

# 2006 Retirement Cluster Report

*Cluster-Based Economic Development in Mendocino County*

**June 2006**

Prepared for:

County of Mendocino  
Board of Supervisors  
501 Low Gap Rd.  
Ukiah, CA 95482-3437  
[www.co.mendocino.ca.us](http://www.co.mendocino.ca.us)

Funded by a generous grant from:  
Pacific Gas and Electric Company



Study conducted by the CED/SBDC Partnership  
California State University, Chico  
Chico, California 95929-0765  
Phone: 530-898-4598  
Fax: 530-898-4734  
[www.csuchico.edu/cedp/](http://www.csuchico.edu/cedp/)



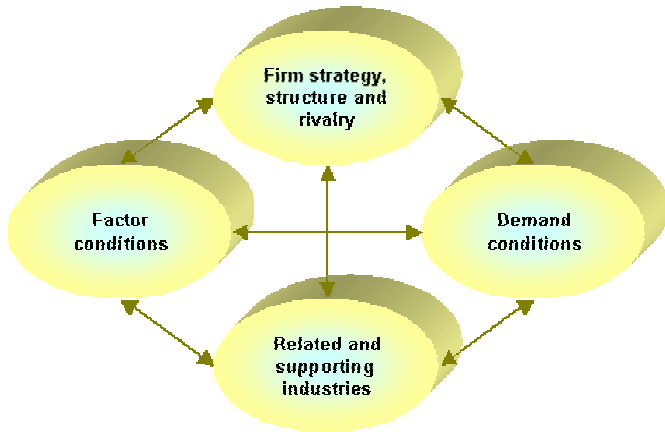
## Introduction

Cluster-based economic development is a complex strategy, but successful implementation has proven to greatly benefit local economies in America.

The 21<sup>st</sup> Century concept of clusters started with Harvard Business School's Michael Porter, who defines clusters as "groups of similar and related firms concentrated in a small geographic area."<sup>1</sup> A cluster can be vertical (businesses in a particular supply chain in the same community) or horizontal (a group of businesses in the same industry).

A cluster often develops around a unique good supplied in the community (such as wine grapes) or an industry leader in the community (such as Microsoft). Both vertical and horizontal clusters may develop around both of these situations.

Porter's diamond of advantage concept follows:



**Firm strategy and rivalry:** the degree to which a community's firms compete and innovate.

**Demand conditions:** the degree to which a firm's product is demanded in the community.

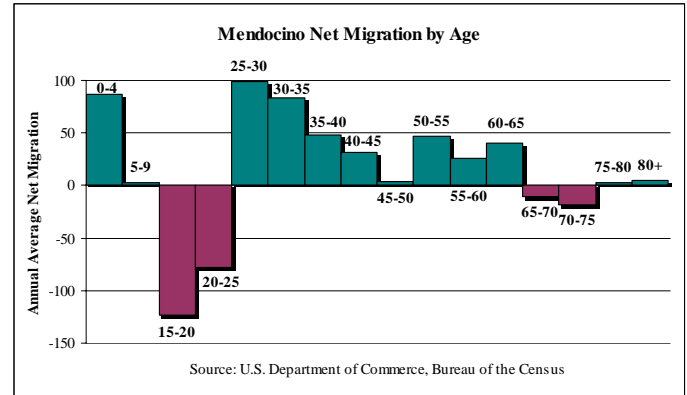
**Related and supporting industries:** the degree to which a firm's suppliers exist in the community.

**Factor conditions:** the degree to which infrastructure and support necessary to the firm exists in the community.

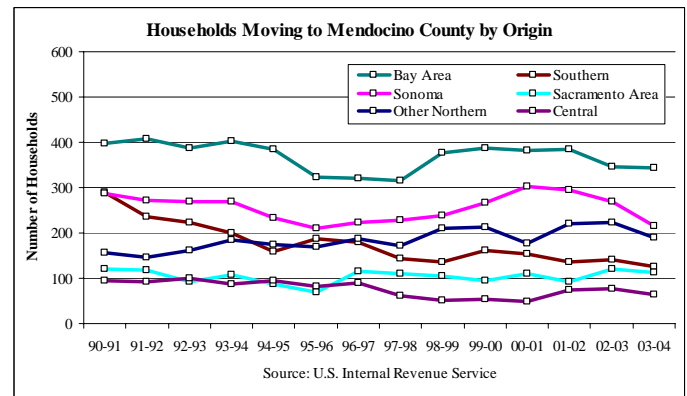
While most clusters in America developed without government influence, governmental agencies can encourage a cluster to develop by building the means by which local businesses interact and buy goods and services from each other.

