



Office of the City Manager

INFORMATION CALENDAR

January 21, 2020

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Jordan Klein, Economic Development Manager

Subject: 2019 Business Survey Results

SUMMARY

In fall 2019, the Office of Economic Development (OED) conducted a survey of businesses located in or operating within the City of Berkeley. The goal of the survey was to understand the profile of Berkeley businesses; to inform the design of solutions that respond to businesses' opportunities and needs; and to communicate effectively with our business community and raise their awareness of OED. The annual survey extends OED's efforts to connect and communicate more effectively with our larger Berkeley business community. This report summarizes the survey results and findings.

CURRENT SITUATION AND ITS EFFECTS

In fall 2019, the Office of Economic Development (OED) conducted its second comprehensive survey of businesses located in or operating within the City of Berkeley. The survey was administered via "Berkeley Considers", the City's web-based platform for citizen engagement, and was open from September 23, 2019 through October 21, 2019.

The link to the survey was distributed by e-mail to approximately 4,577 emails obtained from the City of Berkeley Business License database, to Berkeley Business District Network (BBDN) leaders for circulation to their own members, and to OED newsletter recipients. OED received 427 unique responses for a 9.3% response rate, a decrease from the 575 unique responses received to the prior year's survey.

Survey Findings

Key survey findings from 2019 OED business survey include the following:

When asked to select the top three reasons their business is located in Berkeley, respondents said:

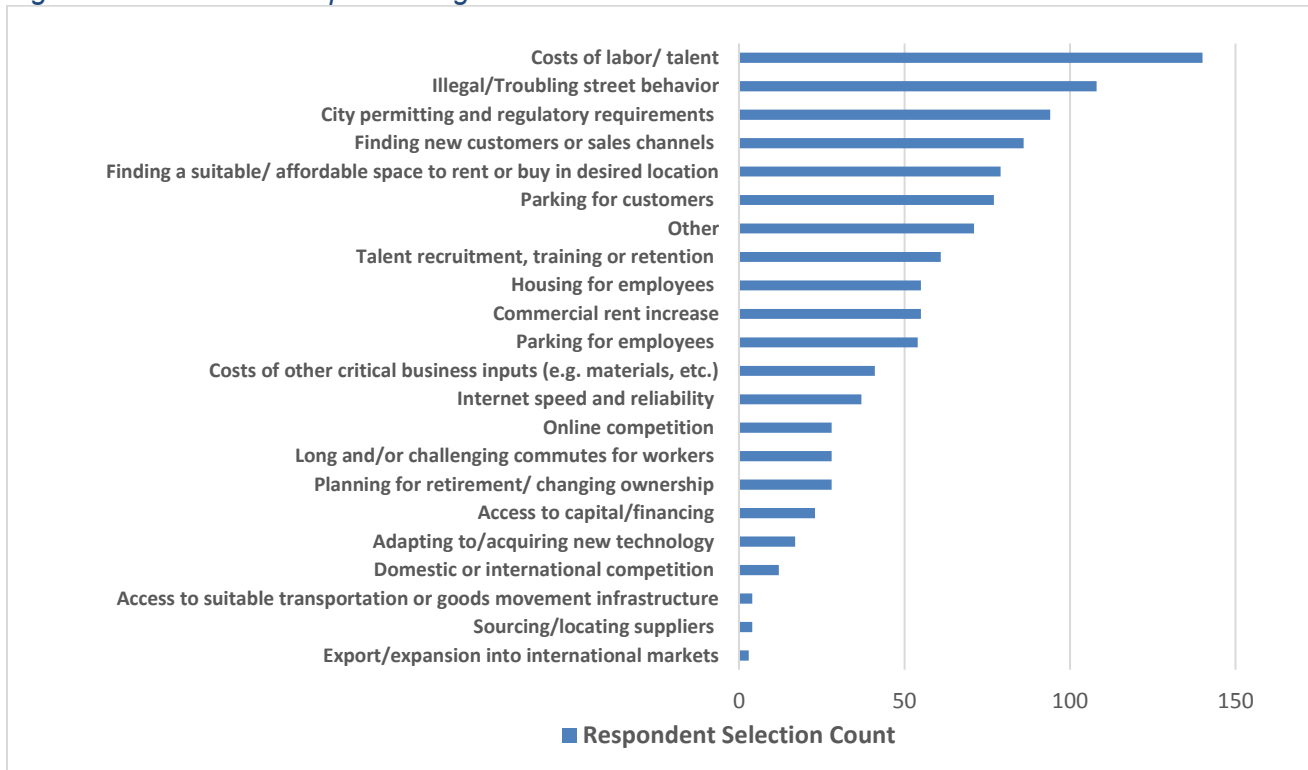
- At least one of the founders/owners lives in Berkeley (57.1%)
- My key markets/customers are local (36%)
- Alignment with Berkeley's values (25.2%)
- Berkeley's cultural, culinary, educational or recreational amenities (23.6%)

