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## **Chapter 7**

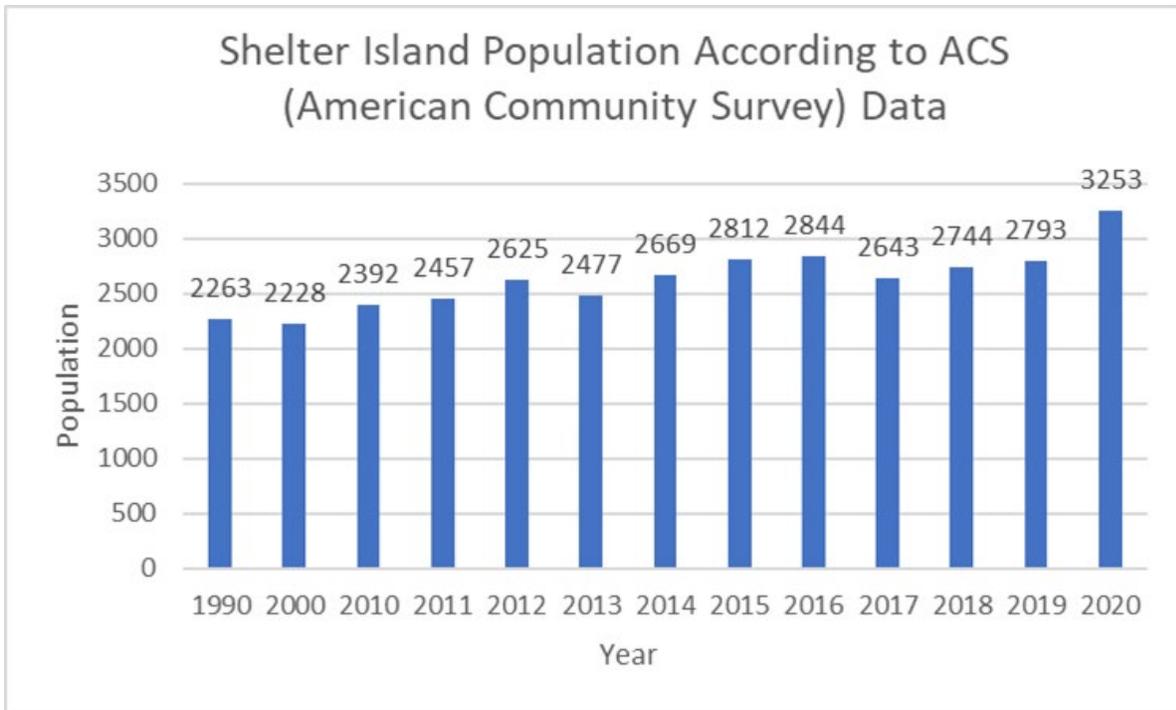
### **ECONOMIC DEVELOPMENT**

(12/28/2022 DRAFT)

#### **OVERVIEW OF THE BUSINESS COMMUNITY**

Shelter Island has been a seasonal vacation community for almost 150 years with legacy sectors in farm and fishing economies. While agriculture and water related enterprises are not significant drivers of the economy, they contribute to the island's sense of identity.

Population on Shelter Island has fluctuated within a in a range of between 2200 and 2800 for the past 30 years averaging about 2,500 full time residents, growing slightly in recent years with a significant increase for the 2020 census. We note that caution must be taken when evaluating 2020 census since many part- time residents registered their residency on Shelter Island due to the pandemic. Over the years the part-time and seasonal population has been between 7,000 and 8,000 residents.



Shelter Island’s population is complex: In addition to the homeowner population of year-round residents which includes retirees and remote workers, part-time residents who use their homes in various ways, and a new “investor class” of owner—the Airbnb/VRBO proprietor - the population also includes people who rent monthly, seasonally, or year-round as well as visitors who stay in hotels, B&B’s and short-term rentals.

