

Sausalito Strategic Asset Planning Report

Produced by Marin Economic Forum for
Business Advisory Committee of the City of Sausalito

June 17, 2013

Executive Summary

This report is a continuation of the 2012 Sausalito Community and Economic Development Study performed by Marin Economic Forum (MEF). Using economic impact data and current land use and zoning information, this report recommends clusters of businesses to attract and grow in the Marinship area of Sausalito, CA from an economic development standpoint. There are two deliverables:

- Generate a prioritized list of target “clusters” based on the original MEF report methodology, multiplier factors and permitted uses (for example, the Marinship Specific Plan) to both preserve the economic vitality of marine businesses and augment the city’s economy overall; and
- Identify a list of complementary business clusters for the above clusters, where these complementary firms would be located in Sausalito to both retain and support the targeted firms and revitalize Sausalito industries that focus on markets beyond Sausalito (the rest of Marin County and Bay Area primarily).

The process to recommend primary and complementary businesses for Sausalito’s economic sustainability followed four steps. The first process step looked at economic impact data. These data tell how much revenue specific businesses generate for Sausalito beyond their own as they enter into or grow in Sausalito. Primary businesses choices should be focused on markets beyond Sausalito’s population and tourism flows. Primary businesses draw income from outside the city; complements are chosen to reduce business leakage.

The next step is related to new revenue per worker. Because revenue growth comes with employment growth, businesses that can generate revenue without hiring a large number of workers reduces strains on infrastructure and also minimizes additional traffic while achieving relatively large economic impacts. The third step is to consider the current business mix and how some industries are either already clustered or provide enough market coverage that sales leakage (the amount of goods and services purchased beyond the defined area’s borders) is relatively low. Business license data show the Marinship area has a broader mix of businesses than Sausalito otherwise; this mix includes shipyards and marine businesses, professional services, manufacturing, and art studios. The rest of Sausalito is more weighted toward personal services and retail, seeking to serve tourists and residents.

The final step is to look at the regulatory environment concerning land use in the Marinship, given the businesses that have relatively large multiplier effects, fit the current business mix and are focused on external markets. Office space is at a premium in the Marinship; many areas that could be connected office space are somewhat restricted from that use. Industrial space has more flexibility, as does marine-based uses. In all cases, the recommendations are for targeting businesses when current space is turned over and becomes vacant.

Because office and industrial space are limited, even with turnover, businesses and industries with larger economic impacts may be difficult to attract and retain due to current space and use limitations. Complementary businesses will likely be difficult to place in Sausalito due to office space, retail, and restaurant restrictions. Monitoring industry gaps and changes in leakage is important in placing these complementary businesses as well as both primary businesses and their employees need to buy in terms of goods and services.

Weighting industries and businesses with larger economic impacts more heavily than others, the following recommendations are made:

Recommendations:

While the data analysis points to these uses as having the greatest positive economic impact, the benefits' realization will be limited due to limitations on available space and the lack of flexibility in the space's use once available. Since opportunities exist only upon rollover of existing space given current use limitations, leasing agents should pursue tenants in these categories as vacancies arise.

Primary Clusters (focus on vacant office, applied arts, and industrial spaces):

1. Wealth and Financial Management Cluster (office)
 - a. Investment Banking
 - b. Fund Management
 - c. Boutique Finance (insurance, hedge funds, etc.)
2. Technology, Research and Design Cluster (applied arts, industrial)
 - a. Environmental Consulting and Design
 - b. Life Sciences Industrial Research and Development
 - c. Marine Technology Research
 - d. Internet Applications
3. Business Incubator focused on internet/mobile technology applications

Overall Rationale:

- These businesses have markets beyond Sausalito's businesses and residents;
- These businesses have relatively large business revenue generation per worker; and
- These businesses include marine support businesses where Sausalito already has a niche (specialty design firms) and complements existing shipyards and other marine businesses.

Complementary clusters (focus on vacant office, applied arts, industrial, and warehousing spaces):

1. Professional Services Cluster
 - a. Legal services
 - b. Accounting services
 - c. Architectural and engineering services
2. Logistics and Support Cluster
 - a. Dry cleaning/linen services
 - b. Warehousing/storage of dry goods
 - c. Data storage specialists
 - d. Sailing schools

Overall Rationale:

- These businesses lie in the supply chain of businesses already in Sausalito or to be targeted;
- These businesses also support marine industries in the Marinship and Sausalito overall; and
- These businesses can use the local population, tourists, and other businesses in Sausalito as additional markets to balance against economic downturns.

Sausalito Strategic Asset Planning Report
Business Advisory Council and City of Sausalito
Prepared by Marin Economic Forum

Introduction

This report is a continuation of the 2010-2012 Sausalito Community and Economic Development Study performed by Marin Economic Forum (MEF). This study uses economic impact data and other information to recommend specific groups of businesses (“clusters”) that contribute to Sausalito’s economic sustainability. There are two specific outcomes:

- A prioritized list of targeted, primary clusters based on the original MEF report methodology, multiplier factors and permitted uses (for example, the Marinship Specific Plan) to both preserve the economic vitality of marine businesses and augment the city’s economy overall; and
- A list of complementary business clusters for the above clusters, where these complementary firms would be located in Sausalito to both retain and support the targeted firms and revitalize Sausalito industries that focus on markets beyond Sausalito (the rest of Marin County and Bay Area primarily).

