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# Marin County Targeted Industries Study

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## **FINAL REPORT**

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Prepared for:

**The Marin Economic Commission &  
The Community Development Agency**

Prepared by:

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## Executive Summary

### Purpose of the Study

The ECG project team was tasked with developing a set of economic, social and environmental criteria that will help Marin County to evaluate which types of industries should be encouraged, or discouraged, using a variety of policy instruments available to the County. Using these criteria, the team was to develop a list of target industries that meet these criteria.

### Approach

While the team worked closely under the supervision of a subcommittee of the Marin Economic Commission, the team was given a free hand to propose a methodology that would be suitable to this type of study. As documented in this report, the team:

- ❑ conducted a review of economic trends and other factors that have an impact on business location decisions;
- ❑ undertook a *cluster analysis*, identifying the underlying drivers of the region's economy;
- ❑ conducted interviews and focus groups with community leaders and business owners and executives;
- ❑ developed a list of target industries (grouped by industry clusters), that are consistent with the criteria; and
- ❑ prepared recommendations the Marin Economic Commission can consider as it shapes its vision for Marin's economic future.

### Background to the Study

This report responds to concerns, both in the business community and the County administration, that Marin's sustained prosperity cannot be taken for granted.

All regional economies are comprised of two components: the **'local-serving'** employment, such as gardeners, plumbers, and haircutters; and the **'traded-sector'** employment, comprised of companies whose markets are not limited to the region, but serve state-wide, national or international markets, such as software producers and financial service providers. It is this latter component which is the principal source of wealth for most communities: as the clusters in the traded sector prosper or decline, so goes the average income in the whole community, thus affecting the incomes for local-serving employment as well.

The situation in Marin is somewhat complicated by the large number of relatively wealthy commuters, who live in Marin but work elsewhere (they are in turn working in the traded sector clusters of nearby San Francisco and other counties). This source of wealth for Marin does not appear to be threatened. However, the 'traded' component of Marin's economy is quite sensitive to changes in the cost of doing business – arising from factors such as the efficiency of zoning regulators, traffic congestion, and so on.

Marin's potential to host commercial activity is also affected by its physical limitations. The County's first Countywide Plan in 1973 defined the County (unincorporated area) as 606 square miles of land and water (whereas the County's 11

cities only comprise 169 square miles) and recognized certain environmental corridors. The Coastal Recreation Corridor preserves West Marin for recreational and agricultural uses. The Inland Rural Corridor similarly preserves the central and northwestern part of the County for agricultural and compatible uses. This leaves the City-Centered Corridor along U.S. Highway 101 for urban development. This narrow band comprising only 16% of the County's land is the primary area in the County where economic development can take place.<sup>1</sup>

Recommendations that affect the cost of doing business in Marin are beyond the scope of this study, although they might be considered in one or more subsequent studies. However, identifying *which types of businesses can thrive in such an environment*, and what policies can support them to flourish in Marin, is the focus of this report.

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<sup>1</sup> In addition, the population projections of 1973 have not been met: conservative estimates in 1973 forecast the county's population to grow to 485,000 in 2000. The 247,289 actual population in 2000 is nearly half of what was expected.

## Summary of Findings

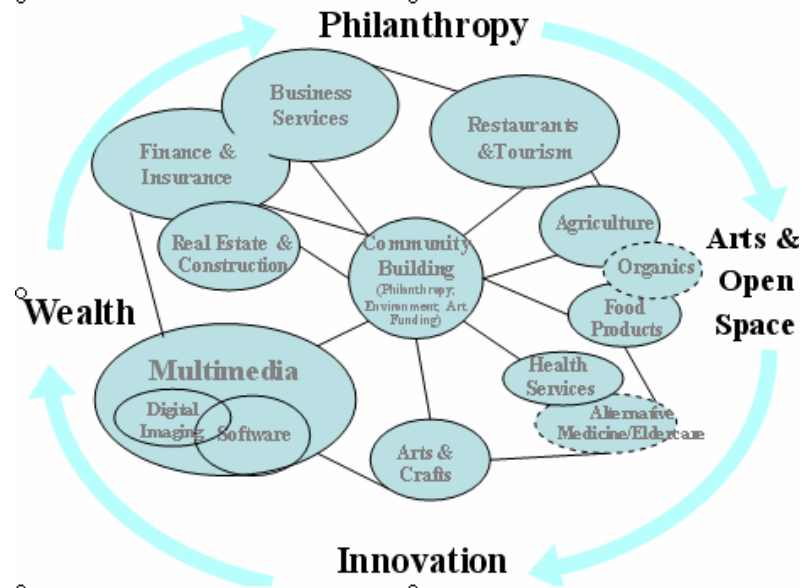
The ECG project team has identified nine core existing clusters – groups of enterprises in related industries that exhibit high employment concentrations, and have strong existing or potential linkages. These are:

1. **Real Estate and Construction**
2. **Multimedia**
3. **Business Services**
4. **Finance & Insurance**
5. **Restaurants & Tourism**
6. **Health Services**
7. **Agriculture**
8. **Community Building (Non Profits, Philanthropy)**
9. **Arts & Crafts**

As shown in Figure ES-1, below, these clusters all have linkages with one another, but all appear to derive from a core set of capabilities and attributes of Marin County, which is an amalgam of **artistic talent, entrepreneurial spirit, environmental consciousness, creativity and innovation capacity**. It is this set of capabilities which appear to explain the richness of Marin's economic fabric, from leading digital movie technologies and software, to specialty cheeses, to the invention of the mountain bike.



**Figure ES-1: Marin County's Clusters and Linkages**



In many respects, Marin's uniquely attractive physical setting, combined with its proximity to San Francisco, enhances this superb innovation engine. Because of these physical characteristics and its location, Marin attracts entrepreneurs with a unique set of talents and interests, and their capacity to innovate is in high demand in today's economy. As Professor Michael Porter of Harvard Business School has stated, "prosperity is driven by productivity, and productivity is driven by innovation. The most economically competitive regions are those that can build and sustain their innovation capacity."<sup>2</sup>

Marin's future economy will build on the clusters of today – new niches and markets will be found, and a dynamic interplay between clusters makes the exact outline unpredictable. But the expansion path for Marin that is most likely is summarized in Table ES-1, and explained more fully in Section V. The project team has identified those target industries that most reflect value-added potential and are consistent with the County's social and environmental criteria.

<sup>2</sup> Presentation to The Competitiveness Institute, September 19, 2003. (www.competitiveness.org)

**Table ES-1: Target Industries for Marin**

Existing Clusters	Target Industries
Real Estate & Construction	Green Building
Business Services	Boutique Consulting Environmental Technology
Multimedia	Digital Imaging (Motion Pictures) Interactive Media & Game Development Engineering & Design Software Biotechnology (technology distinct from Multimedia)
Finance and Insurance	Integrated Wealth Management Services On-line Financial Services Personal Financial Advising
Restaurants & Tourism	Agri-Tourism Outdoor Recreation and Equipment Arts and Crafts
Health Services	Alternative Healing & Meditation Alternative Medicine Emergent Care
Agriculture	Organic Value-Added (Niche) Agricultural Products Food Product Manufacturing

### The Way Forward

The project team concludes that much of Marin's past economic success and social progress has been engineered by a complex process, which we have termed the *virtuous cycle*. In the *virtuous cycle*, wealth is generated within these existing clusters and then reallocated via an intricate relationship involving community-building, philanthropy, open space preservation, funding of the arts and innovation. This *virtuous cycle* is the ultimate manifestation of the Marin County ethos and links the County's existing clusters to those about to emerge.

*Marin County will need to build on these strengths in order to achieve its goals of establishing and maintaining a diversified and sustainable local economy. While the market is likely to bring to Marin the types of industries that are consistent with the County's stated goals, it is also likely to bring industries that cater only to Marin in its capacity as a wealthy suburb. A healthy, well-diversified regional economy should have both "local serving" and "traded" industries.*

This study was commissioned, in part, due to a growing concern on the part of the Marin Economic Commission that a number of prominent, traded-sector firms have left or may leave Marin County. With their departure, Marin's economy may become unbalanced, less diversified. In addition, the threats of traffic congestion, land use constraints, and lack of affordable housing require a strategy unique to Marin and its goals.

The first step towards achieving Marin's goals, as reflected in the Countywide Plan, is to "Target Appropriate

Companies”. The criteria developed in this study will enable the County to determine which companies are appropriate. The question of how to target them is more complex. Businesses generally respond well to a region’s clarity about what it wants because it provides them the sense of assurance they need in order to make long-term investment decisions. The mechanics of shaping public policy and selecting concrete actions that help support and nourish, or target, selected industries, is the subject of the study’s recommendations.

The report concludes with four main recommendations.

1. **Recognize and Reinforce the Virtuous Cycle.** Marin County is fortunate to be home to a unique set of mutually reinforcing phenomena that allow Marin to be a highly productive, highly prosperous place. These include the engines of wealth creation (highly productive industries and individuals), the core value of philanthropy (the Marin Community Foundation and others), a shared desire to preserve open space and encourage the arts (something afforded by the previous two elements of the cycle), and a culture that values creativity and on-going innovation. In recognizing the relationship between these four elements, the County may want to take steps to reinforce them over time. Should one weaken, the others will surely be affected, as will the ability of the County’s key industries to function as well as they do today.
2. **Shift Gears.** Given the shifting trends in economic development thinking, Marin County officials may want to reconsider the conventional, *target industry recruitment*, approach to industry development and move toward a more

holistic, comprehensive approach that focuses on growing industries from the rich soil of the region’s existing clusters. This shift involves moving away from the idea of target industry recruitment and towards the idea of *economic gardening*. There is still room for industry attraction here, but it becomes just one tool among many

3. **Support Stars and Nourish Seeds.** Marin County has the tremendous good fortune of having a disproportionate number of its industries in the “Star” category, meaning that the industries in which it is currently highly concentrated are also industries that are forecast to grow rapidly over the next five years. The degree of success and potential of these clusters and their component industries must be recognized, extolled, and supported in terms of public policy. The mechanics of supporting existing “Star” industries will be discussed below. The principal foundation of that support, however, and of what is needed to nourish newer industries that are beginning to emerge from existing ones, *is a healthy business climate, or garden*. As regions move from an awareness that the health of their community is founded more in their ability to tend to the core issues faced by their existing businesses rather than by their ability to attract new ones from outside the region, the importance of maintaining an excellent business environment in which the types of industries the region wants can grow, increases.

The Marin Economic Commission has already executed the first and most crucial step in establishing a

nourishing business climate: it has *identified very clearly, in the context of this Study, the kinds of businesses it wants*. As mentioned earlier, businesses respond well to this kind of clarity in that it helps them decide whether and to what extent they want to invest in the County. In order for the County to attain its goals of engaging with the private sector along issues of workforce training, transportation improvements, and civic participation, it is crucial that it convey to business owners that it is investing in them as much as it is asking them to invest in the long-term health of the County.

Part of this is beginning to see businesses on an equal footing with residents. A recognition on the part of the County that businesses have made at least as much (and frequently more) of an investment in the County as its residents is required. Then, once a vision for the County is established detailing the kinds of businesses that are desired, the next step in strengthening the business climate is a clear and consistent *communication of that vision*.

Finally, while supporting “Star” industries is essential, nourishing the seeds of new industries is equally important. No economy stands still. Economies are living organisms comprised of individuals making choices on a daily basis. Some stars will fade, and a healthy, well-diversified economy, will see that they get replaced by launching new stars.

Given the results of this Study, it is clear that Marin has fertile soil in terms of sprouting new, entrepreneurial, seeds. The stories of the digital arts, organic cheese, and mountain

bikes are only a few examples of the kinds of “new” industries that can sprout from existing ones. These new ones will likely be the “Stars” and “Mainstays” of the future.

Some of these emerging “seeds” have been identified in this Study. Others will evolve over time. By establishing a mechanism for recognizing and nourishing these seeds over time, Marin stands the best chance of breeding the types of companies that will meet its criteria in the future.

4. **Adopt A Cluster Strategy and Implement it.** One way to focus County economic development priorities and provide the business community in the key industries identified in this report with the active support of the County is a “Cluster-Based Collaborative Approach” to economic development. This approach uses the clusters defined in this report as a springboard for working with the public and private sectors in a collaborative process aimed at refining the County’s overall economic agenda and identifying specific action steps for achieving that agenda.

Regions around the world are realizing enormous benefits when the different parts of each cluster work better together. This means a better dialogue between businesses in the cluster. It also means a more responsive relationship between the cluster, government, and the cluster’s support institutions (universities, research centers, etc.). Those regions that have fully developed economic clusters have proven to

be the best performing regions in the world. They exhibit higher levels of job creation, higher wages, and higher levels of wealth creation than regions without well-integrated clusters

By working together and taking concrete steps to assist businesses, the County can demonstrate its commitment to creating a positive, supportive business environment. On the basis of the findings of this Study, a collaborative, cluster-based approach to economic development that focuses on nurturing and supporting existing clusters so that innovative, new industries can emerge from them would be well received by the greater Marin County community.

## I. Introduction

The essential question this report hopes to answer is, “What kind of businesses can thrive in the Marin environment and which of them meet the County’s criteria?” Our short answer is: highly innovative firms that are on the cutting edge in terms of product development or technology. Whether it is a food product company making award-winning gourmet cheeses, or a digital imaging company creating state-of-the-art inter-active video applications, these firms can thrive in Marin for a few, simple reasons. Marin County has been and continues to be a highly productive center for creativity and innovation. From mountain bikes to *Star Wars*, the County has traditionally spawned and attracted true entrepreneurs who have a great impact on their respective industries.

This report builds upon the findings and conclusions of *The Key Trends, Issues, and Strategies Report* released by the Marin County Community Development Agency in January of 2003. Specifically, this *Targeted Industry Study* examines how the County might implement a number of strategies outlined in the *Key Trends* report, with particular attention to the task of “determining how the County might identify and support the types of business that comprise a vibrant, viable and sustainable economy [...by] identifying criteria for businesses that should be targeted for development in and attraction to Marin County.”

This *Target Industry Study* develops the criteria Marin County might apply to businesses it considers attracting, retaining, or helping to expand. It also reviews the various economic trends and attributes that have an impact on business location decisions. Through an application of the criteria and a process of cluster analysis, this report identifies a list of target industries, and industry clusters, that are consistent with the criteria. Finally, this report concludes with recommendations the Marin Economic Commission can consider as it shapes its vision for Marin’s economic future.

This report is organized as follows:

1. A review of the methodology used in the preparation of this report;
2. An Economic Base Analysis which reviews the major economic trends impacting business location decisions in Marin County;
3. A review of the attributes of Marin County and the types of industries, and industry clusters, that have located in Marin due to those attributes;
4. A cluster-by-cluster application of the criteria developed for this Study (which reflect the County’s goals and principles);
5. The identification of “target industries,” or industries the County might consider supporting given their consistency with the criteria;

## 6. Conclusions and Recommendations.

The principles specified in the County's *Trends, Issues and Strategies Report* guided the research and analysis conducted in this report. These guiding principles are:

- Link equity, economy, and the environment locally, regionally, and globally.
- Use finite and renewable resources efficiently and effectively.
- Reduce the release of hazardous materials.
- Steward our natural and agricultural assets.
- Provide efficient and effective transportation.
- Supply housing that is affordable to the full range of our workforce and community.
- Foster businesses that provide a balance of economic, environmental, and social benefits.
- Educate and prepare our workforce and residents.
- Cultivate ethnic, cultural and socioeconomic diversity.
- Support public health, safety, and social justice.

In order to identify a list of “target” industries consistent with these principles, the ECG project team used the following methodology in the preparation of this report:

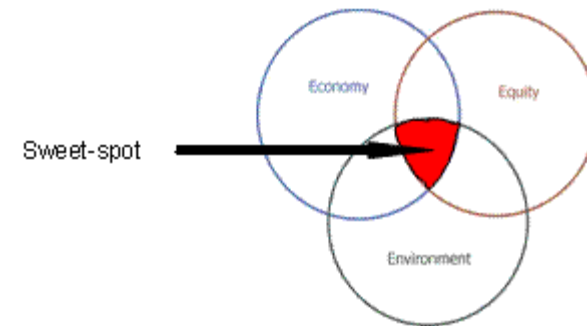
1. Develop criteria consistent with these principles;
2. Conduct research using primary and secondary data sources;
3. Identify clusters and linkages between clusters; and
4. Identify target industries.

## II. Methodology

### DEVELOP CRITERIA

The first step in developing a list of target industries consistent with the County's guiding principles was the development of a set of criteria with which to evaluate prospective industries. These criteria strive to address issues, cultural norms, and aspirations of the Marin community within the “Three E's: Environment, social Equity and Economy,” a framework detailed in the County's *Trends, Issues, and Strategies Report*. Incorporating the “Three E's” into the analysis imposed strict parameters within which the project team identified potential “target” industries.

**Figure 1: The Intersection of the Three E's**



It was ECG's understanding that the County is interested in retaining and attracting companies that operate at the intersection of the “Three E's,” or the “sweet-spot” (see Figure 1). This spot is where the County's goals for a robust economy, a healthy, non-polluting environment, social justice and equity are **all** met. Firms operating at this intersection invest in socially responsible activities, help provide

affordable housing for their employees and conduct joint ventures with other groups. They also work with local community colleges to train residents as employees to ensure that these firms have access to a local talent pool.

The project team's first step, therefore, was to develop indicators, or measures, for assessing an industry's ability to operate in the "sweet-spot." It is important to note that ECG applied these criteria at the industry level rather than the firm level because the task of this Study was to identify target industries. Obviously, within each industry, the performance of individual firms may vary greatly. Keeping this in mind, the project team made assessments on the aggregate performance of each industry and the likelihood of the majority of firms in that industry to operate in a particular way.

That is not to say that *all* Business Services firms pay above-average wages or are likely to invest in the training of their workforce. Some do not. It was in this distinction that the project team used the criteria to identify emerging or "target" industries, such as Boutique Consulting, that are more likely than other Business Service firms to operate in the "sweet-spot." In each industry cluster, the project team identified industries that would facilitate a diverse and sustainable economy while utilizing environmentally sound business practices and incorporating policies that would ensure social equity. For example, selected industries should create above-average wage opportunities and be highly productive while encouraging diversity and minimizing environmental impacts. They should employ both local residents and green business

practices, but their activities should not augment the congestion problem. These issues are summarized in Table 1, below, as well as in Appendix A.

The project team applied these criteria to existing clusters using both quantitative and qualitative methods. Quantitative methods were used to assess criteria that were measurable, such as: wages, profits, productivity, educational attainment of workers, number of employees, typical work hours and quantity and quality of non-labor inputs. Qualitative methods such as the results of our interviews, focus groups, industry reports and market research, were used to assess criteria that were less measurable, such as: industries' commercial real estate requirements, propensity for implementing green business practices, and ability to offer a range of progressively responsible occupations.

By applying these criteria, the project team was able to isolate the salient characteristics of the existing clusters that already are successful within Marin's particular reality. The project team then used them to assist in the identification of emerging target clusters that may be even more successful in operating in Marin's unique social, economic and environmental context.



**Table 1: Targeted Industries Selection Criteria <sup>(\*)</sup>**

Issues		Industries Targeted for the County should...
<b>Economy</b>	<b>Jobs/Housing Balance.</b> Housing costs have risen much faster than income over the past decade. As a result, many people who work in Marin County can't afford to live here. Residents who live here must commute to other areas where higher-wage job opportunities exist	<ul style="list-style-type: none"> <li>▪ Create above-average wage opportunities.</li> <li>▪ Be profitable and highly productive.</li> <li>▪ Place an emphasis on value-added activities.</li> <li>▪ Be a primary engine of growth (attracting wealth and investment to the region) rather than be a secondary, local-serving activity.</li> <li>▪ Rely on technological advances for production of goods and services.</li> <li>▪ Have labor force requirements that match the demographics of Marin County working residents (e.g., educational attainment, age of worker).</li> </ul>
<b>Environment</b>	<b>Transportation, Congestion and Land Use.</b> Traffic congestion is among the top concerns of Marin County residents and business operators alike. Due to a limited number of arterial routes through the County and an increasing number of vehicle trips per year, this problem is worsening. Public support for infrastructure changes (such as highway or rail improvements) has not been strong.	<ul style="list-style-type: none"> <li>▪ Be no bigger than the largest firms currently operating in Marin.</li> <li>▪ Do not create dependence (more than 50%) for labor or other inputs coming from other regions.</li> <li>▪ Employ local residents to minimize commute times.</li> <li>▪ Have the potential to implement flexible schedules for employees and offer non-peak hour commute opportunities.</li> <li>▪ Be housed (if possible) in home office locations and work/live spaces.</li> <li>▪ Be transit-friendly (able to locate near transit hubs; not requiring large parking fields).</li> <li>▪ Be consistent with existing agricultural base and land use.</li> </ul>
	<b>Green Building.</b> Marin residents have a strong socio-economic and cultural tie to the land and the environment. Marin residents value preserving the physical landscape and limiting the negative impacts of economic activity on the environment.	<ul style="list-style-type: none"> <li>▪ Implement green business practices as defined by the County of Marin.</li> <li>▪ Have the potential to qualify for the County's "Sustainable Partners" Program.</li> <li>▪ Leverage the existing environmental attributes of Marin.</li> </ul>
<b>Equity</b>	The County places high value on socioeconomic diversity and economic sustainability. Commercial enterprises must incorporate equitable practices into their business activities.	<ul style="list-style-type: none"> <li>▪ Offer a range of occupations and the potential for upward mobility.</li> <li>▪ Represent a diverse mix of activity in terms of firm size and range of occupations.</li> <li>▪ Have goals and objectives consistent with Marin County Vision including the provision of fair compensation, employee health insurance, childcare and other benefits and a decent work environment.</li> </ul>

<sup>(\*)</sup> Refer to Appendix 1 for a complete discussion of the criteria.

