

Summary of Business Retention and Expansion (BRE) Interview Findings, 2015-2016 Executive Summary

This is an update to BRE interviews data for San Rafael businesses. The San Rafael Chamber asked members of its Economic Vitality Committee (EVC), Board of Directors, staff and members of the Governmental Affairs Committee to interview local businesses in a variety of classifications using a standardized interview format developed by the Chamber, Marin Economic Forum (MEF) and the City Economic Development Department. The goals of these interviewers were as follows:

- Perform outreach to at least 100 Chamber members and other San Rafael businesses (109 this year);
- Collect information from business owners to help identify obstacles or themes for businesses operating in the city and build awareness of any issues that may impact economic vitality in San Rafael; and
- Find out attributes about doing business in San Rafael that may be strengths to build upon and also considerations for public policy makers to make doing business easier.

There were 109 interviews overall. Twelve questions were asked of each interviewee. Questions 1 through 5a provided demography information about those interviewed. The results here gave a brief overview of the set of businesses interviewed:

- 65% of the businesses interviewed had less than 10 employees; data from 2014 suggest that San Rafael's business demography has 90% of businesses have less than 25 employees;
- Most of the businesses interviewed have Marin County and the Bay Area as their customer base;
 - The number of businesses that stated digital sales is a focus was very low in the year's survey;
- Approximately 75% of businesses are either headquartered or have single locations in San Rafael; and
- About 15% of the businesses interviewed were new to San Rafael (less than 3 years in their current location) and about 50% had been in the same location for 15 years or more.

Questions 5b through 10 were about the interviewed businesses' outlook in terms of their own businesses and issues within San Rafael that may affect their business. Most businesses saw the coming year as a good one, based on the previous year's results. Most concerns were about exposure and marketing, and getting lost in a crowded marketplace. Talent shortages were not as an important item versus past iterations of the survey. Businesses tend to locate in San Rafael due to the local demography of customers and proximity to broader markets, which likely includes tourism.

Respondents, as in past versions, were asked to provide open thoughts:

- Homelessness came up here, and there were still many complaints about the level of overt homelessness;
 - This was mixed with a discussion about “cleaning up” downtown more completely;
- City policies and politics were both lauded and lambasted by the comments;
- Parking was discussed here also as a continued issue/problem;
- Housing affordability was also stated as an issue, something that continues to come up in these surveys;
- Some talked about wanting to see a more overt police presence; but
- Lot of respondents say they love being in San Rafael.

Below are some recommendations for further survey work and city and chamber collaborations to improve the business environment in San Rafael.

Recommendations:

Business Needs:

- **Parking issues remain a constant problem, probably not going away, but needs to be addressed;**
 - **Increase availability during downtown events;**
- **The homeless situation was less prominent in this survey;**
 - **Where the chamber can get involved in general “clean-up” efforts where the obstructions to business may exist;**
 - **Part of this is parking and also trash and some of what the homeless leave behind daily;**
- **Comments continue to be positive about City planning and permitting processes;**
 - **Respondents remain mixed about how the city of San Rafael treats the permits process;**
 - **There are concerns about parking and planning about the number of available spaces and supporting growth.**

Survey Specific:

- **San Rafael Chamber should generate a list of businesses in the defined, downtown area, and consider surveying an equal number of businesses in major industries as shown in Figure 1;**
 - **Survey both chamber members and non-members; but**
 - **Identify what businesses are asked again from the previous year.**

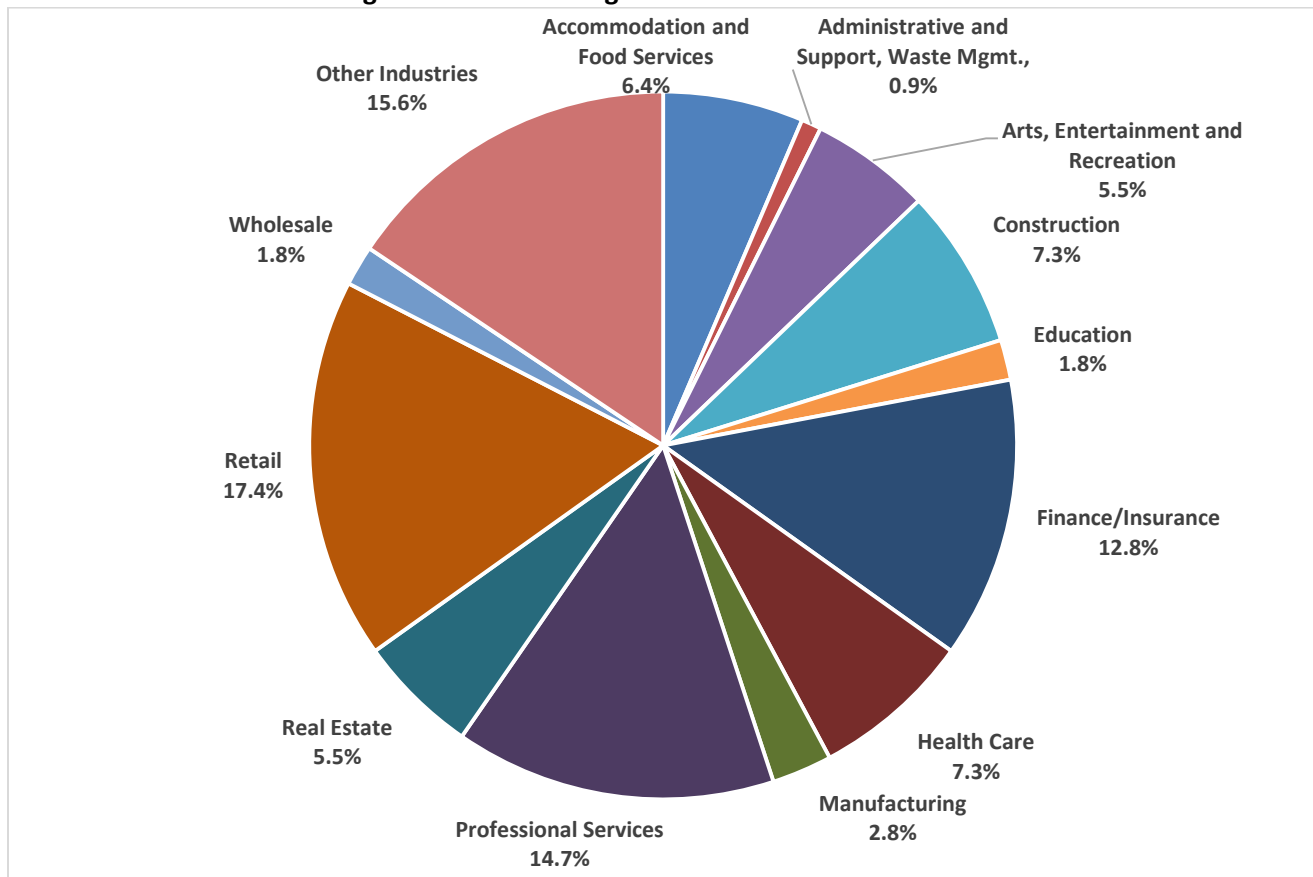
Summary of BRE Interview Findings

Below is a summary of over 100 Business Retention and Expansion (BRE) interviews findings conducted by the San Rafael Chamber between January 2016 and July 2016. These interviews provide a sample of local businesses and their thoughts on the economy and doing business in San Rafael.

