



STAFF REPORT

SAUSALITO CITY COUNCIL

AGENDA TITLE

Economic Development Studies by Robert Eyler

RECOMMENDED ACTION

Staff recommends the City Council take the following actions

- Review the attached Eyler proposal for economic development studies (see **Attachment 1**);
- Identify the amount of supplemental funding to be provided in advance by local business leaders; and
- Authorize the City Manager to execute a contract with Robert Eyler, Ph.D. for preparation of the economic development studies.

DISCUSSION

Resolution No. 5090 approved by the City Council in December 2009 states,

The Business Advisory Committee [BAC] is charged with the responsibility for periodically evaluating the economy of the City and identifying actions to promote the economic health of the business community, as well as other duties as requested by the City Council or as considered advisable by the Committee and approved by the City Council.

On March 2, 2010 the City Council reviewed proposals for two economic development studies. Economic development studies have subsequently been discussed and identified by the City Council as a Strategic Planning Objective and as an "above the line" project in the Prioritized Project List.

Eyler Proposal

The first economic development proposal was prepared by Robert Eyler, Ph.D. of the Marin Economic Forum.¹ At the conclusion of the discussion on March 2nd, the Council directed the BAC to obtain a revised Eyler proposal focused on the following elements (see **Attachment 2** for meeting minutes):

- Targeted/Optimal Business Mix;
- Marine Area/Recreational Boat Impact; and
- Local Interviews.

On April 8, 2010 the BAC reviewed a revised Eyler proposal and requested minor modifications. The attached Eyler proposal, which incorporates the requested modifications, is recommended for City Council approval and funding by the BAC. The Eyler proposal would cost \$25,000.

¹ The Marin Economic Forum is an economic sustainability organization spearheaded by Marin County which is anticipated to become an independent public/private partnership organization with a board of directors representing businesses, elected officials, academics, non-profits, and community leaders.

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Short-Term Needs

The second economic development proposal reviewed by the City Council involved a preliminary scope of work to address the short-term business needs of the community (i.e., inventory of existing businesses and coordination with realtors to fill empty storefronts). Staff is working with BAC Chamber of Commerce representative Cheryl Popp to obtain refined proposals for the short-term business needs component. The expected budget would be \$20,000. Upon receipt of the refined proposals and review by the BAC, staff will bring a recommendation to the City Council for review and action.

FISCAL IMPACT

The expected total cost of the two economic development studies is \$45,000. The proposed FY 2010-11 Budget includes \$20,000 for economic development studies and the Chamber of Commerce has indicated that local business leaders will help underwrite the costs of the two studies. According to Ms. Popp, approximately \$15,000 has been committed. The Council may wish to divide the City's proposed \$20,000 between the Eyler proposal and the Short-Term Needs component. In this manner the Eyler proposal could proceed upon receipt of adequate private funding from local business leaders and additional time would be available to complete private fund-raising while the Short-Term Needs component is refined by the staff and BAC.

RECOMMENDATION

Staff recommends the City Council take the following actions

- Review the attached Eyler proposal for economic development studies;
- Identify the amount of supplemental funding to be provided in advance by local business leaders; and
- Authorize the City Manager to execute a contract with Robert Eyler, Ph.D. for preparation of the economic development studies.

ATTACHMENTS

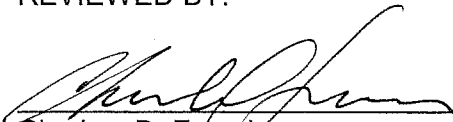
- 1 Scope of Work and Budget – Marin Economic Forum [Eyler Proposal], dated April 12, 2010
- 2 Minutes from March 2, 2010 City Council meeting [excerpt]

PREPARED BY:



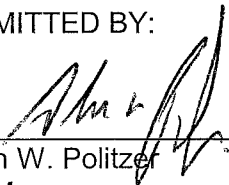
Jeremy Graves, AICP
Community Development Director

REVIEWED BY:



Charles. D. Francis
Administrative Services Director

SUBMITTED BY:



Adam W. Politzer
City Manager

cc: Business Advisory Committee

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April 12, 2010

FINAL BAC SUBMISSION TO CITY

Scope of Work and Budget: Version 6
Sausalito, CA
Marin Economic Forum

Executive Summary

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

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

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

The total time to complete these report is approximately six months and an estimated cost of \$25,000.