- The proximity to BART, Amtrak, I-80, international airports, or other transportation networks (16%)
- The majority of employees live nearby (14.5%)
- The proximity to UC Berkeley or the Berkeley Lab (11.7%)

Nearly 19% of respondents entered in free text under the “other” category. These open-ended responses included statements that were positive (e.g., “*Accessibility to rice, ideal water and climate for making sake*” and “*Been here and customers know where to come*”) and troubling (e.g., “*Long ago we agreed with most of the above [reasons to locate here]. Not so sure we would locate in Berkeley again*”), as well as statements that defy characterization: “*Business established too long ago to know. 1910!*” and “*This is where the Lord my God Placed me*” (sic).

When asked to identify their top 3 business challenges in 2019, 31.4% of respondents cited “costs of labor/talent” as a top business challenge, the highest response by a significant margin (Figure 1). In July 2019, the municipal minimum wage increased by \$0.59, to \$15.59 per hour; many independent business owners cited the increasing labor costs as an existential threat to their business. Business owners described challenges related to the costs of labor and talent in free text as “[making it hard] to survive in an ever increasing expensive place to do business. High taxes, high cost of labor, high rents continue to shrink our margins” and that “[business] sustainability is now questionable.” One response specific to this topic from a prominent local bookseller and business owner is included as Attachment 1.

Figure 1: Businesses' Top Challenges in 2019

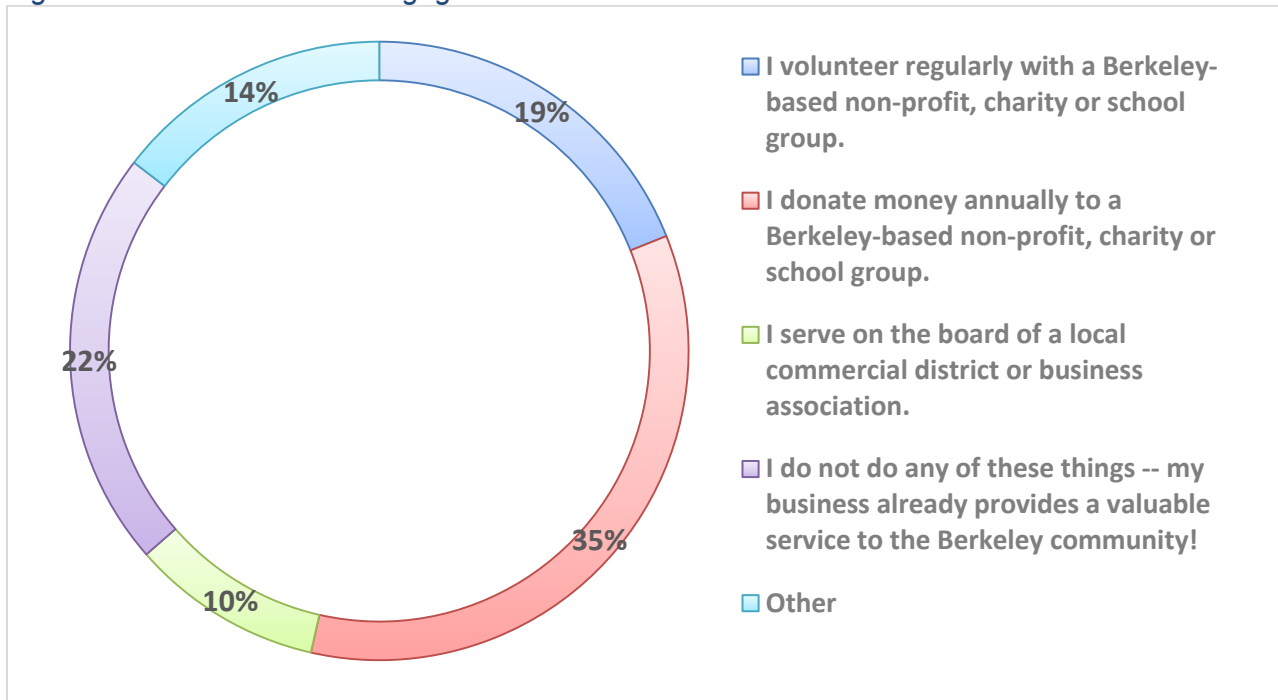


After “costs of labor/talent,” respondents’ top challenges in 2019 included:

- Finding new customers or sales channels (21.0%), down from 27.9% in 2018.
- Illegal/Troubling street behavior (26.3%), up from 24.8% in 2018.
- City permitting and regulatory requirements (22.9%), up from 19.3% in 2018.
- Finding a suitable/affordable space to rent or buy in a desired location (19.3%).
- Parking for Customers (18.8%) and parking for employees (13%).
- Talent recruitment, training or retention (14.9%).
- Finding housing for employees (13.0%)
- Commercial rent increase (13.0%)
- Costs of other critical business inputs (e.g. materials, electricity, internet, etc.) (10.0%).