Question 1: What industry/classification would your business fall under? (Based on the North American Industry Classification System (NAICS)), select all that apply.

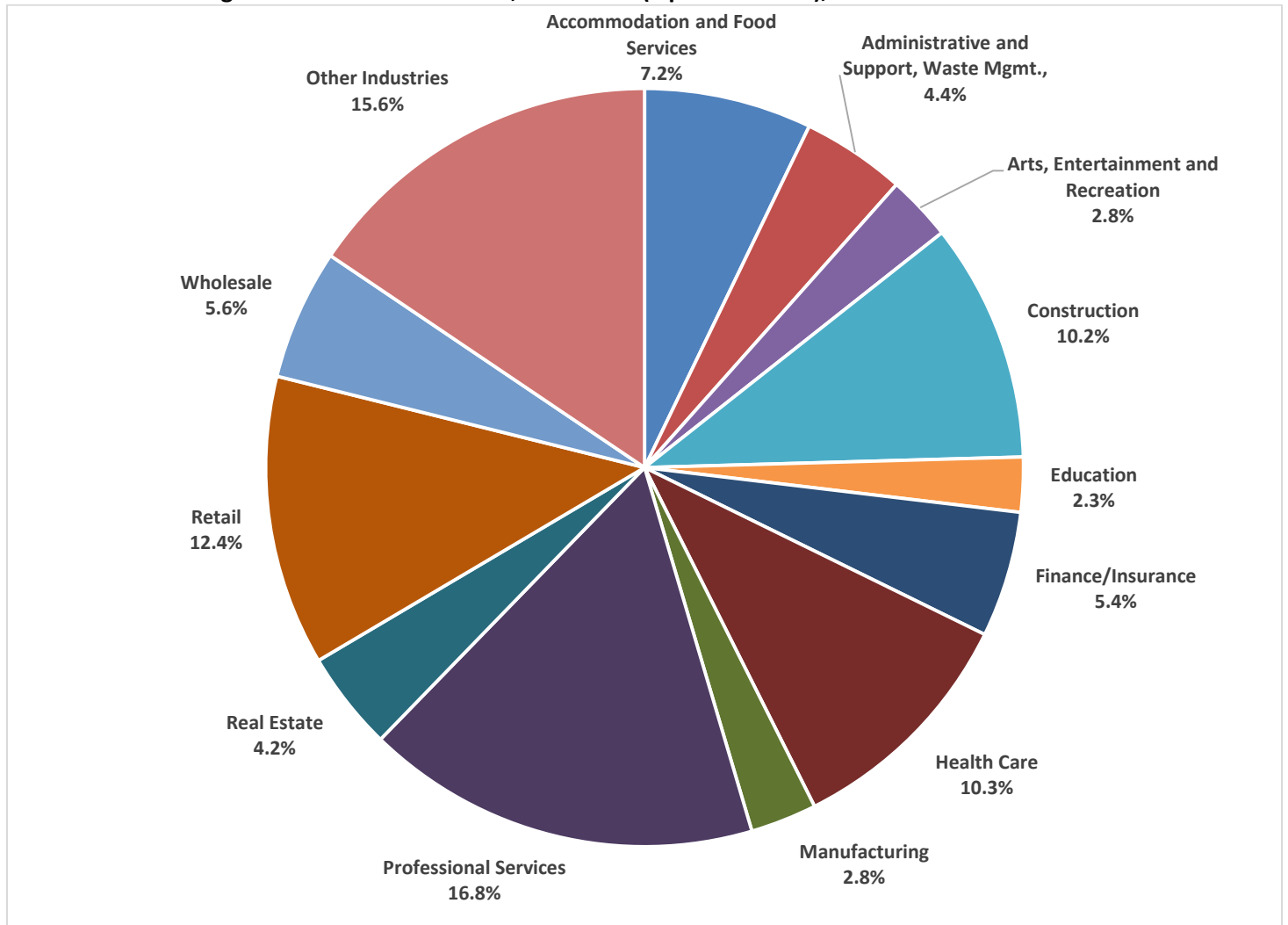
The NAICS codes are high-level industry classifications that provide an apples-to-apples comparison of businesses in areas throughout North America. For San Rafael, Figure 1 shows the codes used by the interviewees to describe themselves:

Figure 1a: NAICS Categories for Business Interviewed



One should not infer the business mix in San Rafael from these data, but it may be a decent way to consider the overall diversity of businesses. Figure 1b is the current estimate for the 94901 zip code in terms of business mix using the NAICS codes at the industry sector (2-digit) level as of January 2015.

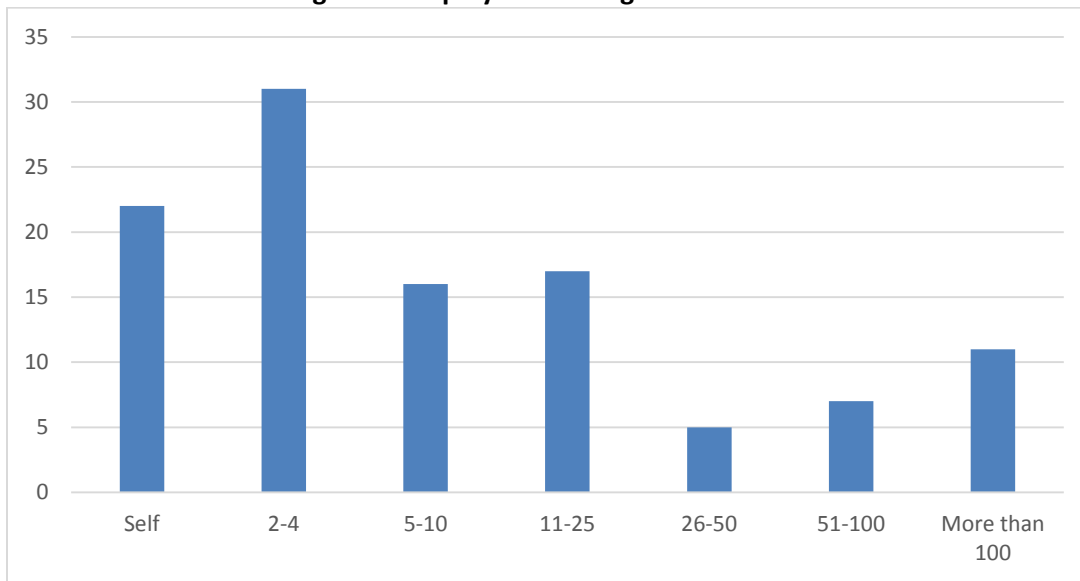
Figure 1b: 2015 Business Mix, San Rafael (Zip Code 94901), Census Bureau



Question 2: How many full-time employees do you have? (Locally)

This question gave demographic information about the employment footprint of the interviewed employers in San Rafael. These data are meant to show the relative size of the businesses that were surveyed.

Figure 2: Employment Categories Provided



While it makes sense that the number of employees is dominated by those under 25 workers, the group between 51 and 100 workers suggests that San Rafael is also a place to watch as smaller businesses to grow and prosper. The types of businesses are diverse across the number of employees. As expected, there are smaller retail and restaurants in San Rafael’s downtown area, and larger professional services, real estate, and finance/insurance businesses use those downtown businesses during the day.