The Shelter Island employment base primarily provides services for the seasonal market. Because the ferry trip to either the North or South Forks is short, many island businesses have employees who live off-island, and many island residents work on Long Island. Similarly, island residents can access a wide range of retail and other business options with a relatively short trip to nearby communities. In addition, some businesses with Shelter Island locations are headquartered off-island.

About one-half to two-thirds of island businesses are members of the Chamber of Commerce. However, according to a Chamber representative, there is not a strong sense of common interest or identity among businesses on the island. The market/service area for on-island businesses is generally limited to Shelter Island with a few exceptions. This is particularly problematic for retail because of the low population outside of the summer season.

## Understanding the Shelter Island Economy

To understand the economy, it is necessary to examine the following questions:

- What are the business sectors and businesses on Shelter Island?
- What are the jobs on Shelter Island? Are the jobs held by people who live on-island or off-island?
- What is the size and characteristics of the labor force on Shelter Island? How many work on-island or off-island? What is the unemployment rate?
- What are Population trends on island to support a consumer base for both seasonal and year-round businesses?
- What is the impact of workforce trends to the island post pandemic as well as the move to hybrid and remote work?

The same conditions that make it difficult to obtain precise demographic numbers in Shelter Island also affect economic issues: seasonal changes in population and a small year-round population.

## Data Sources for the Economy

ESRI Business Analyst is the major source for this analysis. In addition to demographic data, this platform uses a variety of data sources including Infogroup and SafeGraph. Infogroup data is based on a comprehensive list of more than 13 million US businesses and includes information such as the total number of businesses, sales, and employees for a trade area using NAICS (North American Industry Classification System) codes for industry and business sectors. SafeGraph provides information on 5 million US locations where consumers can spend money or time, including places like restaurants, grocery stores, parks, and cultural venues.

In addition, the Census Bureau also provides economic data, including in the American Community Survey Five-Year Estimates. As discussed in the section titled “The People of Shelter Island”, these data have limitations in a place with a small year-round population but can still be worth consulting.

Finally, information gathered through interviews provides additional information and context about the Shelter Island economy.

