

CITY OF DESERT HOT SPRINGS



ECONOMIC DEVELOPMENT STRATEGIC PLAN

2011-2016

FINAL

December 3, 2010





Development Management Group, Inc.

economic development ■ fiscal & economic analysis ■ development management

December 3, 2010

Mr. Rick Daniels, City Manager
City of Desert Hot Springs, California
65-950 Pierson Blvd.
Desert Hot Springs, CA 92240

RE: FINAL DESERT HOT SPRINGS ECONOMIC DEVELOPMENT STRATEGIC PLAN

Dear Mr. Daniels:

Thank you for the opportunity to work with you, your elected officials and community to produce an Economic Development Strategic Plan. In putting together the strategic plan, an analysis of community demographics and other statistical information was generated and utilized. Next, a number of both local and regional civic leaders and business professionals were consulted to gauge their views on both the City of Desert Hot Springs and market opportunities.

After reviewing all of the data available (referenced in the report), a set of recommendations were created for the consideration of the City Council, Economic Development Commission and staff. The recommendations generally fit into one (or more) of six categories:

1. Community Brand/Image Recommendations
2. Housing as an Economic Development Tool
3. Retail Opportunities
4. Hospitality/Spa/Holistic Lifestyles
5. Freeway Corridor Opportunities
6. Regional Partnerships and State/Federal Governmental Assistance

This version is the final plan, subject to consideration and adoption by the City of Desert Hot Springs City Council. Once that action is taken, I will work in earnest with the City Council, Economic Development Commission and staff to fully implement this plan for the benefit of your community.

Sincerely,

Michael Bracken
Managing Partner

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1. Introduction

Development Management Group, Inc. (DMG) has been retained by The City of Desert Hot Springs, California to produce an Economic Development Strategic Plan that will guide the City and the Community Redevelopment Agency (City and Agency used interchangeable for purposes of this analysis) in their economic development efforts for the next five (5) to ten (10) years.

This Economic development strategic plan provides foundational understanding of the local economy and basis for which a community to work. Once a plan/vision is adopted, the next step is to prioritize those specific actions that are a) most important to a community and b) can have the greatest impact upon the local economy. The final step in the formal process is the creation of an implementation plan which provides the specific local activities and steps to accomplish the goals and objectives of a community. The City of Desert Hot Springs Economic Development Strategic Plan is broken into the following sections:

1. Demographic & Statistical Information

- A. Community Demographics
- B. Employment Characteristics
- C. Retail Sales Analysis

2. Analysis of Regional Organizations to Assist in Economic Development Efforts

- A. Palm Springs Desert Resorts Convention & Visitors Bureau
- B. Coachella Valley Economic Partnership
- C. Inland Empire Film Commission

3. Economic Opportunities for City of Desert Hot Springs

- A. Community Brand/Image
- B. Housing as an Economic Development Tool
- C. Retail Opportunities
- D. Hospitality/Spa/Holistic Living
- E. Freeway Corridor Opportunities
- F. Regional Partnerships

2. Statement of Independence

The City of Desert Hot Springs, California has provided a joint contractual obligation with Development Management Group, Inc. regarding independence of research, analysis, recommendations and conclusions. Therefore, the City of Desert Hot Springs has not and shall not be provided with editorial comment or direction regarding the conclusions contained herein. Additionally, DMG has provided a certification of independence as Section 18 (Page 50) of this Fiscal Impact Analysis.

3. Contact Information for the City of Desert Hot Springs, California

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4. Contact Information for Development Management Group, Inc.

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- A. Public Safety
- B. Graffiti Removal
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11. Housing as an Economic Development Tool

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- B. Owner-Occupied Single Family Residential Rehabilitation Program
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- I. Clothing Stores
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- Appendix B: Economic Development Commission Subcommittee Mission Statements
- Appendix C: Scope of Work (Portion of Contract between City and DMG, Inc)
- Appendix D: Qualifications of Consultant/Firm Profile of Development Management Group, Inc.

6. References Utilized to Create Economic Development Strategic Plan:

Development Management Group, Inc. has utilized information from the following sources in completing this analysis:

1. City of Desert Hot Springs, California
2. County of Riverside, California
3. Claritas/Nielsen, Inc.
4. State of California Department of Finance
5. State of California Board of Equalization
6. State of California Employment Development Department

7. State of California Department of Housing and Urban Development
8. United States Department of Commerce (Economic Development Administration)
9. United States Census Bureau
10. International Council of Shopping Centers
11. American Community Survey (2006-2008)
12. Coachella Valley Association of Governments
13. Federal Register
14. Coachella Valley Economic Partnership
15. Palm Springs Desert Resorts Convention & Visitors Bureau
16. Inland Empire Film Commission
17. Mayor, Mayor Pro Tem and City Council of the City of Desert Hot Springs (Personal Interviews)
18. Palm Springs Unified School District
19. Desert Sands Unified School District
20. City of Palm Desert
21. Coachella Valley Regional Real Estate Developers & Brokers*
22. The HdL Companies
23. Noble Real Estate Group, Inc.

7. Demographic Analysis for the City of Desert Hot Springs

The first step in any economic development strategic plan is to understand the current state of the community through a demographic analysis. The analysis included will help community leaders better understand the current elements of the community's economy. While there is no question the entire nation has been under severe economic stress for the last two years, the total effects on a local economy have not been completely quantified as there is typically a data lag of between six and twelve months. Note that demographic information contained is for the "Pre-Annexation Area", which means it includes what was part of the incorporated City of Desert Hot Springs prior to June 1, 2010.

A. Population

The City of Desert Hot Springs has a current population estimated at 25,426. This is a growth from 16,582 in just the last 10 years (885 new residents per year), or a 53% increase in residents. It is estimated that 51% of the population is male, while 49% female. Thirty-three percent of the population is under 18 years and 9 percent is 65 years and older. This growth rate is expected to slow over the next five years as the current national (and regional) economic downturn is causing people to generally move less and has stopped most new residential construction.

The Coachella Valley (which is defined as the nine (9) cities (including Desert Hot Springs, Palm Springs, Cathedral City, Rancho Mirage, Palm Desert, Indian Wells, La Quinta, Indio and Coachella) along with a number of unincorporated communities including Thousand Palms, Bermuda Dunes, Thermal and Mecca has a current population of 462,308. In 2000, the population of the Coachella Valley was 325,752. This represents a growth of 30% over the last ten years. Riverside County, as a whole experienced a growth rate of 41% while the State of California grew by 12% between 2000-2010. The City of Desert Hot Springs grew at a significantly faster rate than any of the comparison data sets. The root of this hyper growth was a combination of both available and affordable land for which housing developers could offer a product to those seeking a home in the Western portion of the Coachella Valley at a cost less than that of Palm Springs and Cathedral City.

B. Ethnicity

The City of Desert Hot Springs has a population that is about 53% Hispanic, 35% White, 7% Black, 0.9% Asian and 0.7% American Indian. The Coachella Valley as a whole has a population that is 46% Hispanic, 42% White, 2.5% Black, 1% American Indian and 2% Asian. Therefore, the City of Desert Hot Springs has a more diverse population than the Coachella Valley as a whole.

C. Median Age

The median age in Desert Hot Springs is 30, while the median in the Coachella Valley is 37 and that of both the County of Riverside and the State of California is about 33. The seven (7) year difference in median age between Desert Hot Springs and the Coachella Valley as a whole is a significant number. The trend of a younger population is most likely a direct result of the availability of market-affordable housing for families.

Over 25% of the population in Desert Hot Springs is school age, while another 40% are between the ages of 18-44 (early to middle working years). This is important because it means that there is a built-in workforce to support economic growth and development. About 50% of the adult population (defined as 16+) is engaged in the labor force. This number compares equally with that of the Coachella Valley, Riverside County and the State of California.

D. Educational Attainment

A key factor in determining both the future economic success of a community and what economic engines will thrive in a community is educational attainment. Simply stated, the higher the educational achievement within the community, the higher the earning potential of the residents. In 2000, 72 % of people 25 years and over had graduated from high school and 10% had a bachelor's degree or higher. In more recent times (2006-2008) this number has dropped to only 69% of adults 25+ completing high school and 8% holding a bachelors or better. At current it is estimated that 31% of those 25 and older have dropped out of high school. What this means is that the education attainment levels for Desert Hot Springs residents is dropping. Clearly for the community to reach higher levels of economic success there must be a focus on increasing high school completion and college graduate rates.

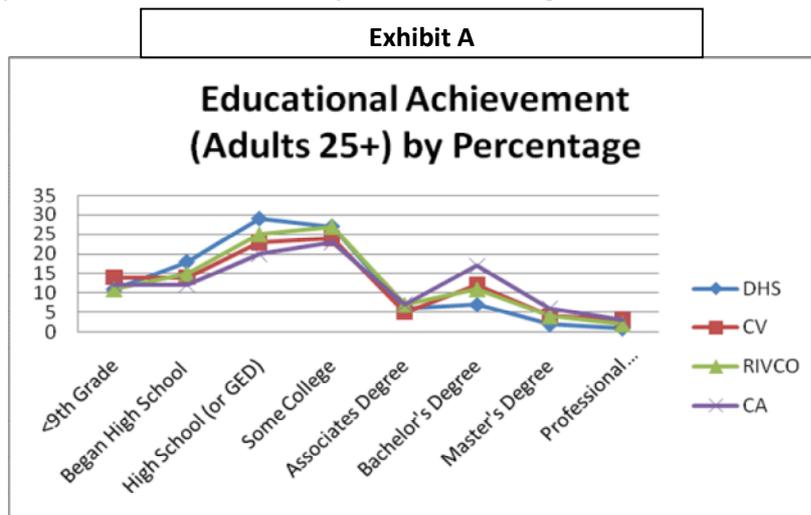
Based on demographic information, the total school enrollment in Desert Hot Springs city was 6,400 in 2006-2008. Nursery school and kindergarten enrollment were 720; elementary and high school enrollments were 4,800 children. College or graduate school enrollment was 900.

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Below is educational attainment by Desert Hot Springs residents ages 25 and over as compared to the same by persons in the Coachella Valley, Riverside County and the State of California (as of 2000):

Achievement	DHS	CV	RIVCO	CA
Less than 9 th Grade:	11%	14%	11%	12%
Some High School (No Diploma):	18%	14%	15%	12%
High School Graduate (or GED):	29%	23%	25%	20%
Some College, No Degree:	27%	24%	27%	23%
Associates Degree:	6%	5%	7%	7%
Bachelor's Degree:	7%	12%	11%	17%
Master's Degree:	2%	4%	4%	6%
Professional Degree/Doctorate:	1%	3%	2%	3%

The educational achievement of adults within the City of Desert Hot Springs is basically on par with that of larger populations. The high school drop-out rate (defined as either less than 9th grade or some high school (no diploma) is 29% (about 3 in 10 adults) versus the Coachella Valley drop-out rate of 28%. When compared across larger populations (the Riverside County and the State of California), Desert Hot Springs continues to remain relatively competitive. Where the community does struggle is relative to the percent of the population that has completed a 4-year degree or beyond (which is needed for most higher paying white collar careers). Fifteen percent (15%) of Desert Hot Springs adults (25+) have completed this level of education versus 19% in the Coachella Valley, 17% in Riverside County and 26% throughout the State of California.



E. Households and Families

In 2006-2008, there were 7,300 households in the City of Desert Hot Springs. The average household size was 3 people. Families made up 64 percent of the households in the City. This figure includes both married couple families (40 percent) and other families (24 percent). Nonfamily households made up 36 percent of all households in the City of Desert Hot Springs. Most of the nonfamily households were people living alone, but some were composed of people living in households in which no one was related to the householder.

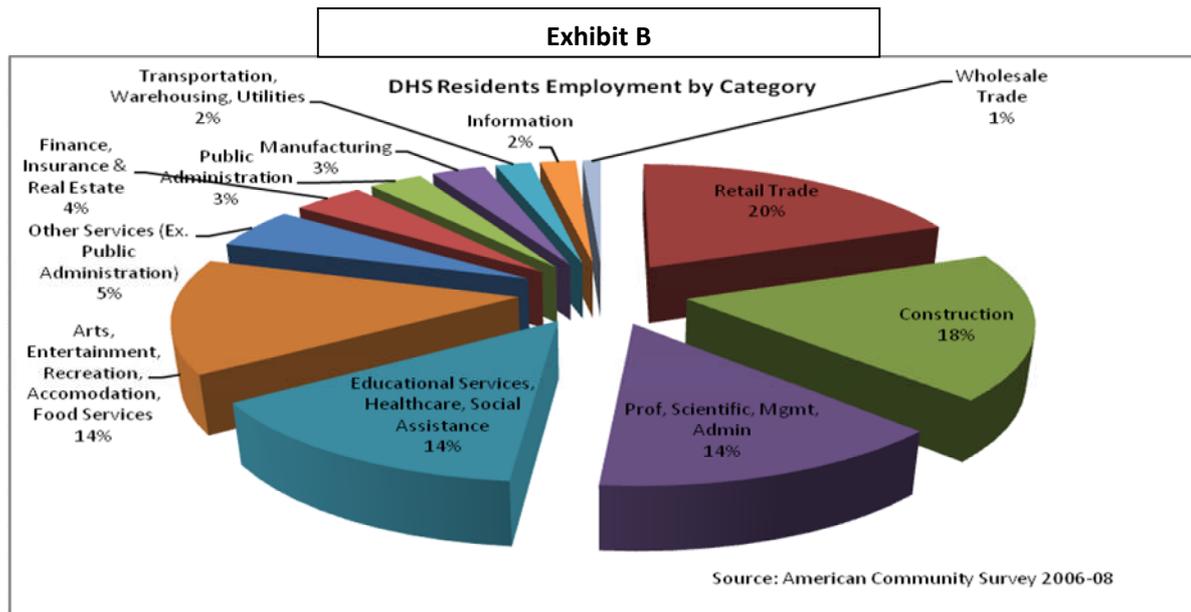
F. Geographic Mobility

In 2006-2008, 77% of the people in the City of Desert Hot Springs were living in the same residence one year earlier; 18 percent had moved during the past year from another residence in the same county, 4 percent from another county in the same state, 1 percent from another state, and less than 0.5 percent from abroad. Riverside County, as a whole, had 82% of residence living in the same place in the last year and had 11% living in a different residence in the same county. No additional analysis is presented for this statistic, but it will be interesting to compare geographic mobility in the coming years to better understand the full impact of the economic downturn.

