

Economic Development Advisory Commission



Work Session
January 4,
2018 Thursday
6:00 p.m.



City Hall Cowles Council Chambers



491 E. Pioneer Avenue

Homer, Alaska 99603

**NOTICE OF MEETING
WORKSESSION AGENDA**

- 1. Call to Order**
- 2. Agenda Approval** (Only those matters on the noticed agenda may be discussed)
- 3. Business, Retention, & Expansion Survey Results**
- 5. Audience Comments**
- 6. Adjournment**
Next Regular Meeting is Tuesday, January 9, 2018 at 6:00 p.m., in the City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.



Memorandum

TO: Economic Development Advisory Commission
FROM: Jenny Carroll, Special Projects & Communications Coordinator
DATE: January 4, 2018
SUBJECT: BR&E Worksession

The EDC's BR&E effort has been greatly successful. There are still a couple of crucial steps to go to completion, though.

According to the schedule you set out, the commission will provide a BR&E report to City Council at the end of the assessment process on January 22nd. The report will contain:

- 1) a narrative description of Homer's business landscape as depicted in the survey responses;
- 2) red flag issues: concerns of a business or industry sector issues the EDC can work on to help solve **immediate** threats to business retention where possible; and
- 3) longer-term themes or issues that emerged as barriers to business retention and expansion in Homer. These are issues that cut across many businesses and could require involving various people/stakeholders in both strategy development and implementation.

I have been working on item 1, the narrative description. A **draft** version is included in this worksession packet. The report's final format will be different. I anticipate a two-page snapshot or executive summary up front followed by the longer more detailed report.

Your analysis and ideas are essential for items 2 and 3. Come to the worksession prepared with:

- **1 to 2 immediate issues that emerged for you from the survey data; and**
- **1 to 2 longer term threats to or opportunities for Homer's business retention/expansion that the EDC should consider working on.**

Each Commissioner will share the topics identified for immediate action and for longer-term effort. The Commission will come away from the worksession with draft lists, which will be finalized for inclusion in the report at the EDC business meeting (January 9th at 6:00 pm.) Subsequent EDC work will focus on developing and implementing business retention and expansion strategies for the identified topics.

My report lists recommendations that emerged from the survey's short answer questions. I have gotten input from Karin, but **if others have taken the opportunity to review the responses to those questions, I would like you to provide me your analysis of the survey's:**

- **top 3 recommendations to improve business climate/quality of life in Homer;**
- **top 3 government services and infrastructure suggestions**
- **specific borough or state services to improve business operations**
- **top 3 factors that would make it easier for expanding/keeping business in Homer.**

You can communicate other comments/suggestions for the narrative report to me outside the worksession time via an email, call or visit. Thanks!

Survey Background and Information

The City of Homer's Economic Development Commission (EDC) conducted its first Business Retention & Expansion survey in 2017 with the intent to

- develop and encourage communication with local businesses;
- obtain business owners' perspectives and ideas on Homer's business environment;
- identify business needs and concerns that may be addressed by the City;
- develop strategies and actions that will continue to support small business retention and expansion.

The EDC's BR&E initiative was motivated by the fact that local business' commitment to community and the jobs they create are critical components of a strong economy. Working with existing businesses is also an effective way to foster economic growth. Studies show that up to 76% of job growth and local economic investment comes from existing businesses, especially in rural areas.

Methodology

The EDC developed the BR&E survey in the spring of 2017 after a review of online resources and with guidance from the Kenai Peninsula Economic Development District who had recently conducted a State-initiated BRE survey within the Kenai Peninsula Borough.

