

Business Environment – Challenges and Opportunities

Pacific Grove Chamber of Commerce Annual Luncheon
Bill Kampe – March 1, 2013

Thanks

Thank you to the Chamber Board and to the sponsors for this opportunity to speak this afternoon. It's truly a privilege. The Chamber has been such a positive factor in the life of our community.

You have sponsored/co-sponsored so many of the events that define us: Good Old Days, the Heritage Tour, Fun in the Park, Christmas Tree Lighting, Parade of Lights, and Christmas at the Inns.

Your Chamber has also been very active in our government, and in a very constructive way. The voice of the chamber has helped with key measures such as Measure U, making it possible for our Inns to upgrade and stay more competitive. Chamber members have provided critical inputs on the recent update of our commercial zoning ordinance.

We also see our store fronts well occupied, comparing favorably with other cities of our area. That's from the hard work of our Chamber and our commercial realtors.

Principles

In business or as a city, we need at least 3 things for success:

- We need to know, collectively, where we are going
- We need concrete plans and ideas that can get us there
- And we need the determination, adaptability, and the perseverance to make measurable progress.

Top Issues

In that spirit, I'll touch briefly on the top issues facing our city and focus more deeply on our business environment – the challenges and opportunities.

In talking to residents over the past several months, here's what I've heard:

- Water supply for our city
- CalPERS pension obligations
- And Business Vitality

The council endorsed these three topics as top priorities, and also wisely added the topic of

- City Infrastructure

Water

Cities on the peninsula face a drastic cut in our water supply at the end of 2016. This cut will have a very damaging effect on quality of life for residents and be especially harmful to businesses.

The 6 peninsula cities have formed a Regional Water Authority to represent our interests in a new water supply. I feel it is extremely important that the peninsula speaks with a strong and unified voice. The Water JPA is doing that in support of the CalAm proposal that is before the PUC, with conditions to protect ratepayers.

Water is always a difficult issue, and I'm also pleased to see the Water Management District pursuing backup plans with an open ocean source.

CalPERS Pension Obligations

You may be familiar with the heavy burden the city faces in paying for public safety pensions. The high cost has caused us to cut services, defer maintenance, and reduce the number of public safety employees.

We are now engaged in vigorous dialog among our citizens, our Police, and our council. We are exploring several strategies that we expect to make public shortly. These strategies will put Pacific Grove at the forefront in California for a proactive approach on reducing pension costs. None of the steps are easy; none of them yield certain outcomes. We do know that it is imperative to act, and that the situation in California is becoming more favorable for that action.

Business Vitality

Business Environment

Let's take a quick look at some facts about business in PG. The commercial areas make up only 6% of our city. Yet 55% of our general fund revenue comes from fees and taxes on business activities. Over 35% of the general fund revenue comes from visitors. While business is a small part of the geography, it funds a big part of city services. Yet when I hear residents say that healthy businesses are important, they are talking about more than city finances. They are talking about a vibrant and successful community. It's part of "good things to do".

Changes

Our city looks much the same now as it did 50 years ago. A person from that era would still recognize our town – the size, scale, and physical character and most of the buildings. Yet

the changes are profound. It's not what has changed within PG. It's what has changed around us.

There's a similarity to the decline of the sardine industry in our Bay, slightly over 50 years ago. The easy blame went to overfishing, and that was part of it. But in a quiet voice, Doc Ricketts asked whether something might be changing in the ocean.

So what is changing in our ocean around us? We have seen Del Monte Mall, Target, Costco, Home Depot, Kohl's and other large stores rise to dominate retail shopping...all outside our borders.

We also see the internet emerging as a preferred store. It's not just the sales tax advantage. It's the incredible variety of choice and the convenience that the internet offers. It's not going away.

Challenges and Opportunities

So what are the implications? First, the mix of businesses will be different. Products and services that can't be provided by the internet will remain. Convenience shopping and visitor-serving businesses can remain strong. Professional services will be fine; they still need the face-to-face element. Our inns and restaurants are doing relatively well. Our business data shows restaurants performing around the national norms, while retail is low. Retail will change, is changing.

The upside is for visitor serving businesses, primarily in our downtown and near the Aquarium.

The solutions will be difficult. It is hardly the role of a city government to provide all of the answers. Yet there are two important aspects where we have a role:

- A clear pathway to "Yes"
- Attracting visitors

Pathway to Yes

Let's start with the Pathway to Yes. A new business in PG has faced a long, costly, and uncertain series of hurdles. Those hurdles can do fatal damage.

Over the past 3 years, the city has been taking steps to simplify the process. Our city staff was actually very eager to grab some of the ideas and move forward. It started with residential approvals. Today about 85% of applications that once required a full ARB hearing are now issued administratively. And with new windows guidelines, we hardly ever have a windows dispute. That's a remarkable change.

In the past two weeks, we have passed a major update to our commercial zoning ordinance. The planning commission, citizens, and the chamber worked for over a year to bring the changes forward to the council. The changes are significant. It is much clearer what businesses are allowed. More of the processing can be done either by counter review or administrative review, saving time and cost. There is still work to do, especially the sign ordinance. Overall, the progress is significant, and will continue.

Attracting visitors

Pacific Grove has wonderful assets and appeal. We have the best shoreline. We are the perfect refuge from the hustle and bustle of the big city, while still being in the middle of fun things to do. Our challenge is: How do we bring visitors to our retail areas?

Hotel

One element for attracting visitors can be a hotel, the right kind of hotel, on the Holman site. The developer is still open to exploring alternatives there. We will pursue that possibility.

Yet I believe the hotel is not the full remedy. There are other steps we should be taking. Those steps are important on their own, and will be very synergistic with a hotel.

In a larger sense the visitors are already here. They are on the peninsula, in our inns, on the coastal trail, and at nearby attractions. So how do we stand out in some distinctive way to draw those visitors?

Consider the sentence: “While you’re on the Monterey Peninsula, be sure to go to Pacific Grove because (your answer here)”? We have answers that resonate within PG. The hard evidence is that we are not well identified by those outside of PG.

Effective answers may mean we have to change something about our downtown. At this point we have mostly questions. We may need a change in the mix of businesses. We do need improved visual appeal of our downtown (the Forest Ave intersection improvements are a step.) There may be a role for public art. We may need better way-finding signs. It is most certainly a mix of elements, some near term and others longer term.

Note: that’s why infrastructure is an important priority – we need an attractive, fresh, inviting, and functioning city.

One of our actions in the city is to hire an economic development manager. Kurt, along with resident Bob Sadler, will be initiating a Main Street process to assemble and tap the wisdom from all sectors of our community. The first meeting is scheduled for March 7 and will be for property owners. Future meetings will include the BID, HID, and Chamber, plus a mix of city staff and private citizens. This process is well defined and has produced excellent results for other cities. The power of a determined and well facilitated group is

great. And it works on a fundamental principle: To get something, everyone involved has to bring something.

Essential Process

This process is essential. We need to find the adjustments that will adapt our business environment to a different future. We can learn from each other within our city, and we can learn from the examples of other cities that have responded to changes. Unlike Doc Rickett's sardines, we cannot swim away to more favorable waters. We must make our environment suit our needs...here in PG...starting now. I feel we have the talent and determination within our city, and can find ways to converge our efforts on a common plan. I invite your participation and support in this critical effort.