

City of Palm Desert Economic Development Strategic Plan



Overview



The Economic Development Strategic Plan (EDSP) provides an assessment of existing conditions that drive the economy in Palm Desert and is intended to help local stakeholders and City staff implement strategies that contribute to the City's economic health. The EDSP includes strategic recommendations to enhance Palm Desert's business climate and support economic growth that is consistent with the community's character.

Due to fluctuations in the economy at the national, state, and local levels, the EDSP should be viewed in a goal achieving timeframe of five years rather than in the long term, such as with the City's General Plan. With the continual changes in funding due to ABx1 26, it is recommended that the EDSP be a flexible plan rather than static and the goals be reviewed each year to take advantage of possible new and upcoming funding sources.

The following ideals emerged from the evaluation of issues and opportunities associated with Palm Desert's primary economic drivers:

- Cultivate Palm Desert's appeal as a tourist destination.
- Work with commercial developers, hoteliers and business entrepreneurs to create quality shopping, dining, entertainment and stay experiences.
- Work with higher education to provide facilities and curricula to train and educate our workforce for higher wage jobs that support our community.
- Encourage existing local business to be successful and expand.

I. Approach



In preparing the EDSP, the economic development staff reviewed the community's primary economic infrastructure and worked with various focus groups and individual stakeholders to define several guiding considerations to provide a framework for the development of this document.

The recent elimination of redevelopment, which previously supported economic development in Palm Desert and many other communities, provides the City with an opportunity to start from the beginning and evaluate the City's needs; determine if our current course is correct; and what new economic development tools can be used or enhanced to put the limited financial resources to the best use.

While many of the strategies within this document are in use or are in the process of being implemented, others will need to be researched, developed and funded.

Focus groups and individual meetings were conducted with executive staff, the business community, and groups of varying interests and age ranges to identify Palm Desert's key assets and liabilities.

A summary of the Strengths, Weaknesses, Opportunities, and Threats is listed below:

Strengths	Opportunities
<ul style="list-style-type: none"> • Central valley location • Available land for development • Accessible to large drive market • Attractive second home market/affordable residential • Natural beauty/open space • Weather • Strong K-12, higher education • Cultural amenities/ Recreation • Shopping mix • Accessible activities for tourists • Strong brand • Fiscally strong local government • Accessible medical facilities • Quality of life • Sense of community 	<ul style="list-style-type: none"> • Work with hoteliers to increase room occupancy • Develop a stronger downtown presence for El Paseo • Work on zoning for mixed use/live and work/parking standards • Redevelop HWY 111 Corridor • Promote/expand aspects of culture and recreation • Expanding educational opportunities with healthcare • Look at zoning in north sphere for entertainment opportunities • Development of hotel/timeshare at Desert Willow and area surrounding El Paseo
Weaknesses	Threats
<ul style="list-style-type: none"> • Isolated from large population • Weak labor pool • Lack of middle class/professional jobs • High utility costs • Seasonal tourism & business • Limited higher education/majors • Limited diversity • Limited activities for 20-30 age • Hotel product dated & limited to mid-range • Heavily weighted toward golf • Mall & Hwy 111 need renovation • No defined downtown • Lack of public transportation 	<ul style="list-style-type: none"> • Funding opportunities for economic development • Regional competition for destination retail • Slow housing recovery/weak property values decrease revenues • Competing visions impede new development • Resurgence of competitive valley cities

II. Guiding Considerations



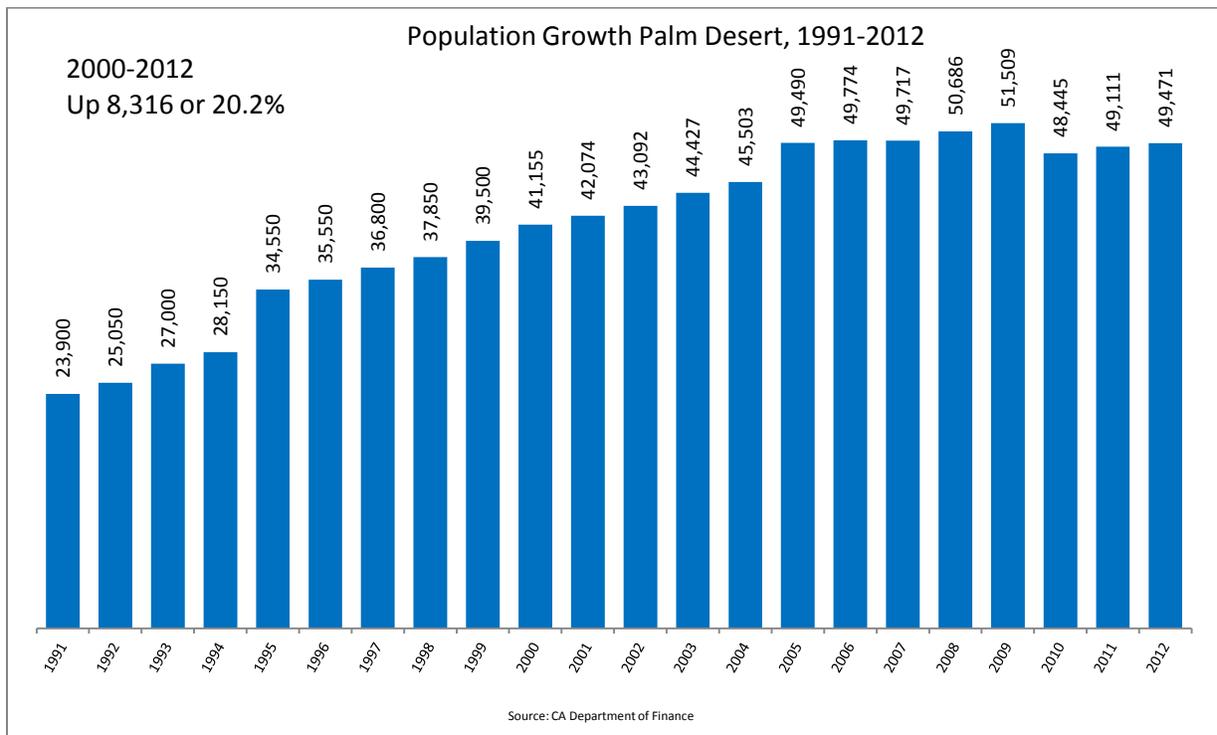
The following concepts were taken into consideration when forming each objective and strategy to achieve the primary goals.