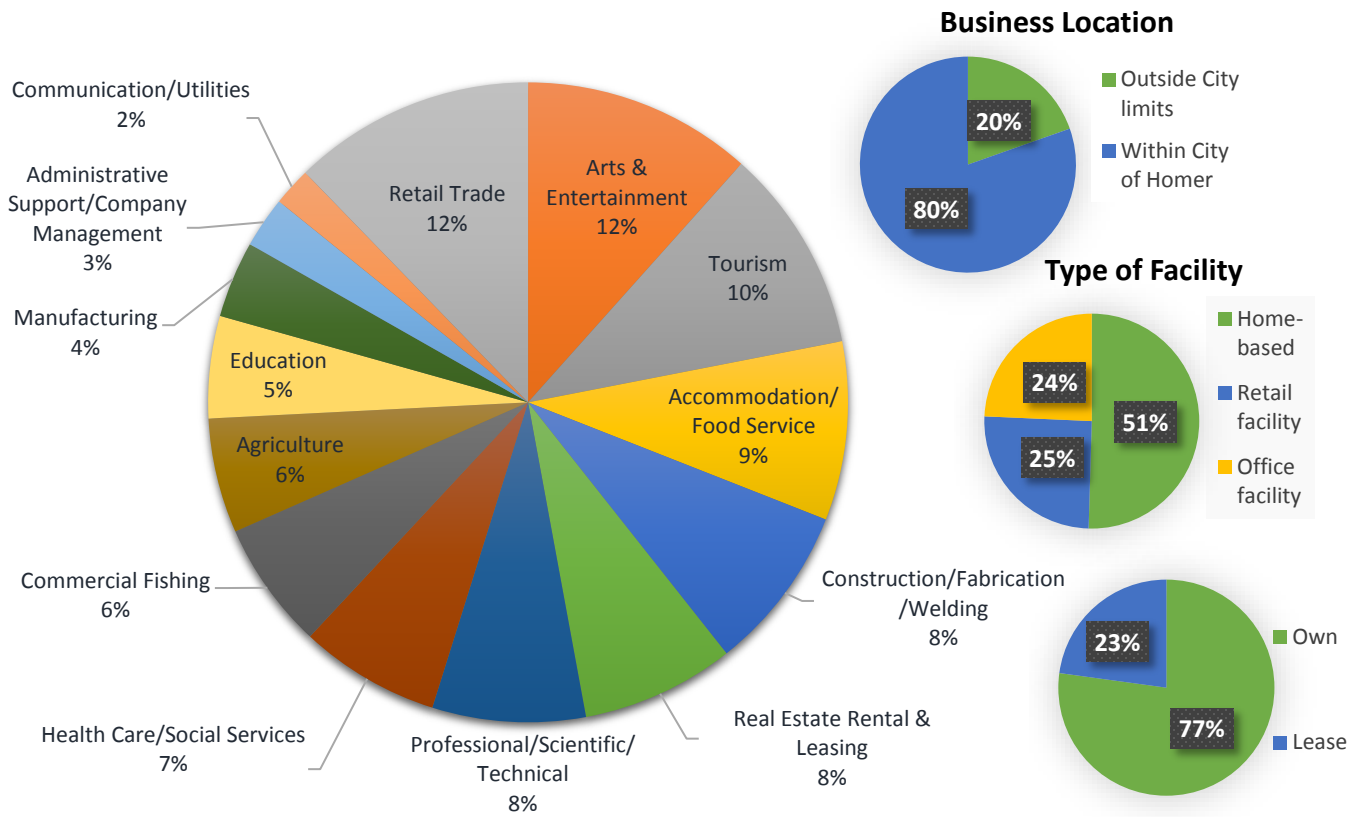
The EDC launched its 54-question survey on July 1, 2017 using an online Google Form survey platform. The survey period ended October 13, 2017. Paper copies of the survey were also available; the responses from paper surveys were entered manually into the Google survey form by EDC staff. A copy of the complete BR&E survey is provided in Appendix 1.

To promote the survey and gather broad business representation, postcard advertisements went out to 1,680 area business license and commercial fishing permit holders. Notices with a QR code link were displayed at City of Homer reception areas (City Clerks, City Hall Main Desk, Port & Harbor Office and Public Library) and on the City of Homer Website. EDC Commissioners personally reached out to area businesses, distributing fliers to local businesses and posting them on area business bulletin boards, and through presentations and/or outreach to Rotary Clubs, the Homer Chamber of Commerce, Farm Bureau and Farmers Market, Board of Realtors and on KBBI and the Radio Realty radio program, the Homer Marine Trades Association and National Pacific Fisherman's Association, the Health & Wellness Coalition and Bed and Breakfast Association.

112 BR&E surveys were completed. Twenty-two respondents (21%) requested a follow-up interview. While the number of responses is too low to draw broad conclusions about the local business environment, the information provides good input to build our local understanding and serves as an indicator of business opinions and a basis for directions the EDC can pursue.

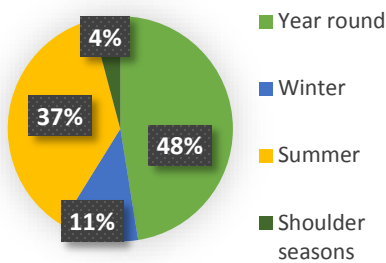
Survey Representation

95% of the businesses that responded to the survey are locally owned and operated, with 80.4% located within City limits. The diversity among industry types is displayed below.