Introduction

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

- Policy makers will now have data and a database to use when making decisions about Sausalito's future, which helps explain to constituents why certain decisions are made;
- For local businesses, these reports can better shape how new businesses can be attracted and retained to help service their businesses, indirectly provide new customers and not replicate services to avoid increased competition levels and unbounded land use pressures; and
- For the city of Sausalito, an expansion of tax revenues from enhanced flow of tourism, retail activity and new businesses, and a more vital city where community development is proactive rather than reactive.
- Quarterly milestones will be set to monitor ROI based on these research results.

ATTACHMENT 1
(4 PAGES)

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Topic 1: Optimal and Targeted Business Mix

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

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

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

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

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

Topic 2: Specific Economic Impacts in Sausalito

Tourism

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

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

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

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

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

Non-Retail, Commercial Business Impact

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

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

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

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

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

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

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

Scope: This is another economic impact analysis, but the focus is on the current state and future of the marine industry along the waterfront of Sausalito. This industry is linked to local tourism, retail and services, as transient boaters and those using the marine services are likely to use other businesses locally. Sausalito's marine heritage and preservation of the waterfront are issues to consider in the analysis. Much like a commercial real estate market, this study can show the number of slips available, an occupancy rate (like a hotel), and the amount of employment generated by this industry in Sausalito.

Topic 4. Local Interviews

Interviews of both business owners, employees and residents (where employees may not be Sausalito residents) provide qualitative and quantitative data that help shape public policy in three ways: interviews provide opinions about attitudes toward change and economic development; they provide a way to track behavior, such as where residents shop, what customers use local firms, and what

businesses are focused on for future growth; and they offer input from all stakeholders concerning Sausalito's business and residential environment. This professional, statistically valid outreach will provide information that secondary data cannot easily show.

Conclusion

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

Summary of Topics and Costs

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

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

Topic	Cost	Relative Ease	Timeline (from initiation date)
Business Mix	\$8,000	7	12 weeks
Specific Impacts	10,000	6	18 weeks
Marine Industry	5,000	8	24 weeks
Survey	2,000	6	6 weeks
Totals	\$25,000		24 weeks for reports and data

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

Please let me know if there are any concerns or questions about this scope of work and budget. This work can be done piecemeal and prioritized as the City of Sausalito sees fit. Thanks!

Sincerely,



Robert Eyler, Ph.D.
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 Marin Economic Forum
 eyler@marineeconomicforum.org
 707-318-0348

EXCERPT FROM THE MARCH 2, 2010
CITY COUNCIL APPROVED MINUTES

6C. Direction to Business Advisory Committee regarding Economic Development
(Community Development Director Jeremy Graves)

Mayor Leone began the introduction on this item and then turned it over to Community Development Director Jeremy Graves, who then presented the staff report.

Public Comment:

Cheryl Popp advised Council that the Business Advisory Committee (BAC) has been working with the Marin Economic Forum for some time. She further stressed that the business community is looking to the City to assist in the funding needed.

Adam Krivatsy spoke about the role that the BAC is taking in the Community. He noted that there is definitely a need for a professional economist in order to come up with suggestions on how to bring financial stability to the community.

Jeff Scharousch spoke about how hard it is to retain "our uniqueness". He stressed that Sausalito needs a vibrant business community. He concluded by advising that there is a need for someone from the outside to help see the full potential of the community.

Michael Rex noted that he is not a member of the BAC, but follows it closely. He advised Council that he supports the proposals that are before them. He felt that this was a good opportunity for a joint venture.

Peter Van Meter felt that it made sense to invest in this joint venture.

Yoshi Tome stressed how the City is unique. He felt that so many people had volunteered their time with the Imagine Sausalito process and had some good ideas. He felt that the BAC can now give Council more ideas. Mr. Tome asked Council to listen and not to squash the good ideas that are coming through from all the volunteers.

Chris Gallagher felt that this was a great way for the Council to support the business community.

Council comments followed.

Mayor Leone moved, seconded by Councilmember Kelly, to direct the BAC to come back with a more firm and clarified proposal to include the three elements of the scope of work and budget (target optimal business mix, the marine oriented business impact, and local interviews proponents), as well as a consultant to help with an inventory of existing businesses and commercial real estate, and proactively work with realtors to fill empty storefronts. The motion was unanimously approved by a roll call vote:

AYES:	Councilmembers:	Weiner, Pfeifer, Ford, Kelly and Mayor Leone
NOES:	Councilmembers:	None
ABSENT:	Councilmembers:	None
ABSTAIN:	Councilmembers:	None

ATTACHMENT 2
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