G. Employment Held by Desert Hot Springs Residents (within or outside community)

The American Community Survey (2006-2008) points to the following industries in which residents of the City of Desert Hot Springs (ages 16 and older) were employed within. Note that this employment is for residents and does not necessarily represent that the jobs were held within the City itself (meaning in many cases they commuted outside the community for employment):

<u>Industry</u>	<u>Percent of DHS Residents Employed Within</u>
Retail Trade:	19%
Construction:	18%
Prof, Scientific, Mgmt & Admin:	14%
Educational Services, Health Care and Social Assistance:	14%
Arts, Entertainment, Recreation, Accommodation and Food Services:	14%
Other Service Industries (Except Public Administration):	5%
Finance, Insurance & Real Estate:	4%
Manufacturing:	3%
Public Administration (Governmental):	3%
Transportation, Warehousing, Utilities:	2%
Information:	2%
Wholesale Trade:	1%



H. Travel to Work

Seventy-two percent of Desert Hot Springs city workers drove to work alone in 2006-2008, 18 percent carpoled, 2 percent took public transportation, and 1 percent used other means. The remaining 6 percent worked at home. Among those who commuted to work, it took them on average 28.1 minutes to get to work. Commute times (by Southern California standards) are low for workers living in Desert Hot Springs. The average commute Coachella Valley wide is 24 minutes. The average across entire Riverside County is about 34 minutes. Only 13% of Desert Hot Springs residents have a commute of 45 minutes or longer compared with 24% countywide. Most of the jobs held by Desert Hot Springs residents are within the Coachella Valley, thus the commute times that are generally shorter than those living in places like Riverside and Moreno Valley whom commute to places like Orange County, Ontario and Los Angeles for work.

I. Per Capita Income

The 2006-2008 annualized median income of households in Desert Hot Springs city was \$38,465. Additionally, the per capita income for the same time period was \$16,381. Seventy-eight percent of the households received earnings and 14 percent received retirement income other than Social Security. Twenty-three percent of the households received Social Security. The average income from Social Security was \$13,300. These income sources are not mutually exclusive; that is, some households received income from more than one source.

By comparison, the Riverside County per capita income (2006-2008) was \$24,836 while per capita income across the entire State of California was \$29,405 over the same time period. This means residents across the County of Riverside (on average) make 52% more than those in Desert Hot Springs, while residents throughout the entire State of California make 80% more than those in Desert Hot Springs.

It is noted that the median household income in Desert Hot Springs in 2000 was \$26,100 and the per capita income (2000) was \$11,865. In the last eight years, the household income has increased by 47% and the per capita income has increased by 38%. These represent 6% (household) and 5% (per capita) annual increases in income levels.

J. Median Family Income

Median family income in Desert Hot Springs for the period 2006-2008 was \$42,557. Across Riverside County as a whole, the median income was \$65,104 while the State median income was \$69,659 over the same period. Riverside County families have a median income 53% higher than those in Desert Hot Springs and across the State as a whole, median family income is 64% higher than in Desert Hot Springs.

K. Poverty

In 2006-2008, 22 % of people in Desert Hot Springs lived in poverty. Twenty-four percent of related children under 18 were below the poverty level and 19 percent of people 65 years old and over. Fourteen percent of all families and 37 percent of families with a female householder and no husband present had incomes below the poverty level.

By comparison, 12.2% of all people (16.2% of children) in Riverside County live in poverty and 12.9% of people (17.9% of children) across the State of California live in poverty.

Note: in 2008-09, the "poverty line" was defined in the Federal Register as a household income below \$18,310 for a family of 3, \$22,050 for a family of 4 and \$25,790 for a family of 5.

The poverty levels in Desert Hot Springs appear to have been stable from 2000 to 2008 as the 2000 United States Census suggests that the poverty rate was 22.42%. Unfortunately approximately 84% of the households in poverty have children. It is highly likely that the poverty rates have increased since 2008 (the last year in

which data is available) as unemployment rates have increased in the last two years and that will impact many families that were on the edge of poverty.

L. Housing Characteristics, Occupancy and Costs

In 2006-2008, Desert Hot Springs city had a total of 9,600 housing units, 24 percent of which were vacant. Of the total housing units, 64 percent was in single-unit structures, 31 percent was in multi-unit structures, and 5 percent was mobile homes. Thirty-five percent of the housing units were built since 1990.

In 2006-2008, Desert Hot Springs city had 7,300 occupied housing units - 3,500 (48 percent) owner occupied and 3,800 (52 percent) renter occupied. Five percent of the households did not have telephone service and 12 percent of the households did not have access to a car, truck, or van for private use. Multi Vehicle households were not rare. Thirty-eight percent had two vehicles and another 15 percent had three or more.

The median monthly housing costs for mortgaged owners was \$1,716, non-mortgaged owners \$409, and renters \$843. 59% of owners with mortgages, 29 percent of owners without mortgages, and 56 percent of renters in Desert Hot Springs city spent 30 percent or more of household income on housing.

M. Employers within the City of Desert Hot Springs (92240 Zip Code)

Utilizing the State of California Employment Development Department Confidential Data Records Process, DMG, Inc. has calculated the following employers, level of employment and payroll for the following periods:

QTR	# of Firms	# of Employees	Qtr Payroll	Ave Pay/Worker	Annualized Pay/Worker
4Q08	593	2,907	\$22.069 m	\$2,530.56	\$10,122
1Q09	577	2,946	\$26.167 m	\$2,960.71	\$11,843
2Q09	576	2,963	\$24.848 m	\$2,795.42	\$11,182
3Q09	598	2,801	\$17.773 m	\$2,340.62	\$ 9,362

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Exhibit C

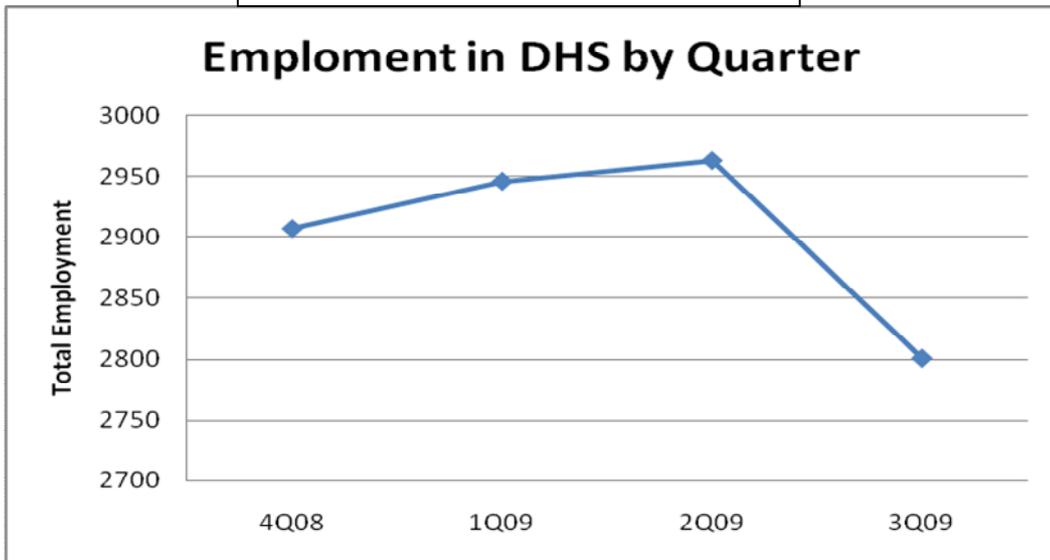
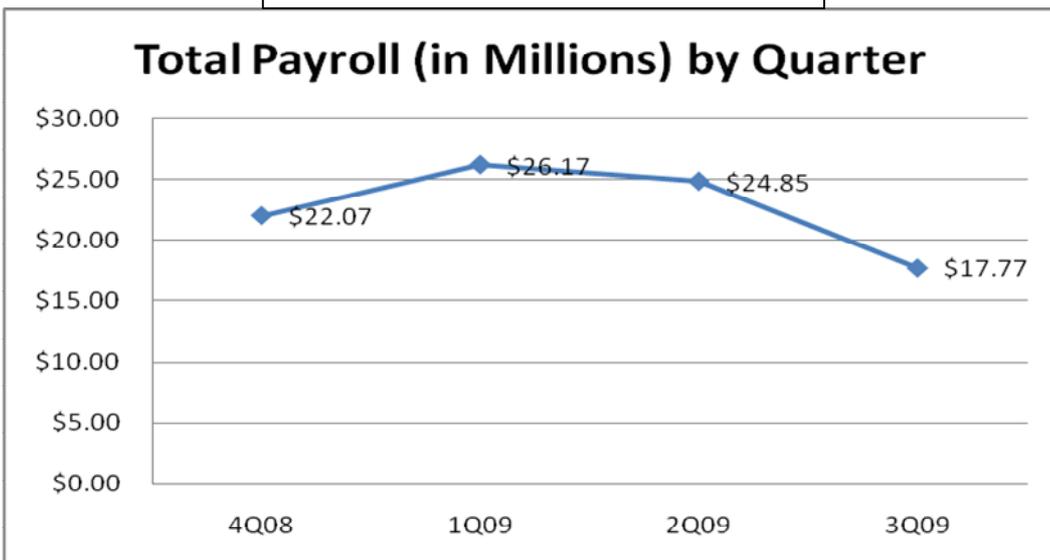
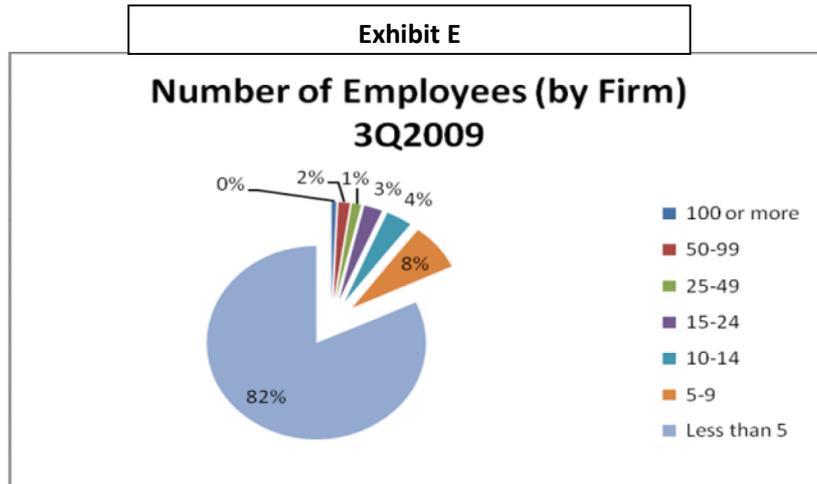


Exhibit D



A closer examination of the 3Q2009 Payroll Records shows that there were 598 firms (private and public, corporation and personal) reporting payroll to the State of California. The average company reporting payroll in Desert Hot Springs has about 4.5 total employees. In terms of quantity of employees, the following show a breakdown:

100 or more	4
50-99	10
25-49	8
15-24	16
10-14	23
5-9	47
Less than 5	490



We also categorized most all businesses that had payroll and employees in the 3Q2009. The following is a breakdown of the categories of employees based on employment and accounts for 542 of the 598 total reporting payroll in Desert Hot Springs and 2,515 employees (about 90% of each):

#	Type	# of Firms	# of Employees	Ave. Annual Payroll
1.	Public Schools	6	568	\$56,429
2.	Retail Operations	35	468	\$23,537
3.	Home/Self-Employed/Independent Contractor	357	357	\$ 9,141
4.	Hotel/Motel/Bed & Breakfast	9	284	\$22,338
5.	Restaurant/Bar/Eating Establishments	23	219	\$14,973
6.	Residential Facilities (Mental, Substance Abuse)	15	177	\$29,152
7.	Financial Institutions/Mortgage/Loan Services	9	126	\$59,977
8.	Construction Companies	35	78	\$40,450
9.	Maintenance Companies (Landscape/Pool)	12	58	\$24,055
10.	Private Daycare/Pre-School	8	53	\$ 8,198
11.	Lessor/ Management of Real Estate	7	37	\$22,895
12.	Healthcare (Medical, Dental, Chiropractor)	9	31	\$30,652
13.	Recreational Vehicle Park	3	28	\$22,338
14.	Automotive Repair	8	22	\$26,738
15.	Real Estate Services (Brokerage/Sales)	6	9	\$37,283

Note: employer types with less than 3 employers or where 1 employer exceeds 80% of the employees cannot be disclosed. The City of Desert Hot Springs reports (outside of the EDD information) that they have between 60-65 employees and a payroll of \$1.4 million quarterly. Mission Springs Water District reports (again outside of the EDD information) that they have approximately 42 employees and an average quarterly payroll of \$703,000.