When asked about business engagement with public service (Figure 2), 190 survey respondents reported that they donate money annually to a Berkeley-based non-profit, charity or school group (35%), 104 respondents volunteer regularly with a Berkeley-based non-profit, charity or school group (19%), 55 respondents serve on the board of a local commercial district or business association (10%).

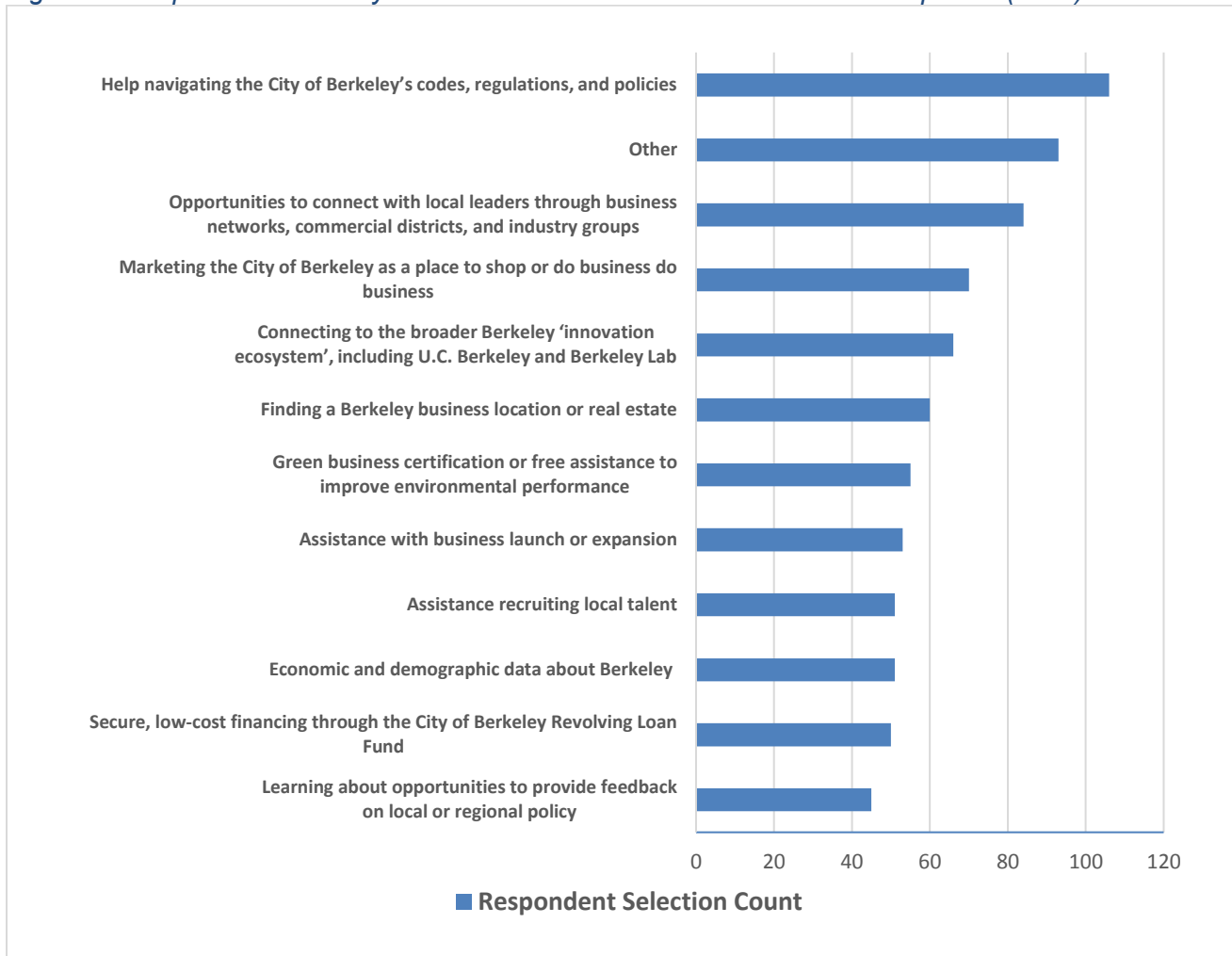
Figure 2: Businesses' Civic Engagement



When asked which OED activity would be of greatest value to their business (Figure 3), respondents' top choices included:

- Help navigating Berkeley's codes, regulations, and policies (29%)
- Opportunities to connect with local leaders through business networks, commercial districts, and industry groups (23%)
- Marketing the City of Berkeley as a place to shop or do business (19%)

Figure 3: Respondents' Priority Activities for the Office of Economic Development (OED)



Before taking the survey, 47% of the respondents (197) had heard of OED before (an increase from 2018's 33%), 139 (33%) had not heard of OED, 79 respondents were unsure (9.6%), and 39 respondents (9.4%) were familiar with OED "solely because I took this same survey last year."