- Ensure broad community benefit from economic growth and prosperity.
- Build on existing strengths in areas such as arts, entertainment, retail, dining, alternative energy, medical, quality of life and the environment.
- Work to support long term jobs for residents and reinforce Palm Desert's key role in the regional economy.
- Reinforce the message that businesses are a vital part of the Palm Desert community.
- Fully explore collaborations with the other county, state, education and not-for-profit groups to create new business programs and increase job opportunities.
- Realize the community's limits and the role of government when implementing new economic opportunities. Do not create a "new wheel," rather improve upon the "existing wheel."

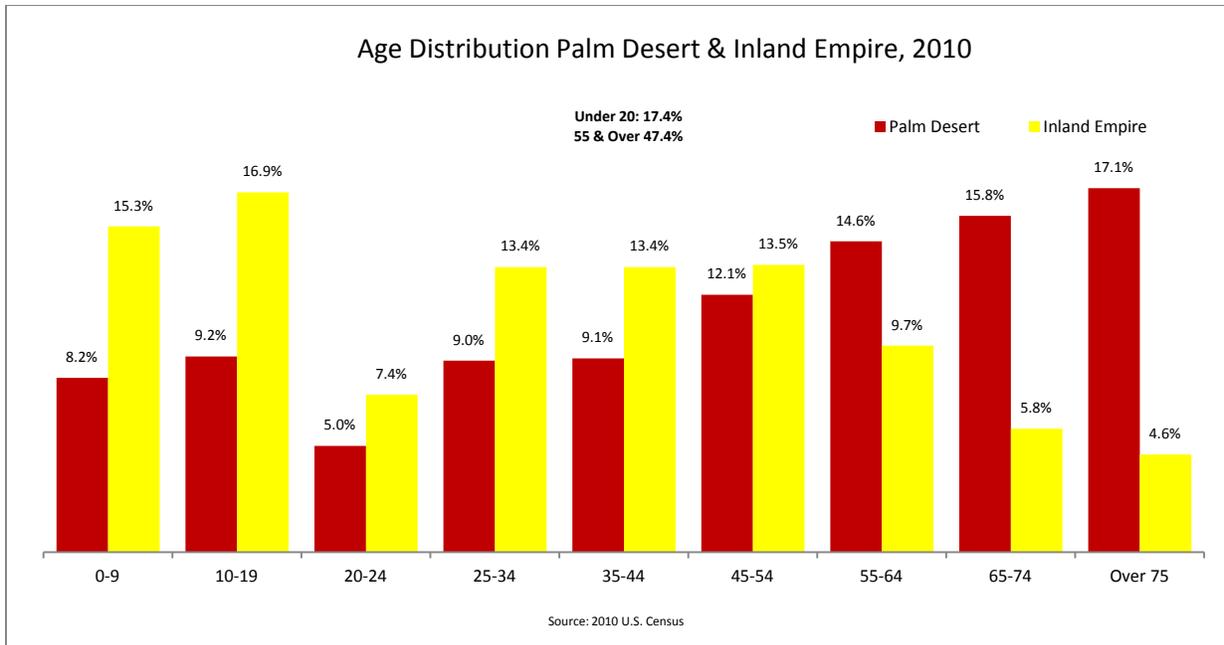
III. Background and Today's Economy



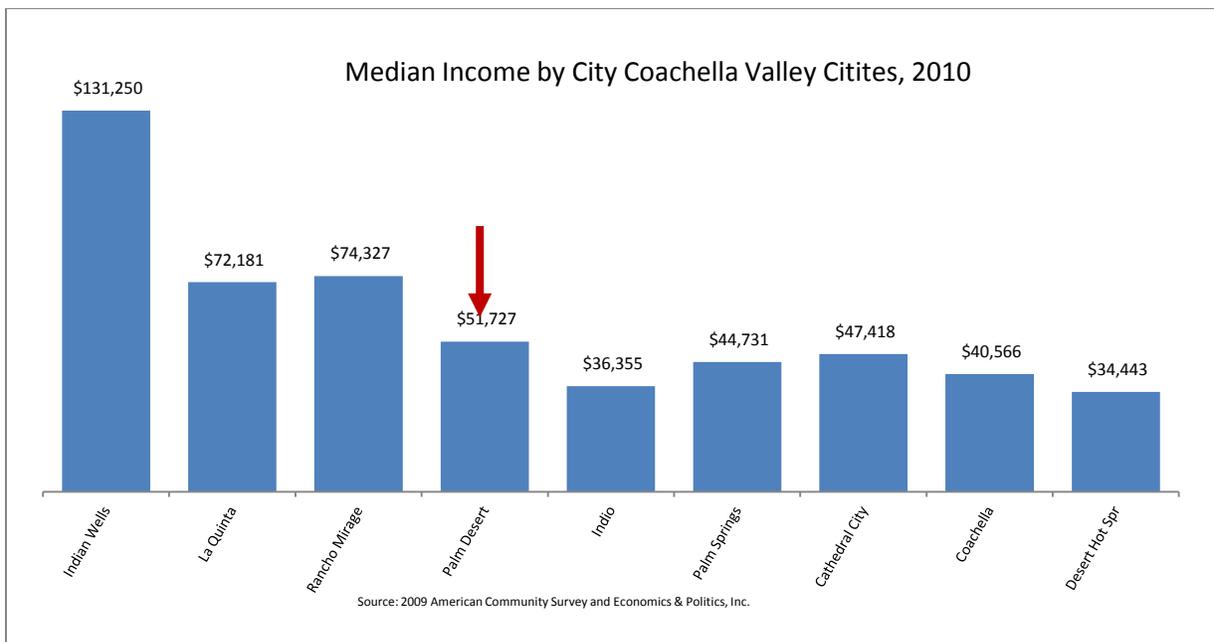
In 1973 the City incorporated with a population of 10,100 and a budget of only \$241,266. Through its central valley location, available land for development, and its forward thinking and innovative City Council, Palm Desert has grown into a thriving community as represented by the information below:



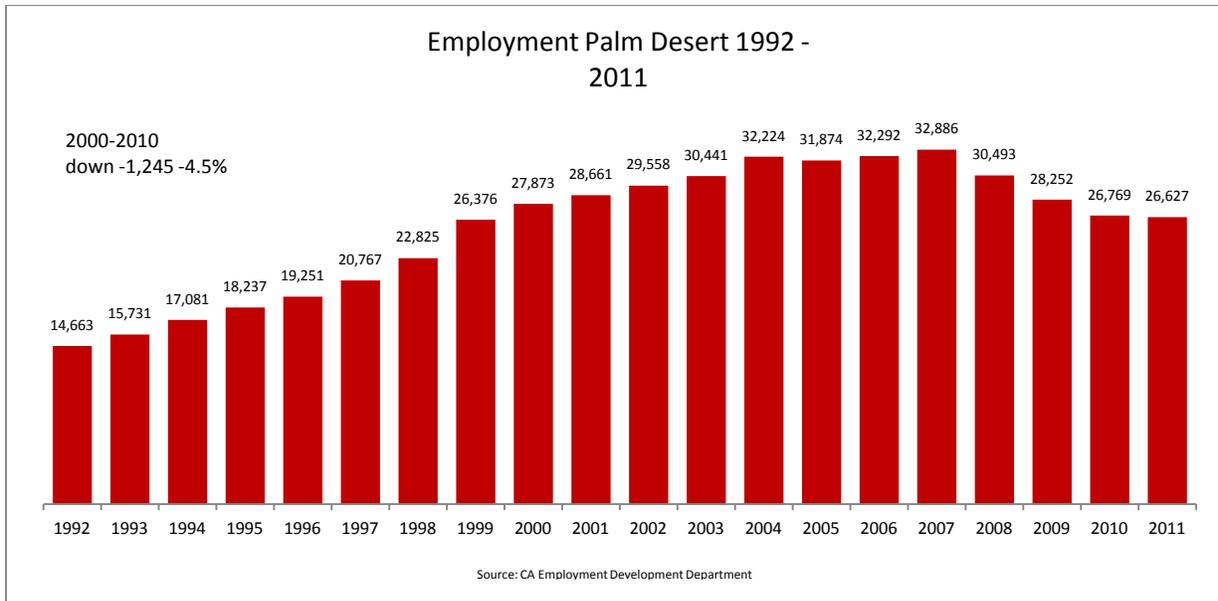
Palm Desert population grew by 20.2% over the past twelve years. Palm Desert is now the third largest city in the valley.



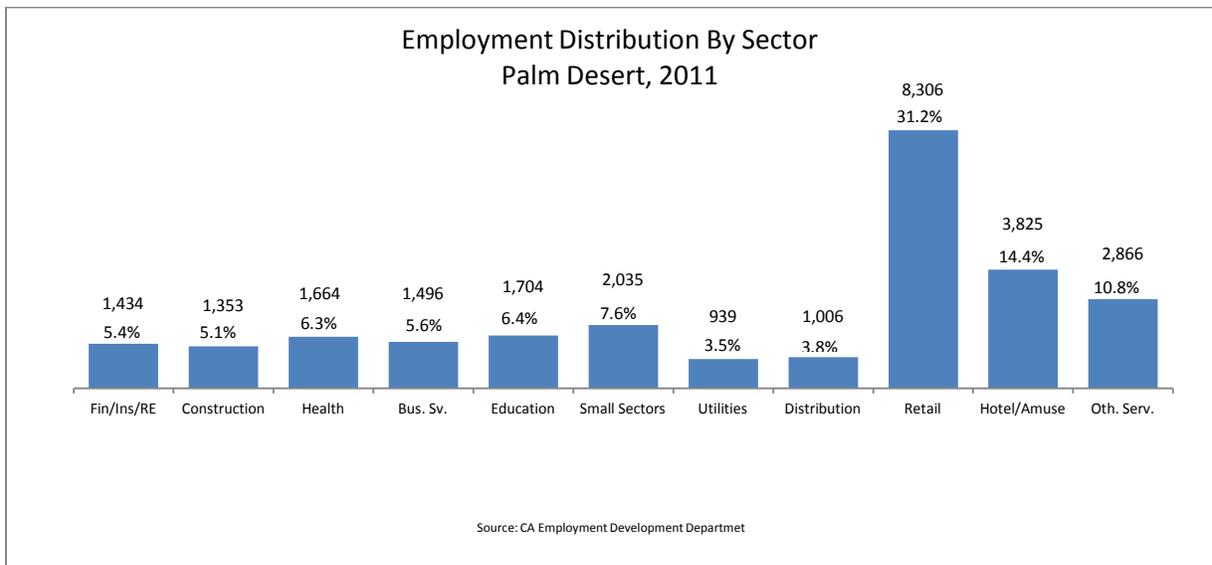
Palm Desert has a far greater share of baby boomers and retirees than the Inland Empire. In 2010, the City's share of those over 55 or older was 47.4% versus 20.1% of the Inland Empire.



