

PREPARED BY THE CENTER FOR ECONOMIC DEVELOPMENT
FOR THE COUNTY OF MENDOCINO WITH FUNDING PROVIDED BY A COMMUNITY
DEVELOPMENT BLOCK GRANT

Removing Barriers to Entry for Local Economic Development in Mendocino County

Business Perceptions Survey

Michael Suplita
Ryan G. Miller
David Gallo Ph.D.

Survey Development
Sandy Linville Ph.D.

Center for Economic Development
California State University, Chico
10/19/2015
(530)898-4598; www.cedcal.com



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Executive Summary

Introduction

The purpose of this study by the Center for Economic Development is to identify existing barriers to economic development in Mendocino County, and work with the local business community to design strategies and solutions to address these barriers. Phase one identified existing barriers to economic development through a Business Perceptions Survey. Phase two involved follow-up interviews with select businesses and a focus group with community leaders. Phase three focused on identifying solutions to the barriers identified through the survey process. Finally, a summary report with recommendations was compiled.

Summary of Results

Employee recruitment and retention is the largest concern for businesses in Mendocino County. Fifty percent of the survey respondents listed recruitment and retention as one of the top five challenges to their business operations, by far the most identified concern. In addition, over half of the businesses surveyed felt that both finding employees and finding employees with the necessary skills was at minimum somewhat of a difficulty.

Housing costs was another issue that was reported as being a difficulty for businesses in the County. Fifty-two percent of businesses reported that real estate prices were one of their top five challenges while 28 percent of those surveyed said housing costs were a significant issue for their business. Further demonstrating the significance of affordable housing, 32 percent of those surveyed suggested the County should create more affordable housing. This was the highest response concerning how the local government could help improve the business conditions.

Insurance costs (health and liability) as well as worker's compensation costs were also challenges for businesses. Thirty-six percent of those surveyed reported that the cost of insurance was posing a significant difficulty to their business and an additional 24 percent reported that it was somewhat of a difficulty. Also, while listing their top five challenges for doing business within Mendocino County, 29 percent of respondents listed Worker's Compensation. That ranks it as the third highest challenge. Additionally, 14 percent of respondents listed unemployment insurance as one of their top five challenges.

When asked about expanding their business within Mendocino County, the biggest struggle reported was the planning and zoning processes. Thirty-five percent of businesses surveyed said this was a difficulty. The second highest reported difficulty, at 32 percent, was other local permit processes. In addition, 23 percent of businesses said that if the local jurisdiction streamlined the permit approval process it would help improve the local business conditions.

While the survey did not directly address the marijuana culture in Mendocino County, the comments section made it clear that this was a major issue affecting businesses throughout the County. The words marijuana/pot/weed were mentioned 36 times in the comment section. Unfortunately, few conclusions could be drawn from the comments. There was considerable conflict between comments as many comments pointed out that it brought people and money into the region, while others felt it was a drain on local resources. Several businesses did agree that marijuana cultivation makes it difficult to retain

employees because legitimate businesses cannot compete on wages and employment taxes. One business said, “when you are paid \$35 per hour cash to trim marijuana, it's difficult to find people who want to work in the legitimate jobs.” They were not the only one to express this sentiment.

Recommendations

Finding and retaining qualified employees is far and away the biggest hurdle to small businesses in Mendocino County. This is compounded by the fact that so many of the surveyed businesses are actively trying to expand their number of employees. Unfortunately there is no simple or singular issue at the root of the problem. After analyzing the survey results and conducting follow-up interviews, it is clear that many underlying challenges have built up the frustration of business owners not being able to attract qualified employees. Challenges and recommendations range from education and workforce development to increasing the attractiveness of the region to potential employees, and challenging the marijuana culture. Perhaps one of the largest deterrents to potential qualified employees is the high housing costs in the County and lack of available housing.

Business owners are experiencing difficulty with the education and skills of the applicants they are receiving. Training programs and workshops are a helpful tool to improve the knowledge-base of the Mendocino County labor force. The County is host to numerous workforce training organizations, including Mendocino College, College of the Redwoods, Mendocino County Office of Education, Mendocino PIC, and Mendocino WIB to name a few. However, despite the efforts of these programs, there still remains a gap in the needs of local business owners. Simply put, business owners are not seeing the value in the available programs. Based on this assessment resources should be reallocated in a manner to address the workforce gap identified by employers. It would be more efficient for the community if investments are made into successful programs rather than just putting more money into a program with a low ROI. So long as an individual programs' ROI is positive, expanded workforce development is a good option for Mendocino County.

Often, government workforce development programs are not trusted or are underutilized by the business community. It is not fair for the government to be solely responsible for workforce development in the County. There needs to be more active engagement of the local business community to help workforce programs identify and meet their workforce needs is required. Examples include business owner participation in the classroom, as well as business owner cross training of instructors on state of the art practices/technologies. It is imperative that business owners in Mendocino County come together and form public-private partnerships in an effort to advance workforce programs in the County.

There is a “brain drain” in Mendocino County as young, skilled, workers are leaving the community or not coming back after college. This is fairly common in rural northern California. Rather than individual firms doing their own, state or nationwide, recruitment it would be more cost effective (economies of scale) for a group of organizations to put together an employee/business marketing package. The package should include a list of amenities the County offers as well as relevant data and other marketing materials. This package will become stronger as other issues are resolved such as the low availability of affordable housing.

It is clear that most businesses feel that expensive real estate and rental prices in Mendocino County are causing challenges for their business. Also, indirectly, this issue is impacting the attractiveness of Mendocino County to young skilled workforce. Fortunately, the County has several options to help alleviate the issue. The County should encourage growth through a streamlined permit and inspection process. It may be more cost effective for new developments to be built within the Ukiah, Willits and Fort Bragg city limits rather than in the unincorporated areas of the County. Infrastructure is more readily available in and around the cities and therefore new developments would be able to connect to city water, sewer, and road systems much cheaper than if they were developed from scratch. With consideration to long term, sustainable growth, city amenities are more efficient than adding new wells and septic systems. It is also recommended that local jurisdictions consider undertaking planning efforts that prioritize the development of rental and multifamily developments in areas near employment centers. Mendocino County is chronically undersupplied with rental units. Adding newly constructed units to the market will reduce the impacts of overcrowding and help to alleviate the pressure of ever increasing rental prices.

Marijuana issues were a continual theme throughout the survey. Unfortunately most businesses could not agree if the marijuana culture was a positive or a negative for the County's business climate. Even some community leaders at the focus group suggested "proactive infrastructure development for the marijuana cluster." However, it was generally agreed that something needs to change regarding the way marijuana is currently handled, especially in terms of workforce development. During the follow-up interview processes and the focus group it was mentioned that there needs to be new government or school mandated policies regarding substance abuse education, rehabilitation in the judicial system, and education on the importance of soft skills such as passing a drug test. Based on so many similar responses it seems pertinent that the County or the school districts further investigate an effective program. Since marijuana cultivation is at the nexus of so many of the issues identified in this survey, the CED recommends that Mendocino County continue its proactive stance toward implementing smart marijuana policies that allow for the development of a diversified and well managed legal marketplace.

The County should consider measures to become more competitive with Napa and Sonoma counties. As noted, the planning and zoning processes was the biggest struggle for businesses during the start-up and expansion process. Thirty-five percent of businesses surveyed said this was a difficulty and 32 percent said other local permit processes were difficult. Finding a solution for this is important considering the perceived harshness of California's business climate. It is important for Mendocino County to stay attractive to businesses for both retention and attraction purposes.

Introduction

The County of Mendocino contracted with the Center for Economic Development (CED) at California State University, Chico to complete a study that aims to determine what barriers exist to economic development in Mendocino County and design strategies and solutions with the local business community to address those barriers. The study was funded through a Community Development Block Grant awarded to the County of Mendocino.

The first step in identifying existing barriers was to develop and conduct a Business Perceptions Survey in Mendocino County. The survey was developed with business owners as the primary audience and distributed to business owners and operators throughout Mendocino County. Of the 351 survey responses, 138 were from the incorporated City of Ukiah, 65 were from Fort Bragg businesses, 55 responses came from businesses in Willits, 6 responses were from Point Arena, while the remaining 87 responses were from businesses in the unincorporated areas of the County. The survey asked business owners to describe their business and opinion of various issues related to doing business in Mendocino County and personal opinions and feedback shared as a part of the survey is confidential. After identifying existing barriers CED conducted follow-up interviews with select businesses and conducted a focus group with community leaders. The follow-up interviews and focus group aimed to identify solutions to the barriers identified in the survey process. Lastly, CED utilized the identified barriers and solutions to make recommendations to the County on how to improve the business climate.

Methods of the Study

Research Design

This study surveyed Mendocino County business owners to obtain information about their experiences and perceptions about doing business in the County. The survey was ultimately conducted in person, over the phone, and online, and was supplemented by a series of follow-up interviews with business owners who indicated that they would like to provide more detailed responses. This section of the report describes how the survey was created. See Appendix A for the full text of the survey itself as it appeared in print form.

The items for the survey were constructed in accordance with information that was obtained from in-depth interviews with business owners in Mendocino County. Prior to administering the survey, in-depth interviews were conducted with business owners to gain a richer understanding of businesses needs and issues in Mendocino County. Eight interviews were scheduled with five interviews being conducted. The remaining three interviews were not rescheduled at the business owners' request. The interviews served to expand those topics that were of importance for conducting business in Mendocino County.

Unstructured interviews were conducted to facilitate a richer discussion of what the business owner thought was important in conducting business in the county. Most interviews were audio recorded with the permission of the participants. In the interviews that were not recorded, field notes were kept during the interview, and immediately following additional notes were taken while the interview information was fresh. The recorded interviews were listened to again while notes were made on emerging themes that stemmed from the interview. The notes from all interviews were compared to each other to identify patterns that were woven throughout all the interviews.

The major patterns that emerged from the interviews served as the basis of the survey construction. This method helped to ensure the survey was capturing the information it was supposed to measure. The major patterns that emerged in the interview data were:

- Business signage
- Access to capital
- Hiring employees
- Local and state taxes
- Providing health insurance
- Timeliness of working with local and county government departments (e.g., permits and building inspections).

The survey items were constructed to be able to survey a larger sample of Mendocino County businesses. Additionally, survey items were constructed to capture demographic information of respondents in order to determine a correlation, if any, between various demographic attributes, and issues and priorities of the business owner. The survey also contained an open-ended question that allowed the respondent to add any additional information that was not being captured by the other survey questions.

The survey was pre-tested on 5 individuals in an effort to help ensure face and content validity, and to check for understanding of each question. Further tests on internal and external validity were not conducted due to time and cost constraints.

Sampling Technique

The sampling technique used in this study was a convenience sample. Dunn and Bradstreet (D&B), a subscription based database, was used to determine the number and location of businesses within Mendocino County. While generally seen as the most comprehensive database of private businesses available, D&B's business information is often incomplete or outdated. Thus, while D&B allowed the survey team a reasonable indication of the number of businesses in the County, the database cannot be considered an accurate representation of the universe of all businesses in the County.

Nevertheless, the D&B database was used to obtain a list of 750 Mendocino County businesses. Using the location and contact information provided in this listing, the project team collected:

- 239 surveys obtained in-person on “business walks”.
- 71 surveys completed via a Constant Contact web-based survey.
- 54 surveys obtained over the phone.

For each survey method, the elements within the target population did not have an equal chance of being selected. Hence, the sample is not truly random, and the sample responses are not necessarily representative of the opinions of the entire population of businesses within the county.

If the sample were entirely random, then the sample responses could have been translated into a range of possibilities for the population of businesses. While the sample size of 359¹ is sufficient to allow statistical testing at the 95 percent confidence interval,² statements of statistical significance cannot be made. What the survey tabulation does provide is an indication of the degree of concern for an array of issues, and the descriptive statistics do provide an approximate ranking of the perceived severity of the particular issues addressed.

Nearly two-thirds of the surveys collected were obtained on “business walks” through the commercial and industrial centers of the County. The business walks were conducted over two weeks: first from July 13-17, and then again from July 20-24. One week prior to conducting the walks, the CED issued press releases to local print media outlets such as the Ukiah Daily Journal and the Fort Bragg Advocate-News, as well as to a number of popular local radio stations such as Mendocino Public Broadcasting (KZYX). The business walks consisted of a CED or CDC staff member parking their rental car in a central area between business clusters, and walking to each individual business to conduct the surveys in person. Survey takers generally started in the central business districts of communities, and then drove to outlying commercial and/or industrial areas once all business in the walkable portion of the communities had been surveyed. Based on the D&B business list, maps were created to get a better idea of their spatial extent. Then communities or neighborhoods were targeted that had clusters of five or

¹ Based on an estimated population of 5,537 businesses in Mendocino County (Dunn and Bradstreet)

² For example, 67 percent of the surveyed businesses expressed the opinion that finding and retaining employees with the appropriate skills was either a problem or somewhat of a problem. Statistical testing would permit us to say at a 95 percent confidence level that, for the population of businesses, between 67% - X% and 67% + X% believe that this is an issue for their business.

more businesses within walking distance or a short drive of one another. Keeping with a convenience sample, in the case of absentee business owners, or if the business was closed at the time of the visit, the business was replaced with its nearest neighbor. See Appendix B for an example of clusters of business in the Ukiah area.