BACKGROUND

Survey Methodology

OED conducted the survey using a web based collection tool, on the City of Berkeley's Internet-based platform for citizen engagement known as "Berkeley Considers." The survey went live on September 23, 2019 and was open through October 21, 2019. The electronic link to the survey was sent to approximately 4,577 emails obtained from the City of Berkeley Business License database. These emails are provided to the Finance customer service center by the businesses registrant when renewing or applying for a

Business License. OED removed duplicate emails and emails associated with business licenses for “rental of real property.” OED also asked partner organizations – including Berkeley’s business membership organizations, networks, and commercial district associations¹ – to distribute the survey link to their member businesses. Most organizations distributed the link soon after the survey went live, and sent a reminder email during the week before the survey closed.

The survey consisted of fifteen questions, requiring approximately ten minutes to complete. Thirteen were multiple choice with multiple answers (including a write in ‘other’ option choice on six questions), and one question had a space only for free text response. For several of the multiple choice questions, respondents could select all answers that apply; as a result, the sum of the percentages of responses exceed 100% in some cases. The full text of the survey is included as Attachment 2.

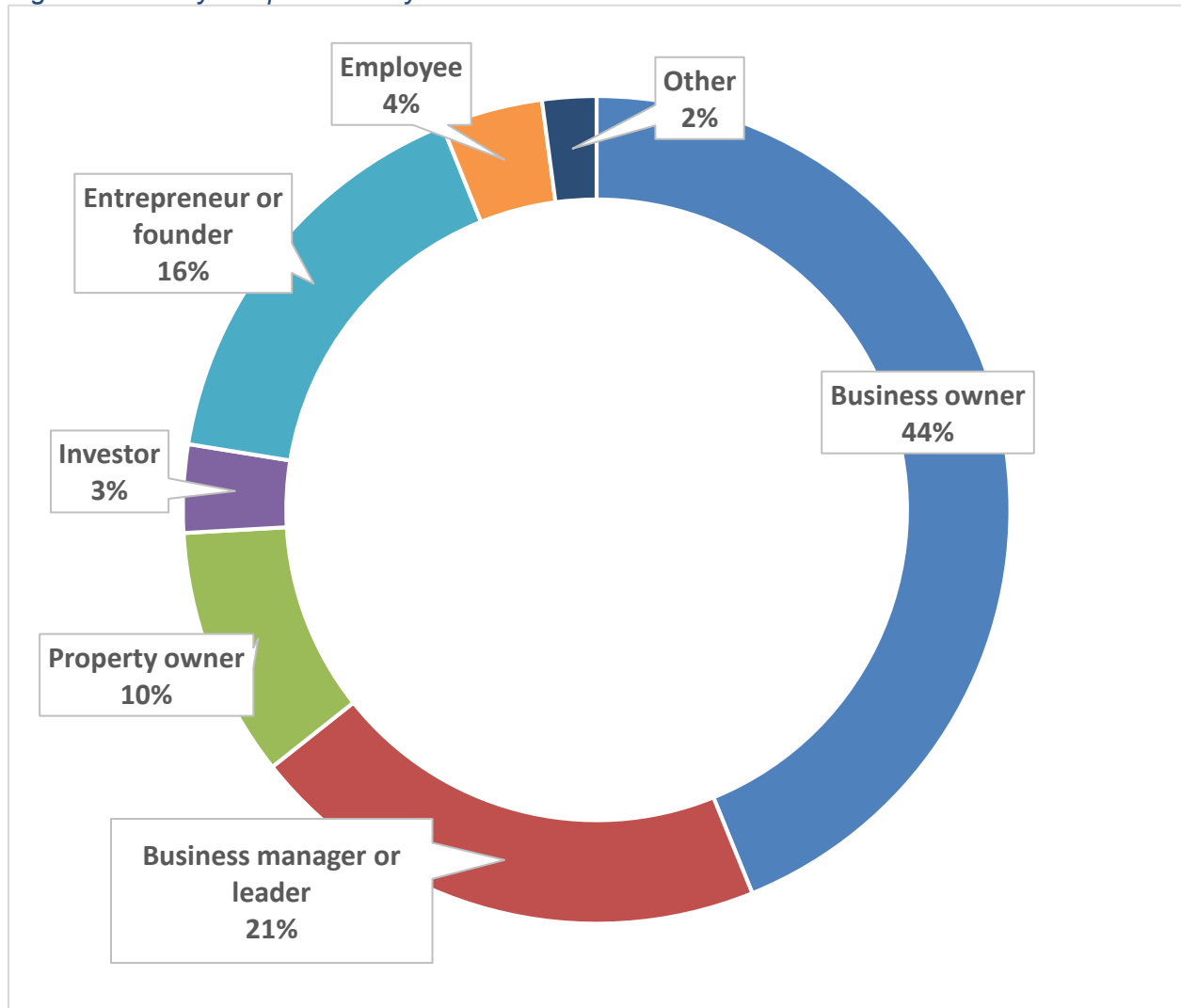
Survey Respondents

OED received 427 unique survey responses, representing a response rate of approximately 9%.