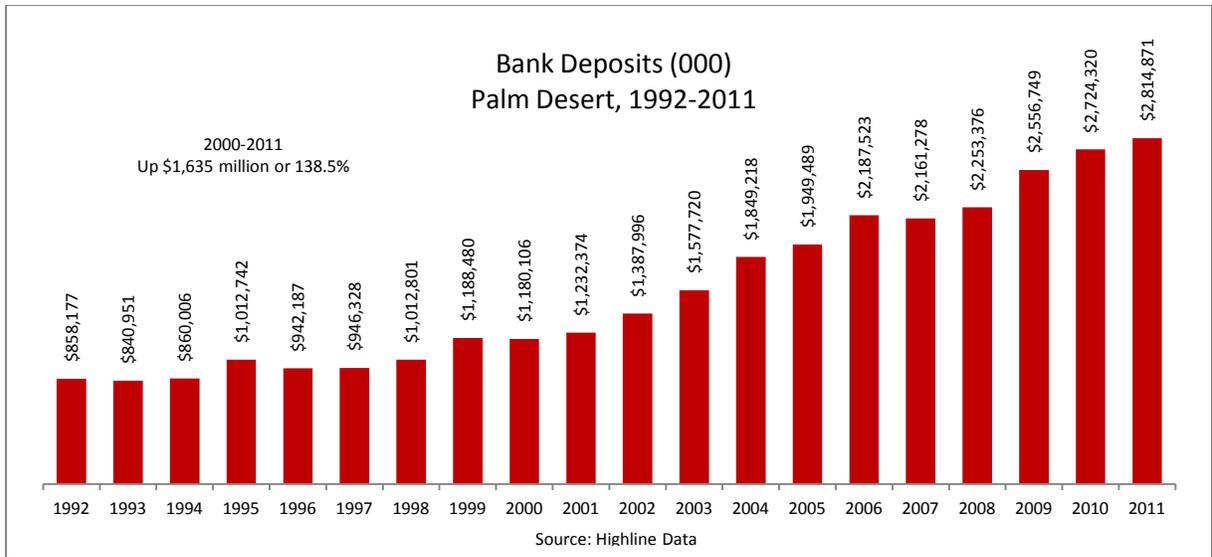
Palm Desert has the fourth highest median income in the valley, which is above the Coachella Valley's total median income of \$45,884. The average household income in Palm Desert is \$79,273 as compared to the valley's average household income of \$68,067.



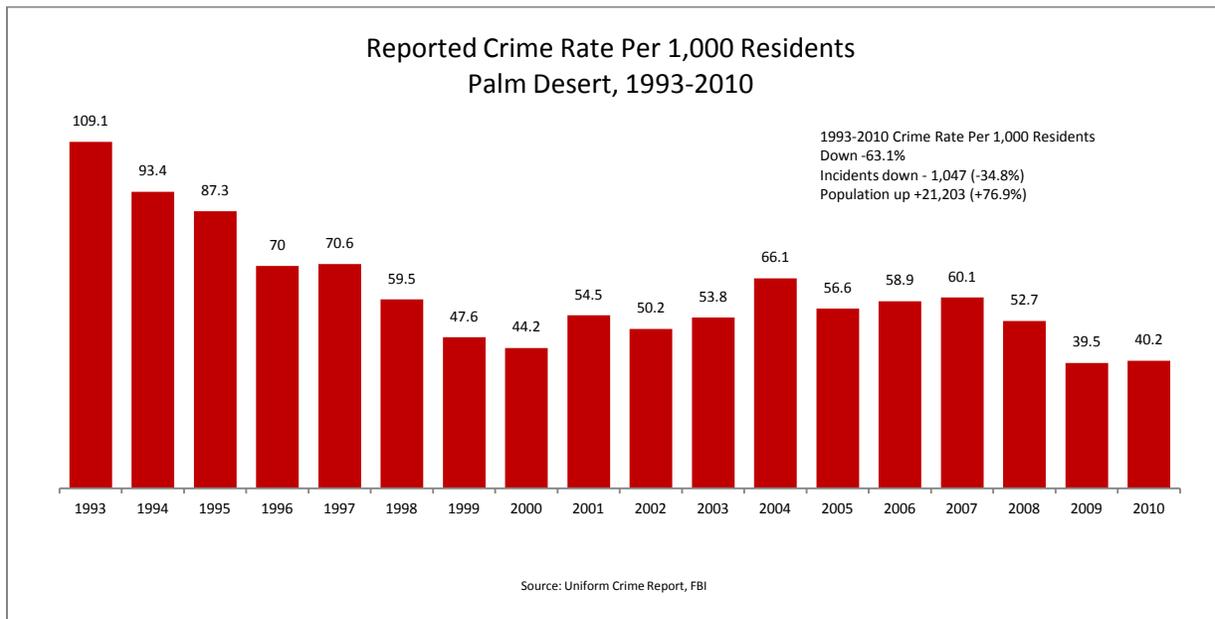
Employment in Palm Desert grew steadily until its peak in 2007 with 32,886 jobs before falling off to 26,627 jobs in 2011. During this recession, Palm Desert lost 4.5% more jobs than it had gained over the past decade partially due to a shift to other cities with greater amounts of available developable land.



In 2011, over 45% of all jobs in Palm Desert came from either the retail or hotel/amusement sectors. The sectors with higher wage jobs such as finance, health, business and education only account for 23.7% of all jobs in the city.



Deposits in Palm Desert’s financial institutions have continued to rise with an increase of 138.5% from 2000 to 2011. Palm Desert ranks second in bank deposits for all cities in Riverside County and ranks first in the Coachella Valley.