While the data analysis points to these uses as having the greatest positive economic impact, the benefit’s realization will be limited due to limitations on available space and the space’s use once available. Since opportunities exist only upon rollover of existing space given current use limitations, leasing agents should pursue tenants in these categories as vacancies arise.

This study’s charge is to recommend industries and businesses that provide support for other businesses in Sausalito, city government revenue, and recognize Sausalito has a unique economy in terms of available commercial space. Primary clusters are sets of businesses generating income from regional and global markets primarily. Complementary clusters support these primary businesses and also the local population. Businesses in the recommended clusters should be first choices to fill appropriate, vacant commercial space as it becomes available. Specific information to determine these clusters comes from current business inventory data, available commercial space, employment data, and economic impact data that show links between industries financially. There also needs to be residential support of the complementary businesses as possible. This report makes recommendations with respect to current space becoming vacant and its immediate use to generate sustained economic impacts for Sausalito to the extent permitted by the Marinship Specific Plan.

This report is split into the following sections. First, the process to recommend a set of industries to target is explained. Second is the economic impact data concerning Sausalito’s industries and businesses that have the largest economic effects as they are attracted, retained and expand. Next, the current business mix and available parcels are discussed in terms of considering primary clusters fit in Sausalito’s available commercial space. The primary clusters’ supply chains provide indicators as to additional businesses that would complement them naturally. Finally, the recommendations about specific clusters conclude this study. We start with a brief digression using two figures to show what targeting specific industries should do for Sausalito.

How Targeting Primary Businesses Should Affect Sausalito

Figure 1 shows the basic relationship among primary business clusters, complementary clusters, and other parts of Sausalito's economy. Figure 2 shows what happens when targeting primary industries for vacant commercial space.

Figure 1: The Local Economy and Primary/Complementary Clusters

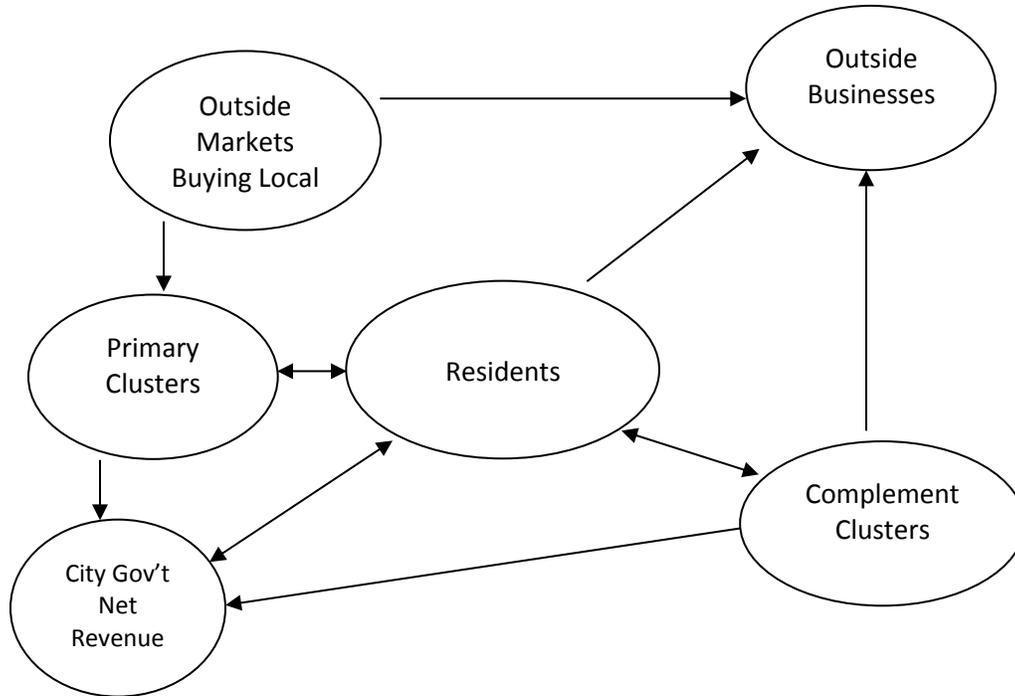
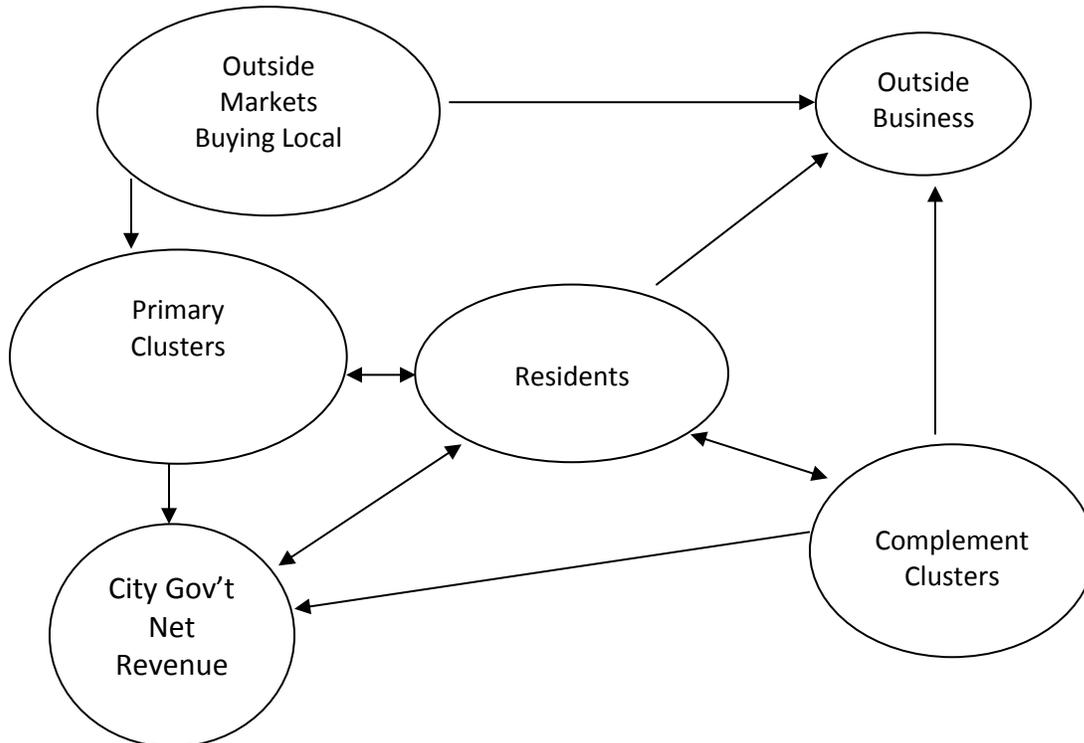