## Migration to Mendocino County

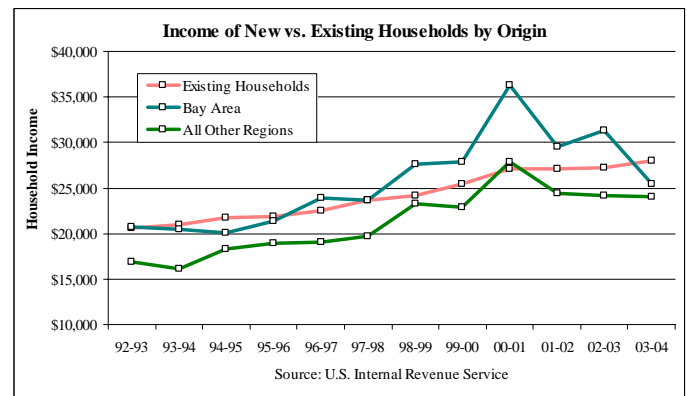
Early- and near-retirees are the second-largest group of in-migrants to Mendocino County, after families with children. There are more than 100 additional in-migrants between the ages of 50 and 65 that move to Mendocino County every year. This is the net increase due to in-migration minus out-migration.



Evidence suggests that net in-migration has decreased since 2000, although migration from the Bay Area remains strong.



Bay Area migrants are also the wealthiest. Their average income is higher than the county average during most years.



<sup>1</sup> Porter, Michael E. The Competitive Advantage of Nations. Simon & Schuster. 1990.

## Retiree Needs

The following are a list of documented needs and requirements sought by retirees.

**Professional services:** Retirees need help managing their retirement income and ready access to medical care. Most jobs in these sectors pay a living wage.

- Financial
- Legal
- Medical

**Community involvement:** Retirees tend to be more active in the community than a working resident and need places to volunteer and give back to the community.

- Civic activities
- Volunteering for nonprofits

**Growth and fulfillment:** Retirees often seek personal growth opportunities and the wealthier ones seek them out.

- Learning opportunities
- Recreation

**Essential Goods and Services:** Retirees need ready access to a wide variety of restaurants and products. Some lack the skills or strength for many types of repair services when household items break.

- Eating places
- Retail stores
- Personal repair services

**Transportation:** Retirees need to get to the places of businesses and recreation discussed above, although not all are willing or able to or to drive. Many seek a wide variety of transportation opportunities.

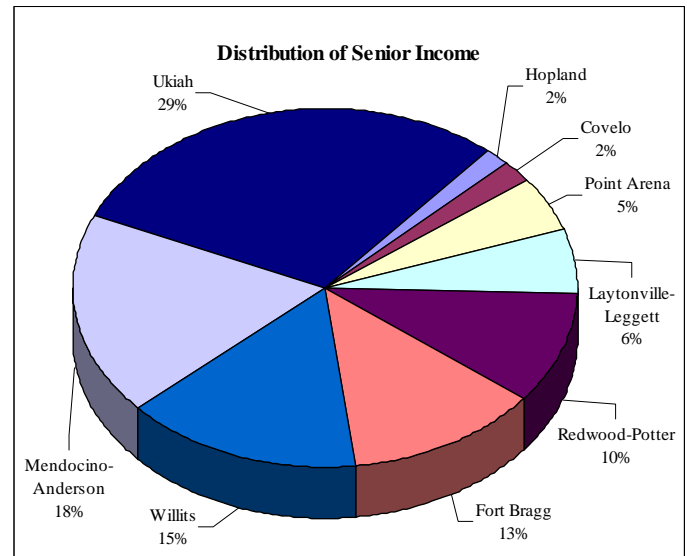
- Vehicle sales
- Public transportation

**Housing:** Retirees need a variety of “empty nest” styles of housing. Some look for land or a large house and some seek a place that requires less maintenance. Some older retirees require some kind of assisted living situation.