Exhibit F

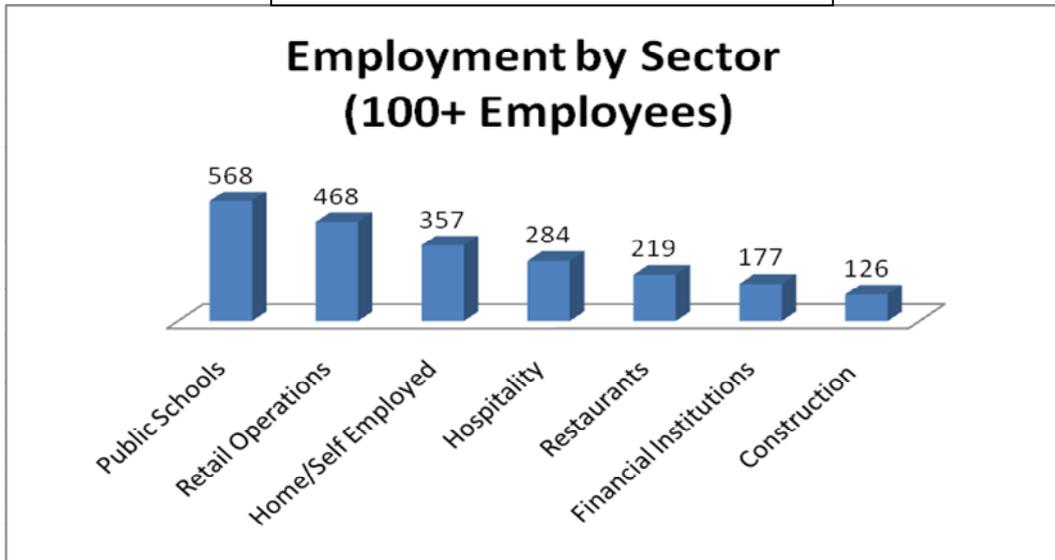
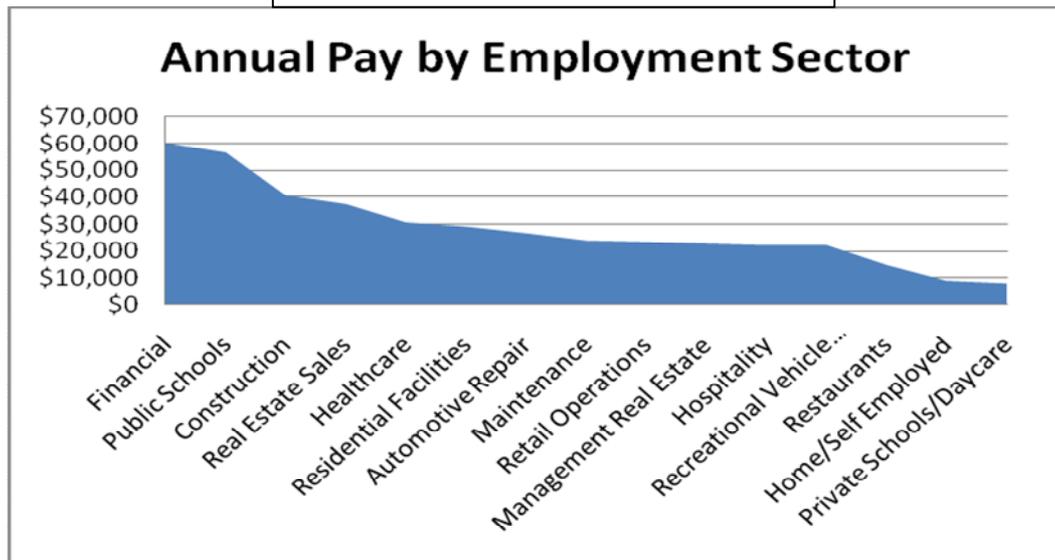


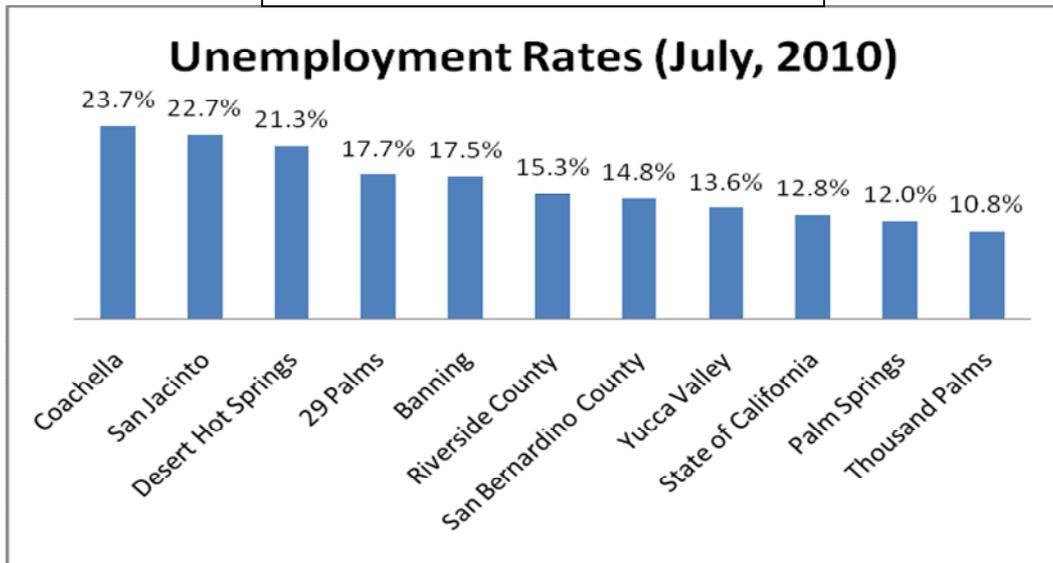
Exhibit G



N. Employment/Unemployment

As of the August 20, 2010 release of employment data, the City of Desert Hot Springs has an unemployment rate of 21.6%. This compares with the Riverside County unemployment rate of 15.3% and a State of California Unemployment Rate of 12.8%. Out of a labor force of approximately 9,600 within the City of Desert Hot Springs, 7,600 are employed (either within the City or outside the City). The chart below compares the City of Desert Hot Springs to a variety of both surrounding communities and similar size labor markets within a one hour commute.

Exhibit H



O. Employment Imbalance

When comparing the number of Desert Hot Springs residents who are employed to the number of jobs that are actually located within the City of Desert Hot Springs, there is an imbalance. More specifically, there are approximately 7,600 residents that are currently employed (July, 2010) and yet there are only about 2,900 persons on payrolls located within the City. The ratio of jobs within the City of Desert Hot Springs to the number of working residents is 38%. A second ratio is the number of persons on payrolls located within the City of Desert Hot Springs to total number of residents in the labor force (this includes both employed and unemployed persons). The City of Desert Hot Springs has about 9,600 total residents in the labor force. Therefore, the ratio of total jobs within the City to the total number of residents within the workforce in the City of Desert Hot Springs is 30%.

P. Retail Sales

Retail sales are an important part of local economic development. In California, 1% (inclusive of triple-flip replacement) of taxable sales goes to the City coffers. Additionally, retail businesses employ more people than any other type of business. Finally, when there are sufficient retail establishments within a community, leakage (or the act of a resident leaving the community for shopping needs) is reduced, thereby keeping more local

money within the community itself. Below are a series of charts that help illustrate the quantity of retail sales the City of Desert Hot Springs has had in recent years.

Exhibit I

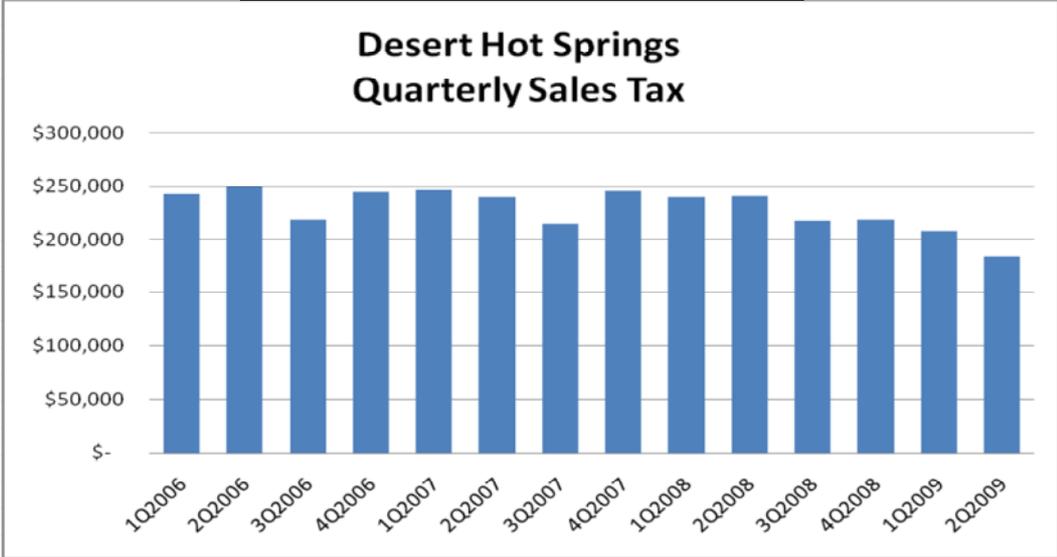


Exhibit J

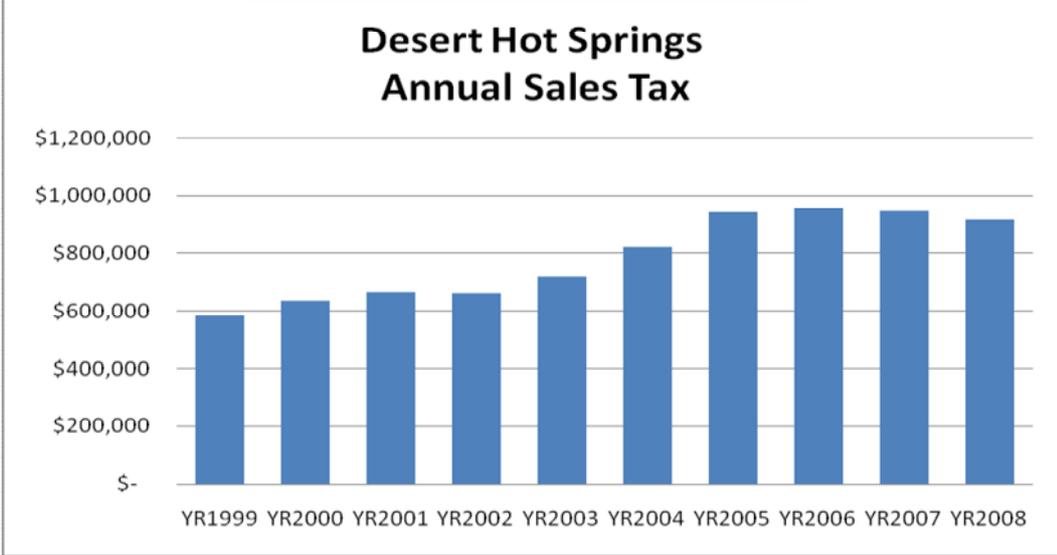
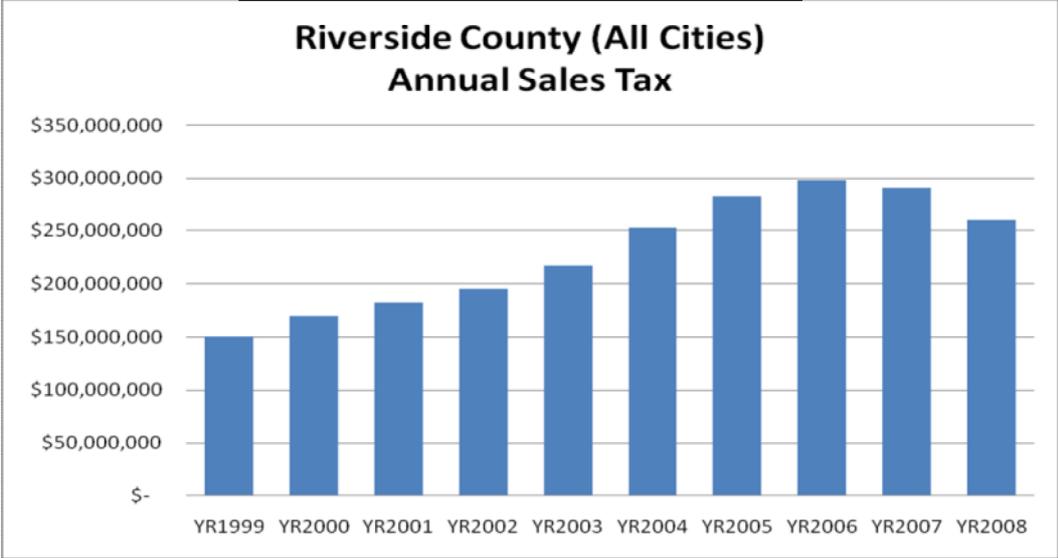


Exhibit K



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Q. Demographics Brief

CITY OF DESERT HOT SPRINGS, CALIFORNIA Demographics Brief

Location: Desert Hot Springs is located in Riverside County, California. It is one of nine cities that comprise of the Coachella Valley (Including Palm Springs, Palm Desert and La Quinta). The community is located about 5 miles north of Interstate 10 and provides a unique market-capture opportunity as the closest retail to residents is a 20-25 minute drive.

Population

2010:	25,426
2015 (Est.):	30,413
Percentage Growth (1990-2000):	40.15%
Percentage Growth (2000-2010):	53.33%
Projected Growth (2009-2014):	19.61%

Ethnicity

Hispanic Population:	52.5%
Non Hispanic Population:	47.5%

Age Distribution

0-9	16.37%
10-17	11.86%
18-24	10.01%
25-34	16.81%
35-44	13.59%
45-49	6.20%
50+	25.17%

Median Age: 30.78

Education Achievement (Adults 25+)

High School or GED:	27.69%
Some College:	25.85%
Associates Degree:	6.26%
Bachelor's Degree:	6.33%
Master's+:	2.85%

Income

Median Household Income (2009):	\$34,474
Per Capita Income (2009):	\$15,576

R. Desert Hot Springs Expanded Market Area

Beyond the City of Desert Hot Springs itself, the community serves a larger market area that includes various unincorporated portions of Riverside County including those areas West and Southwest of the incorporated boundaries and Sky Valley, which is located east of the City of Desert Hot Springs. Persons and businesses located in these areas also utilize various providers of goods and services within the City to support their endeavors. Thus, it is important to provide at least a brief synopsis of the demographics of these areas in combination with the City of Desert Hot Springs. For purposes of this section, the market is defined as a seven (7) mile radius from the intersection of Hacienda Avenue and Miracle Hill Road.