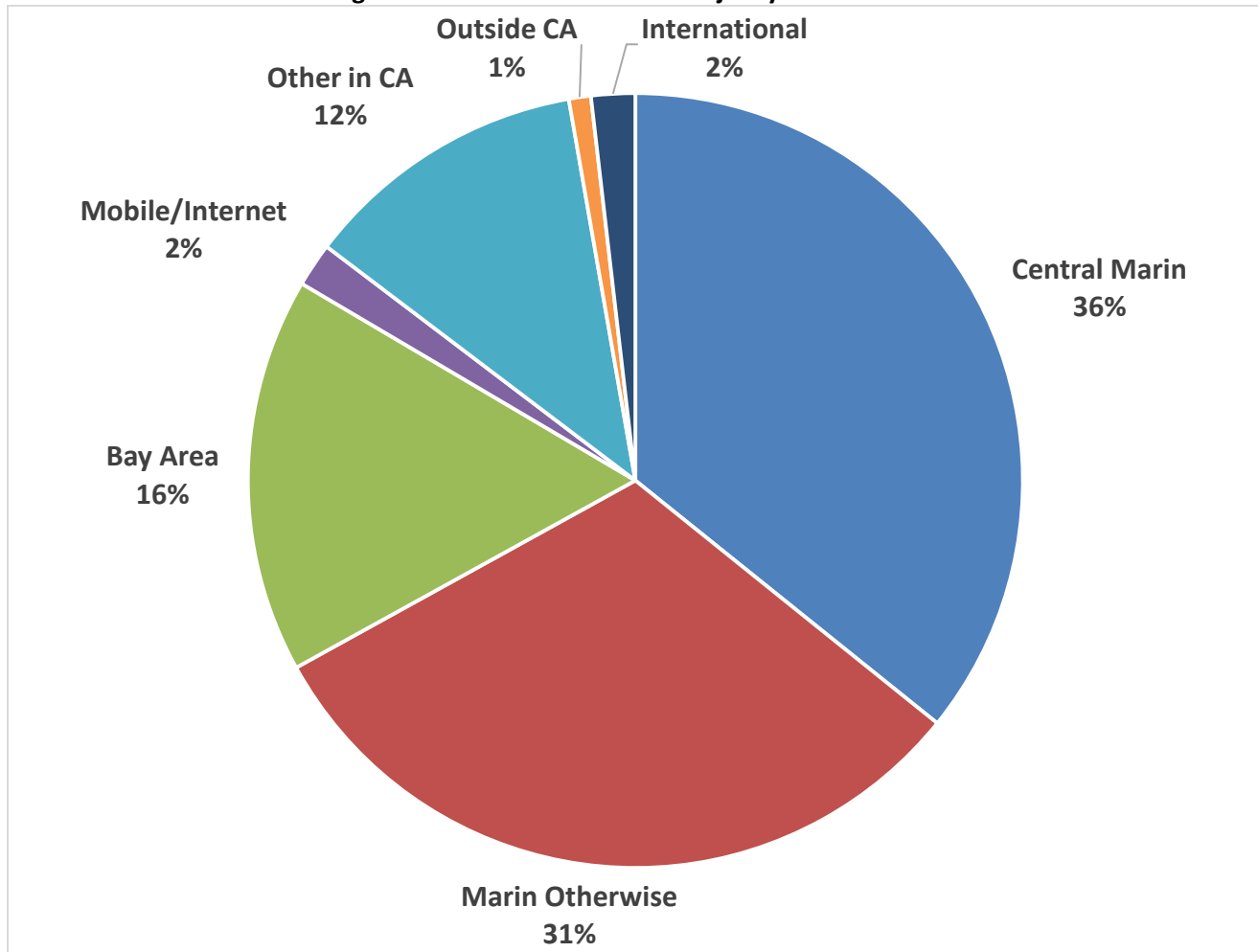
The most recent data on the 94901 zip code suggests the following is true:

- There are 2,012 businesses in the 94901 zip code for San Rafael;
- Approximately 74.9 percent have fewer than 10 employees; and
- Employers are concentrated in construction, professional services, retail, health care and nonprofit health, restaurants/bars, and hotels.

Question 3: Where are the majority of your customers coming from?

Customer locations have a lot to do with where some businesses locate; especially retail and restaurants. Part of that location decision may also include the flow of tourism or daily flow of workers that are “located” near the business for work or as a destination while traveling. Figure 3 shows that about 43.5 percent of the customer focus is for central Marin with those employers that were interviewed in 2015. However, over 76 percent of the customer focus is on Marin County overall.

Figure 3: Market Locations of Majority of Customers



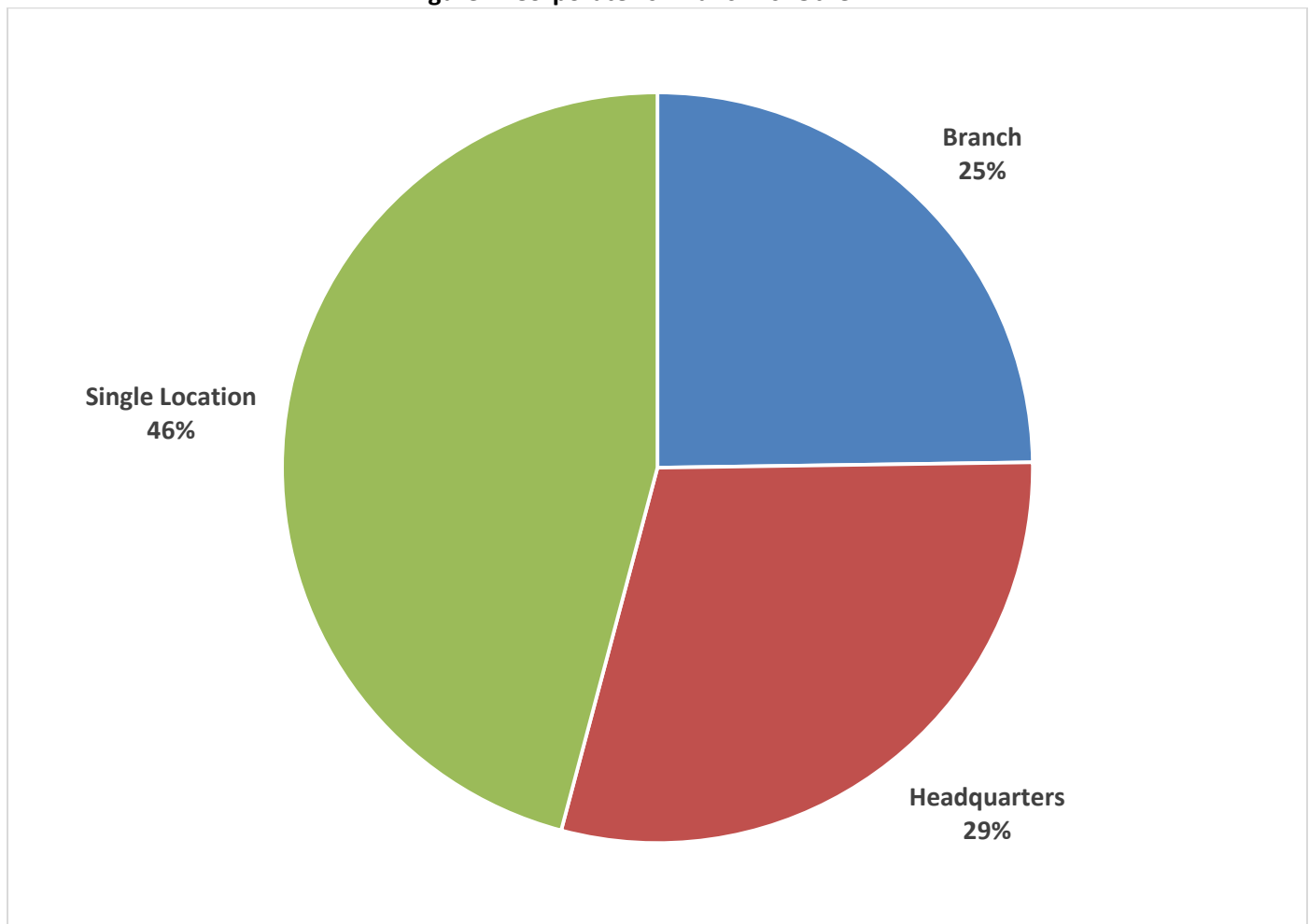
Notice the number of businesses with international markets versus those that are in the Bay Area beyond Marin County. Services firms, including health care, tend to be more focused on local markets; while arts and entertainment and accommodation and food services have markets beyond the local.