The following list shows the communities were surveyed in this manner:

- Ukiah (Downtown, N. State St commercial corridor, Perkins/101 commercial area)
- Fort Bragg (Downtown, Hwy 1 commercial areas, Hwy 20 commercial areas, Noyo Harbor)
- Willits (Downtown, S. Main St commercial area)
- Mendocino
- Laytonville
- South county coast (Manchester, Pt. Arena, Gualala, Elk)
- Redwood Valley
- Potter Valley
- Calpella
- Hopland
- Anderson Valley (Booneville, Philo, Navarro)
- Covelo

Survey Respondents

The majority of respondents to the Mendocino County Business Survey were business owners. As shown in Figure 1 and Table 1 below, 65 percent of respondents were business owners. Eleven percent of the respondents were staff or employees and six percent were operators. Thirty-eight percent of those who listed other specified they were some type of manager for the company.

Figure 1: Company Position of Survey Respondent

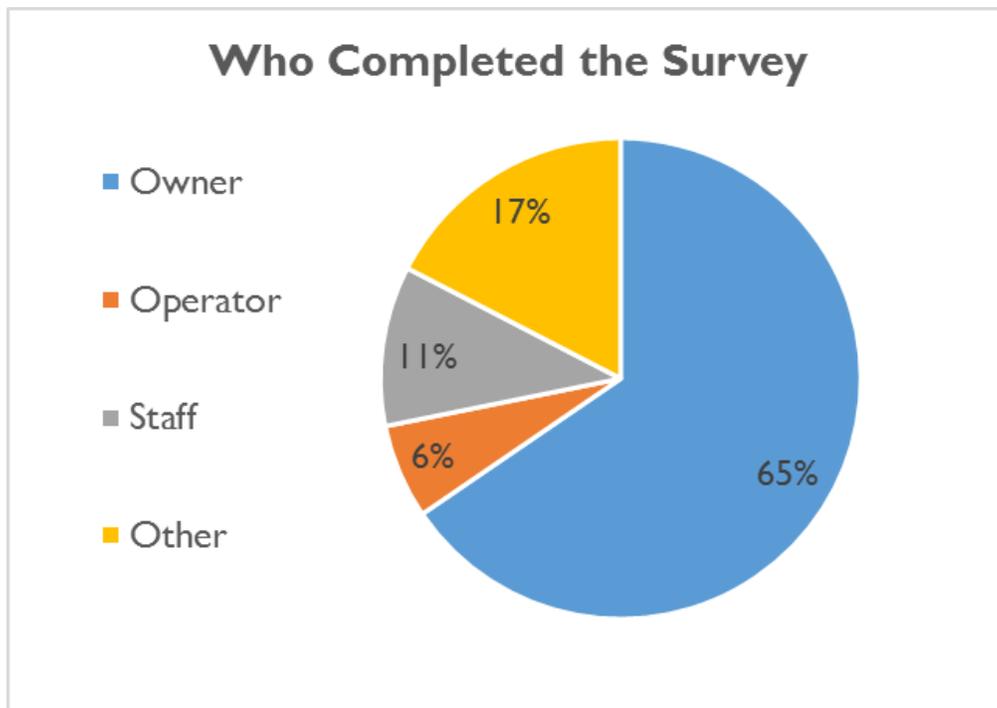
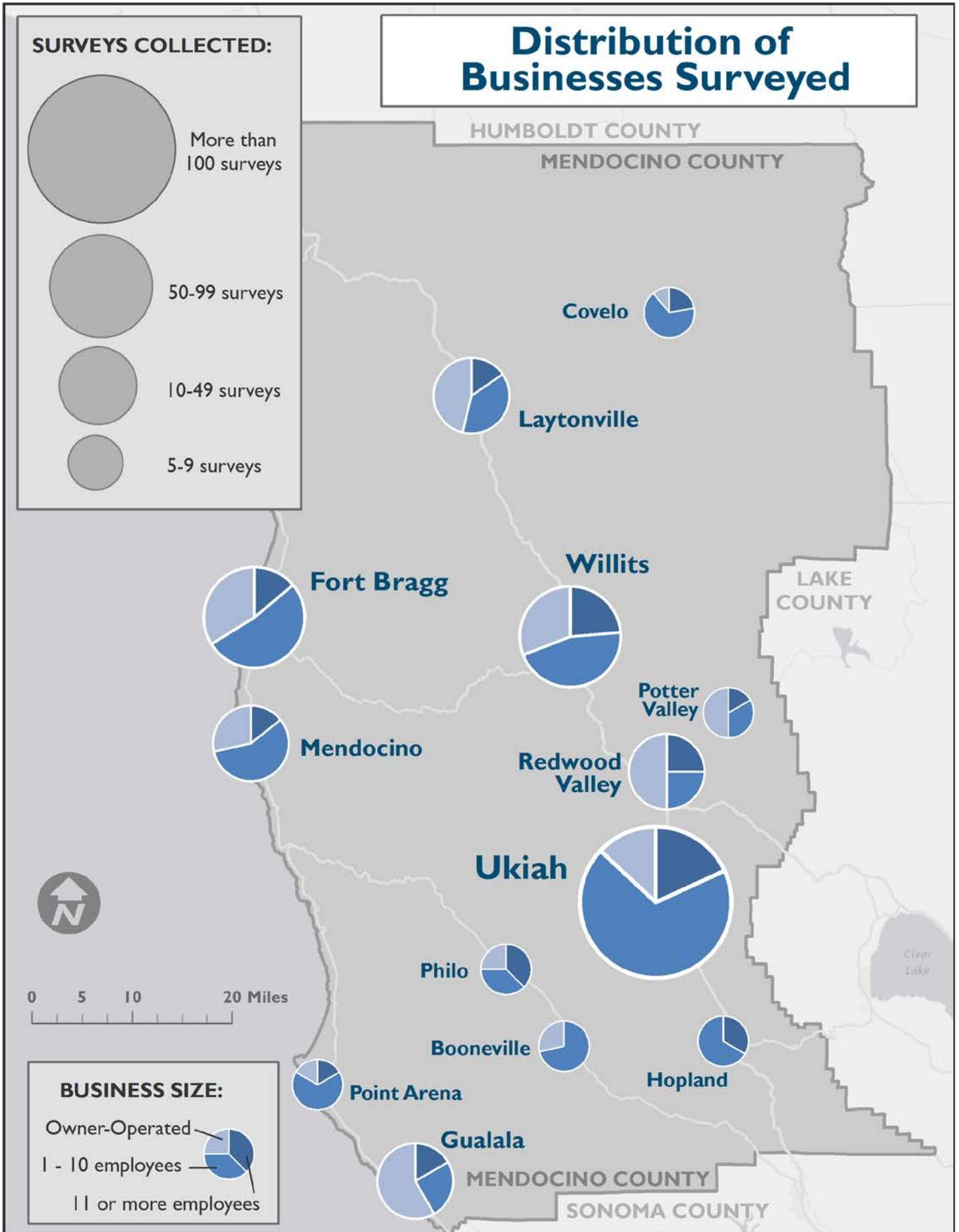


Table 1: Company Position of Survey Respondent

Position	Percent	Number
Owner	65%	237
Operator	6%	23
Staff	11%	39
Other	17%	63
Totals	100%	362

Map 1, on the following page, shows the geographic distribution of survey responses throughout the County, organized by the number and size of the businesses surveyed, for communities where at least five surveys were obtained.

Map 1. Geographic Distribution of Survey Responses by Business Size



General Business Conditions

Business Organization

As shown below in Figure 2 and Table 2, 51 percent of respondents are sole proprietors. Corporations make up the second largest group of businesses within the County, with 35 percent of respondents classifying their business as some type of corporation. 501c3 and other non-profits make up five percent of the businesses surveyed.

Figure 2: Type of Business Organization

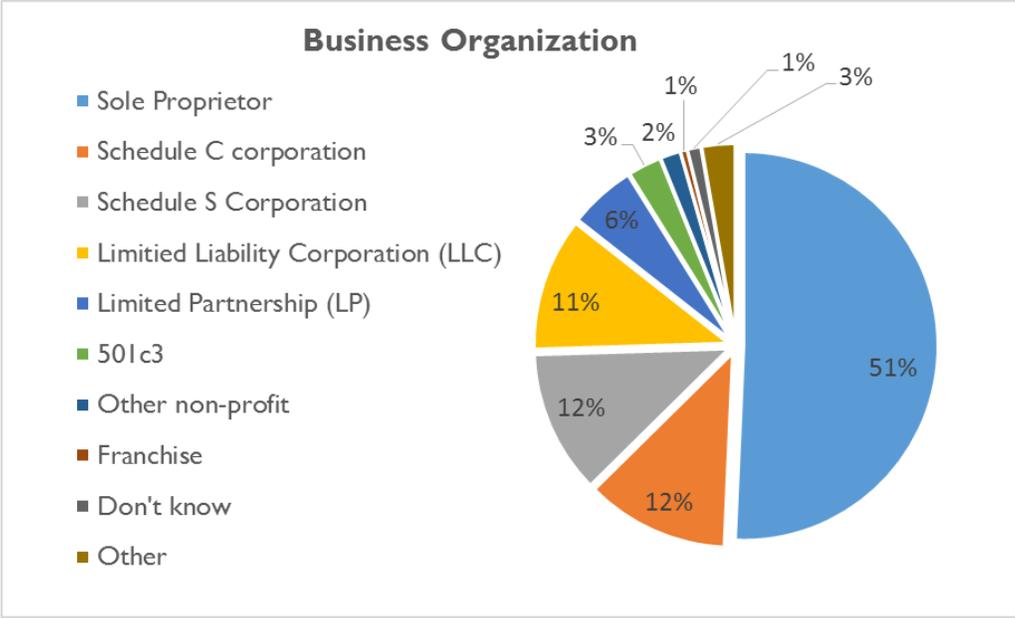


Table 2: Type of Business Organization

Type of Organization	Percent	Number of Responses
Sole Proprietor	51%	183
Schedule C corporation	12%	43
Schedule S Corporation	12%	43
Limited Liability Corporation (LLC)	11%	40
Limited Partnership (LP)	6%	20
501c3	3%	10
Other non-profit	2%	6
Franchise	1%	2
Don't know	1%	4
Other	3%	10
Totals	100%	361

Business Size as Measured by Employment

Question: "How many people does your business employ?"

The majority of businesses have less than ten employees. As shown below in Figure 3 and Table 3, 56 percent of businesses have an employment size between one and ten employees. 26 percent of employees have zero employees (they are owner-operated). Small businesses make up the majority of businesses with only one percent of businesses employing more than 250 employees.

Figure 3: Number of Employees

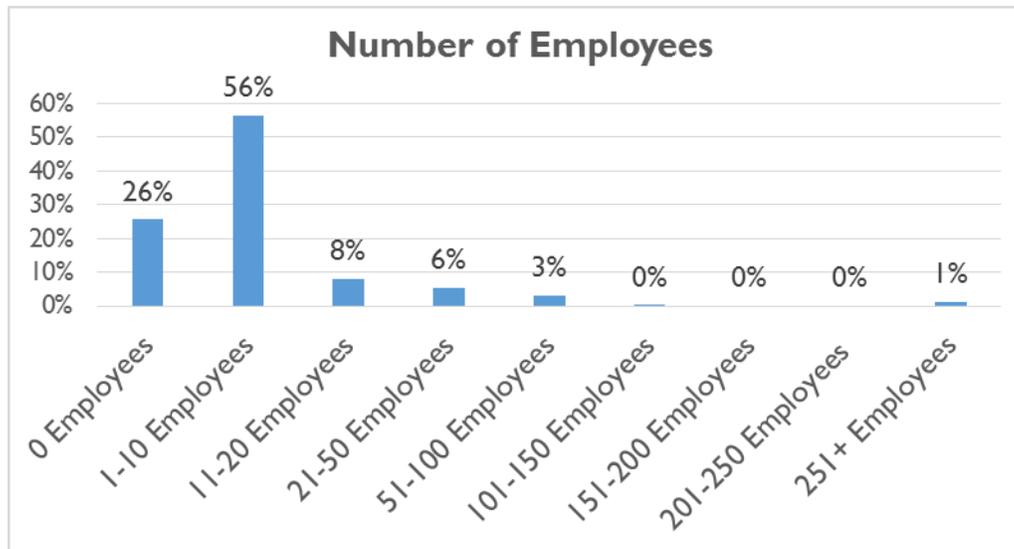


Table 3: Number of Employees

Number of Employees	Percent	Number
0 Employees	26%	93
1-10 Employees	56%	205
11-20 Employees	8%	29
21-50 Employees	6%	20
51-100 Employees	3%	11
101-150 Employees	0%	1
151-200 Employees	0%	0
201-250 Employees	0%	0
251+ Employees	1%	4
Totals	100%	363

Business Maturity

Question: "In what year was your business established in Mendocino County?"