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S. Demographics Brief: Expanded Market Area

**EXPANDED TRADE AREA (7 MILE RADIUS OF HACIENTA AND MIRACLE HILL)
CITY OF DESERT HOT SPRINGS, CALIFORNIA**

Demographics Brief

Population

2010:	41,833
2015 (Est.):	49,576
Percentage Growth (1990-2000):	47.59%
Percentage Growth (2000-2010):	43.98%
Projected Growth (2009-2014):	18.51%

Ethnicity

Hispanic Population:	55.4%
Non Hispanic Population:	44.6%

Age Distribution

0-9	16.66%
10-17	11.85%
18-24	9.40%
25-34	16.50%
35-44	12.99%
45-54	11.53%
55+	21.08%

Median Age: 32.34

Education Achievement (Adults 25+)

High School or GED:	31.07%
Some College:	23.27%
Associates Degree:	6.97%
Bachelor's Degree:	8.54%
Master's+:	3.67%

Income

Median Household Income (2009):	\$35,352
Per Capita Income (2009):	\$16,389

8. Regional Organizations/Associations Assisting in Building Desert Hot Springs Economy

Before going further, it shall be a given that all activities that add to the economic stability and prosperity of Desert Hot Springs shall be considered part of the overall economic development program. The City of Desert Hot Springs has association with three (3) organizations that are regional based and provides various assistance in helping build the economy of Desert Hot Springs. The Coachella Valley Economic Partnership (CVEP), Inland Empire Film Commission (IEFB) and the Palm Springs Desert Resorts Convention and Visitors Bureau (CVB) all have partial responsibility for attracting economic investment, tourist activity or film production to the City of Desert Hot Springs (because Desert Hot Springs is a member/investor of the organization specifically and is within the geographic region served by the entity).

For purposes of completing an assessment of the current economic conditions within the City of Desert Hot Springs, we (as the consultant) have had formal and informal communication with each of the three regional resources to ascertain what they are doing specifically to attract additional investment or activity in Desert Hot Springs and to determine what their success has been in the last year or two. Additionally, we have worked to garner an understanding of what steps/activities the City of Desert Hot Springs can take to assist these organizations in their endeavors that will lead to additional investment or activity in Desert Hot Springs.

A. Coachella Valley Economic Partnership (CVEP)

CVEP is the regional economic development organization that is tasked with generating new economic investment and jobs by assisting companies expand or relocate within the Coachella Valley. The organization is a qualified IRS not for profit and has been in existence over fifteen years. The organization includes a variety of both public and private investors that represent a number of industries throughout the Coachella Valley (including financial institutions, developers, real estate brokers, utility companies and others that generally benefit from economic development). The City of Desert Hot Springs is a voluntary member of CVEP and has contributed \$50,000 toward the regional economic development efforts each of the last few years. At this time no other businesses headquartered within the City of Desert Hot Springs are investors of CVEP.

Over its lifetime, CVEP has successfully helped dozens of businesses either expand or relocate into the Coachella Valley. The organization was founded on the principle that jobs created within the region (through economic investment) help the entire Coachella Valley, no matter what jurisdiction hosts the entity and jobs.

Wes Ahlgren is the current Chief Operations Officer for CVEP and was interviewed for this report. He stated that CVEP adopted an economic “Blueprint” late last year that is designed to guide CVEP in its efforts over the coming years. He further stated that CVEP has been working with both current and new investors to fund the Blueprint efforts for now and into the future. Further he stated that CVEP is in the process of recruiting a Chief Executive Officer to run the organization and the effort.

In terms of deliverables, it was stated that CVEP distributed fourteen (14) leads to its investors (including Desert Hot Springs) over the past year. Of these one (1) lead made an economic investment into the region and two (2) other (a manufacturers) are still in process (meaning they are working with one or more brokers/developers/governmental entities for which to expand or locate a facility). The one lead that did make an economic investment was described as a company in the homebuilding industry that purchased a number of undeveloped lots or projects for which to build homes at such time as economic conditions warrant additional investment. CVEP reports that no site visits were made to Desert Hot Springs by leads in the last year.

CVEP did report that manufacturing/distribution type leads have typically expressed interest in sites within the State of California Enterprise Zone (at current the only Enterprise Zone in the Coachella Valley lies within the Cities of Indio and Coachella and parts of Unincorporated Riverside County). CVEP officials have recommended that based on the economic needs of their clients and overall marketing/image principles that the City of Desert Hot Springs pursue the following:

1. Work diligently to receive State approval for an Enterprise Zone, similar to the one that currently exists in Indio, Coachella and portions of Riverside County
2. Adopt a Facade Modernization Program similar to the Façade Improvement Program that is very basic in nature and targets commercial buildings for paint and signage (to continue to improve the image of the community). This program would have limits of \$25k-\$50k per building and again focus on basic esthetics.

3. Utilize the upcoming Health/Wellness Festival, Spa Tour and similar community events that not only bring people from Desert Hot Springs together but folks from outside the community to introduce them to Desert Hot Springs.

B. Palm Springs Desert Resorts Convention and Visitors Bureau (CVA)

The CVA was founded over 25 years ago as a sales & marketing organization designed to increase the amount of both group and general tourist business in the Coachella Valley. It was originally founded as a Joint Powers Authority and included membership from eight (8) cities plus the County of Riverside. Today, the CVA also includes about 450 members of the business community mostly representing those that benefit from additional tourist activity in the Coachella Valley. The agency is funded by a combination of dollars from transient occupancy taxes (TOT or Hotel Taxes); membership dues from private businesses and a hotel tax add on-charge of 2% of room charges (through a Business Improvement District or BID). The total budget of CVA for 2009 was \$9.5 million.

The City of Desert Hot Springs is a member of the CVA and contributed about \$58,000 in 2009. In addition, the Business Improvement District (Desert Hot Springs portion) generated an additional \$103,000 to assist CVA in marketing DESERT HOT SPRINGS and the region for tourism related activities. The City of Desert Hot Springs has representation by a City Councilmember on the Joint Powers Authority. Twenty businesses within the City of Desert Hot Springs (including 13 hotels) are members of CVA. CVA officials stated that some of the Desert Hot Springs area businesses actively participate on CVA planning and implementation committees. The Desert Hot Springs (area) hotels include:

1. Aqua Soleil
2. Areolas Spa & Resort
3. Desert Hot Springs Spa Hotel
4. El Morocco Inn & Spa
5. Hacienda Hot Springs Inn
6. Lido Palms Resort & Spa
7. Living Waters Spa
8. Miracle Springs Resort & Spa

9. Sagewater Spa
10. Sea Mountain Resort & Spa
11. Swiss Health Resort
12. The Spring
13. Two Bunch Palms Resort

CVA reports that in 2009, a total of 135 leads representing approximately 66,100 room nights were provided to Desert Hot Springs area hotels. Thus far in 2010 (through August 12, 2010) CVA has provided a total of 70 leads representing 83,600 room nights to Desert Hot Springs area hotels. Of the approximately 205 leads provided over the last 18 months, there has been one confirmed booking for 18 room nights. What is not known is of the leads provided, how many hotel proposals were provided by Desert Hot Springs hotels. Based on a review of the 2009 Annual Report, the CVA helped bring about 105,000 room nights to the Coachella Valley.

As with CVEP, CVA has also been asked to provide recommendations or insight on steps or actions that the City of Desert Hot Springs can take in order to increase the amount of tourists (aka bookings) in Desert Hot Springs hotels. The following were the recommendations of Judy Vossler, Interim Chief Executive Officer:

1. Continue to reduce crime in the community in order to enhance its overall image.
2. Participate in CVA cooperative marketing programs and projects (assumed to be those that call for funding in addition to funding CVA receives from TOT and BID).
3. Participate in continuing education process relative to how e-commerce and e-marketing positively impact those in the tourism business. It was suggested the City utilize Mr. Jeff Bowman (Living Waters Hotel) as a person whom has had great success with e-commerce marketing.
4. Participate in airline advertising campaign with WestJet and Alaska Airlines and other special advertising opportunities that are advantageous to the City of Desert Hot Springs.

Additionally, DMG recommends that the Desert Hot Springs area hotels (through the Desert Hot Springs Hotel-Spa Association) organize joint proposal training sessions with CVA staff in order to insure that the Desert Hot Springs hotels receive additional guidance on proposal presentation and timeliness. Additionally, Desert Hot Springs and the CVA should create a communication system that provides for timely feedback regarding proposals previously submitted. The information received from the clients will help both Desert Hot Springs

area hotels and the City of Desert Hot Springs work together to increase the competitiveness of the community. Further, Desert Hot Springs, CVA and the Desert Hot Springs Hotel-Spa Association should have two (2) joint meetings annually to discuss leads, bookings, proposals and process/proposal improvements.

Ongoing communication and participation between the CVA and the Desert Hot Springs Hotel-Spa Association should have a positive impact on future CVA marketing efforts. To date, CVA has had a major focus on group and convention business, which is compatible for many of the regions communities, though visitors to the City of Desert Hot Springs are generally are tourist/vacationers. Participation by the Desert Hot Springs Hotel-Spa Association with CVA is important to ensure that some marketing efforts are specific to the type of visitors that will frequent Desert Hot Springs establishments.

C. Inland Empire Film Commission

The Inland Empire Film Commission was founded in 1993 as an arm of the larger Inland Empire Economic Partnership (IEEP). The purpose of the film commission is to provide marketing and technical assistance to various types of production companies to encourage them to utilize various facilities, sites and locations within the Inland Empire for their activities. The Inland Empire is defined by the Film Commission as both Riverside and San Bernardino Counties. Specific to Desert Hot Springs, the Inland Empire Film Commission has twelve (12) production locations identified within the community in addition to one (1) commercial grade studio (Casablanca). These include the following:

- a. Bubbling Wells Ranch
- b. Cabot's Pueblo Museum
- c. Car Pad
- d. Desert Dunes Golf Club
- e. Desert Hot Springs Gas Station
- f. Desert Hot Springs Hotel & Spa
- g. Dillon Road
- h. Hacienda Hot Springs
- i. Kerr Ranch
- j. Mission Springs Country Club

- k. Two Bunch Palms
- l. Wiswald Ranch

IEFC funding for 2010-11 is approximately \$250,000. Funding comes from a variety of public sector agencies, permit fees (the IEFC is responsible for issuing permits for both Riverside and San Bernardino County), and through cost recovery arrangements with the United States Forest Service in Big Bear, Lake Arrowhead, Idyllwild and Little Creek along with the Barstow Bureau of Land Management (BLM). The IEFC reports that they are making final arrangements to be the permit agency for BLM in Needles as well. Below is a list of agencies (governmental) that currently help fund the IEFC:

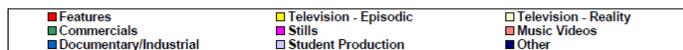
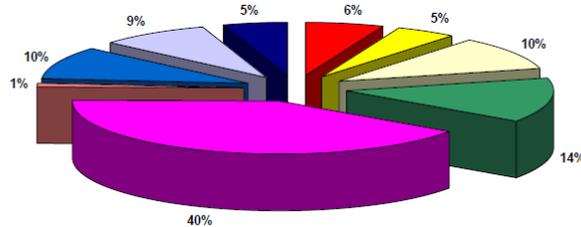
- a. County of San Bernardino \$50,000
- b. County of Riverside \$40,000
- c. City of Big Bear Lake \$29,500
- d. City of Temecula \$ 5,000
- e. City of Corona \$ 5,000
- f. City of San Bernardino \$ 5,000
- g. City of Upland \$ 5,000
- h. City of Riverside \$ 5,000
- i. City of Barstow \$ 3,000

Film Production Types in the Inland Empire (2009)

IEFC provided some key information regarding film and production in the Inland Empire for 2009. In 2009, there were 451 production projects created within the Inland Empire. Forty percent of these projects (about 180) were still shoot (photography) type projects. This can include magazine shoots, album cover, catalog and others. An additional 63 projects were for television commercial. Finally there were about 45 projects dedicated to each of reality television and documentary. Below is a chart showing a complete breakdown of production within the Inland Empire.

Exhibit L

2009
Filming Projects
Inland Empire
451 Projects

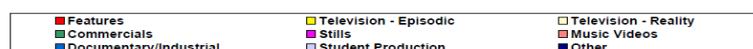
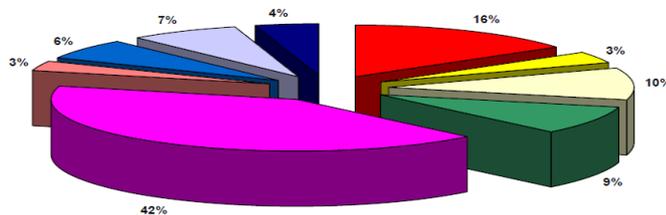


Film Production Days in the Inland Empire (2009)

During 2009, there were 1,279 production days for film projects in the Inland Empire. This means that on any given day, there were between 3 and 4 film projects occurring within the region. The average film production was about 2.84 days (1,279 total days, 451 total projects). When comparing the number of projects and project types to the number of days, it is interesting to note that both still photography production and music videos take more time to produce than the average, while commercials take less time. This is helpful in understanding which types of production have the greatest economic impact on a regional economy. Below is a breakdown of the production days by percentage. Photography (stills) accounted for 42% of the production days while feature production accounted for 16% of the production days.

Exhibit M

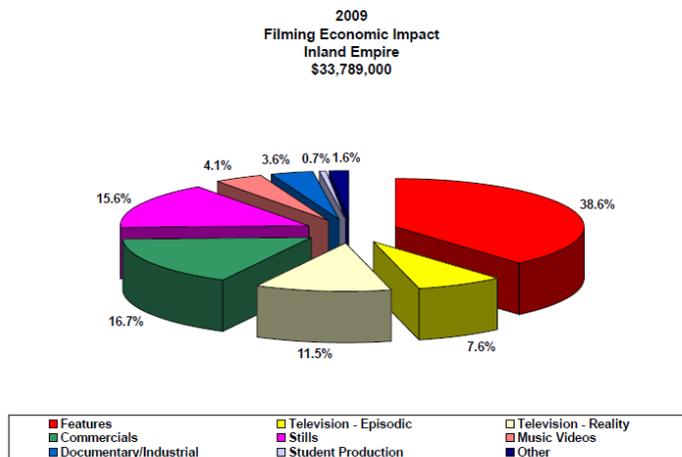
2009
Filming Production Days
Inland Empire
1,279 Days



Total Economic Impact from Production in 2009

The total economic impact of production in the Inland Empire in 2009 was \$33,789,000. This translates to a \$26,418 impact on the regional economy per production day or about \$75,027 per project. From the chart below, we learn that features and commercials had the greatest economic impact on the region in 2009. By the nature of the production, there is more equipment, staff and time involved then for an activity such as still (photography) shoots.

Exhibit N



During the same period (2009) there were a total of nine (9) productions shot in the City of Desert Hot Springs. These included stills, commercials and television and included fourteen and one-half total production days. It is estimated that the total economic impact of these productions was \$337,750.

