

## From the Chair



Lee Kraemer

In June of 2005, the Workforce Investment Board (WIB) established an *ad hoc* committee charged with examining the long-term economic outlook for Mendocino County. The committee did not want to rehash known drawbacks to business development, rather it chose to look for possible solutions to business attraction and expansion from a cluster-based economic development point of view.

The outcome of the committee's work was the economic forum, *There's More to a Cluster than Grapes*, co-hosted by the WIB and the Ukiah Chamber in November 2005. Though planned as a countywide event, most of the 80 participants were from inland Mendocino County.\*

During that forum, Dan Ripke, Director of the Center for Economic Development (CED) at California State University, Chico, guided the participants through the process of identifying the industry clusters they felt were the most significant in the county. The group designated six clusters for further study: organic agriculture, retirement, tourism, alternative energy, education and public services.

So often, economic forums lead to talk and no action. However, in this stance, thanks to the efforts of the County's Economic Development Director and a grant from Pacific Gas & Electric Company, the Board of Supervisors was able to commission an in-depth study of one of the clusters – retirement. The study was conducted by CED in partnership with the Small Business Development Center (SBDC).

As the chairman of the *ad hoc* committee and now as the new WIB chair, I am pleased to be able to share the study's findings in this issue of the WIB *Newsletter*.

(\*The WIB hopes to join efforts with those on the coast who are interested in economic development to plan a truly countywide economic outlook conference in the near future.)

## Industry Cluster Basics

**What are industry clusters?** A cluster is defined as a concentration of companies and industries in a geographic region that are interconnected by the markets they serve and the products they produce, as well as their suppliers, trade associations and educational institutions. Clusters are considered vertical if they share a common supply chain and are labeled horizontal if they share a common market for the end products, use a common technology or labor force skills, or require similar natural resources.

**How do they work?** Though Industry clusters have developed naturally for years around consumer needs, not until Michael Porter of Harvard Business School developed the "Diamond of Advantage" concept did cluster economics become a method of intentional economic development. This method moves beyond the traditional cost-based method of focusing on corporate incentives, such as tax breaks for individual firms to make doing business in an area less costly, to a focus on a set of factors that influence a group of firms. Using his method, clusters may be used as a tool to help businesses recognize the advantages of relationships with other industries and to identify any needs within the infrastructure of the cluster.

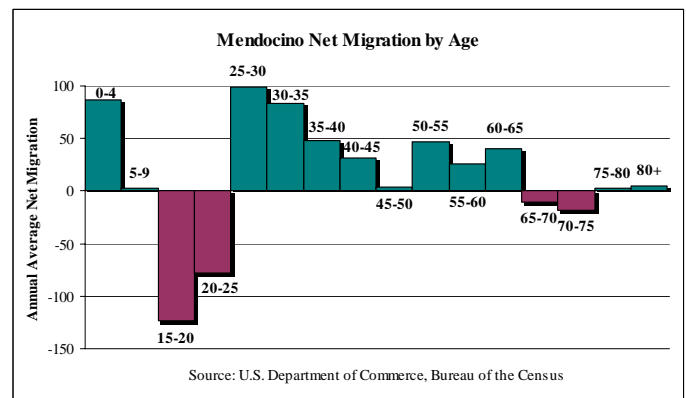
**Why are cluster economics important?** Since clusters do not belong to a specific organization or agency, they become an avenue to promote lines of communication between the public and private sectors. This can be important as needs of the cluster businesses land within the framework of the policy makers. Through the competitive and cooperative dynamics of member businesses within a cluster, a competitive advantage can be created by promoting their common interests.

## Highlights from the 2006 Retirement Cluster Report

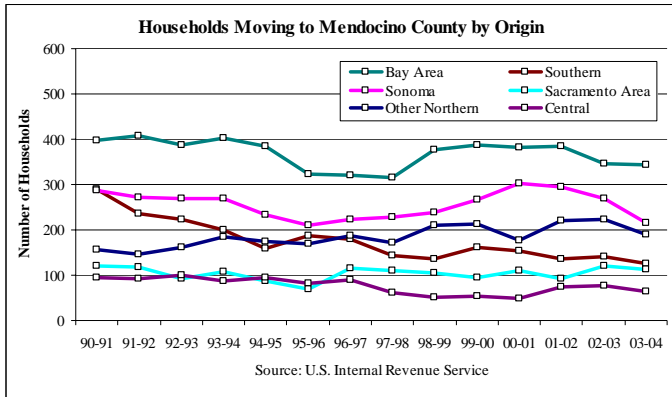
The following is taken from the CED/SBDC Partnership report which may be accessed in its entirety at [www.mendowib.org](http://www.mendowib.org)