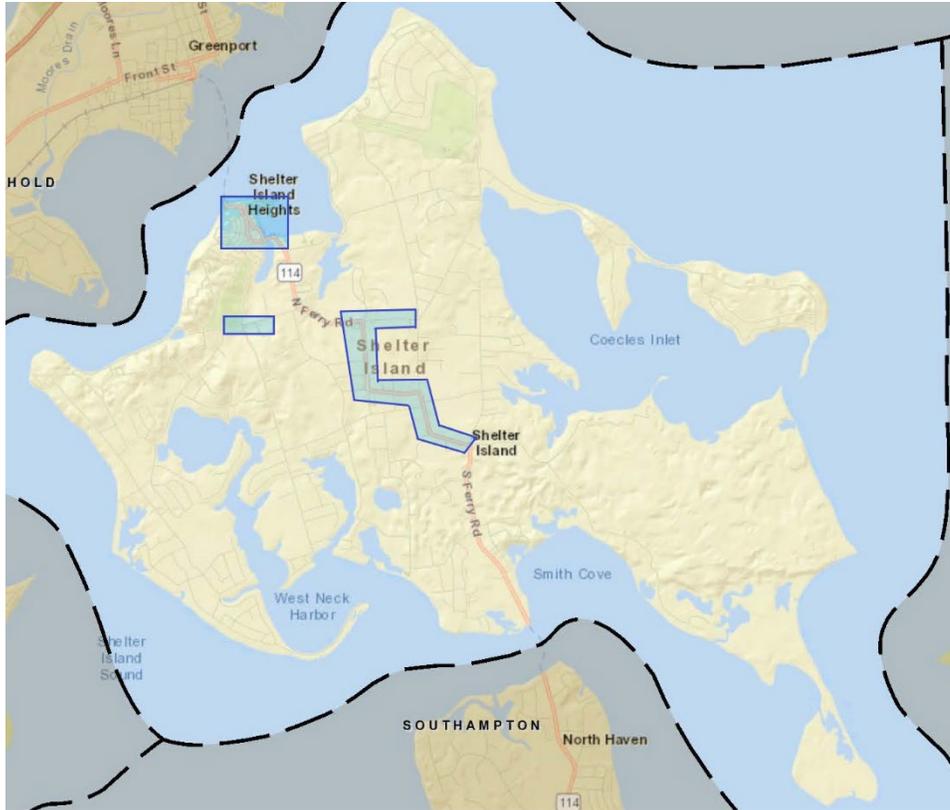
## Businesses on Shelter Island

Shelter Island has three areas where businesses cluster (not including marinas). One area, in the Heights/Grand Avenue/Chase Avenue and Bridge Street, includes, among other businesses, hardware stores, a post office, pharmacy, bookstore, café, restaurants, marinas, gas station, barber shop, real estate offices, an exercise studio and a hair salon.

The second business area is in the Town Center and includes a supermarket, nursery, restaurants, two banks and several professional offices along with the Town Hall, Library, School, Fire and Police departments. Some parts of this area are potentially walkable. In an effort to avoid sprawl, the zoning for some of this area (B-1) was written to limit uses to civic and professional land uses, which may have kept it from attracting more retail businesses.

It is noteworthy that there are a number of long-term vacant commercial buildings along Rt 114 that represent an obstacle to economic development. Results of Comprehensive Planning workshops indicate that a majority of residents would like to see the Town Center revitalized and repurposed in a pedestrian-friendly, multi-use fashion that would include businesses and housing, while addressing water quality concerns.

And the last business area is located on West Neck Road between Sylvan Road and Shore Road centralizing around the 4-way intersection. This area is home to numerous businesses including various eateries, funeral home, garden center, salon, dog groomers and retail.



*(Business corridors highlighted in blue)*

In 2021, A list of 194 businesses was compiled by Comprehensive Plan Task Force and Advisory Group members from sources such as the phone book. Since some enterprises were counted twice because they offer more than one good or service at a location, and others may have been left out, this number is not exhaustive and subject to change.

The Shelter Island Chamber of Commerce has 112 members, including 15-20 nonprofits that are important enterprises for the island economy, and a few businesses that are based off-island. An estimated 40-50 businesses are not members of the Chamber. A chamber representative estimates a total of 150-175 businesses on-island. This is similar to an ESRI Infogroup estimate of 160 businesses and 1,050 employees on Shelter Island.

The Chamber estimates that approximately 75% of businesses are open year-round or with a few weeks of closure. This reflects substantial change from the 1990s, when a handful of businesses were open in the off season. Although

many businesses may be open for most of the year, they make the majority of their income in the summer months. The “season” has also become longer in recent years extending from May through late October or even year-end depending on the weather. There are also a number of home-based businesses on the Island, but little reliable data on how many.

There have been recent changes of ownership in many long-standing, notable island businesses including the Pridwin Hotel, the Chequit Inn, the Rams Head Inn, Jack’s Marine, the Dory, Shelter Island Pharmacy and the Capital One Bank building, and new tenants in a few store fronts. With all the recent changes only one business had a change of use: the bank was converted into a restaurant. Many of the historic hotels have been renovated and updated while maintaining the historic character of their façade.

### **Employment Base**

The employment base of a community refers to the industries or economic sectors that bring wealth into the local economy. In non-tourism-based economies, the service industries support the basic industries. The employment base of Shelter Island is, however, largely composed of tourism related industries. Real estate and construction are also important sectors that generate significant economic activity.

The Location Quotient (LQ) is a way to identify base industries by comparing how much employment is concentrated in the community compared to the larger region, such as the North Fork or Suffolk County in this case. An LQ more than 1.0 indicates a greater than expected concentration of employment.

Shelter Island has a high LQ for tourism-related industries, the construction industry, and real estate. The island also has a high LQ for the transportation and warehouse industry because of employment at the two ferries. High LQs for the finance and insurance sector and the professional, scientific and technical services sector likely exist because consultants or similar remote workers can have broad markets outside the region.