Exhibit O

Company	Production Title	Type	Month	Year
Warner Brothers Television	Southland	B. Television - Episodic	I. September	2009
1 Project				
Supply and Demand	Hartford Insurance	D. Commercial	B. February	2009
Alturas Films	San Diego Zoo	D. Commercial	D. April	2009
Optemen Productions	Samantha Bronns Great Weekends	D. Commercial	E. May	2009
AVSO/A Very Small Office	Ford	D. Commercial	L. December	2009
4 Projects				
North Six, Inc.	Calvin Klein Jeans	E. Stills and Catalog	D. April	2009
Anderson Hopkins Photography	Lexus	E. Stills and Catalog	H. August	2009
H&M Film / Locations Unlimited	European Billboards	E. Stills and Catalog	K. November	2009
3 Projects				
Chapman University	Gone South	H. Student Production	H. August	2009
Chapman University	Gone South	H. Student Production	K. November	2009
1 Project				

Exhibit P

2009
Projects for Film
Desert Hot Springs
9 Projects

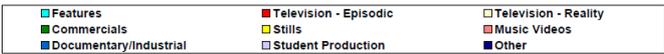
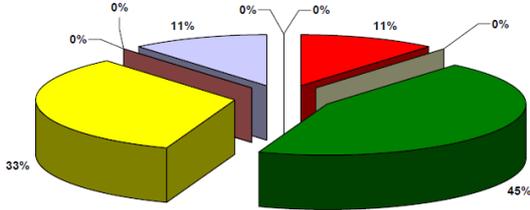


Exhibit Q

2009
Production Days for Film
Desert Hot Springs
14.5 Production Days

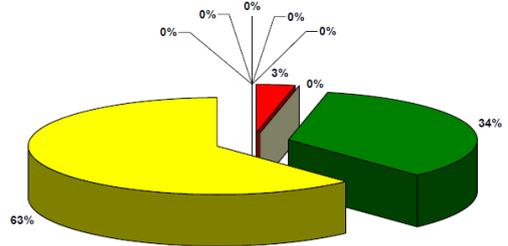
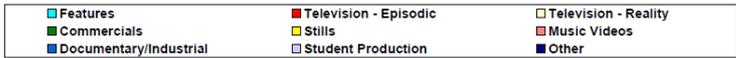
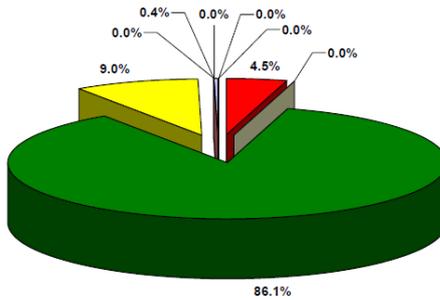


Exhibit R

2009
Economic Impact for Film
Desert Hot Springs
\$333,750



Production companies continued in 2010 to have an interest in Desert Hot Springs. Through the month of August, 2010 there have been seven (7) film projects within the community that have had an economic impact estimated at \$135,500. These have included five still productions and two (2) commercials.

Exhibit S

Company	Production Title	Type	Month	Year
Bam Productions / Locations Unlimited	Next Directory	D. Commercial	C. March	2010
Damon Productions	Cadillac	D. Commercial	C. March	2010
2 Projects				
Studio F3 / Scott Richard Gerst	Richard Gerst Photo Shoot	E. Stills and Catalog	A. January	2010
Stardust Visions	Macy's Her	E. Stills and Catalog	B. February	2010
BAM Productions	Next Directory	E. Stills and Catalog	D. April	2010
Locations Unlimited	Gerry Weber	E. Stills and Catalog	D. April	2010
North Six Productions	Louis Vuitton	E. Stills and Catalog	F. June	2010
5 Projects				

Exhibit T

January - August 2010
Projects for Film
Desert Hot Springs
7 Projects

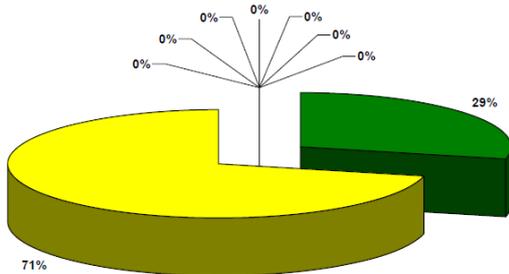


Exhibit U

January - August 2010
Production Days for Film
Desert Hot Springs
9 Production Days

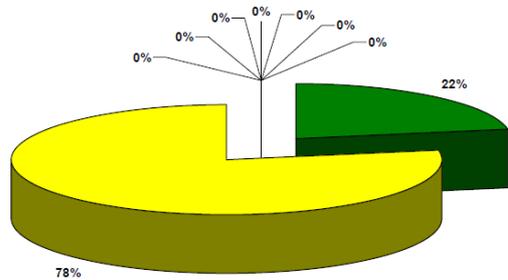
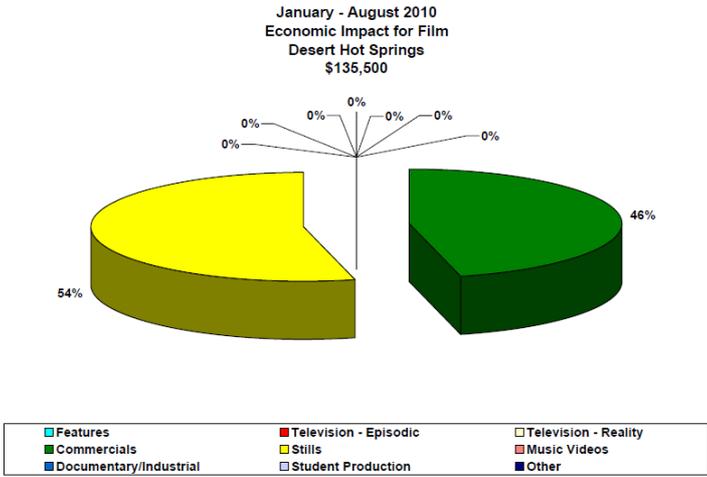


Exhibit V



Inland Empire Film Commission Recommendation

The Inland Empire Film Commission markets the region in a variety of ways, mostly through industry specific trade shows and events. They also produce a catalog and other promotional material that features production locations throughout the region. While they do market the entire region (whether or not a specific jurisdiction funds IEFC), there is significantly more exposure given to those that do help with funding. It would be our recommendation that the City of Desert Hot Springs work with the businesses/locations within the Community on a 50/50 funding program where for every dollar that the locations within the community contribute to the Film Commission that the City matches it (to a maximum of \$5,000 total per year). It is further recommended that the City work with these locations on a five-year agreement. During that time, the IEFC along with the City will track the production days and utilize the industry averages to determine the economic impact to the community and region. The City should also feature the concept of film production and potential locations in all marketing materials produced.

Bottom Line of Regional Partnerships

The Coachella Valley Economic Partnership, Palm Springs Desert Resorts Convention and Visitors Bureau and the Inland Empire Film Commission all provide additional economic opportunities and leverage for the City of

Desert Hot Springs and the residents of the City. The opportunities these three organizations garner do benefit the community as a whole and the City of Desert Hot Springs is best to participate in them while at the same time expecting both specific performance for the benefit of the community and regional benefit (as many residents of the City of Desert Hot Springs work outside the city and benefit from economic activity in the region).

9. Introduction to Recommendations

Economic Development is commonly defined as any activity that increases the overall wealth of a community. There are a number of elements to economic development in any community. For the City of Desert Hot Springs, economic development falls within a number of disciplines. The balance of this report will address specific recommendations of Development Management Group, Inc. to foster economic development through these categories:

1. Community Brand/Image
2. Housing as an Economic Development Tool
3. Retail Opportunities (General)
4. Hospitality/Spa/Holistic Tourism
5. Freeway Corridor
6. Regional Partnerships

Note that the success of this (or any other) economic development strategy will be dependent upon a number of variables including:

1. State of the Overall Economy
2. Recognition, Understanding and Ownership of the Strategy by Community Members and Civic Leaders
3. Involvement of Community Members and Civic Leaders
4. Engagement and Active Participation of Business, Social and Religious Organizations within the Community
5. Involvement of Outside Agencies and Organizations (Governmental, Business and Social)
6. Business Community Members (both Local and those with Local Presence)

7. Funding (Private Investment, Local/State/Federal Government Assistance), Charitable Entities/Organizations
- In addition, many community leaders discussed the need for business retention strategies. Many such strategies are incorporated directly into this plan within the categories previously defined.

10. Community Brand/Image Recommendations

After communicating with various civic, community and business leaders throughout the region, Desert Hot Springs has a serious and broadly held image problem. The root of the problem is a perception that crime and drug use rates are high, streets are older, graffiti is prevalent and that the government in general is not "credible." The reality, in many cases, is far different than the perception. It is important that the City of Desert Hot Springs continues to take steps to help with its image. The following are a listing of actions that the City should consider (those without a full explanation are those that while important to the City and community are outside of the expertise of this consultant):

- A. **Public Safety**, reducing crime rates and gang activity.
- B. **Graffiti Removal**, ensuring that the City (including private properties) is free of graffiti and similar defacing.
- C. **Debris Removal**, ensuring that the City (including private properties) are free of debris including general litter and household items that are either stored in public view or disposed of on empty lots. Determine if those needing community service hours (for minor criminal activity) can be utilized for this purpose. It makes sense that those that are residents of the community that need to perform community service do so within Desert Hot Springs.
- D. **Increased Local Communication** between City Hall and residents to insure that the community knows what policy and lifestyle decisions the City Council and staff are enacting and implementing. This can be accomplished through a monthly online newsletter (also sent via email) that shares what is going in the City/community. In addition, the City of Desert Hot Springs should establish ongoing relationships with local church leaders in order to foster greater communication between residents and the City itself.

E. **Increased Regional Communication** between City Hall and residents/members of the business community throughout the entire region (defined as the Coachella Valley) to ensure that people throughout the region know what is happening with Desert Hot Springs.

F. **Increase Community Participation**, work with various quality of life providers (park and recreation district, boys and girls club, YMCA, churches, community based groups/organizations) to increase the number of and participation in community events (whether softball leagues, concerts and festivals).

G. **Branding/Image Slogan**, Desert Hot Springs must create a 2-5 word moniker/branding statement that foster a sense of pride and confidence among residents while inspiring potential visitors and investors to explore the community for leisure and business purposes. Along with this the City/Chamber and/or Hoteliers should utilize the jointly created brand on all messaging in order to leverage the community image. Finally, business leaders need to implement use of the brand by residents to reinforce it and create a sense of wide-spread community pride.

H. **Economic Development Training**, Implement a 2-3 hour economic development training/workshop class that is certificated by the City Council that is available to civic leaders, staff, members of the business community, teachers, age appropriate students and community members (residents).

I. **Regional/National Public Relations**, The City of Desert Hot Springs should utilize an online news software/clipping service (for credible news sources, not blogs!) for which to gauge the media coverage of the community especially how it relates to quality of life and tourism. Additionally, the City should acquire a Business Wire account and utilize it to provide super-regional media outlets with stories and information about the community (business openings, awards, community events). Additionally, the City should train a few staff members on how to release information to local media (The Desert Sun, The Public record, KESQ, KMIR, KPSP and radio stations) to ensure regional residents and business owners know of positive events and stories from Desert Hot Springs.

J. **Entry Monument Signs**, Install Desert Hot Springs entry monument signs along major corridors with theme that celebrates both past and best attributes of community to welcome visitors and give residents sense of focus

and place. In addition, the City needs to work to develop an overpass/bridge theme for the new I-10 Palm Drive interchange.

K. ***Remove Dilapidated Buildings***, utilizing code enforcement identify and have removed dilapidated buildings (both commercial and residential) throughout community.

L. ***Public Works Projects***, continue the work to replace streets, install sidewalks and generally upgrade the road/pedestrian infrastructure throughout the City. Additionally, the City should create a long-term infrastructure improvement plan that defines projects needed and basic cost estimates in order to obtain funding from various local, regional, state and federal agencies as they become available.

M. ***Landscaping***, for City or landscape/lighting districts including medians, parks and other areas consider removing unnecessary grass and converting to drought resistant landscaping in keeping with lowering maintenance costs and preserving water resources.

N. ***Miracle Water Feature***, the City of Desert Hot Springs is known for clean, healthy and great tasting water. Consider constructing and operating a "public drinking water facility" that allows for residents and visitors to acquire water for use (generally bottle and home) from a community tap source that is built as a focal feature at the core of the City. Such feature should be linked to the police department camera system.

O. ***Community Activities/Marque Events***, by increasing the number of community based activities (social organizations, senior activities, youth sports, church sponsored events and general community gatherings) the City of Desert Hot Springs will become a more cohesive community.

P. ***City/Community Involvement in Education***, Long-term growth and economic success of a community like Desert Hot Springs is tied to having a well educated group of residents. In California, where cities and school districts are independent bodies, cooperation is needed between the two entities for success. In the near term, increased interaction and communication will provide ideas for improvement.

1. The Desert Hot Springs City Council and the Palm Springs Unified School District should consider creating an ad-hoc work group comprised of both elected and staff representatives to work on issues/items of common concern, meeting at minimum of twice per year.

2. The City Manager should consider establishing a joint education committee with PSUSD comprised of the principals of each school in Desert Hot Springs (including a District Security Officer) along with the City Manager and each of the department heads for the City of Desert Hot Springs. This group should also meet at least once or twice a year to increase communication between the two entities, meeting on a rotating basis at the various schools or community facilities in Desert Hot Springs. In addition, the City Council may choose to create a “Two by Two Committee” similar to the one that exists between the City of Palm Desert and the Desert Sands Unified School District whereby members of the City Council and members of the PSUSD meet a few times a year to discuss education and municipal items of mutual interest.

11. Housing as an Economic Development Opportunity Housing

The strongest and most vibrant economies across the United States share the common thread of high levels of home ownership. In the City of Desert Hot Springs 48% of housing units are owner occupied. In the Coachella Valley as a whole 66% of housing units are owner occupied, the State average is 58%. There is no question current economic conditions are putting stress on these ownership levels as many homeowners have lost their property to foreclosure.

Why is homeownership important? There are two main reasons. First, those who own their own home are more likely to be longer term residents (meaning for many years or generations instead of just months). This usually means they will take greater pride in their dwelling than those that rent. Second, they are more likely to become active in the community (non-profits, community service, schools, youth sports, churches/places of worship). All of these elements are important to the overall socioeconomic health of the community.