Young businesses make up the largest portion of businesses in Mendocino County. As shown below in Figure 4 and Table 4, 50 percent of businesses have been in business for less than 20 years. Only 13 percent of businesses have been operating for more than 50 years, and only seven percent have been operating for 70 years or more.

Figure 4: Age of Businesses

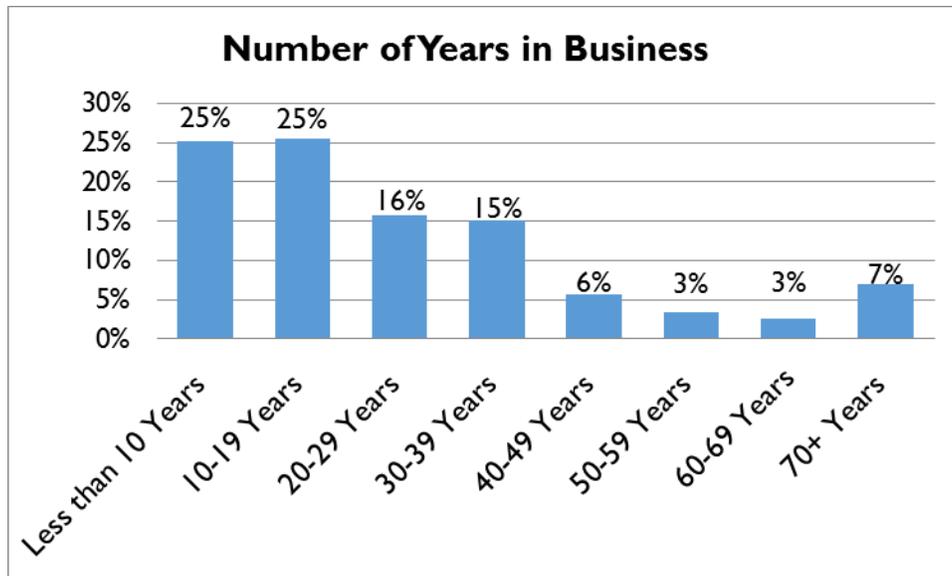


Table 4: Age of Businesses

Number of Years in Business	Percent	Number
Less than 10 Years	25%	90
10-19 Years	25%	91
20-29 Years	16%	56
30-39 Years	15%	54
40-49 Years	6%	20
50-59 Years	3%	12
60-69 Years	3%	9
70+ Years	7%	25
Totals	100%	357

Primary Business Activity

Question: “In which of the following business sectors would you categorize your business?”

As shown in Table 5 and Figure 5, the primary business sector in Mendocino County is the Retail Trade industry, which accounts for 31 percent of businesses surveyed. The accommodation and food services industry is the second largest sector, accounting for eight percent of businesses surveyed.

Figure 5: Primary Business Sector

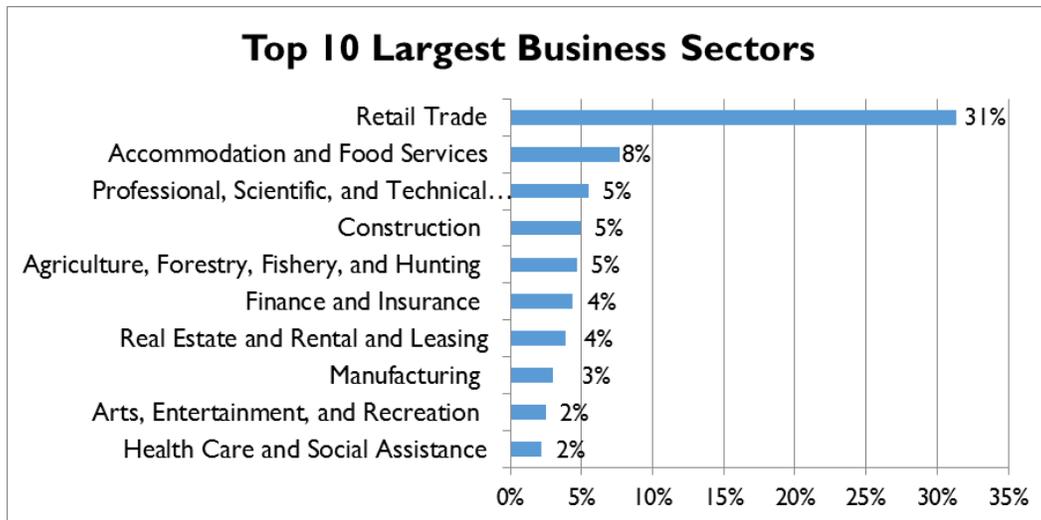


Table 5: Primary Business Sector

Sector	Percent	Number
Retail Trade	31%	114
Accommodation and Food Services	8%	28
Professional, Scientific, and Technical Services	5%	20
Construction	5%	18
Agriculture, Forestry, Fishery, and Hunting	5%	17
Finance and Insurance	4%	16
Real Estate and Rental and Leasing	4%	14
Manufacturing	3%	11
Arts, Entertainment, and Recreation	2%	9
Health Care and Social Assistance	2%	8
Transportation and Warehousing	2%	7
Wholesale trade	2%	6
Information	1%	3
Management of Companies and Enterprises	1%	2
Educational Services	1%	2
Mining, Quarrying and Oil and Gas Extraction	0%	1
Utilities	0%	1
Public Administration	0%	1
Other Services	7%	27
Other	15%	54
Totals	100%	359

Family Owned Businesses

Question: "Is your business family owned?"

As shown in Figure 6 and Table 6, 62 percent of businesses surveyed were family owned businesses, while 38 percent of businesses were not family owned.

Figure 6: Number of Family Owned Businesses

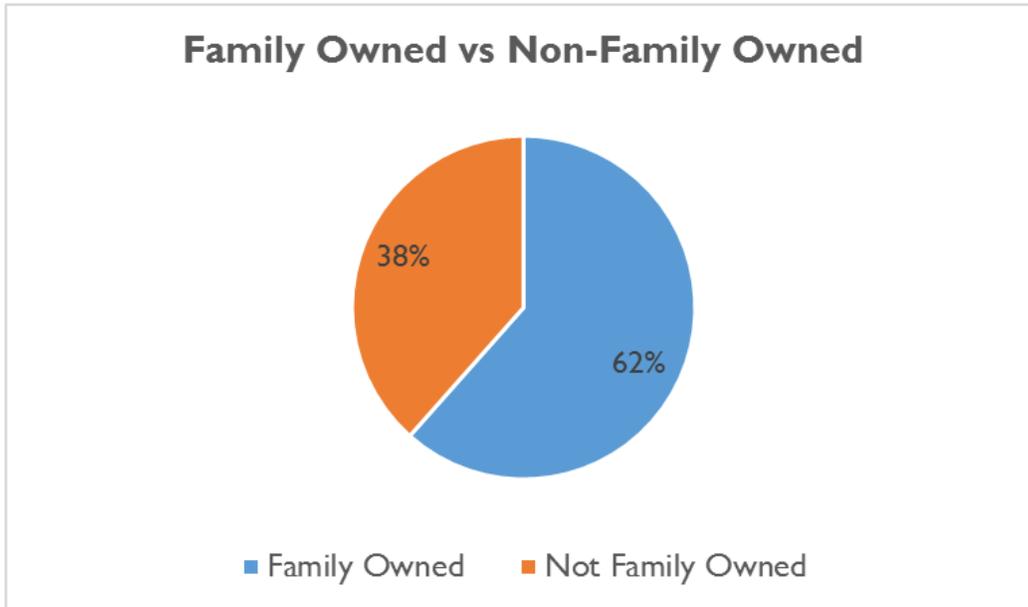


Table 6: Number of Family Owned Businesses

Description	Percent	Number
Family Owned	62%	221
Not Family Owned	38%	138
Totals	100%	359

Home Based Businesses

Question: "Is your business based out of a home?"

As shown in Figure 7 and Table 7, only 15 percent of businesses surveyed were home-based businesses, while 85 percent of businesses surveyed were non-home based businesses.

Figure 7: Number of Home Based Businesses

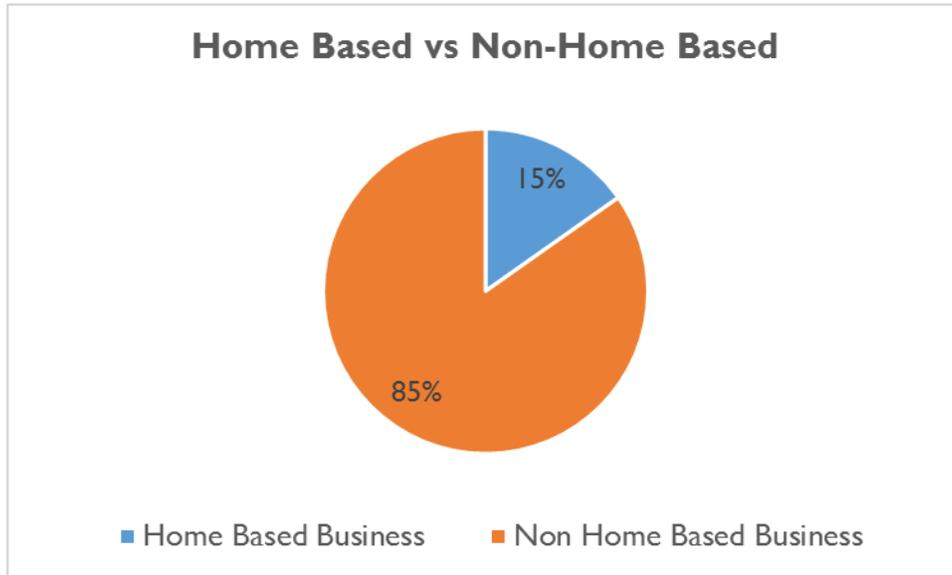


Table 7: Number of Home Based Businesses

Business Type	Percent	Number
Home Based Business	15%	55
Non Home Based Business	85%	306
Totals	100%	361

Franchises

Question: “Does your business operate as a franchise?”

The majority of businesses surveyed are not operating as a franchise. As shown below in Figure 8 and Table 8, only five percent of businesses surveyed were operating as franchises while 95 percent were not operating as a franchise.

Figure 8: Number of Franchises

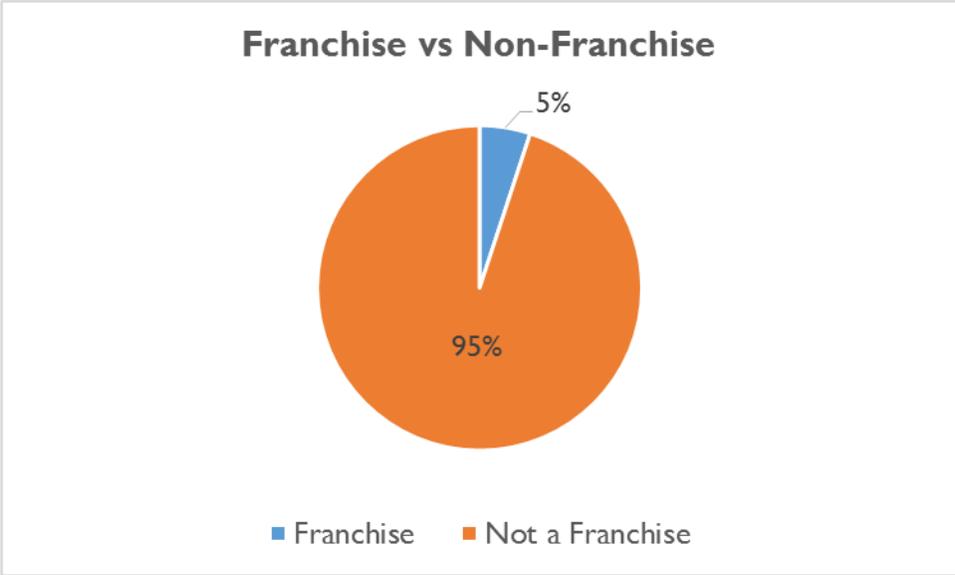


Table 8: Number of Franchises

Business Type	Percent	Number
Franchise	5%	18
Not a Franchise	95%	339
Totals	100%	357

Portion of Year Business Operates

Question: “For what portion of the year does your business operate?”

As shown below in Figure 9 and Table 9, 96 percent of businesses surveyed are open year-round. Only one percent of businesses are operating less than six months of the year. The remaining three percent are open between 7 and 11 months out of the year.