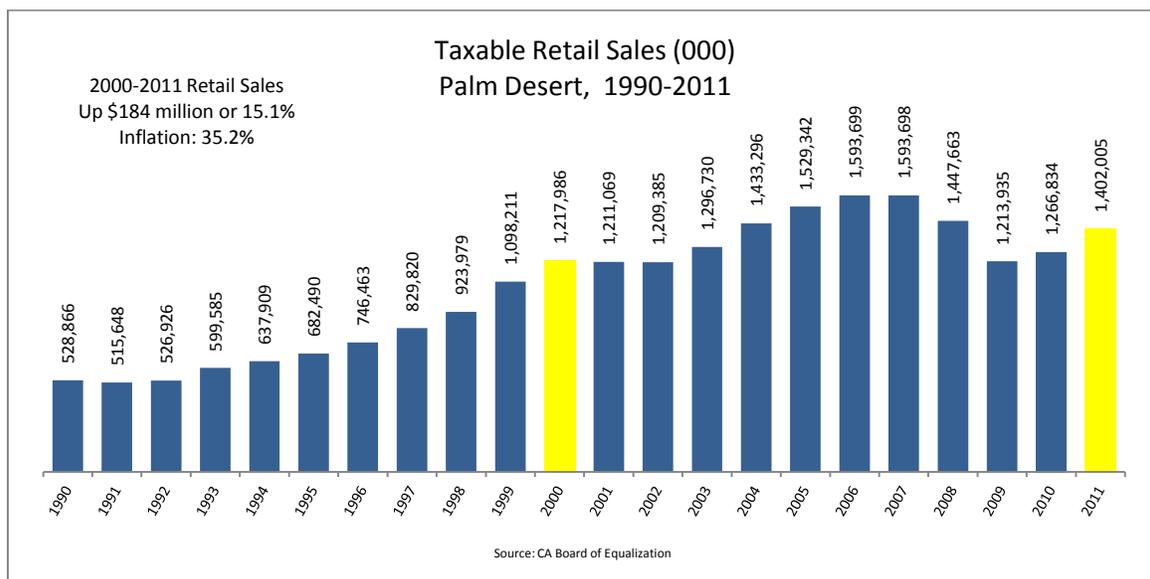
Palm Desert’s crime rate has fallen dramatically since 1993, despite a population increase of 21,203 people over the same time period. Palm Desert ties Rancho Mirage with the lowest violent crime rate reported in the Coachella Valley.

IV. Palm Desert Economic Drivers



Retail

A healthy retail sector is critical to Palm Desert's ability to provide goods and services to its citizens, visitors and business community. Palm Desert has taken advantage of its central location in the Coachella Valley to establish itself as a powerhouse in this economic sector with a variety of retail environments including: Westfield Palm Desert the valley's only regional shopping center; big box centers such as Desert Crossing and Desert Gateway; El Paseo Shopping District, the City's destination retail district servicing high-end clients and tourists; and neighborhood centers, servicing the daily needs of the residential community.

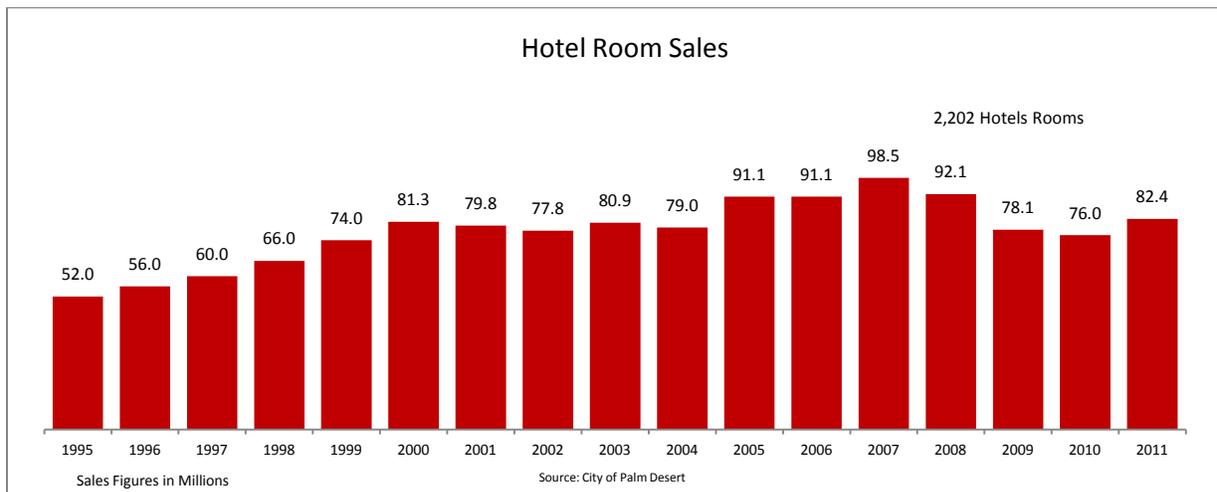


In 1973, Palm Desert's retail sales were \$8.2 million. With the exception of the recent recession, the City's retail sales have continued to grow and now reach over \$1.4 billion. However, to remain competitive, there are some constraints and concerns that should be addressed.

Issues	Opportunities
<ul style="list-style-type: none"> • Larger boxes are contributing to vacancies • Hwy 111 area lacks cohesive development and has an outdated image • Water Quality Management Plan (WQMP) costs may stifle infill development • El Paseo lacks effective destination signage for tourists 	<ul style="list-style-type: none"> • Planning staff is working on parking studies for requirements specific to Palm Desert • Developers are aggressively recruiting targeted retailers for larger spaces • Developers are working to update larger centers in the City • As the north sphere begins housing development, there will be more retail opportunities

Tourism and Conventions

According to the Convention & Visitors Bureau, Palm Desert and the surrounding cities import over four million visitors who contribute approximately \$2.1 billion into the valley's yearly economy. Tourism also is a major job generator with one in every six jobs within the Coachella Valley attributable to this industry. Palm Desert has the second largest room inventory in the Valley with over 2,200 hotel rooms and timeshares. Hotel bed taxes are the second largest funding source for the City's General Fund.



Palm Desert's hotel inventory can be categorized by price and by use. The following are examples of hotel categories:

- Convention and larger hotels – JW Marriott and Embassy Suites
- Extended stay – Homewood Suites and Courtyard by Marriott
- Mid-price accommodations – Holiday Inn Express and Best Western
- Boutique – Shadow Mountain Resort and Tres Palmas Bed & Breakfast
- Timeshare – Marriott Shadow Ridge and The Westin Desert Willow Villas
- Short term rentals – Private homes and condos throughout the City

Issues	Opportunities
<ul style="list-style-type: none"> • Lack of hotel rooms surrounding El Paseo shopping district • Hotel products are outdated • Mid-week vacancies 	<ul style="list-style-type: none"> • El Paseo has two parcels with hotel land entitlements • The City could assist with renovating hotel product through an incentive program • Work with hotel management group to create opportunities to attract tourists and conventions • City has the lowest TOT rate (9%) in the valley. The rate could be increased by 2% and still be the lowest in the valley.