The project team assessed each cluster on the basis of these criteria using the following template:

Screening Criteria		Existing	Emerging
Economic	Above-average wages	~	~
	Emphasis on value added activities	☑	☑
	Primary vs. secondary engine of growth	~	~
	High productivity	☑	☑
	Occupational diversity and upward mobility	☑	☑
	Industry diversity	☑	☑
Environment	Average firm size	☑	☑
	Reduce dependence on inputs from other regions	✗	✗
	Employs local residents	~	☑
	Telecommuting or transit-friendly	~	☑
	Allows flexitime	✗	✗
	Potential sustainable partner	~	☑
Equity	Creative and innovative	~	☑
	Links to aging population	~	☑
	Consistent with County goals and principles	~	☑
Key	☑ = yes   ✗ = no ~ = uncertain	5	11

Given the quantitative or qualitative information collected for each industry, the team determined whether or not the

majority of industries in a cluster would, would not, or might meet each criterion. Each criterion was then given a “yes,” a “no,” or an “uncertain.” Only “yes” ranks were totaled and presented as a raw number or score. The total number of “yeses” possible is 15.

A cluster-by-cluster assessment on the basis of these criteria as well as details concerning each cluster’s composition and the performance of its component industries are presented in the Cluster Template supplement accompanying this report.

## CONDUCT RESEARCH USING PRIMARY & SECONDARY DATA SOURCES

The second step in developing a list of “target” industries consistent with the County’s guiding principles involved a comprehensive review (or, Economic Base Analysis) of what is currently known about the economy of Marin County and going beyond what has been done to date in three key respects:

- Review of studies of the economy of the San Francisco Bay Area so as to highlight the *regional dynamics* that are so crucial to the *Targeted Industries Study*;
- Marin County’s economy was benchmarked against a reference group of counties with some similarities both in terms of their economic structure as well as their strategic goals; and

- The ECG team conducted a preliminary cluster identification, helping Marin County officials and stakeholders to better understand the economic drivers of the County, and their relationships.

The ECG project team collected and analyzed information including:

- Growth rates of individual industries (employment growth, productivity growth, and net new enterprise formation rates);
- Forecasts of employment growth rates by industry;
- Average wages by industry;
- Employment concentration ratios (or location quotients);
- Linkages between industries; and
- An occupational profile of Marin County's workforce, with special emphasis on those who currently commute outside the County.

In addition to gathering and analyzing primary source data on these quantitative economic indicators, the project team conducted a series of one-on-one interviews with representatives from key leaders in Marin as well as a series of focus group discussions involving business leaders in several of the core clusters. The results of this, more qualitative, research is woven into the findings of this report. Summary notes from both the interviews and focus groups can be found in Appendices B and D.

## **IDENTIFY LINKAGES BETWEEN CLUSTERS**

In this task, the project team brought together the information from the Economic Base Analysis and the interviews and focus groups to identify the key industry clusters in Marin County today, as well as the important linkages, both present and potential, between these clusters.

To identify clusters, the project team used both quantitative and qualitative methods. Using employment and output data from Global Insight (an economic data and forecasting firm), the team calculated the Employment Concentration Ratios (ECR) for each industry in Marin (see Appendix E for a detailed description of this methodology). Using qualitative information from interviews and focus groups, the team refined the definition of each cluster and identified two “cross-cutting” clusters: Community Building and Arts & Crafts, which serve to connect and spur economic activity in the other clusters. For a complete list of industries in each cluster, see Appendix F.

Next, the project team began defining the key linkages internal to each cluster as well as the linkages between clusters. This step involved comparing Marin's clusters with national and regional trends (presented in each of the cluster templates in the attached Cluster Template Supplement). Much of this research was based on reports from industry analysts, site selection magazines, trade journals, company web sites, and other secondary sources.

## **IDENTIFY TARGET INDUSTRIES**

By benchmarking the performance of Marin's clusters with national and regional trends, comparing each cluster (and its component industries) with the selection criteria, as well as exploring the possible linkages between clusters, the project team developed a list of "emerging" clusters that can be considered good "targets" for the County in the future.

These results are presented in Sections V and VI.

### III. Economic Base Analysis

A number of excellent recent reports have been written regarding the state of the Marin County economy and the impact of such major issues as high housing costs and traffic congestion on the economy.<sup>3</sup> In the context of the Countywide Plan, research conducted by *Mundie & Associates* in 2002 highlighted a number of key issues and trends affecting the Marin County economy:

- Job growth in Marin County has been steady (average annual growth of 1.4% over the last 10 years);
- There has been a loss of manufacturing jobs and a dramatic increase of service jobs (most notably in business services, retail, and amusement services);
- Housing prices have increased by 95% over the last 10 years;
- Mean household income has only increased by 24.5% in a similar period;
- The cost of doing business in Marin County is high relative to surrounding regions (commercial rents and average wage rates are higher in Marin than in the neighboring counties of Sonoma, Napa, Contra Costa and Alameda).<sup>4</sup>

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<sup>3</sup> This section will provide a brief review of what is known from this body of existing literature. For a complete listing of documents reviewed, see the Bibliography in the Appendix.

<sup>4</sup> While *Mundie & Associates* also observe that commercial vacancies have risen, it is worth noting that they continue to be lower than those in the surrounding Bay Area. According to BT Commercial, overall regional vacancies were 21% while those in Marin County were 16.7% during the second quarter of 2003. Over time, Marin County's office market has performed very well relative to the region.

- Significant inter-county commute patterns conflict with the sustainability goals of the new Marin Countywide Plan.

*Mundie & Associates* argue that the region's housing and income trends have had a significant impact on the social fabric of the County. Because incomes have not risen as quickly as housing costs, more people per household must work to pay for housing (*Mundie & Associates* estimate a secondary school teacher would need 2.7 incomes to purchase a home in Marin County).<sup>5</sup> This allows people less time in the day for volunteering or charitable giving, let alone community involvement and activism.

Another demographic trend that is having unclear impacts on Marin's social fabric is the increase in the average age of Marin's residents. *Mundie & Associates* hypothesize that this may be due to housing price trends and housing production: "the County has fewer multi-family housing units than other areas, making it harder for younger households to move in; prices of single family homes are relatively high, creating further obstacles for younger households; and older households have few incentives to vacate their units" [given the property tax protection conferred by Proposition 13 and limited transitional housing for seniors].

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<sup>5</sup> More people working per household likely increases the numbers of vehicles per household.

The most significant trends impacting the County's ability to attract and retain companies are (1) the lack of affordable housing for the County's workforce; (2) the traffic congestion that results as employees need to migrate farther away in search of housing; and (3) the lack of space or facilities into which growing companies can expand. In 2002 and 2003, the Marin Economic Commission conducted a series of studies that examined why major companies are leaving or may leave the County. While most of the respondents of the 42 companies interviewed indicated a significant loyalty to Marin, the overwhelming majority identified these three factors as the most significant in terms of the respondents' ability to do business in Marin. The remainder of this section briefly reviews what is known about each of these phenomena

## HOUSING

In 2002, the average purchase price of a single family home in Marin County was \$685,000.<sup>6</sup> In the same year, the mean annual wage for occupations in San Francisco, Marin, and San Mateo Counties (the statistical area of which Marin is a part) was \$47,272.<sup>7</sup> As *Mundie & Associates* point out in their report, a Marin household would need nearly 3 average incomes in order to purchase a single family home (nearly 2 average incomes to purchase a condominium).

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<sup>6</sup> Marin Profile, 2003.

<sup>7</sup> California Employment Development Department.

## OCCUPATION AND COMMUTE PATTERNS

More than half of employed Marin residents work as managers or professionals (52.5%, or 67,674).<sup>8</sup> In Marin County, there are 37,380 jobs in these occupations. This creates a net difference of 30,294 professional Marin residents who, it is presumed, must leave the County to go to work. By contrast, there appear to be more job opportunities in the County in the service, sales, farming, production and construction occupation categories than there are Marin residents working in these occupations (see table below).

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<sup>8</sup> U.S. Census, 2000.

**Table 2: Occupation of Employed Marin Residents and Jobs based in Marin County, 2000**

<b>Category</b>	<b>Marin Residents</b>	<b>Marin Jobs</b>	<b>Net Difference</b>	<b>Mean Annual Wage*</b>	<b>Marin Jobs as % Total Workforce</b>
Management, professional, and related occupations:	67,674	37,380	(30,294)	\$93,245	34%
Sales and office occupations:	31,867	34,850	2,983	\$42,937	32%
Service occupations**:	15,446	18,440	2,994	[\$31,402]**	17%
Production, Construction, Operating, Maintenance, Material Handling Occupations	13,494	17,590	4,096	\$51,572	16%
Farming, fishing, and forestry occupations	374	1,990	1,616	\$27,692	2%
<b>TOTAL</b>	<b>128,855</b>	<b>110,250</b>	<b>(18,605)</b>		<b>100%</b>

Sources: Occupations of Marin Residents from Census 2000, sf3, sample data. Occupations of jobholders in Marin County from CA Employment Development Department, 1999.

Note: U.S. Census categories and EDD categories do not always match perfectly. For example, the U.S. Census breaks construction and production apart in greater detail, whereas the EDD lumps them together. Also, the Census gives far greater detail to the service occupations. It also gives different definitions in the management category. For this reason, this data is presented by broad category only.

\* EDD wage data is for 2001. The wages given are averages for the entire San Francisco MSA. The Marin County mean annual wage (mean wage paid to workers employed in Marin County) for 2001, according to County Business Patterns, is \$41,652.

\*\* Service wages are not directly comparable as Census and EDD definitions for this category differ slightly. The mean annual wage reported here is based on the Occupational Employment Survey (2001) as reported by the Employment Development Department.

The preceding chart illustrates the phenomenon known to many who experience it daily: a high percentage of those who commute out of the County earn significantly higher wages than those who commute into the County. This is likely due to the fact that a majority of Marin's residents work in highly skilled, professional occupations, the opportunities for which are located outside of the County (largely in San Francisco).

This trend is visible in the map in Figure 2. According to the 2000 U.S. Census, 62% of those working in Marin live in Marin, while the remaining 38% commute out. The lion's share of those commuting out (65.4%) go to San Francisco. By contrast, the migration into the County is slightly more diversified (see Figure 3), although a significant portion of those coming into Marin for work comes from Sonoma County (41.8%). Again, given the results of Table 2, it appears that those migrating into the County for work are making considerably lower wages than those leaving the County for work.

These trends are reflected in the selection criteria for "target industries." The goal is that new industries should create highly skilled job opportunities, which match the skills of the residential population, within the County. This is expected to improve the overall commute patterns (Figures 2 and 3).

It is worth noting, however, that relative to other counties in the Bay Area, Marin County is in the middle of the pack in terms of its ability to host jobs appropriate for its residents (Table 3).

**Table 3: Percentage of Bay Area Workers Who Live and Work in the Same County, by County, 2000.**

County	% County Workforce who are Residents
San Francisco	76%
Santa Clara	74%
Sonoma	74%
Napa	71%
<b>Marin</b>	<b>64%</b>
Alameda	64%
Solano	53%
Contra Costa	52%
San Mateo	52%

*Source: U.S. Census 2000 Journey to Work data.*

This might indicate that for a county like Marin, with a significant amount of its land dedicated to open space, its current residential occupation/job opportunity balance is not atypical.



Figure 2: Marin County Outflow Commuting Pattern

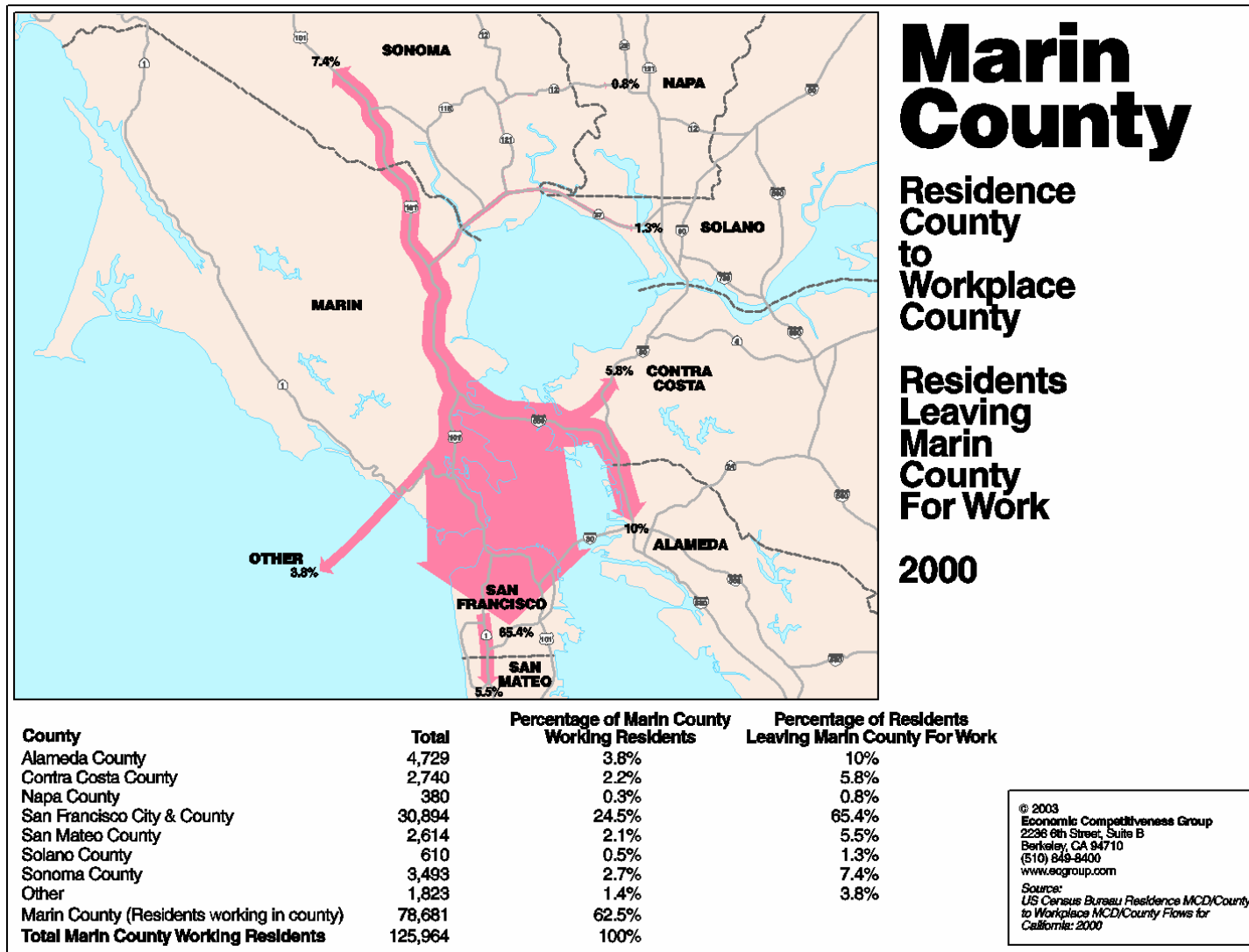
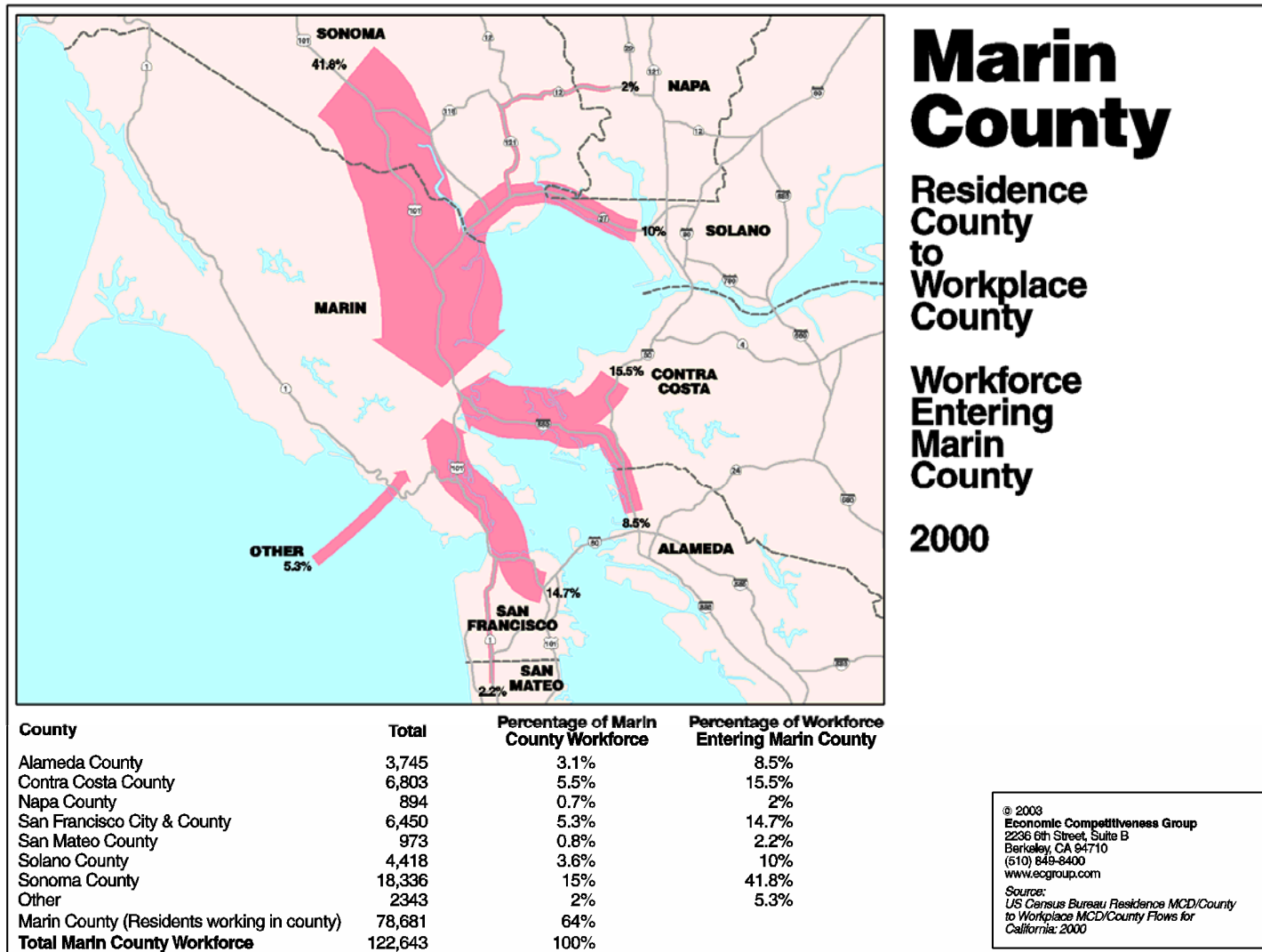


Figure 3: Marin County Inflow Commuting Pattern



## AVAILABILITY OF COMMERCIAL REAL ESTATE

With nearly 9 million square feet of commercial office space, Marin County represents only 4% of the Bay Area office market. At \$2.50 per square foot, its average rents in 2003 (2Q) are 12% higher than the Bay Area average of \$2.19. As of the second quarter of 2003, vacancy rates in Marin dropped from 17.6% in 2002 to 16.7% (down from its peak of 21.9% at the time of the first Economic Alert report).<sup>9</sup> The County has very little R&D, industrial or manufacturing space and very few opportunity sites for expansion for these activities.

Representatives from the real estate community are alarmed by the recent exodus of companies and workers in key industries such as high technology and insurance. Recently, Lucasfilm vacated 400,000 square feet. Fireman's Fund, while not leaving the County, is vacating 250,000 square feet of space. Real estate professionals express concern over these trends due to the nature of the vacated space in that it is not easily converted for use by small firms.

