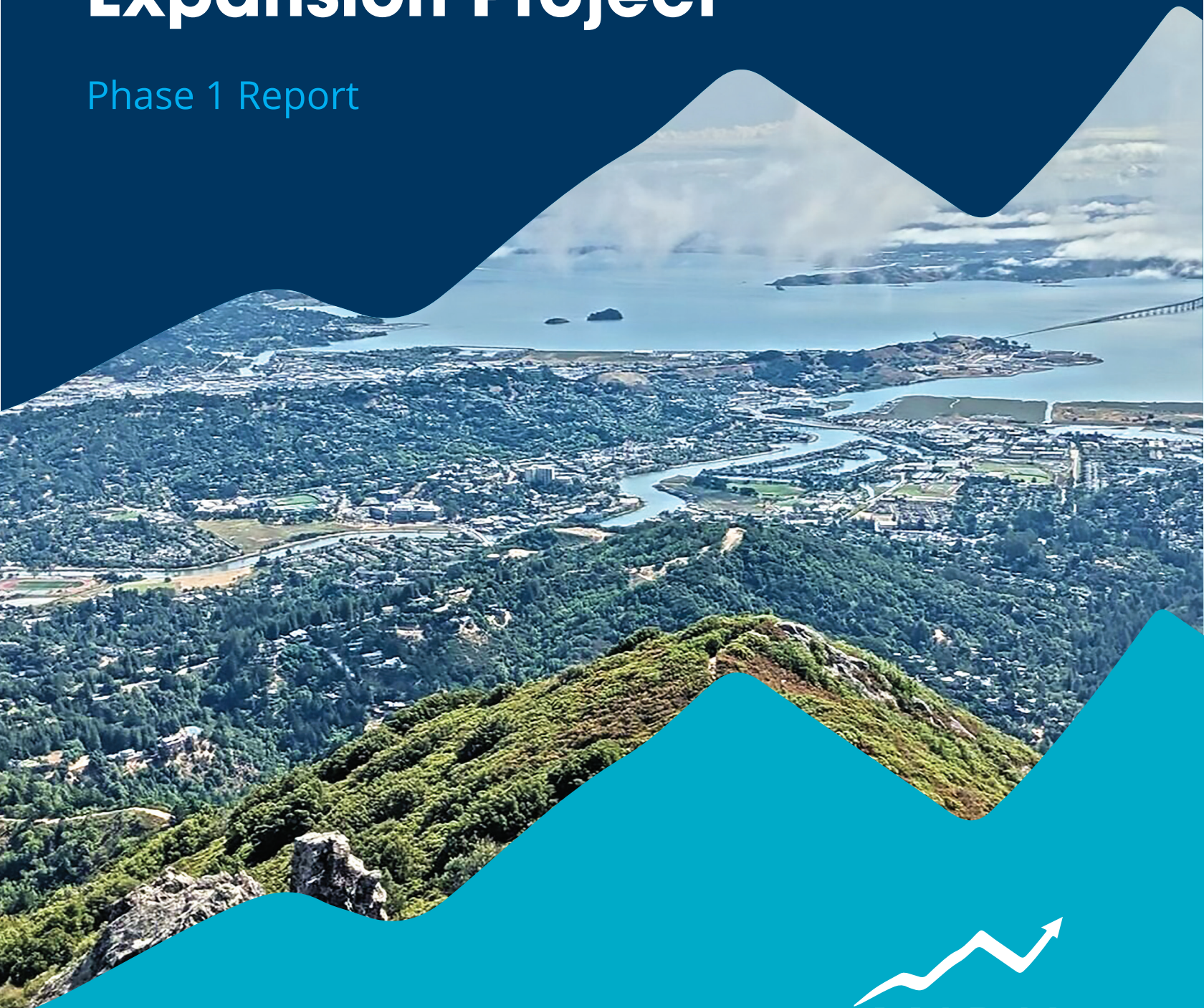


Marin County **Business Retention & Expansion Project**

Phase 1 Report



About

About the Marin Economic Forum

The Marin Economic Forum (MEF) is a 501c3 public benefit organization operating in Marin County, CA. MEF is governed by a Board of Directors composed of representatives of private and public sector. MEF was launched in 2011 as a product of the Marin Economic Commission, which at the time served the Marin County Board of Supervisors as a resource on economic issues affecting the County. The mission of MEF is to collaborate on improving the County's economic vitality, focusing on Marin's targeted industries while enhancing social equity and protecting the environment.

MEF serves as a trusted community resource for residents, businesses and public officials by developing and sharing fact-based data and analysis on the Marin County economy. The organization serves as a lead convener and facilitator of economic stakeholders in the private, government, academia and non-profit sectors.

About this Report

This report presents the findings from Phase 1 of the "Marin County Business Retention & Expansion" project ("the Project"). The purpose of the project is to understand the major challenges and growth opportunities for businesses located in Marin County and then use that information to drive a community process to create initiatives in response.

The report summarizes input provided to MEF by businesses that participated in focus groups, interviews and an online survey.

More information on the project can be located at: www.marineconomicforum.org/work/bre

Acknowledgments

The Project is made possible through funding by the County of Marin. The report was authored by Mike Blakeley, CEO of the Marin Economic Forum, Dr. Robert Eyler, Chief Economist of the Marin Economic Forum, and Alex Boyd, senior economic development consultant.

The project is supported by a group of Implementing Partners, who provide both subject matter expertise and engagement of their constituents for the project. Without their participation and support MEF could not have obtained the volume of information required to successfully conduct the project. These partners include:

Area Chambers of Commerce:

Corte Madera
Hispanic Chamber of Commerce
Mill Valley
Novato
San Anselmo
San Rafael
Sausalito
Tiburon

Business Support Organizations:

Agricultural Institute of Marin (AIM)
Canal Alliance
Marin Builders Association
Marin Small Business Development Center (SBDC)
VenturePad

Other Cooperating Organizations:

The Hivery
Marin Agricultural Land Trust (MALT)
UC Cooperative Extension, Marin

MEF would also like to thank the many individuals and organizations that provided their input into the project through participation in focus groups, 1-v-1 interviews and the online project survey.

Contents

Introduction	4
Snapshot of the Marin Economy	6
Major Project Findings	11
Workforce	12
Transportation	14
Regulatory Environment	16
Built Environment/Infrastructure	18
Business Ecosystem	20
Appendix	23
Full BRE Survey Results	24

Introduction

Business retention and expansion programs (“BRE programs”) are a common activity for economic development organizations and are implemented by both public and private organizations, including Chambers of Commerce. BRE programs are a critical tool for communities to understand and identify local business needs and risks while prioritizing resources to support the economy. BRE programs also help identify future opportunities and can serve as a catalyst for actions that support economic growth. Academic research confirms that growing businesses, rather than attracting new ones, is the biggest generator of regional economic growth.¹

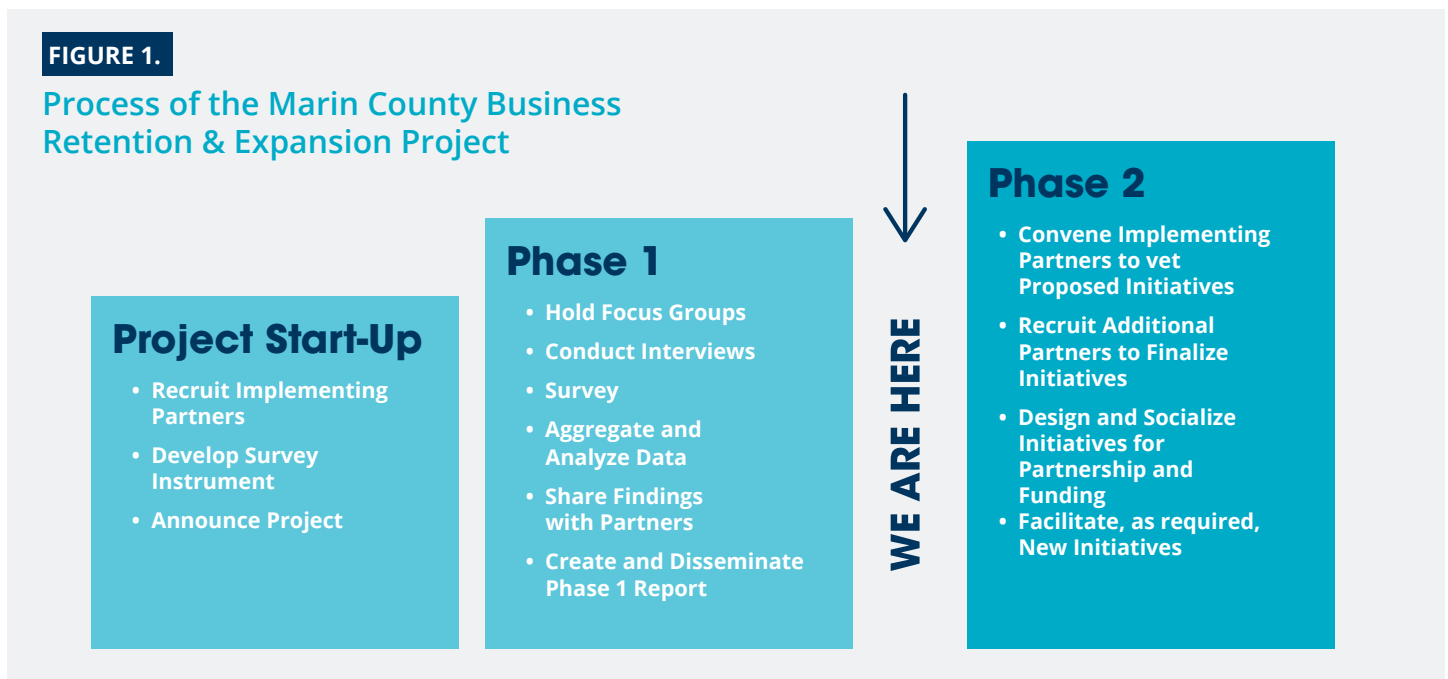
Project Description

The purpose of the Marin County Business Retention & Expansion Project (“The Project”) is to collect input from businesses on challenges and opportunities for operating a business in Marin County, with an objective of convening community partners to develop solutions and programs in response. The Project process (Figure 1) includes two major stages including an information gathering phase (“Phase 1”) and a solutioning phase (“Phase 2”). This report presents the work completed under Phase 1.

Implementation

To implement the project MEF created a group of Implementing Partners. Engagement of these organizations increased the Project’s reach and subject matter expertise to participate. Ultimately the project had 13 Implementing Partners who proved critical to the Phase 1 information gathering.