Question #4: Is this the Company's Corporate Office or a Branch Office?

One concern is that a large number of businesses are branches of a larger entity and can be easily relocated. Flight from San Rafael may be easy under those conditions. Figure 4 shows there is a tight mix of corporate and branch businesses. Such a mix may need a deeper analysis; those businesses that labeled themselves as corporate may be branches of larger firms. However, the idea is that the "corporate" office is the headquarters of a smaller business. Figure 4 suggests that 25 percent of businesses surveyed are branches of a Headquarters elsewhere, which implies that 75 percent are either a corporate HQ or the only location of the business owner.

Healthcare and retail were generally in the "Independent" category, while professional services finance, educational and utilities were more corporate than branch.

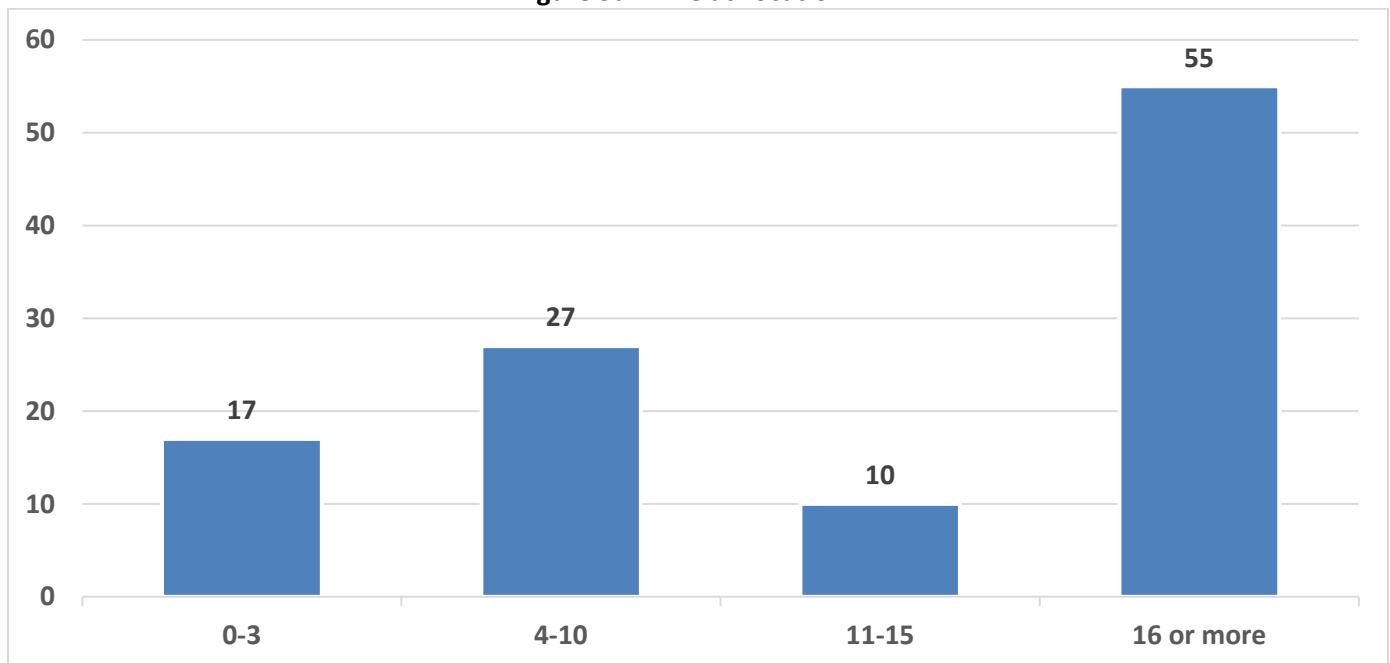
Figure 4: Corporate vs. Branch vs. Other



Question 5a: How long have you been in San Rafael?

Figure 5 shows the mix is broad and that businesses have been in San Rafael for 16 years or more, but businesses that are just starting out continue to locate in San Rafael is a good sign for two reasons. First, there are new businesses to replace those that may leave otherwise; and the data show that San Rafael is an attractive place to start a business, grow and stay. Looking more deeply at the data, restaurants had been in San Rafael across all year groupings. Retail stores and construction-related businesses were among the oldest businesses in San Rafael.

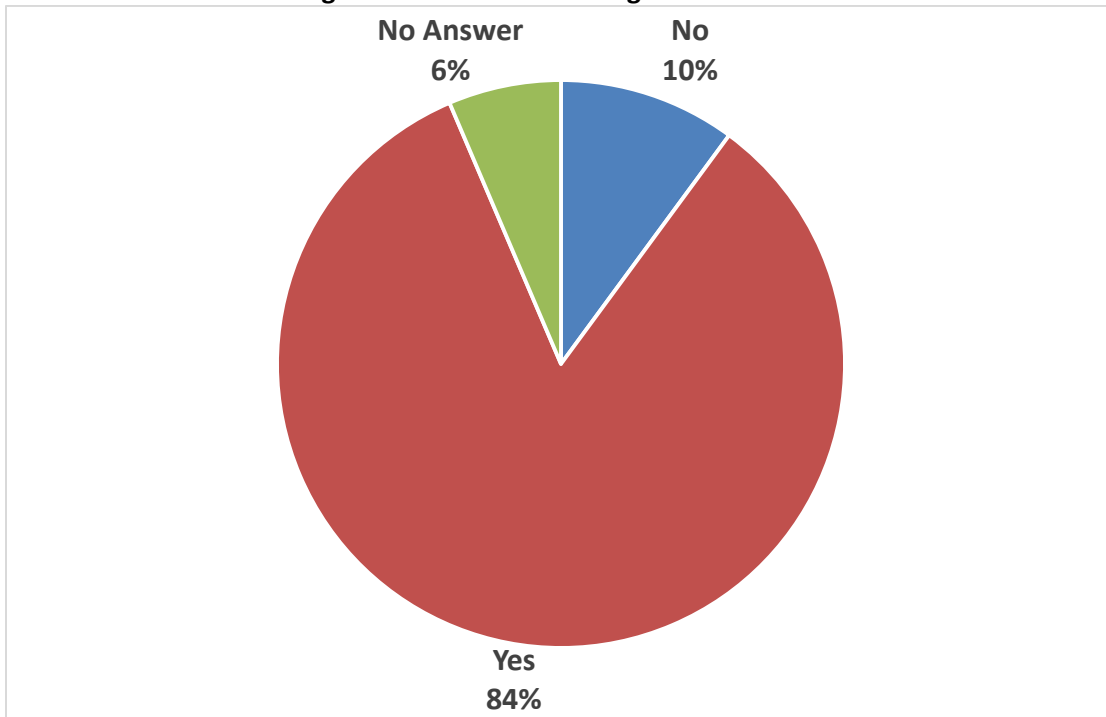
Figure 5a: Time at Location



Question 5b: Is your current location meeting your business needs?