So what can the city and/or community do to increase homeownership opportunities? There are a number of projects and partnerships that can be formed. The City and/or Redevelopment Agency may already be doing these.

A. ***First Time Homebuyer Program***, Utilize housing set-aside funding to establish and operate a first-time homebuyer program that offers a silent second to help these buyers purchase their first place. Individuals or families doing so would have to meet income requirements. It is recommended that this program is used for low to moderate income buyers generally targeting those that make between 81-120% of the county median income (adjusted by family size). The City may choose to only make currently “foreclosed homes” eligible

for this program as to spur absorption of vacant homes rather than creating an incentive on new homes when there is significant high quality house stock available.

B. *Owner-Occupied Single Family Housing Rehabilitation Program*, utilize housing set-aside funding to establish and operate an owner-occupied housing rehabilitation program. The City of Desert Hot Springs already has a large number of home owners that are low to moderate income (based on household income). Many cities also do these in the form of a silent second and the funds are typically utilized for a variety of exterior renovation projects including roofing, energy efficient windows, painting and debris removal. This type of program can make a substantial impact in neighborhoods where the housing stock is aging but has a higher level of owner occupancy.

C. *Remove of Dilapidated Residential Units*, Removal of housing units beyond their economic or useful life. Some communities call this a revert to dirt program in which homes or apartments that are generally dilapidated and have significant code enforcement issues are removed. This has the effect of removing blighted building(s) and reestablishing the property for a future development opportunity.

D. *Pooled Community Banking Lending Authority*, working with all regional based community banks, established a shared risk loan pool that is available for home buyers (owner occupied) to establish additional credit resources. In the Coachella Valley this would include Canyon National Bank, Desert Commercial Bank, El Paseo Bank and Sunrise Community Bank.

E. *Pre-Closing Code Inspection*, the City of Desert Hot Springs may consider a mandatory pre-closing inspection for all housing units or certain types of housing units. This will enable code enforcement to insure that the ownership transfer is partially dictated by bringing the housing unit(s) up to an acceptable standard.

F. *Rental Door Tax*, there is significant evidence that rental housing has a greater need for community based services than owner occupied. This includes both public safety services (police and fire) and code enforcement. The City of Desert Hot Springs may consider requiring ANY person and/or entity that is renting or leasing housing to another person to acquire a special permit from the City. Funds from this permit can be used solely for code enforcement purposes to do pre-inspections on the housing units, annual inspections on the units and

insure that property owners are keeping their unit(s) at a certain standard (for the betterment of both the tenant and the community).

G. *Vacant/REO Home Reporting Process*, the City of Desert Hot Springs should consider adopting appropriate legislation that requires the owners of vacant residential units (including REO's) to report periodically to the City the status of the unit to ensure that it is a) secure and b) there is an action plan in place to seek occupancy of the unit.

H. *New Homeowner Welcome Package*, in conjunction with both the Chamber of Commerce and area businesses, develop a package that is presented by either real estate brokers or title/escrow personnel to all new homeowners to the City of Desert Hot Springs. The package should contain city, school and community resource information and can include certificates (generous ones!) from Desert Hot Springs businesses as a means of a) welcoming the new resident b) introducing them to the businesses that are in the community to serve them.

I. *Limit or Moratorium New Low Income Housing*, community members have suggested that the City of Desert Hot Springs has a substantial amount of "market affordable housing" and that the City should consider local legislative action that would either severely limit or outright place a moratorium on new low income housing until such time a greater amount is truly needed.

12. Retail Opportunities

In 2009, it is estimated that the demand from residents and visitors to Desert Hot Springs for consumer related products was \$405,331,000. Only \$209,211,000 (or about 52% was supplied by retailers in Desert Hot Springs). This means that retailers have an opportunity to capture \$196,120,000 of current retail demand.

The City of Desert Hot Spring currently does not have enough retail establishments for which to serve the community, meaning the demand outweighs supply. The result of this is that many residents leave the community to buy many consumer items or purchase items during the course of their commute to and/or from work. If the community was at capacity, it would generate an additional \$196 million in retail sales. This

would generate an additional \$2 million of sales tax in addition to business license fees and property taxes. This would also reduce the commutes of residents traveling outside the area for their shopping needs.

Below are a list of the categories of retail for which the City of Desert Hot Springs has the greatest opportunity, and provides a list of retailers what the City may choose to target for expansion:

Retail Categories with Greatest CURRENT Opportunity

Category	2009 Demand	2009 Supply w/in DHS	Market Opportunity
Motor Vehicles	\$54,628,000	\$ 7,921,000	<i>\$46,707,000</i>
Automotive Parts	\$ 5,462,000	\$ 3,853,000	<i>\$ 1,610,000</i>
Furniture/Home Furnishings	\$ 7,363,000	\$ 1,068,000	<i>\$ 6,295,000</i>
Electronics-Consumer	\$ 9,319,000	\$ 1,477,000	<i>\$ 7,842,000</i>
Building Materials	\$37,774,000	\$10,792,000	<i>\$26,982,000</i>
Food & Beverage Stores	\$63,804,000	\$55,949,000	<i>\$ 7,855,000</i>
Health/Personal Care/Pharmacy	\$21,885,000	\$10,356,000	<i>\$11,529,000</i>
Gas/Service Stations	\$50,829,000	\$42,010,000	<i>\$ 8,819,000</i>
Clothing Stores (All)	\$18,175,000	\$16,162,000	<i>\$ 2,013,000</i>
Sporting Goods	\$ 7,261,000	\$ 945,000	<i>\$ 6,315,000</i>
Full Service Food	\$20,159,000	\$ 7,927,000	<i>\$12,232,000</i>
Limited Service/Fast Food	\$19,238,000	\$ 8,241,000	<i>\$10,996,000</i>

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B. Demographics Brief: Expanded Trade Area

EXPANDED TRADE AREA (7 MILE RADIUS OF HACIENTA AND MIRACLE HILL) CITY OF DESERT HOT SPRINGS, CALIFORNIA

Retail Categories with Greatest CURRENT Opportunity

Category	2009 Demand	2009 Supply in M/A	Market Opportunity
Motor Vehicles	\$57,200,433	\$ 7,247,185	\$ 49,953,248
Automotive Parts	\$ 5,919,868	\$ 3,521,549	\$ 2,398,319
Furniture/Home Furnishings	\$ 8,455,237	\$ 2,954,078	\$ 5,501,159
Electronics-Consumer	\$ 10,125,944	\$ 4,645,032	\$ 5,480,912
Building Materials	\$40,900,427	\$13,246,011	\$27,654,416
Food & Beverage Stores	\$73,465,917	\$55,032,873	\$18,433,044
Health/Personal Care/Pharmacy	\$26,913,201	\$15,412,202	\$11,500,999
Gas/Service Stations	\$43,913,123	\$35,151,981	\$ 8,761,142
Clothing Stores (All)	\$21,181,904	\$16,042,505	\$ 5,139,399
Sporting Goods	\$ 8,495,149	\$ 1,474,283	\$ 7,020,866
Full Service Food	\$23,510,105	\$ 7,962,640	\$15,547,465
Limited Service/Fast Food	\$22,611,969	\$ 10,810,438	\$11,801,531

M/A= Market Area

While there are mixed emotions about national, super-regional and franchise operations in various communities, the economic reality is that there is an economy of scale which generally makes them successful. Additionally, it is important that any community balance the presence of larger "chain" businesses with locally non-branded ones. The following page contains a list of national and super-regional businesses with facilities in the City of Desert Hot Springs.

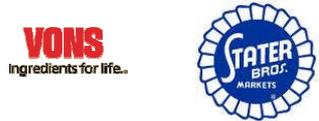
Fast Food/Quick Serve

- McDonalds
- Jack in the Box
- Carl's Jr.
- Del Taco
- Starbucks
- Subway
- Pizza Hut
- Kentucky Fried Chicken
- Dominos Pizza
- Little Caesars
- Wienerschnitzel



Supermarkets

- Vons & Stater Brothers



Automotive Fuel/Convenience

- Arco Am/PM
- Chevron
- 7/11



Financial Institutions/Tax Prep

- Wells Fargo
- Bank of America
- Chase
- BBVA Compass Bank
- Jackson Hewitt



Pharmacy/Health & Beauty/Sundries

- Walgreens & Rite Aid



Automotive Parts/Service/Rental

- Autozone
- Kragen
- Jiffy Lube



Other National Retailers

- Radio Shack
- UPS Store
- World Gym
- Kmart



Further evaluation of the retail economic opportunity (by category) and recommendations for retail recruitment are described below:

A. **Motor Vehicles:** based on market size, the residents could purchase an additional \$47 million annually in new/used cars. It is highly unlikely in the near term that automotive dealerships (that are generally already struggling) would relocate or expand into the city. The City may have an opportunity for one or two additional **private pre-owned car lots** which specialize in late model, low mileage vehicles. Often times these types of dealerships also offer in-house financing to those of challenged credit. The second opportunity relative to the automotive industry is working with a few of the larger brands (Toyota, Ford, Honda) on the development of an **express center** in Desert Hot Springs. An express center would contain a building with 3-5 service bays for routine work on a specific brand. This has been made popular by both Toyota and Ford in recent years. It also acts as a precursor to establishing full-service car dealerships in the community as the population and demand grows. Finally, the popularity of near new car dealerships (such as Auto Nation) may provide a freeway retail opportunity where land is plentiful and easily accessible for consumers from throughout the Coachella Valley.

B. **Automotive Parts:** based on market size, the residents could purchase an additional \$1.6 million annually in automotive parts. Currently Autozone and Kragen serve the community. These are the two most known national chains that serve the Western United States. The City could consider working with one or both of these companies on expansion or remodeling projects that may increase their sales.

C. **Furniture/Home Furnishings:** based on market size, the residents could purchase an additional \$6.3 million in furniture/home furnishings within the City. This is a strong market opportunity for an independent furniture retailer to come forward. The City may choose to work with either known furniture providers from within the Valley for a satellite store or encourage a new entrepreneur to serve this market. It should be noted that there has been a shift in the segment over the past 10 to 15 years. There was a time when there were furniture stores in smaller cities that served that community. This process seemed to cease when Heilig-Meyers went out of business about 10 years ago. Today, furniture is a more regional product and companies like Ashley and Mathis Brothers dominate the market place. There are still some limited opportunities for mattress/bedding stores in smaller communities.

D. **Electronics**: based on market size, the community can support an additional \$7.8 million in electronic sales. The best target for this is **Radio Shack** which does open smaller (2,000 square foot) stores and does offer franchise opportunities.

E. **Building Materials**: even in difficult economic times, homeowners are continuously making improvements. Sales to residents of Desert Hot Springs residents could support an additional \$27 million in building materials. Considering the average Home Depot/Lowes does about twice this in sales, it may be difficult to recruit them at this time, though it is highly possible this retail opportunity could be capitalized by the expansion of current **True Value** or **Ace Hardware** type operations in the community.

F. **Food & Beverage Stores**: At current, retailers have done a good job at ensuring that there are shopping opportunities for persons seeking grocery stores. Stater Brothers, Sav-A-Lot and Vons both serve the market place and account for most of the current \$56 million in sales (small convenience stores/liquor stores fill the balance). There is a market opportunity for about \$7.8 annually in sales. This could be met with a **Fresh and Easy** (TESCO) operation, independent specialty market that caters to holistic/organic lifestyles or a Hispanic oriented grocery market (such as **Cardenas**).

G. **Health/Beauty/Pharmacy**: the current market opportunity is about \$11.5 million. Walgreens and Rite-Aid account for most of the \$10.3 million being provided. The market is definitely large enough to support one additional, such as **CVS**.

H. **Gas/Service Stations**: the current market opportunity is for an additional \$8.8 million in sales. **AM/PM**, **Shell and Valero** are the three most likely candidates for which to pursue expansion. The development of additional retail space on key intersections will create additional pad opportunities for gas/service stations. While many cities frown on fuel operations, they are both important for the public and do generate significant sales tax.

I. **Clothing Stores**: somewhat surprisingly the market opportunity for clothing stores is more limited at about \$2.2 million annually. There are some national chains that specialize in smaller store sets that are within retail centers. Based on a tour of the city, the most likely candidate would be **Payless Shoes**, which has historically done well in communities with similar demographics as Desert Hot Springs.

J. **Sporting Goods**: the community offers almost no sporting goods for sale and as such, there is a \$6.3 million market opportunity. Based on the demographics of the community, **Big 5** would be a great match to serve the youth and adult sports. In addition, the Highway 62 corridor may successfully host sporting goods suppliers that cater to the hiking/rock climbing community (similar to **REI**).

K. **Full Service Food**: the market opportunity on an annual basis is about \$7.9 million for full service restaurants (sit down, table service). The Coachella Valley is known for a variety of both national/regional chains and local restaurant owners that have done well. The City should consider pursuing **Applebees, Chili's, Denny's and International House of Pancakes (IHOP)** from a national perspective and engage a local group of restaurant owners to advise them on potential expansion of local type sit down restaurants. It is recommended that Lee Morcus, Ray Rodriguez and Stuart Davis be consulted for this project. Between these three persons (and their families/associates), they operate over a dozen restaurants in the Coachella Valley.

L. **Limited Service/Fast Food**: there is a market opportunity for an additional \$8.2 million annually for limited serve restaurants. This could include **Jack in the Box, Quizno's, Arby's and El Pollo Loco**. In addition, the community would be served well if companies like **Swiss Donut** (that has other locations in the Coachella Valley) or a restaurant like **John's** or **Goody's** had a presence in the community.

M. **Multi-Category Big Box Discount**: There are two (2) major retailers that would absorb some of the market opportunity in a variety of categories. **Walmart and Target** both operate stores that offer consumers groceries, pharmacy, health & beauty and soft goods (sporting goods, clothing). There is no question that the demographics and market opportunity in Desert Hot Springs would support a SuperWalmart (a Wal-Mart that offers full-service grocery).

There are also a couple categories of retail that are really not included in the previous analysis that should be considered. This includes **pet supplies** and **personal care (hair care/styling)**. Both of these categories have national and super regional market players that could put a presence in Desert Hot Springs.