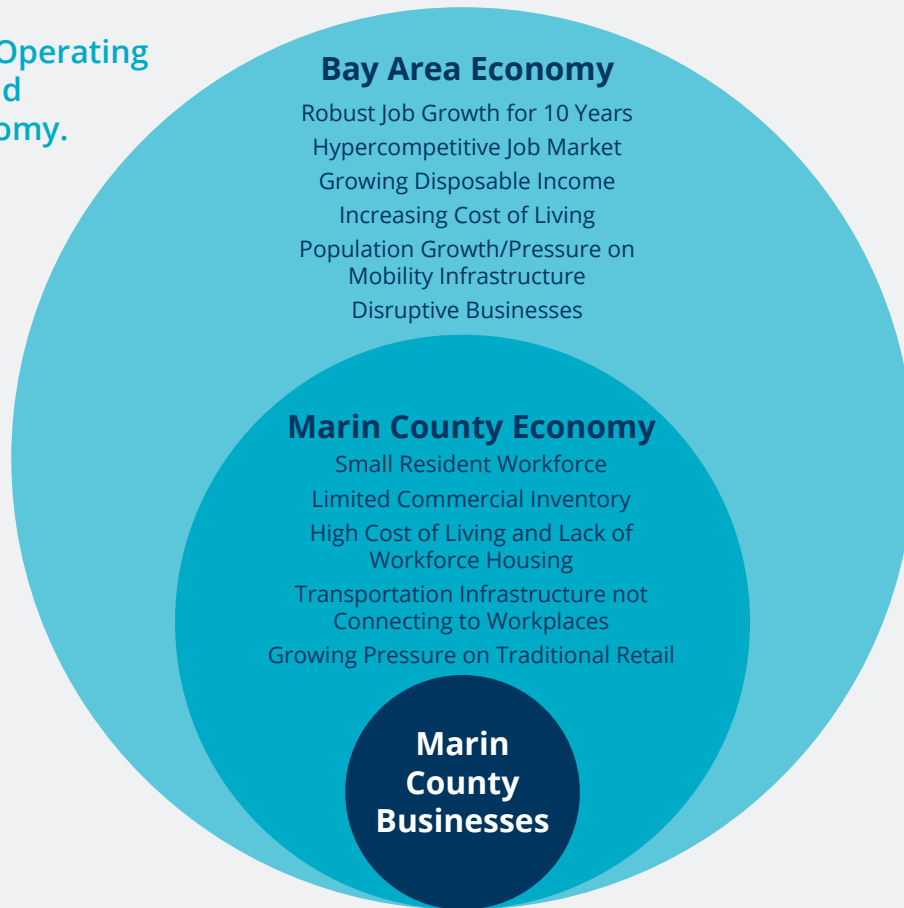
Three modalities of information gathering were employed over a period of five months: 16 focus groups with 120 participants, 21 individual company interviews with MEF staff, and an online survey with 112 respondents for a total of 253 participants.



¹ Various studies used by MEF during this project confirm 70-80% of any regions economic growth is derived through existing businesses.

FIGURE 2.

Challenges of Operating in the Local and Regional Economy.



A successful economy is typically defined as one that provides a high quality of life for its residents. This can be achieved through good access to education and jobs, a revenue stream that can provide public goods and services, an infrastructure that accommodates the mobility of residents, and a business environment that can allow enterprises to flourish, thus providing residents with ample access to goods and services. In such an economy, residents have a higher likelihood of opportunity and prosperity.

The Bay Area is a good example. Long recognized as a place for innovation and world-class higher education that produces a talented and well-skilled workforce, the Bay Area economy has dramatically outpaced that of the U.S. in the post-recession years in terms of gross domestic product (GDP). If it were a country, the Bay Area would be the 18th largest economy in the world, with a GDP of \$838 billion.²

Recent economic expansion in the Bay Area regional economy has triggered unprecedented changes in long-standing growth patterns and trajectories throughout the regional economy. From 2010 through 2018, the Bay Area gained roughly 882,000 jobs³, while population growth in the same period was just over 600,000.⁴

In this context, businesses in Marin County join their Bay Area peers confronting challenges that are both traditional and unfamiliar (Figure 2). Labor is increasingly hard to secure and new technologies are disrupting traditional business models. However, this regional economic dynamism is also bringing real opportunities for Marin County, both for existing Marin businesses, those that might relocate to Marin County, and those that would be created here.

² <http://www.bayareaeconomy.org/bay-area-gdp-surges-in-2017-now-worlds-18th-largest-economy/>

³ California Employment Development Department <https://www.edd.ca.gov/>

⁴ US Census Bureau https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=PEP_2018_PEPANNRES&src=pt



Snapshot of the Marin County Economy

In order to provide context for the findings presented here, some basic economic data on Marin County and the business sector is provided for consideration. The Marin County economy, like that of the Bay Area economy more broadly, has experienced a sustained period of economic growth since the Great recession in 2008-09. Gross regional product (GRP) was valued at \$20.9 billion in 2018, an increase of 22.3% in the same period and growing at a faster rate than the California economy (Figure 3).

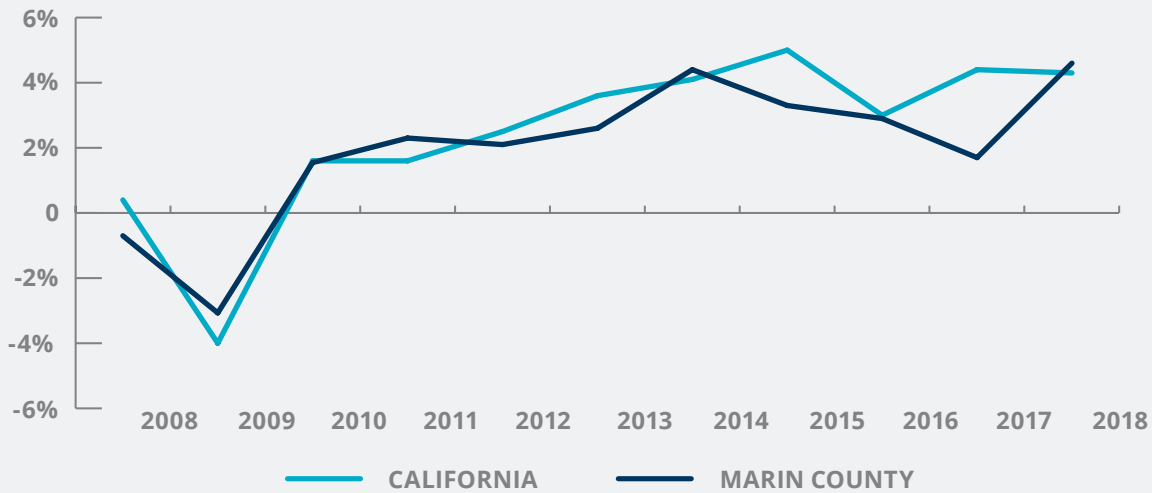
Marin County enjoys a diverse composition of sectors. Figure 4 shows the relatively even distribution of sector contribution to the GDP with only two sectors holding greater than a 10% share, led by real estate and professional services. Health care, software (Information), retail and government are also important components of the economy.

When compared to the same data from 2011, there are few differences. The information and manufacturing sectors registered the largest growth at about 3% each. Other sectors either moved up or down by less than 1%. The subtle difference in the GRP figures for the period suggest several key points about the performance of the Marin economy:

- ▲ The proportion of contribution of industry sectors to the total GRP remains virtually status quo demonstrating sustainability of activities (no shocks or major sector increases or decreases in revenues);
- ▲ Significant business expansion within individual industry sectors has not occurred (steady slow growth most likely has), although some individual businesses may have had varied performance in the period; and
- ▲ The absence of new sectors making contributions to GRP suggests that some emerging sectors remain in infancy (cannabis) or that other factors in the business environment might deter creation/location of additional business sectors.

FIGURE 3.

Gross Domestic Product (GDP) Growth, 2008 to 2018, Inflation Adjusted, compared to California



Sources: Bureau of Economic Analysis

FIGURE 4.

Gross Rating Point (GRP) Proportions by Industry Sector in 2018, Marin County, 2012 Dollars, Percentage of Total



Real estate and rental and leasing	19.57%
Professional, scientific, and technical services	12.47%
Government and government enterprises	8.63%
Health care and social assistance	7.87%
Retail trade	7.55%
Information	7.26%
Finance and insurance	6.79%
Construction	4.63%
Manufacturing	4.54%
Wholesale trade	3.60%
Accommodation and food services	3.36%
Administrative and support and waste management and remediation services	3.24%
Other services (except government and government enterprises)	2.91%
Arts, entertainment, and recreation	2.54%
Management of companies and enterprises	2.10%
Educational services	1.71%
Transportation and warehousing	0.61%
Utilities	0.38%
Mining, quarrying, and oil and gas extraction	0.13%
Agriculture, forestry, fishing and hunting	0.09%

Sources: Bureau of Economic Analysis and MEF

Industry mix by employment

The largest industry sectors in terms of number of employers is healthcare at 22.3% (Figure 5). Professional Services and Other Services (including personal care such as hairdressing) followed. The industry mix is useful for understanding employment by sector, but also as a tool for workforce development planning priorities. Industry mix is different than the GRP contribution discussed above because it represents the relative weight of the sector by employees, not revenues.

Some sectors may have relative importance in employee levels, but do not generate the same business revenues. For example, the proportion of jobs in "Other Services" is significant from an employer perspective versus a much smaller proportion of income generated in terms of GRP (11% employment share vs 2.9% GRP contribution). In contrast, health care and professional services have similar proportions of jobs and GRP generation suggesting relatively higher wages in these industries. To that extent, analysis of the five most frequent occupations in Marin County suggests a higher number of occupations at the lower wage scale:⁵

- ▲ Personal care aides = 5,080 workers
- ▲ Retail Salespersons = 2,560 workers
- ▲ Food preparation and cooks = 2,510 workers
- ▲ Waiters and waitresses = 2,410 workers
- ▲ General and operations managers = 2,320 workers

Figure 6 demonstrates the change in number of establishments between 2018 and 2019. The data show that businesses providing services rather than goods are growing at a faster rate, while some sectors, like retail trade, have declined in the period.

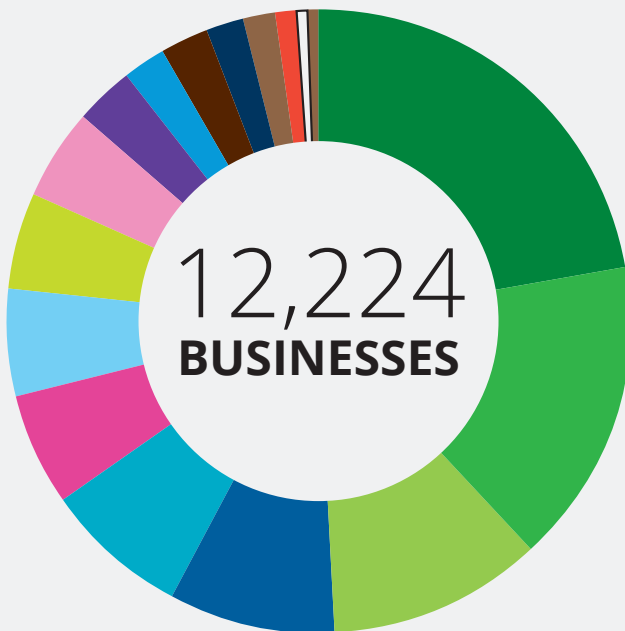
Figure 7 shows the number of payroll businesses in Marin County since the Great Recession showing recovery then growth.

The five largest industry employers (32 percent of payroll employment) are:

- ▲ Restaurants = 11,800 workers
- ▲ Professional and Business Services = 8,900 workers
- ▲ Outpatient health care = 6,500 workers
- ▲ Administrative and support services = 5,800 workers
- ▲ Non-profit health and human services = 5,600 workers

FIGURE 5.