The majority of respondents came from within the retail, tourism and arts & entertainment sectors. Some businesses reported they work across a couple industry categories, leading to 181 industries listed. For instance, a business that is in the Arts & Entertainment category may also sell retail goods or provide a separate but related service such as accommodation.

Businesses were asked when and **how** they do most of their business:

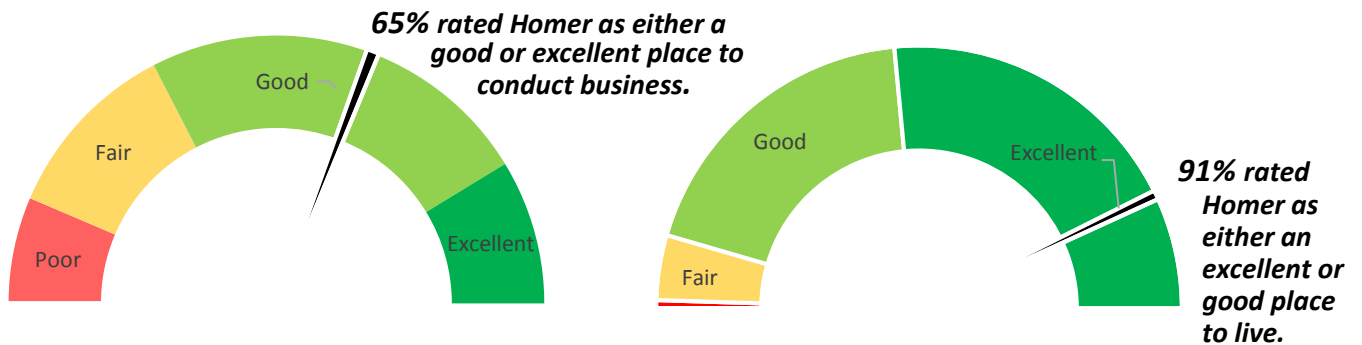


Brick & mortar & Online sales graph?

The average responding business has been operating for 24 years. The oldest establishments have been operating in Homer for just over 50 years and the newest less than 1 year. Of the businesses responding, the vast majority reported employing one to three full time, part time and/or seasonal employees. This number is consistent with the predominance of small businesses in Homer.

2017 City of Homer Business Retention & Expansion Survey Findings

Satisfaction with Homer



17% of businesses rated Homer as an excellent place to do business; 48% rated it as good.

When asked to evaluate Homer as a place to live, 53% gave Homer an excellent rating; 37% rated it as good.

Why Businesses Locate in Homer

87.5% businesses respondents started their business in Homer. Quality of life and proximity to home topped the chart for the primary reasons respondents started or keep their business in Homer, each being mentioned by 54% of the respondents. Homer’s recreational and entertainment opportunities were named by 29% of respondents, followed next by schools and to be near extended family each at 11%.



Business factors such as “where my customers are, cost of doing business, workforce availability and access to business support services” on average were only mentioned 4% of the time.

This indicates that people started and continue their businesses in Homer because it is a place they are attracted to as a place to live. Only 12% of respondents said they moved their already established business to Homer -- on average 17 years ago and for many of the same reasons businesses started up in Homer, quality of life.

Business Performance over the Past Three Years

Survey responses indicate that businesses activity has been increasing. When asked to gauge change over the past three years, half the respondents reported increased total revenues and numbers of customers, while only a quarter reported no change and 18% reported decreases.

Only 40%, though, reported an increase in profits in those three years, with only a very slight increases reported overall in number of employees.