While key economic trends and market forecasts for the computer and related high-tech industries show that this industry is and will continue to recover from the dot-com collapse, real estate professionals are skeptical that Marin is still attractive to these kinds of companies. It appears that the County's office market is robust and improves quickly as the business cycle improves. However, those filling the space

vacated by others may not be in high-tech or other traded sector activities.

In the *Mundie* report, it is evident that the future pipeline for new office space is limited. As part of the selection criteria, therefore, the real estate requirements of target industries should be flexible and oriented toward office, or mixed-use, properties. In general, target industries should also not be large companies with excessive workforce space requirements. Small and mid-sized companies are the best fit for Marin's available commercial real estate.

In summary, the consequences of the housing, traffic, and real estate trends reviewed in this section on the ability of companies to do business in Marin are consistent with the findings of the two Economic Alerts issued by the Marin Economic Commission:

- Employees are hard to recruit as most are unable to afford the cost of living in Marin;
- Work hours and productivity are impacted by traffic congestion problems;<sup>10</sup>
- Rents paid for commercial and industrial space are at a premium;
- Due to land use constraints, small businesses perceive that Marin County is not a place to grow bigger.<sup>11</sup>

<sup>9</sup> BT Commercial Real Estate, *Marin County Office Report*, 2Q-03, 2003.

<sup>10</sup> According to the Marin Congestion Management Agency, traffic congestion over the next 20 years is predicted to increase at three times the rate of population growth.

<sup>11</sup> Views expressed in the Focus Group discussions during this Study.

Some wonder whether or not to even start in Marin because if their growth requires additional land use or labor, they will have to move out.

## TWO POSSIBLE RESPONSES

Two schools of thought regarding the appropriate public sector response to the issues cited above became evident during the interviews and focus group discussions held in the context of this Study:

- (1) **Laissez-Faire.** Do nothing. Marin is a highly desirable place to live and work. High costs are not a problem. We must allow the market to determine who can afford to be here; and
- (2) **Clear Vision.** The County cannot allow the market exclusively to determine who can live and work in Marin, because that will threaten our quality of life. We will become a suburb for the wealthy employed in San Francisco. To preserve socio-economic diversity and economic sustainability, the County must make an active effort to shape the future of the economy. Businesses need to know that the community wants and will support them; otherwise they will not make long-term investments in the County. A clear vision of what the County wants will help in this regard. (Most proponents of this perspective feel that this strategy should be subject to the overall constraint that county-wide employment, built-up area, and traffic should not increase).

One possible consequence of the first, *Laissez-Faire approach* is likely to be the exodus of large companies and

their replacement by relatively small companies. The Economic Alert #1 issued by the Marin Economic Commission in 2002 highlighted this issue. It argues that the commercial space vacated by large companies leaving Marin is often filled with smaller, new businesses.<sup>12</sup>

The Alert goes on to make the case that only mature companies are able to make significant charitable contributions to the community. The Alert makes the case for the idea that an economy driven by small firms will ultimately compromise the quality of life in the County as small firms tend to be focused on growing their business, and do not generally involve themselves in community-building efforts to the same degree.

The record of companies starting in Marin shows that most firms (83% of those interviewed in Economic Alert #2) locate in the County because the founder, partners or key employees live in Marin.<sup>13</sup> The community-mindedness of business owners and leaders, therefore, may be correlated with their place of residence in addition to their place of business.

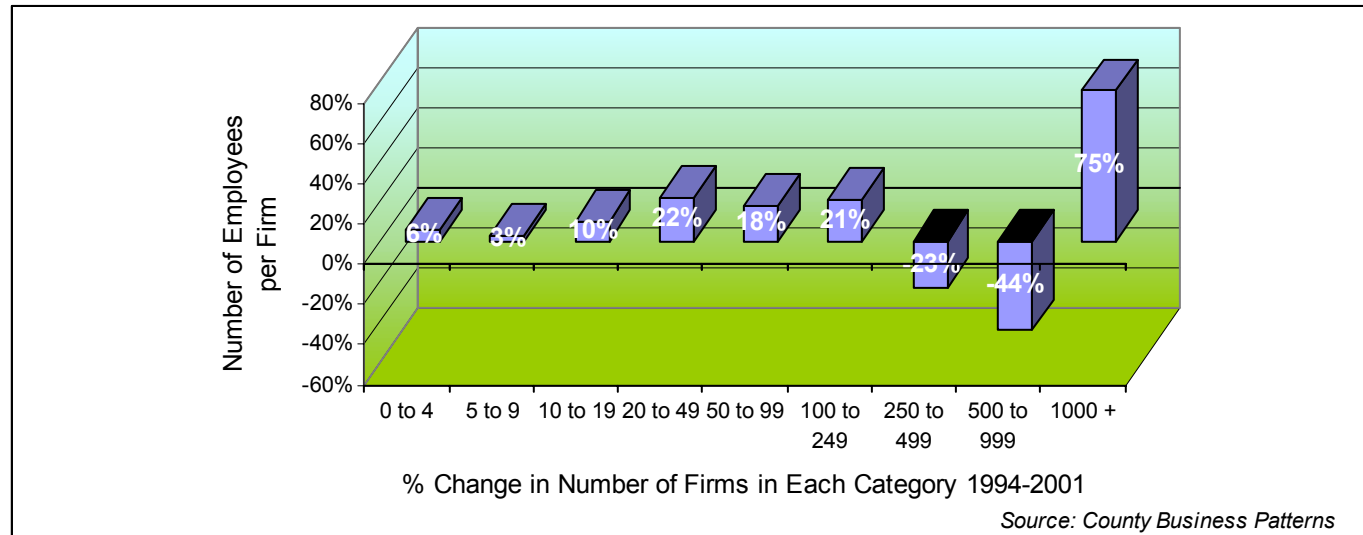
Since 1994, Marin has seen solid growth in small and mid-sized firms and a significant drop in the number of large companies (although, according to County Business Patterns, it appears that the number of firms employing 1000 or more jumped from 1 to 4 between 1994 and 2001). See Figure 4.

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<sup>12</sup> Marin Economic Commission, *Economic Alert #1*, May 2002.

<sup>13</sup> Ibid.

**Figure 4: Trends in Firm Size in Marin County from 1994 to 2001**



The second approach, which could be referred to as the *Clear Vision approach*, is based in skepticism of the sustainability of the type of economy the free market would produce, as well as the consistency of that economy with the region's cultural norms and values.

Those interviewed in the context of this report frequently questioned the sustainability of a local economy based on only local-serving businesses. While the research for this Study as well as the Economic Alerts (#1 and #2) revealed that the sectors of the economy that rely on a local client base, such as real estate, construction, and local-serving

business service firms, have done and continue to do extremely well, they also found that firms that otherwise meet all of the County's criteria - such as digital arts and computer programming – are leaving the area.

The results of our interviews and focus groups yielded the following remarks:

"It's a great customer base and we are privileged to be here," said one partner at a law firm.

“It is great to be a banker in an affluent community,” said a local banker. “We’re not going anywhere. Our business is County-specific,” said the owner of a title company. “To survive here, you need to have local clients. Anyone who doesn’t will probably leave. People who don’t need to be here will leave.”

At the same time, companies whose client base is more regionally dispersed, expressed concern and interest in moving: The owner of an instrumentation manufacturing company said, “New companies would be crazy to come here; no business is going to start in Marin in our field. I’m not sure how smart we are to stay here.”

While the Economic Alerts found a significant correlation between business formation in Marin and the residence of the founders in Marin, it also found a correlation between the departure or sale by the founders and the departure of the company itself from Marin. One interviewee noted, “as the company founders leave, the [businesses] are gone. They can improve their balance sheet by 15% by leaving the County.” There are examples of this phenomenon, including the sale and departure of Gary Fisher Bikes in the 1990s.

The *Clear Vision approach* assumes that there are real and tangible benefits to sustaining a more balanced economy in terms of traded and non-traded industries. It calls on the County, therefore, to play a more active role in retaining companies that are not only serving the needs of local residents but that do meet the County’s other criteria.

## FRAMING THE QUESTION

This Study is meant to inform the debate as to which of the previous approaches the public sector might take in response to the economic trends facing the County, and possibly spawn a third. Some of the questions raised by each of the preceding approaches are:

- What kinds of industries is the free market bringing to Marin County?
- Are those industries consistent with the County’s overall goals and principles as shaped in its Countywide Plan?
- If the general market trends are consistent with County goals and principles, what should the role of the public sector be?
- If the market trends are not consistent with County goals and principles, what might be done about it?

To answer these questions, the remainder of this report is organized in the following manner:

1. A review of the attributes of Marin County and the types of industries, and industry clusters, that have located in Marin due to those attributes;
2. A cluster-by-cluster application of the selection criteria developed for this Study (which reflect the County’s goals and principles);
3. The identification of “target industries,” or industries the County might consider supporting given their consistency with the criteria;
4. Recommendations.

## IV. Review of Attributes

There are a number of reasons why Marin County is a relatively high-cost place to live and do business. Many have to do with its role in the Bay Area economy, the greatest value-generating region in the world. Greater-than-average incomes create greater-than-average demand for everything from housing to office space. This greater-than-average demand, in a supply and demand-driven economy, raises prices commensurately.

There are other, less mundane, reasons for Marin's high cost structure, however. Many of these have to do with what makes Marin unique: its climate, its bucolic landscape, its proximity to water and recreational resources, its plethora of cultural events, its tradition of philanthropy and concern for the environment. These factors increase demand above and beyond what it would be already given the County's regional context.

In this Study, the project team sought to produce a list of industries (economic activities) that could thrive in Marin, despite its high-cost environment. Many of the industries on this list are those who, for economic or personal reasons (of the founders), derive economic value from proximity to the very things that make Marin a high-cost region. In short, people whose businesses need to be in Marin because it offers them a higher-than average return on their investment.

This section reviews a number of attributes of the region that allow certain enterprises to reap a higher-than-average rate of return.

### MARIN COMPANIES ARE HIGHLY PRODUCTIVE

Compared to U.S. and state of California averages, the Marin County economy is highly productive. The average Marin County worker produces 5% more revenue than the average U.S. worker (Figure 5). The output (sales) of existing Marin companies has grown faster than those in California and the U.S. over the past 20 years (Figure 7).

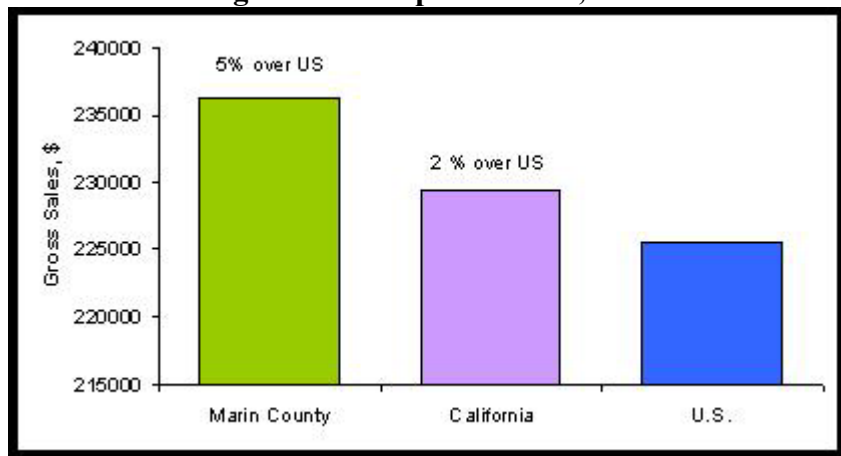
The Marin economy is also highly successful at creating jobs. Its 20-year job growth rate has been nearly 10% greater than that of the U.S. and California (Figure 8). And yet, the growth in the net number of companies in Marin (new companies, less companies that have left or gone out of business) has not been as rapid as it has in California and the U.S. (Figure 6).

These trends are consistent with the sales growth patterns of the County's key industry clusters (discussed in Sections V and VI), which show that nearly all of the County's key industry clusters are growing faster than the national average.<sup>14</sup>

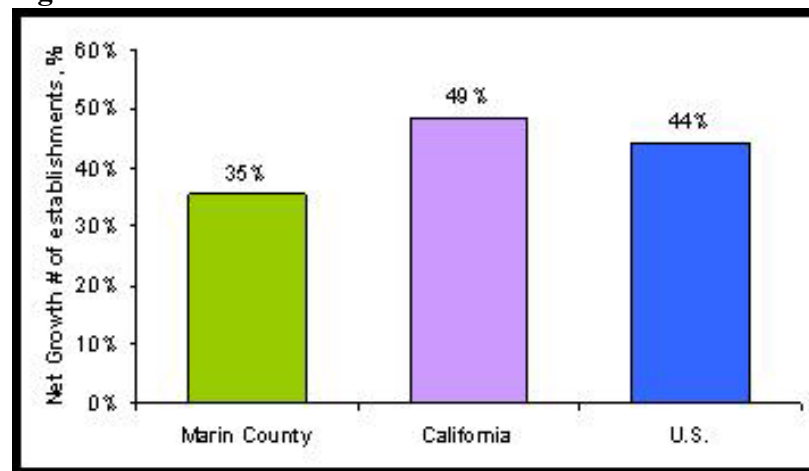
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<sup>14</sup> Global Insight, 2003.

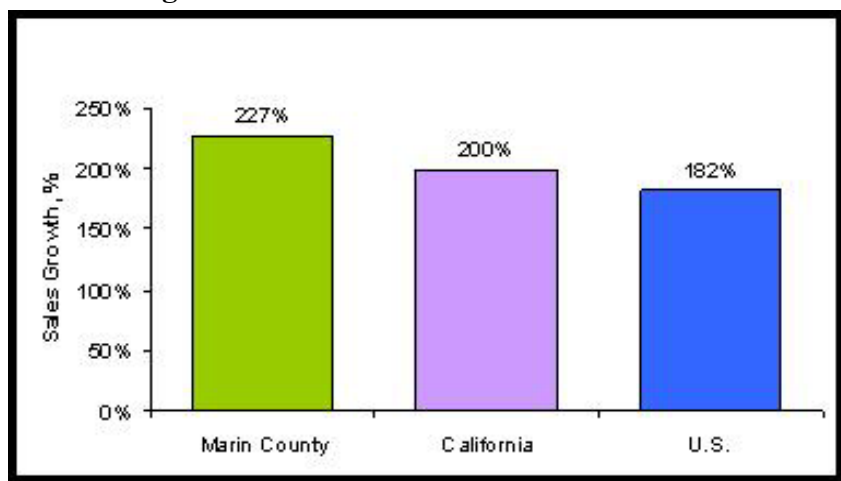
**Figure 5: Sales per Worker, 2003.**



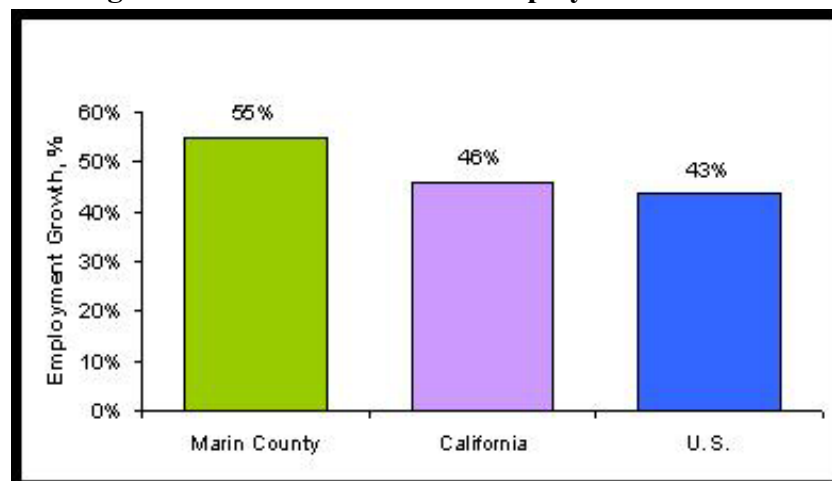
**Figure 6: 20-Year Net Growth # of establishments 1983-03.**



**Figure 7: 20-Year Growth in Sales: 1983-03**



**Figure 8: 20-Year Growth in Employment: 1983-03**



*Source: Global Insight, 2003*



## MARIN COUNTY IS A CENTER OF CREATIVITY

### The Rise of the Creative Class<sup>15</sup>

In his recent book, “The Rise of the Creative Class,” Richard Florida argues that human creativity [rather than factor endowments (land, labor, capital), economies of scale, or even technology] has become the driving force of economic growth. While there has been much written about the “information” or “knowledge” economy, Florida argues that today’s economy is more fundamentally powered by our “ability to create meaningful new forms.” He makes this case based on research in which he examines the dramatic changes in the way people live and work: how traditional work schedules, hierarchical power relationships, and dress codes have fallen by the wayside. He documents the extent to which employers have sought to create more open, tolerant workplaces in order to attract a new type of worker, “the Creative Class,” because they see the value of the “maverick,” the non-traditional thinker, in every industry, from automobiles to fashion, food products, and information technology itself. “Access to talented and creative people is to modern business what access to coal and iron ore was to steel making.”<sup>16</sup>

In the 1990’s, many of the traditional assumptions of how regions should attempt to shape their economic development crumbled. It became apparent that workers were no longer moving to be near companies, but that companies were beginning to move to where the talented labor pool is. Where regional economic development professionals traditionally

sought to attract new companies to their regions (a term we euphemistically call *buffalo hunting*) by offering tax incentives or infrastructure improvements, in the 1990’s, it increasingly became clear that companies were looking for communities that are centers of creativity, where innovation is valued, and where they would be assured a steady supply of talented labor.

In order to gauge a region’s ability to do this, Richard Florida developed a new measure called the *Creativity Index* which is a mix of four, equally weighted factors:

1. The Creative Class share of the workforce;
2. Innovation, measured as patents per capita;
3. High-tech industry, using the Milken Institute’s widely accepted Tech Pole Index;
4. Diversity, measured by the Gay Index, a reasonable proxy for an area’s openness to different kinds of people and ideas.

Florida ranked the forty-nine largest metro regions in the United States and found that “the San Francisco Bay Area is the nation’s undisputed leader in creativity.” While a separate ranking for Marin County is not currently available, its role in the region’s creative strength cannot be disputed.

<sup>15</sup> Florida, Richard. *The Rise of the Creative Class*. New York, NY: Basic Books, 2002.

<sup>16</sup> Ibid, p.6.

## How Creative Are We?

Other indicators of Marin County's relative creativity include occupational trends and the number of patents issued per resident of resident industry.

If we examine the current occupations of the residents of Marin, we find it ranks 1<sup>st</sup> in the country in terms of individuals engaged in "creative" work.

**Table 4: Top 10 County Share of Workforce in Creative Occupations, 2000**

County	State	Total Population	Total Employed	Rank Arts share	Rank Management & Professional share	Share of Total Employment	
						Arts, design, entertainment, sports and media	Managerial & Professional Except Arts
<b>Marin County</b>	<b>CA</b>	<b>247,289</b>	<b>128,855</b>	<b>1</b>	<b>4</b>	<b>5.73%</b>	<b>46.79%</b>
Boulder County	CO	291,288	162,428	2	5	3.53%	46.65%
Santa Cruz County	CA	255,602	129,380	3	33	3.10%	37.16%
Santa Barbara County	CA	399,347	180,716	4	79	2.88%	32.48%
Leon County	FL	239,452	122,840	5	12	2.88%	42.38%
Washtenaw County	MI	322,895	172,373	6	6	2.72%	45.59%
Dane County	WI	426,526	246,064	7	16	2.69%	40.93%
Alachua County	FL	217,955	105,293	8	15	2.68%	41.32%
Sarasota County	FL	325,957	135,419	9	113	2.63%	29.06%
Larimer County	CO	251,494	136,903	10	36	2.61%	37.03%
<b>U.S. Average</b>						<b>1.92%</b>	<b>31.73%</b>

Source: Don Grimes, University of Michigan, based on U.S. Census occupational data. The arts employment is based upon individuals (residents) identifying themselves as working in "arts, design, entertainment, sports or media" occupations.

When we consider the number of patents issued to Marin County residents or resident firms, we see that the County, while small, produced a higher percentage of patents per capita in 1999 than the state of California or the U.S.

**Table 5: Ratio of U.S. Patents per Person by County, 1999**

County	Patents, 1999	Population, 1999	Ratio
Santa Clara	5,664	1,658,000	0.0034
San Mateo	1,153	698,300	0.0017
Santa Cruz	245	251,600	0.0010
Alameda	1,186	1,412,100	0.0008
	614	937,279	0.0007
<b>Marin</b>	<b>154</b>	<b>243,800</b>	<b>0.0006</b>
San Francisco	393	762,400	0.0005
CA TOTAL	16,776	33,140,000	0.0005
US TOTAL	83,905	267,801,951	0.0003
Los Angeles	2,348	9,330,100	0.0003
Sarasota, FL	85	339,625	0.0003
Monterey	61	390,500	0.0002

Source: U.S. Patent & Trademark Office, *U.S. Utility Patents Granted 1999, A Technology Assessment & Forecast Report*, April 2000. Population data from *Global Insight*, 2003. This data is the most recent available.