Employers by Industry Sector in 2019 Q1, Marin County, Number of Employers, Percentage of Total



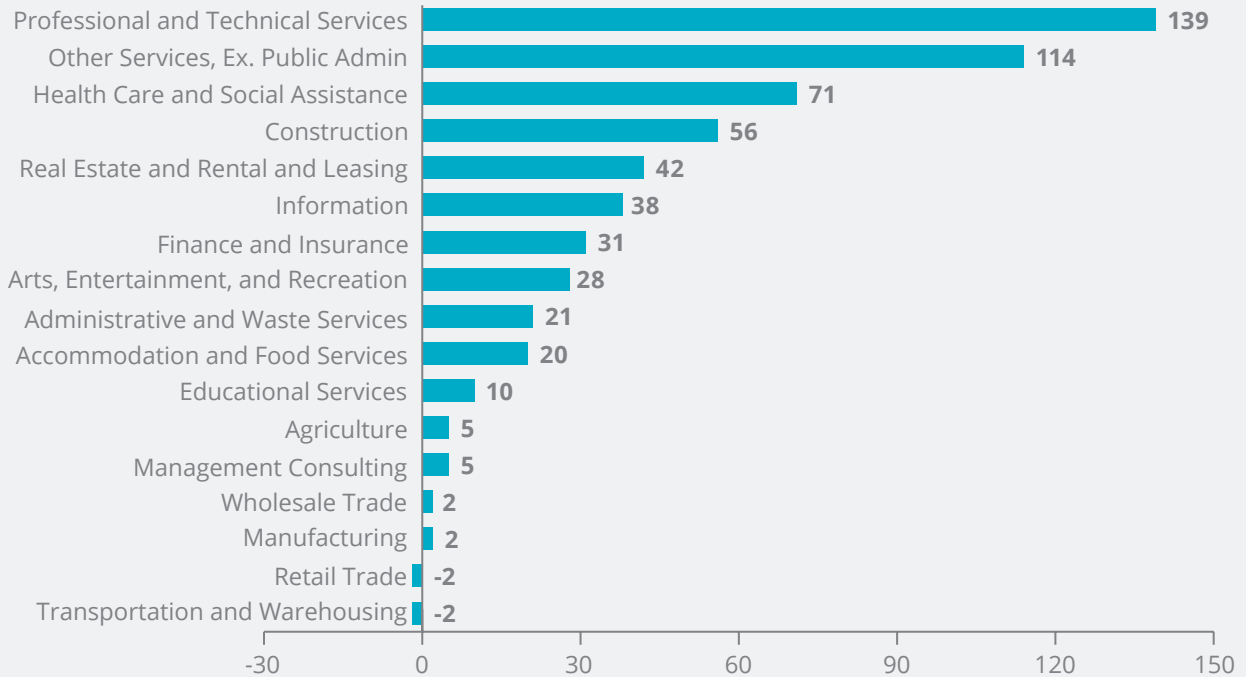
Health Care and Social Assistance	22.3%
Professional and Technical Services	16.0%
Other Services, Ex. Public Admin	11.0%
Construction	8.7%
Retail trade	7.5%
Accommodation and Food Services	5.8%
Finance and Insurance	5.4%
Real Estate and Rental and Leasing	5.0%
Administrative and Waste Services	4.8%
Wholesale Trade	3.0%
Information	2.4%
Arts, Entertainment, and Recreation	2.3%
Manufacturing	2.0%
Educational Services	1.8%
Transportation and Warehousing	0.9%
Agriculture, Forestry, Fishing & Hunting	0.6%
Management of Companies and Enterprises	0.5%

Sources: Bureau of Economic Analysis and MEF, Quarter 1 (Q1) of 2019

⁵Source: EMSI Q2 2019

FIGURE 6.

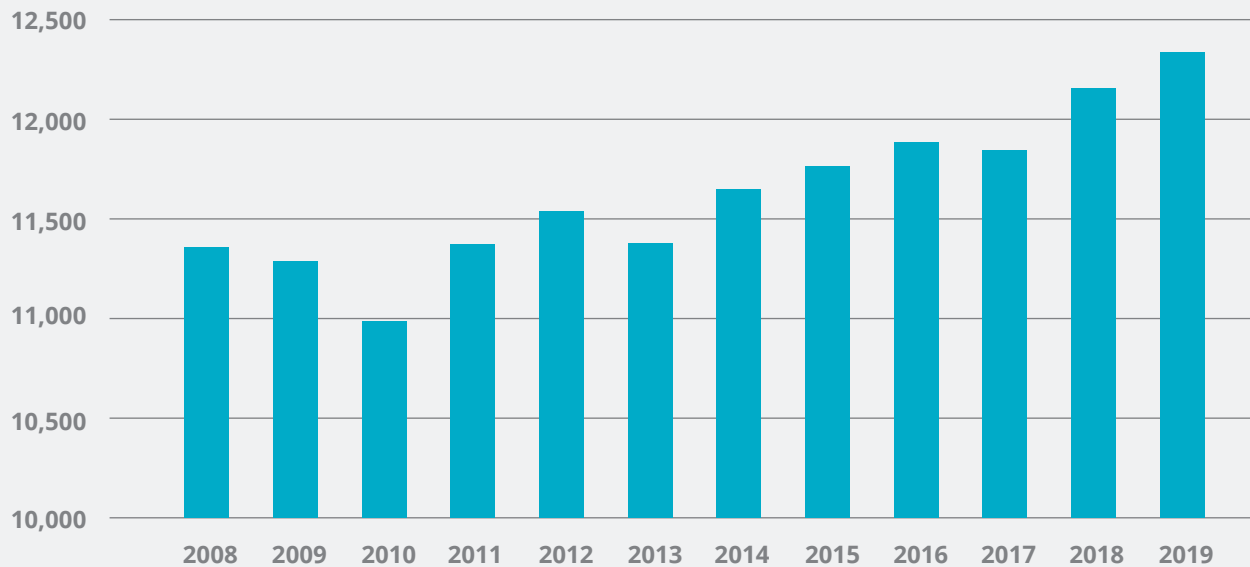
Employers by Industry Sector in 2018, Marin County, Change in Number of Employers, 2018 Q1 to 2019 Q1



Sources: Bureau of Labor Statistics and MEF

FIGURE 7.

Number of Payroll Businesses (Annual Growth), 2008 to 2019*, Marin County



*Q1

Sources: Bureau of Labor Statistics and MEF

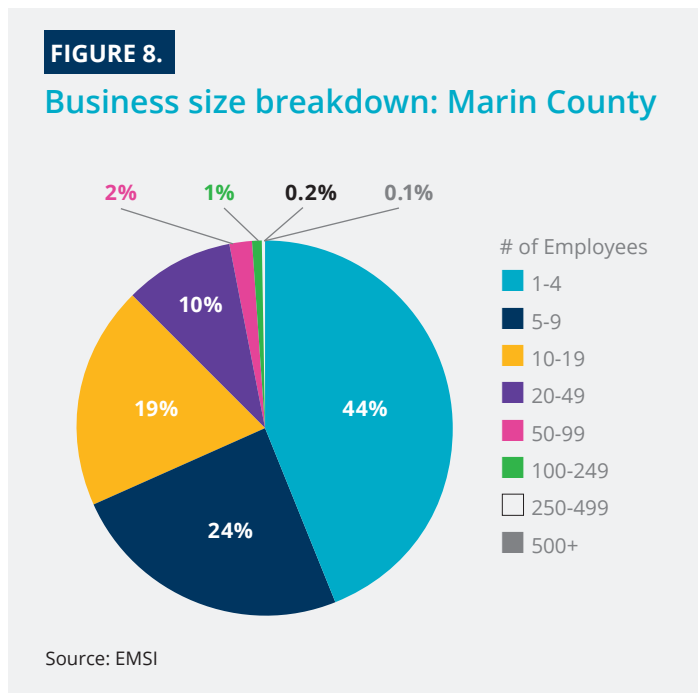
The business sector in Marin is overwhelmingly composed of businesses with under 10 employees. Notably, the largest single group of businesses in the county are those with 1-4 employees (Figure 8).

Key Economic Data

Marin County's resident labor force was cited as 146,076 in August 2019 with 120,300 payroll jobs.⁶ Payroll jobs do not include self-employed residents, suggesting that the actual number of residents employed is higher. Payroll jobs also do not account for residents employed by businesses outside the County (so called "remote" or "virtual" employees). Marin County, San Francisco and Sonoma counties tend to follow each other but also follow the statewide pattern as it relates to the unemployment rate. This is a critical sign of a regional and statewide market demand for the same pool of workers, generating low unemployment across the North Bay and the state. Since 1990, Marin County has typically been among the lowest four unemployment-rate counties out of all 58 in California and towards the end of 2019 (December) the figure dipped to a low of 1.9%.

Marin County has a median household income of \$126,373, ranking the highest in the 9-county Bay Area as of 2018.⁷ The relative affluence of the resident population fuels demand for goods and services from local businesses. Ninety-three percent

of Marin County residents aged 25 or older have a high-school degree or GED and almost 58% of residents have a bachelor's degree or higher, both ranking as #1 in the Bay Area region.⁸ The high level of educational attainment confirms the presence of a relatively high skilled workforce.



⁶ Labor force figure provided by EMSI Q2 2019 report. Payroll jobs figure provided by Bureau of Labor Statistics.

⁷ 2018, U.S. Census Bureau

⁸ 2018 American Community Survey Data



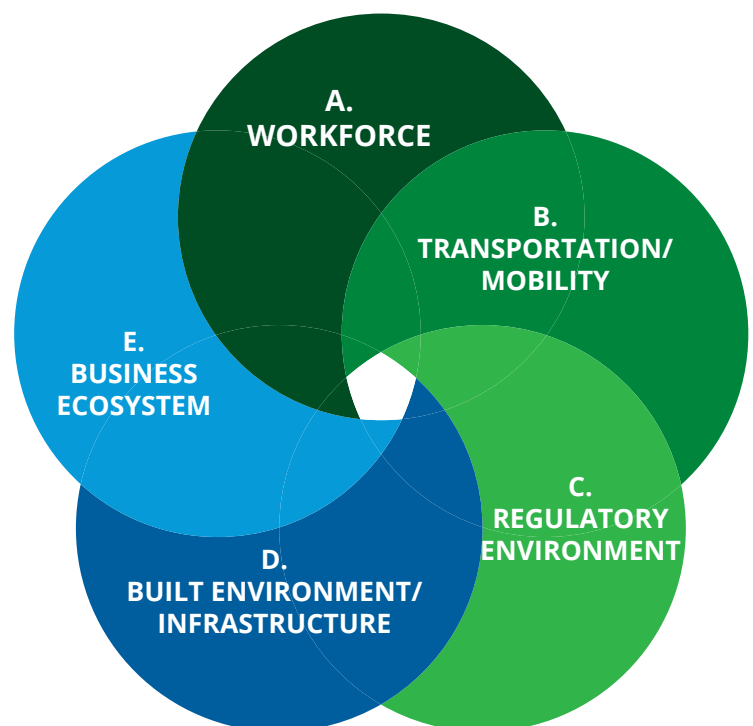


Findings from the Marin County Business Retention & Expansion Project

To arrange this report, MEF staff and experts aggregated the data from the three modalities of information gathering and organized the data according to traditional categories of regional economic analysis (Figure 9). The intent is to define the major issue in each respective category, present the challenges cited by businesses, attempt to understand why the challenge occurs and what is the impact of those challenges on businesses and the local economy. MEF then facilitated discussion with participants into potential solutions, which are presented here as possible programs that could respond to specific challenges ("What can we do about it?").

FIGURE 9.