Figure 9: Portion of Year Business Operates

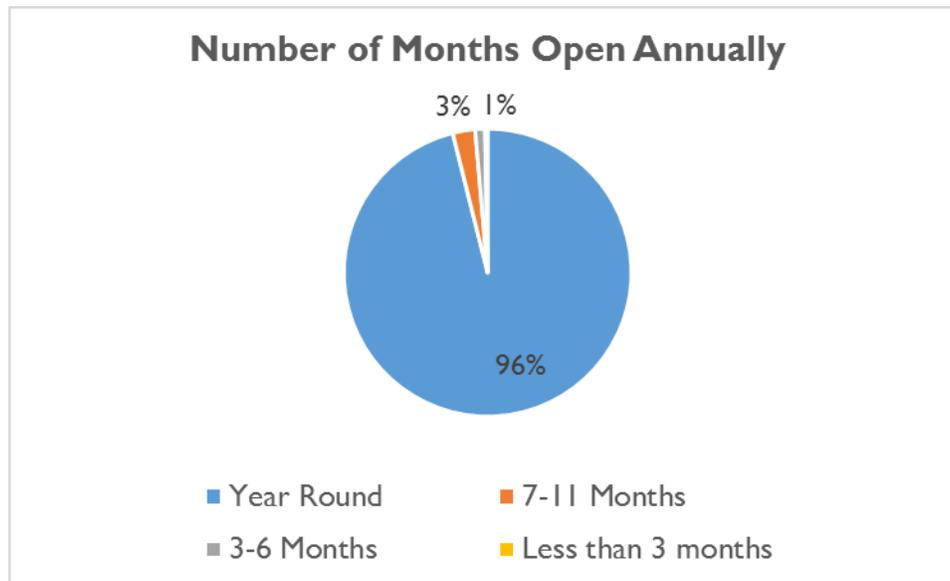


Table 9: Portion of Year Business Operates

Months Open	Percent	Number
Year Round	96%	344
7-11 Months	3%	9
3-6 Months	1%	4
Less than 3 months	0%	1
Totals	100%	358

Number of Weekly Operating Hours

Question: “When in operation, how many hours per week is your business open?”

As shown in Figure 10 and Table 10 below, 76 percent of businesses surveyed are open for 40 or more hours per week, while only eight percent are open 24 hours a day, seven days a week. 12 percent of businesses are open less than 40 hours per week. Businesses with occasional or irregular hours make up a small portion – about four percent – of all business surveyed.

Figure 10: Number of Weekly Operating Hours

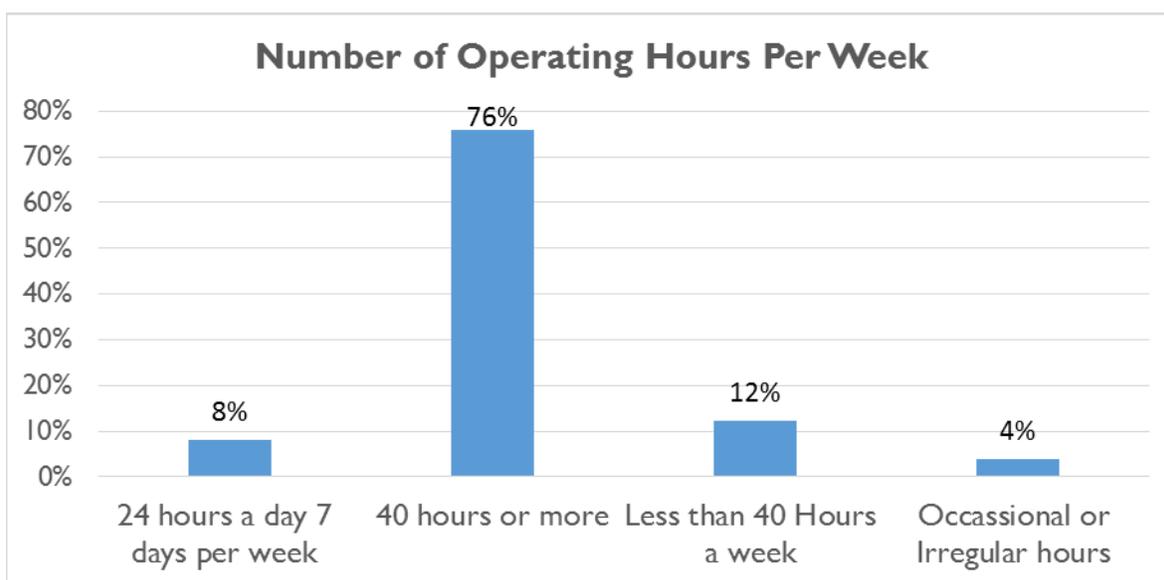


Table 10: Number of Weekly Operating Hours

Number of Hours Business Operates	Percent	Number
24 hours a day 7 days per week	8%	29
40 hours or more	76%	273
Less than 40 Hours a week	12%	44
Occasional or Irregular hours	4%	14
Totals	100%	360

Primary Customer Base

Question: "Which of the following best describes your business' primary customer base?"

As shown in Figure 11 and Table 11 below, 60 percent of businesses reported that their primary customer base is local residents. Another 18 percent of businesses reported that their primary customer base was seasonal or short-term residents. Internet-based customers were the primary customer base for four percent of the total businesses.

Figure 11: Primary Customer Type

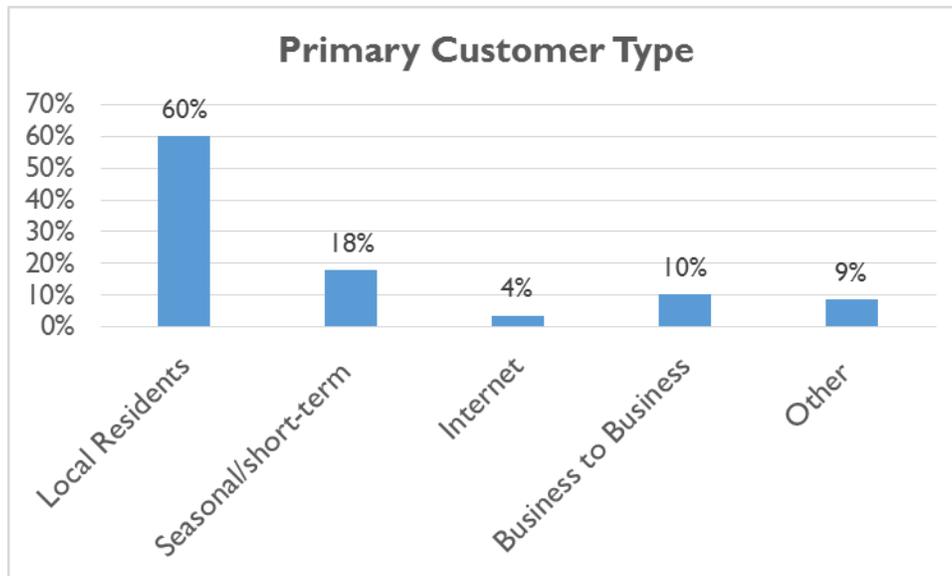


Table 11: Primary Customer Type

Type of Customers	Percent	Number
Local Residents	60%	253
Seasonal/short-term	18%	75
Internet	4%	15
Business to Business	10%	43
Other	9%	36
Totals	100%	422

Note. n* = 359.

Source of Capital Used

Question: “Which of the following was a source of any capital used by your business over the last 5 years?”

As shown below in Figure 12 and Table 12, 28 percent of all reported capital used was personal or family savings of the owner. The second most used source of capital was personal or business credit cards which accounted for 16 percent of all reported capital used. It should be noted that 31 respondents wrote in operational revenue or income.

Figure 12: Sources of Capital Used within the Past Five Years

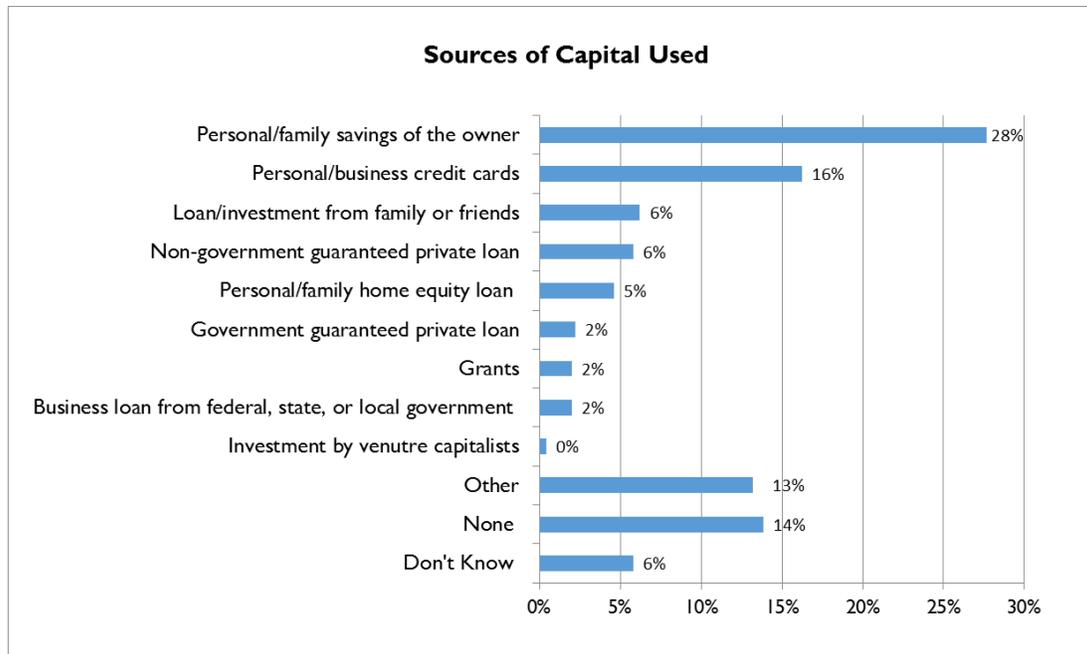


Table 12: Sources of Capital Used within the Past Five Years

Type of Capital	Percent of Total Capital Used	Number
Personal/family savings of the owner	28%	138
Personal/family home equity loan	5%	23
Personal/business credit cards	16%	81
Business loan from federal, state, or local government	2%	10
Government guaranteed business loan from a bank or other financial institution	2%	11
Non-government guaranteed business loan from bank/financial institution	6%	29
Loan/investment from family or friends	6%	31
Investment by venture capitalists	0%	2
Grants	2%	10
Don't Know	6%	29
None	14%	69
Other	13%	66
Totals	100%	499

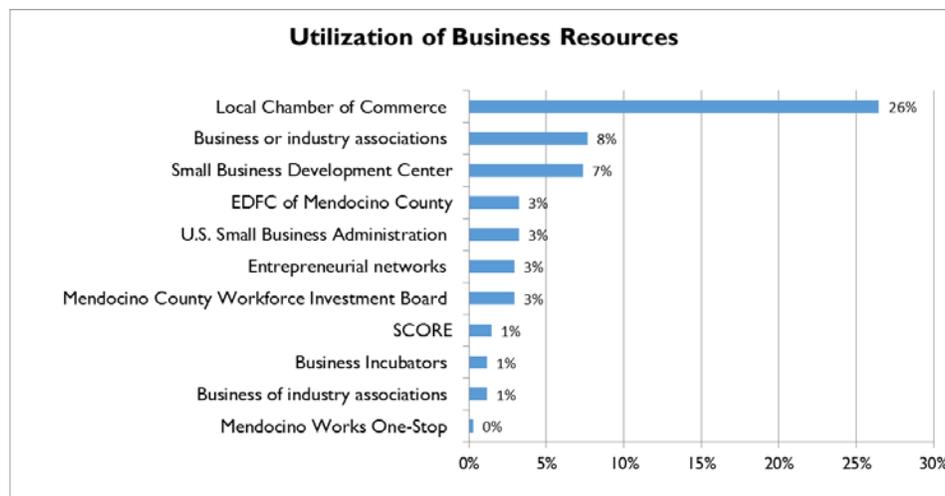
Note. *n* = 357.

Business Resource Utilization

Question: “Has your business ever utilized business resources provided by any of the following organizations?”

Sixty-three percent of businesses reported no utilization of the business resources available. The business resource most utilized by survey respondents were chambers of commerce, with 26 percent of businesses reporting that they use services offered by their local chamber. Eight percent of businesses reported using services from business or industry associations, and seven percent of businesses reported using services from business or industry associations, and seven percent of businesses reported using the Small Business Development Center.³

Figure 13: Business Resource Utilization



³ Please note that the original survey listed Mendocino County Economic Development Council (EDC) instead of Economic Development and Finance Corporation (EDFC) of Mendocino County. The assumption has been made that those who reported using the EDC, had actually used the EDFC, however some businesses that may have otherwise listed EDFC may have marked “none”.

Table 13: Business Resource Utilization

Organization	Percent of Respondents Reported	
	Using Organization	Number
Local Chamber of Commerce	26%	90
Small Business Development Center	7%	25
Mendocino County Workforce Investment Board	3%	10
U.S. Small Business Administration	3%	11
Business or industry associations	8%	26
Business of industry associations	1%	4
Business Incubators	1%	4
Entrepreneurial networks	3%	10
Mendocino Works One-Stop	0%	1
SCORE	1%	5
Economic Development and Finance Corporation of Mendocino County*	3%	11
None	63%	213
Totals		410

Note. n = 340.

*Original survey listed Mendocino County Economic Development Council.

Employment Growth over Last Year

Question: “Compared to a year ago, has the number of people currently employed by your business increased, decreased, or stayed the same?”