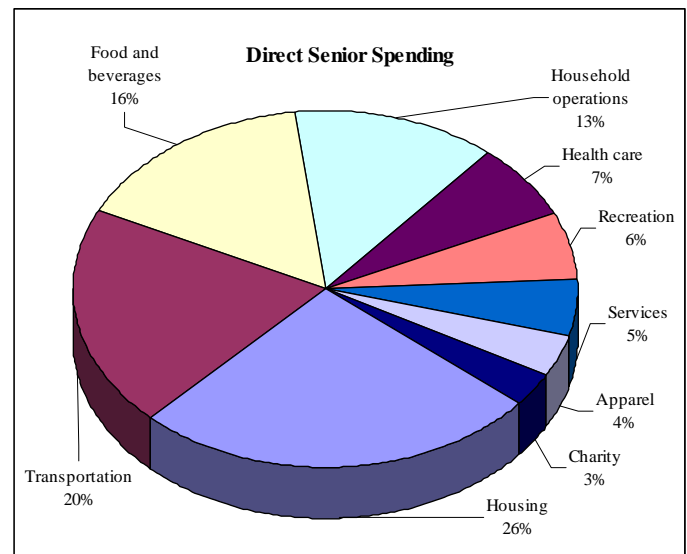
- Mature needs
- Group care

## Direct Economic Impact

In 2006, the CED/SBDC estimates total personal income for persons age 65 and over to be about \$375 million. About 30 percent of this income is in the Ukiah area.



Recent surveys show how retirees tend to spend their money. This is an average with a wide variance (some have large mortgage payments that eat a majority of their income, some buy homes outright and spend next to nothing on housing afterward).



Source: Jacksonville State University (Alabama) Center for Economic Development

## Secondary/Total Economic Impact

The direct economic impact does not include payments for services not made directly by retirees. These include:

- **Medical insurance payments**

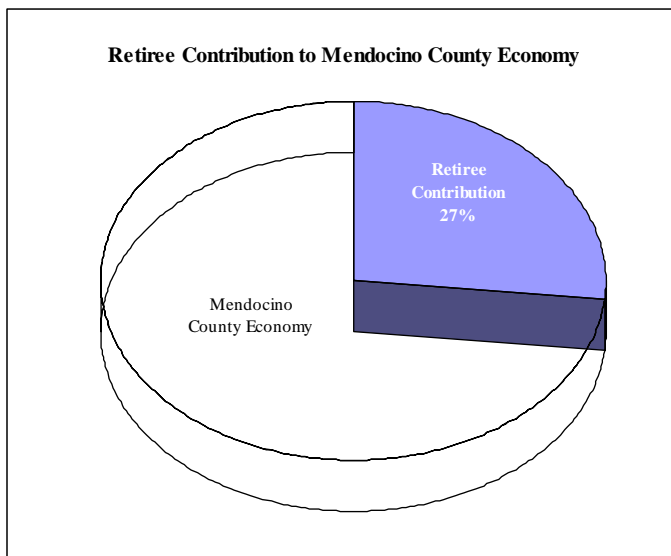
In 2004, \$242 million in government payments were provided for medical services to Mendocino County residents. This does not include private insurance payments for services performed.

- **Visiting family and friends**

In 2004, \$37.6 million was spent by visitors to Mendocino County staying at homes of friends and family. This does not include visitors staying at paid accommodation facilities.

According to IMPLAN, after respending of senior income, medical payments, and visiting family and friends, the total economic impact of seniors in Mendocino County is \$1.06 billion in revenue to businesses and organizations, \$562 million of this revenue is paid directly to individuals in wages, salaries, proprietary income, property rental, dividends, and other payments to individuals. Seniors support 11,800 jobs in Mendocino County.