The key for Marin County will be its ability to translate its underlying advantage as a host of the *Creative Class* into

“economic outcomes in the form of new ideas, new high-tech businesses and regional growth.”<sup>17</sup> The good news is that Marin County has a long history of being a center of creativity where innovation is not only valued but is considered an art form.

The creative legacy of George Lucas, Gary Fisher, Bob Weir, Anne Lamott and many, many others fosters a long-standing culture of iconoclasm, activism, and difference from the norm. These cultural traits are precisely where much of the energy driving the “New Economy” comes from. These traits are and will continue to be tremendous economic assets for the region.

<sup>17</sup> Ibid, p. 244.

## MARIN CONTINUES TO BE A CENTER OF INNOVATION

“This is the idea place. This is where we reflect and think and create. This is where we do our most important work.”

-- George Lucas, referring to Marin County, as reported by the *Chicago Sun-Times*, 2002

“At the Buck Institute, we have research resources, and we have the capacity to partner them with new companies. We can help, but the community as a whole must drive the effort to improve the outlook for high-tech and biotech in Marin.”

-- Jeff Labovitz, PhD, Director of Technology Transfer at The Buck Institute for Age Research, in a recent interview with the *North Bay Business Journal* (Issue Number 131, 2003).

## THE IDEA PLACE: THE GEORGE LUCAS STORY

George Lucas chose to base his studios in Marin County, as opposed to Los Angeles, because of the lifestyle. Lucas' has four main divisions in Marin County: Lucas Digital, which is Industrial Light and Magic; Skywalker Sound; Lucas Entertainment, the makers of video games; and Lucas Leasing, have developed over time to meet the growing demand for their products.

These divisions have also spawned new companies. In 1986, Industrial Light and Magic sold its Computer Division which

became Pixar Animation to Steve Jobs. Pixar Animation Studios went on to create and produce the first computer-animated feature film, the Academy Award-winning *Toy Story*, released in 1995. Also, The Learning Division was established to design multimedia educational products, which emphasize freedom, self-discovery, choice, and no "rules". Games are designed to nurture both creativity and critical thinking by learning through play.

At the Technical Building at Skywalker Ranch, a 140,000-square-foot post production sound recording and mixing facility has sound stages and mixing rooms with some of the strictest sound control criteria in the world. The scoring stage has been used for recording by such luminaries as Pearl Jam, Philip Glass, Isaac Stern, The Count Basie Big Band, The Grateful Dead, Paul McCartney, and Rosemary Clooney.<sup>18</sup>

"Because of their presence here, they are drawing others, such as software companies and other entertainment companies," Elissa Giambastiani, President of the San Rafael Chamber of Commerce, said, "their impact on this county has been substantial." According to a study conducted by Lucasfilms five years ago, the company pumped about \$80 million per year into the local economy. The jobs created by Lucasfilms generate an additional \$80 million per year, according to the study.

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<sup>18</sup> <http://www.geocities.com/Hollywood/Bungalow/3577/lucas.html>

Lucas wanted to build another animation campus in Marin, but there was no more space to offer due to land use restrictions, so Lucas decided to build a campus in the Presidio of San Francisco that will be completed over the next few years. According to our interviews, though they will be moving a part of their production to the new Presidio site, most of their production activities will remain in Marin, and all the payroll dollars come back to Marin. Lucas hopes to have the new site be an incubator for new innovations in film and technology.

## **INNOVATION CENTER OF EXCELLENCE: THE TOMALES BAY FOODS STORY**

Despite getting started only 5 years ago, Tomales Bay Foods dairy initiative, Cowgirl Creamery, was the winner of the prestigious annual American Cheese Society (ACS) competition, which featured specialty, artisan and farmstead cheese producers.

The competition's "Best of Show" award was presented to Cowgirl Creamery of Point Reyes for Red Hawk, a washed rind cheese. Among the first-place winners was the state's oldest cheese producer, Marin French Cheese Company of Petaluma, which won five awards this year.

How can a company that only started five years ago get so good so fast? Sue Conley, founder of Tomales Bay Foods, sees the success as twofold. In all of the big cheese producing regions in the U.S., cows are unhealthy, stressed due to

weather extremes – too cold in Vermont and Wisconsin, too hot in the Sacramento Valley. Marin cows are not only very healthy due to our year-round great weather, but they also have fresh grass to feed on nine months of the year, far more than those other regions. So they start with great milk.

The flavor of the cheese comes from another source: the concept of *terroir*, or “place-specific foodstuffs”. Conley and her partners went to Italy and observed how the culture in a region, people’s attitude towards the wine or food product, contributed to the ultimate quality of that product.

In France, the concept of “*terroir*,” roughly translated to mean the interconnections among people, nature, soil, taste, place – perhaps best described as the soul of a region – often dictates how crops are grown, the way food products are cured, how animals are treated and how communities share food. There are cultural, ethical and community reasons for decisions about agriculture. Short-term economic gain is not always the bottom line.<sup>19</sup>

On their return, they applied this approach with a vengeance, and their cheese line is only one of their successes.

Another remarkable aspect of Tomales Bay Foods is the spontaneous realization of the concept of a business incubator. The company, along with the Creamery and several other partners, is housed in a large converted barn, one block from downtown Pt. Reyes Station. This



<sup>19</sup> Source: <http://www.mda.state.mn.us/ESAP/greenbook2000/essaygilje.pdf>. “Sustainable Agriculture Marketing in Action: Where the Sticker meets the Scanner.”

lovingly restored building has honey, vegetables, cheeses, a bakery, and a clothing retail outlet, among others on the ground floor (as well as Cowgirl Creamery's production unit, behind glass, where visitors can watch the cheese being made). Upstairs, the offices of not only Tomales Bay Foods, but also a graphic designer, an architect (who designed the renovation of the building), and two environmental-related offices.

The synergies between these businesses makes it a genuinely innovation-rich environment, and contributes to the overall atmosphere of dynamism, combining the best of modern marketing savvy and traditional, quality-oriented production. It should come as no surprise that this building is also a hub of activity supporting the Marin Agricultural Land Trust, dedicated to preserving open space and active use of agricultural lands in Marin.

## **A CROSS-POLLINATION OF IDEAS: THE MOUNTAIN BIKE STORY**

One of the great stories of innovation in Marin County is the history of the mountain bike. A motorcyclist turned cyclist discovered an old dirt road west of Fairfax, Marin County, in the early '70s. He and his friends would ride or push bicycles to the top of the ridge and the road plummeted 1300 feet in less than 2.1 miles. On the twisting road down, the hub coaster brakes would get so hot that the grease would vaporize. After several runs, the hub would need to be repacked with new grease. This also was the first time a derailleur had been seen on a balloon-tire bike. The thumb-

shifters and handlebars were equally forward thinking.

The "Repack" race became a magnet for riders from all around the Bay Area. Initially, races were held once a week. At the starting line on the top of Pine Mountain, riders would talk about their new bike discoveries and developments and the sport of mountain biking was born. This cross-pollination of ideas spurred the bike's evolution and solidified the sport.

According to the Mountain Bike Hall of Fame in Crested Butte, Colorado, "the continuous history of the mountain bike is most evident in Northern California. There are a few areas that will claim to be the first mountain bike community, but every history book will lead you to Marin County. The origins of mountain biking were totally innocent. It came into being not as some faddist vision of profit-oriented marketing types, but rather as the product of true cycling enthusiasts trying to find something new to do on two wheels. These cyclists found through fun and competition that the old one-speed klunkers they were using could be improved with modern cycling technology. One thing led to another and mountain biking "the sport" was born.<sup>20</sup> From these early days of the Repack race, companies like Gary Fisher Bikes and Marin Bikes were born. Of these, only Marin Bikes remains in Marin today.

Each of these stories is an excellent example of how Marin's climate of innovation and creativity has led to economic success. In each case, an entrepreneur realized the value of an idea that sparked from a place. Because of their allegiance

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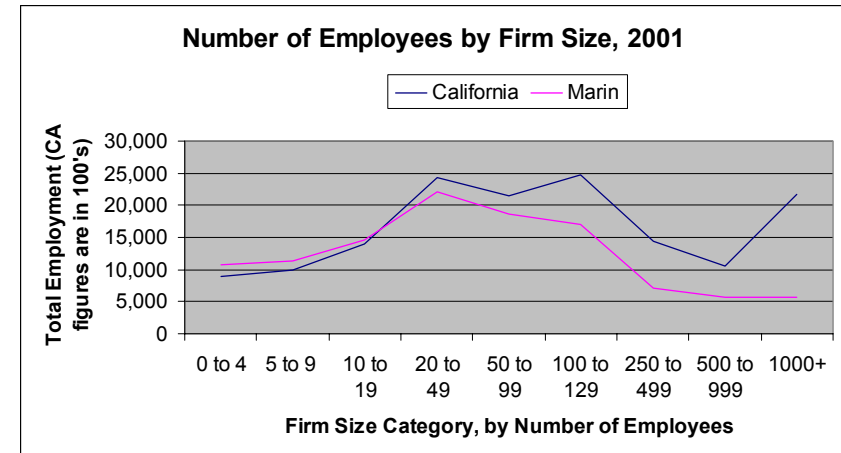
<sup>20</sup> <http://www.mtnbikehalloffame.com/history.cfm?page=3>

to that place, they started their company there. What also becomes evident, however, is that despite each entrepreneur's success in identifying a niche and creating a company around an idea, his/her ability to grow his/her particular company was ultimately limited by the place as well. The very factors that make Marin so appealing - open space, value of the arts, creative-minded residents - are also those that physically limit companies' ability to grow. Generally, companies in Marin can only grow to a certain extent before leaving due to Marin's infrastructure and land-use limitations.

Each of the entrepreneurs discussed here faced a choice: stay small, grow and leave Marin, or sell. This is a difficult choice for many as the initial attraction to locate in the area is part of why they started their company here. Not all entrepreneurs make the same decision.

## SMALL, FLEXIBLE AND HOME-BASED FIRMS CAN BE INNOVATIVE

In the "New Economy," new products and services frequently emerge from small, flexible firms that have ready access to employees and financing once they have patented technologies or proven that markets exist for their products. Marin is home to a higher-than-average concentration of small and home-based firms. This may allow the County's industries a greater degree of flexibility. It may also be a



function of a constrained real estate environment.

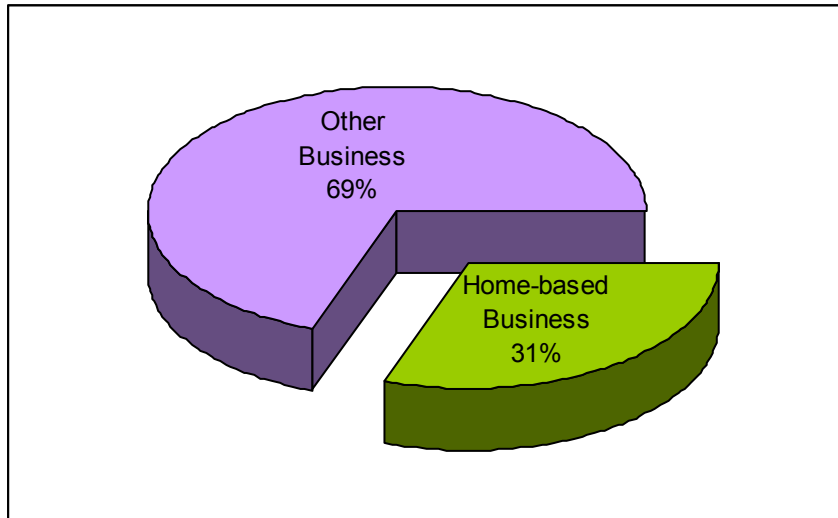
**Figure 9: Number of Employees by Firm Size, 2001**

*Source: California Employment Development Department, 2001.*

## Home-Based Business Trends

Another indicator of innovation and the potential for entrepreneurship in an economy is the number of home-based businesses. Many businesses are launched out of a residence and only move to commercial space once a particular revenue level or target market has been reached. In Marin County, nearly 1 in every 3 businesses (30.6%) is based in someone's home.<sup>21</sup> (This number grew more than 4% from 2001 to 2002.

**Figure 10: Marin County's Home Based Businesses, 2003**



<sup>21</sup> Municipal Business License Data, provided by the Marin County Community Development Agency, 2001-2002.

Table 6 depicts this trend by city. Larkspur, San Anselmo, and Tiburon see more than half of their registered businesses operating out of a residence. The County's two largest cities, Novato and San Rafael, contribute the largest share of home-based businesses to the County total.

**Table 6: Home-Based Business Licenses Trends by City, 2002**

City	% of Total City	% of Total County
Marin County	31%	100%
San Rafael	20%	34%
Novato	27%	20%
Mill Valley	20%	10%
Sausalito	23%	8%
San Anselmo	64%	7%
Larkspur	75%	6%
Corte Madera	39%	5%
Fairfax	47%	3%
Tiburon	54%	3%
Belvedere	17%	2%
Ross	8%	2%

Source: Municipal Business License Data, 2002.



## MARIN'S ECONOMY OPERATES AT THE HIGH ENDS OF THE PRODUCTION CYCLE

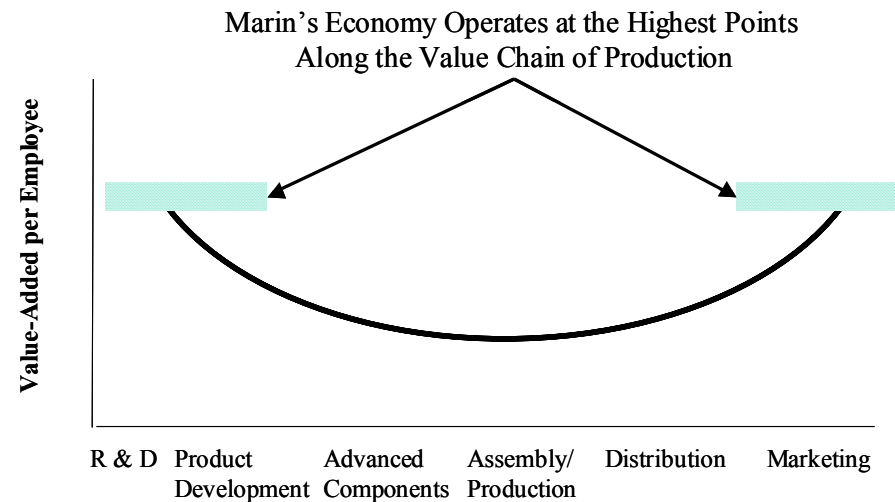
One important consequence of the fact that Marin is home to highly productive, creative, and innovative industries is that it can afford to operate primarily at the high ends of the production cycle. Product Life-Cycle theory (developed in the 1960's by Harvard Economist Raymond Vernon), observes that a new product moves through several stages in its production cycle. Initially, the product is developed in a place where local demand for the product is fairly high or, at least, more sophisticated. As demand grows for the product, its production is refined and ultimately routinized (e.g., the assembly line at an auto plant) to the point at which it could be produced anywhere in the world. Frequently, production then moves out of the higher-cost region where the product was developed and to a lower cost region for continued production.

With mass production come increasingly sophisticated requirements for distribution, inventory management and marketing. These activities tend to be information intensive, requiring complex market research and international negotiations with customs agents and distributors. The return on these activities (value added per employee) is frequently high.

What is unique about Marin is that its traded sector economy operates primarily at the highest points of the value added chain of production (see Figure 11). As the region's manufacturing and warehousing sectors have declined, high-

end service sectors (financial and management services, for example) have increased dramatically. By being concentrated in activities such as research, product development and marketing, as opposed to assembly and distribution, much of Marin's traded sector employment can afford to pay higher-than-average wages. Most regions operate at various places along the chain of production. Marin enjoys a unique position in that much of its production is highly valued but tends to have minimal impact on its natural resources. When considering whether or not Marin's position as a high-cost place to do business is sustainable, it is important to consider how much of its production remains at the high (and higher paying) ends of the value added scale.

**Figure 11: Marin's Value Chain of Production**



## LIFESTYLE MATTERS IN THE CREATIVE ECONOMY

The Economic Alert Report #2 found that 83% of the company executives they interviewed located in Marin because of lifestyle reasons. This fact was corroborated in the interviews and focus group discussions held in the context of this Study as well. Research conducted in the 1990's found that lifestyle amenities, such as cultural districts, retail venues, sports and recreation opportunities, were a powerful draw for companies requiring a high-skilled workforce. The logic seemed to be that workers with higher income could afford a higher quality of life.<sup>22</sup>

To identify the Creative Class, Richard Florida also develops a *Composite Diversity Index* (CDI) which is a combination of his (1) *Bohemian Index* (which measures the number of writers, designers, musicians, actors and directors, painters and sculptors, photographers and dancers in an area); (2) *Gay Index*, which ranks regions by their concentrations of gay people (a proxy for tolerance); and (3) *Melting Pot Index*, which measures the relative percentage of foreign-born people in a U.S. region. Not surprisingly, the San Francisco area (including Marin), ranked highest. Florida found this Index to be an excellent predictor of a region's high-technology base, results that support his major finding: "that diversity and creativity work together to power innovation and economic growth."<sup>23</sup>

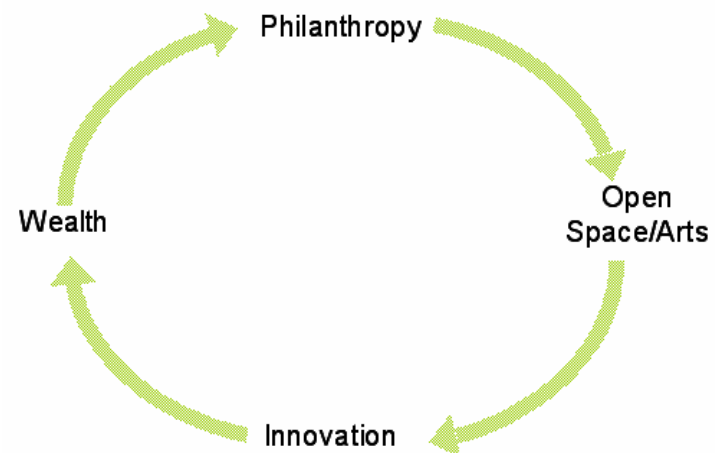
<sup>22</sup> Richard Florida, *The Rise of the Creative Class*, New York: Basic Books, 2002, p. 258.

<sup>23</sup> Ibid., p. 262.

## Marin's Virtuous Cycle

In the case of Marin County, the mutually reinforcing cycle between creativity, innovation and wealth creation is well known. When the region's values of philanthropy, community-mindedness and environmental preservation are added to this mix, something happens that the project team calls *Marin's virtuous cycle*. The tremendous synergies between the region's values of philanthropy, open space preservation (and support for the arts) and creativity result in an astounding degree of wealth creation, which in turn re-fuels the region's ability to fund charitable giving, preserve open space, and fund the arts. This *virtuous cycle* is depicted as a reinforcing circle:

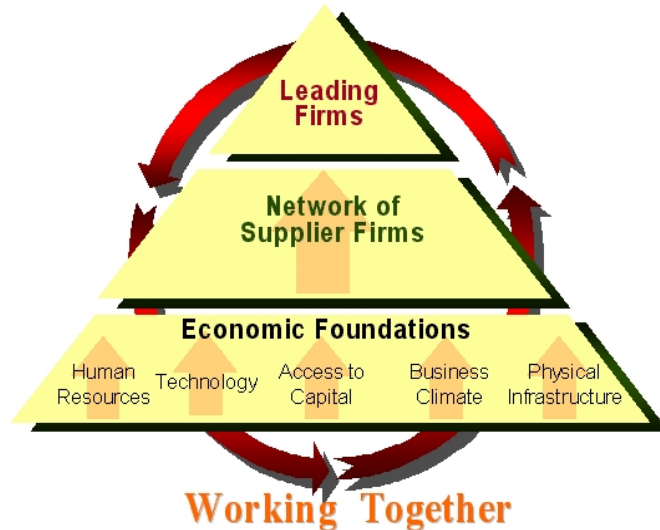
Figure 12: Virtuous Cycle



## V. Identifying Marin's Existing Clusters

To understand how the industries in Marin derive benefit and provide reinforcement to this *virtuous cycle*, we must take a moment to identify those industries as well as the industry *clusters* of which they are a part. *Industry clusters* are geographically specific groupings of inter-connected companies (specialized suppliers, service providers and support institutions). Examples include the film industry in Los Angeles, the high technology industry in Silicon Valley and the finance industry in New York. By locating near each other, or clustering, businesses can increase their productivity, accelerate innovation, and stimulate new business formation.