Figure 2: What the Growth of Primary Cluster Should Do



The growth of primary clusters enhances revenues derived from outside markets, increases revenues for complementary businesses in Sausalito, reduces the leakages to outside businesses, and increases city government net revenue. Notice Sausalito's residents are at the center. The arrows show the flow of net benefits or revenues between each part of the local economy. The change in size from Figure 1 to Figure 2 shows how new and expanding primary clusters (in the center of the economic activity) expands all but outside markets. Notice how "Outside Businesses" gets smaller from Figure 1 to Figure 2 in area while all else gets larger except residents.

The arrows represent how each local part of Sausalito's economy is related to others; for example, the clusters provide residents with goods and services, and the residents provide income and labor. This is also true of the relationship between residents and city government; in contrast, residents provide outside businesses with income, but get nothing in return except the goods and services. Business leakage is what happens when local businesses use vendors that are located outside of a defined area for goods and services rather than vendors inside the city limits. For example, if a local design firm is sourcing materials from a wholesaler outside of Sausalito, this is business leakage. The complementary industries are meant to reduce that leakage by acting as "supply-chain" businesses for the primary clusters to Sausalito as possible.

Process to Determine Clusters

To determine clusters of opportunity for Sausalito, MEF went through a multi-step process, as described here:

- Generate and analyze data on economic impacts from businesses in Sausalito on the city's economy, fiscal revenues, and employment;
- Generate and analyze data on the economic impacts per worker, both business and fiscal revenues, to consider effects of business growth on local infrastructure;
- Examine data describing current mix of businesses in Sausalito (primarily business license data which is recognized as a subset of the total businesses);
- Examine data describing current land-use options specific to the Marinship area; and
- Recommend primary and complementary clusters.

Sausalito has three distinct business districts: downtown, Caledonia/Central Waterfront District, and the Marinship. The Marinship is where the most business and commercial space diversity exists in Sausalito. Recommended clusters locating in the Marinship can generate more business and public revenue for all of Sausalito. However, due to restrictions on vacant space use in the Marinship, it is important to monitor what space becomes vacant and consider businesses that best fit into available space (office space will attract professional services; applied arts space will attract design businesses, for example) with respect to the economic impacts.

While the Marinship is viewed as having the most diversity in terms of current business mix and available space, it is impossible to exclude the rest of Sausalito; what happens in the Marinship commercially affects the rest of Sausalito. One way to view that relationship is to look at the economic impact process specific to Sausalito.

Economic Impact Data

The recommendations here are for specific business attraction to maximize Sausalito's economic potential and match the recommended use of available, vacant real estate from the Marinship's current stock of commercial space. If a marine technology design business comes into

vacant applied arts space in the Marinship and needs legal services, this may attract new legal firms if office space is available.

Table 1: Industry Sector Multipliers¹

Industry Sector	Revenue Multiplier
Education	1.48
Nonprofit/Civic Orgs	1.43
Personal Services (other than Hospitality)	1.40
Health Care	1.38
Professional Services	1.37
Government	1.36
Hospitality Services: Hotels	1.35
FIRE	1.35
Retail and Wholesale	1.34
Hospitality Services: Bars/Restaurants	1.33
TCPU	1.33
Maritime: Services	1.33
Construction	1.31
Manufacturing	1.29
Maritime: Boat Repair	1.27
Ag	1.25

Sources: IMPLAN® and MEF

Table 2: The Biggest Bang for Buck Industries in Sausalito, Top 18 Businesses

Industry	Revenue Multiplier	Industry Sector
Investment Banking	1.609	FIRE
Computer systems design services	1.594	Professional
Sports and performing arts agencies	1.590	Personal
Diagnostic substance manufacturing	1.583	Manufacturing
Financial Fund and Trust Management	1.569	FIRE
Cable TV and other subscription programming	1.532	TCPU
Music production	1.531	TCPU
Private elementary and secondary schools	1.528	Education
Non-profit Foundations	1.515	Other
Radio and television broadcasting	1.500	TCPU
Office administrative services	1.496	Professional
Performing arts companies	1.495	Personal
Independent artists, writers, and performers	1.495	Personal
Architectural, engineering, and related services	1.482	Professional
Environmental and other technical consulting services	1.466	Professional
Nonprofit Organizations	1.454	Other
Custom computer programming services	1.450	Professional
Specialty Accommodations	1.450	Personal

Sources: IMPLAN® and MEF

¹ For clarification, the industry sector "FIRE" includes Finance, Insurance and Real Estate, everything from banking to leasing equipment. The industry sector "TCPU" is Telecommunications, Communications, and Public Utilities, and includes everything from internet providers to electricity service at homes.