## Migration to Mendocino County

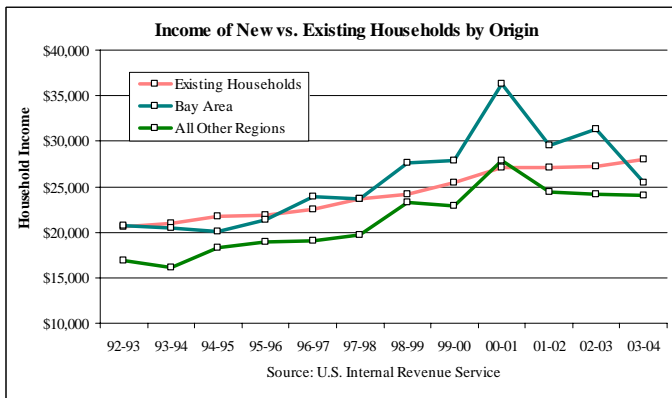
Early- and near-retirees are the second-largest group of in-migrants to Mendocino County, after families with children. There are more than 100 additional in-migrants between the ages of 50 and 65 that move to Mendocino County every year. This is the net increase due to in-migration minus out-migration.



Evidence suggests that net in-migration has decreased since 2000, although migration from the Bay Area remains strong. (Graph lines are ordered as noted.)

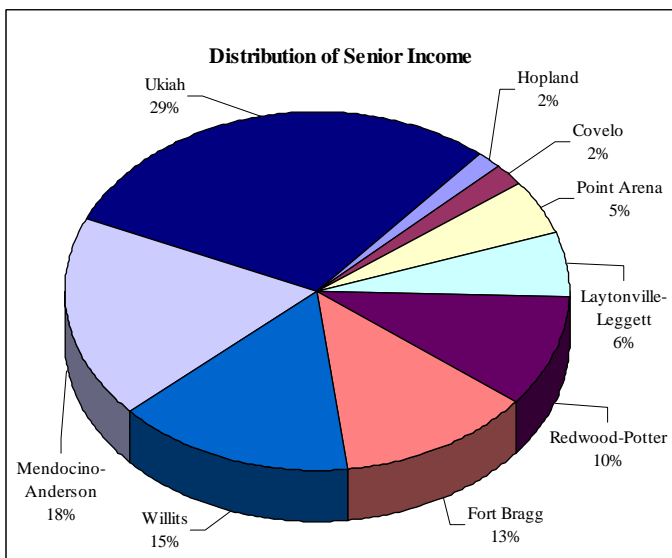


Bay Area migrants are also the wealthiest. Their average income is higher than the county average during most years.



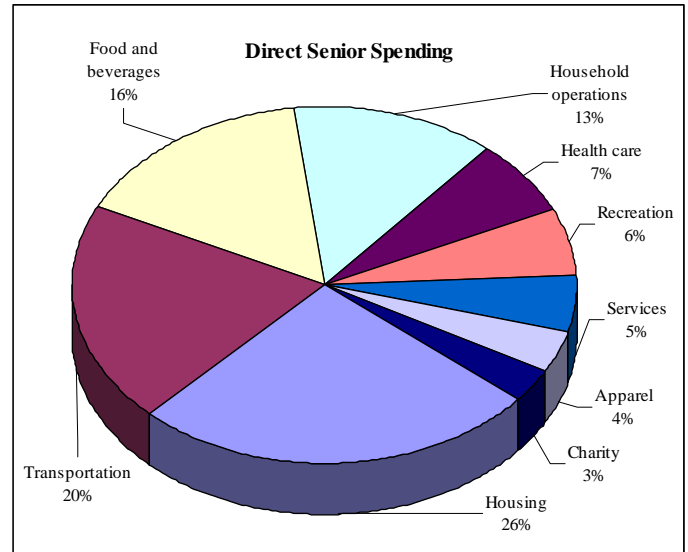
## Direct Economic Impact

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 (an economic database software system), 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 (through):

- 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 leakage (money spent outside Mendocino County) 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 have been successful at attracting retirees. Each of these places has 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.



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## Upcoming Conference

The Mendocino Coast Economic Outlook Conference, *Growing Our Local Economy* is scheduled for October 19<sup>th</sup> and 20<sup>th</sup> in Fort Bragg. Register at [www.mceoc.edfc.org](http://www.mceoc.edfc.org) or for more information call Tom Becker at 707-964-4723.

### BUSINESS OWNERS, OPERATING OFFICERS & CHIEF EXECUTIVES

**Wanted!**

Congress set up local Workforce Investment Boards to be business-driven. If you are interested in steering the workforce development system in Mendocino County, consider becoming a WIB member. Call 467-5506 for a board member packet and membership application.

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This is a quarterly publication for business leaders of Mendocino County. We invite comments and suggestions on this and future publications. **Please let us know if you prefer to receive this by email, or if you wish to be removed from our mailing list.**

To contact us regarding this publication, please call (707) 467-5506 or send an email to [soinilaj@mcoss.org](mailto:soinilaj@mcoss.org)

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