Culture and Events

Arts are abundant, both in the City and in surrounding communities. Palm Desert boasts a multitude of galleries, two arts shopping districts; large-scale art exhibits on El Paseo and public art pieces throughout the City’s many parks and public spaces. The City recently welcomed the opening of a satellite museum of the Palm Springs Art Museum, The Galen, to Entrada del Paseo.

Entertainment and events abound throughout the community and attract tourists including golfing events, music festivals, cultural events at the McCallum Theater, monthly Art Walks, the Living Desert Zoo & Botanical Garden, and Fashion Week on El Paseo.

According to a recent study by Arts Oasis, the arts sector generates over 8,200 jobs, or 7.3% of the total 112,437 jobs in the Coachella Valley. Income for creative workers in the Coachella Valley is 30% greater than the average. Cultural and entertainment events drive additional economic impacts for the community from attendees who shop, dine and stay in hotels. According a 2010 Americans for the Arts economic prosperity study, local attendees spent an average of \$17.42 per person, per event, in addition to the cost of admission. Nonlocal attendees spent twice this amount, or close to \$40 per person, per event.

Local and part-time residents strongly support the arts and entertainment community making this an economic driver both in its ability to attract tourists and in its potential for job generation.

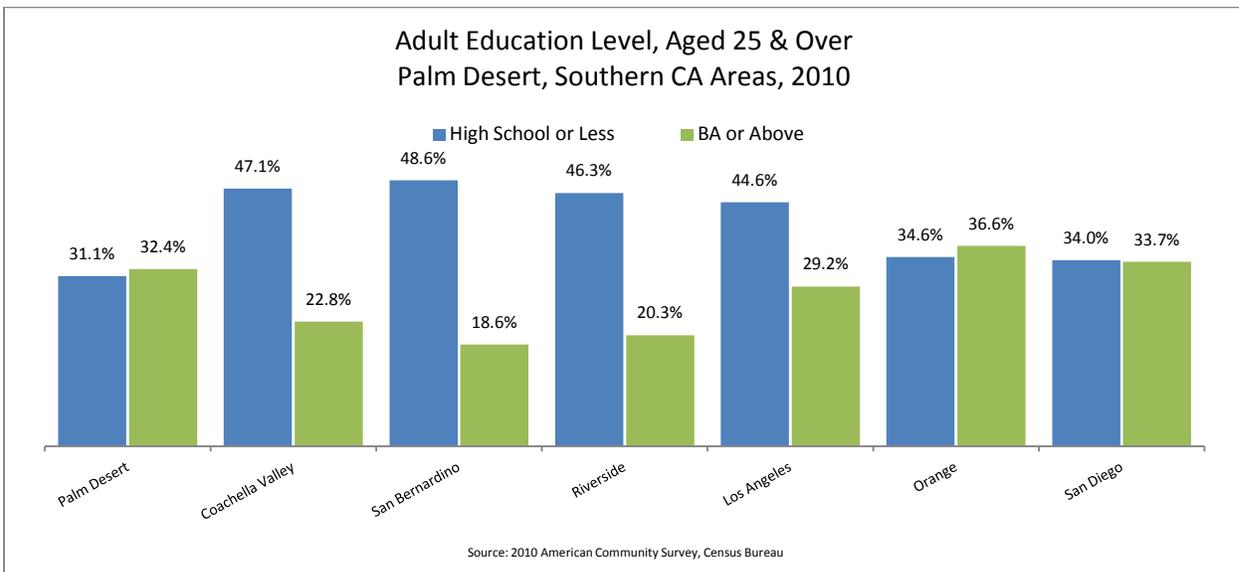
Issues	Opportunities
<ul style="list-style-type: none"> • There are multiple arts offerings with no apparent coordination of events to promote to residents/visitors • A lack of affordable work/live space for aspiring artists 	<ul style="list-style-type: none"> • Desert Art Oasis is in development of a master calendar event website • The Galen offers classes and exhibits for the community and students

Issues	Opportunities
<ul style="list-style-type: none"> Funding to grow the public art collection comes from development, which is currently stagnant 	<ul style="list-style-type: none"> Combining various art events and activities could create larger events to attract visitors at little cost to the City Grant writing for public art

Educational Institutions

Palm Desert is home to all four major higher educational campuses within the Coachella Valley including:

- College of the Desert, which provides two-year educational opportunities in nursing, public safety, agribusiness, alternative-fuels automotive, culinary arts, early childhood education and other specialized fields.
- California State University, which offers ten bachelors and master degree programs including nursing, nutrition and food science, criminal justice, education and business administration.
- University of Riverside, which currently reorganizing the local curriculum.
- Brandman University, which offers bachelor’s degrees in early childhood development, psychology and sociology; master degrees in psychology and special education; and teaching credentials.



Over 31% of Palm Desert residents have a bachelors or higher degree. This exceeds the total residents in the valley with a degree (22.8%). According to the 2101 American Community Survey by the Census Bureau, more Palm Desert residents with full-time jobs work in the education and medical fields (19.9%) than any other job sectors.

Education provides both work force training for businesses coming to the valley and living wage jobs for teachers and administrators who reside in the community.