Under the current limitation, a legal firm could not occupy similar space as the design firm, which may mute the design firm’s multiplicative impacts otherwise. New business revenue for a defined area from a new or expanding business can be summarized in a “multiplier”, which represents how a new or expanding business locally has a “larger than itself” effect on the local economy. Table 1 shows industry-sector multiplier averages specific to the 94965 zip code (Sausalito). Table 2 shows the same data at an industry/business level; Table 2 shows the top 18 businesses in terms of the largest multiplier.

In Table 2, if a new investment banking business came into the Marinship and created \$1 million of new income for the city, that business would create a total of \$1.61 million for Sausalito overall (an increase that is net of leakages) or 1.61 times the revenue the investment banker directly creates. This multiplier takes place because the new or expanding business spends some of its revenue on local vendors and suppliers, and pays employees that spend their wages on local merchants also.

Spending on vendors by both businesses and their employees triggers larger spending throughout Sausalito, accumulating to a total economic impact. These total effects from new business revenues are shown by the numbers in Tables 1 and 2. On the surface, Table 2 could be seen as a list of primary cluster businesses because these businesses have the largest revenue impacts. However, two considerations come from these tables. One consideration is how a business grows and how it implies further employee and space growth in other businesses. Such multiplicative growth can impact infrastructure and also may not be realistic with respect to available commercial space. Suggesting growth beyond that limit is possible in theory, but may not be in practice with current space limitations. For example, the revenue and employee growth of a local internet start-up may force them to the limit of their current space; as a result, economic potential within Sausalito may be limited.

Private Sector Revenue/Worker Analysis

Table 3: Business Revenue per Worker, Top Industries

Industry	Revenue /Worker	Industry Sector
Business office equipment leasing	\$2,085,111	FIRE
Natural gas distribution	\$1,136,200	TCPU
Sound recording	\$1,067,157	TCPU
Electric power generation, transmission, and distribution	\$785,764	TCPU
Semiconductor and computer device manufacturing	\$749,222	Manufacturing
Beverage manufacturing	\$700,283	Manufacturing
Confectionery manufacturing	\$630,206	Manufacturing
Other engine equipment manufacturing	\$602,944	Manufacturing
Software publishers	\$521,827	TCPU
Telecommunications providers	\$487,005	TCPU
Communications equipment manufacturing	\$445,334	Manufacturing
Banks and Credit Unions	\$423,072	FIRE
Paperboard container manufacturing	\$412,052	Manufacturing
Wineries	\$407,391	Manufacturing
Marine instruments manufacturing	\$388,951	Manufacturing
Life Sciences products	\$377,267	Manufacturing
Mineral product manufacturing (glass, tile, etc.)	\$369,369	Manufacturing
Financial funds and trusts management	\$361,826	FIRE
Data processing, web hosting services	\$351,841	TCPU

Sources: IMPLAN® and MEF

Second is how other businesses and local government are affected in terms of the economic impact details is the next issue. For example, Tables 1 and 2 show only the gross revenue effects. The appendix provides Sausalito with additional data on how specific businesses growing affect other businesses in Sausalito. The recommendations from this study are about largest economic effects and connections to complementary businesses, but the growth of other businesses and public finance benefits and costs should also be considered. One approach is to examine per employee data.

Looking through a lens of the largest revenue generated *per worker* recognizes that business growth implies more employees per day. This growth can pressure infrastructure (parking, e.g.) and traffic that share space with residents, tourists, and other businesses and organizations that already exist in the city. Table 3 shows businesses that provide the largest amount of per-worker benefits to Sausalito. Many of these businesses involve light or medium manufacturing or a need for office space. A final lens is how city government will be affected by new tax revenues that come from new and expanding businesses in Sausalito.

Public Revenues per Worker Analysis

Table 4 shows a list of industries that represent the largest bang for buck in terms of indirect business tax revenue per worker in Sausalito. Indirect business tax revenues include excise, sales, property, and other business taxes that are not employee/employer (disability, e.g.) or income taxes. Notice the change in this list from the industries in Table 3.