Challenges of Conducting Business in Homer

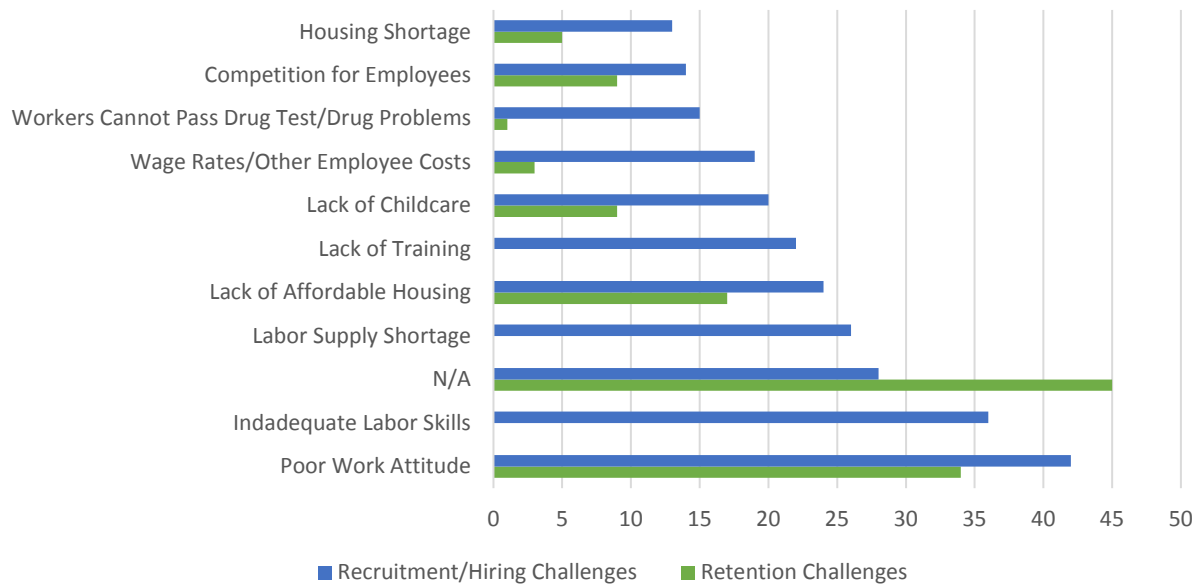
Cost of Doing Business

The high cost of living in Alaska—which spans essential categories like healthcare, housing, energy, and consumer goods, including shipping—is often cited by businesses as a factor inhibiting economic development. Several businesses also mentioned high commercial rental rates.

Costs of having employees also factored in some survey comments: health care costs were mentioned as challenging, as was high wage rates necessary due to the lack of affordable housing, affordable childcare options and high cost of utilities/groceries.

Employee Recruitment

Employee Recruitment and Retention Challenges



The two highest ranking recruitment categories were poor work attitude and inadequate labor skills. Comments added under this question included technology illiteracy, and a statewide lack of and difficulty recruiting professionals from outside Alaska with specialized skills.

While fewer survey-takers reported retention challenges, the highest ranking retention challenge is also the biggest reported recruitment challenge: poor work attitudes among labor force. While some comments pointed to structural challenges to retention like the abundance of seasonal, non-career jobs in

Homer, most cited a need for a larger pool of better trained, more skilled *local* workers and employees more committed to training and advancing their skills once on the job.

Most often mentioned strategy was workforce education – including (1) better life skills/character building lessons taught by parents and schools, (2) local schools offering more and better quality vocational/skilled trade programs, and (3) stronger partnerships among city, borough and state governments, private sector and schools to provide career education/work skills development opportunities and challenge Homer’s youth to higher achievement.

“There could be better career training at Homer High School to fill entry level positions in town with locals who want to live and mature here.”

A shortage in labor supply ranked as the third highest recruitment challenge. Looking ahead, Homer’s aging population is likely to add to the labor supply challenges. The rate at which Alaska’s senior population is growing is one of the fastest in the nation: the number of Alaskans age 65 or older more than doubled between 2000 and 2016. (2 Alaska Economic Trends Dec 2017). On the Kenai Peninsula specifically, population projections to 2042 show a decrease in the Borough’s economically active population (to 52% of all residents compared to today’s 60%), even as the total number of residents will increase slightly. (3 KPBC CEDS 2016 p14.)

Additionally, population projections provided by the Alaska Department of Labor and Workforce Development suggest that in coming decades population growth on the Kenai Peninsula will be fueled more by net migration (people moving to and from the area) than by natural increases (birth and death rates). “Over time, the Borough’s workforce will increasingly rely on work-age individuals relocating to the region rather than births, putting an additional pressure on a small labor market.” (1 KPBC CEDS 2016 p13.)

Several survey comments and interviews mentioned the importance of attracting more young professionals and year-round residents for Homer’s economic development. A larger and growing population base expands the consumer base, and expands the labor pool. Some survey responses suggested to enlarge Homer’s mid-level labor force by focusing on infrastructure and programs to attract educated young families to Homer and improve internet to encourage opportunities for people to live in Homer but work remotely via digital connections. *improve internet connection and speed consistency.