44% of survey respondents identified themselves as “business owners” and 21% identified themselves as “business manager, executive or leaders” (Figure 4). Nearly 57% of the total respondents indicated that they (or the business founder or leader) lives in Berkeley.

¹ A list of active associations is available on the City website:
https://www.cityofberkeley.info/City_Manager/Economic_Development/Commercial_Districts.aspx

Figure 4: Survey Respondents by Role



Approximately two fifths of survey respondents (165) indicated that they had been in business in Berkeley for more than 20 years (see Figure 5). Twenty two percent of respondents (93 respondents) indicated that they had been in business between 1 and 5 years.

Of the 2019 survey respondents, 127 (31%) indicated that they were sole proprietors, and 144 respondents (35%) said they had between 2 and 10 employees (Figure 6). Only 9 respondents (2.2%) indicated that their firm has 100 or more employees. This corresponds closely with the overall sample of businesses in Berkeley.²

² US Census Bureau, *Quarterly Census of Employment & Wages*, 2018.

Figure 5: Business Age by Respondent

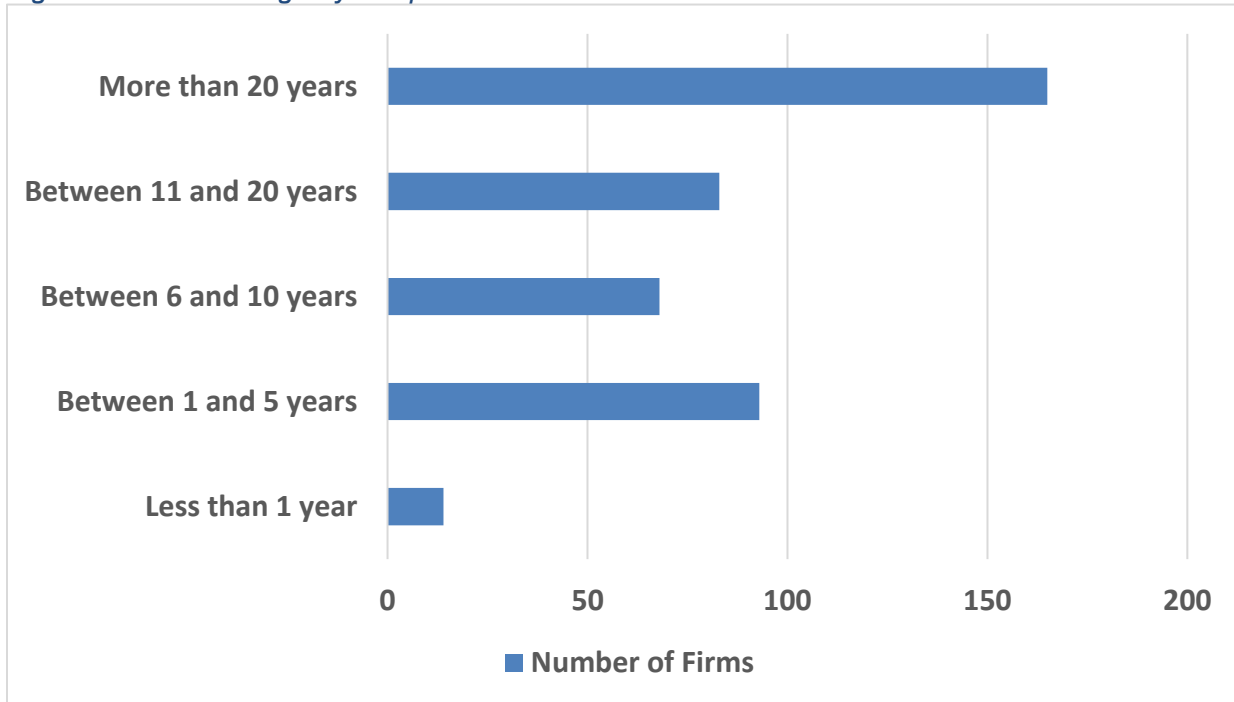
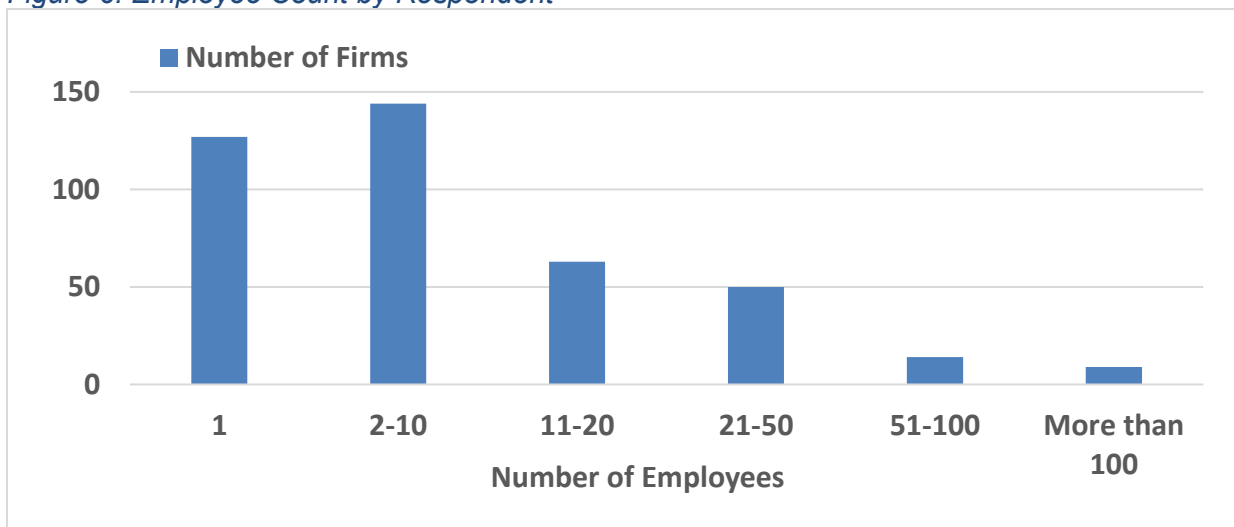