Table 4: Indirect Business Tax Revenue per Worker, Top Industries

Industry	Revenue/Worker	Industry Sector
Electric power generation, transmission, and distribution	\$142,050	TCPU
Natural gas distribution	\$98,750	TCPU
Wineries	\$42,262	Manufacturing
Business office equipment leasing	\$35,358	FIRE
Telecommunications	\$32,113	TCPU
Wholesale trade businesses	\$27,904	Trade
Retail Stores - Gasoline stations	\$27,491	Trade
Commercial and industrial machinery rental and leasing	\$21,868	FIRE
Real estate establishments	\$18,625	FIRE
Sound recording industries	\$17,833	TCPU
Semiconductor and computer device manufacturing	\$17,325	Manufacturing
Retail Stores - electronic sales	\$15,136	TCPU
Retail Stores - Furniture and home furnishings	\$14,904	Trade
Financial funds and trusts management	\$14,454	FIRE
Retail Stores - Health and personal care	\$14,428	Trade
Retail Stores - Building material and garden supply	\$14,001	Trade
Retail Stores - Electronics and appliances	\$11,979	Trade
Retail Stores - Motor vehicle and parts	\$11,492	Trade
Retail Stores - Clothing and clothing accessories	\$11,259	Trade
Retail Stores - Food and beverage	\$10,980	Trade
Motion picture and video industries	\$10,315	TCPU
Hotels and motels, including casino hotels	\$10,158	Personal
Retail Stores - Sporting goods, hobby, book and music	\$8,893	Trade

Sources: IMPLAN® and MEF

There is some dominance here by retail and wholesale businesses, specifically utilities, telecommunications and leasing; these businesses generate both business-to-consumer (B to C) final sales and business-to-business (B to B) final sales that are taxable. Retail and specialty stores are listed here, as are hotels and other accommodations. We can think about Table 3's industries as primary industries in addition to Table 2; Table 4's industries are example clusters that would complement those in Table 3 and also provide public revenue benefits.

Summary

Businesses in Tables 2 and 3 represent industries that mainly derive revenue from outside Sausalito, and Table 4's industries keep it here by reducing supply chain leakages otherwise. Economic impact data suggest businesses to be attracted, retained and facilitated in their expansion efforts for Sausalito. Tables 1 through 4 provide data on how certain businesses and industries provide large amounts of new revenues for Sausalito's businesses and city government in absolute terms and per new worker. The biggest bang for buck businesses are mainly professional services, personal services, and manufacturing.

Table 5: Industry Breakdown of Businesses in Sausalito

Type of Business	Outside		
	Sausalito	Marinship	Marinship
Accounting	9	3	6
Apartment House/Residential Real Estate	385	2	383
Auto Repair	4	2	2
Construction	20	13	7
Design	23	17	6
Engineering	19	10	9
Hair/Nails Salons	17	0	17
Hotel/Accommodations	4	1	3
Investment Banking	20	16	4
Laundry	7	0	7
Legal Offices	28	18	10
Marine	27	21	6
Medical/Dental	15	5	10
Non-profit Organization	17	11	6
Other (Uncategorized)	14	8	6
Advertising/Marketing	21	17	4
Manufacturing	12	10	2
Real Estate	16	8	8
Retail	51	10	41
Restaurant	33	6	27
Consulting	45	29	16
Health/Wellness	20	5	15
Studios (Fine and Applied Art)	34	24	10
Internet/Telecommunications	6	5	1
Wholesale	12	9	3
Totals	854	240	614
Totals w/o Apartments	469	238	231

Source: Business License Data from City of Sausalito, March 2013

Primary clusters should have more of an export focus, which eliminates personal services businesses from having this role. In contrast, personal services (specifically a wide breadth of retail) provide support or complementary businesses, which provide large amounts of local taxes (indirect business taxes) per worker or also have relatively large economic impacts.

Before recommending clusters from these data, the penultimate section discusses concerns in targeting primary or complementary clusters with respect to filling gaps or leakages among current businesses and monitoring the flow and growth of businesses to help shape future economic development efforts. The next section discusses the current business mix as approximated by business license data.

Current Business Mix

The current mix of businesses in the Marinship includes more than just businesses that acquire business licenses. However, business license data can provide information to help inform this study's process, as can the Short-Term Business Needs Study from 2011.² It is also important to look at the remainder of Sausalito's businesses here, as it provides a way to consider competition for resources and complement businesses already in place. Table 5 provides a breakdown of the business mix in Sausalito. There are two key points to consider from Table 5's data. First, the data show that after apartments are taken away as commercial operations, the total businesses in the Marinship exceed those in the remainder of Sausalito. The Marinship also has a broad mix of businesses, broader than the city otherwise, and includes ship building, repair, and other marine-based businesses.

To look more completely at the supply side of Sausalito in terms of the Marinship's ability to support new and expanding businesses with commercial space, the next section investigates the Marinship regulatory environment. In terms of clusters, the space considerations will tell a lot. The next section looks at the physical constraints and opportunities in the Marinship in terms of assembling the clusters.

Space, Planning and Cluster Forming

The Waterfront and Marinship (WAM) committee and report from 2010 provide business and economic development guidance for targeting primary clusters of businesses. There are two standout sections from WAM that help guide this report:

- Section 2.3.2: Regulatory issues in the Marinship
- Section 2.3.3: Economic issues in the Marinship

Section 2.3.3 in the WAM report addresses economic issues in the Marinship. The expansion of commercial space within the Marinship boundaries through construction and tenant improvements is seen as problematic due to regulatory constraints and market conditions versus the time when the Marinship Specific Plan was adopted. Per Section 2.3.2 in the WAM report, this economic section further suggests that space is limited in the Marinship and that targeting specific clusters of businesses may be difficult in practice because of constraints on current and future use. The WAM report recognizes that some businesses and industries will find it difficult to locate in Sausalito based on

² A study was conducted in early 2011, called the "Short-Term Business Needs" study, to identify current businesses and use of commercial real estate. A recent discussion with commercial real estate professionals suggest only small differences between that study's conclusions about business mix and the business license data shown here. See ci.sausalito.ca.us/Modules/ShowDocument.aspx?documentid=9928 for that document.