This question provided the other part of question 5 that was more specific to the business' current location and how the San Rafael markets and political environment support the business continuing in the space, at the specific street location, and the retention aspects of remaining at that space into the future. Generally, the opinions on how San Rafael supports local businesses were good; retail and construction businesses said "No" to this question, but only a small number of each.

Figure 5b: Location Meeting Current Needs



Below are the comments for those that said "Other" to this question:

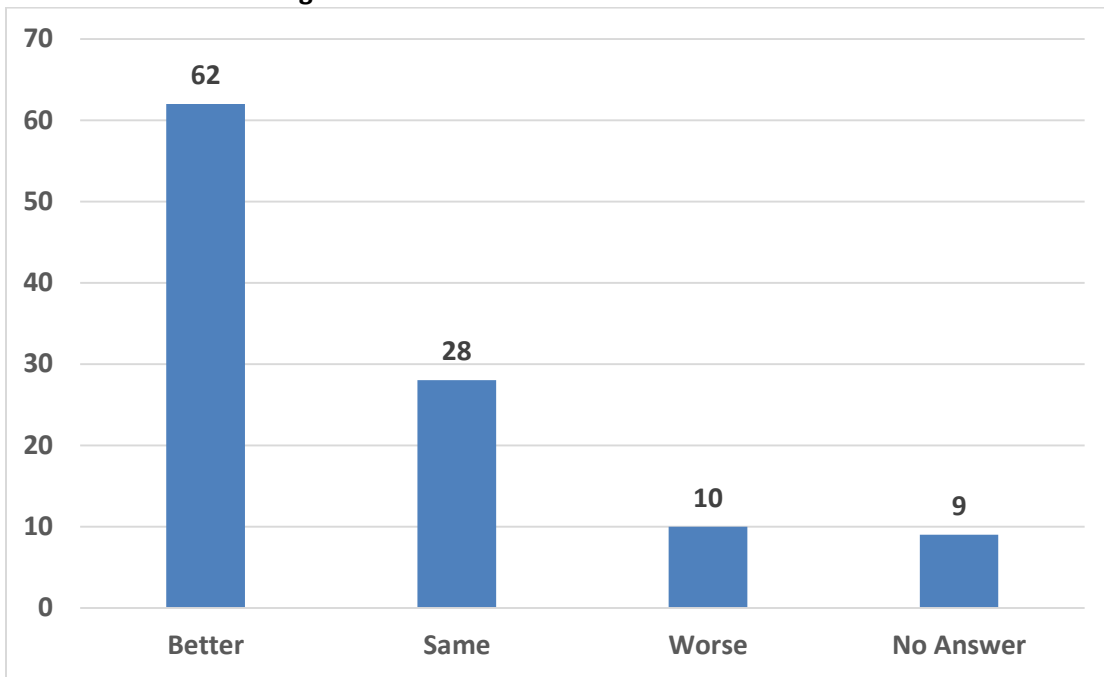
- Access to talent is difficult
- Away from homeless, looking at moving to 5th but rent concessions, good visibility
- Based at Renaissance
- But could use a bigger yard storage area and parking
- But high cost of living
- But no public transit and lack of services, i.e. Lunch places for employees
- Central to biz in Marin, Sonoma, SF, live and work here home office
- City facility
- Looking for downtown office space, growing out of Renaissance
- Looking for more space
- Need to redevelop property due to impact of SMART train

Not enough retail space, no parking available during week, too many homeless problems
 Outgrowing current location
 Perfectly
 Told us St Vincent's would move within 18 months of our moving to B Street in 1991.
 The building suits our needs but the neighborhood does not.

Question 6: How is your business performing compared to last year?

Business individually forecast their performance constantly. Given that 2015 was a relatively flat year economically (and 2016 started slow and has picked up somewhat), the data here should support positive economic change with some caveats. Figure 6 suggests that many businesses saw a better year this year than last, though a slightly larger percentage than last year saw conditions becoming worse. Some potential reasons for these answers are below.

Figure 6: Business Performance from Last Year



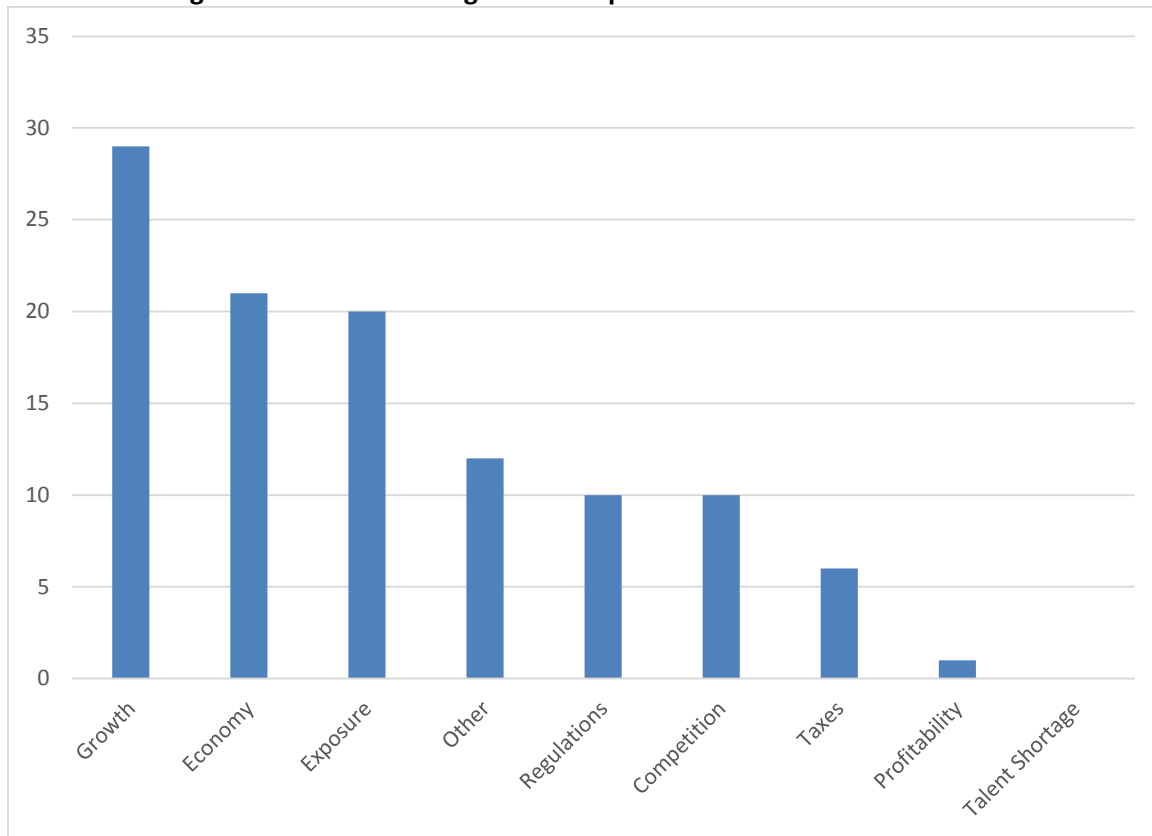
Anecdotes on reasons for increased business success in 2015-16:

As property sales go-so goes sales & growth
 Better management, more growth
 Hired to turn office around new staff, biz coming in
 Marketing needs

Question 7: What is the single most important factor facing your business?