As shown in Figure 14 and Table 14, 22 percent of respondents indicated that their companies increased employment within the past year. 68 percent of businesses reported that their business’s employee size has remained the same. Only nine percent of respondents reported a reduction in employment.

Figure 14: Employment Changes Over the Last Year

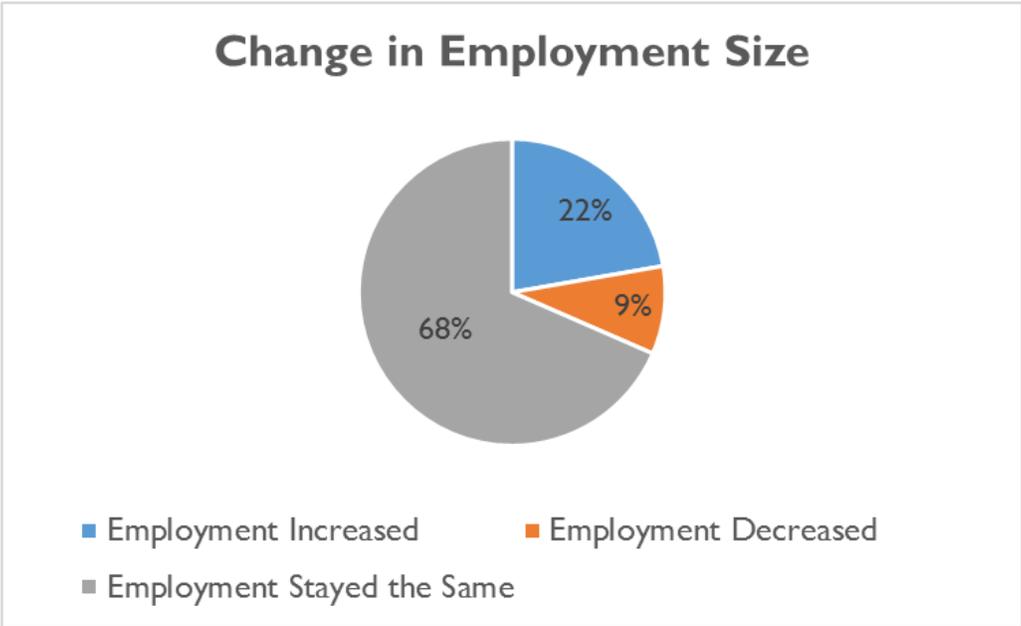


Table 14: Employment Changes Over the Last Year

Change in Employment Size	Percent	Number
Employment Increased	22%	79
Employment Decreased	9%	33
Employment Stayed the Same	68%	243
Don't Know	0%	1
Totals	100%	356

Future Employment Expectations

Question: “A year from now during the same time period, how many people do you expect to employ?”

As shown below in Figure 15 and Table 15, 23 percent of businesses expect their current employment to increase within the next year. 59 percent of businesses expect their employment to remain the same, and only four percent of businesses reported an expected decrease in employment within the next year.

Figure 15: Employment Changes Over Next Year

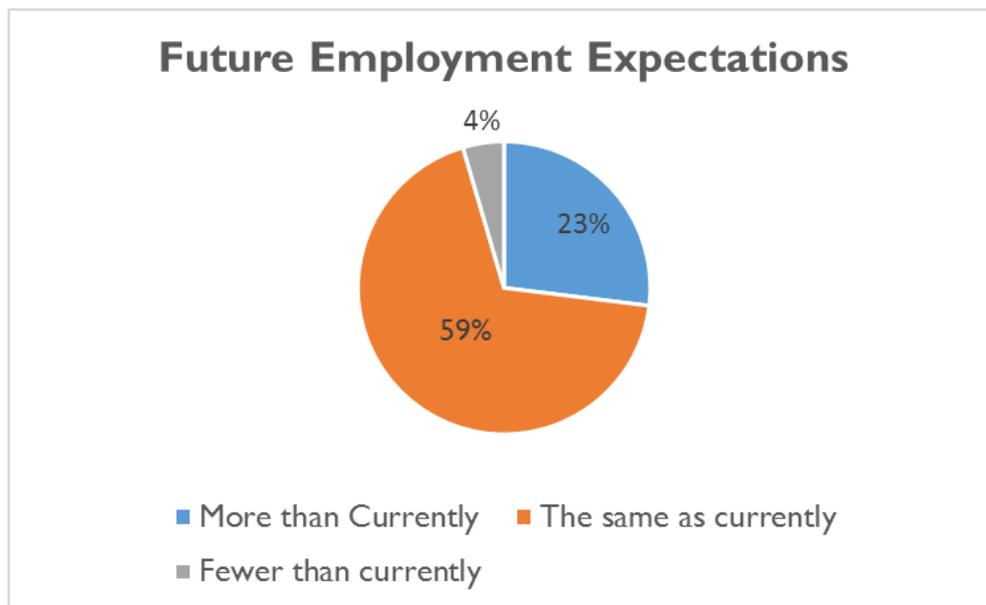


Table 15: Employment Changes Over Next Year

Future Employment Expectations	Percent	Number
More than Currently	23%	83
The same as currently	59%	211
Fewer than currently	4%	14
Don't know	14%	50
Totals	100%	358

Challenges for Business Operations

Top Challenges

Question: “In your opinion, what are the top five challenges for doing business in Mendocino County? Please select up to five.”

As shown in Table 16 below, 50 percent of businesses reported that employee recruitment or retention was a challenge for doing business. This was the most frequently chosen challenge to doing business in the County. The second most reported challenge was business taxes, with 31 percent responding that they were a challenge. The third most reported challenge is worker’s compensation costs with 29 percent of businesses reporting this as a challenge. High housing costs, business regulations, and health care costs were problems for 20% or more of survey respondents, coming in as the fourth, fifth, and sixth most frequently identified challenges, respectively.

Table 16: Top Challenges for Doing Business

Challenges for Businesses	Percent	Number
Employee recruitment or retention	50%	171
Business taxes	31%	108
Worker's compensation costs	29%	101
High Housing costs	28%	96
Business regulations	27%	94
Health care costs	25%	87
Transportation/cargo/shipping	18%	63
Water	17%	60
Energy costs	17%	59
Broadband access	15%	53
Unemployment insurance costs	13%	46
Road Conditions	12%	43
Access to capital	11%	37
Paid Family Leave	3%	11
Don't Know	6%	22
Other	24%	84
Totals		1,135

Note. $n = 345$.

Extent of Challenges

Question: “To what extent, if any, does each of the following issues pose a difficulty to your business’ success?”

As shown in Figure 17 below and Table 17 on the following page, finding employees with the right skills was the issue most likely to pose a difficulty for local businesses, with 67 percent of respondents reporting finding skilled employees to be either significantly or somewhat difficult. Improving public education and creating work training programs could help reduce this business challenge. Thirty-six percent of businesses reported that the cost of insurance is a significant difficulty and 60 percent of businesses reported that it was at least somewhat difficult. Twenty-four percent of respondents said that cost of insurance was not a difficulty.

The third largest challenge facing businesses is the ability to find enough employees. Fifty-two percent of businesses reported that finding enough employees was a difficulty. Twenty-six percent reported that this was a significant difficulty while 32 percent of respondents stated that this was not a difficulty. The overall cost of doing business was considered a significant difficulty by 25 percent of businesses and somewhat of a difficulty by 41 percent of businesses.

Fifty-two percent of businesses reported that real estate prices are a difficulty for their business. Many business owners expressed that the high cost of real estate was also making it difficult for their business to attract employees.

Figure 17: Difficulty of Challenges for Businesses

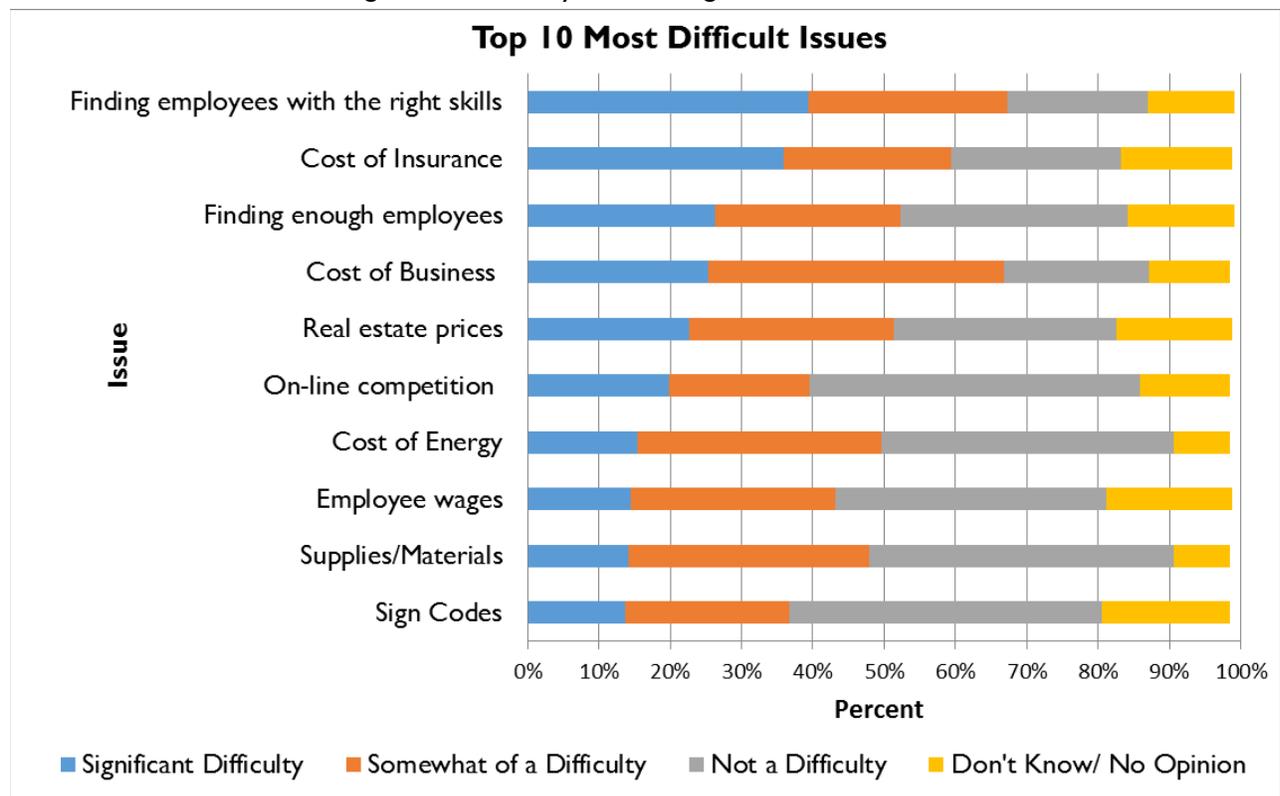


Table 17: Difficulty of Challenges for Businesses

Indicator	Significant Difficulty	Somewhat of a Difficulty	Not a Difficulty	Don't Know/ No Opinion
Finding employees with the right skills ^a	39%	28%	20%	12%
Cost of Insurance ^b	36%	24%	24%	16%
Finding enough employees ^c	26%	26%	32%	15%
Cost of Business ^d	25%	41%	20%	11%
Real estate prices ^e	23%	29%	31%	16%
On-line competition ^f	20%	20%	46%	13%
Cost of Energy ^g	15%	34%	41%	8%
Employee wages ^h	14%	29%	38%	18%
Supplies/Materials ⁱ	14%	34%	43%	8%
Sign Codes ^j	14%	23%	44%	18%
Access to Capital ^k	11%	18%	51%	18%
Local taxes ^l	10%	29%	47%	13%
Permit Fee ^m	10%	25%	46%	18%
Zoning ⁿ	8%	19%	48%	24%
Licensing ^o	7%	22%	56%	14%

Note. $\underline{n}^a=346$. $\underline{n}^b=340$. $\underline{n}^c=342$. $\underline{n}^d=343$. $\underline{n}^e=339$. $\underline{n}^f=339$. $\underline{n}^g=339$. $\underline{n}^h=340$. $\underline{n}^i=335$. $n^j=335$. $n^k=334$. $n^l=335$.
 $n^m=338$. $n^n=335$. $n^o=333$.

Challenges for Business Expansion

Question: *“Rate the following processes as it relates to you starting or expanding your business within the county.”*

The planning/zoning process was the highest rated challenge to business expansion, with 35 percent of businesses reported planning/zoning posing a difficulty to their business. Other local permit processes were also a difficulty to businesses with 32 percent of businesses reported this as a difficulty. The third highest reported challenge is communication among departments within the County with 13 percent of respondents rating it as a significant difficulty and 21 percent of businesses rating this as somewhat of a difficulty. Therefore, 34 percent of survey respondents agreed that communication among departments within local jurisdictions caused an issue for business expansion.

Only three percent of businesses reported obtaining a business license as a significant difficulty to business expansion. An additional 11 percent of businesses reported this as being somewhat of a difficulty. Eight percent of businesses reported that scheduling business inspections is significantly difficult to business expansion and an additional 10 percent of businesses reported it as being somewhat of a difficulty to business expansion. Forty-four percent of businesses reported scheduling building inspections was not a difficulty to business expansion.