current practices and regulations as in any other city. The Marinship Specific Plan also helps guides this report's conclusions and recommendations; the recommendations made here are with respect to current allowable uses. The Marinship Specific Plan defines land uses for 54 locations in Sausalito. The possible uses are shown in Table 6 below, and conditional use permits (CUPs) are also used for further determination within the specific plan:

Code	Definition
C	Conditional Uses
E	Existing Legal and Permitted
I	Inclusionary Use with Admin CUP
P	Principal Uses
X	No use allowed (Blank in Table 2.3 of Marinship Specific Plan)

Table 6: Summary of Table 2b in Marinship Specific Plan³

General Uses	Specific Uses	Conditions on Use				
		P	E	C	I	X
Industrial	General Industrial	37	0	2	0	15
	Marine Industrial	49	0	0	0	5
Arts	Industrial, Marine, Fine	39	0	3	0	9
	Applied Arts	0	0	0	37	12
Commercial	Office	0	24	0	0	30
	Retail	0	1	0	0	51
	Business commercial	27	0	3	0	24
	Maritime Commercial	47	0	1	0	6
	Restaurant	0	4	4	0	45
	Food Services	0	0	9	0	44
Residential	Existing Land Residential	2	0	0	0	47
	Houseboats	4	0	1	0	49
	Live Aboard Boats	0	0	12	0	42
Institutional	Post Office	0	1	0	0	53
	Bay Model	1	0	0	0	53
Maritime Berths	Marine Services	13	0	0	0	41
	Pleasure Boats	5	0	0	0	49
	Dry Boat Storage	15	0	0	0	39
Public Use	Open Space	12	0	0	0	42
	Open Water	4	0	0	0	50

Source: Marinship Specific Plan (see <http://tinyurl.com/marinshipSPpart1>)

There is a spot-allowance mix of uses and zones that exist within the Marinship boundaries. Table 6 shows the spread of these use possibilities among general and specific uses. However, some of the businesses in these higher multiplier targets will face constraints in coming to Sausalito, including:

³ There are also very specific uses and some restrictions in terms of specific parcels and their use. See Table 2b in the Marinship Specific Plan for more details: <http://www.ci.sausalito.ca.us/Index.aspx?page=695>

- Lack of transportation options for employees;
- Lack of parking options;
- Lack of space that either correctly fits their business or can easily be changed through tenant improvements; and
- Lack of available space due to regulation challenges.

Table 6 provides information about some general possibilities with respect to economic development. If we eliminate the “Residential” and “Public Use” sections, the remaining parts of the Marinship can be seen as commercial possibilities. The Marinship Specific Plan provides the universe of current possibilities for commercial attraction, retention and expansion. Of those remaining uses, which provide both challenges and opportunities, some highlights include:

- There are only four (4) existing use parcels for restaurants, and five (5) others that are conditional for a total of nine (9) parcels;
- All ten (10) “Food Service” parcels are conditional use; of these, six (6) parcels overlap with restaurant use;
- There are only three (3) parcels in the Marinship with use for Retail Services, where two of these three are the post office and Mollie Stone’s;
- All the applied art uses are restricted to “inclusionary use with a Conditional Use Permit (CUP)”; and
- All office parcels are from existing use, and there are no principal, conditional, or inclusionary uses for office anywhere in the Marinship; and
- Principal use availability are mainly in:
 - General Industrial;
 - Marine industrial;
 - Industrial, Marine, and Fine Arts;
 - Business Commercial Services; and
 - Marine Commercial Services.

The “Institutional” category suggests no commercial possibilities in those parcels. This is true for the Bay Model; this may not be true for the Post Office. The Post Office and the Mollie Stone location (known as “Big ‘G’ Supermarket” in the Marinship Specific Plan) have the same use possibilities. There could easily be complementary retail places in the post office parcel if the post office is changing locations or size within its current footprint⁴. Given current regulatory restrictions on use, monitoring gaps and leakages helps shape the final cluster choices and dynamics over time, especially as primary and complementary clusters enter or expand in Sausalito. Monitoring gaps provides another filter where the types of vacant commercial space available constrain the target businesses for attraction and retention.

Gaps and Monitoring

There are some challenges to attracting and retaining businesses in Sausalito:

⁴ Any growth of general business activity beyond retail services will require some increase in retail services, assuming there is retail leakage in Sausalito. Because Mollie Stone is a full-service grocery store, finding complement retail to grocery is likely a better play for Sausalito versus a second grocer simply to address leakages. The recommended clusters in the final section address these issues.

- Balancing between competition and complementarity;
- Filling leakages versus exacerbating surpluses; and
- Space fit and public sector flexibility on space use.

Once businesses are attracted and retained, there will be some issues in terms of how those businesses, and ones like them that already exist, compete for inputs (raw materials, labor, space, equipment, etc.), and how resistance to what may be perceived as overdevelopment becomes an issue. Also, city government may be biased toward businesses that generate indirect business tax revenues (examples as shown above in Table 4). Competition in limited markets can also become an issue; if more hotel and motel space was available in Sausalito, it may directly compete with other hoteliers that may have something less than 100 percent occupancy. Retail and restaurant expansions may be seen in the same way; opening a new retail store may help residents and businesses and city government, but may be resisted by local businesses otherwise.