This question asked about important issues to businesses in San Rafael, and can be considered the largest business worry also. As Figure 7 shows, there are many issues and the spread is relatively uniform across the choices. Maintenance of profitability was the largest factor.

Figure 7: What is the Single Most Important Factor in Your Business?



The results were relatively widespread. Retail businesses were concerned mainly about “exposure” or the ability to stand out from the crowd of retail possibilities and also marketing in a competitive environment. Professional businesses, such as legal and accounting and engineering, had similar concerns and major factors in their business. Finance firms were more concerned about the general strength of the economy, but also concerned about growth and exposure. Construction businesses were concerned more about taxes than other businesses.

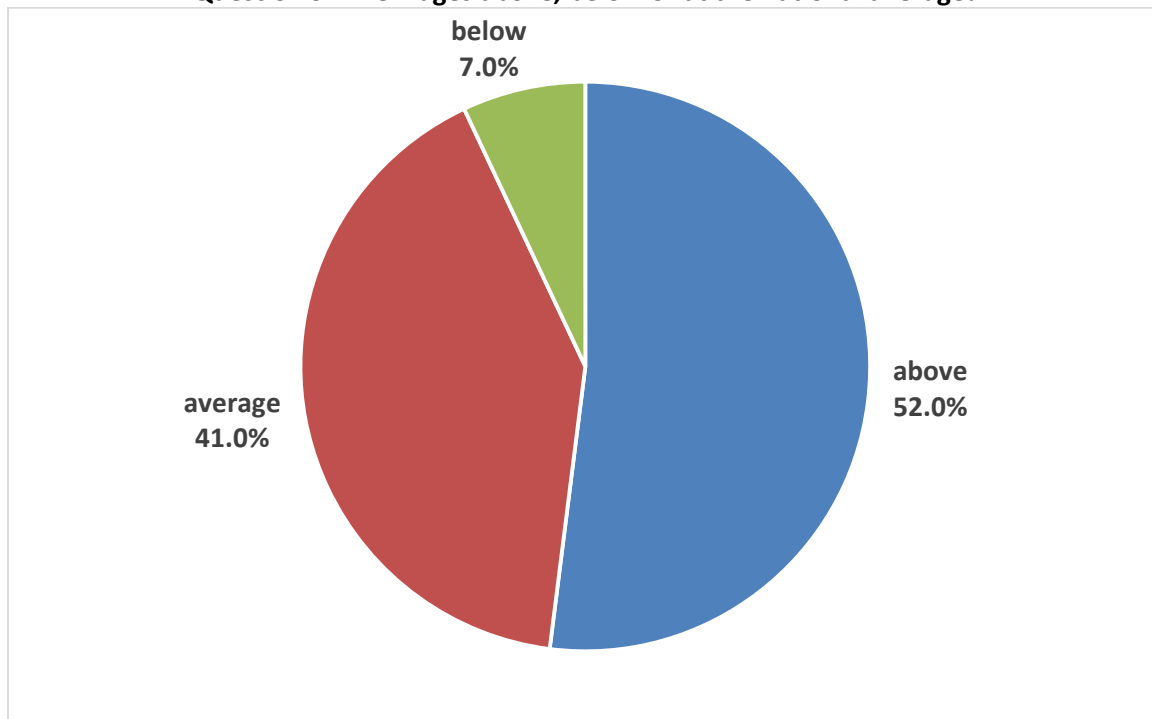
The following is a list for Question 8 that is related to Question 7 and based on what is missing for those that do business in San Rafael.

Question 8: What is missing as a Business Service or Provider in San Rafael?

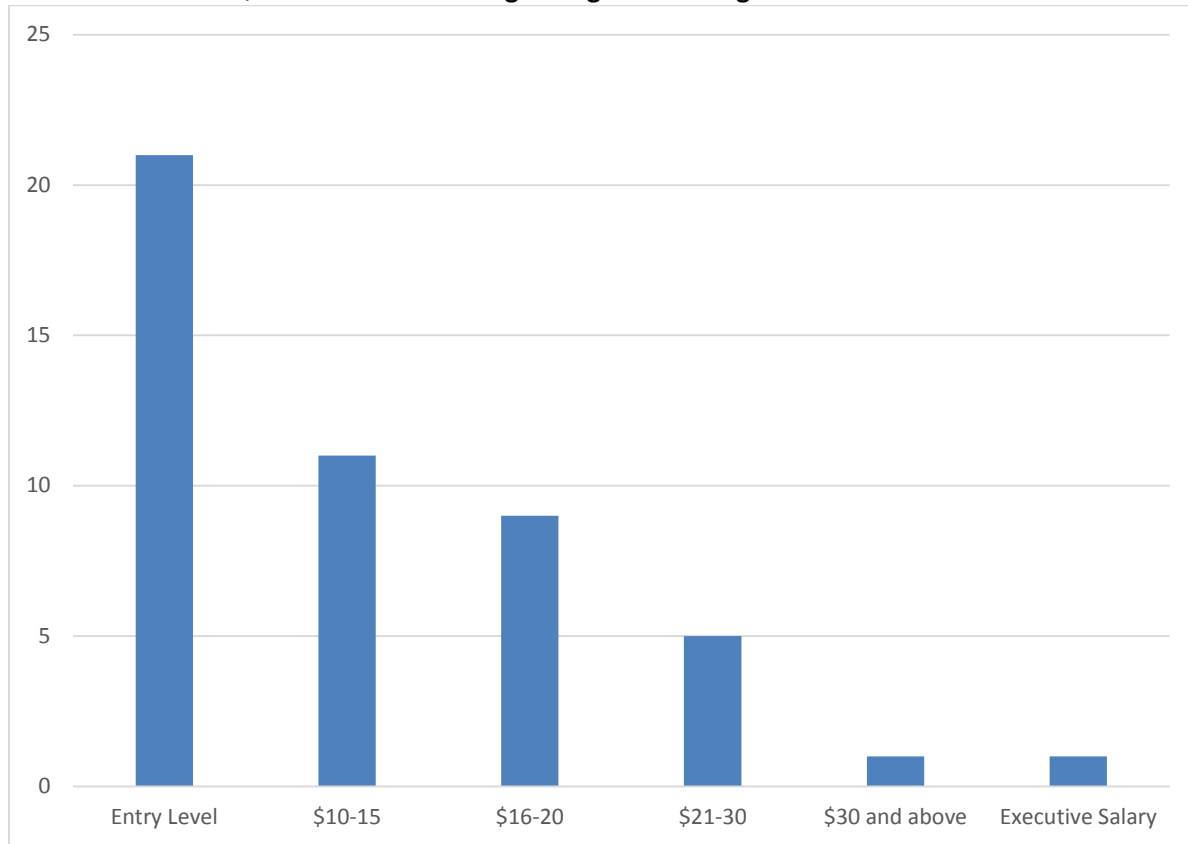
| | |
|---------------------------------------------------------|--------------------------------------------------------------------------------|
| 3d printing | Interpreters in indigenous mesoamerican languages, specifically mam and quiche |
| Affordable housing for workforce | Job assistance agencies; entrepreneurs |
| Banner, had to go to sf print shop | Low cost printing services. Vista print blows them away |
| Cable and internet providers | Major hotel chains |
| Caregivers; working class | Manufacturers and graphic designer |
| Computer resources | Qualified employees |
| Construction trade | Restaurant depot |
| Equipment repair | Textbooks, school furniture |
| Gets everything wholesale other places including online | Working class; service providers |