Figure 6: Employee Count by Respondent



Twenty six percent of firms surveyed reported annual revenues between \$50,000 and \$250,000 annually. Twenty-five percent of respondents indicated that they earned between \$250,000 and \$1,000,000 annually, and 7.6% of firms showed revenues over \$5M, up from 5% in 2018.

Industry sectors represented by survey respondents varied. Twenty-four percent of respondents selected Professional Services (including Administrative, Finance, Architecture, Engineering, Legal, Design and 'other' business support services) as their industry, 15% identified life sciences, healthcare or medical services as their sector, 7.6% were in Technology (including Research and Development), 18% Retail (including wholesale), 10% were in the restaurant industry (including catering), and 15.4% selected Arts Recreation and Hospitality. This roughly corresponds with the industry sectors represented in Berkeley's small businesses by employment over the past few years. For example, in 2017, of Berkeley's firms employing 50 people or less, 12% were in professional services, 16% were health care related, 12% were retailers and 18% represented accommodation and food service with an additional 3% in the arts, entertainment and recreation industry.³ Compared to the 2017 figures, professional services and firms in arts and recreation sector are slightly over represented in the 2019 OED business survey responses.

Past and Future Business Surveys

A similar OED Business Survey was conducted in the fall of 2018, and the results were published in a report to council in early 2019.⁴ OED plans to continue to administer this business survey on a biennial basis in the fall, as staffing allows, and has posted the results of the previous versions on the City's website at <http://www.ci.berkeley.ca.us/oed/reports/>. These publications support the City's Strategic Plan, advancing our goal *to be a customer-focused organization that provides excellent, timely, easily-accessible service and information to the community.*

ENVIRONMENTAL SUSTAINABILITY

Many of the City's environmental sustainability goals are inextricably tied to the overall health of the City's economy and its business community. Staff believes that the continued pursuit of sustainable economic goals, represents a strength for Berkeley and demonstrates a competitive advantage of the City and the region.

POSSIBLE FUTURE ACTION

Staff will, as directed by Council through previous and future referral items, assist to identify and implement ideas and activities that support economic development priorities for the city as articulated by the surveyed businesses.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

Actions that facilitate increased economic activity tend to boost revenues related to sales tax and property tax, and thus have positive fiscal impacts on the city.

CONTACT PERSON

Eleanor Hollander, Economic Development Project Coordinator, (510) 981-7536.

³ [Economic Development Worksession: Small Business Support](#), Attachment 2: Employment in Berkeley's Small Businesses by Industry, January 16, 2018.

⁴ [Referral Response: Small Business Support](#), Attachment 3, February 5, 2019.

Attachment:

- 1: 2019 OED Small Business Survey Open Text Response, Question 7
- 2: 2019 OED Small Business Survey Full Text

Attachment 1: 2019 OED Small Business Survey [Open Text] Response to *Question 7: Select your top three business challenges in 2019.*

Subject: Re: City of Berkeley Business Survey 2019

Hello [REDACTED],

I thought I filled this survey out already but I got three separate reminders this morning from three different (!) places so can you check for me?