Monitoring gaps and leakages can help. In pursuing primary industries, a city the size of Sausalito wants to target businesses that have a minimum footprint on the limited resources with maximum potential to attract income from outside the city. If more retail and restaurants are attracted to complement primary businesses as they grow, there needs to be monitoring of how best to convert leakage to surplus through growth.

Competition over space between what may serve local residents and what may serve local businesses and may also lead to some complexities. New and existing local businesses have supply chain needs; in many cases, these are professional services, warehousing, logistics, and other commercial serving businesses. Some professional services border on being either primary or complementary clusters. Legal services, accounting, financial management, real estate agency, architectural and engineering, and other consulting services are close to being either. What the recommendations portend is that complementary businesses chosen serve local businesses primarily and residential leakage otherwise.

Monitoring should also include effects of business growth on infrastructure, traffic, and other residential impacts. A quick way to generate support for these economic development strategies is to gain residential support. These recommendations include businesses that generate local tax revenue, parking fees, and other sources of government revenue that help support infrastructure and residential sustainability as business grow in Sausalito. While it is beyond the scope of this report to recommend infrastructure changes, it is important that the negative impacts on local residents from this growth be monitored and addressed through the positive impacts.

Summary: Space Availability, Use, and Clusters

The data above suggest that commercial real estate availability and use flexibility for new and expanding businesses are limited. Vacancies in office space versus applied/fine arts space versus industrial space will generate space for different users due to use restrictions specifically in the Marinship. The available space may differ from what the recommended cluster businesses want to use. The recommended clusters allow flexibility for economic development in Sausalito based on what type of space becomes available; complementary businesses may struggle to be attracted to Sausalito due to a lack of additional space availability.

Conclusions: Recommended Clusters

This report asked for a list of primary and complementary “clusters” of businesses to be attracted to locate in the Marinship portion of Sausalito. There are multiple drivers of these

recommendations, and public policy change may be necessary to take full advantage of Sausalito's position in Marin County and in its proximity to Sausalito. A focus on the Marinship area of Sausalito provides the most flexibility in terms of available commercial real estate, focus on non-tourism businesses, and an ability to also take advantage of tourism that naturally comes to Sausalito. Primary clusters are those that have four characteristics (not in order of importance):

- Provide a large multiplier effect for the city of Sausalito in terms of business revenues;
- Provide a balance between employment multiplier and business revenue (as to not strain city infrastructure in terms of parking and traffic);
- Provide public revenue augmentation in net (be a business that is unlikely to generate new costs for city finances versus generating new resources; and
- Can use the available space given the current restricted use when space becomes vacant.

Complementary clusters would also be developed to augment the city's ability to serve local businesses with goods and services that would reduce leakage pressure that would naturally come from increasing the amount of business activity in Sausalito. These businesses would have the following characteristics:

- Provide a large multiplier effect to Sausalito;
- Reduce potential leakage without worsening competition within the city economy;
- Be an obvious supply chain connection for Sausalito businesses or local employees, while also serving local residents; and
- Can use the available space given the current restricted use when space becomes vacant.

The cluster choices are based on largest economic impacts. However, the ability for Sausalito to pursue some or all of these clusters is constrained by current space use limits, vacancies which are market driven and may be based on the space use limits, and also the ability to pursue primary and complementary clusters together where businesses may be economically connected but do not demand the same type of space. Thus, vacancy in office space may signal a want to attract a financial fund manager, but a lack of office otherwise vacant may restrict pursuing a complement business to that fund manager.

Recommendations

Primary Clusters:

1. Wealth and Financial Management Cluster (focus on office, industrial space as it turns over)

These businesses have relatively large economic impacts on the local economy, provide services to local, regional and global markets, and utilize labor from both San Francisco and Marin County. Example businesses include:

- a. Investment Banking (Personal and corporate financial management)
 - b. Fund Management
 - c. Boutique Finance (insurance, hedge funds, etc.)
2. Technology, Research and Design Cluster (focus on vacant applied/fine arts, industrial space)

These businesses take advantage of design businesses already in place, and Sausalito's marine history. Internet applications provide systems design that can take advantage of the Bay Area labor force; design firms in Sausalito can do the same and service regional and global markets.

- a. Environmental Consulting and Design
- b. Life Sciences Industrial Research and Development
- c. Marine Technology Research
- d. Internet Applications

3. Business Incubator focused on internet/mobile technology applications

A business incubator fosters growth of businesses that would fit directly into primary clusters. By incubating and growing small businesses in systems and program design, for example, any of the above businesses may be complemented or replaced as space allows. Such an incubator also looks to the greater Bay Area for new start-up firms and current companies looking to move to the next stage.

Overall Rationale:

- These businesses have markets beyond Sausalito's businesses and residents;
- These businesses have relatively large business revenue generation per worker; and
- These businesses include marine support businesses where Sausalito already has a niche (specialty design firms) and complements existing shipyards and other marine businesses.

Complementary clusters (focus on vacant office, applied arts, industrial, and warehousing):

1. Professional Services Cluster (in primary business supply chains)
 - a. Legal services
 - b. Accounting services
 - c. Architectural and engineering services
2. Logistics and Support Cluster (in primary business supply chains or their employees)
 - a. Dry cleaning/linen services
 - b. Warehousing/storage of dry goods
 - c. Data storage specialists
 - d. Sailing schools and corporate retreat facilities, utilizing Sausalito's marine history as a place of corporate gatherings or leadership education.