**Figure 13: The Structure of a Cluster**



The Structure of a Cluster Pyramid ©ECG

Figure 13 illustrates the general structure of a cluster: leading firms (usually larger firms), who export goods and services out of a region, thereby bringing new wealth into the region, are supported by a network of supplier firms who provide the inputs and expertise needed by the lead firms. In turn, both the lead and supplier firms draw support from a region's economic, environmental and social foundations: its human resources, access to technology, access to capital, business climate (relationship with the public sector), as well as its physical infrastructure.

The principal clusters that comprise Marin's economy today are<sup>24</sup>:

- Real Estate & Construction
- Multimedia
- Business Services
- Finance & Insurance
- Restaurants & Tourism
- Health Services
- Agriculture
- Community Building (Non-Profits; Philanthropy)
- Arts & Crafts

The project team identified these existing “traded” industry clusters by first calculating how concentrated Marin County

<sup>24</sup> Identified using a cluster segmentation framework, described in Appendix E.

is in each cluster in terms of employment (Employment Concentration Ratio, or ECR). This ratio (ECR) compares Marin to other regions in the U.S. A ratio of “1,” therefore, implies that Marin’s concentration of employment in that cluster is the same as that of the U.S. average. When a cluster has an ECR greater than 1, it reveals that Marin is more highly concentrated in that cluster than a typical U.S. region.<sup>25</sup>

After identifying which industry clusters are concentrated in Marin, the project team then examined the growth potential of each cluster. The growth potential is simply the sales growth forecast for that cluster over the next five years (as estimated by *Global Insight*, an economic forecasting service).

Figure 14 below compares Marin County’s relative employment concentration in each cluster (y-axis) with the potential growth of that cluster (x-axis).<sup>26</sup> Each cluster is depicted as a bubble and the size of each bubble reflects the total employment in that cluster in Marin County.

Two lines are superimposed on the chart in order to more easily compare the performance of Marin’s clusters with those in the U.S. The horizontal dotted line depicts an ECR of “1” or an average level of industry employment across the U.S. The vertical dotted line depicts the average U.S. growth in sales forecast for the next five years across all industries.

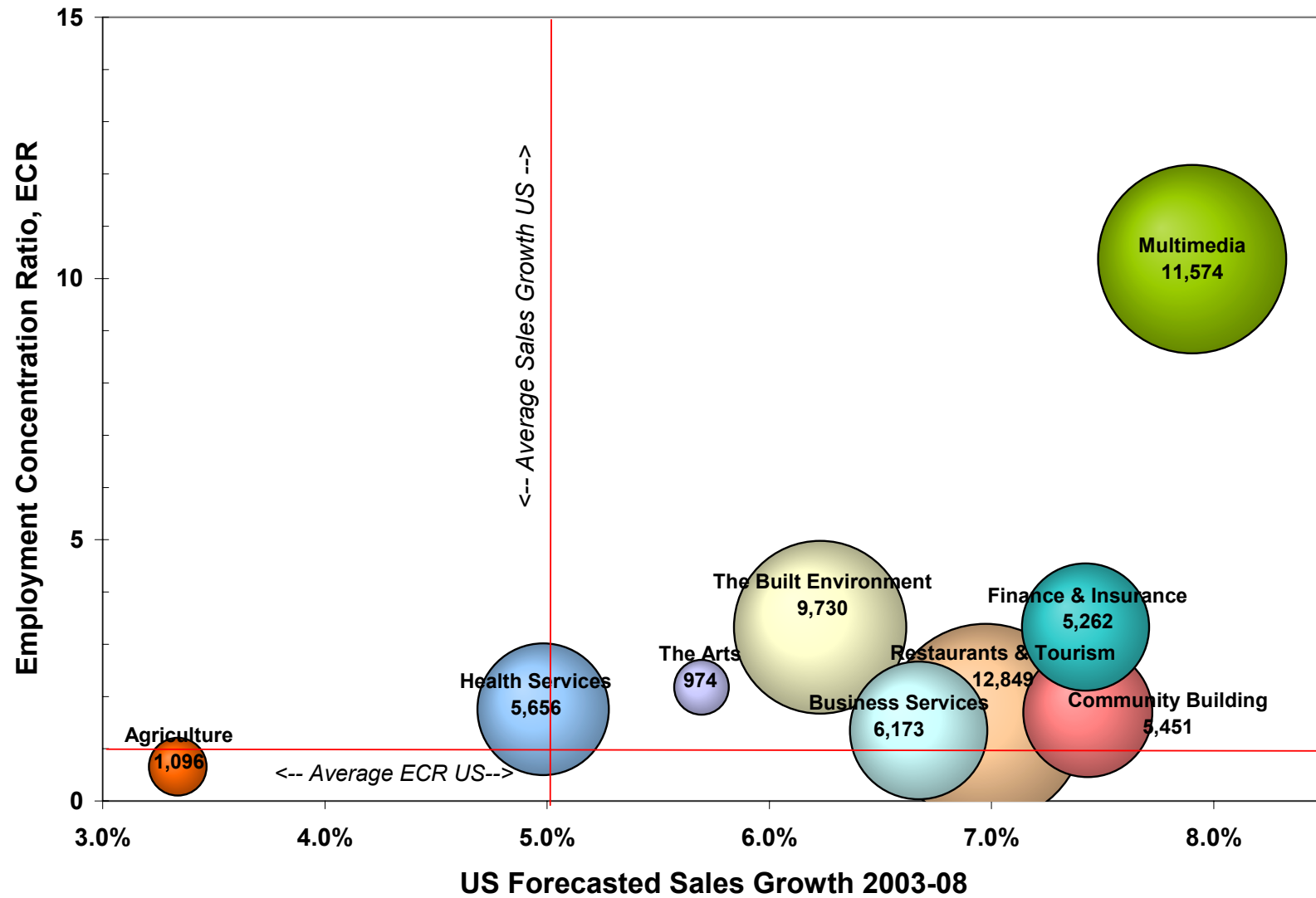
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<sup>25</sup> The industries included in each of these clusters can be found in Appendix F and in each of the cluster templates found at the end of this report.

<sup>26</sup> This approach was originally conceived by Chris Holling of Global Insight.

These two dotted lines divide the chart in Figure 13 into four quadrants which the project team refers to as “Stars,” “Opportunities,” “Challenges,” and “Mainstays.” The clusters in the upper right-hand corner of the diagram are considered “**Stars**,” in that the region (Marin in this case) is highly concentrated in them and they are due to experience faster than average sales growth. Clusters in the lower right-hand corner are considered “**Opportunities**” because although Marin is not concentrated in these activities now, they are forecast to do well and so Marin may want to explore their potential. Clusters in the lower left-hand corner are called “**Challenges**” because Marin is neither concentrated in them nor are they forecast to do well. Finally, clusters in the upper left-hand quadrant are called “**Mainstays**” because although they are not growing very fast, the region is nevertheless highly concentrated in them and they are likely to be older, mainstay, industries on which the region has relied for a long time but which may not be part of the region’s future unless they can be helped to regain competitiveness and boost sales.

Figure 14: Marin County - Cluster Segmentation Chart



What is remarkable about Figure 14, is that nearly all of Marin's key traded clusters are "Stars." Only Agriculture is considered a "Challenge" industry in that it is slow growing and Marin is not concentrated in it relative to other counties. But each of Marin's other clusters is either a Star or an

Opportunity. Health Services, in the middle of the chart, is accurately depicted as average in that the bulk of this cluster is devoted to providing health services in proportion to the Marin population. In other words, Marin is not exporting Health Services at this point.

**Table 7: Marin County Clusters by Category, Employment, and Output (Sales), 2003.**

Cluster	Category	Employment	ECR (*)	% Total Employment	% Total Sales (\$)
Restaurants & Tourism	Star	12,849	1.49	11.09%	4.10%
Multimedia	Star	11,574	10.37	9.99%	10.90%
Real Estate & Construction	Star	9,730	3.33	8.40%	20.40%
Business Services	Star	6,173	1.35	5.33%	6.50%
Health Services	Average	5,656	1.75	4.88%	3.00%
Community Building	Star	5,451	1.70	4.71%	1.50%
Finance & Insurance	Star	5,262	3.33	4.54%	6.00%
Agriculture	Challenge	1,096	0.66	0.95%	0.50%
Arts & Crafts	Star	974	2.18	0.84%	1.00%
Total Clusters		58,765		50.73%	46.10%
Non Clusters		57,073		49.27%	53.90%
Marin Employment 2003		115,838		100%	100%

An Employment Concentration Ratio of 1 means an industry that is no more concentrated than the average county in the US. Multimedia, for example, is nearly four times as concentrated in Marin as in the US as a whole. Source of sales and employment data: *Global Insight*.

Another way of looking at Marin's existing traded clusters is comparing how much they produce (see Table 7). A cluster's output is defined as the gross sales of companies in each cluster. Interestingly, the largest clusters in terms of sales are not necessarily the largest clusters in terms of employment. For example, Restaurants & Tourism employs nearly 10% of

the County's workforce but produces only 4.1% of its output. This comparison is a good indication of why the cluster may pay lower than average wages. This issue and its impact on how this and other industry clusters compare to the County's criteria will be discussed in the next section as well as in the Appendix.

That nearly all of Marin's existing clusters are Stars is highly unusual. Most regions have a few Stars but many more Mainstays and Opportunities. While the challenge for most regions lies in public-private collaboration so that more industry clusters move into the upper-right "Star" quadrant;

Marin's challenge is to ensure that its existing clusters remain Stars and that new, emerging clusters are identified and nurtured to replace any stars that may fade.

Depicted graphically with the *virtuous cycle*, the mutually reinforcing nature of these clusters becomes evident:

**Figure 15: Relative Output of Marin Clusters, 2003.**

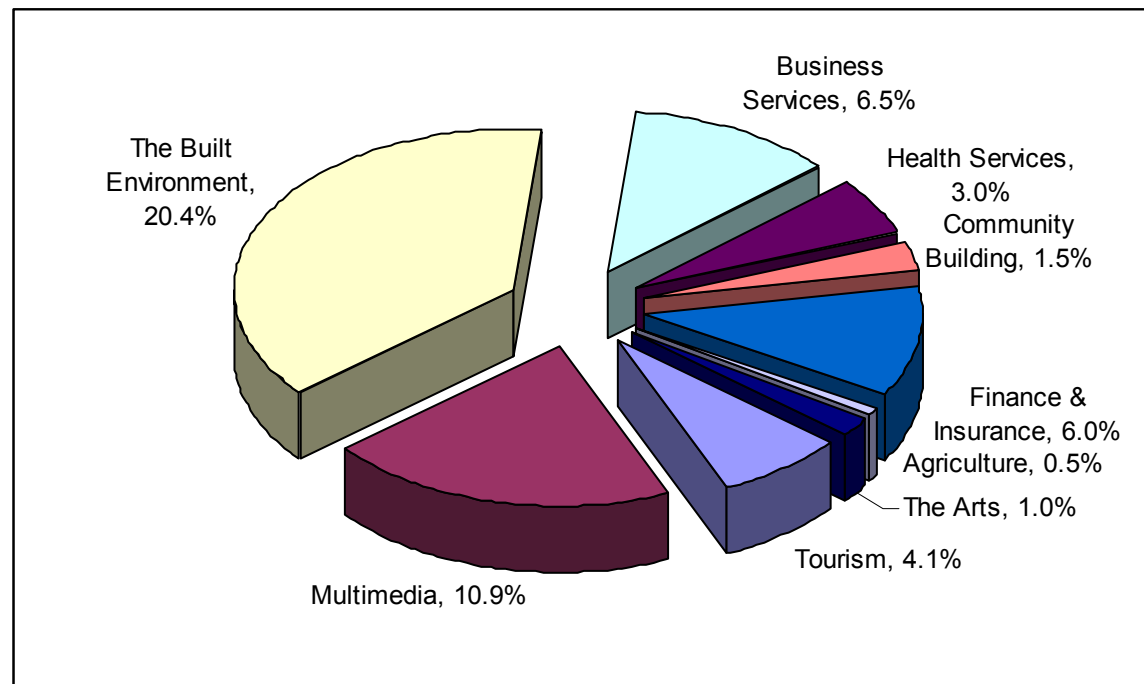
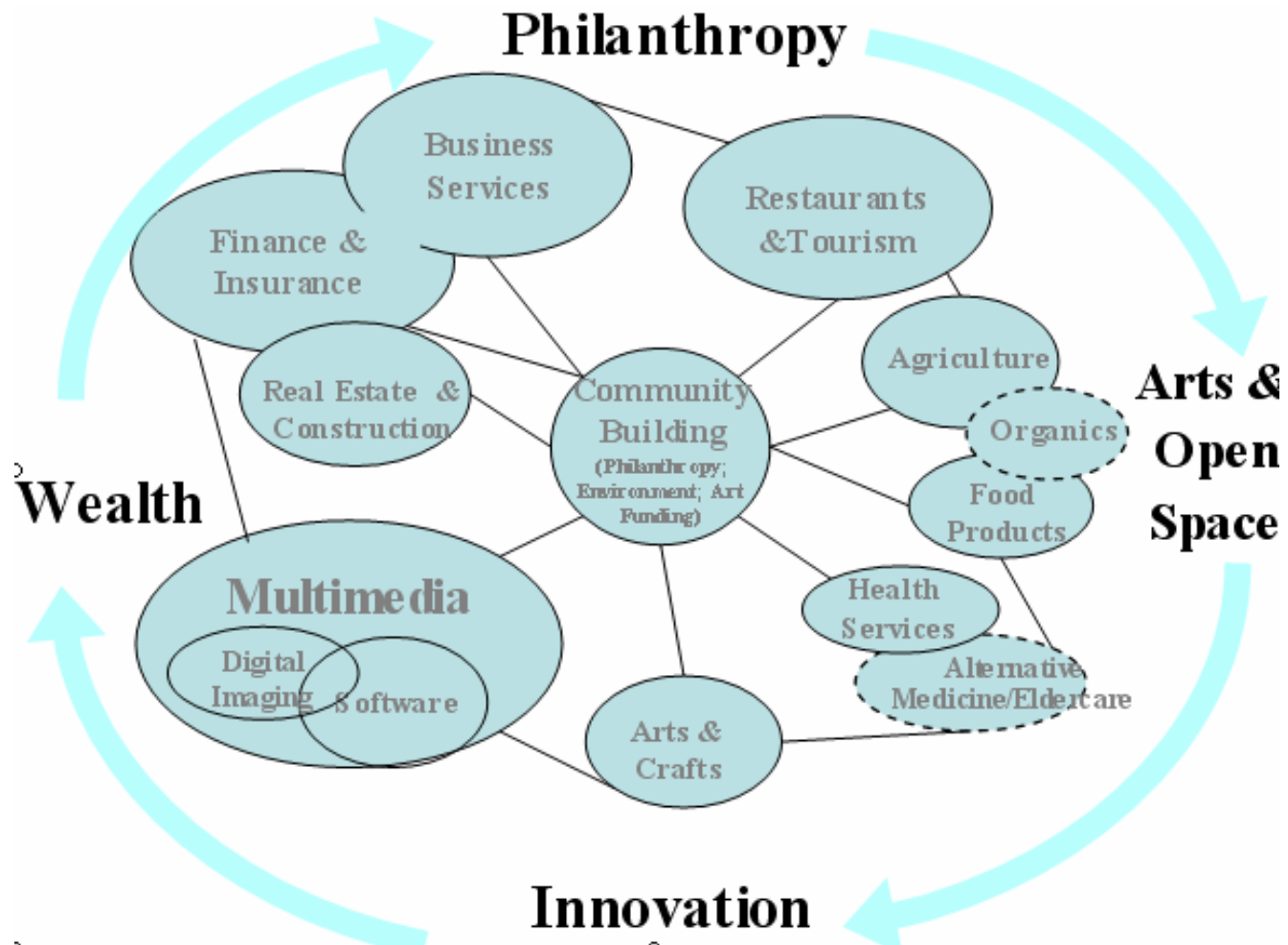


Figure 16: Linkages among Marin Clusters





A cluster called “community building” is placed in the center, or hub, of this diagram to illustrate the point that has become very clear from the research, interviews, and focus group discussions conducted by this Study: Marin County’s core values of charity, nurturing the environment, and funding the arts, drive much of what is unique and profitable in its economy today.

In addition, the County’s legacy as an artistic community -- a haven for alternative thinking and practices -- is captured in the bubble (cluster) labeled “Arts & Crafts.” A qualitative cluster more than a quantitative one, its role in providing the fertile soil from which innovators in technology, alternative healing practices, and organic food production, is an important one. Some of these “emerging clusters,” like Organic Food Production and Alternative Medicine, are depicted here as dotted ovals. The nature of their emergence from Marin’s network of clusters and its relationship to the *virtuous cycle* will be discussed in the next section.

Certain clusters, such as Finance & Insurance, Business Services, Multimedia, and, to some extent, Real Estate & Construction, are highly productive, highly profitable clusters that fuel the “wealth” component of the cycle. That wealth, in turn, allows businesses (as well as wealthy residents) to contribute to the community through philanthropy and other vehicles. This giving allows for organizations such as the Marin Community Foundation and Marin Agricultural Land Trust to preserve open space, fund the arts, as well as provide essential social and other community services. These, in turn,

perpetuate a lifestyle in Marin that attracts and nourishes the entrepreneur. Entrepreneurs, in turn, help generate the wealth that keeps the cycle going.

Each of these clusters and each aspect of the *virtuous cycle* are critical. In this sense, a balance between certain private sector industrial and commercial activities and certain community activities should, optimally, be maintained. This is what is captured in the selection criteria, which will be applied in the next section.

In the next Section, each of these clusters will be discussed in greater detail. Their performance in Marin will be compared to that at the U.S. and state level. Market trends that may have implications for these industries in Marin are discussed. And, through an application of the selection criteria, a sense of which industries may become or may produce “target” industries emerges.

## VI. A Cluster-by-Cluster Application of the Criteria

In seeking to answer the question, “What kind of businesses can thrive in the Marin environment and which of them meet the County’s criteria,” the previous sections sought to make the case that Marin has been and continues to be a highly productive center for creativity and innovation. The types of industries currently found in Marin are therefore the best indication of the types of industries that will pay a premium for operating there. This section analyzes each cluster of industries to determine why they are operating in Marin, what makes them successful or not, and what types of other industries and activities may be spawned from them.

To evaluate each of Marin’s seven core clusters, the project team utilized a set of quantitative and qualitative analytical tools that benchmarked Marin County against the forecasted average U.S. sales growth rate for each cluster and compared Marin to national and regional trends. Our findings identified the clusters that most reflect value-added potential and are consistent with the County’s social and environmental criteria.

Table 8 demonstrates that when screening Marin’s emerging clusters with the Three E’s-based criteria detailed in Section II, their scores equal or surpass the score for the County’s existing clusters. The quantitative methodology leading to this assessment is shown cluster-by-cluster and in great detail in the attached Cluster Template supplement.

**Table 8: Comprehensive Core Cluster Criteria Screening Results**

Clusters	Number of Matching Criteria	
	Existing Cluster	Emerging Cluster
Business Services	15	15
Finance & Insurance	14	14
Multimedia	13	13
Real Estate and Construction	5	11
Agriculture	8	9
Health Services	7	9
Restaurants & Tourism	7	7

### REAL ESTATE & CONSTRUCTION (THE BUILT ENVIRONMENT)

Despite the recent economic slump, real estate and construction have been two of the Bay Area’s only post-bubble growth industries. This is especially true for Marin where the County trails only New York City as the top seller market and the median price of a single-family home is up to more than

\$630,000,<sup>27</sup> far exceeding the state average which itself, is forecast to jump 13% to \$414,100 in 2004.<sup>28</sup> Considering the strong condition of this sector relative to other Bay Area industries, it is not surprising that it employs nearly 11,000 people or 12.10% of the County's total employment.<sup>29</sup>

Given the "built out" nature of Marin's residential and construction real estate environments, it is likely that this cluster will continue to be focused on residential remodeling as opposed to new construction. This will likely limit its growth over time. This cluster will remain strong as long as local demand for re-modeling and real estate services is strong. There is growing concern, however, that real estate value increases will no longer be able to outpace general economic and wage growth.

Opportunities do exist in providing elderly housing and using environmentally sound construction practices, or "Green Building." David Bernardi, General Manager of the Marin Builder's Association noted, "Green Building? We are working on it. Whether this will be significant remains to be seen. It fits into our self-image as environmentalists, but what are we going to see at the end of it? I don't know. As long as outside Marin potential buyers are willing to buy our product, there may not be as much interest in green building outside the area as there is within it."

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<sup>27</sup> [http://beta.kpix.com/news/local/2003/07/25/State\\_Housing\\_Prices\\_Jump\\_Up\\_Again.html](http://beta.kpix.com/news/local/2003/07/25/State_Housing_Prices_Jump_Up_Again.html)

<sup>28</sup> Reuters "Calif. home prices seen up 13 pct in 2004-report." October 2, 2003.