Figure 18: Challenges for Business Expansion⁴

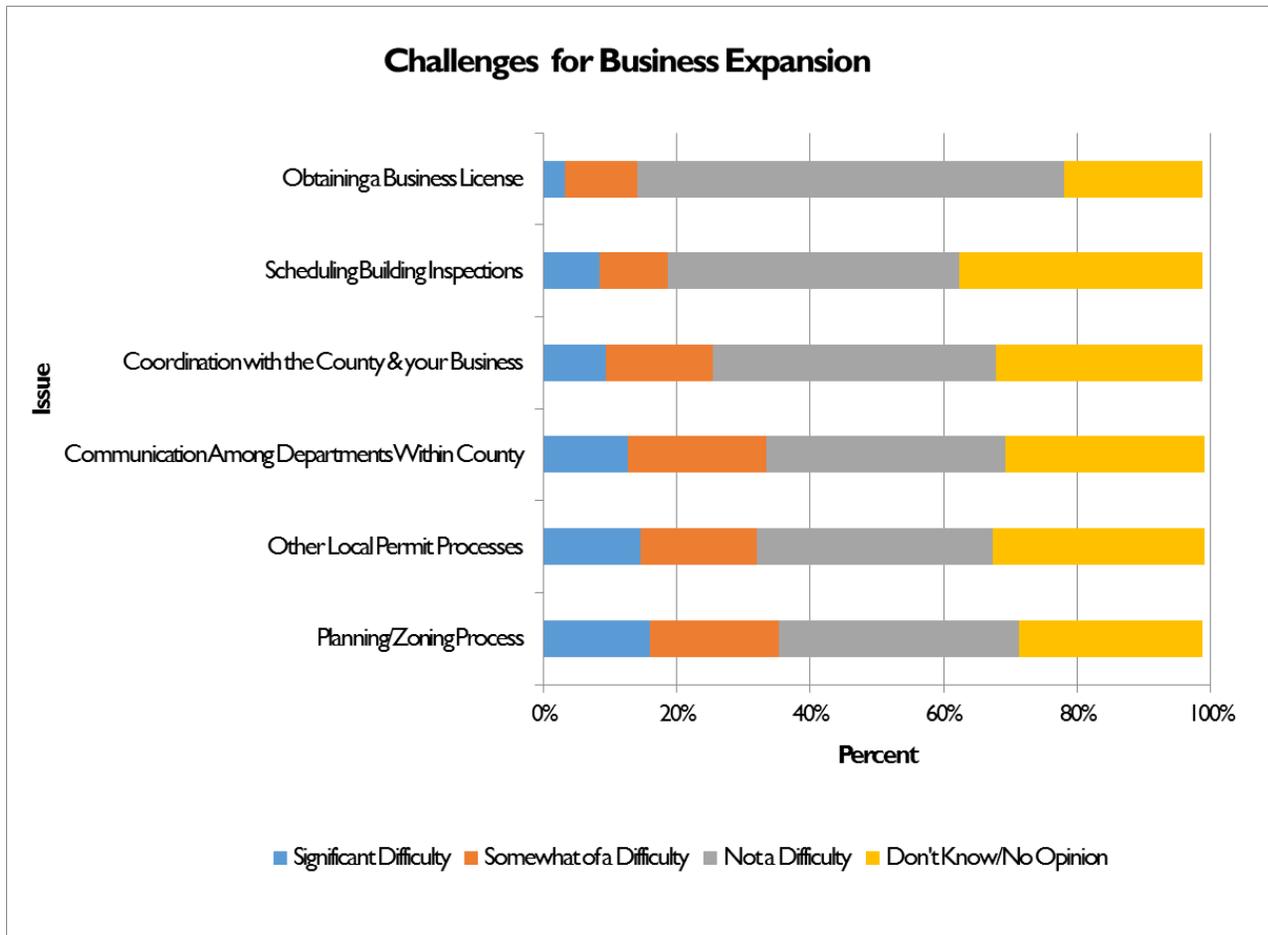


Table 18: Challenges for Business Expansion

Process	Significant Difficulty	Somewhat of a Difficulty	Not a Difficulty	Don't Know/No Opinion
Planning/Zoning Process ^a	16%	19%	36%	28%
Other Local Permit Processes ^b	15%	17%	35%	32%
Communication Among Departments Within County ^c	13%	21%	36%	30%
Coordination with the County & your Business ^d	9%	16%	43%	31%
Scheduling Building Inspections ^e	8%	10%	44%	36%
Obtaining a Business License ^f	3%	11%	64%	21%

Note. $n^a=345$. $n^b=342$. $n^c=343$. $n^d=343$. $n^e=339$. $n^f=343$.

⁴ Respondents were made to understand the word "county" is in relationship to the jurisdictions with Mendocino County's boundaries, not necessarily only the County government. Therefore responses may be in relation to either the local city government, the County government, or both.

Government Improvements

Question: “What top three areas could local government take on to improve your business?”

As shown in Table 19 below, survey respondents identified the creation of affordable housing as the top area where government can improve business conditions, with 32 percent of all respondents choosing that category. The second most frequently identified area that government can improve conditions was in improving K-12 education, chosen by 27 percent of respondents. Streamlining the permit approval processes, lowering energy costs, and investing in broadband development were identified as areas where government can improve conditions by twenty percent or more respondents each.

Table 19: Top Areas of Opportunity for Government Improvement

Areas of Opportunity	Percent	Number
Help create more affordable housing	32%	107
Improve K-12 Public Education	27%	89
Streamline permit approval process	23%	77
Lower energy costs	23%	75
Invest in broadband development	20%	66
Strengthen higher education funding or access	19%	62
Fund more street maintenance/pothole repair	17%	56
Invest in transportation improvements	16%	53
Improve public safety	14%	46
Create more affordable home developments	14%	45
Enhance arts and culture	10%	34
Provide more parks and open space	8%	28
Other	23%	78
Note. $n=332$.		816

Summary of Survey Results

The study identified eight core areas of business owner concern.

Employee Recruitment, Retention, and Knowledge-base

Employee recruitment and retention is the largest concern for businesses in Mendocino County. Fifty percent of the survey respondents listed recruitment and retention as one of the top five challenges to their business operations, by far the most identified concern. In addition, over half of the businesses surveyed felt that both finding employees and finding employees with the necessary skills was at minimum somewhat of a difficulty. In fact, 39 percent of respondents reported that finding employees with the right skills was a significant difficulty to their business. With over 170 businesses in Mendocino County noting something about employee recruitment or retention it is clear that this is a significant issue that must be addressed County wide.

Housing Costs

Housing costs was another issue that was reported as being a difficulty for businesses in the County. Fifty-two percent of businesses reported that real estate prices were one of their top five challenges while 28 percent of those surveyed said housing costs was a significant issue for their business. Based on comments from businesses during the survey process it became clear that there is a significant disparity between average wages in the County and housing costs/rental prices. Simply put, many businesses feel that either they struggle to afford to stay in the County because of real estate prices or they have a difficult time retaining or attracting quality employees because they have nowhere to live. One business described the issue by saying “housing cost is ridiculous when compared to wages.”

Further demonstrating the significance of affordable housing, 32 percent of those surveyed suggested that the local government should create more affordable housing. This was the highest response concerning how the local government could help improve the business conditions. Additionally, 14 percent of respondents said that the local government should assist in the development of affordable housing developments.

Education

Education was a major concern for businesses in the County. When asked what areas the government could improve on, improving K-12 public education was the second highest response at 27 percent. Keeping educational programming relevant for the needs of business owners is a national issue, which this survey confirmed exists in Mendocino County.

Employment Growth

Of the businesses surveyed, very few are experiencing contraction. Over the past year, 23 percent said that their number of employees has increased while 68 percent said the number stayed the same. Only 9 percent reported a reduction in the number of employees. Respondents also indicated that their level of employment will stay the same (59 percent) or increase (23 percent) over the next year. Only 4 percent expected an employment contraction over the next twelve months.

Cost of Insurance and Worker's Compensation

Insurance costs (health and liability) as well as worker's compensation costs were also challenges for businesses. Thirty-six percent of those surveyed reported that the cost of insurance was posing a significant difficulty to their business and an additional 24 percent reported that it was somewhat of a difficulty. Also, while listing their top five challenges for doing business within Mendocino County, 29 percent of respondents listed Worker's compensation. That ranks it as the third highest challenge. Additionally, 14 percent of respondents listed unemployment insurance as one of their top five challenges.

Planning/Zoning, Other Permit Processes and Inspection Fees

When asked about expanding their business within the County, the biggest struggle reported was the planning and zoning processes. Thirty-five percent of businesses surveyed said this was a difficulty. The second highest reported difficulty, at 32 percent, was other local permit processes. In addition, 23 percent of businesses said that if the local government streamlined the permit approval process it would help improve the local business conditions. In the comments section, many businesses reported being frustrated with the planning/zoning and inspection process.

Capital

It is worth noting that access to capital was not considered a major challenge to most survey participants. Fifty-one percent of businesses surveyed responded by saying that access to capital is not a difficulty to their business while an additional 18 percent said they had no opinion on the topic. This means that 69 percent of survey respondents didn't feel this was a difficulty for their business. Also, 44 percent of survey respondents said they fund any business expansion with either personal savings or credit cards and an additional 31 respondents (6 percent) wrote in that they fund growth entirely with operational revenue/income.

Marijuana Culture

The survey did not directly address the marijuana culture in Mendocino County but the comments section made it clear that this is a major issue affecting businesses throughout the County. The words Marijuana/pot/weed were mentioned 36 times in the comment section. Unfortunately, few conclusions could be drawn from the comments. There was considerable conflict between comments as many comments pointed out that it brought people and money into the region, while others felt it was a drain on local resources. Some businesses went so far as to suggest the County take full advantage of the growing industry by saying “promote tourism and not just for the wine tasting, need to promote marijuana industry and tourism.” At the same time other businesses took issue with the socially acceptable culture, saying things such as, “There are significant drug and domestic violence issues in the area, perhaps due to the poverty and lack of good employment, plus the marijuana issue here.”

The only thing that several businesses agreed on was that marijuana cultivation makes it difficult to retain employees because above board businesses cannot compete on wages and employment taxes. One business said, “when you are paid \$35 per hour cash to trim marijuana, it's difficult to find people who want to work in the legitimate jobs,” however they were not the only one to express this sentiment.

Post-Survey Focus Group Summary

In an effort to learn more about the issues discovered during the survey response, a focus group was conducted with community leaders, immediately followed by a series of hour-long follow-up interviews with 10 businesses. The goal of the focus group and the interviews was to present a select set of businesses and community leaders with the preliminary survey results, the most significant identified challenges, and ask them to discuss any possible solutions that may practically exist. The results of the focus group and interviews are outlined below.

Community Leaders Focus Group

On Monday, October 5, 2015 staff from the CED and the CDC of Mendocino County conducted a focus group with 13 community leaders. Participants represented multiple organizations such as the County, local chambers of commerce, the Economic Development and Finance Corporation, West Company, and others.

During the focus group, employee recruitment and retention was thought to be primarily affected by a lack of information availability, a lack of skills in the workforce and some infrastructure issues. A solution to the lack of information availability could be to create a top ten list of skills from employers and provide centralized data for recruitment efforts coordinated between a business and a team led by the Chamber of Commerce. This skills gap could possibly be fixed by providing a local school outreach program to help students enter the workforce, training for soft and technical skills, creating a Regional Occupational Program (ROP), or privatizing trade schools. Drugs were also a large concern for businesses, with many identifying a need for more readily available drug tests, and employment opportunities which incentivize people to stay out of marijuana cultivation. On the other hand, some participants thought that the County should be proactively providing infrastructure to cultivate a burgeoning legal marijuana industry. Finally, participants expressed a desire for local government to lessen limitations on development, improve infrastructure, and nurture more dining/entertainment options in order to draw greater numbers of educated, young, skilled workers.

Housing cost and availability was also seen as a hindrance to businesses in the area, with many blaming a lack of new housing stock on local regulations and infrastructure constraints. Possible solutions to Mendocino County's housing issues could be to loosen restrictions where possible, make permits more accessible, and pursue low impact development which may include on-site water treatment and power generation while also providing high density housing areas. Finally, there was a call to work with real estate companies to determine the needs of customers entering and leaving the market in an effort to better understand how to meet demand.

The focus group also found that business resource utilization could be improved upon. One solution could be to provide a central repository for relevant business information.

Business Follow-up Interviews

In the business interviews, many businesses suggested that improving public education would decrease the skills gap in Mendocino County. Business owners suggested that providing Regional Occupational Programs (ROP) and Career Technical Education (CTE) programs at the high school level would increase the knowledge base of high graduates entering the workforce. Many businesses stated that employees have a lack of basic skills like math and writing, so there should be a greater focus on these core skills at the high school level.