Issues	Opportunities
<ul style="list-style-type: none"> • Land banked for campuses is in jeopardy due to AB1x 26 • State funding for community colleges and universities is causing a reduction in classes • DSUSD dropout rate is 10.5% (CA Dept. of Education 2009-2010) PDHS dropout rate is 3.3% • Education opportunities are limited for professions in science and math 	<ul style="list-style-type: none"> • UCR has begun development of a medical school • CVEP's workforce plan is working with all education levels to train future workers in the medical, arts and technology clusters • Desert Sands Unified has higher performance test scores than the State average

Other Job Sectors of Note

Medical – According to the Bureau of Labor, the healthcare industry will generate 3.2 million new jobs nationwide over the next ten years, due in part to rapid growth in the senior population. While none of the three local hospitals are located within Palm Desert's city limits, the community does support a wide variety of medical offices and treatment facilities. Palm Desert with its many retirees and home to all of the Coachella Valley's major higher education facilities is poised to see growth in medical educational/training and benefit from the accompanying jobs that will be generated within the community.

Energy Sector – The passage of AB 811 and subsequent PACE loan programs nationwide have spurred growth in the solar industry. The clean energy industries such as solar, can create new higher wage jobs, green jobs, and reduce the amount of energy consumption in the City.

In August of 2008, the City established its Energy Independence Program (EIP) to encourage energy conservation and efficiency improvements such as solar panels, air conditioners and efficient windows for residential and commercial businesses. To date, the City has committed up to \$15 million to the EIP Program and has so far invested \$6.6 million in energy projects.

With over 350 days of sunshine annually, Palm Desert is a prime location to encourage the development of clean energy industries. Reducing greenhouse gas emissions is an ideal way to secure the City's quality of life, and preserve its natural and financial resources.

Home Design/Décor – Housing construction and renovation fueled our region's most recent growth spurt. While the recession brought this industry to a virtual halt, the housing market will eventually rebound bringing these jobs back to the desert.

V. Guiding Principles



The City of Palm Desert's guiding principles for economic development are the foundation for key goals and actions.

1. Support existing businesses through a variety of economic efforts, partnerships, business outreach and special events.
2. Assist in the creation of new retail opportunities and commercial development.
3. Support expansion of additional resort/hospitality development and improve competitiveness of existing hotel product to attract tourists and conventions.
4. Provide recreational, cultural and entertainment opportunities and promote Palm Desert's quality of life and amenities to encourage growth and tourism.
5. Support the City's education institutions as an important factor in the continued and diversified economic growth of Palm Desert and the Coachella Valley.
6. Support the expansion of business through the promotion of new clean and renewable energy and to protect the City's quality of life and natural and financial resources.

VI. Key Goals & Actions



1. Support Existing Business

Immediate Actions:

- Continue the promotion of various programs available to small businesses on the City's government site www.cityofpalmdesert.org for Small Business Administration (SBA) loan programs, Service Corps of Retired Executives (SCORE) services, and the CA Economic Development Administration's one-stop shop program.
- Continue to work with the Chamber of Commerce to support Palm Desert businesses.
- Meet with businesses and property managers to address immediate challenges and concerns.
- Participate with the City's Sustainability Committee to ensure advocacy for the business community as Palm Desert continues to improve efficiencies in energy and conservation.
- Follow-up with businesses regarding the recent Coachella Valley Economic Partnership (CVEP) business survey and conduct personal visits to local business establishments to determine needs.

- Maintain a strong business presence on the City's tourism site www.palm-desert.org for hotels, restaurants, shopping districts and events.
- Continue the out-of-market advertising campaign to attract tourists to Palm Desert.
- Continue to support Palm Desert's Dine Out program or other similar programs and sponsor Restaurant Week.
- Increase awareness of the Visitor Center among the business community as a resource for distribution of information.

Mid-term Efforts:

- Evaluate streamlined permitting and other means of business assistance.
- Work with CVEP in the development of a micro-loan program and promote this opportunity to area businesses.
- Coordinate business programs and services with Small Business Development Center (SBDC) including an area loan fair.
- Increase the use of social media tools to promote business, attractions and events.
- Increase co-op advertising opportunities to support business entities and attractions.

Long-range Strategies:

- Maintain focus on long-term development of businesses that provide general fund revenues, improve infrastructure and services for residents and tourists.
- Maintain a strong relationship with CVEP to assist with the growth of area business clusters and development of an educated workforce.
- Explore funding/grant sources to reinstate a Façade Enhancement Program for specific areas along the Highway 111 shopping corridor.

2. Create New Retail Development

Immediate Actions:

- Continue to work with the local real estate brokerage community to attract retail business by providing information on locations, demographics and sales analyses.

- Continue to provide ombudsmen services between new businesses and the various City departments during the permitting and entitlement processes.
- Replace the current Commercial Space Inventory Report and contract with Desert Area Commercial Information Exchange (DACIE) to provide site selection information and locations in order to eliminate staff time for information gathering.
- Complete field counts of various parking lots to determine actual needs of specific shopping areas in Palm Desert.

Mid-term Efforts:

- Create a streetscape standard to provide an improved outdoor dining experience along El Paseo while continuing to allow adequate sidewalk accessibility.
- Develop a policy to assist with funding as it pertains to WQMP.
- Assist in the renovation efforts of Westfield Palm Desert and Town Center Way.

Long-range Strategies:

- Work with the General Plan Update to focus on the appropriate commercial and entertainment development in the north sphere, specifically the area surrounding the universities.
- Explore the Main Street City designation and what benefits are derived from the designation.
- Explore funding/grant sources to implement the directional sign program for El Paseo.

3. Expand Resort/Hotel Development

Immediate Actions:

- Coordinate efforts to develop the Larkspur Lane hotel site.
- Create a quarterly meeting with hoteliers and City staff to develop coordinated programs pertaining to conferences and conventions and to assist with property issues.
- Respond to inquiries from potential developers regarding hotel/timeshare opportunities at Desert Willow Resort.

Mid-term Efforts:

- Meet with hoteliers to assess existing hotel product for potential future updates.
- Develop a shared transient occupancy tax incentive program for hotel renovations.

Long-term Strategy:

- Continue to explore additional hotel development opportunities around El Paseo and throughout the City.