<http://www.forbes.com/business/newswire/2003/10/02/rtr1097968.html>

<sup>29</sup> Global Insight

## MULTIMEDIA

The Bay Area continues to be the preeminent leader in this deflated, yet still vibrant sector and workers in this sector, by and large, match Marin's desired employee profile. During the 1990s, explosive growth in the hi-tech sector led many communities to try recruiting hi-tech companies by offering tax breaks and other incentives due to the industry's ability to produce high value-added and high-paying jobs. It would not be surprising were Marin to consider utilizing tactics to entice hi-tech businesses similar to those used by neighboring communities in Napa and Solano Counties and the cities of Emeryville and Pleasanton.

But the scale in terms of skilled labor and sheer number of hi-tech firms that regions like Santa Clara and San Mateo Counties can offer offset any tax or other advantages Marin County could offer. Rather than compete with other hi-tech regions on their terms, Marin County may be better operating on its own terms: first, by recognizing the initial confluence of forces (like the virtuous cycle) that allowed Marin to become a leading center of digital arts and multimedia technology in the first place; and, second, marshalling the creative energies and structural processes necessary to sustain the industry in Marin and project it into the future.

Marin has a tremendous existing competitive advantage in multimedia, digital imaging and game development activities. Firms, such as Factor Five, have located in Marin specifically

to collaborate with George Lucas' various companies.<sup>30</sup> Autodesk's success in computer-assisted design (CAD/CAM) products is also pivotal to attracting like-minded firms to the region's cluster.<sup>31</sup>

In 2003, Al Coppin, President of Keegan and Coppin, noted, "Marin has a nucleus of software companies. Software companies are going to look real hard at Marin, despite its costs, because of its intellectual capital. Marin has a real attractiveness for software and I think it will continue to retain that." When interviewed for this study, Chris Glennon of Lucas Arts Companies maintained, "We see ourselves as a key part of the fabric of the Bay Area film community."

The challenge facing the County lies in better understanding, appreciating, and working with members of this cluster to nourish the cluster's development. The multimedia cluster in the County exists due to the physical concentration of firms, skilled individuals, and services dedicated to this industry. How to keep them and make the most of global market trends (the worldwide market for video games, computer games and interactive entertainment hardware and software should grow from \$20.7 billion in 2002 to as much as \$30 billion by 2007), is the task at hand.<sup>32</sup> While many of these firms can afford to pay higher wages and engage with the County in pursuing its social, environmental and equity goals, these firms, in turn,

<sup>30</sup> An Interview with Chris Huelsbeck

[http://remix64.phatsites.de/main\\_interviews.php?task=1&inter\\_id=67](http://remix64.phatsites.de/main_interviews.php?task=1&inter_id=67)

<sup>31</sup> San Rafael Chamber of Commerce. High Tech Directory: A List of Marin County Technology Companies. January, 2003.

<sup>32</sup> DFC Intelligence. "Worldwide Market Forecasts for the Video Game & Interactive Entertainment Industry." <http://www.mindbranch.com/listing/product/R143-013.html>

need a clear policy commitment from the County that the County wants them. This does not mean tax incentives or any giveaways. It means merely making the industry a priority in terms of how the County thinks about them and engages with them.

For example, based on focus groups discussions held in the context of this report, it appears there are many unlicensed, home-based software developers operating in Marin. One of our respondents thought that the County did a very poor job of marketing Marin County as a source of high-tech innovation and skilled labor. The challenge for the County would be to welcome and help incorporate this part of the hi-tech cluster and then market Marin as a leading hi-tech center. The North Bay Multimedia Association could be a potential collaborative partner for promoting growth initiatives in these areas.

The multimedia and digital imaging industries in Marin represent a clear, existing competitive advantage for the County that should be appreciated, retained and nurtured. On the other hand, industries like Environmental Technology represent newer, emerging industries that, also with the proper nourishment, could become a pillar of the region's economy. What is most striking about Environmental Technology is its consistency with the County stated goals and principles.

This cluster includes those industries dedicated to the research, manufacturing and marketing of technologies related to recycling, energy saving, material testing, physical and biological research. While this cluster comprises a wide range of sectors, the ones most relevant to Marin County include Green Building construction, water treatment and waste

generation and recycling. Marin County's land use policies correspond well with green building's objectives to maximize the efficiency of existing building spaces and increase the use of less resource-intensive building materials and systems with products that have a minimal environmental impact.

Today, this cluster is relatively small, employing only 432 people. To nourish this cluster, the County could strengthen linkages between Marin-based research centers, contractors, architects, scientists, engineers and green-technology firms to better serve the sophisticated local demand for high-quality, indoor environments and other environmental technology products. In this respect, Environmental Technology could be the next mountain bike or *Star Wars* for Marin.

## BUSINESS SERVICES

Business Services is typically a broadly defined cluster that includes everything from the local copy shop to prestigious private law firms. In this respect, income and growth trends in the industry must be tempered with the recognition that the industry is large and diverse.

In Marin, however, the vast majority of the more than 6,000 employees in this industry work for higher value-added, professional service firms in advertising, graphic design, law, accounting, engineering, and management and business consulting and earn a higher-than-average wage. Nationally, Business Service professionals earn 13% more than individuals working in other industries. The industry is projected to be one of the fastest growing in terms of employment and sales

through the year 2010. The vast majority of establishments in this industry are fairly small, employing fewer than 5 workers and nearly one-fifth of all workers are self-employed. Nearly 70% of workers in this industry have a bachelor's degree or higher as well.<sup>33</sup>

This cluster serves an important supporting function in Marin County's *virtuous cycle*. Not only does the cluster employ 5.33% of the County's workforce,<sup>34</sup> it also manages and generates wealth that is then propelled throughout the cluster network and *virtuous cycle*. In fact, Marin County's Business Services productivity rate far outpaces both the Bay Area and national averages, exceeding the national average by more than \$45,000 per worker.<sup>35</sup>

Given Marin County's competitive advantage in terms of productivity and access to financial resources, the Business Services cluster is a natural center for innovation and growth with significant opportunities in boutique consulting for the IT, engineering and telecom industries. Countywide coordination and cluster-level development are the keys for competing in the increasingly important, yet competitive Business Services industry.

## FINANCE AND INSURANCE

The Finance and Insurance cluster has historically been one of the vital lynchpins in Marin's local economy. Indeed, from the

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<sup>33</sup> United States Department of Labor – Bureau of Labor Statistics.

<http://www.bls.gov/oco/cg/cgs037.htm>

<sup>34</sup> Global Insight <http://www.globalinsight.com/>

<sup>35</sup> Global Insight <http://www.globalinsight.com/>

Fireman's Fund to small, boutique capital and wealth management firms, this cluster has served as a critical driver in the *virtuous cycle's* wealth generation and reallocation processes.

In Marin, the bulk of activity in this cluster has been driven by insurance. New niches for real estate investment trusts, pension fund managers, and small, boutique investment advisors are growing. Trends in the industry indicate that finance-related occupations will benefit as baby boomers save for retirement and the generally better-educated and wealthier population requires investment advice.<sup>36</sup> Marin's banking sector's current strong condition reflects this reality. The County's deposits grew by a third over the last five years -- to \$5.8 billion as of June 30, 2002 triggering local banking concerns such as Tamalpais and the Bank of Marin to post impressive returns and pursue aggressive expansionary plans.<sup>37</sup> A recent study, found that the Bay Area's productivity level for the banking and finance sector is over \$200,000 per worker, the third highest among all U.S. comparison regions analyzed.<sup>38</sup>

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<sup>36</sup> United States Department of Labor – Bureau of Labor Statistics  
<http://www.bls.gov/oco/ocos259.htm#outlook>

<sup>37</sup> Calvey, Mark. "Tamalpais Bank pursues larger presence in tony Marin County." *San Francisco Business Times*, April 14, 2003.  
<http://www.bizjournals.com/sanfrancisco/stories/2003/04/14/newscolumn5.html>

Calvey, Mark. "Bank of Marin posts record earnings, stock dividend." *San Francisco Business Times*, April 11, 2003.  
<http://sanfrancisco.bizjournals.com/sanfrancisco/stories/2003/04/07/daily48.html>

<sup>38</sup> Bay Area Economic Forum "After the Bubble: Sustaining Economic Prosperity, Appendix B." January, 2002 Page 1.

Much of this industry's job growth is occurring because of the significant redefinition of the financial services business system, resulting in the tightening of linkages between the traditional banking community and the Bay Area's growing information and computing services industries.<sup>39</sup> Consequently, job growth is projected to be in smaller consulting firms specialized in areas such as biotechnology, healthcare, information technology, human resources, engineering and telecommunications.<sup>40</sup> Furthermore, recent accounting and corporate governance scandals have further raised the stature of these smaller, boutique firms that are not involved in investment banking activities.

The Finance and Insurance sector both globally and locally is a significantly traded sector. There is opportunity for Marin to expand this sector and attract resources from outside the County to promote local economic growth. Given Marin's access to capital, expertise in wealth management and the current trend towards boutique investment firms, the County is well positioned to take advantage of its proximity to this banking-informational technology nexus. To do so, the County should market its financial and banking sector expertise, leverage its linkages to the Bay Area's productive sectors and banking community and encourage this cluster to continue its major role in both the *virtuous cycle* processes.

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<sup>39</sup> Bay Area Economic Forum "After the Bubble: Sustaining Economic Prosperity, Appendix B." January, 2002 Page 1.

<sup>40</sup> United States Department of Labor – Bureau of Labor Statistics  
<http://www.bls.gov/oco/ocos019.htm#outlook>

## RESTAURANTS & TOURISM

Tourism growth has become a particularly contentious topic for Marin County. The general question is: How should the County increase tourism revenue without augmenting the traffic and congestion problem which negatively affects citizens' quality of life? But more specifically, Point Reyes National Seashore already receives 2.5 million annual visitors alone.<sup>41</sup> How should the County capture more of these existing visitors' dollars while simultaneously enhancing the prospects for growth in Marin's other emerging clusters?

Travel and Tourism is a high growth industry that is forecast to more than double in size nationally over the next decade.<sup>42</sup> California was the most visited state in the United States in 2002, securing 11.5% (preliminary) of the domestic travel market.<sup>43</sup> On the average, each county in California earns approximately \$1.3 billion in direct travel expenditures by visitors. Marin lies at the lower end of the revenue-generating spectrum, garnering \$34 million in 2001.<sup>44</sup>

According to our Focus Groups, local government support exists to continue Marin's role as the "Parkland to the Bay Area." For example, the Marin Visitors Network is already

operational and working to capture some of the high-volume tourist traffic between San Francisco and the Sonoma/Napa valleys.<sup>45</sup> Also, the increasing popularity of the farm experience is driving a new agri-tourism movement in California and providing a source of revenue that can help sustain small, family farmers. The University of California is at the forefront of agri-tourism development, helping to identify opportunities and extending agri-tourism to support other producers.<sup>46</sup> And the Marin Agricultural Land Trust (MALT) already offers a variety of agri-tourism-themed events and tours.<sup>47</sup>

This existing infrastructure creates an opportunity for cross-marketing to develop the overall "Marin Brand" or what the County refers to as the "Marin Lifestyle." And tourism can be used both as a mechanism for coordination and as a vehicle to develop the Marin brand by incorporating Marin's emerging agri-tourism, alternative health and arts and crafts clusters and the County's considerable outdoor recreation and equipment heritage into a comprehensive county-wide tourism marketing strategy. The role of the Tourism cluster in spawning new industries such as agri-tourism has significant potential. Marin

<sup>41</sup> Marin County Community Development Agency Planning Division Memorandum, March 24, 2003 [http://www.future-marin.org/cwpdocs/PC\\_Staff\\_report.pdf](http://www.future-marin.org/cwpdocs/PC_Staff_report.pdf)

<sup>42</sup> California Division of Tourism. "California Tourism's Contributions to the California Economy: 1998-2002" <http://www.gocalif.ca.gov/state/tourism>

<sup>43</sup> California Division of Tourism. "California Tourism's Contributions to the California Economy: 1998-2002" and

California Division of Tourism. "Travel Industry: Research and Statistics – Highlights: California Tourism Statistics." <http://www.gocalif.ca.gov/state/tourism>

<sup>44</sup> Dean Runyan Associates <http://www.deanrunyan.com>

<sup>45</sup> San Rafael Chamber of Commerce - San Rafael Business. "Chamber helps create organization to promote tourism in Marin." August 2003, Volume XIII, Issue 8, Page 3.

<http://www.sanrafael.org/03aug.pdf>

<sup>46</sup> University of California Agriculture and Natural Resources News and Information Outreach.

"Agri-tourism Offers New Opportunities to California Farmers." July 23, 1999.

<http://news.ucanr.org/storyshow.cfm?story=244&printver=yes> and ACF Newsource, "Farm vacations help preserve America's farmlands for the future."

<http://www.acfnewsource.org/environment/agritourism.html>

<sup>47</sup> Marin Agricultural Land Trust <http://www.malt.org/hp/hikestours.html>



already receives a substantial level of tourism. Collaborative efforts between the Tourism and Agriculture clusters could potentially increase the economic benefits from low-impact tourism to Marin by tapping existing tourists.

## HEALTH SERVICES

The Health Services industry is projected to increase nationally by more than 25% through 2010, compared with an average of 16% for all industries.<sup>48</sup> Marin County is also forecasted to register a significant increase of 6.6% in Health Services employment between 1999 and 2006.<sup>49</sup> Marin County's growing elderly population should generate further demand for health-related services, signaling that this existing cluster should enjoy good growth prospects.

However, health-related cluster development is constrained by several conditions. First, Marin's mainstream health sector is primarily local-serving and non-traded, and thus should not be considered a main economic driver. Second, Marin lacks the large educational research institutions that commonly serve as catalysts for health-related cluster development. Finally, Focus Group participants noted that it is extremely difficult to find entry level health care workers in Marin because of the high cost of living. In fact, one respondent noted that Marin

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<sup>48</sup> United States Department of Labor – Bureau of Labor Statistics  
<http://www.bls.gov/oco/cg/cgs035.htm#nature>

<sup>49</sup> Employment Development Department. Marin County Industry Employment Projections, 1999-2006 <http://www.calmis.ca.gov/file/indproj/marintb2.htm>

General has had to develop subsidies for young *doctors* who could otherwise not afford to live in the County.

Notwithstanding, Marin has certain attributes that make it possible for new health-related clusters to emerge from the existing health-services industry. The two primary sources of innovation that offer the greatest potential to become traded sectors are the Monterey Community Foundation and the Alternative Health/Alternative Healing and Meditation communities.

Similar to the hi-technology cluster that emerged from Stanford University's research into computer science and electrical engineering or the increasing cluster of biotechnology firms near UC San Diego, Marin County, as home to the Buck Institute, possesses a unique opportunity to become a main center of innovative research into the science of aging. With sustained support from the Leonard and Beryl Buck Foundation and the County, the Buck Center can become both the core of a new nexus of health related research entities, and a potential economic driver.

According to the Journal of the American Medical Association, 40% of American adults tried at least one form of complementary alternative medicine last year.<sup>50</sup> A recent survey also showed that the number of employers offering acupressure/acupuncture in PPOs increased from 19% to 35%

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<sup>50</sup> *Nashville Business Journal* "BlueCross to offer alternative medicine options." September 2, 2003 <http://nashville.bizjournals.com/nashville/stories/2003/09/01/daily4.html>



between 1998 and 2002, and from 9% to 27% in HMOs and chiropractic care also increased from 65% to 88% in PPOs and 45% to 70% in HMOs.<sup>51</sup>

Marin is already home to a variety of alternative medicine sector businesses including the Green Gulch Farm Zen Center, Alternative Medicine Magazine, the Acupuncture Herbal Center and the Diamond Light School, not to mention numerous practicing chiropractors, massage therapists and osteopaths. But most importantly, Marin's sophisticated local demand with respect to alternative health is in line with one of the main principles of cluster-based methodology.

Sophisticated local demand allows innovation to move more quickly to meet changing consumer preferences enhancing time to market and creating the conditions necessary for regions to become leading innovative centers.<sup>52</sup>

Presently, alternative health's compatibility with popular Marin sentiment makes the industry just another piece in the local-serving service portion of the *virtuous cycle*. The challenge is to convert this uncoordinated and scattered group of small businesses into a cohesive cluster that would allow Marin to transition into a leadership role in this growing and increasingly mainstream industry.

Establishing a reputation for leadership in this sector could translate into Marin becoming a major tourist destination for alternative health services. This is exactly the low-impact,

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<sup>51</sup> Edlin, Mari. "Demand for CAM grows, but belongs in a separate benefit category." Managed Healthcare Executive, June 2003, Vol. 13, Issue 6, Page 38.

<sup>52</sup> Fox, James W. "Report on Competitiveness Promotion in Colombia and El Salvador." Louis Berger Group, Inc. July 20, 2003.

high-end type of tourism the County is seeking and represents an opportunity to develop synergies with the emerging tourism cluster.

## AGRICULTURE

The agricultural industry nationwide has seen and continues to see tremendous consolidation. This goes for both mainstream agricultural and organic producers as well. In order for primary commodity producers to be profitable, they need to operate at a very large scale. The role of small, niche producers in a large, consolidating industry remains to be seen.

Given Marin County's geographical and regulatory constraints, the opportunity for growth in the agricultural sector is rather limited. Achieving scale economies is not an option, but several smaller value-added agricultural operations are thriving and penetrating new markets.

Their success is due in large part to the fact that many consumers are changing preferences towards healthy and organic products. In the U.S., total organic food sales have grown at a rate of about 20% per annum for more than a decade, with organic milk and dairy products the major growth drivers, and in 2000, more than half of the \$7.8 billion spent on organic food was purchased in conventional supermarkets and over 800 new products were introduced.<sup>53</sup> Moreover, the organic sector is evolving into a profitable niche. According to the 4<sup>th</sup> Organic Farming Research Foundation survey, 44% of

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<sup>53</sup> Recent Growth Patterns in the US Organic Foods Market - USDA

respondents reported a market expansion for their products while 92% were able to obtain organic price premiums.<sup>54</sup>

Parallel to the organic industry's expansion, the U.S. gourmet specialty foods market has grown annually at a solid 7% for several years and passed the \$20 billion mark in 2000. According to Packaged Facts, this tremendous growth is expected to continue, propelling the U.S. gourmet specialty foods market to top retail sales of \$27 billion in 2005.<sup>55</sup>

Fortunately, Marin County has been at the forefront of the organic movement and comparable to Marin residents' relatively advanced familiarity with the Alternative Health industry, Marin's sophisticated local demand for organic products gives the County an advantageous position from which to potentially grow the sector.

Marin's agricultural sector's capacity to innovate and adapt can be observed by noting the evolution of West Marin dairy ranches. Being small by national standards, Marin dairy ranches' ability to compete came into question. One such operation, Tomales Bay Foods, started to add more cows per acre in an effort to emulate the winning formula of large-scale producers. But not only did the dairy operation quickly exhaust local grazing opportunities; it also began to increase the non-point source load on local estuaries threatening ecologically sensitive activities. Tomales Bay Foods switched its strategy and found it advantageous to go against the

commonly-held "winning formula" and instead, reduce the density of its herds in order to *preserve quality, not quantity*.

Not surprisingly, small, craft manufacturing facilities generally have a strong social commitment and high quality standards. This is especially true in Marin where according to a July 2002, 86% of Marin's agricultural sector reported that between one and four family members were involved the businesses and 46% indicated that they farmed all or part of their operation organically. At the same time, 64% reported that their agricultural operations were unprofitable or marginally profitable.<sup>56</sup>

The niche agricultural businesses that have succeeded have strong marketing programs that stress the healthiness of their products. Sonoma County-based Clover Stornetta Company successfully markets to Whole Foods stores throughout California utilizing its *North Coast Excellence program*, which touts the quality of Marin and Sonoma milk.<sup>57</sup> The Tomales Bay Foods dairy initiative, Cowgirl Creamery, launched an effort to increase quality resulting in award-winning dairy products and national recognition. Robert Giacomini Dairy sells its dairy products nationally and Straus Family Creamery products are presently available in nineteen states.<sup>58</sup> These success stories coupled with the reality that US agricultural subsidies are under fire in international free trade negotiations,

<sup>54</sup> <http://www.ofrf.org/publications/survey/GMO.SurveyResults.PDF>

<sup>55</sup> Tree of Life: Specialty Products Overview

<http://us.treeoflife.com/Content/Business/default.asp?qsSectionId=62>

<sup>56</sup> Status of Marin County Agriculture – February 2003

<sup>57</sup> Status of Marin County Agriculture – February 2003

<sup>58</sup> Status of Marin County Agriculture – February 2003 and <http://www.strausmilk.com/pages/where/retailoutside.html>

highlight the growing importance of product diversification and niche marketing.