The low LQ for some sectors, such as manufacturing, health care and social assistance, and wholesale trade are not surprising, but the low LQ for retail trade suggests barriers to retail expansion on Shelter Island.

<b>Shelter Island Business Sectors, Employees and Location Quotient 2020</b>						
<b>Industry</b>	<b>Businesses</b>		<b>Employees</b>			
	<b>#</b>	<b>Percent</b>	<b>#</b>	<b>Percent</b>	<b>LQ: Shelter Island compared to North Fork</b>	<b>LQ: Shelter Island Compared to Suffolk County</b>
Accommodation & Food Services	27	16.90%	236	22.50%	2.4	3.2
Retail Trade	26	16.20%	126	12.00%	0.6	0.9
Arts, Entertainment & Recreation	9	5.60%	89	8.50%	1.5	4.3
Other Services (except Public Administration)	16	10.00%	81	7.70%	1	1.4
Construction	15	9.40%	83	7.90%	1.9	1.5
Public Administration	12	7.50%	80	7.60%	1.1	1.9
Transportation & Warehousing	5	3.10%	67	6.40%	3.2	2.5
Professional, Scientific & Tech Services	9	5.60%	66	6.30%	1.7	0.9
Finance & Insurance	6	3.80%	56	5.30%	2.4	1.5
Real Estate, Rental & Leasing	10	6.20%	45	4.30%	1.9	1.9
Educational Services	3	1.90%	45	4.30%	0.7	0.4
Wholesale Trade	4	2.50%	21	2.00%	0.8	0.4
Information	3	1.90%	16	1.50%	1.4	0.7
Waste Management & Remediation Services	5	3.10%	16	1.50%	0.3	0.5
Manufacturing	2	1.20%	12	1.10%	0.3	0.1
Health Care & Social Assistance	3	1.90%	11	1.00%	0.1	0.1
Unclassified Establishments	5	3.10%	0	0.00%		
Agriculture, Forestry, Fishing & Hunting	0	0.00%	0	0.00%	0	0
Mining	0	0.00%	0	0.00%	0	
Utilities	0	0.00%	0	0.00%	0	0
Management of Companies & Enterprises	0	0.00%	0	0.00%		0
<b>Total</b>	<b>160</b>	<b>100%</b>	<b>1050</b>	<b>100%</b>		

Source: Infogroup/ESRI

This chart is not completely accurate because there are a number entrepreneurial

businesses in the agriculture, forestry, fishing and hunting industries (lawn care, farming, baymen) and a sand mine on the island, but it helps give some comparison to greater Suffolk County.

## **Jobs and the Labor Force**

As of the 2020 census, according to ERSI business analyst data, over 50% of jobs are related to accommodations, food services, and arts, entertainment and recreation. Many of these jobs are seasonal although “the season” is longer than it traditionally has been, now encompassing almost six months and in many cases longer. Data that breaks down employment information into full time vs. seasonal jobs is not available. Jobs related to real estate and construction contribute another 10%. Public administration jobs account for 7.6% of the total.

Employers recruit employees from both on-island and off-island depending on role, skills required, work schedule and other factors. Seasonal employment in food service, farming, accommodation and recreation generally recruits from off-island. We have found through discussions with many employers that recruitment of seasonal staff may require additional pay and benefits such as transportation vouchers and housing to attract staff to work on Shelter Island.

Some of the seasonal housing rentals on the market do provide housing for a limited number of seasonal staff. We do note that participation in the workforce by Islanders ages 25-54 is less, particularly given the increase in jobs on Island, which could be due to a mismatch of skills and jobs and does suggest economic possibility.

While we have data on many types of jobs and industries via US Census and ERSI, what is more difficult to determine is the economy surrounding seasonal and short-term rentals. Host Compliance, LLC estimated that there were 169 short term rentals, both registered and not, operating on the Island as of September 1, 2022. If most of these properties engage cleaning, landscaping and management services, they would be meaningfully contributing to the economic base of the Island. And, although seasonal and short-term rentals do contribute to the Island economy, they also have removed housing stock from long-term rentals available for year-round residents.