Lower cost of living was most often mentioned strategy to address the labor supply shortage. Lack of affordable housing was identified most often, including a couple of comments saying there was a need for affordable housing for seasonal workers. The need for affordable childcare was next, followed by services for families.

Key to this is providing the kinds of things young professionals need/want: quality of life, affordable housing, quality education / recreational activities, and accessible healthcare.

Survey’s Top 3 Recommendations to improve business climate/quality of life in Homer?

1. Accessible, walkable town with greenspace (10x)
2. Town Appearance – clean it up (7x)
3. Environmental Efforts (protect land & water resources; keep clean air & views; alternative energy options.) (7x)

Quote from survey: “focus on quality of life (greenways, non-motorized transportation alternatives and public services) so that wages are not the sole determinant of someone coming to work or staying to work in Homer.”

Pioneer Avenue was mentioned several times in the survey, including making it a more vibrant commercial zone and aligning curb cuts with business parking lots.

Government Services and Infrastructure Suggestions

City of Homer

The City provides infrastructure and associated services in support of the business community. The Survey asked what specific City services would improve business operations:

1. Government Regulation – more or better (particularly building codes for safety and for improved appearance; better sign ordinance) (7x)
2. Keep boat/marine business in Homer (particularly lower costs in harbor and more City support for marine industry through large vessel haul out and harbor, and incentives to keep fish processing in Homer) (7x)
3. Roads - 1x clear line of sight at intersections; 1x more paved roads; 1x more streetlights where needed; 1x crosswalk on Sterling Hwy at Ocean Shores; 1x improve gravel parking lots on Spit) (7x)

Other comments encouraged: City leadership to be more pro-business; get freight moving across Homer docks to decrease shipping costs; City (and other large businesses like hospital, hotels, etc.) buy local and use local services.

Specific Borough or State Services to Improve Business Operations

1. Access to capital (loans, grants) or incentives (4x) (This service was also suggested 5x for the City.)
2. State government leadership / decisions – (state comprehensive or revenue generating budget solution and the all Alaska LNG line. (6x)
3. Childcare/After School Activities/ Public Education - (Borough/State finance or meet needs of public schools) (4x)

Top 3 Factors that would make it easier to expand/keep business in Homer?

1. Sales Tax Less or Stable (10x)
2. Good Labor Pool (9x)
3. Lower Property Tax (8x)

Many respondents mentioned lowered sales tax or at least stable sales tax would make it easier for them to expand or keep their business in Homer. One example: “Control budget costs. Added sales tax makes retail sales more difficult here.”

Other respondents, though, advocated for a bed or seasonal tax to take pressure off locals and local businesses, with another advocating for a bed tax to expand marketing and visitor services here.

Besides lowering taxes and having access to a good labor pool, many businesses mentioned Homer would benefit from expanding the General Commercial 1 (GC1) District to support manufacturing or other businesses requiring a larger footprint. One comment was that tax revenues would increase with

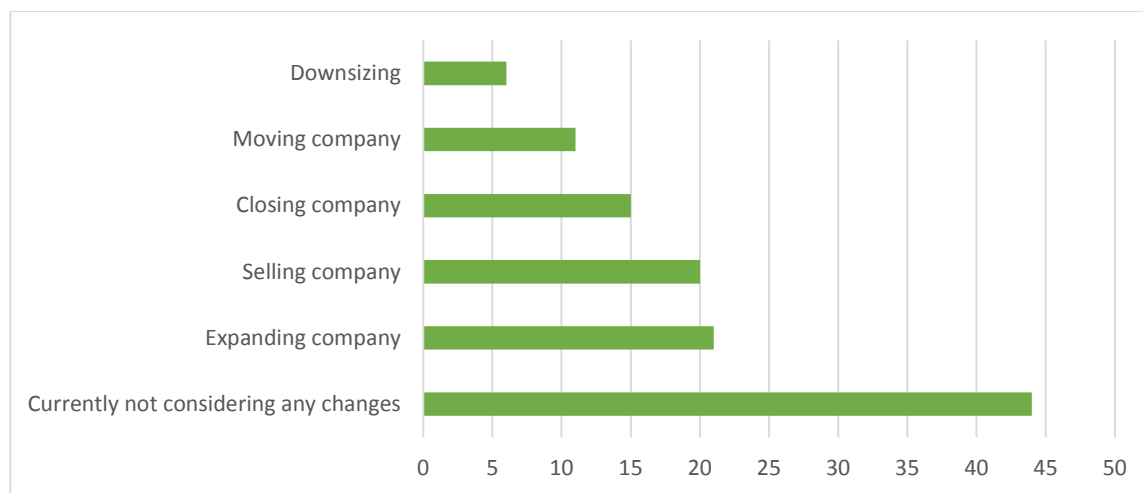
expanded commercial property. Another comment was lack of available commercial real estate keeps “junky commercial property prices artificially sky high.”