Key Categories of Analysis



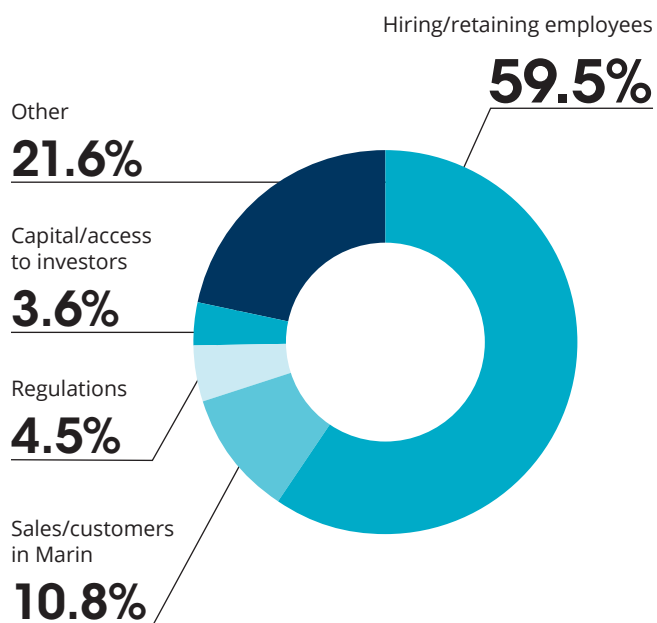


A. Workforce

Hiring and retaining employees presents the biggest challenge to businesses as well as the biggest obstacle to growth. The needs of various employers differ greatly, making it difficult for labor suppliers to accommodate demand or secure talent pipelines for the future.

Survey Question:

What is your biggest business challenge?



Why does this occur?

Simply put, there is a higher demand for jobs in Marin County relative to the number of residents that can fill those jobs based on experience or wage preference. This dynamic is most acute in lower-wage jobs. As a result, a major percentage of the workforce, between 33 to 37%, derives from neighboring counties namely to the North and East.

The demographics of the resident workforce, namely a low volume of persons aged between 20-34, has left a gap in some employers abilities to fill middle management or important trades jobs, and is the lowest percentage by volume in the Bay Area at 13%.⁹ Further, population projections from 2020 to 2030 suggest an additional 17,000 residents will be aged 60 years and up making Marin at “high risk for retirements.”¹⁰

There is a current misalignment of supply and demand in the labor market for several legitimate reasons:

- ▶ Educational (college) or vocational (private training/certification) bodies do not have enough or current information or linkages to the economy’s demand priorities to easily select what training to offer. These institutions must balance workforce demands with available supply of students to justify training resource allocation to one occupation versus another.

⁹ EMSI Q2 2019 data.
¹⁰Ibid.

*Just 13%
of Marin County's population is
between the ages of 18-34*

- ▲ The number of employers per sector also influences what occupations to provide training for, however, the largest number of employers in Marin County are concentrated in lower-skilled occupations, presenting a conundrum for training providers;
- ▲ Marin County does not have a current economic strategy or sector prioritization that would help align training priorities, e.g., compounds the task of selecting which training to offer;¹¹
- ▲ The local higher education sector produces a small volume of graduates per year (fewer than 500 college degree graduates per year with another 400 completing junior college) and most of those graduates are quickly absorbed both locally/regionally;¹²
- ▲ Businesses do not feel that students at the junior college or high school levels have enough information on non-college degree career opportunities or corresponding wages and thus are opting out of those career paths. The number of local youths filling part-time low wage jobs has diminished significantly over time and does not remain a hiring strategy for most participants.

Marin's low-wage workforce must sometimes opt out of employment opportunities due to cost and access issues of childcare or transportation further diminishing the workforce.

A significant portion of Marin's high skilled workers in sectors such as finance, technology and media hold jobs outside of Marin due to higher wages and a deeper pool of potential employers to choose job opportunities. In addition, the small number of businesses in specialized sectors, such as life sciences, makes it riskier for a potential employee to relocate to Marin County for a job versus geographies with a higher volume of firms.

Marin's cost of living is among the highest in the Bay Area and is making it difficult for local employers to attract a workforce that desires to live close to the workplace. Employers cited housing prices as a barrier to hiring at all wage levels. Subsequently

employers cited loss of employees to other lower cost locations, both in and out of California

Hiring managers have adopted new tactics for reaching candidates meaning some businesses using traditional approaches like online job listings or job fairs are not keeping pace with hiring trends.

What is the impact?

As a result of these dynamics, employers in Marin face a historically difficult environment to access and retain talent. Participants overwhelmingly linked their growth prospects to the ability to fill open and future jobs. However, the burden to fill hiring needs means managers and business owners are allocating more time to recruitment than to other core business functions, also potentially affecting business growth.

What can we do about it?

- Create stronger partnerships between local educational entities (College of Marin, Dominican University, area high schools) or private training bodies and strategic sectors according to urgency of demand and supply;
- Improve coordination between public and non-profit service providers serving low-income populations and employers in order to strengthen programs that link those populations to employment;
- Shared strategies among employers and relevant public sector entities to develop private transport options to ease commute burden, especially for the lower wage workforce that must commute to Marin for work;
- Increase awareness at the high school level of wages and career opportunities in non 4-year degree occupations; and
- Develop a business attraction program in the priority sectors of Marin's economy to then grow the workforce.

¹¹ The most recent document that identifies sector priorities is the 2004 "Marin County Targeted Industries Study."

¹² An interview with Dominican University confirmed that graduates have a high placement rate immediately after college due in part to the current labor demands in the regional economy.

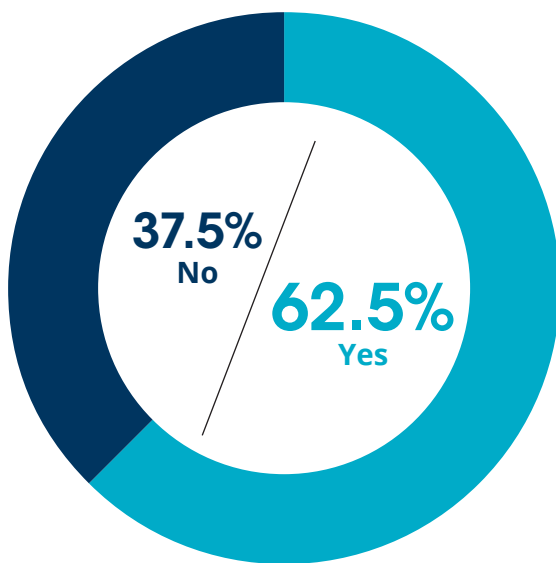


B. Transportation

The current transportation infrastructure does not accommodate the growing need of employers to draw staff from outside the County. Incremental job growth has congested roadways yet limited last-mile connectivity provides few options beyond personal automobiles. As a result, hiring challenges persist and the risk of business flight to more accessible workforce remains.

Survey Question:

Are your employees able to access the work site by public transportation?



Why does this occur?

Marin County's resident workforce compared to number of jobs available requires employers to seek employees from outside the County at an increasing rate. Various data sources suggest as much as 37% of all workers holding jobs in Marin commute from outside.¹³

The incremental job growth experienced from 2010 has further stressed the roadways disincentivizing job seekers outside of the County to seek employment in Marin County.

Many businesses in the County spread beyond urban cores and primary transport corridors and may be located away from even the most basic bus routes, diminishing options for employees to connect directly to the workplace ("last-mile connectivity"). Employees in cities that depend on single road access, including Tiburon and West Marin, experience low frequency of public transportation vehicles as well as increased congestion. Retail and food-service merchants cited examples of customers opting out of store visits due to congested roadways.

Businesses located in towns with small, main street footprints, such as San Anselmo and Mill Valley, cite parking shortages due to both customers and employees relying on personal

¹³ "Origin-Destination Employment Levels and Data Sources, A Primer" 2018 Transportation Authority of Marin/Marin Economic Forum, August 2018

As much as 37% of all workers holding jobs in Marin commute from outside.

automobiles, as a major constraint to sales.

Employers cited costs of some transportation modes as a barrier towards more use while others with programs to help subsidize public transportation reported low uptake. Personal auto use was cited as the most typical transportation modality used by employees in the County.

Focus group participants report that hospitality (restaurants/hotels) and caregiver employees do not have enough access to public transportation that aligns to late hour/early morning shift completions. Despite known critical masses of workforce for the hospitality sector in San Rafael and Novato, there are no known private transportation programs to/from these communities and a low occurrence of carpooling as reported by employers.

Limited public transportation options from/to the East Bay,¹⁴ where a significant number of employers interviewed draw their staff, is a barrier for hiring. Employers in common occupations (retail, food-service, medical) have lost employees from that region who seek shorter commute times.

Despite multiple options for public transportation, including bus, light rail (SMART), ferries (Golden Gate Transit), feeder transit (Marin Connect) and private rideshare options, almost 40% of survey respondents did not feel their employees could access the workplace by public transportation. Awareness of services and incentive programs may be low and affecting utilization of public transport.

What is the impact?

Without sufficient public and private transport options, Marin County businesses will continue to face challenges in hiring non-residents to fill jobs. Further, several businesses interviewed confirmed the prospect of relocating out of Marin County to locations where talent is more abundant, or employees can more easily access the worksite due to more robust transit systems.

Retail and foodservice outlets in Marin County's small cities will continue to face exogenous pressure on business if physical store visits continue to diminish.

The agriculture sector in West Marin, already facing hiring challenges due to shortages in workforce housing, is in most urgent need of solutions to transport staff to/from their residences both in and outside of Marin County.



What can we do about it?

- Create private transportation programs where employer demand reaches critical mass (e.g. Hospitality employee shuttle between San Rafael-Sausalito);
- Assess feasibility and demand for private shuttles in-out of the County including to the North and East;
- Coordinate with the Transportation Authority of Marin (TAM) to continue to develop or expand micro-mobility options (bike/scooter) to increase access to the workplace from transit centers¹⁵; and
- Implement public transportation awareness program with local transit entities that is more targeted by region (i.e. City of Novato-specific options) or by sector (i.e., hospitality sector in Southern Marin).

¹⁴ Golden Gate Transit runs one bus line between the East Bay and Marin County. The 40 and 40 Express.

¹⁵ At the time of this writing, TAM was preparing for a bike-share pilot program in Marin County with expected implementation in 2020.

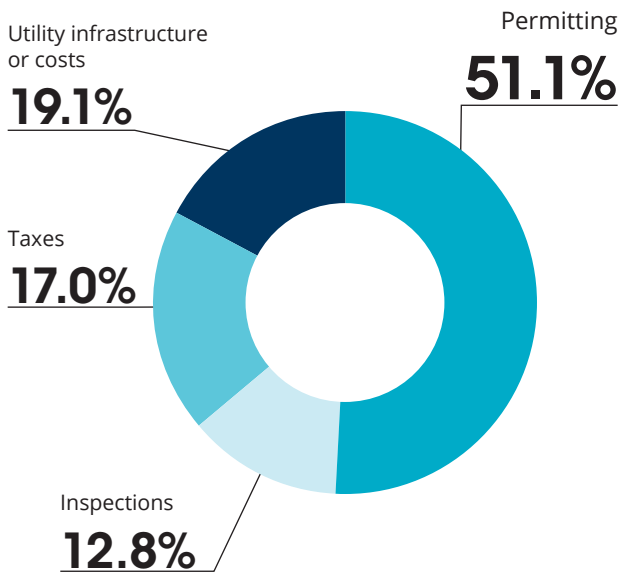


C. Regulatory Environment

Businesses struggle to negotiate layers of requirements between their jurisdiction, the County and possibly State and Federal regulations. As a result, the resource burden as a function of time and expense has increased while the relationship between owners and regulators appears strained.

