

Summary of Focus Group Workshops to Understand the Effect on Santa Cruz Businesses of Water Use Curtailments During Drought

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Green Industry and Hospitality Industry Focus Group Workshops – September 24, 2014

The City of Santa Cruz, along with the rest of California, is facing one of the most severe droughts on record. In February 2014, the City Council declared a Water Shortage Emergency and Stage 3 restrictions from the City's drought response plan. Restrictions on water use went into effect May 1, 2014, including strict water rationing of all residential and irrigation customers within the City's water service area. Rationing of water for commercial businesses is not being required at this stage of the drought response plan, but businesses that provide services related to care of lawns and gardens, along with managers of large irrigated spaces such as parks and golf courses, are already being affected by irrigation restrictions under Stage 3. Rationing of water to all users including all Santa Cruz businesses would be required if the drought persists and the City is forced to adopt Stage 4 of the drought emergency response plan.

The Santa Cruz Water Department is seeking to better understand and document the current and potential future impacts of the drought on its business customers. On September 24, 2014, the Santa Cruz Water Department conducted two workshops to hear about drought impacts on the Santa Cruz business community. The first workshop was designed for "green industry" representatives to discuss impacts on gardening suppliers, landscaping and irrigation contractors, golf courses and city and county parks. The second workshop was a forum for the "hospitality industry" to discuss drought impacts on hotels, motels, restaurants, and the Santa Cruz Boardwalk. These sectors represent businesses that are either being directly affected by restrictions on landscape irrigation, or that may be among the first businesses affected by potential impacts on tourist visitation to Santa Cruz. Both workshops were hosted by Toby Goddard of the Water Department, with contractor David Mitchell of M.Cubed facilitating the discussion.

Green Sector Workshop Summary

At the first workshop, the green industry discussed current impacts from restrictions on landscape irrigation. Irrigation by residential customers has been cut by one-third, and irrigation by golf courses has been cut by one-half, and irrigation by parks has been cut by two-thirds. Two workshop participants representing landscape nurseries report their sales are down approximately 13 to 20% because not as many plants and other products are being sold. A shift in sales to drought-tolerant plant and non-plant products prevented the revenue impact from being even

greater. The impact of the drought on garden centers was stated to be roughly equal to the impact of the recent economic downturn starting in 2008. Uncertainty about water availability is likely to affect next year's net revenues by preventing garden centers from confidently placing large orders for the lowest cost supplies at trade shows due to the fear of not being able to sell this inventory during the next irrigation season.

Workshop participants representing irrigation contractors serving commercial and residential clients did not know the financial impact from the drought restrictions on their businesses yet, but they are already feeling them in several ways – particularly in spending extra time allocating manpower and discussing with frustrated clients how to best protect their landscaping investments. Often those customers have decided that they cannot protect their investments, and are letting their turf go without water.

A reduction in water use at the golf courses by 50% has meant that much of the turf on the courses is dead and weeds and warm season grasses are encroaching. This means that golf courses have become difficult to play, requiring players to now use “winter rules” to improve the lie of the ball to compensate for poor and inconsistent playing conditions. Two golf courses were represented at the workshop: the City of Santa Cruz's DeLavega course and the Pasatiempo Golf Club. The City's DeLavega course reports that golfers are now thinking twice about whether to come back because of difficult conditions. The Pasatiempo Golf Club is a destination course that caters to players from out of town. The Pasatiempo course is currently projecting a \$500,000 decrease in annual revenues, and expects that if Stage 3 conditions persist next year, that losses could total approximately \$1 million. Pasatiempo staff were particularly concerned about the effect the water use restrictions are likely to have on future demand. Visitation to Pasatiempo is highly dependent on recommendations from golfers, and the long-term concern is that reduced revenues will persist at Pasatiempo course even after the drought is over because of lingering effects from this drought on “word-of-mouth” regarding the course.

City of Santa Cruz and Santa Cruz County parks have also been experiencing drought impacts. The impact on turf has been severe with all of the turf turning brown and severe stress on the trees. The parks departments have been trying to water enough to keep the turf from dying so that it can be brought back when there is water available in the future. The community is feeling the effects of fields not being available for all of the desired kids and adult recreation activities due to irrigation restrictions.

The green industry representatives discussed long-term water supply and demand solutions for Santa Cruz. Participants discussed that there is a cost to doing nothing to solve water supply needs in Santa Cruz. They articulated that business owners have a long-term desire to develop healthy businesses that maintain their value over time, such that they can sell the businesses they have built at a reasonable price when they are ready to retire.

Hospitality Sector Workshop Summary

At the second workshop, the hospitality industry explained that business is generally very good this year and in the recent past for restaurants, hotels and motels, and the Santa Cruz Boardwalk. Business at the Boardwalk has increased every year since the Boardwalk's Centennial year in 2007. Occupancy is up at area hotels and motels. Santa Cruz is generally thought of as a desirable place to visit.

Businesses explained that they have made significant investments in water conservation in the past, and generally believe that they have already accomplished the easiest water conservation measures. The hospitality industry has been able to adapt to irrigation restrictions so far – there is generally less green turf now at these properties, and for areas where green grass is essential for marketing, businesses like the Boardwalk have been considering installing artificial turf. The Boardwalk has retrofitted all water using fixtures that it could (such as urinals) in order to save water, and has installed meters on all points of water use so that they can quickly narrow down any leaks or overages. Hotels are doing laundry every other day and sheets upon checkout. Properties are changing less of the pool water at one time in order to conserve.

Businesses have been educating their customers about the drought with approaches such as a letter in the room from the general manager that describes the drought situation and asks for the customers' help. Employees at these businesses have come up with their own ideas for how to save water, such as reusing melted ice from ice buckets used by visitors – employees pour this water onto the property's landscaping on their own initiative rather than under instruction.

The potential for continued Stage 3 water use restrictions, or rationing of future business water use under Stage 4 water restrictions, was a significant concern for the hospitality industry. All workshop participants strongly felt they had already undertaken all reasonable measures to conserve water. They were very concerned that further restrictions would start to impact both revenue and profitability of their operations. Businesses requested help in determining any additional water conservation measures they should take – either from the Water Department or from businesses that provide water use audits. The hospitality industry was concerned about getting credit for past water conservation, and for the role it plays in providing public services, such as restrooms used by the general public, that are paid for by the business. There was concern about fairness in any future requirements to meet a certain percent reduction in water use, if businesses are not given credit for past water use reductions.