Considering the consolidation trend and the inability of Marin-based agricultural businesses to achieve scale economies, one way to simultaneously protect Marin's small family businesses, and potentially penetrate new markets would be for Marin producers to collaborate in terms of marketing and brand recognition. The "Marin Organic" concept has already been developed and is gaining brand equity.

Marin County can leverage its "outdoors, holistic, healthy, alternative medicine" image to develop the "Marin Organic" brand and use this brand equity to advance synergies between the Agriculture and Tourism, with connections to the arts, craft-based manufacturing, outdoor recreation and alternative medicine sectors. Agricultural Tourism (or agri-tourism) is rapidly gaining popularity as a way to increase farm income by tapping existing tourists. Agri-Tourism is defined as "a business conducted by a farm operator for the enjoyment and education of the public, to promote the products of the farm, and thereby generate additional farm income."<sup>59</sup> Agriculture experts at the University of California's Small Farm Center are actively engaged with farmers in West Marin on this issue. Their mission is to improve the incomes and potential economic viability of small farms and rural communities by providing a bridge between urban and rural dwellers. This is discussed further in the Tourism section below.

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<sup>59</sup> G. Beall, 1996.

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The Arts & Crafts and Community Building clusters are much more qualitative, abstract and difficult to define than the existing clusters just discussed. However, these clusters are critically important to Marin's past and future economic success. The Arts & Crafts and Community Building clusters are the foundations upon which Marin's existing economic cluster network and overall principles are built and act as both the primary engines fueling the *virtuous cycle*, and the bridges to the County's future traded-sectors.

## ARTS AND CRAFTS

Another "emerging" industry, arts (and crafts), in a sense, drive all of Marin's existing and emerging clusters and *permeates every station of the virtuous cycle*. Marin County's current affluence is derived in large part, from creative and successful, arts-based business ventures. This affluence affords Marin's inhabitants the luxury of protecting open space and nurturing an environment in which arts and crafts can thrive. Support for the Arts in turn, gives Marin residents the creative freedom to be innovative which often results in innovative, new industries that in the past have been great economic drivers.

As previously noted, Marin County's success in the area of the Arts is well-documented. In fact, it can be argued that Art is one of Marin County's "core competencies." Where Silicon Valley has converted technological expertise into marketable products that drive the world's technological infrastructure, Marin County has translated artistic creativity into a world-

renowned cluster of arts-based innovation, from digital imaging to mountain bikes to Birkenstocks to small, craft-based specialty products.

The problem is it is extremely difficult to quantify art's impact on economic development. On one hand, we know that for every dollar the government invests in non-profit arts, \$8 is returned to the economy in the form of food and beverages, accommodation, tickets etc.<sup>60</sup> However, directly correlating funding for the arts to economic advancement is more problematic outside of Hollywood or Nashville.

But when you look at the industries in which Marin County has been successful historically, Art is generally a common denominator. Richard Florida's compelling hypothesis maintaining that there is a strong correlation between creativity and productivity and innovation only furthers this argument.

Marin County is well-represented by what Richard Florida refers to as, "The super-creative core of this new class [which] includes scientists and engineers, university professors, poets and novelists, artists, entertainers, actors, designers, and architects, as well as the "thought leadership" of modern society: nonfiction writers, editors, cultural figures, think-tank researchers, analysts, and other opinion-makers."<sup>61</sup>

It is imperative to recognize Art's importance to Marin industry and utilize the considerable community-building resources at the County's disposal to enhance the local art community's capacity to innovate and target and support Arts

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<sup>60</sup> Wines, Larry. "Is California still a state of the arts?" *Antelope Valley Journal*. July 11, 2003. <http://www.theav.com/avjournal/articles%202003/july11-03/article9.htm>

<sup>61</sup> Florida, Richard. "The Rise of the Creative Class." *The Washington Monthly*, May, 2002. <http://www.washingtonmonthly.com/features/2001/0205.florida.html>

and Crafts endeavors that could transform into future growth sectors. One visible manifestation of Marin's artistic capacity is the growing nexus of gourmet specialty foods businesses.

Marin can no longer compete with low-cost counties such as Solano for manufacturing and assembly businesses. But as a center of creativity, Marin has a decisive competitive advantage that can be leveraged to further innovation and overall economic development and maintain Marin's position along the high points of the *value chain of production*.

## COMMUNITY BUILDING

Marin County's community-building cluster is at once one of the County's main assets, a significant competitive advantage and a bridge from the County's existing to its emerging clusters. Community building is the axis of the *virtuous cycle* and its linkages radiate out to all of Marin's economic clusters and infuse the *virtuous cycle* with the energy necessary to keep it evolving.

In 2001, there were more than 1.6 million non-profit organizations nationally with combined revenue of \$700 billion and 10.9 million paid employees or roughly 7% of the nation's total work force and 109 million volunteers.<sup>62</sup> The U.S. nonprofit arts industry generates \$134 billion in economic activity every year resulting in 4.85 million full-time equivalent jobs, and also includes \$24.4 billion in federal, state, and local (\$4.2 billion) tax revenues. The \$134 billion total

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<sup>62</sup> Green, Florence L. and Crabb, Kathy. *Facts and Fallacies 2001: Setting the Record Straight on California's Nonprofit Community*. California Association of Nonprofits, 2001. <http://www.canonprofits.org/about/about-CA-nonprofits.html#distribution>

includes \$53.2 billion in spending by arts organizations and \$80.8 billion in event-related spending by arts audiences reflecting an average of \$22.87 per person in spending for hotels, restaurants, parking, souvenirs, refreshments, or other similar costs-with non-local attendees spending nearly twice as much as local attendees (\$38.05 compared to \$21.75).<sup>63</sup>

Marin County's capacity for community building is enormous. Although Marin County only represents .7% of California's overall 2001 population,<sup>64</sup> the County's percentage of non-profits was 1.6 %.<sup>65</sup> Therefore, there are over twice as many non-profits per capita in Marin County than the state average. Furthermore, the Marin Community Foundation alone, was the 42<sup>nd</sup> largest foundation in terms of assets in the U.S. in 2002,<sup>66</sup> and currently is the fourth-largest *community* foundation in the U.S., with assets at the close of its 2003 fiscal year of \$1 billion. Last year, the Marin Community Foundation made \$58.5 million in grants and received \$23.19 million in gifts.<sup>67</sup> The Marin Community Foundation provides Marin County with a relatively unique and robust source of economic resources for a county of its size. This substantial resource should be perceived as a mechanism to drive innovation and growth in other clusters. As several of our Focus Group

participants commented, there is a strong need for a civic entity that can serve as an incubator for new businesses.

Other participants noted that there are numerous talented, creative and intellectual Marin residents, and a wide array of community support services, but that efforts to build the community in a sustained manner are thwarted by a lack of *coordinated* community involvement.

Marin County's community building cluster has the potential to tap into Marin's considerable intellectual capital in a coordinated manner. It not only acts as a bridge, but also a filter for innovative ideas that can potentially transcend into emerging industries. The community building cluster then, is in a sense, an endowment of venture and human capital that can be utilized to amplify the County's intellectual capital and its propensity to innovate and create.

Marin County's community building cluster's important role in the *virtuous cycle* cannot be overstated. It is the fundamental catalyst for innovation and a key mechanism for expressing the ethos of the County's inhabitants.

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<sup>63</sup> "Arts & Economic Prosperity: The Economic Impact of Nonprofit Arts Organizations and Their Audiences." Americans for the Arts. June 10, 2002.

<http://www.americansforthearts.org/EconomicImpact/>

<sup>64</sup> US Census Bureau <http://quickfacts.census.gov/qfd/states/06/06041.html>

<sup>65</sup> Green, Florence L. and Crabb, Kathy. *Facts and Fallacies 2001: Setting the Record Straight on California's Nonprofit Community*. California Association of Nonprofits, 2001.

<http://www.canonprofits.org/about/about-CA-nonprofits.html#distribution>

<sup>66</sup> The Foundation Center. "Foundation Growth and Giving Estimates: 2002 Preview."

<sup>67</sup> Marin Community Foundation. <http://www.marincf.org/page11999.cfm>

## VI. Identifying Target Industries

Normally, a region's "target" industries would be those identified in the "Opportunities" quadrant of the Cluster Segmentation Chart (Figure 13). Since Marin County does not have industries in this quadrant, but is concentrated instead in industries that are "Stars," the challenge of identifying industries which the County should "target," focus its efforts, is a bit more challenging. To identify targets for Marin, the project team dug deeper into each of Marin's existing clusters to find out which specific industries have potential not only in terms of growth but, more importantly, in terms of their ability to meet the County's criteria.

In the previous section, each of Marin's existing clusters is described, analyzed, and compared to national and regional trends. The implications of these trends, and the potential for each of Marin's existing clusters to evolve, spin out, or attract new and related economic activity is assessed. This section, the final step in developing a list of "target" industries consistent with the County's guiding principles, identifies these new or "emerging" industries.

This list emerges from a variety of sources:

1. Quantitative information: the cluster segmentation charts for *each cluster* identifies "Star" and "Opportunity" industries. Those industries in the upper right quadrant of these charts are considered "stars": industries in which Marin County is highly

concentrated and which are forecast to grow quickly over the next five years. The industry bubbles in the lower right quadrant of the charts are those in which the County is not currently concentrated, but which are growing quickly nationally and therefore represent an opportunity the County should consider. For a complete list of Stars and Opportunities by cluster, see Appendix F.

2. Market research: when Marin's existing clusters are compared to national and regional trends, certain niches and opportunities for growth that are consistent with Marin's criteria become evident. For example, the growing national interest in and demand for organic food products indicate a real market potential for these products that are produced in Marin. This industry is consistent with Marin's goals of protecting agricultural land and sustaining local agriculture. By allowing Marin farmers to produce more value-added products, the County can bring higher value to this key resource while enhancing the County's socio-economic diversity.
3. Qualitative information: there is no better source of information about the future potential and emerging trends of an industry for Marin than those individuals who are currently active in those industries in Marin. The individual interviews both one-on-one and in the

context of the focus groups helped create a sense of the types of industries that are “emerging” and can be considered good targets for Marin.

4. The Criteria: by applying the screening criteria described in Section II to each of Marin’s existing “traded” clusters, the project team was able to explore in more depth which activities in each cluster may be more or less appropriate for Marin County. All of the analysis executed in this Study is done at the industry level. Since the performance of individual firms and distinct sub-sectors within each industry may differ and their ability to comply with Marin’s vision and guiding principles differ, ECG sought to distinguish “emerging” clusters from each existing cluster that better meet the County’s criteria.

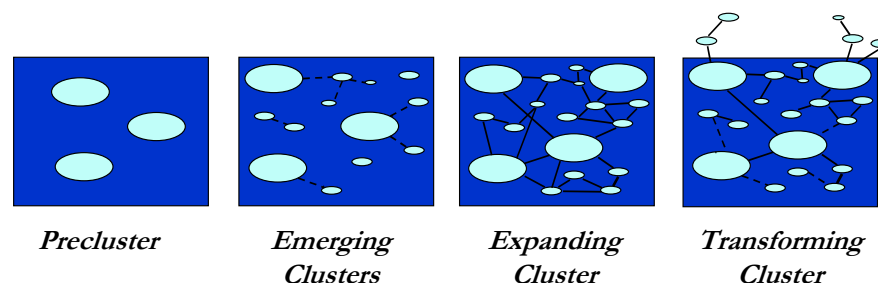
## IDENTIFYING LINKAGES BETWEEN CLUSTERS

The power of a cluster framework for identifying emerging and “target” industries lies in its ability to highlight linkages between industries and, therefore, areas where a region is likely to be the most innovative. By identifying those linkages, a region can better understand where its areas of opportunities are and how it can best support those opportunities.

## The Role of Linkages

As shown in Figure 17, clusters evolve over time. Several decades ago, before the process of globalization had gained momentum, firms could afford to be highly vertically integrated - essentially operating as enclaves. IBM, Wang, and Digital are examples of such firms. Over time, however, only firms that allowed innovative employees to spin off, and still maintain constructive, positive business relationships with them, could survive. Neither Wang nor Digital understood this lesson, and neither firm is alive today. While this new world of interlocking firms within a region is more competitive, it also brings the challenge of increased trade and specialization, and has created one of Marin’s greatest challenges: increased need for transportation of both goods and services.

**Figure 17: Stages in the Evolution of Clusters**



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We believe that by identifying and strengthening the linkages within the County, and assisting in the attraction and start-up of new firms in key areas, many of the environmental and social

upheavals created by a dynamic economy can be addressed or mitigated.

### Traded versus Local-Serving Clusters

Clusters that export goods and services out of the region drive a region's economy. Industries who rely on only local customers (such as local-serving restaurants, barber shops, day care centers) are, by definition, limited in the degree to which they can grow and provide a multiplier growth effect for the region. For this region, while this report identified Real Estate & Construction, as well as Community Building, as clusters in Marin County, these are, essentially, not traded sectors and therefore not "drivers" of the economy.

That said, the importance of local demand in the role of innovation and cluster evolution is critically important. In his book, The Competitive Advantage of Nations, Harvard Professor, Michael Porter emphasizes that domestic demand for the products of an industry are an essential characteristic of competitive clusters. Only when the producer is close to the market can innovation respond quickly to changes in consumer preferences. The story of the mountain bike in Marin County is a good example of this point. Were it not for local demand (from Cupertino as well as Marin), the innovations of the industry may never have happened. Individuals responded to local interests and need in order to produce a new product that, ultimately, had appeal far and wide.

In terms of using the cluster framework to identify "target" industries, however, this report focuses primarily on the traded

clusters, looking towards those that are non-traded in terms of their ability to nurture and support the others (much the way philanthropy may bolster the Eldercare industry).

Based on this information, the list of target industries for Marin County includes:

- Boutique Consulting
  - Information Technology
  - Engineering
  - Management
  - Telecommunications
  - Other professional fields
- Environmental Technology
- Biotechnology
- Green Building<sup>68</sup>
  - Architecture services
  - Research and development
  - Construction
  - Links to Environmental Technology
- Integrated Wealth Management;<sup>69</sup>
- Personal Financial Advising

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<sup>68</sup> Environmentally sound practices in the design and construction of commercial and residential buildings

<sup>69</sup> This industry incorporates innovations in information technology (probability analysis and life events planning capabilities) with financial expertise to assist financial advisors through the ongoing process of assessing, analyzing and maintaining a healthy financial future for their clients



- On-Line Financial Services
- Interactive Media and Game Development
- Engineering and Design Software
- Organic, Value-Added Agriculture Products
- Food Product Manufacturing
- Agri-Tourism
- Outdoor Recreation and Equipment
- Arts & Crafts <sup>70</sup>
- Alternative Healing and Meditation
- Alternative Medicine
- Emergent Care Services <sup>71</sup>

While not necessarily comprehensive, this list is a significant starting point for understanding how the dynamics and evolution of Marin's existing clusters interact to produce "emerging" clusters that could be powerful sources of growth and innovation in the future.

For example, Marin's existing expertise in financial services is beginning to overlap with its expertise in interactive, web-based technology to develop emerging, innovative on-line financial services. Similarly, the synergy between the region's agricultural activities, its tourism sector, and its efforts to launch Agri-Tourism ventures is obvious. The degree to which these three clusters can collaborate in terms of market research,

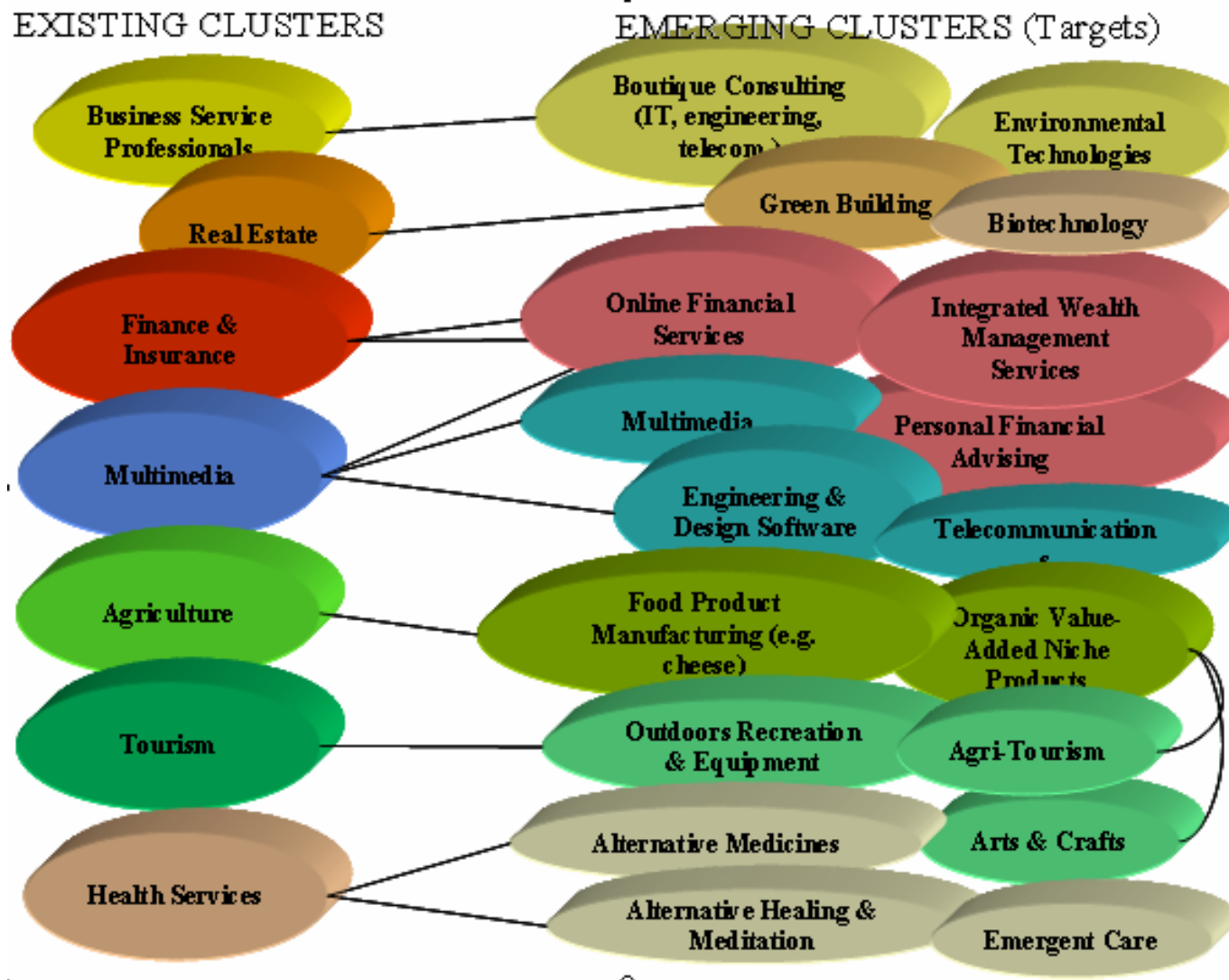
marketing, and product development will determine how well the emerging Agri-Tourism industry can generate new wealth and employment in the region.

These examples and others are discussed in Section V of this report. Figure 18, below, illustrates this dynamic interaction and emergence of new industries diagrammatically.

<sup>70</sup> An existing "cluster" that has potential to both bolster existing industries and provide linkages between industries such as food manufacturing and tourism

<sup>71</sup> Provides high quality medical care and stabilizes patients before being transferred for continuing care i.e. between Urgent and Emergency Care

Figure 18: Marin Existing and Emerging Clusters



## VII. Conclusions & Recommendations

### CONCLUSIONS

#### Meeting the County's Goals

The first of two goals in the Economy Section of the County's draft Countywide Plan is to "establish and maintain a diverse and sustainable local economy." To achieve this goal, the Plan proposes a policy of "supporting businesses that contribute to a robust, viable and sustainable economy." This is important because a robust economy relies on a range of commercial activities broad enough to compensate for adversities in any one industry and to weather larger economic cycles.<sup>72</sup>

In stating its goal of establishing and maintaining a diversified and sustainable local economy, the County has highlighted the need for balance between various sectors of its economy. As discussed earlier, there are two kinds of industries in Marin: "local serving" and "traded." The local serving industries provide goods and services to the residents and businesses in Marin but not to consumers outside of the region. Local serving activities include most retail outlets and personal service firms (barber shops, pet grooming, maid services, for example). In general, local serving firms are doing very well in Marin County, in part because they sell to a highly affluent customer base.

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<sup>72</sup> Marin County Draft Countywide Plan, October 2003, Section 4.