4. Provide and Promote Recreation/Culture/Entertainment

Immediate Actions:

- Work with Arts Oasis to determine the depth of the current art community in Palm Desert.
- Work with various ongoing art events to create a “First Weekend Art Promotion & Tour” each month from September through May.
- Continue to work with Fashion Week El Paseo as a city signature event.
- Continue the promotion of arts and events on the City’s tourism site and through the Visitor Center and social media.
- Continue to work with the Galen (Palm Springs Art Museum Palm Desert) to coordinate events and activities for residents and visitors.

Mid-term Efforts:

- Work with hotels and restaurants to provide packages and incentives for First Weekend Art Promotion & Tour.
- Work with local galleries and the Galen to create a signature art event for the city.
- Integrate cultural tourism advertising with the existing out-of-market advertising campaign.
- Explore event opportunities to promote the many area outdoor activities including biking, hiking, golf and swimming.

Long-term Strategy:

- Brand Palm Desert as an arts and culture community.
- Assist in the recruitment of a professional arts supply store.

- Research the needs for live/work space or a studio district for the arts and work with General Plan Update to provide zoning for locations.
- Investigate funding for Desertscape's plein air events.

5. Support Education Institutions

Immediate Actions:

- Continue working with Cal State and UCR to ensure the land surrounding the universities is available for campus expansion.
- Work with CVEP in their ongoing efforts to expand educational opportunities for youth in the City.

Mid-term Efforts:

- Work with UCR as they develop their medical affiliation with local hospitals to ensure educational opportunities for residents.

Long-term Strategy:

- Investigate incubator facility funding that can be incorporated into related fields of study for the upcoming campus expansions.

6. Promote Clean Energy

Immediate Actions:

- Promote the City's Energy Independence Program (EIP) to commercial property owners through direct mailings, City's Brightside Newsletter and local media.
- Conduct quarterly meetings with contractors to inform and update them on the status of the City's EIP, available funding, the Federal Housing Finance Agency (FHFA) lawsuit and national Property Assessed Clean Energy (PACE) initiatives.
- Conduct informational meetings with commercial property owners regarding energy efficiency rebates, renewable energy installations, and EIP financing opportunities.

Mid-term Efforts:

- Modify the EIP guidelines to address existing program criteria (i.e. funding cap, consent agreement) that may be limiting commercial participation in the EIP.
- Continue to monitor the national PACE movement, federal PACE legislation and report implications to the commercial property owners.
- Establish a citywide inventory of potential commercial roof top area available for solar installations and work with property owners to provide information on the benefits of solar and available financing.

Long-range Efforts:

- Secure additional funding for EIP.
- Coordinate with CVAG's efforts to establish a regional PACE program.
- Secure a qualified consultant to implement and promote the City's commercial EIP with third-party funding.

VII. POTENTIAL FUNDING SOURCES



As previously stated, the City's Redevelopment Agency was the major funding source for economic development in Palm Desert. With the elimination of Redevelopment, the City must look at other funding mechanisms. The City Council may need to make policy decisions to accommodate new programs when determining how to fund economic development projects. The programs should be based on the return-on-investment to the General Fund that would be gained by participation and a "feasibility gap analysis" as to the amount of funding the project needs.

The following are funding examples currently available to the City:

- Sales Tax Rebates – A program could be developed for projects that will either return all or a portion of sales taxes to a developer for a specific period of time in order to assist with the project's development.
- Sale Tax Increase – A sales tax increase would add to the General Fund. Resulting revenues could be directed to a line-item in the budget to assist with the development of projects within the City.
- Transit Occupancy Tax (TOT) Rebates – A program could be developed to encourage hotel renovations and/or new construction that would expand and update the hotel product within the City therefore, increasing accommodations and TOT to the General Fund.

- TOT Increase – TOT could be increased to fund promotional/marketing programs to attract more visitors to the City and increase revenues to the General Fund. A program could also be established to work with local hoteliers to attract conventions to the City that will also increase sales tax.
- General Fund Budgetary Commitment – City Council could elect to create an “economic development reserve” as a funding resource for various programs and projects such as; a Façade Enhancement Program, assisting with renovations to projects as they pertain to WQMP, or funding for amenities that may not increase the General Fund but attract visitors and enhance the quality of life for residents.
- Short-term Lines of Credit – loans secured and repaid by new property, TOT or sales taxes generated by the project.
- City Fees Discounted/Waived/Deferred – can act as an incentive to developing projects.
- Federal/State Grants or Economic Development Initiatives – These may become available to increase access to capital for small businesses.

Other funding mechanisms include the following:

- Infrastructure Financing Districts (IFDs) – bonds issued through IFDs require two-thirds voter approval and can be used to help pay for infrastructure-type projects by diverting property tax revenues to pay debt service from other local governments, except schools.
- Revenue bonds – backed by revenue generated from a project funded with bond proceeds and repaid by earnings from the operations of a revenue-producing enterprise.
- Conduit Revenue Bonds – tax-exempt bonds issued by charter cities or joint powers authorities for economic development or multifamily housing. The bond is payable from loan payments received from the non-governmental developer on the condition of a public benefit, and it presents no liability for the governmental entity.
- Community Facilities Districts – bonds used mainly to finance public works improvements and services or to pay for specific, limited improvements related to privately-owned or real property. The parcel tax associated with the specific improvements requires two-thirds voter approval. This program works best with undeveloped areas.
- Brownfields Assistance – assistance to assess and remediate abandoned or underused industrial and commercial property. Funding may be available via the Environmental Protection Agency and federal/state agencies.

VII. Conclusions:



The EDSP has been created as a guide to achieve successful, sustainable economic development for the City of Palm Desert. While many of the immediate actions are in place and ongoing, mid-term efforts and long-term strategies will require research, development, and possible funding.

As the national and regional economic climate changes, available public resources will wax and wane. This perpetually shifting fiscal landscape argues for an annual review of the EDSP to evaluate results and articulate new strategies and programs. As new funding opportunities emerge, Palm Desert will be able to implement new programs listed within the City's Economic Development Strategic Plan.