[REDACTED] We have been hit amidst by the back to back minimum wage increases. The Council has put wage increases on automatic pilot into the future and this year they gave my staff a 4% wage increase - every time the start wage goes up, so, sooner or later, and usually sooner, it drives all other wages up right along. And though one of my stores is in Oakland, where the start wage is \$13.85, with no immediate plans to increase, I of course have to follow Berkeley and hire all my staff at the higher rate. Meanwhile, though the raise is obviously welcome to my staff, it is squeezing our business and doing virtually nothing to help with the main problem with working at a retail job in the East Bay in 2019 - rent.

My trade association, the American Booksellers Association, has for several years collected detailed data from a few hundred booksellers around the country. Through their interactive tool, you can compare your numbers with other stores who share similar characteristics, and challenges. My payroll costs, in comparison, could almost have been printed in neon, so starkly did they stand out. I would like to share this data with you, and have a conversation about how to make this crisis real to the lawmakers on the council.

We have been in business for 50 years in Berkeley, employ 34 people who live in Berkeley and Oakland (and El Cerrito, and Richmond, and Alameda) and every year our long term prospects seem more and more alarming. We are selling modestly priced items in one of the most expensive cities in the world, we are battling a world class homeless crisis on our doorsteps, and we are competing with a monster online discounter not only for our regular customers but for institutional sales throughout the city - The City, the University, the libraries, the schools. And for the last two years the City council has imposed significant new costs as if maybe some magic unicorn will come down and make sales go up so everything will be fine.

Our sales have been steady and on the rise for the last three years. They have not, however, gone up nearly 20%, or anything like, which is the amount my payroll has increased in that time. This last increase will cost an additional day of sales from all three locations per month. Our margins are already razor thin. If our sales start to trend down even a little bit, that could be it for [REDACTED] Books and the 34 booksellers who work here. And here's the thing. There will be a downward trend at some point - my forty years of running this business have shown me that. We got through them by doing the standard things in a retail emergency - cutting hours, staff, inventory, locations. Covered California and the ACA came along just in the nick of time a few years ago. We never touched wages.

But we are about out of tricks. We can't price our new books higher - the price is printed on the book. We can't raise our used book prices much more than they are, or we wouldn't be serving

Attachment 1: 2019 OED Small Business Survey [Open Text] Response to *Question 7: Select your top three business challenges in 2019.*

some of the real needs of our customers. Cutting hours or reducing staff works only in the very short term - we have learned to our sorrow that these measures create long-term consequences that take years to remediate. And online discounters add ever more trucks to Berkeley. While Amazon itself now collects sales taxes (after a 20 year fight in the legislature!), the vast majority of their sales are through third party sellers that do not collect sales tax for the city of Berkeley. Those trucks - and they deliver to the City as well - represent sales leaking, no, pouring out of the City coffers.

The City needs to get real with these facts, and get creative with solutions that help people who work in Berkeley without sinking the businesses that employ them. I think there are such ideas out there, but I personally have never gotten any traction when I present them. The city supported Buy Local Berkeley, [REDACTED], and I believe honestly cares about their mission to support all sectors of the community, but they need to step up their efforts as dramatically as they have stepped up the minimum wage.

Sorry about this long letter [REDACTED]! Do let me know if any of this resonates with you and your staff who have been helpful to me in the past.

All best,

[REDACTED]

“The City of Berkeley Office of Economic Development's mission is to assist businesses, entrepreneurs, artists and community organizations to access services, feel welcome in Berkeley, and thrive.”

The Office of Economic Development (OED) is conducting its annual survey of Berkeley businesses to help the City better understand Berkeley businesses and their needs – and design corresponding policies, programs, or other solutions. As a representative of a Berkeley business, we would greatly appreciate your response. Thank you for taking the time (< 10 minutes) to provide your feedback.

Your candid responses are appreciated. Rest assured, all data and information shared will be aggregated and thus ensure anonymity and confidentiality for individual respondents.

1. Which of the following titles apply to your Berkeley business? Check all that apply. *multiple choice question, multiple answers*

- Business owner
- Business manager, executive or leader
- Property owner
- Investor
- Entrepreneur or founder
- Employee
- Other: _____ *(write-in)*

2. How long has your business been in the City of Berkeley? *multiple choice question, one answer*

- Less than 1 year
- Between 1 and 5 years
- Between 6 and 10 years
- Between 11 and 20 years
- More than 20 years

3. How many employees (or Full Time Employee contractors) do you have? *multiple choice question, one answer*

- 1
- 2-10
- 11-20
- 21-50
- 51-100
- More than 100

4. What's your business' estimated annual revenue? *multiple choice question, one answer*

- Less than \$50,000
- \$50,001 - \$250,000
- \$250,001 - \$1,000,000
- \$1 million - \$5 million
- Greater than \$5 million

5. With which industry sector do you identify most? Check all that apply. *multiple choice question, multiple answers- randomize answer choices*