Traded industries are those that make money by providing goods and services to customers who are, primarily, outside of the region. Not all of these industries are doing well and some may leave the County due to the high cost of doing business. Those traded industries that are doing well and that are likely to stay and thrive, are those that are highly productive, creative and innovative. These industries tend to be on the cutting edge of product development and technology and are therefore able to pay the high costs of doing business in Marin. These firms tend to be small to mid-sized and have chosen to locate in Marin, in large part, because of the lifestyle choices of the founders, key partners or employees.<sup>73</sup>

While the market is likely to bring to Marin the types of industries that are consistent with the County's stated goals, it is also likely to bring industries that cater only to Marin in its capacity as a wealthy suburb. The tension between "local serving" and "traded" industries will always be present. A healthy, well-diversified regional economy should have both. *The first conclusion of this report, therefore, is that vigilance on the part of the County to ensure that one kind of industry does not dominate the landscape, forcing out the other, is essential.*

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<sup>73</sup> Marin Economic Commission, *Economic Alert*, 2003.

### Threats to a Diverse, Sustainable Economy

This Study was commissioned, in part, due to a growing concern on the part of the Marin Economic Commission that a number of prominent, traded-sector firms have left or may leave Marin County. With their departure, Marin's economy may become unbalanced and less diversified. To address this concern, the Commission instructed ECG to develop a set of criteria that reflect the economic, environmental and social equity goals of the County. These criteria, when applied to potential industries, were meant to ensure that companies that work with the County to address certain threats to its economic, environmental and social health, would be embraced and supported and that challenges such companies face in operating in Marin might be addressed so that they would not leave.

The threats facing the County's health can be summarized as:

- **Jobs/Housing Imbalance.** Housing costs have risen much faster than income over the past decade. As a result, many people who work in Marin County can't afford to live here. Residents who live here must commute to other areas where higher-wage job opportunities exist.
- **Traffic Congestion.** Traffic congestion is among the top concerns of Marin County residents and business operators alike. Due to a limited number of arterial routes through the County and an increasing number of vehicle trips per year, this problem is worsening. Public support for infrastructure changes (such as highway or rail improvements) has not been strong.
- **Land Use Constraints.** Both a challenge and an opportunity. Due to the physical constraints of developing real estate in Marin, commercial space is limited, rents are higher than

average, and small companies can face challenges if they want to grow and stay in Marin. As a benefit, the constraints on land use and the legacy of decades of open space preservation have made Marin a unique place where people, including prospective entrepreneurs, are drawn for serenity and creativity. Most Marin residents and business owners alike value preserving the physical landscape and limiting the negative impacts of economic activity on the environment.

- **Social Inequities.** As Marin evolves as a place for wealthy homeowners and lifestyle entrepreneurs, there is a threat that the community's core values of preserving socioeconomic diversity and equity of opportunity may not be met.

To address these threats, the project team, with the guidance of members of the Marin Economic Commission, developed a set of criteria that could be applied to existing and prospective industries. If an industry, or sub-sectors within an industry, met all or most of these criteria, they could be considered to operate in the nexus of the Three E's. These criteria include quantitative and qualitative measures such as wage levels, profitability, community mindedness, propensity for operating "green," ability to employ local residents and offer flexible work schedules. These measures are discussed in more detail in Section II and Appendix A of this Study.

Some industries like Finance & Insurance, Multimedia, and Business Services are nearly an exact match with the criteria. Some are less so. Agriculture and Tourism are consistent with some of the criteria but not all. However, industries emerging from these industry clusters (such as Agri-Tourism and Organic Food Production) do meet most of the criteria,

while providing additional demand and support for other County goals. For example, while dairy farming, as an industry, is only marginally profitable, new value-added activities such as niche or organic cheese production can allow Marin farmers to stay in business, thereby helping meet the overarching County goals of preserving Agricultural Land.

Other industry clusters, like Health Services and Real Estate & Construction, primarily provide services to local firms and residents, but in doing so, are generating new, more innovative industries that may be traded. For example, Alternative Medicine, Healing and Meditation are new industries that, due to a highly sophisticated and progressive local market, are able to grow quickly in Marin and potentially reach a larger market. Similarly, the “Green Building” services provided by local architects and builders may ultimately be sought by a wider market as demand for and interest in these services grows.

By applying these criteria to Marin’s existing industries, the project team was able to determine the degree to which different sub-sectors of each industry met these criteria. Those activities, which were more likely to meet a greater percentage of them, became the “target” or emerging industries identified in this report. *The second conclusion is that companies in the industries identified as targets in this report, stand a greater than average chance of helping the County address the threats summarized in this section.*

### **How the County can maintain a Diverse, Sustainable Economy**

Now that these industries and, more importantly, a framework for identifying additional “ideal” industries in the future, have been identified, the question remains as to what the County can do to “target” firms in these industries. What can public policy do?

To achieve the goal of a diverse and sustainable economy, the draft Countywide Plan identifies a number of implementing programs. The first of these is: “Target Appropriate Companies.” This program will work with local cities, chambers of commerce and other business groups to ensure that business retention and attraction efforts are directed towards companies that will be consistent with the county’s goals for economic growth, environmental preservation, and social equity.<sup>74</sup>

The implementation of this program raises two questions:

1. What is an “appropriate” company; and
2. How should the County “target” these companies?

The first question, as to what kinds of industries are appropriate, has been answered in the previous section. Companies that satisfy the criteria developed in this Study can be considered to operate in the nexus of the three E’s and, therefore, be appropriate for the County. To re-iterate, the major benefit to the County of selecting and assisting firms in

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<sup>74</sup> Ibid., p. 4-9.

these industries is that these companies will help assess the threats discussed in the previous section.

The second question, “how should the County “target” these industries and companies in these industries,” is more challenging. Earlier in this report, two approaches to public policy that had come up in the focus group discussions and interviews were summarized: let the market determine what kinds of industries operate in Marin (*laissez faire*); or, establish policy that articulates a clear vision (*clear vision*) as to what kinds of industries the County wants and why.

Businesses generally respond well to a region’s clarity about what it wants because it provides them with the sense of assurance they need in order to make long-term investment decisions. *For this reason, the final conclusion of this Study is that a good balance between the laissez-faire and clear vision approaches is the best way for the County to achieve its goals.* It is true that the market will bring economic activity to Marin that is consistent with its public policy framework. On the other hand, the public sector must remain aware of the dual role all economies play: home to residents and home to businesses. When one of these roles begins to dominate the other, an imbalance can occur that has unintended consequences such as traffic congestion.

The mechanics of shaping public policy and selecting concrete actions that help support and nourish, or target, selected industries, is the subject of the Recommendations section of this report. It should be noted however, that in its

draft Countywide Plan, the County has already identified a number of programs it intends to implement in targeting selected industries. These are listed in the Figure 19 below.

**Figure 19: Programs the Draft Countywide Plan Intends to Implement to Target Appropriate Industries**

Partner with the Private Sector. Evaluate the prospects for a business mentoring and incubation program to be undertaken in cooperation with the private sector.

Facilitate Review for Targeted Uses. Amend the County Development Code as necessary to facilitate project review for lodging and other desired uses targeted in program EC-1.a, such as to add a pre-application step that helps proponents understand and navigate the review process.

Streamline Minor Project Review. Amend the Development Code to streamline review for minor projects, such as interior tenant improvements, that enhance development for businesses targeted in program EC-1.a.

Facilitate Digital Infrastructure. Amend the County Development Code as necessary to facilitate installation of digital communications infrastructure for businesses.

Involve the Economic Commission. Support the work of the Marin Economic Commission to inform decision-makers regarding economic policy.

Inventory Available Space. Work with local cities, chambers of commerce and real estate representatives to inventory existing business space and vacant and underutilized commercial sites.

Intensify Uses. Encourage the Redevelopment Agency to pursue intensification and re-use of underutilized sites.

Encourage Transit-oriented Development. Work with local cities to encourage patterns of commercial development that support use of public transit, including by modifying development regulations to facilitate commercial and/or mixed use projects at sites near transit stops.

Buy Green and Low-packaging Products. Purchase products from local green businesses (certified by appropriate authorities) and that have minimal or no packaging and high recycled-material content; use renewable energy and printing resources whenever possible.

Promote Green Purchasing. Encourage local cities and other public agencies to establish sustainable procurement programs.

Provide Assistance with Green Practices. Expand the Green Business and Energy Efficiency Programs to provide technical and permitting assistance to businesses seeking to comply with environmental regulations (such as non-point pollution source water quality controls).

*Copied with permission from the October 2003 Draft Countywide Plan, Section 4, pages 4-9 through 4-10.*

## RECOMMENDATIONS

Given these conclusions, this Study makes the following recommendations regarding the appropriate public sector response to the economic trends facing Marin County:

- 1. Recognize and Reinforce the Virtuous Cycle.** Marin County is fortunate to be home to a unique set of mutually reinforcing phenomena that allow Marin to be a highly productive, highly prosperous place. These include the engines of wealth creation (highly productive industries and individuals), the core value of philanthropy (the Marin Community Foundation and others), a shared desire to preserve open space and encourage the arts (something afforded by the previous two elements of the cycle), and a culture that values creativity and on-going innovation. In recognizing the relationship between these four elements, the County may want to take steps to reinforce them over time. Should one weaken, the others will surely be affected, as will the ability of the County's key industries to function as well as they do today.
- 2. Shift Gears.** Given the shifting trends in economic development thinking, Marin County officials may want to reconsider the conventional, *buffalo hunting*, approach to industry development and move toward a more holistic, comprehensive approach that focuses on growing industries from the rich soil of the region's existing clusters. This shift involves moving away from the idea of target industry recruitment and towards the idea of *economic gardening*. There is still room for industry attraction here, but it becomes just one tool among many
- 3. Support Stars and Nourish Seeds.** Marin County has the tremendous good fortune of having a disproportionate number of its industries in the "Star" category, meaning that the industries in which it is currently highly concentrated are also industries that are forecast to grow rapidly over the next five years. The degree of success and potential of these clusters and their component industries must be recognized, extolled, and supported in terms of public policy. The mechanics of supporting existing "Star" industries will be discussed below. The principal foundation of that support, however, and of what is needed to nourish newer industries that are beginning to emerge from existing ones, *is a healthy business climate, or garden*. As regions move from an awareness that the health of their community is founded more in their ability to tend to the core issues faced by their existing businesses rather than by their ability to attract new ones from outside the region, the importance of maintaining an excellent business environment in which the types of industries the region wants can grow, increases.

The Marin Economic Commission has already executed the first and most crucial step in establishing a nourishing business climate: it has *identified very clearly, in the context of this Study, the kinds of businesses it wants*. As mentioned earlier, businesses respond well to this kind of clarity in that it helps them decide whether and to what extent they want to invest in the County. In order for the County to attain its goals of engaging with the private sector along issues of workforce training, transportation



improvements, and civic participation, it is crucial that it convey to business owners that it is investing in them as much as it is asking them to invest in the long-term health of the County.

Part of this is beginning to see businesses on an equal footing with residents. A recognition on the part of the County that businesses have made at least as much (and frequently more) of an investment in the County as its residents is required. Then, once a vision for the County is established detailing the kinds of businesses that are desired, the next step in strengthening the business climate is a clear and consistent *communication of that vision*.

Finally, while supporting “Star” industries is essential, nourishing the seeds of new industries is equally important. No economy stands still. Economies are living organisms comprised of individuals making choices on a daily basis. Some stars will fade, and a healthy, well-diversified economy, will see that they get replaced by launching new stars.

Given the results of this Study, it is clear that Marin has fertile soil in terms of sprouting new, entrepreneurial, seeds. The stories of the digital arts, organic cheese, and mountain bikes are only a few examples of the kinds of “new” industries that can sprout from existing ones. These new ones will likely be the “Stars” and “Mainstays” of the future.

Some of these emerging “seeds” have been identified in this Study. Others will evolve over time. By establishing a mechanism for recognizing and nourishing these seeds over time, Marin stands the best chance of breeding the types of companies that will meet its criteria in the future.

For example, George Lucas, one of Marin’s “Stars,” recently made the decision to establish a Center for the Digital Arts in San Francisco. In the days of *target industry recruitment*, this would have been considered a loss and another, similarly large entity would have been identified and pursued to take his place. In an era of *economic gardening* and nourishing the seeds of new industries, a different response may be more appropriate. This new approach might include an examination of the cluster of industries of which George Lucas is a part. Why was he here to begin with? Why has he chosen to have components of his activity remain? What are all of the elements of the cluster (related sub-industries) and what are the important linkages between them? Once this is understood, Marin will be able to decide whether and how to nourish certain elements of this cluster so that other George Lucas’ can grow. One way to do this would be to launch a multimedia cluster initiative, which will be discussed below.

4. **Adopt A Cluster Strategy and Implement it.** One way to focus County economic development priorities and provide the business community in the key industries identified in this report with the active support of the County is a “Cluster-Based Collaborative Approach” to

economic development. This approach uses the clusters defined in this report as a springboard for working with the public and private sectors in a collaborative process aimed at refining the County's overall economic agenda and identifying specific action steps for achieving that agenda.

Regions around the world are realizing enormous benefits when the different parts of each cluster work better together. This means a better dialogue between businesses in the cluster. It also means a more responsive relationship between the cluster, government, and the cluster's support institutions (universities, research centers, etc.). Those regions that have fully developed economic clusters have proven to be the best performing regions in the world. They exhibit higher levels of job creation, higher wages, and higher levels of wealth creation than regions without well-integrated clusters

By working together and taking concrete steps to assist businesses, the County can demonstrate its commitment to creating a positive, supportive business environment. On the basis of the findings of this Study, a collaborative, cluster-based approach to economic development that focuses on nurturing and supporting existing clusters so that innovative, new industries can emerge from them would be well received by the greater Marin County community.

### **What is a Cluster-Based, Collaborative Approach?**

A cluster-based, collaborative approach to economic development is one way to re-shape a region's way of doing business. Some regions (like Las Vegas) are driven primarily by the private sector with few governmental controls; other regions (like the former Soviet Union) are driven primarily by the state. Depending on one's political predilections, it could be argued that scenario is unsustainable and ultimately has enormous impacts on the people who live in those communities.

The challenge of the 21<sup>st</sup> Century is the creation of urban systems in which public and private interests continually re-assess their goals and orientations and in which these interests have a clear, mutually reinforcing channel of communication which allows for the prosperity of all and the long-term preservation of the environment.

A cluster-based, collaborative approach strives to be just that: It strives to articulate a clear vision for a region that is informed by the market. It is cluster-based in that the private sector is organized around a series of industry clusters, geographically specific groupings of inter-connected companies (specialized suppliers, service providers and support institutions) which, by locating near each other, increase their productivity, accelerate innovation, and stimulate new business formation.

A cluster-based, collaborative approach is collaborative in that it strives to be an inclusive process that allows various groups (public sector, private sector, institutional, or other) to come to the table and work together towards a shared vision

and a set of strategies for attaining that vision. The elements of a cluster-based, collaborative process are:

- A market-orientation (informed by the market)
- Public-private collaboration
- Cluster-driven (private sector driven)
- A series of meetings with working groups formed from each cluster.
  - *Vision Identification*
  - *Problem Identification*
  - *Shaping of Action Initiatives*
  - *Implementing Action Initiatives (taking ownership)*

The most enduring outcomes of a cluster-based, collaborative process is a new paradigm for how the public and private sectors work together to achieve a shared vision of their community. The essential characteristics of the process are a gradual building of mutual trust, identification of specific obstacles to development, and the engagement of local business leaders in creating change strategies that work for them. Some more specific outcomes that take the shape of initiatives launched by each clusters, with the public sector, can include:

- Establishing “Telecommuting Incubators”
- Aligning Workforce Preparation with Cluster Development
- Engaging Clusters in Jobs/Housing Initiatives

- Establishing A Cohesive Marketing Strategy for the County (a message consistent with the Three E’s)

The importance of community participation is highlighted in the County’s draft Countywide Plan: “Community participation in public decision-making is essential to infusing County governance with the appropriate breadth of perspective. Broad and informed participation creates healthy and just local government and community atmosphere”.

During the cluster development process, cluster working group sessions are facilitated by an outside facilitator. Each cluster group then generates a definition of their cluster, a vision statement, and a set of action initiatives containing specific action steps with a timeline, defined leadership, and criteria for success. This very dynamic process continues under local leadership with assistance from outside facilitators, and some of these initiative descriptions may change and grow. From an economic development point of view, this is a positive sign. It means that the community, and particularly the private sector leaders who are most directly affected, embrace this approach and are actively working to shape these initiatives and implement them. As documented in the newly-released book “Civic Revolutionaries: Igniting the Passion for Change in America’s Communities”, those communities that learn to mobilize their civic entrepreneurs to produce positive change are more likely to enjoy healthy economies and a sustained high quality of life.<sup>75</sup>

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<sup>75</sup> Doug Henton, et al. “Civic Revolutionaries: Igniting the Passion for Change in America’s Communities,” 2003.

Experience teaches us that businesses need to be part of a participatory process that helps guide them to a future of their cluster that is consistent with County goals. They need to be at the table – being informed of county policies and goals – but also to help shape them in the light of their day-to-day economic realities. What does it take to operate a business in Marin? What are the impacts of regional, national, and international trends on the business? Only local business owners know, only they can inform the public-private dialogue about how best to “target” them in an effort to support the stars and nourish the seeds. This can be achieved through the collaborative framework discussed above. A summary of the short, medium and long-term actions involved in pursuing a cluster-based, collaborative process are summarized in Table 9 below.

<b>Table 9: Short, Medium and Long-Term Steps in Launching a Cluster-Based, Collaborative Process in Marin County</b>			
<b>Step</b>	<b>Short Term Steps (1-6 months)</b>	<b>Medium Term Steps (7-18 months)</b>	<b>Long Term Steps (19-30 months)</b>
1	<p>Announce the launch of a cluster-based, collaborative process (with Board of Supervisor Approval).</p> <p>[Note: the results of this report, its interviews and focus groups, would serve as the basis for identifying clusters and prioritizing work under a collaborative framework].</p>	<p>Hold series of cluster working group meetings (normally 4, although some prefer to go on meeting beyond the scope of the formal process). Each meeting with each cluster has a specific purpose.</p>	<p>Create an implementation organization. Creating an on-going implementation mechanism to enable and foster collaborative actions is a key part of the collaborative process. The cluster working groups and public sector work together to define the best possible mode of maintaining and sustaining action. Some regions require entirely new economic intermediaries, while others only require networks of existing and new organizations. The criteria for selecting which organizational design is best will be set by the leadership group working with examples prepared by the consulting team and other participants.</p>
2	<p>Publicize the details of process, its intended outcomes, and the nature of the participants</p>	<p>The first session is used to introduce participants and have them discuss their cluster, using reports and analyses furnished by an outside source (usually consultants to the process), and to work towards prioritizing the challenges facing the cluster.</p>	<p>Support strategy implementation. An outside entity (frequently a consulting team of facilitation experts) must support the cluster working groups in implementing their action initiatives and help them plan and build support. This can involve a number of things including: (1) serving as the principal policy advocate vis-à-vis county and city staff and the Board of Supervisors; or (2) bringing in industry experts to help cluster working groups develop their visions and strategies.</p>
3	<p>Create lists of companies and other individuals that might be appropriate participants in the cluster working groups</p>	<p>The second session focuses on identifying a vision of the future potential of each cluster, based on product/market data and shared views of participants. This session is good stage at which the needs of the cluster and the needs of the larger community can be compared and reconciled.</p>	<p>Publicize results. Convene a forum to announce the results of the cluster working group process. This forum (and other public announcements) should communicate the outcomes of the cluster competitiveness strategy effort, how this effort has focused on collaborative strategies for action to be led by the action champions from each of Marin County's key clusters.</p>

<b>Table 9: Short, Medium and Long-Term Steps in Launching a Cluster-Based, Collaborative Process in Marin County</b>			
<b>Step</b>	<b>Short Term Steps (1-6 months)</b>	<b>Medium Term Steps (7-18 months)</b>	<b>Long Term Steps (19-30 months)</b>
4	Identify and solicit support from candidates for leadership roles (cluster co-chairs; leadership council; advisory council)	The third session explores a range of priority actions that proponents (or “champions”) believe would respond to the challenges and requirements for achieving the cluster vision. These action initiatives may focus on business-to-business actions, business collaboration with government, and business-to-institution initiatives. In any instance, individuals who are willing to see the development of the action through at least the early stages of the implementation process must propose these actions. If there is no true champion, the initiatives are not accepted by the group for further development. At this stage, subgroups are often formed to meet independently before the fourth work session to develop the details of action initiatives.	
5	Establish cluster working groups	At the fourth meeting participants refine and finalize the initiatives that will help the cluster achieve its vision. At this time, working groups draft plans for actions that they agree need to be pursued to increase the competitiveness of their cluster. Additional subgroup meetings often take place subsequently to further develop these prior to finalization of each cluster’s strategy.	
6	Launch public-private collaborative process		
7	Begin series of cluster working groups		