Another sector for which data is unavailable is home health care which has grown due to the increased retirement and aging population. Data on sole proprietorships

or remote work is also difficult to obtain, making the full employment picture on the Island incomplete.

According to U.S. Census OnTheMap data, the employment base of Shelter Island has risen 18.3 percent between 2009 and 2020, a greater increase than the North Fork area and Suffolk County as a whole. (Like other data based on Census surveys, this data should be viewed with caution, but the general upward trend is likely correct.)

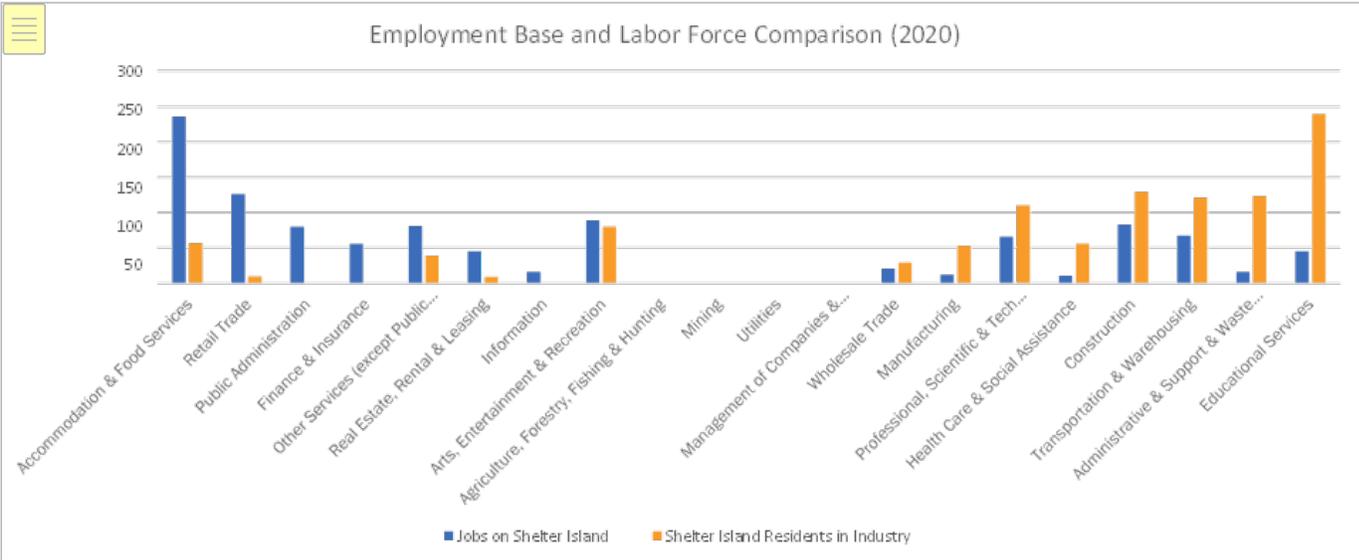
### The Shelter Island Labor Force

With the year-round population of Shelter Island slowly trending up (with an unnatural jump in 2020, due to the pandemic), the labor force living on the island also grew between 2010 and 2020 by 2%, according to ACS estimated data. The estimated unemployment rate among Shelter Island residents has consistently remained lower than in the surrounding North Fork area and Suffolk County.