Survey Question:

Which regulations were adversely affecting businesses?



Why does this occur?

In focus groups and interviews, participants regularly cited the challenge of obtaining permits for either new construction or tenancy improvements to existing commercial properties.¹⁶ Specific complaints related to permitting included:

- ▲ Dissatisfaction with the timeliness in obtaining permits;
- ▲ inconsistency/accuracy of information from planning departments staffs;
- ▲ use of outsourcing for plan checks was perceived as a risk;
- ▲ costs were suggested to be major factors; and
- ▲ limited working hours of permitting offices for over the counter services.

Low staff capacity at both the city and county level was recognized by participants as contributing to the time to obtain permits or inspections.

Lack of sufficient Spanish language information on county and town websites. Managers in the trades also cited this as a problem for their Spanish-speaking staff to research and understand regulations and requirements.

Some businesses cited inconsistencies at the level of technical understanding among inspectors and there was a general concern among participating property owners that city planning

¹⁶ Focus group participants that deal day-to-day with regulations included: property owners, restaurants/foodservice, cannabis, health care providers, construction/landscaping, cosmetic manufacturing, farming/ranching.

departments may not sufficiently understand the finances involved in construction including the costs of delays.

The use of expediting services, that would prioritize approvals for an extra fee, is not available for commercial projects despite high interest for such services observed through participant interviews.

Participants also reported a high level of subjectivity and inconsistency in inspections yet were not informed of any oversight entity for which to register any complaints.

The interview team heard several accounts of regulators that were either not constructive in their relationship with businesses and that businesses lamented a general climate of adversity with inspectors. There were cases of unproductive relationships with city/town planning staff as well.¹⁷

The interview team heard multiple cases where property owners were either provided conflicting information regarding a requirement or were not able to locate the requirements in public documents.

Business owners operating in multiple jurisdictions cited difficulty to manage differing zoning and building codes. These owners also cited inconsistencies in the performance of inspectors from different cities, citing both good and bad examples.

The development approval process (beginning to end for a commercial or residential development) was cited as a barrier by some participants towards pursuing new development opportunities in Marin County. The multistep process (A 9-step process for unincorporated areas, other jurisdictions have as many as 11 steps) was generally perceived as laborious and some participants cited concern over the high influence residents seem to have in the review process.

Participants in the food and agriculture sectors cited inconsistencies of inspections, including the timeframes to receive inspections (including re-inspection for something that may have failed initially).¹⁸ Food-service establishments (restaurants/catering) must comply with building codes and health codes at the same time, and the situation can be more complicated by varying demands at the city, county, state, and even federal level.

Businesses cited a lack of a single source of information on requirements for specific types of food establishments (catering vs. food trucks/mobile vs. restaurants/brick and mortar) nor a single point of contact (person) that could provide guidance

on compliance, inform on relevant regulating agencies or even refer a database of consultants that could advise businesses how to comply with specific regulations. These demands on the business were described as detrimental to productivity.

Foodservice companies also cited the high financial cost to comply with regulations, including the minimum wage laws taking effect in 2020. Some companies, such as those that conduct sales from food trucks or farmer's markets, suggest that health permits are not being equitable across business types (between brick and mortar or mobile) and penalize smaller, less capitalized businesses.¹⁹

Landowners of properties zoned for commercial agriculture cited frustration that they could not build workforce housing on their properties compounding hiring challenges.

The manufacturing sector also cited difficulties in conversions of existing space due to strict zoning laws, which can result in added cost and uncertainty of approvals to conduct tenant improvements.

As a result, some participants had to relocate to larger spaces, and in one case a company chose to relocate out of Marin.

What is the impact?

Should businesses continue to feel as if regulatory compliance is a burden, they may forgo certain opportunities and investments or in the worst case, bypass requirements thus presenting a public safety risk.

What can we do about it?

- More regulatory information in Spanish language and more accessible either online or hard copy;
- Shifting of required documents or procedures to online platforms as possible;
- Revise and extend office hours of planning departments or other regulatory offices requiring business owners to physically submit documents/ obtain approvals; and
- Training for regulators about the financial costs of compliance for business owners (both health and building).

¹⁷ Numerous participants expressed a poor working relationship with city planning departments. However, others cited the experience as positive or not a problem. It is not the intention of this report to make a statement about the relationships-just to note that businesses cited the working relationship as a challenge to doing business in the County.

¹⁸ Inspections performed by the County Department of Agriculture, Weights and Measures and the Environmental Health Services.

¹⁹ MEF was informed from two participants that this issue has been raised with County health officials.

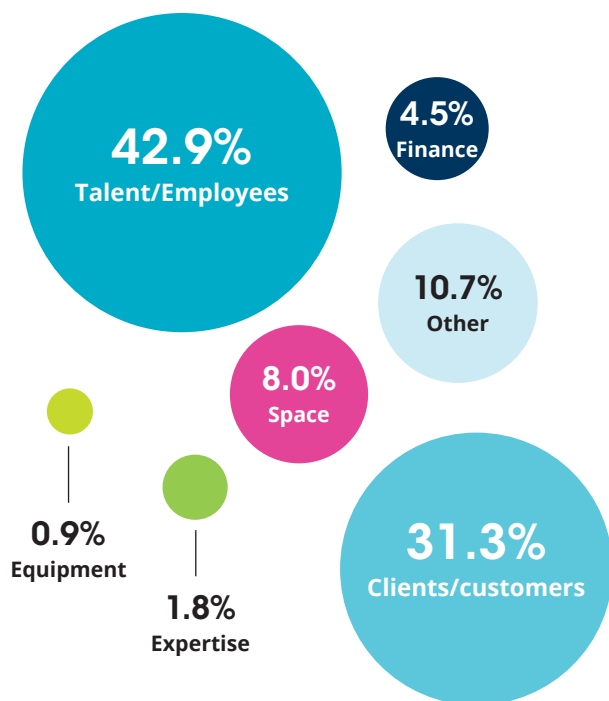


D. Built Environment/Infrastructure

The current product mix of commercial properties accommodates a narrow range of businesses according to size and sector. Meanwhile the difficulty of updating older properties limits desirability of some current available commercial space.

Survey Question:

What does your company need to grow?



Why does this occur?

Challenges to get approval and build new commercial office space has contributed to an increase in the price of commercial space in Marin.²⁰

A lack of availability of large blocks of office space (greater than 50,000 square feet) that could accommodate expansion opportunities of existing companies and attraction of new companies to Marin County.

Costs and requirements associated with updating existing but older office space, such as parking space requirements, prohibit investment by property owners into their properties;

Low amount of industrial space (cited at 2% of commercial stock) prohibits or limits the presence of certain sectors, notably sectors that are significant contributors to the wider Bay Area economy like life sciences and health care.

Despite some zoning laws allowing for specific developments, enforcement/application of those laws can be inconsistent, causing delays and adding to cost.

²⁰ <https://www.sonomanews.com/business/realestate/9907074-181/marin-office-space-gets-pricier?sba=AAS>

\$50/hr vs. \$25/hr: Cost difference between commercial kitchen rental in Marin vs. Oakland.

From a sector perspective, businesses reported being impacted by built environment and infrastructure-related issues differently:

- ▲ **Health care:** Difficulty to find suitable scale buildings for major health care offices or costly conversions of older buildings to an acceptable health care industry standard;
- ▲ **Life sciences:** Those companies that require use of laboratory facilities have few options.
- ▲ **Tourism:** There is little space to host conferences despite clear demand and interest observed by the Marin County Visitors Bureau.
- ▲ **Food manufacturing:** Space for commercial food preparation is not abundant forcing high prices for rentable commercial kitchens (\$50/hour cited for locations in Marin County versus \$25/hour in Oakland)²¹ which is not competitive for many small food manufacturers. Further, there is a lack of warehousing or storage for any kind of manufacturer or distributor to keep their inventory whether for the Marin market or more broadly.
- ▲ **Automobile dealer sector:** Auto dealerships cite lack of space to hold inventory, which in turn is affecting sales.
- ▲ **Technology:** Firms and entrepreneurs are adversely affected by the scarcity of physical infrastructure to support entrepreneurs (incubators, accelerators, co-working space etc.).
- ▲ **Cannabis:** Participants suggested the County lacks the specialized infrastructure required for manufacturing especially given the costs of business in Marin County relative to northern locations where there is a higher concentration of firms and inputs (labor, land, warehousing/commercial space).

²¹ <http://www.oaklandsharedkitchen.com/>

- ▲ **Agriculture:** Lack of processing and slaughter facilities in West Marin adversely affect meat producers by raising costs for the service or diminishing market opportunities to produce and sell value-added goods locally. Marin County residents demand for “buy local” agricultural products is compromised.

What is the impact?

Failure to build additional space or successfully convert existing commercial real estate assets to office space will potentially constrain growth.

Existing businesses may find it too challenging to expand and could leave the County for more space or more favorable zoning.

Marin County may have difficulty attracting higher-wage employers without desirable offerings for commercial space.



What can we do about it?

- Leverage Marin's existing commercial inventory and quality of life attributes to conduct targeted business attraction.
- Focus on conferences and weddings to accommodate more of these.
- Identify space needs from priority and strategic sectors as previously defined (biotech, tourism, health care, etc)

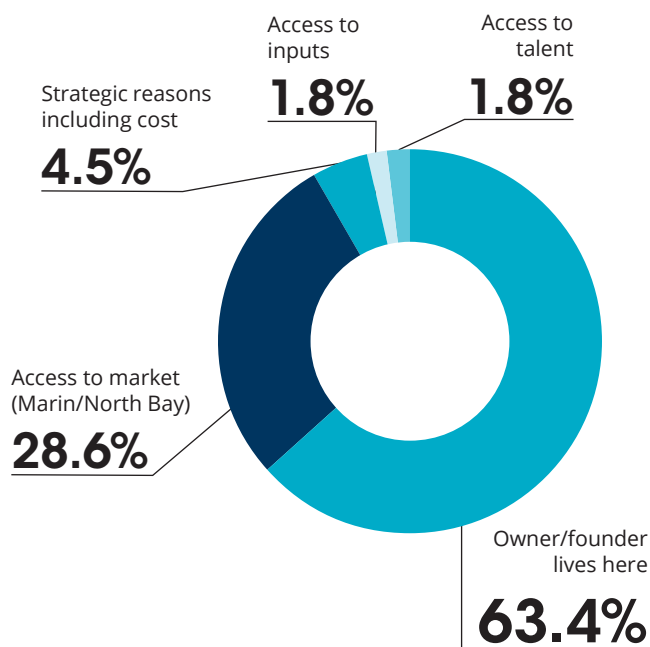


E. Business Ecosystem

The business ecosystem serves primarily micro and small businesses and as a result, does not offer a large range of inputs or specialized services. Physical spaces oriented to certain sectors, such as technology or design, do not exist in Marin County.

Survey Question:

Why is the business located in Marin?



Why does this occur?

Because of the small scale of the business sector in Marin County, traditional business service providers are not abundant. Further, specialized service providers, such as graphic arts or technology consulting, cannot survive on the local market alone.