This list has some intriguing entries. There are job assistance agencies throughout Marin County and certainly in San Rafael. The use of internet retailers and suppliers to solve problems is inside some of these answers if not explicit. Printing needs seem to be top of mind, for example, and whether those services are too costly locally or available in other places is an issue that may be connected to “exposure” in Question 7. A lack of qualified employees, from the perspective of the employers, continues as a lingering issue, something connected to the next two questions.

Question 9: Are wages above, below or at the national average?

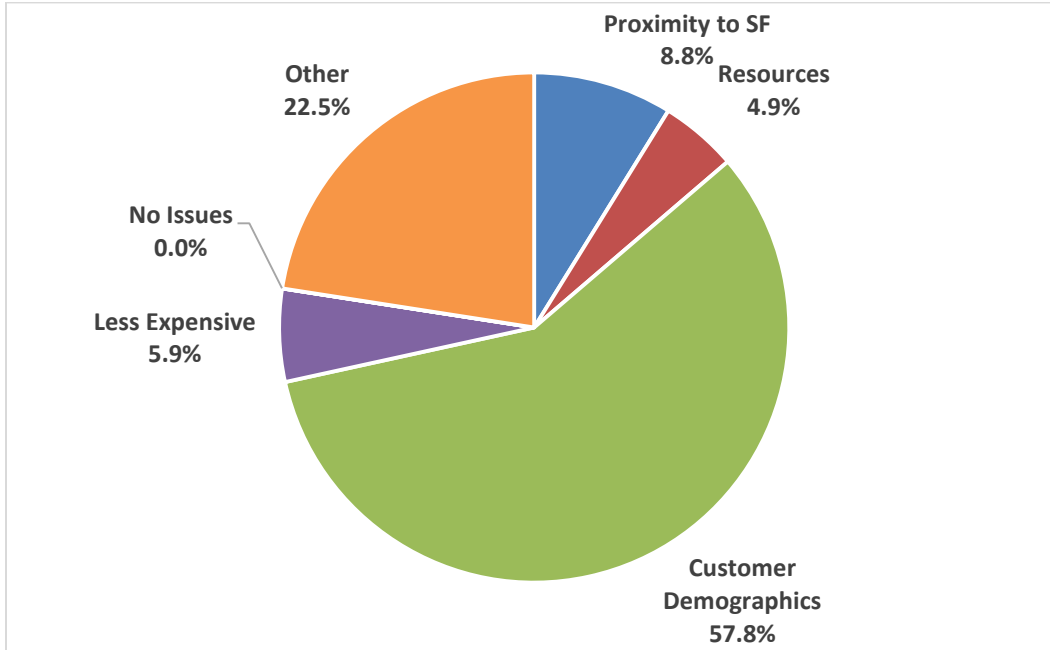


Question 10: What Wage Range is Creating the Most Trouble?



Because of the ephemeral nature of entry level and low-wage positions (mainly in retail, banking, and restaurants), workers at these wages tend to be younger and more mobile. The slide from the low-wages to the higher wages in terms of creating trouble is not a shocker against neither anecdote nor logic. However, it is also reflective of the types of businesses that are in San Rafael, with some weight toward clerical needs, wait staff and other jobs in food service, retail, and customer service representatives in banking. This should not alarm anyone; it is not necessarily a call to increase wages. We should expect some increase in wages as a result of employers struggling to find workers or to retain them (attraction and retention of workers in many cases have the same root causes).

Question 11: What do you like about doing business in San Rafael?



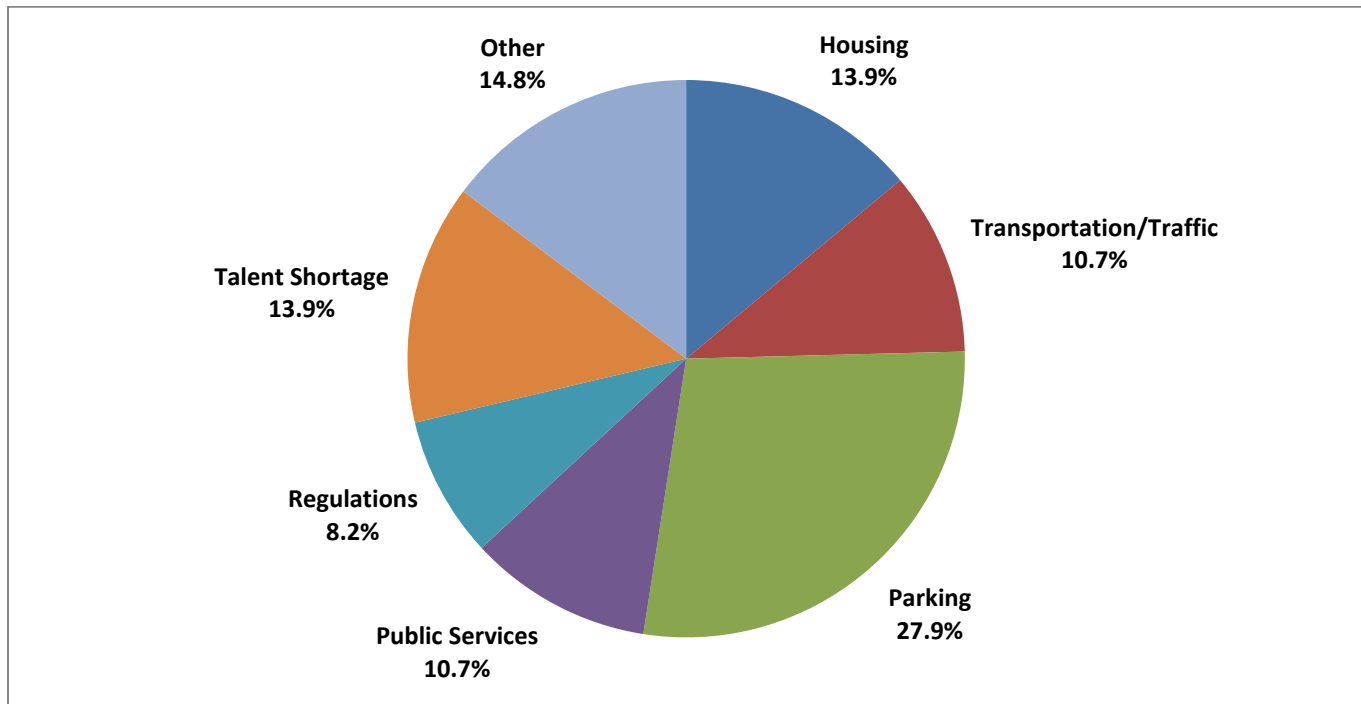
Comments:

- Novato
- Close to home
- Central to Marin
- City info @ planning dept. good/building not
- Close to home
- Community support in general
- Compared to SF
- Convenience for clients and service providers and for personal residence
- For ALL levels
- Income level
- Lifestyle - able to stay in southern Marin
- Location
- Nice people
- Proximity to home
- Proximity to Santa Rosa
- Serving the community I live in
- Sonoma

Notice that local businesses use the market’s demographics regionally as support. Retail stores are the most concerned with San Rafael’s demographics, both residential and commercial. Proximity to the greater Bay Area continues to be less important, as lifestyle in Marin County became more important. Proximity to San Francisco

and the Bay Area otherwise was a good thing for almost all businesses involved in the study. Being “close to home” also alludes to the idea that there may be more new businesses with local residents, a sign that San Rafael is a place where people want to live and work and are trying to find ways to do that without a commute or an employer.