<b>Shelter Island Labor Force</b>						
As Compared with Southold and Suffolk County						
	2010	2015	2010-2015 % Change	2010	2020	2010-2020 % Change
<b>Shelter Island</b>	1,245	1,332	6.9%	1,245	1271	2.0%
<b>Southold</b>	10,964	11,063	0.9%	10,964	11,175	1.9%
<b>Suffolk County</b>	773,746	786,156	1.6%	773,74	789,438	2.0%

<b>Unemployment Rate</b>												
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Shelter Island</b>	1.3%	4.0%	5.4%	5.1%	5.2%	3.7%	2.7%	0%	0%	0%	0%	0.6%
<b>Southold</b>	3.9%	4.3%	5.5%	7.4%	7.6%	8.4%	7.5%	6.1%	4.2%	4.2%	3.6%	5.5%

<b>Suffolk County</b>	5.8%	6.4%	7.0%	7.4%	7.1%	6.4%	6.1%	5.4%	4.7%	4.2%	4.5%	4.8%
Source: ACS 5-Year Estimates												



**On-Island and Off-Island Jobs**

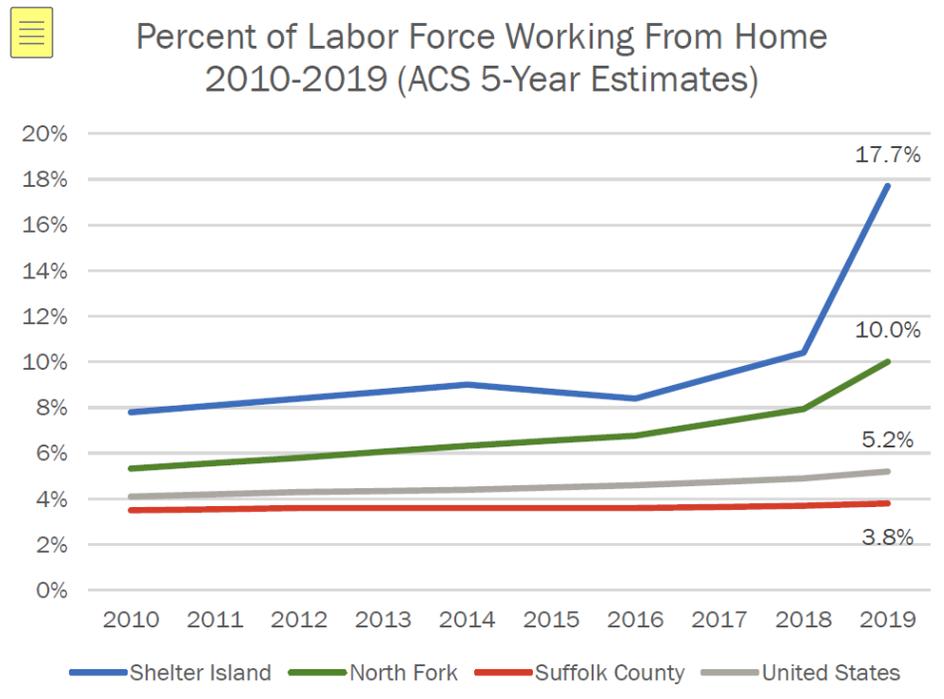
A comparison of the estimated employment base and labor force reveals that jobs on Shelter Island in the accommodation and food service industries and in retail tend to be staffed by non-residents. The public administration category may include more types of jobs than Town government, so the estimate of non-residents employed in public administration is likely an artifact of the data collection parameters. Similarly, many Shelter Island residents work off-Island in sectors such as health care, educational services, construction, and transportation. For example, there are 236 jobs in Accommodation & Food Services, but residents have only 57 of those jobs, with 179 held by workers from off-island. In contrast, there are 45 Shelter Island jobs in Educational Services, but 239 residents who work in that sector. That means that 194 residents work in off-island jobs. In addition, some businesses operating in the accommodations and food services sector and in recreation hire summer employees from abroad.

## Self-Employment and Working from Home

Many of the businesses on Shelter Island are sole proprietorships operated by self-employed Islanders. Some businesses are owned by retirement-aged residents. In addition, there are multi-generational businesses on the island.

Changes in the macro economy combined with pandemic protections have resulted in the growth of self-employment and the proportion of people working from home. These trends have also affected Shelter Island.