Many small-business participants confirmed they have fewer resources to allocate towards business services or can increasingly access core business services, such as tax preparation, through online platforms.

And despite the presence of organizations such as the Marin Small Business Development Center (Marin SBDC) or other area non-profits that offer business support programs, awareness of public or private business support opportunities was found to be low by participants. Some businesses did not feel those programs were accessible.²²

Businesses also reported that the multiple Chambers of Commerce that serve various jurisdictions tends to fragment the business support landscape while some services, such as job fairs, were not considered well linked between public and private entities.

The scarcity of physical infrastructure to support entrepreneurs (incubators, accelerators, co-working space etc.) was highlighted

²² The Hispanic Chamber of Commerce focus group confirmed there are few business support programs available in Spanish language. Some participants mentioned that cost for seminars/trainings were prohibitive, citing examples of free training in larger markets like San Francisco.

"Although there is not necessarily a start-up culture in Marin, innovation and creativity can be found and is often celebrated as a characteristic of Marin residents"

- Focus Group participant,
VenturePad, June 18, 2019

in focus groups as a key deficiency in the business support system. The absence of a major university in the County impacts prospects for company incubation and access to talent and other inputs that are typically key ingredients in creating and scaling new companies.

The lack of accessible networks and platforms of investors for Marin-based businesses to connect with local investors were often cited by business as limiting growth from an access to capital perspective. Some founders that had accessed venture capital (VC) in the region cited the demands on them to locate in larger urban-based accelerators, typically found in San Francisco or the South Bay Area.

Most businesses are unaware of any incentives in the operating environment to locate a non-locally serving business in the County (one example is lower office space cost relative to neighboring cities-San Francisco and Oakland or attracting talent from the North). According to the MEF's project survey, 63% of respondents indicated that the primary reason for locating their business in Marin was because the owner/founder lives in the County. Focus group and interview participants also confirmed locating in Marin County was due to ownership.

The lack of public and private incentives to operate a business in Marin County at least partially explains why Marin's industry structure is relatively shallow compared to regional peers, largely lacking deep concentrations of non-locally serving firms.

What is the Impact?

The small scale of the business ecosystem means that some businesses must look outside the Marin County for services or potentially that some businesses may locate in other counties with better access to inputs.

Without efficient access to business services, the burden on day-to-day operations becomes higher, ultimately contributing

to a higher cost of doing business or less competitiveness of County businesses.

Marin's "entrepreneurial ecosystem" will continue to be constrained from lack of organized networks of capital and talent further reducing opportunities to start businesses locally versus other, more dynamic or better resources in the region.

The shallow industry pool in Marin County suggests little rationale for the creation of industry associations or other industry-level networking and advocacy bodies where resources could potentially be pooled and maximized. An earlier attempt to create a life-science trade association in Marin was not sustainable.

The lack of larger companies or critical mass in some sectors makes it more difficult to attract and hire talent that do not have employment opportunities beyond a single or a low number of companies in a sector locally.

Business flight to more competitive locales in the Bay Area will continue to be a risk.

Without a better-integrated business support system that provides tangible value to local businesses, it will continue to be more challenging to incubate new businesses, grow existing businesses and/or attract new firms to Marin that might consider relocating to the County.

What can we do about it?

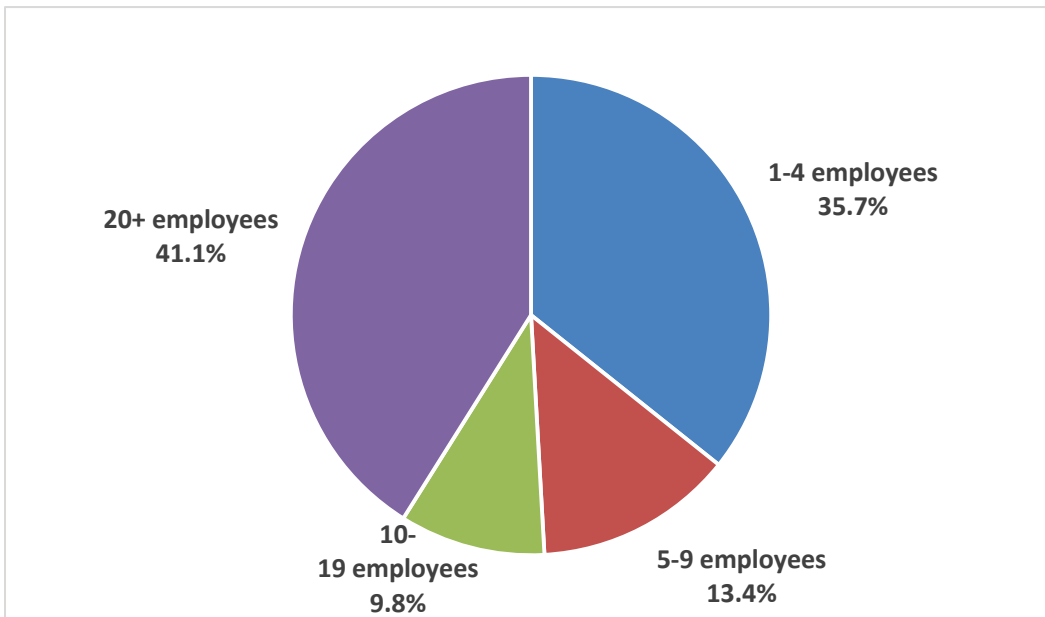
- Form accessible networks and platforms of potential investors for Marin-based businesses to connect those investors to local companies;
- Attract new service providers, especially those offering services in additional languages;
- Create stronger linkages of Marin County's service providers (Chambers, higher education, SBDC, etc) through more joint programming
- Develop targeted business attraction in the priority sectors of Marin County's economy to then grow the workforce.

Appendix: BRE Survey Results

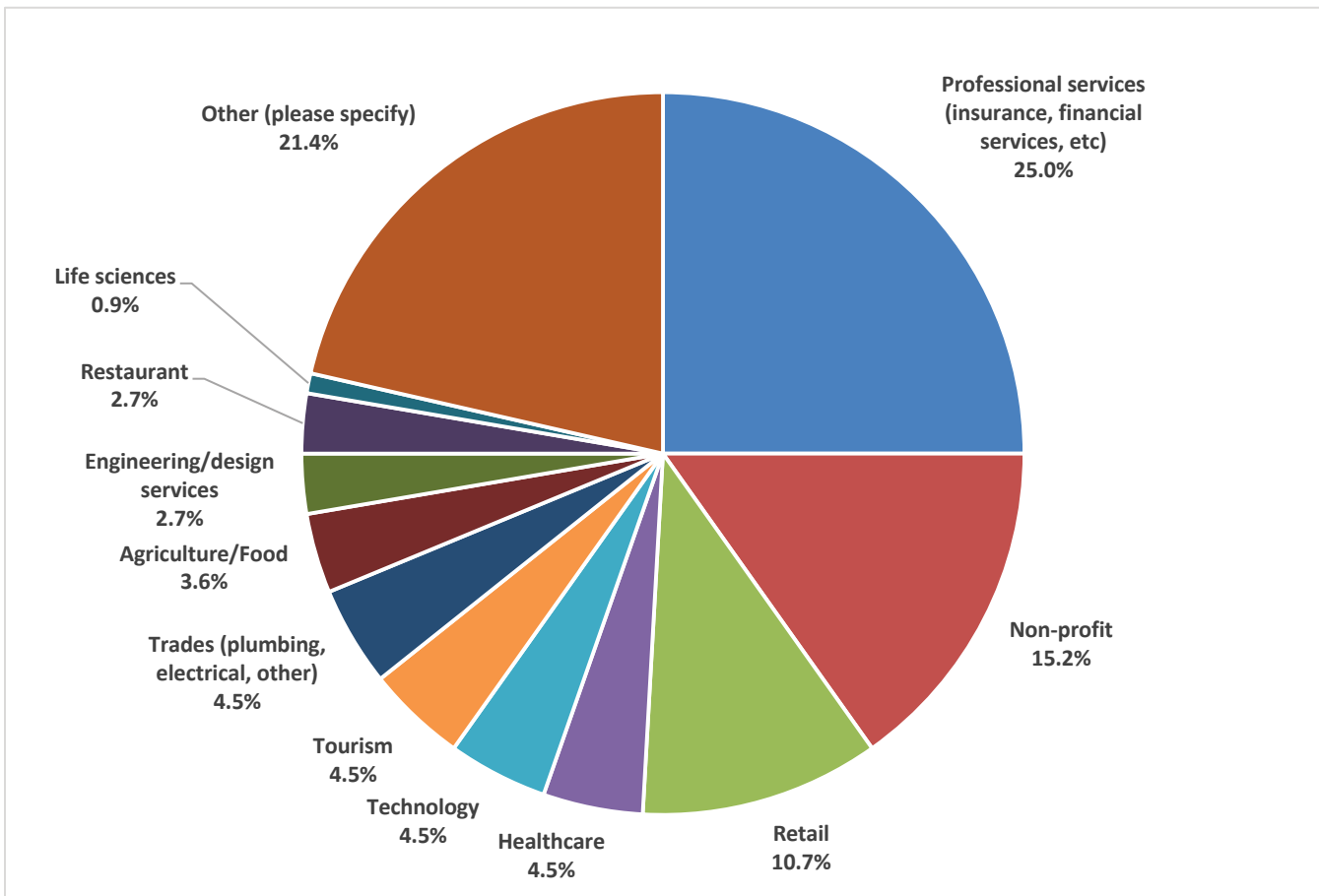
BRE Survey Results Summary

These survey results concern Business Retention and Expansion (BRE) questions with 112 respondents. The mix of industries covered is shown below, as well as the raw comments given when asked.

Question 1: Number of Employees



Question 2: What sector does your company operate?

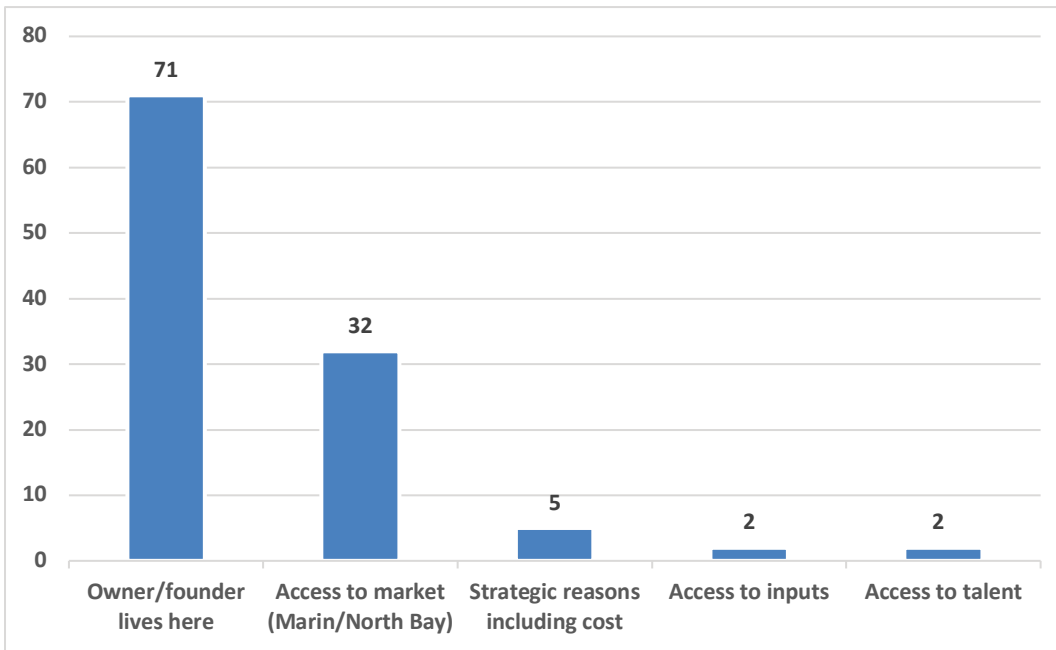


For the “Other” Category, these were the text entries:

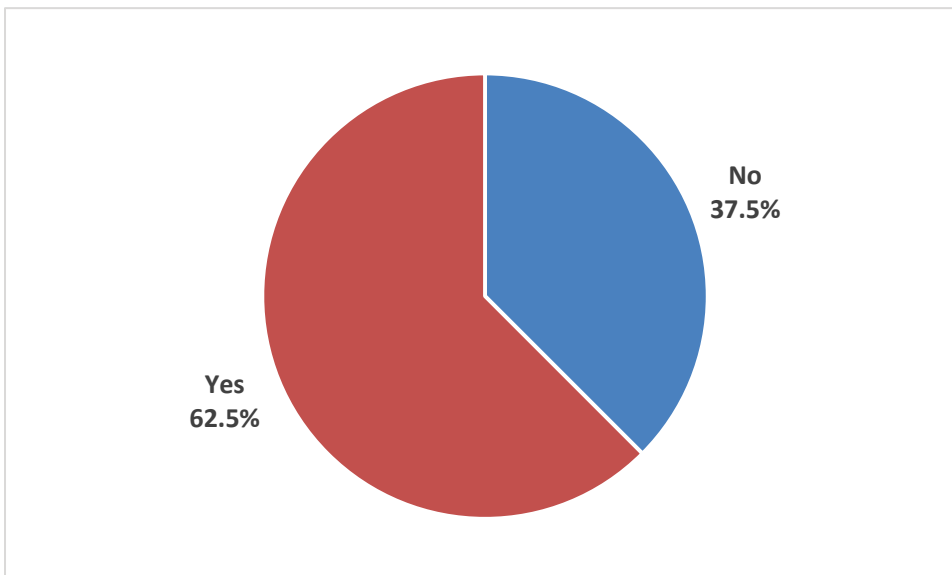
• Automotive	• Multiple Clients in Multiple Industries.
• B2B For Healthcare, Nonprofits & Public Agencies Re Older Adults	• Personal Services
• Business Consulting	• Photography/ Videography for Non-Profits
• Construction Management	• Self-Storage
• Consulting Services (Not Insurance or Financial)	• Solid Waste Collection
• Digital Marketing, Advertising	• Staffing
• Education	• Sustainable Living Products Home and Office
• Events	• Trade and Retail
• Hospitality - Catering	• Utility
• Local Gov	• Visual Media
• Lodging: Bed & Breakfast	• Wholesale/Retail Auto Parts
• Manufacturing	
• Marketing. & Print	

Question 3: Why is the business located in Marin?

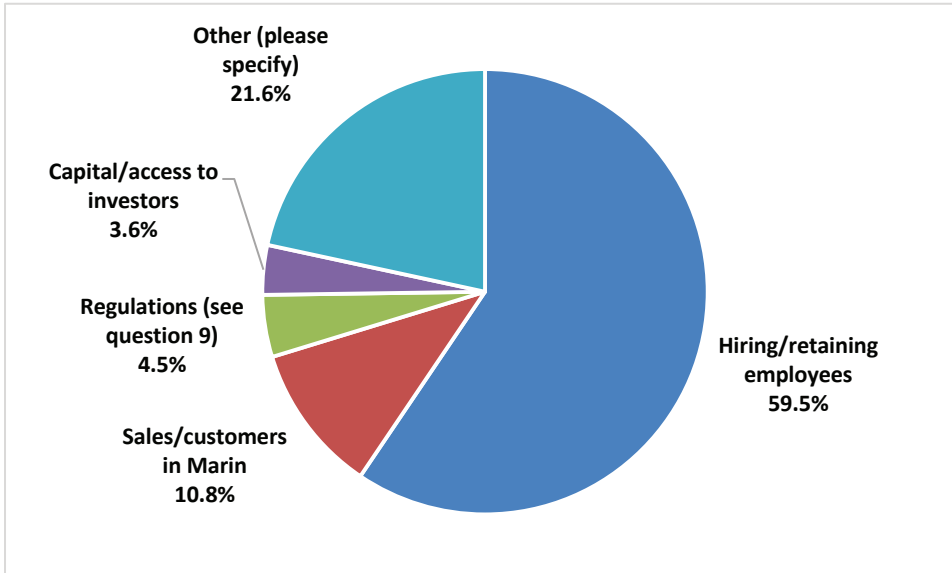
Respondents could answer more than one option, no one did.



Question 4: Are your employees able to access the work site by public transportation?



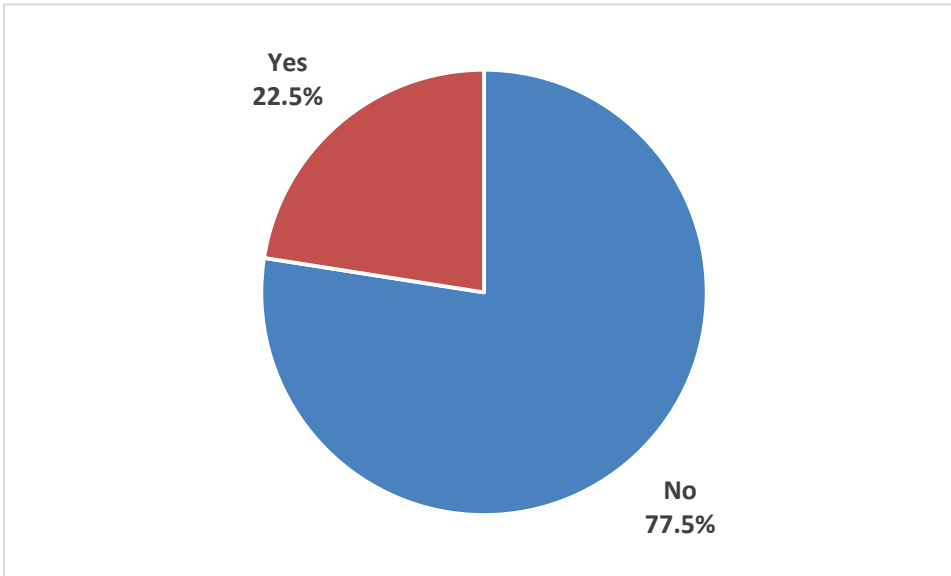
Question 5: What is your biggest business challenge?



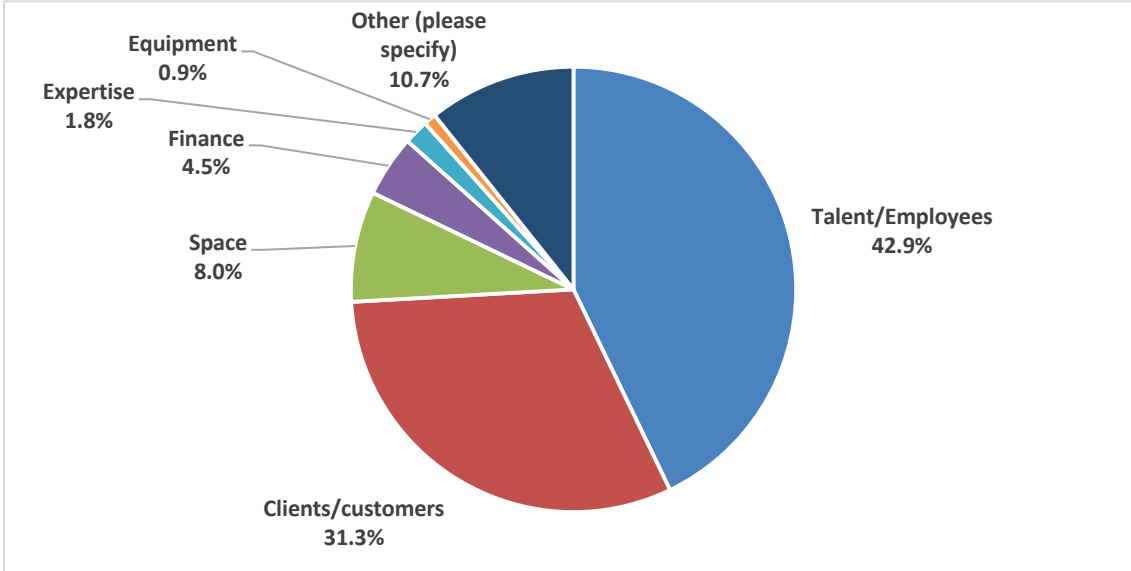
The following are text answers to the “Other” response:

<ul style="list-style-type: none"> • Access to Clients. 	<ul style="list-style-type: none"> • Getting Marin Residents to Embrace Sustainable Living and Products
<ul style="list-style-type: none"> • Amazon 	<ul style="list-style-type: none"> • Guaranteeing A Steady Stream of Clients
<ul style="list-style-type: none"> • Appropriate space 	<ul style="list-style-type: none"> • High cost of living
<ul style="list-style-type: none"> • Commute traffic 	<ul style="list-style-type: none"> • Housing, transportation, hard to fill professions
<ul style="list-style-type: none"> • Company serves clients not in Marin or north bay 	<ul style="list-style-type: none"> • Increased demand for our services without adequate funding
<ul style="list-style-type: none"> • Congested transportation issues for commutes 	<ul style="list-style-type: none"> • Inept city management.
<ul style="list-style-type: none"> • Cost of office space rental and hiring local talent 	<ul style="list-style-type: none"> • Internet
<ul style="list-style-type: none"> • Customer interest 	<ul style="list-style-type: none"> • Lack of caring of infrastructure. San Rafael Canal is overdue for dredging
<ul style="list-style-type: none"> • Customer relations management 	<ul style="list-style-type: none"> • Lack of commercial construction...offices and industrial facilities
<ul style="list-style-type: none"> • Customers - general 	<ul style="list-style-type: none"> • On line travel agencies, i.e., Airbnb
<ul style="list-style-type: none"> • Evening Shift 3-11pm And Our Bistro Restaurant 4-11pm 	<ul style="list-style-type: none"> • Our Only Challenge Is Bringing in The Business
<ul style="list-style-type: none"> • Finding an Affordable Commercial Space for My Business. 	<ul style="list-style-type: none"> • Triple Net Lease, and Competition That Skips A Level of Distribution Like Amazon and Auto Parts Warehouse Distributors, and Northbay Jobs with Justice, Influencing Local City to Raise Wages
<ul style="list-style-type: none"> • Finding Enough Donations and Volunteers to Operate Many Programs and Services 	

Question 6: Does the local education system (high school, College of Marin, Dominican University) sufficiently supply talent to your company?