Also reported in the interviews, employers stated that employees lack soft skills like intrapersonal skills and customer service. Suggestions to address this issue included creating work training programs or workshops focusing on customer interaction with employees. In addition, suggestions included integrating classes and training at the high school level. Teaching students how to interact in a business setting and what expectations employers have for their employees through workshops or job fairs would encourage good work ethics.

In addition to an unqualified labor force, the shortage of affordable housing in Mendocino County has created a shortage of employees because the cost of living is too high. Business owners recommended that an increase in low income housing or affordable rentals would encourage individuals to live and work in the County. Some suggestions were to increase the availability of Section 8 and low income housing. Interviewees stated that the County needs to be more proactive with the zoning and permitting processes in order to promote more development and growth in the housing market. Streamlining the permit approval process could promote growth in available housing.

Survey respondents stated that the planning and zoning process within the County is too slow which hinders development and growth. Interviewed businesses suggest that the local jurisdictions need to have accountability for completing inspections correctly and that inspectors need to be properly trained. Furthermore, businesses said that local government needs to streamline the permit and business license approval process. Speeding up the approval process would promote development and growth.

Many respondents in the initial survey stated that they hadn't utilized any of the business resources available within the County. After discussing in the business interviews, many businesses said that this was most likely because businesses are unaware of the resources available to them. Those businesses that were interviewed suggested that promoting these resources would encourage business owners to utilize them. One suggestion was to provide a pamphlet or flyer that outlines the business resources available within the County with every business application.

Recommendations and Conclusions

Finding and retaining qualified employees is far and away the biggest hurdle to small businesses in Mendocino County. This is compounded by the fact that so many of the surveyed businesses are actively trying to expand their number of employees. Unfortunately there is no simple or singular issue at the root of the problem. After analyzing the survey results and conducting follow-up interviews, it is clear that many underlying challenges have built up the frustration of business owners not being able to attract qualified employees. Challenges and recommendations range from education and workforce development to increasing the attractiveness of the region to potential employees, and challenging the marijuana culture. In fact many of the issues outlined in the “Survey Summary” section may contribute to the difficulty of businesses being able to attract or retain employees. Perhaps one of the largest deterrents to potential qualified employees is the high housing costs in the County and lack of available housing. There is a large disparity between current wages and average home prices in the County, therefore, many young aspiring professionals are likely to move out of the County (brain drain) or choose another community when looking to relocate. They simply cannot afford to live in Mendocino County so they either look for a less expensive community or one with higher paying jobs. The CED identified seven core areas for improvement. These include (1) improving access to qualified employees, (2) re-engineer employment training programs, (3) explore innovative recruitment options, (4) expand housing access, (5) expand public safety, (6) address/take a position on the marijuana industry, and (7) improve the climate for business growth. A more detailed set of recommendations for some of the outlined issues is described below.

Reevaluate Employment Training Programs

Business owners are experiencing difficulty with the education and skills of the applicants they are receiving. Training programs and workshops are a helpful tool to improve the knowledge-base of the Mendocino County labor force. The County is host to numerous workforce training organizations, including Mendocino College, College of the Redwoods, Mendocino County Office of Education, Mendocino PIC, and Mendocino WIB to name a few. However, despite the efforts of these programs, there still remains a gap in the needs of local business owners. Simply put, business owners are not seeing the value in the available programs. Based on this assessment resources should be reallocated in a manner to address the workforce gap identified by employers. Both business owners and community leaders mentioned that the County should invest more resources into the Career Pathways program and more vocational education should be available and Mendocino College, College of the Redwoods, and in the local high schools however, the success of each of these programs need to be explored in depth. It would be more efficient for the community if investments are made into successful programs rather than just putting more money into a program with a low ROI. Obviously, resources in the County are not unlimited but the surveyed businesses feel this is an appropriate way to invest their tax dollars and fees. So long as an individual programs’ ROI is positive, expanded workforce development is a good option for Mendocino County.

Often, government workforce development programs are not trusted or are underutilized by the business community. It is not fair for the government to be solely responsible for workforce

development in the County. There needs to be more active engagement of the local business community to help workforce programs identify and meet their workforce needs is required. Examples include business owner participation in the classroom, as well as business owner cross training of instructors on state of the art practices/technologies. A perfect example of this type of program is the Promoting Local Manufacturing Excellence program offered by TransferFlow in Chico, Ca.⁵ The call that TransferFlow offers is a train the trainer program for high school, CAD, welding, and shop teachers throughout Butte County. It is imperative that business owners in Mendocino County come together and form public-private partnerships in an effort to advance workforce programs in the County.

Further Study into What Skills are Needed

The survey results made it clear that there are too few qualified workers in the County to fill vacancies or newly created positions. This includes both technical skills and soft skills (showing up on time, acting like a professional, etc). However, it was not clear as to what skills are most needed in the County, technical or soft. During the follow-up interviews, most businesses expressed concern that both types of skills are lacking from their applicants and current employees. It is recommended that a skills gap study be conducted with a group of mid- to large sized employers (10 employees or more) to determine their needs. A skills gap study will provide better information as to what types of jobs may become available in the future and may help the County, Mendocino College, College of the Redwoods, and workforce developers better prepare students. It would be most effective to conduct this survey on select high-growth industry clusters rather than on a large cross section of all businesses in the County. A skills gap study would also help to identify which current workforce development programs are underperforming and if the business community even trusts government funded programs. That has been an issue in other rural northern California counties.

Expand Employment Recruitment Efforts

This may be the simplest option for increasing qualified applicants. There is a “brain drain” in Mendocino County as young, skilled, workers are leaving the community or not coming back after college. This is fairly common in rural northern California. Fortunately, Mendocino County offers things other communities cannot, such as outdoor amenities (hiking, kayaking, fishing, moderate climate) and ease of access to the Bay Area and Sonoma, without the congestion. Rather than individual firms doing their own, state or nationwide, recruitment it would be more cost effective (economies of scale) for a single organization to put together an employee/business marketing package. The package should include a list of amenities the County offers as well as relevant data and other marketing materials. This package will become stronger as other issues are resolved such as the low availability of affordable housing.

⁵ [Growing Manufacturing-Transferflow](#)

Explore Ways to Encourage Affordable Housing Development

It is clear that most businesses feel that expensive real estate and rental prices in Mendocino County are causing challenges for their business. Also, indirectly, this issue is impacting the ability of Mendocino County to attract young skilled workers. This problem is exacerbated by the increasing number of second home purchasers drawn to the County as a weekend or summer “get-away.” Fortunately, the County has several options to help alleviate the issue. The housing stock in the County is ageing rapidly with only 19 percent of homes having been built in the last 25 years.⁶ This is a clear indication that little effort is being put into developing new, affordable housing in the County. While this could be due to many factors such as a lack of demand or infrastructure issues, it is possible that government regulations or community sentiment have, at least partially, slowed growth. The relatively low availability of rental housing (2.5 percent⁷) is an indication that demand currently outweighs supply and there may be opportunities for developers to build high density, low impact developments.

Mendocino County should encourage housing growth, but in a strategic manner. The first step is that the local government should encourage growth through a streamlined permit and inspection process. It would be more cost effective for new developments to be built within the Ukiah, Willits and Fort Bragg city limits rather than in the unincorporated areas of the County. Infrastructure is more readily available in and around the cities and therefore new developments would be able to connect to city water, sewer, and road systems much less expensively than if they were developed from scratch. With consideration to long term, sustainable growth, city amenities are more efficient than adding new wells and septic systems. This expansion of the urban and sub-urban areas of the County can be done by traditional expansion or through annexation.

It is also recommended that the local jurisdictions undertake planning efforts that prioritize the development of rental and multifamily developments in areas near employment centers. Young professionals no longer purchase houses early in life. They want options, to be free to move if they choose. In order to be competitive and attractive to young skilled workers the County needs available rental units. With a rental vacancy rate that is consistently below the 5% “healthy vacancy” mark, Mendocino County is chronically undersupplied with rental units. Adding newly constructed units to the market will reduce the impacts of overcrowding and help to alleviate the pressure of ever increasing rental prices.

As the population continues to age in place, there will be increased pressure on the region to provide affordable senior housing in addition to housing for the working age population. Seniors living in larger homes designed for single families is not always efficient, and can create problems (e.g. costly repairs, poor ADA access). The local jurisdictions should explore expanding affordable senior housing (1-2 residents). In addition to freeing up the housing stock, if seniors were to relocate within the County, additional property tax revenue would become available for public safety and education as Prop. 13 assessments are freed up for reassessment.

⁶ Mendocino Housing Report – Updated October 2015

⁷ US Census Bureau – American Community Survey 5-year estimates

Public Safety

Fourteen percent of survey respondents suggested that the County improve public safety. While this is not as significant as some other responses, it is worth noting because businesses in the rural unincorporated areas of the County reported issues with the lack of law enforcement. It is understood that although Mendocino County is in a much better financial situation than it was during the bottom of the 2008 recession, funding for public safety remains an issue. Rising operating costs in the face of only modest growth in property taxes and other revenue sources means that the County still faces difficult trade-offs in providing adequate funding for public safety and other essential public services. That being said, it should be noted that although public safety was perceived as an issue, the amount of funding allocated for the Mendocino County Sheriff's Department in the county's 2016 budget is similar to the amount of funding allocated to other sheriff's departments in the region when adjusted on a per-capita basis. Mendocino County's proposed budget for 2015-2016 includes \$17,251,322 for operations of the Sheriff's department⁸, or \$287.07 for every resident in the unincorporated portions of the county, while Humboldt County's proposed budget includes \$21,724,939 for its Sheriff's department⁹, which translates to \$298.51 for every resident in the unincorporated portions of the county.¹⁰

In light of findings in the business perceptions survey, the Mendocino County Sheriff's office should consider pursuing re-allocation of existing resources to areas where public safety was perceived as a larger issue. In particular, survey respondents from rural communities within the Department's Northern/Inland operations division, based in Willits, voiced public safety concerns. The County may want to consider increasing patrols or establishing a small substation in another inland community in this region, such as Laytonville or Covelo.

Marijuana Culture

Marijuana issues were a continual theme throughout the survey. Unfortunately most businesses could not agree if the marijuana culture was a positive or a negative for the County's business climate. Even some community leaders at the focus group suggested "proactive infrastructure development for the marijuana cluster." However, it was generally agreed that something needs to change regarding the way marijuana is currently handled, especially in terms of workforce development. During the follow-up interview processes and the focus group it was mentioned that there needs to be new government or school mandated policies regarding substance abuse education, rehabilitation in the judicial system, and education on the importance of soft skills such as passing a drug test. Based on so many similar responses it seems pertinent that the County or the school districts further investigate an effective program.

⁸ Mendocino County 2015-2016 Proposed Budget, <https://www.co.mendocino.ca.us/administration/15-16RecoBudget.htm>

⁹ Humboldt County 2015-2016 Proposed Budget, <http://www.humboldt.gov/247/Budget>

¹⁰ Includes residents of Blue Lake and Trinidad, which contract with the County for police services.

In the summer of 2015, Mendocino County was a signatory on a North Coast Counties Marijuana Policy Statement, along with the counties of Humboldt, Trinity, Del Norte, Lake, and Sonoma, intended to suggest smart policy choices in the event that marijuana is legalized for recreational use in California. The statement was sent to state legislators, the California State Association of Counties, the Rural County Representatives of California, and various other state-level groups in an effort to advocate for marijuana policies which emphasize local control, reasonable taxation, environmental protection measures, and economic benefit for rural California counties.

The policy statement advocates for taxation schemes which funnel revenues back into local counties for the purposes of drug education and prevention programs. Such programs can be targeted to ensure school retention and performance by creating Student Assistance Programs (SAPs) in local high schools. The Blue Ribbon Commission on Pathways to Marijuana Legalization chaired by Lt. Governor Newson in 2015 identifies different working models of SAPs that might be able to be adopted in classrooms in Mendocino County using revenues from legal marijuana sales.¹¹ The statement also supports state policies which would ensure product differentiation across producing regions, a sentiment that was also voiced by some survey and focus group participants.

The landscape for the marijuana industry appears set for a major change in the coming years, and Mendocino County has already shown an interest in helping guide this change by signing on to the North Coast Counties Marijuana Policy Statement. Since marijuana cultivation is at the nexus of so many of the issues identified in this survey, the CED recommends that Mendocino County continue its proactive stance toward implementing smart marijuana policies that allow for the development of a diversified and well managed legal marketplace.

Create a Business-Conducive Climate

One of the biggest challenges to businesses in Mendocino County was state and federal regulations and fees. Workers compensation was pointed out most frequently. While the County may not be able to change state business taxes, workers compensation, and regulations, the County should consider measures to become more competitive with Napa and Sonoma counties. As noted, the planning and zoning processes was the biggest struggle for businesses during the start-up and expansion process. Thirty-five percent of businesses surveyed said this was a difficulty and 32 percent said other local permit processes were difficult. While a complete overhaul of the planning, zoning, and permitting process may be farfetched, in order to be more competitive, local governments need to provide more oversight on these departments and there needs to be accountability for issues causing inefficiencies. This is especially important considering the perceived harshness of California's business climate. It is important for Mendocino County to stay attractive to businesses for both retention and attraction purposes.