The only data available for self-employment and working from home comes from ACS estimates, which should be viewed with caution. The 2019 data showed a significant jump from 10.4% to 17.7% of Shelter Islanders working from home. This may or may not be a new trend triggered by the pandemic and the rapid shift in how businesses do business. In 2020 the percentage dropped to 12.4% but then rose in 2021 to 19.1% according the ACS 5-Year Estimates. There is reason to believe that this may be a new way of working on the island that should be considered and monitored to see how it impacts year-round population and businesses.



## A Taste of Island Businesses

A non-exhaustive list of businesses on the Island developed by members of the Comprehensive Plan Task Force and Comprehensive Plan Advisory Committee from Chamber of Commerce listings, the Shelter Island Telephone Book and local knowledge shows the variety of existing businesses that can be found on Shelter Island. Some of these businesses are duplicates, for example, businesses that sell food and other goods and services and there may be some businesses missing such as short-term rentals and people conducting private practices in their homes (different types of therapies, consulting, etc.)

Island Business List	Numbers	Island Business List	Numbers
Accountants	1	Interior Design	5
Architects	2	Landscapers	9
Artists	18	Marinas/Marine Services	5
Attorneys	6	Personal Grooming	4
Auto Repair	2	Pest Control	1
Banking	2	Pet Services	3
Builders/Contractors	23	Plumbers	3
Catering Venues	3	Pool Services	2
Cleaning Companies	2	Real Estate Offices	10
Electricians	1	Recreational Services	11
Food Markets	2	Restaurants and Delicatessens	24
Florist	1	Retail/Shopping	15
Fuels (Fuel Oil & Propane)	2	Sanitation	2
Funeral Home	1	Wellness	1
Furniture Services	1	Medical Services Providers	3
Gas Stations	1	Moving Companies	7
Graphic Arts	1	Transportation/Taxi/ Ferry	4
Hotels/Bed & Breakfasts	10	Water Analysis	1
Insurance	2	<b>Total</b>	<b>196</b>

## Legacy Economic Sectors

Until the mid-20th century, Shelter Island continued to have significant farm and fishing economies. This legacy still contributes to the island's sense of identity. However, agriculture and water-related enterprises are no longer significant drivers of the economy, as they once were.

Although the assessment roll classifies only two agricultural properties, the Sylvester Manor Educational Farm and a horse farm at 60 Smith Street, there are other small farming enterprises on the Island, which provide both produce and flowers as well as consulting and garden development services for other residences on the island.

There are a handful of marine-related businesses in town and these include marinas, boat repair/maintenance, boat storage, and aquaculture. There is also aquatic property (e.g., moorings) and oyster farming conducted in Town waters. There are 6 private owners of underwater property (in addition to the Town, County, and State). A limited number (perhaps 10 to 15) of people depend on commercial fishing or shellfishing for all or most of their livelihoods. Commercial shellfishing is highly regulated and fluctuates season to season. There are many more part-time and recreational fishermen and shell-fishermen than full time. Lobstering disappeared 20 years ago and scallops, once abundant, have been devastated by parasites and an invasive species in recent years making living off the bay all the more challenging. However, there are efforts to being made to protect and rehabilitate our Island waters so that we do not lose these legacy enterprises which contributed significantly to the Islands historical development.

### **Groups That Promote and Support the Shelter Island Business Community**

Shelter Island Town government does not have any formal relationship with the business community. For example, there is no liaison with the business community, nor is there a committee with an economic or business focus. There is no Town government entity with a business development or advocacy mission.

Shelter Island does not have a SCORE (Service Corps of Retired Executives) Chapter. This organization of retirees, in partnership with the Small Business Association, can advise and mentor small business owners. In addition, there are no incubator facilities or “maker spaces” available on the Island, however the need for a “maker space” has been identified in the Shelter Island Library Strategic Plan.

The Chamber of Commerce has four goals: build the local economy; enhance local business visibility; expand business networking; and advocate for

business. Their website provides visitor information, a directory of local businesses and a listing of events. The Chamber effectively collaborated with the Town about COVID-19 protections but otherwise does not have any formal relationship with town government. The impacts of the pandemic year have sparked a desire to review the purpose and goals of the Chamber so that it can enhance its effectiveness for the business community and the Island economy.