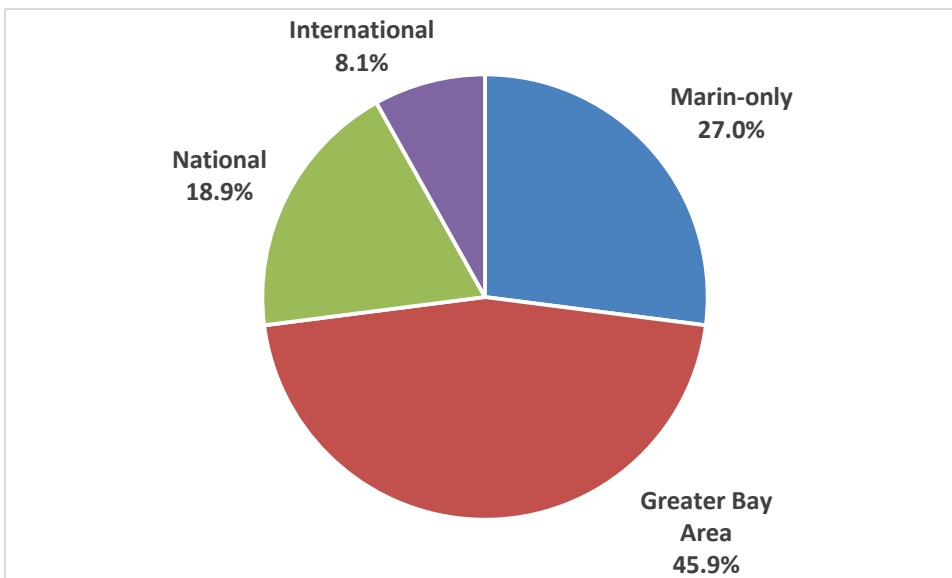
Question 7: What does your company need to grow?



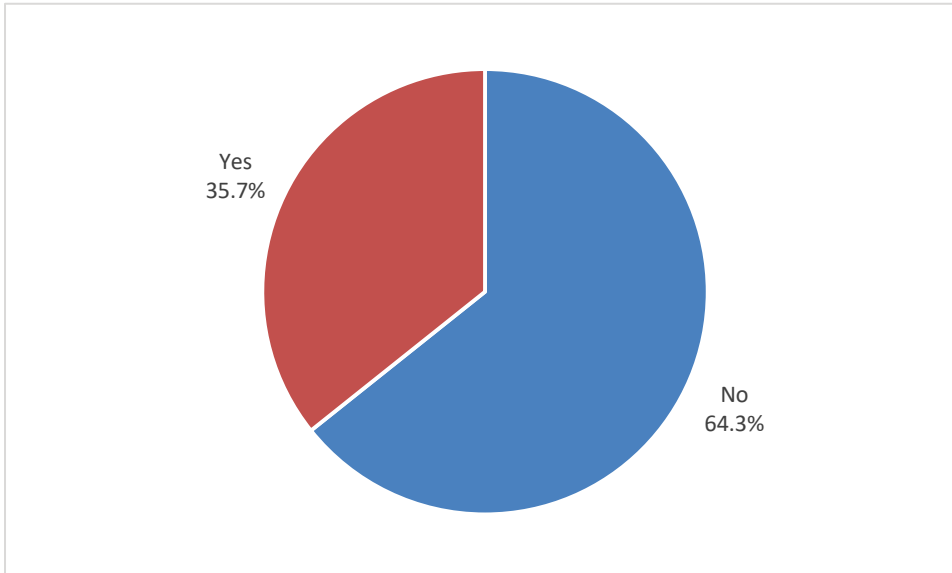
The following are the text responses to the “Other” response as asked.

- A level playing field, I will be better off growing and selling weed. Absolutely insane to even consider this, or I sell and leave the state
- Affordable housing in Marin
- Affordable/ reasonable retail storefront rent
- Amazon to shut down
- County and state need to be business friendly
- Donor base; replacing aging facility
- Greater appreciation for sustainable goods —real sustainable products are often made differently and look different to many, change and appreciation is coming too slow.
- Marin County Strategic Tourism Plan
- Motivation (mine)
- No desire to grow
- Talent/employees and our county to shut down illegal contractors that do not have license.
- We need business with travel more in Marin, and that could help us generate more revenue. In turn, we could pay more to the areas that we are hurting for employees.
 - However, the ideal candidate to work the 3-11pm shift is not abundant in Marin County. It's a good job for someone moving up in their career or pursuing a hotel career.
 - Colleges can typically help staff it, but there are not any that have students applying for these jobs.

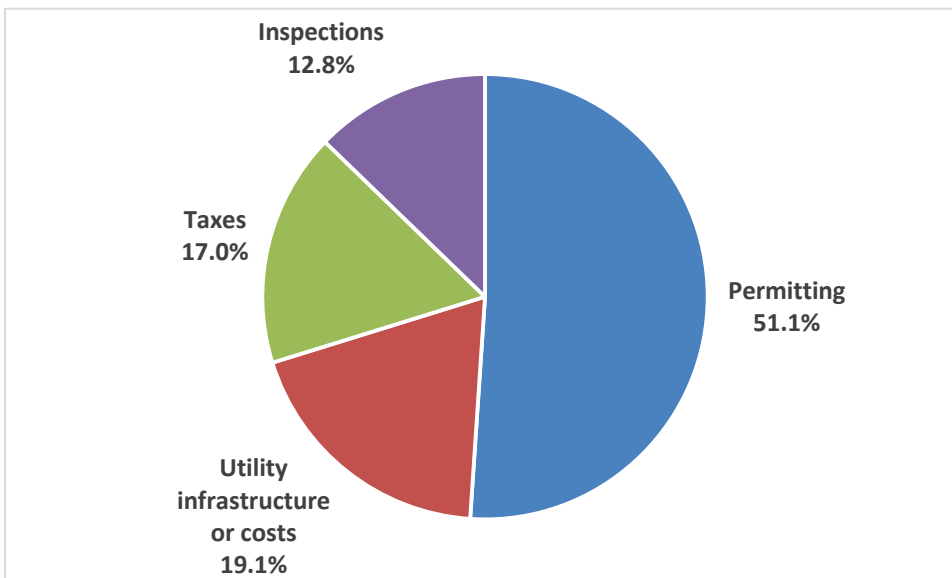
Question 8: What is your market?



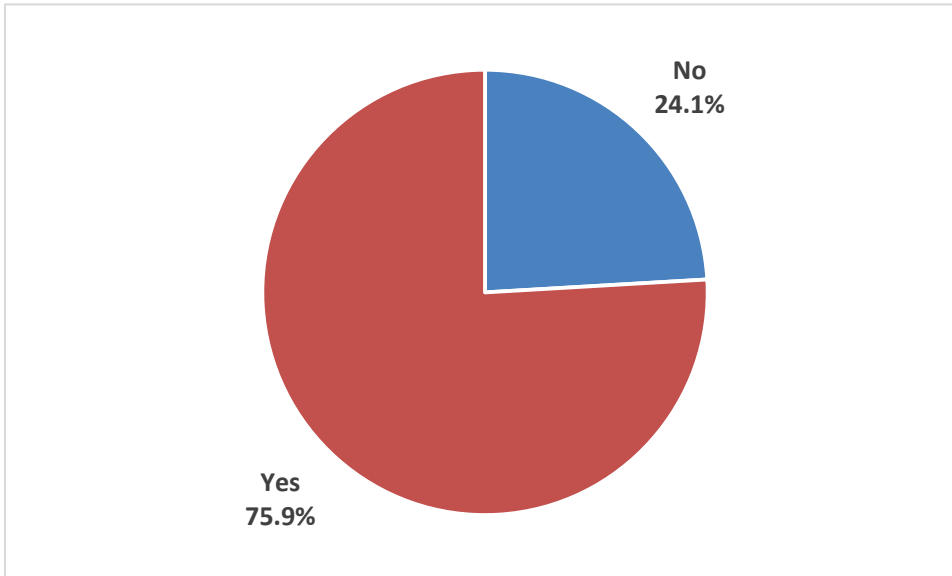
Question 9: Are any local or County-level regulations affecting the performance of your business?



If the Respondent to Question 9 responded “Yes”, Question 10 was a follow-up:



Question 11: Would you participate in any new initiatives that are developed to support business growth in Marin, such as sector-based strategies, last mile connectivity for Marin employees, or workforce initiatives?



The following are text answers given for further explanation if the respondent wanted to make a final comment:

- All of the mentioned, especially last mile connectivity
- Aside from my business, I've developed a workforce initiative for disadvantaged, it's lacking community support!
- Depends
- Do not have the bandwidth.
- Don't have enough information to answer yes
- Housing & cost of living are the main issue with Marin. My employees cannot live where they work.
- How to reduce new business regulation
- I really appreciate how MEF looks out for us in the private sector.
- I'd be interested in learning more about any new initiatives
- I'd have to look at the proposals before I could decide to support them.
- If it would help my company, and stop the illegal companies.
- Last mile connectivity would be helpful for employees wanting to use public transportation.
- Last mile connectivity, workforce housing
- Marin has no base of corporate headquarters. no Bart inflated housing due to 50 years of no growth cronyism. No major tech firms or start up community. It could have been amazing instead it's not conducive to the types of business growth we would like to see.
- Maybe, I don't really know about any of these initiatives so I'd need more information.
- More low-cost workforce housing is needed.
- More support for minority owned businesses
- New. Ha-ha. Fix the old.
- Not relevant to my business. I'm not looking to hire.
- Opening the job market to older adults.
- Other than myself (founder), we have relocated daily operations to the east bay (Oakland).
- Please note that #10 required a n/a answer, but that wasn't available, so I had to check something to get to the next question!
- Sustainable tourism
- Updated smart train schedule
- We sell online only but amazon has taken all the online traffic to the point not even online ads work anymore
- Whether it's personally beneficial to me or not, if it helps the small business community at large I think that would help all of us
- Workforce and training initiatives
- Workforce initiatives
- Would consider all
- Yes, but it is disconcerting, discouraging, and inexcusable that Marin county has not made growing the corporate business community a greater priority.
- You should explain your jargon terms.

These responses show what challenges were identified by each employee size classification, including the “Other” responses in text:

1-4 employees	40
Capital/access to investors	3
Hiring/retaining employees	12
Other (please specify)	13
Access to clients.	1
Amazon	1
Company serves clients not in Marin or North Bay	1
Cost of office space rental AND hiring local talent	1
Customer interest	1
Customer relations management	1
Customers - general	1
Finding an affordable commercial space for my business.	1
Getting Marin residents to embrace sustainable living and products	1
Inept city management.	1
On line travel agencies, i.e., Air BnB	1
Our only challenge is bringing in the business	1
Regulations (see question 9)	4
Sales/customers in Marin	7
5-9 employees	15
Capital/access to investors	1
Hiring/retaining employees	9
Other (please specify)	4
appropriate space	1
Commute traffic	1
congested transportation issues for commutes	1
guaranteeing a steady stream of clients	1
Sales/customers in Marin	1
10-19 employees	11
Hiring/retaining employees	6
Other (please specify)	3
Internet	1
lack of caring of infrastructure. San Rafael Canal is overdue for dredging	1
Triple net lease, and competition that skips a level of distribution like amazon and auto parts warehouse distributors, and Northbay jobs with justice, influencing local city to raise wages	1
Sales/customers in Marin	2
20+ employees	46
Hiring/retaining employees	39
Other (please specify)	4
Evening shift 3-11pm and our Bistro restaurant 4-11pm	1
High cost of living; finding enough donations and volunteers to operate many programs and services;	
increased demand for our services without adequate funding	1
housing, transportation, hard to fill professions	1
lack of commercial construction...offices and industrial facilities	1
Regulations (see question 9)	1
Sales/customers in Marin	2



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