Several comments suggested that business investment would be easier if the City had fewer regulations “get City and red tape out of my business,” and more favorable, pro-business regulations. Examples here ranged from making Homer’s sign ordinance more business friendly to account for many businesses in one building, and for flag/banner signs to make a more festive feel in town to stricter sign ordinance enforcement to make town more attractive. Another suggestion was to enact code to allow tiny businesses access to the Spit, particularly during cruise ship days.

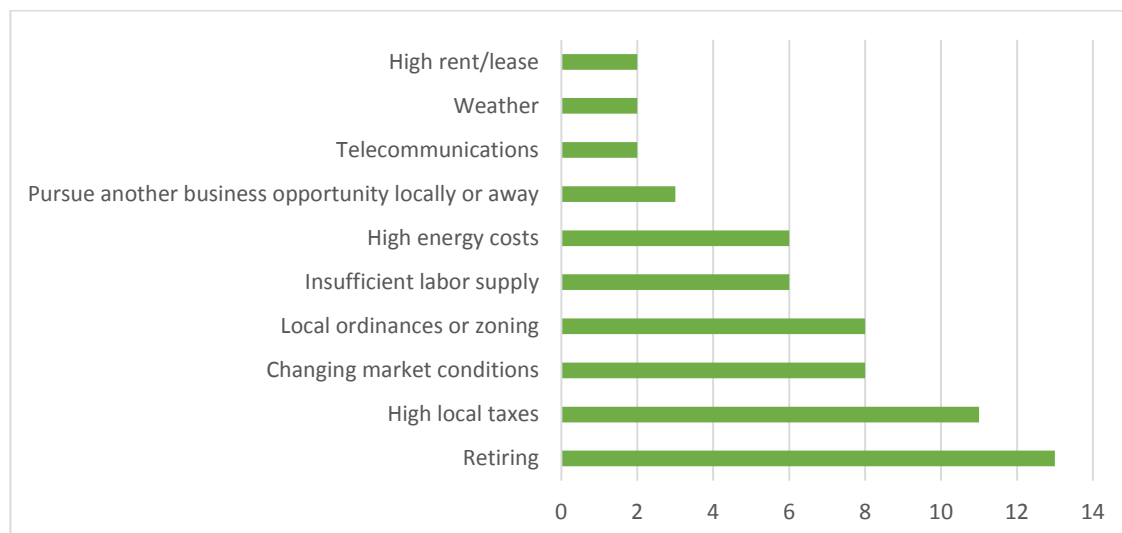
Several commented that City leadership, and their ability to long-term plan and manage infrastructure (i.e. streets, traffic flow, drainage, sustainability) influences decisions about whether to expand business investment in Homer.

Business Forecast

93 survey takers responded to whether they are currently considering changes to their business:



Nearly half the businesses are not considering changes (47%); 46% are considering downsizing, closing or selling, while 22% are considering expansion. Of the businesses considering downsizing, moving or closing, the following were listed as contributing factors:



Employee Training

75 survey participants responded to the question whether their employees require training when they are hired. 93% said yes.

The large majority of respondents perform in-house or on-the-job training (86%). The next most frequent types of employee training were self-taught through manuals/videos, etc. at 20%, sending employees to workshops at 13%, distance learning at 11% and apprenticeships at 7%. 6% mentioned contracting with private or public vendors like the college.

When asked if their business would benefit from local training opportunities, answers were split roughly in thirds – yes, no and maybe. Specific topic listed that would be of value locally included:

- Workforce development in vocational-technical fields such as marine trades, industrial sewing, etc.
- Basic computer, computer specialties and networking
- General job readiness/social/ life skills such as parenting classes, customer service, basic computer, cash handling, accountability and work ethics
- Help with how a business can conduct mentorships / job training apprenticeship program
- Food safety
- Master gardener classes

Add Aggregate Data available upon request