¹¹ Blue Ribbon Commission Pathways Report: Policy Options for Regulating Marijuana in California, <https://www.safeandsmartpolicy.org/>

Appendix A: Business Survey

We greatly appreciate and value the time that you committed to participate in this survey.

Your experiences and opinions will help us better understand the business needs in Mendocino County. The results of the survey will inform local and regional planning and economic development efforts to facilitate and achieve a healthy business environment.

If you have any questions or concerns about the survey, please call Michael Suplita at the Center for Economic Development at CSU, Chico (530) 898-3855.

Again, thank you in advance for your time and participation!

1. In which Mendocino County town(s) is your business located? _____

2. How is your business organized?

- a. Schedule C corporation
- b. Schedule S corporation
- c. Limited Liability Corporation (LLC)
- d. Limited Partnership (LP)
- e. Sole Proprietor (self-employed)
- f. Franchise
- g. 501c3
- h. Other non-profit
- i. Don't know
- j. Other _____

3. What is your position in this business?

- a. Owner
- b. Operator
- c. Staff
- d. Other _____

4. Is your business family owned?

- a. Yes
- b. No

5. Is your business based out of a home?

- a. Yes
- b. No

6. Does your business operate as a franchise?

- a. Yes
- b. No

7. In what year was your business established in Mendocino County? _____

8. For what portion of the year does your business operate?

- a. Year round
- b. 7-11 months
- c. 3-6 months
- d. Less than 3 months

9. When in operation, how many hours per week is your business open?

- a. 24 hours a day 7 days per week
- b. 40 hours or more (but not 24 hours per day)
- c. Less than 40 hours a week
- d. Occasional or irregular hours

10. In which of the following business sectors would you categorize your business?

- a. Agriculture, Forestry, Fishery, and Hunting
- b. Mining, Quarrying, and Oil and Gas Extraction
- c. Utilities
- d. Construction
- e. Manufacturing
- f. Wholesale trade
- g. Retail trade
- h. Transportation and Warehousing
- i. Information
- j. Finance and Insurance
- k. Real Estate and Rental and Leasing
- l. Professional, Scientific, and Technical Services
- m. Management of Companies and Enterprises
- n. Educational Services
- o. Health Care and Social Assistance
- p. Arts, Entertainment, Recreation
- q. Accommodation and Food Services
- r. Other Services
- s. Public Administration
- t. Other _____

11. How many people does your business employ?

- a. 0 (owner operated)
- b. 1-10
- c. 11-20
- d. 21-50
- e. 51-100
- f. 101-150
- g. 151-200
- h. 201- 250
- i. More than 251
- j. Don't know

12. Compared to a year ago, has the number of people currently employed by your business increased, decreased, or stayed the same?

- a. Increased

- b. Decreased
- c. Stayed the same

13. A year from now during the same time period, how many people do you expect to employ?

- a. More than currently
- b. The same as currently
- c. Fewer than currently
- d. Don't know

14. Which of the following best describes your business' primary customer base?

- a. Local residents
- b. Seasonal/Short-term visitors/tourists
- c. Internet
- d. Business to business
- e. Other _____

15. Which of the following was a source of any capital used by your business over the last 5 years?
(Choose all that apply)

- a. Personal/family savings of the owner(s)
- b. Personal/family home equity loan
- c. Personal/business credit cards
- d. Business loan from federal, state, or local government
- e. Government guaranteed business loan from a bank or other financial institution
- f. Non-government guaranteed business loan from bank/financial institution
- g. Loan/investment from family or friends
- h. Investment by venture capitalists
- i. Grants
- j. Don't know
- k. None
- l. Other _____

16. Has your business ever utilized business resources provided by any of the following organizations?
(Choose all that apply)

- a. Local Chamber of Commerce
- b. Small Business Development Center
- c. Mendocino County Workforce Investment Board
- d. U.S. Small Business Administration
- e. Business or industry associations
- f. Business incubators
- g. Entrepreneurial networks
- h. Mendocino Works One-Stop
- j. SCORE
- k. Economic Development and Finance Corporation of Mendocino County*
- l. None

17. In your opinion, what are the top five challenges for doing business in Mendocino County? Please select up to five.

- a. Employee recruitment or retention
- b. High housing costs
- c. Broadband Access
- d. Business regulations
- e. Health care costs
- f. Business taxes
- g. Road Conditions
- h. Workers' compensation costs
- i. Energy costs
- j. Access to capital
- k. Unemployment insurance costs
- l. Paid family leave
- m. Transportation/cargo/shipping
- n. Water
- o. Don't know
- p. Other_____

18. What top three areas could local government take on to improve your business?

- a. Improve K-12 public education
- b. Invest in transportation improvements
- c. Strengthen higher education funding or access
- d. Help create more affordable housing
- e. Lower energy costs
- f. Improve public safety
- g. Invest in broadband development
- h. Create more affordable home developments
- i. Streamline permit approval process
- j. Fund more street maintenance/pothole repairs
- k. Provide more parks and open space
- l. Enhance arts and culture
- m. Other_____

19. To what extent, if any, does each of the following issues pose a difficulty to your business' success?

Issue	Significant Difficulty	Somewhat of a difficulty	Not a difficulty	Don't know/No opinion
Zoning				
Permit Fee				
Sign Codes				
Licensing				
Cost of health insurance				
Cost of Business				

Supplies/Materials				
Cost of Energy				
Access to capital				
On-line competition				
Finding enough employees				
Finding employees with the right skills				
Real estate prices				
Employee wages				
Local taxes				
Other, please list				

20. Rate the following processes as it relates to you starting or expanding your business within the county.

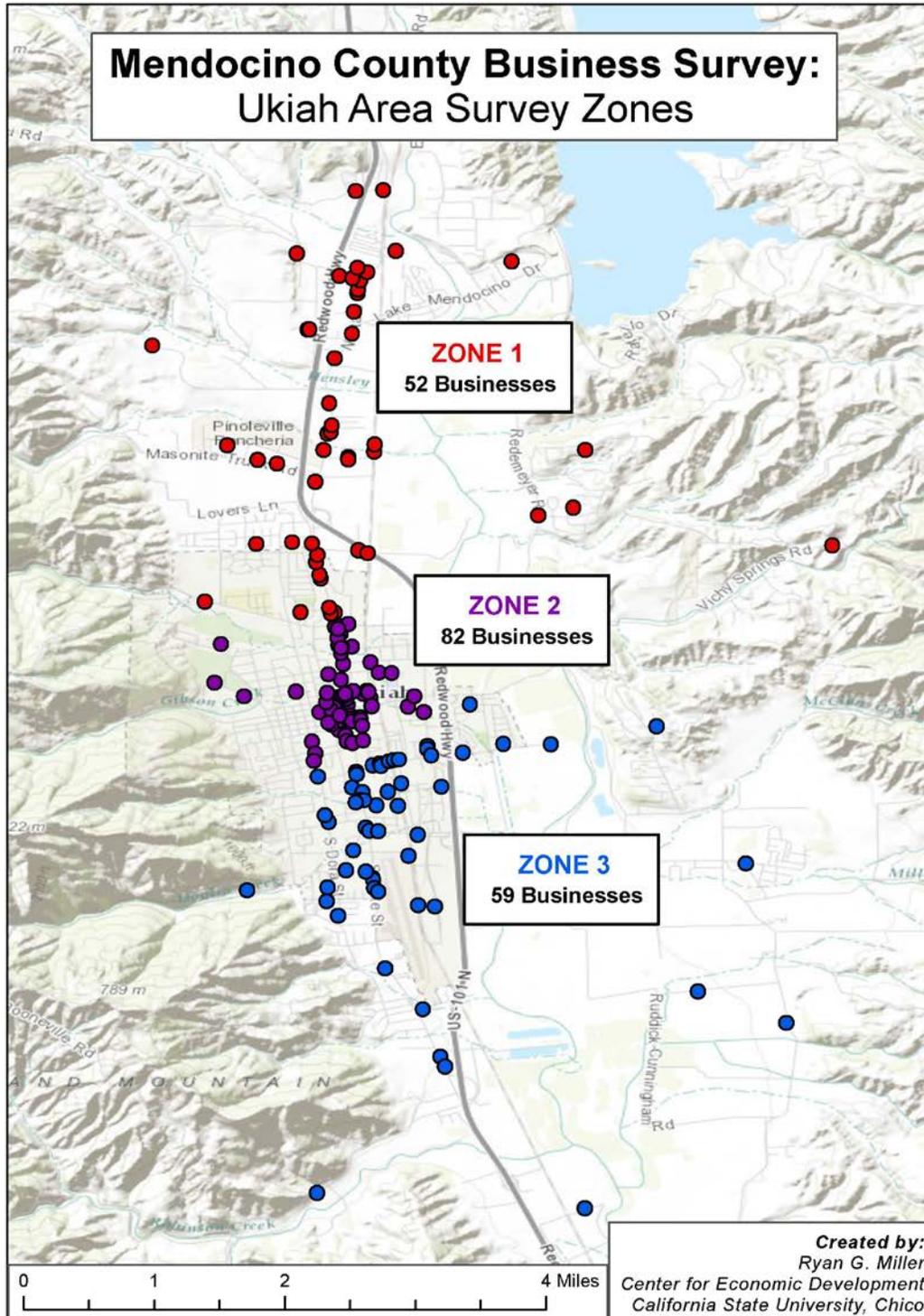
Process	Significant Difficulty	Somewhat of a Difficulty	Not a Difficulty	Don't know/No opinion
Obtaining a business license				
Planning/zoning process				
Scheduling building inspections				
Other local permit processes				

Coordination with the county & your business				
Communication among departments within the county				
Other, please list				

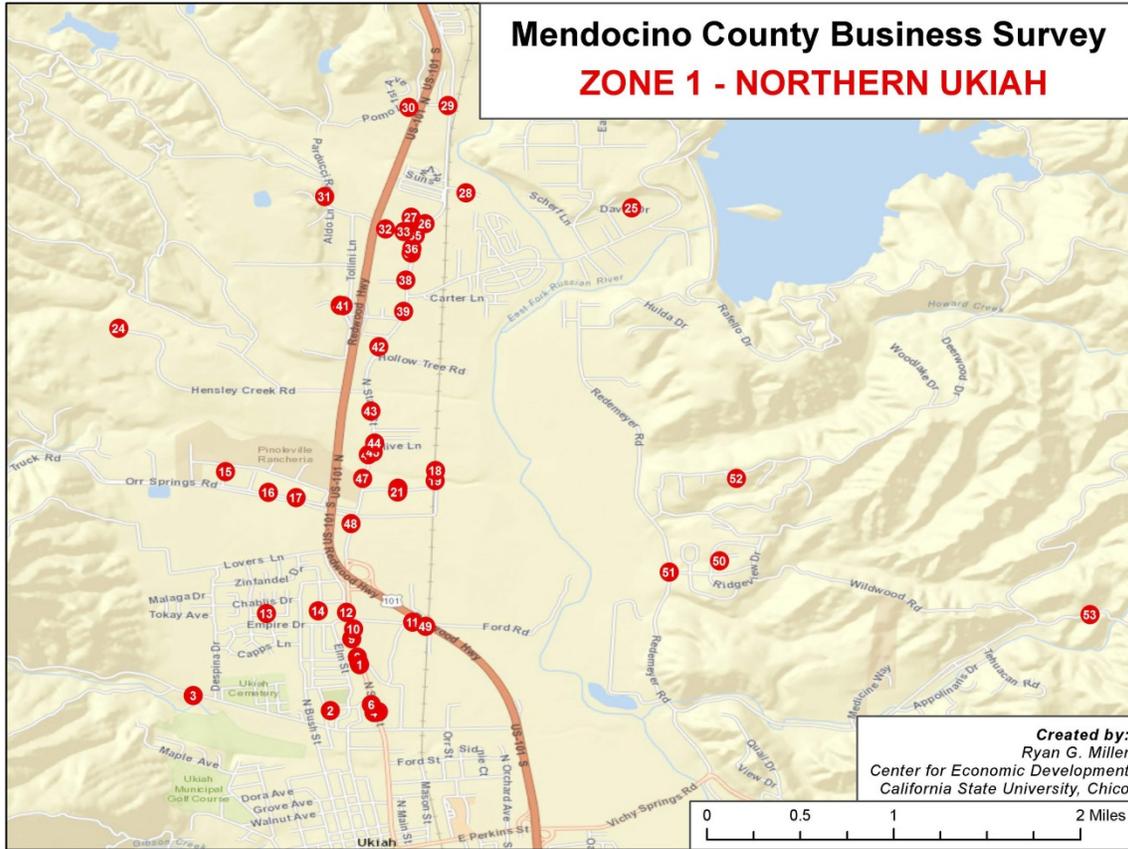
21. Is there anything else you would like us to know about your experience of doing business in Mendocino County?

**Note: Original Survey stated Mendocino County Economic Development Council*

Appendix B: Ukiah Area Survey Zones



Mendocino County Business Survey ZONE 1 - NORTHERN UKIAH



Mendocino County Business Survey ZONE 2 - CENTRAL UKIAH