Most residents support businesses insofar as they provide goods and services that residents need and do not want to have to go off-island to obtain. There is more ambivalence about supporting what might be called “economic development.” There are many residents who oppose promoting the Island as a tourist destination since it detracts from the quiet rural character of the Island.

### **Findings:**

1. The Shelter Island economy is focused on services to support residential life and for the seasonal visitor economy.
2. Many employees of on-island businesses live off-island.
3. Year-round residents in the labor force hold jobs off-island as well as on-island.
4. The number of self-employed and “work from home” workers has been increasing commensurate with national trends.
5. On-island workers report that it is not uncommon for islanders to have multiple jobs or sources of income.
6. There is no formal Town government official or entity with the responsibility to work with the business community.

### **Challenges:**

1. Seasonal changes in population and the small year-round population are barriers to business development.
2. Remaining a year-round community when businesses start to skew toward a more tourist and seasonal focus.
3. The resident population is ambivalent about how much and what kind of additional business they would like to see on the island—if any.
4. Developing stronger and more effective relationships between the business community and Town government may benefit the island economy.

5. Remaining a community when businesses start to skew towards a tourist and seasonal focus can be challenging.
6. The Ferry may be an economic deterrent to employees coming over to the island.

### **Goals & Objectives:**

Continued economic development on Shelter Island should occur in keeping with the island special character and lifestyles which have evolved to date that suggests economic and business development activities which are small in scale, locally based, resource sensitive, and which provide opportunities to the islands young people to continue to live and work in the place where they grew up. This can be done in the following ways:

- insure that new and continued business development occur in keeping with the particular environment and fragile resource base of the island. Attention should be paid to water usage and septic issues, neighborhood compatibility, traffic and parking issues, among others
- encourage small scale business development such as home-based businesses and cottage industries
- assure that costs of public services are reasonable as compared to other communities of like size and type

### **Action Items:**

1. Review “hamlets” in the two central business areas with consideration of mixed-use commercial/residential “Main Street” type development
2. Address long term vacant/dormant commercial properties so as NOT to create new development
3. Consider internet as a utility to provide greater connectivity to existing commercial and home businesses (with additional benefits for education, town administration, use of autonomous vehicles and others)

4. Develop a SCORE.org chapter or equivalent to take advantage of high levels of business experience with retiree and part-time resident population. This will provide valuable mentoring at no-cost to existing and potential local business.
5. Review data regarding remote work, seasonal trends and population changes to see what businesses and services might be useful
6. Continue to protect legacy businesses related to agriculture and aquaculture through continued efforts at habitat restoration, which may be an essential component for long-term success of reestablishing sustainable populations. In addition, look into protecting local waters for local fisherman (licensing etc).
7. Conduct a study among local businesses to understand what they need and what their customers are looking for
8. Town can remove unnecessary obstacles and create an environment where local business is supported through some of the following means:
  - a. make 2<sup>nd</sup> floor apartments obtainable via zoning code providing year-round income to local businesses. consider offering favorable property tax incentives to make such apartments affordable.
  - b. encourage a hamlet concept where shops are concentrated within walking distance thereby creating a welcoming shopping experience
  - c. explore with the Chamber of Commerce a group health plan for local businesses
  - d. ensure the Internet cell phone and other telecommunication service providers offer consistent technically up-to-date and reasonably priced services. the town should review and monitor such services on a regular basis and meet with providers annually

- e. explore an apprenticeship program between the town, school and local businesses including summer jobs, winter and part-time job support and job training
  
- 9. Review current business zones B and B1 zones and revise the business zone to encourage the concentration of local retail units in hamlet areas.
  
- 10. Create an industrial/commercial zone separate from the retail business zone (Good idea but where????)
  
- 11. Town might consider leasing underwater Town, County or State or private bottoms for the purpose of aquaculture

\*Recommend a dialogue with local business and ask them what they need. Make sure that conversation is with a diverse group of businesses.

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