Overall Rationale:

- These businesses lie in the supply chain of businesses already in Sausalito or to be targeted;
- These businesses also support marine industries in the Marinship and Sausalito overall; and
- These businesses can use the local population, tourists, and other businesses in Sausalito as additional markets to balance against economic downturns.

Appendix: Economic Impact Data Tables

Table 7: How Investment Banking Affects the City Economy, \$10 million of new revenue

Industry	Business Revenue	Employment
Investment Banking	\$11,524,000	114.2
Real estate agencies	999,000	4.8
Management and scientific consulting services	628,000	4.4
Advertising and related services	419,000	2.8
Accounting and payroll services	280,000	2.0
Telecommunications	274,000	0.6
Bars and Restaurants	273,000	4.1
Computer systems design services	243,000	2.0
Insurance Agencies	195,000	1.2
Law Offices	191,000	1.2
Management of companies and enterprises	181,000	0.8
Employment services	179,000	3.4
Funds, trusts, and other financial vehicles	153,000	0.4
Banks and Credit Unions	132,000	0.3
All others	2,483,448	16.5
Totals	\$18,154,448	158.5

Table 8: How Life Sciences Research Affects the City Economy, \$10 million of new revenue

Industry	Business Revenue	Employment
Life Sciences Research	\$10,203,000	24.2
Management of companies and enterprises	1,328,000	5.8
Scientific research and development services	717,000	3.9
Equipment Leasing	439,000	0.2
Wholesale trade businesses	283,000	1.7
Management and technical consulting services	258,000	1.8
Real estate agencies	229,000	1.1
Bars and Restaurants	174,000	2.6
Advertising and related services	172,000	1.2
Utilities	149,000	0.2
Accounting and payroll services	91,000	0.6
Law Offices	71,000	0.4
Investment Banking	68,000	0.7
Architectural, engineering services	48,000	0.4
Banks and Credit Unions	42,000	0.1
All Others	1,335,064	9.2
Totals	\$15,607,064	54.1

Table 9: How Internet-Based Businesses affect the City Economy, \$10 million of new revenue

Industry	Business Revenue	Employment
Internet-Based Businesses	\$10,062,000	84
Bars and Restaurants	\$584,000	8.7
Real estate agencies	\$384,000	1.8
Architectural, engineering, and related services	\$231,000	1.9
Wholesale trade businesses	\$195,000	1.2
Investment Banking	\$168,000	1.7
Advertising Services	\$148,000	1
Hotels and motels	\$141,000	1.2
Medical and Dental Offices	\$122,000	0.9
Accounting and payroll services	\$121,000	0.9
Utilities	\$119,000	0.1
Financial Fund and Trust Management	\$108,000	0.3
Management consulting services	\$100,000	0.7
Employment services	\$88,000	1.7
Banks and Credit Unions	\$87,000	0.2
All Others	\$2,996,968	20.6
Totals	\$15,654,968	126.9

Table 10: How Specialty Design Businesses affect the City Economy, \$10 million of new revenue

Industry	Business Revenue	Employment
Specialized design services	10,020,900	59.6
Food services and drinking places	270,500	4.0
Real estate establishments	212,200	1.0
Wholesale trade businesses	97,000	0.6
Investment Banking	71,900	0.7
Electric utilities	59,600	0.1
Accounting and payroll services	59,200	0.4
Advertising and related services	56,600	0.4
Medical and Dental Offices	53,500	0.4
Other personal services	51,800	0.3
Employment services	50,800	1.0
Financial Fund management	46,100	0.1
Management and scientific consulting services	44,200	0.3
Chemical product and preparation manufacturing	43,100	0.1
Hotels	40,500	0.3
All others	1,239,100	8.5
Total	12,417,000	77.9

Table 11: How Hospitality Businesses affect the City Economy, \$10 million of new revenue

Industry	Business Revenue	Employment
Bars and Restaurants	\$ 5,291,400	78.7
Hotels	5,042,300	43.2
Real estate agencies	335,100	1.6
Advertising services	278,200	1.9
Electricity Utilities	249,000	0.3
Business Consulting	205,100	0.9
Wholesale businesses	129,200	0.8
Accounting and payroll services	87,700	0.6
Scientific and technical consulting services	83,600	0.6
Leasing Brokers	70,800	0.0
Investment Banking	69,500	0.7
US Postal Service	62,900	0.6
Natural gas distribution	51,600	0.0
State and local government services	49,100	0.2
Medical and Dental Offices	42,900	0.3
All Others	1,329,700	9.9
Totals	\$13,378,000	140.3

Table 12: How Residential Health Care Businesses affect the City Economy, \$10 million of new revenue

Industry	Business Revenue	Employment
Residential health care services	10,016,400	146.0
Real estate agencies	398,300	1.9
Bars and Restaurants	296,400	4.4
Wholesale businesses	160,400	1.0
Employment services	148,100	2.8
Management Consulting	125,500	0.5
Investment Banking	121,800	1.2
Electricity Utilities	87,800	0.1
Accounting and payroll services	85,700	0.6
Medical and Dental Offices	79,800	0.6
Scientific and technical consulting services	77,800	0.5
Fund Management	68,900	0.2
Advertising services	67,800	0.5
Machinery and equipment rental and leasing	65,700	0.2
Hotels	52,400	0.4
All Others	1,760,200	12.3
Total	13,613,000	173.2