- Arts, Recreation, Hospitality
- Education
- Building Construction and Maintenance (including Landscaping)
- Technology (e.g. Research & Development, Software, Hardware, etc.)
- Life Sciences, Healthcare, or Medical Services
- Manufacturing
- Professional Services (including Administrative, Finance, Architecture, Engineering, Legal, Design and other business support services)
- Retail (including Wholesale)
- Restaurant (including Catering)
- Real Estate (including Property Management)
- Personal Services (including Exercise Studios, Salons and House Cleaning)
- Automotive and Transportation Services
- Other: _____ *(write-in)*

6. Please identify the top three reasons why your business is located in Berkeley. *multiple choice question, multiple (3) answers- randomize answer choices*

- At least one of the founders/owners lives in Berkeley.
- Berkeley's cultural, culinary, educational or recreational amenities.
- Berkeley's civic infrastructure (i.e. sidewalks, bike boulevards, improved parks, and renovated libraries)
- Alignment with Berkeley's values.
- The majority of employees live nearby.
- I can easily find the talent I need here.
- My key markets/customers are local.
- My key vendors, suppliers and/or other companies in my industry sector are located nearby.
- The proximity to BART, AC Transit, Amtrak, Interstate Highways, international airports, or other transportation networks.

Attachment 2: 2019 OED Small Business Survey [Full Text]

- The proximity to UC Berkeley or the Berkeley Lab.
- My investors or sources of financing are in Berkeley.
- Other: _____ (write-in)

7. State your top three business challenges in 2019. *multiple choice question, multiple (3) answers- randomize answer choices*

- Finding a suitable/ affordable space to rent or buy in desired location
- Commercial rent increase
- Costs of labor/ talent
- Costs of other critical business inputs (e.g. materials, electricity, internet, etc.)
- Internet speed and reliability
- City permitting and regulatory requirements
- Talent recruitment, training or retention
- Finding new customers or sales channels
- Illegal/Troubling street behavior
- Planning for retirement/ changing ownership
- Parking for employees
- Parking for customers
- Housing for employees
- Long and/or challenging commutes for workers
- Access to capital/financing
- Sourcing/locating suppliers
- Adapting to/acquiring new technology
- Online competition
- Domestic or international competition
- Export/expansion into international markets
- Access to suitable transportation or goods-movement infrastructure (freight compatible roadways, freeways, ports, airports, etc.)
- Other: _____ (write-in)

8. State your top two business related accomplishments for 2019.

Text style question with 2 individual rows of text space (configured to allow for longer responses, where the text area will enlarge as the user types)

9. Beyond the products and services provided by your business, do you contribute in any of the following ways to Berkeley public service? Select all that apply. *multiple choice question, multiple answers- randomize answer choices*

- I volunteer regularly with a Berkeley-based non-profit, charity or school group.
- I donate money annually to a Berkeley-based non-profit, charity or school group.
- I serve on the board of a local commercial district or business association.
- Other: _____ (write-in)

Attachment 2: 2019 OED Small Business Survey [Full Text]

- I do not do any of these things -- my business already provides a valuable service to the Berkeley community!

10. Of the following OED services, which would be of greatest value to your business?

multiple choice question, multiple (up to 3) answers- randomize answer choices

- Marketing the City of Berkeley as a place to shop or do business
- Assistance with business launch or expansion
- Opportunities to connect with local leaders through business networks, commercial districts, and industry groups
- Economic and demographic data about Berkeley
- Green business certification or free assistance to improve environmental performance
- Finding a Berkeley business location or real estate
- Secure, low-cost financing through the City of Berkeley Revolving Loan Fund
- Assistance recruiting local talent
- Learning about opportunities to provide feedback on local or regional policy
- Help navigating the City of Berkeley's codes, regulations, and policies
- Connecting to the broader Berkeley 'innovation ecosystem', including U.C. Berkeley and Berkeley Lab
- Other: _____ (write-in)

11: On a scale of 1 to 5, with 1 being "terrible" and 5 being "great", how would you rate the City of Berkeley TODAY as a place to do business? *multiple choice question, one answer*

- 1 (Terrible)
- 2
- 3
- 4
- 5 (Great)

12: On the same scale of 1 to 5, how would you rate the City of Berkeley TWO YEARS AGO (2017) as a place to do business? *multiple choice question, one answer*

- 1 (Terrible)
- 2
- 3
- 4
- 5 (Great)
- N/A I was not in business in Berkeley two years ago

13. Before taking this survey, were you familiar with the City of Berkeley's Office of Economic Development (OED)? *multiple choice question, one answer*

- Yes
- Yes, solely because I took this same survey last year
- No
- Not sure

14. Are you willing to provide your contact information? *multiple choice question, one answer*

- Yes
- No

If they select yes, have spaces for them to include their name, business, title, email address, business address, and phone number.

15. Would you like to receive future information about resources, opportunities and local business news from the City of Berkeley's Office of Economic Development (OED)?

- Yes
- No
- I'm already a subscribed to the OED quarterly newsletter.

Thanks for your input!