Question 12: Which of the following areas do you believe if addressed, would most improve local business conditions?



This question is seeing a shrinking percentage worried about traffic and an increase in those worried about talent shortages and parking. The homeless were not mentioned as often this time as in past survey iterations. The lack of public services is also shrinking as a major factor.

This question is likely of importance to local policy makers. Parking was the issue of importance for finance and retail businesses. Accommodations, food services and other tourism businesses were concerned about local public services availability and regulations. Housing was a general concern to all businesses; no one industry stood out in terms of concern about the availability of workforce housing.

For those that chose “Other” to question 12, the following answers were provided:

- Employees feeding meters and having to move cars
- Exposure of small businesses within the Chamber
- Filling large empty store fronts with quality tenants
- For ALL levels
- For us, we have the most constraints are placed on us by insurance companies.
- In order to grow, we would need to make more money.
- But insurance companies suppress the rates we can charge.
- As for San Rafael, the 580 evening commute bottleneck has changed my business since customers don't want to pick up their vehicles after 3 pm, thereby causing me to store cars and not collect payments
- Homeless
- Homeless impact
- Homeless problem downtown
- Improve cleanliness. We need better quality and more retailers in downtown.

Would you like to share any additional information about your experience doing business in San Rafael?

This question asked for anecdotes and simple statements about doing business in San Rafael. Below are some of those responses in their raw form. Each individual box represents a respondent’s comments summarized by the interviewer. The responses shown below are partially alphabetized; comments provide both insight and comedy about operating a business in San Rafael.

| |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4th st. closures for fairs/markets should be on alternate street, very detrimental to business. homeless services should be moved from downtown. enforcement of smoking laws |
| after wine tasting clients like to go to dinner but parking meters have 2-hour limit and after wine tasting they do not want to jump into their cars. He would like to refer to other restaurants in the area that are farther walking distance. |
| anxious to ride the train - hope it isn't too expensive |
| Marin could benefit from providing more opportunity to the work force. by enabling jobs, education and housing. |
| become involved in community organizations has helped business prosper and made working in San Rafael enjoyable. Getting business in condition to grow smoothly |
| BioMarin could finish their building quicker |
| Both the need for the resources we provide, and the staff required to provide them have been steadily increasing. We're exploring scalability and replication of our model. |
| city has been great! we could use help with state-wide issues |
| city needs to loosen up regulations and cut down on the politics |
| city sign people nice and helpful |
| continued cleanup of downtown. Would be good to relocate homeless services to place where can still serve purpose but away from downtown |
| cooperative nature among all sectors of our demographics |
| create more of a central district - more of a square rather than 4th st as a long strip |
| Desire City to streamline permitting process - open orientation o new businesses to shorten the approval process. Offer two hour parking like other Marin cities |
| diversity of population. need more workforce housing |

| |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| enjoyed working with police and city and Chamber's energy |
| finding areas or offices where seniors have access |
| great people, love customers and doing business here! |
| having issues with homeless people using bathroom. Leaving a mess behind and when confronted they become aggressive |
| homeless |
| Homeless folks hurt business here. Too many aggressive panhandlers. |
| homeless population |
| Homeless. Business located between Ritter and St Vincent's --- too many homeless |
| I am on B st. down past Safeway. The homeless situation is bad and has gotten worse. Anything the city can do to change the "magnet" that it has to this area of San Rafael the better. It doesn't make sense to attract homeless people to the center of the city. Bad for businesses |
| I appreciate how well connected the city is! |
| I do not currently find any of the listed challenges. My business is here due to proximity to my home. |
| I feel that the 21-35-year-old demographic has a hard time affording to live in this County. My business is a social expense that a lot of those people can't afford to engage in. |
| I find that even though my security company is based in San Rafael, I do 95% of my business outside of San Rafael (networking v. exposure) |
| I have read that Marin uses the internet for purchases and do not support the local business. We are only tolerated as a source of tax revenue. |
| it is a CHALLENGE doing business in San Rafael due to the local political climate and lack of city government leadership to plan for the future! |
| it is my hometown, like putting business back into the economy. I am honored to shepherd a 50-year-old business into the future. I would like to see additional police resources and road improvement |
| it's difficult to keep homeless people out of our business; they come and use our bathroom multiple times daily. they also smoke too much outside the front door |
| lack of affordable housing has led to an inability to attract and retain employees. High real estate values and the lack of space is also an issue with regards to growth |
| limited development; lacking industry clusters, i.e. tech, bio ILM OR clusters leaving area |
| local newspaper/ads to include community events |
| looking to scale. Taking longer and much more complicated than I initially imagined |
| love it, feel like most who work here don't live here, wish more local |
| love it, wouldn't be anywhere else |
| more clients/business |
| more free parking. Less metered parking |
| most business outside of San Rafael. Live close to work. like doing business here |
| n/a |
| no comment |
| no other community active and SRCC was there and plugged me in starting branch here or connections and all |
| organic product growth |
| over aggressive parking enforcement |
| over the years we have seen a decrease in families with young children moving into the area. I am afraid they have been priced out of Marin! |
| parking has been an issue. more dynamic businesses (creative, high end). arts organizer from the City to coordinate/collaborate varied arts org's would be helpful |
| Parking is an obstacle for retail businesses. Homeless in downtown is a major deterrent. |
| parking is terrible, Sausalito is better. Bikes on sidewalk, almost been hurt many times and other employees have too |

| |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| permitting is not friendly to developing more business |
| positive - support from city services is good |
| Question #7 I entered competition simply because customers forget about the Postal Service. they don't realize that we are cheaper and we are more efficient than any of our completion. As matter of fact, in many cases we deliver our competitions product, and customer pay additional for our same service. |
| revenue growth/customer attraction and retention |
| San Rafael is a great place to live and work. Public Safety is a must. |
| shortage of labor force, no process to bring up an adequate labor force, needs of the county is not available for county residences-can't afford to live here. |
| SR great place to live and work in same place is amazing, chamber is great |
| target set us back 10 years in growth. Trying to make it up |
| teachers have a hard time finding affordable housing in Marin |
| the street people are slowly taking over the neighborhood |
| we are looking to grow business in international locations |
| we need more accessible mental health services for all income groups. There are no inpatient psych services available in the county since Ross hospital closed in Kentfield. |
| welcomed to biz community in very good way by chamber when I called ambassador |
| with less locally owned businesses and with the lack of small and medium sized companies it has affected us negatively. Chain stores do not do business with us. I feel San Rafael is no longer balanced with type of business in it. |
| wonderful people |
| would like to see more street patrol officers |