N. **Commercial Real Estate Professional FAM Trip**, the City of Desert Hot Springs should conduct at least one real estate professional (broker/developer) tour/experience days each year that brings regional brokers/developers to the City for a 1-2 hour tour of the community including residential areas, commercial

corridors and quality of life components (parks) and a 1 hour lunch that is hosted by the City/area businesses and provides additional information on recent economic successes along with a candid question and answer session.

O. *Individual Meetings/Tours with Commercial Real Estate/Finance Professionals*, in addition to one tour/experience day for a group of real estate professionals, Desert Hot Springs should endeavor to host individual tours once a year for each of the top 20-30 real estate professionals and the top 20 financial (banking) professionals in the region. This would equate to 2-3 tours a month designed to build relationships between key city staff and the real estate/finance community.

P. *Economic Development Investment Incentive Program*, as the marketplace for the few projects/tenants is extremely competitive, the City of Desert Hot Springs and Redevelopment Agency should consider adopting a real estate professional incentive program that provides for additional performance based compensation to brokers/developers that bring certain types of businesses to the community. Such businesses should be those that are in retail, hospitality and service/industrial sectors.

Q. *Major Retail Center Facade/Signage Improvement*, work with owners of the three (3) major retail centers implement a facade improvement and signage program that will help freshen the centers. This can also be considered part of a business retention strategy.

R. *Inventory of Available Space*, maintain an inventory of all retail (and other commercial) space available in the City of Desert Hot Springs and have communication mechanism to ensure that regional real estate professionals (Coachella Valley and Inland Empire) know what is currently available and ready for immediate occupancy.

S. *Identification of Retail Development Opportunities* understand and inventory key intersections and other potential retail center development opportunities along Palm Drive.

T. *Further Identification of Boutique or Local Owned Retail Operations for Recruitment/Expansion*, the City of Desert Hot Springs should consider both an aggressive recruitment for locally owned businesses and boutique retail/service providers to provide residents and visitors with a mix of both chain and local shopping

opportunities. Opportunities for local and boutique businesses hold the most promise in the holistic health, personal service and antique retail sectors.

U. ***Buy Local Marketing Strategy***, as part of a business retention strategy, the City and local businesses should have quarterly or annual programs that encourage residents and visitors to shop within the community. Retail recruitment will not ultimately be successful unless the businesses currently located in the community are successful.

V. ***Retail Entities Expanding in California***, in addition to the retail recruitment recommendations above, the following have been identified as "actively expanding" in California and may be a match to locate facilities in the City of Desert Hot Springs:

Retail Stores

1. 99 Cents Only Stores
2. Big Lots
3. GameStop
4. Kohl's
5. Petco
6. Ross Dress for Less
7. Susies Deals
8. Target
9. The Alley

Restaurants

1. Bob's Big Boy
2. Buffalo Wild Wings
3. Chick-fil-A
4. Sonic Drive In

Food & Drug Stores

1. Fresh & Easy
2. Save Mart Supermarkets
3. Smart & Final
4. WinCo Foods

13. Hospitality/Spa/Holistic Lifestyle Hospitality Retention/Expansion

Hospitality retention and expansion in the Coachella Valley region is based on the ability for that business to successfully bring customers to the establishments. The City of Desert Hot Springs already has a number of both known world-class and boutique hotels in the community. The partnership that Desert Hot Springs has with its hospitality industry and the Palm Springs Desert Resorts Convention and Visitors Bureau is vitally important to the overall health of the hotels. The following are the steps that should be taken:

- A. ***CVA Participation***, work to ensure that each and every hotel, full serve restaurant and tourist attraction type business in the community is part of the CVA.
- B. ***Increase CVA Communication*** with Hospitality Community, ensures that the marketing program of CVA for both convention/group business and recreational tourists has been concisely communicated to the hoteliers in the community. Ensure that the CVA program reflects (to a reasonable degree) the market that Desert Hot Springs Hotels are prepared to serve (including those interested in a holistic lifestyle).
- C. ***Increase Success Rate of Local Hotels from CVA Leads***, Conduct annual meeting/workshop between CVA and Desert Hot Springs hoteliers regarding how they can best respond and provide proposals to support CVA clients/customers.
- D. ***Special, Community Sponsored Events***, develop long-term partnerships through a group of interested hospitality industry businesses, retailers and groups to host special events/attractions/festivals to the community. This will not only help build a long-term identity for the hoteliers and community and bring new business to the hotels but will also foster relationships between those in the hospitality industry in Desert Hot Springs.

E. ***Designate Pierson Street as a Holistic/Renewable Corridor***, thus encouraging smaller independent businesses and organizations that include resale stores, antique stores, metaphysical, spiritual, alternative religion, healthy dining, vitamin/supplements and other independent type stores that cater to the holistic health lifestyle.

F. ***Transient Occupancy Rates (Hotel Taxes)***: Complete quick study of comparable Transient Occupancy Tax Rates and adjust the City of Desert Hot Springs as appropriate (with voter approval).

G. ***Inventory of Available Space***, create and maintain database of available facilities for use (commercial purposes) along the Holistic/Renewable Corridor.

H. ***Micro-Facade Program***, create and operate a micro-facade improvement program that allows for smaller and independent businesses (whether leasing or owning a facility) allowing for new paint, awnings and signage. Most smaller storefronts could work with a program that has limits of \$5,000 to \$7,500.

I. ***Community Based Mural Program***, develop a mural program that can be implemented on the side of older but still useful buildings throughout the community that celebrates such themes as the history of Desert Hot Springs along with its hot water routes and vortex.

J. ***Joshua Tree National Park Access***, Joshua Tree National Park welcomes literally hundreds of thousands of visitors annually. The major access to the Park is from the Joshua Tree area (between Yucca Valley and Twenty-Nine Palms). The community should pursue a trailhead and access point beginning at Cabot's Museum. This will generate additional tourism into the City of Desert Hot Springs from persons seeking to stay in the Coachella Valley, but also have easy access to the National Park.

14. Freeway Corridor Opportunities

The City of Desert Hot Springs is at a crossroads relative to the newest portion of the City. The Interstate-10/Palm Drive Corridor opens new long-term opportunities for economic development. There are a few potential areas that as a stand-alone or in combination should be explored for development purposes.

A. ***Transient Traveler Services***, the City of Desert Hot Springs can plan for and receive a series of low to mid-priced hotel development. Simply stated, there are a number of hotel development chains/groups that desire to construct properties with 80-100 rooms that generally retail for between \$80-\$120 per night. This could include Motel 6, Super 8, Holiday Inn Express, Hampton Suites, and Comfort Inn & Suites. The City should immediately prepare a market opportunity briefing (one to two pages) and have an ongoing communications plan to ensure that the development professionals with each of these hotels know the ongoing opportunity.

B. ***Industrial/Service/Flex Space***, it should be noted that there is little to no currently developed industrial/service/flex space built in the City of Desert Hot Springs. For there to be industrial/service/flex growth in the community, there would have to be new buildings developed for which to be occupied. Over the near term (3-5 years), it is highly likely that the economy of the Coachella Valley will continue to be under downward pressure. Even at stability, there will be a significant amount of vacant industrial and flex-space throughout the region. This vacancy will minimize the demand for and the likeliness of new construction. To encourage new development, the City of Desert Hot Springs will need a combination of tools at its disposal including CVEP functioning at a high level relative to business recruitment, a quick, concise and professional project approval process, available infrastructure to potential industrial sites and tax benefits that are advantageous to companies that would otherwise not locate in the region to consider an investment. There may some opportunities that are very specific to the Western portion of the Coachella Valley Freeway oriented, solar turbine assembly, solar panel manufacturing, assembly, offices to support renewable, distribution. Additionally, Desert Hot Springs should consider a strategy that generates business location and expansion for industrial/service type businesses that support the hospitality, restaurant and golf industries that are located elsewhere in the Coachella Valley region. Businesses fitting these categories include:

- A. Linen Supply/Linen Cleaning
- B. Furniture Restoration
- C. Restaurant/Food Supply
- D. Golf Course Maintenance and Supply
- E. Country Club Maintenance and Supply

Along these lines, the City of Desert Hot Springs and regional real estate professionals with sites in the community must have an active and available inventory that can be provided to CVEP when requested for

pending leads. The City should have a goal that each and every lead that CVEP provides has a Desert Hot Springs site (if available).

C. ***Renewable Energy Generation Facilities***, the community's proximity to wind resources, transmission infrastructure and available sunshine may provide an immediate opportunity for the City to pursue both wind and solar energy generation. This will help create both construction and permanent (operational) jobs while adding to the amount of renewable energy available to California consumers.

D. ***Recreation Based-Tourism***, one area worth significant consideration is that of planning, constructing and operating a facility that could house one or more of the following: baseball, softball, soccer, water sports (swimming, water polo, diving and synchronized swimming) or equestrian. In the last ten years there has been a rise in the number of youth sports travel teams. This has created a new economic development category known as recreation based tourism, where communities are hosting a number of events, usually tournaments. The visitors stay in hotels, eat in restaurants and patronize area businesses. While the freeway corridor typically has some major wind issues, there could be some site engineering that could protect participants and fans from the wind.

E. ***Interstate 10 and Highway 62 Travel Centers***, as the City of Desert Hot Springs is bordered on two sides by major transportation corridors, there are retail/service opportunities for travel centers. The immediate market is for Highway 62 as travelers to and from the High Desert have a 30+ mile distance between Yucca Valley and Cabazon for travel related services. An example would be the Arco AM/PM super facility in Thermal (Avenue 66) that includes fuel, convenience store, Starbucks and other quick serve food operations.

F. ***Utility Service Ad-Hoc Subcommittee***: The growth of the freeway corridors will be heavily dependent upon the ability for that area to be served with utilities. The City should have a formalized process that involves representatives from both the City and Mission Springs Water District to work on issues of joint concern, meeting (at minimum) twice per year. Further, the City should consider inviting Mission Springs Water District to appoint a representative to serve on the Economic Development Commission. Additionally, the City may consider requesting participation from Southern California Edison, The Gas Company and Time Warner Cable appropriate.

15. Regional Partnerships and State/Federal Government Assistance

Leveraging regional and other governmental resources will be key to the long-term success of an economic development program. Below is a description of the leverage sources that the City of Desert Hot Springs should be working with (and a specific goal):

A. ***State of California Enterprise Zone***, the ability for the City to compete for traditional warehouse and industrial businesses will be predicated upon receiving an Enterprise Zone designation. Businesses of all sizes are very savvy regarding Enterprise Zones and very few will expand or relocate into an area without the presence of one to help offset the additional costs of doing business that are native to California.

B. ***Federal Funding and Incentive Zone Designation***, working through the Department of Commerce Economic Development Administration and Federal Housing and Urban Development Department seek direct funding for infrastructure and housing projects (including but not limited to EDA Direct, HOME and CDBG). Additionally, the City of Desert Hot Springs (along with the County of Riverside) should inquire through Congressman Jerry Lewis about seeking Rural Empowerment Zone designation. The success of such designation will guarantee federal funding for housing and public works projects and create federal tax credits (similar to an Enterprise Zone).

C. ***CVA, CVEP and IEFB Performance Expectation Agreements***, The City of Desert Hot Springs is funding regional these regional agencies and must work with each one to develop a performance expectation agreement in which the City of Desert Hot Springs has reasonable certainty of a level of performance that has an impact on both the local and regional economy (keeping in mind that Desert Hot Springs residents do benefit from economic activities outside the community in the form of jobs).

D. ***Formally Join the Inland Empire Film Commission***, and jointly work with IEFC officials to develop an appropriate marketing piece for use by IEFC staff in recruiting additional film projects to the community.

E. ***Increase Community Recreation Opportunities***, consider working with the YMCA, Coachella Valley Recreation and Park District and the Palm Springs Unified School District, consider partnerships that may lead

jointly developing and operating facilities that create additional recreation resources for residents (and potentially visitors).

F. ***County/City Development Impact Fee Holiday***, to spur new construction of commercial structures, the City of Desert Hot Springs and the County of Riverside should jointly work to create and implement an impact fee holiday whereby developments in which the ultimate operators (businesses) will generate an appropriate level of jobs and tax base are provided an incentive whereby the impact fees are deferred and ultimately paid through the tax base generated (in compliance with SB 972). Further, the County of Riverside along with all cities throughout the County should work in concert to create a program whereas commercial building owners can make improvements to their buildings and not be reassessed on the new value if such work commences and is completed with a certain time period. The relief of this potential additional tax burden may spur remodeling and expansions.

G. ***Formalized Economic Development Partnerships with Utilities***, working through Mission Springs Water District, Southern California Edison and The Gas Company, pre-establish lines of communication for which to develop the appropriate infrastructure to serve developments throughout the community paying special attention to Palm Drive. Additionally, know and understand the resources available through SCE for which to underground power poles throughout Desert Hot Springs.

H. ***Chamber of Commerce Participation***, engage both the Chamber of Commerce as an organization and the business community associated with the Chamber of Commerce in the implementation of this economic development strategic plan by engaging them on the Economic Development Commission and the various sub-committees.

16. Next Step: Implementation Plan

This Economic Development Strategic Plan outlines a holistic approach to developing a vibrant economy for the residents of Desert Hot Springs that will generate new investment, job creation and resources for which the City can deliver goods and services to the community. After this plan has been vetted and adopted by both the Economic Development Commission and the City Council, work can begin on a monthly or quarterly implementation plan that takes into account the highest priorities (as determined in the vetting process). Many

of the individual steps for implementation have been described within the structure of this document and are easily converted into the specific actions that need to be taken. Development Management Group, Inc. stands ready to assist the City of Desert Hot Springs and the Community Redevelopment Agency with this process.

17. Certification Statement of Economic Development Strategic by DMG, Inc.

I certify that my engagement to prepare this report was not contingent upon developing or reporting predetermined results. The statements of fact contained herein and the substance of this report are based on public records, data provided by the City of Desert Hot Springs and various sources as described in the reference section of this report. This report reflects my personal, unbiased professional analyses, opinions and conclusions. If any of the underlying assumptions related to this report change after the date of this report (December 3, 2010), then the undersigned reserves the professional privilege to modify the contents and/or conclusions of this report.