In all, retirees in Mendocino County are responsible for 27 percent of all economic activity in the county.



## Capturing Economic Impact

Capturing the economic impact of retirees can be done in three ways.

### 1. Provide Products and Services Retirees Need

The more products and services seniors need that can be bought in Mendocino County the more of their income will remain in the county. This can be accomplished by encouraging businesses that serve retirees to locate in Mendocino County, or encourage local entrepreneurs to emphasize or even specialize in serving seniors.

- retail
- eating places
- medical services
- legal services
- financial services

### 2. Provide Products and Services Needed by Businesses Serving Retirees

As with retirees, the businesses that serve them need products and services. The more these products and services are available in Mendocino County, the more will be spent locally. According to the IMPLAN analysis, the key industries demanded by businesses serving retirees with over \$10 million in leakage annually are the following:

- security and commodity brokers
- real estate
- banking
- wholesale trade

### 3. Encourage Businesses that Need Similar Products and Services to Purchase Them Locally

By increasing customers for businesses that provide products and services for retirees, their solvency can be improved while the retirement market is developed. Key industries in Mendocino County that export more than \$1.5 million annually to buy products and services from businesses that provide these to retirees include:

- banking
- single-family home construction
- wholesale trade

## Attracting Retirees

Retiree attraction is similar business attraction. A community has to build the resources necessary for the attraction target and effectively sell itself to that target. There are some similarities, but many differences, between what businesses and retirees are seeking.

**Tourism:** Retirees are attracted by nearby tourist activities. This is why places like Lake Tahoe, Las Vegas, and to some extent, the Mendocino Coast has been successful at attracting retirees. Each of these places have unique features that draw tourists and tourists who like to visit these places are potential retiree migrants.

**Marketing:** Selling a community as a retirement location is important. Many visitors may not consider retirement at a vacation destination unless told of the possibility.

**Retail and Services:** As much as transportation is a major expenditure for seniors, most will not wish to travel far for the retail goods and services they need. Communities with a comprehensive supply of goods and services demanded by seniors usually have little trouble attracting them.

**Housing:** Early- and near-retirees, the primary group moving to Mendocino County, look for many different types of housing. Some are looking for housing in an active community, some are looking for a lot of space to host get-togethers, and some are looking for less space to maintain. An adequate supply of housing types sought by this group will attract them to the community.

**Recreation:** Early- and near-retirees seek places to live near activities in which they like to participate. This can include sports (tennis, golf, hiking, etc.); leisure (beaches, sunbathing, etc.); and social gatherings (night clubs, restaurants, etc.).

**Climate:** A climate with less summer-winter variation is more likely to attract retirees.

**Cost of Living:** Retirees tend to seek areas with lower living costs than places they live before retirement.

## Policy Recommendations

Mendocino County has most of the features necessary to attract a significant number of retirees. There are areas within control of the county where action can be taken to make Mendocino County better able to capture additional economic impact from retirees.

### 1. Marketing Mendocino County

Encourage early- and near-retirees to consider retiring in Mendocino County by marketing to Bay Area residents (who have a higher average income) and to visitors already coming to Mendocino County. This can be accomplished through marketing promotions at Mendocino County tourist destinations.

### 2. Assist Local Businesses Serving Retirees

Support organizations that provide services to small businesses such as the Redwood Empire Small Business Development Center (SBDC). The West Company is the local outreach organization providing SBDC services. They have offices in Fort Bragg and Ukiah.

### 3. Capture More Spending from Local Residents

Analysis from IMPLAN indicates that 43 percent of household income is spent outside of Mendocino County. For seniors, this represents a potential leakage of \$162 million annually. A survey should be conducted to find out which goods and services seniors are leaving the county to purchase. Results can be used to educate seniors about the availability of local products and services and attract or expand businesses providing these services.

### 4. Create Communities for Retirees

Three types of communities can be created for retirees and early- and near-retirees. Active communities with recreational activities can be created to attract more of this wealthy group from the Bay Area. Del Webb-style social and service communities can be built for local and regional retirees to move in and spend money. Finally, assisted-living communities can be built to provide services needed by older retirees so they are able to remain in the county.