, bars, hotels, tourism activities) should actively market to new firms that come into vacant commercial real estate and secure new spending in parallel with business attraction and retention efforts;**
- **The Partnership should seek clusters of firms when possible to act as a magnet for attracting new firms when commercial space becomes available;**
- **The Partnership should plan for and monitor effects of changes on Sausalito's traffic, tourism levels, in-bound commuter levels, and infrastructure, and adjust annual, short-term goals accordingly as costs mount or opportunities arise; and**
- **The Partnership should exist for all tasks as residents, businesses and local government, specifically capital planning which affects all in Sausalito.**

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