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Appendix A: Pictorial Exhibits (as project examples and ideas)

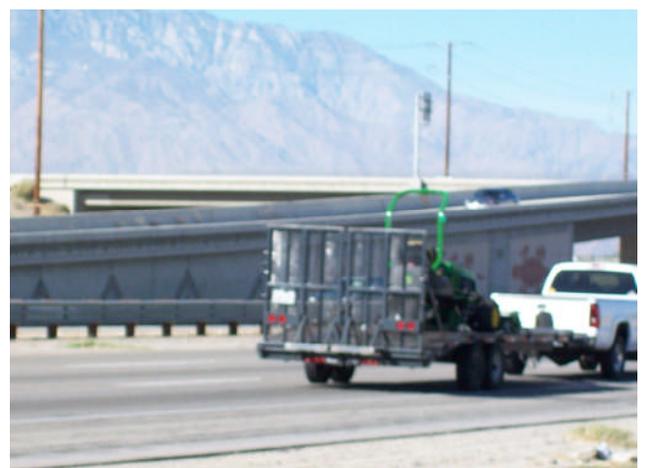
Desert Hot Springs Water Feature Element

Residents and visitors ask, where are the "Hot Springs" in Desert Hot Springs? Of course, they are part of many of the hotels and spas within the community. Below is a concept of a art in public places/entry water feature that could be incorporated into a park that not only celebrates the community's rich history with water but also allows for the public to utilize water for their own purposes through a tap and/or filling fountain.



Artistic Features on Freeway Interchanges/Overpass

Below are pictures of the I-10/Cook Street Overpass. These feature both lizards and diamonds as a graphical feature. Some communities choose to incorporate their name into the feature as part of community branding/pride.



Freeway Oriented Signage with Community Name

As freeway oriented commercial and or industrial/distribution center facilities are developed, the City of Desert Hot Springs should consider incorporating the community name into approved signage. Below is an example involving the City of Indio and their auto mall.



City Pride License Plate Frames



Community Holiday Decorations in Downtown/Commercial Corridors



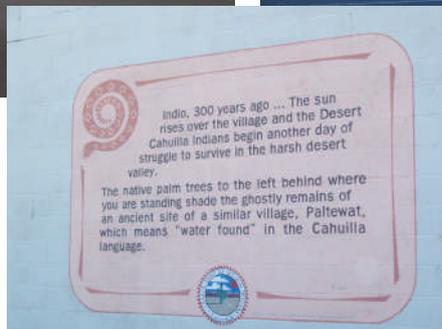
Facade Improvement Program (Minor Modifications)

In conjunction with the City of Desert Hot Springs major facade modernization program, the City and/or Redevelopment Agency should consider a facade improvement program that is more modest and allows for paint, signage and awnings. Below is an example of PJ's Desert Trophies in Indio that included painting the building and a new awning system



Community Mural Program

Mural programs are becoming increasingly popular in towns large and small. Murals accomplish a number of goals. They a) celebrate the history of a community b) provide a way of "dressing up older buildings c) involve the community in a projects for common good and d) attract visitors and residents to certain parts of the community for events and general shopping/entertainment.



Entry Monument

The City of Desert Hot Springs should consider installing entry monuments in the community (to begin with on Palm Drive near Interstate 10). These signs welcome visitors and provide a nice welcome to residents as they leave or enter their own community. Designed and installed correctly, they can be attractive and low maintenance.



Community Signage (Hotels, Attractions, Destinations) & Art in Public Places

Another way of creating a sense of place and community pride is through directional signage that brands the community and helps visitors and residents navigate. Additionally, many communities are working to incorporate "art in public places" projects into landscaping. Below are examples of both:



Freestanding Regional Restaurant

Goody's has a half-dozen locations throughout the Coachella Valley and is an example of a limited service restaurant with a full menu. They have a variety of both free-standing and in-line restaurants and are a strong match for the market demands in Desert Hot Springs. Below is an example of their restaurants.



Median Landscaping

Another source of pride in communities is the landscaping that is established as the community grows and develops. Obviously landscaping should be drought tolerant and low maintenance. Below are examples found within the Desert.



Examples of Renewable Energy Projects



Solar Array Farm for Commercial
Energy Production

Solar Array Farm for Commercial
Production (Aerial Picture)



Commercial Grade
Wind Generation Unit

Appendix B: Economic Development Commission Subcommittee Mission Statements

1. Tourism & Marketing Economic Development Sub-Committee

"To increase both overall pride in the community and visitors to Desert Hot Springs through branding, tourism, special events and capital projects. " Such activities may include:

- A. Working with local spa/resorts for holistic tourism
- B. Coordinating with the Palm Springs Desert Resorts Convention and Visitors Authority to increase group and individual tourism
- C. Planning/Implementing Special Events
- D. Capital Projects that Improve Image of Community (Code Enforcement, Community Clean-Up), Entry Monuments, Public Art
- E. Coordinate with the Inland Empire Film Commission to bring additional production to Desert Hot Springs for both branding and business tourism.
- F. Creation/Improvement and/or designation of official trailhead to the Joshua Tree National Monument system via Cabot Museum

2. Commercial/Industrial Development and Annexations

"To work with our business community and various regional partners attracting new investment and creating jobs in the commercial and industrial sectors."

- A. Work with the Coachella Valley Economic Partnership on business leads that are a match for the City of Desert Hot Springs
- B. Work with private investors interested in commercial, industrial or renewable energy development
- C. Lobby to obtain California State Enterprise Zone designation for our community
- D. Create and implement plan to introduce Desert Hot Springs to regional based brokers and developers
- E. Appropriately plan our freeway (I-10) and highway (62) corridors
- F. Assist with identification of potential areas of annexation to build our local economy

3. Retail & Small Business Retention/Development

"To create and maintain local and regional relationships with relative business partners that strengthen our local economy through retail and small business growth"

- A. Create system of ongoing communication and relationship with community based small businesses
- B. Create and implement plan to introduce Desert Hot Springs to regional based brokers and developers
- C. Establish and build relationships with the Chamber of Commerce to assist our business community flourish
- D. Implement and manage facade improvement and other small business improvement programs that help our community thrive
- E. Utilize partnership with the County of Riverside Workforce Development Board to assist employers with finding appropriate workforce within community.

Again, this is a basic framework. Once the Economic Development Strategic Plan has been fully vetted, the specific activities can be put into this and the appropriate persons (both from within and outside the City) can be added to the sub-committees at the pleasure of the EDC.

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Appendix C: Scope of Work

PROPOSAL TO CREATE THE CITY OF DESERT HOT SPRINGS ECONOMIC DEVELOPMENT IMPLEMENTATION PLAN

Objective

To create and implement a long-term sustainable economic development program that assesses the current economic status of the City, provides training and education to all persons which can positively impact economic development efforts and produces tangible benefits (jobs, investment and improved economic related demographics) for the City of Desert Hot Springs, its residents and businesses.

Module System

Successful economic development plans are built as long-term sustainable programs that assess current economic conditions, foster a long-term economic vision, determine and utilize available regional partnerships, provide training for various persons and groups within a region and include a quarterly activity based implementation plan that can be quantifiable evaluated. Below are the seventeen (17) identified modules for this program and the corresponding amount of professional hours estimated to complete the specific module:

Module 1: Current Economic Conditions

The first step to any long-term economic development strategic plan is to understand the current economic conditions and community attributes. DMG, Inc. proposes to complete the following as a first step to this project:

Research and Compile Relevant Economic Data about the City of Desert Hot Springs:

- A. Demographic Analysis
- B. Inventory of Businesses
- C. Inventory of Employees
- D. Survey of Businesses and Employees (understand why they are located in community)
- E. Retail Sales, Leakage and Opportunity Analysis
- E. Inventory of Existing and Available Buildings and Land Opportunities
- F. Assessment of Current Economic Development Activities being Implemented by City Staff, Chamber of Commerce and Other Groups
- G. Assess Professional Services (private and public) Available to Residents and Businesses to Determine if there are any Gaps
- H. Identify other Important Economic Development Resources/Attributes within Community

Module 2: Available Regional Partnerships and Programs

Module 2 will include an assessment of the Coachella Valley Economic Partnership Economic Blueprint and determine which economic opportunities are most compatible with the City of Desert Hot Springs along with specific steps that the community must take for maximum benefit of said opportunities.

Additionally, a similar analysis of specific programs and projects available through the Palm Springs Desert Resorts Convention and Visitors Bureau (CVA), Film Commission and other identified economic development partners will be completed with recommendations regarding projects that are the best fit and what steps the City of Desert Hot Springs and community can take to receive the greatest economic impact.

Module 3: Create and Implement Economic Development Training for Persons & Groups in Desert Hot Springs

Design and provide appropriate economic development training to a variety of persons and groups with an economic development interest in Desert Hot Springs. The Economic Development Training Program will include (but is not limited to) the following elements:

- a) Defined Economic Development
- b) Provide Examples of Economic Development
- c) List the Tools of Economic Development
- d) Discuss Various Community & Regional Partners in Economic Development
- c) Explain Importance of Economic Development and Benefits to Each Group of People within Community
- d) Help Define Roles and Responsibilities of Each Person/Group within Community
- e) Define How to Assess Effectiveness of an Economic Development Program (Measurement)

City Council / Chamber of Commerce Economic Development Certificated Program are proposed to be offered to the following persons having an interest in Economic Development:

- A. City Staff (all levels of staff)
- B. City Council and Commissioners
- C. Chamber of Commerce
- D. Residents
- E. Employees of Various Businesses within Community
- F. High School Students / Middle School Students

This project shall include the design of the actual "Economic Development Training Course" and the instruction of said course (including course materials) for up to five (5) group training sessions, at the discretion of the City of Desert Hot Springs.

The City of Desert Hot Springs shall be responsible for providing appropriate group meeting space for conducting said course within City limits.

Module 4: Generate Long-Term Community Economic Profile and Vision

Utilizing information researched in previous modules; generate both a community profile and long-term economic vision for the City of Desert Hot Springs. The community profile will include both demographic/market information and a compilation of business and economic opportunities for potential investors. The long-term economic vision will provide a written statement of goals and objectives for the City along with economic demographic improvements and investment attraction goals.

Appendix D. Qualifications of Consultant

Development Management Group, Incorporated (DMG, Inc.) specializes in services related to economic development and redevelopment. Such services include site selection and analysis, economic development strategic planning and implementation, development management, market/development feasibility, fiscal & economic analysis, entitlement/permit processing and project financing.

Over the past eight years, DMG, Inc. has assisted over three dozen companies with their site selection and entitlement/permit processing. These companies have created over 2,500 new jobs and invested over \$100 million within the communities where they are located. In addition, DMG, Inc. has assisted a number of public agencies and economic development corporations with fiscal & economic impact analysis, strategic planning, marketing and other business recruitment projects creating the administrative and operational infrastructure to enable them to grow their economies.

Foundation of Experience and Results

The company founder, Michael Bracken, brings over 20 years of local, regional and state government experience in the fields of economic development, redevelopment, housing and sales and use tax administration. Before founding Development Management, Inc., Bracken completed four years as the President and Chief Executive Officer of the Coachella Valley Economic Partnership where he led a regional business recruitment team that generated over \$90 million of economic investment for the Palm Springs Region of Southern California.

Bracken holds a Bachelor's Degree in Business Administration and a Master's Degree in Public Administration from The California State University San Bernardino (CSUSB). He co-designed CSUSB's Master's level course titled *Management of Local Economic Development*, which trains economic development professionals in business recruitment and effective use of financial and tax incentives. He is also a former City Councilman and Vice-Chairman of a Community Redevelopment Agency providing unique and beneficial prospective to local governments.

Additionally, Bracken currently serves as a member of the California State University San Bernardino-Board of Governors, Desert Sands Unified School District Facilities Development Board and as a Board Member of Community Valley Bank, a publically traded financial institution headquartered in Southern California. Bracken is a former member of the Riverside County Workforce Development Board and The Living Desert Board of Directors.

Finally, Bracken has been recognized with numerous awards over his career including from the California Association for Local Economic Development (CALED), The Inland Empire Business Journal, The Desert Sun and in 2007 was recognized as the California State University Alumni Advocate of the Year by the President of California State University San Bernardino and the Chancellor of The California State University.

Our Client List for Economic Impact Analysis Include:

Sanitations District of Los Angeles County Mesquite Regional Landfill
Manheim Investments, Inc.-Riverside, California
Manheim Investments, Inc.-Fontana, California
Keystone Planning Area (County of Imperial / City of Imperial)
Liberty Energy, Imperial County & Kern County
Cilion, Inc., Imperial County
Imperial Valley College
City of Imperial, California (Fiscal Impact Analysis)
Edison Mission Energy, an Edison International Company
Wesley Oliphant (Tuscany Heights, LLC)

Our Client List for Development/Site Selection Projects Include:

Guy Evans, Incorporated
The A.C. Houston Lumber Company
Tandem West Glass, Inc.
The California State University
Ferguson Plumbing, Inc. (a Wolseley Company)
Hathaway & Sons Building Materials
County of Riverside, California
Sepulveda Building Materials, Inc.
10 West Motorsports, Inc.
California Plastering, Inc.
Tandem West Group, Incorporated
Chapman Enterprises, Inc.
Edison Mission Energy
Liberty Energy Resources, Inc.
MG Banning, LLC
Enjoy Development
US Solar Industries, Inc.
Manheim Investments, Inc. (A Cox Company)

Client List for Public and Public/Private Partnership Projects Include:

County of Imperial, CA : Comprehensive Economic Development Strategic Plan
County of Imperial, CA: Three-Year Implementation Plan
Imperial Valley Economic Development Corporation:
 Marketing Plan & Internal Communications Plan
 Investor Recruitment Program
 Lead Protocol
 Executive & Professional Employee Performance Program

County of Riverside, CA

Countywide Economic Development Strategic Plan

Southwestern Riverside County Econ Dev Strategic Plan

Western Riverside County Econ Dev Strategic Plan

Coachella Valley Economic Development Strategic Plan

Mid-County Economic Development Strategic Plan

San Gorgonio Pass Area Economic Development Strategic Plan

California State University San Bernardino Palm Desert Campus: School of Communication Market Analysis

San Diego Regional Economic Development Corporation/National University

Mega-Region Market Competitiveness Analysis

Southern California Association of Governments

Growth Strategy Panel of Economic Experts