

APPENDIX III

ECONOMIC DEVELOPMENT STRATEGY

To	Gruen Associates	Page	1
CC	Cathedral City, Southern California Association of Governments		
Subject	Economic Development Strategies		
From	Economics at AECOM		
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Utilizing the results of the market analysis, AECOM, in concert with Gruen, developed a combination of general strategies for the long-term revitalization of Date Palm Corridor as well as specific land use strategies for particular proposed sites.

This memo first reviews the strengths, weaknesses, opportunities, and threats to development along Date Palm Corridor and then describes the economic development strategies.

Strengths, Weaknesses Opportunities and Threats (SWOT) Analysis

The figure on the next page describes the top level strengths, weaknesses, opportunities and threats to development along Date Palm Corridor.

Piecemeal Development

Piecemeal development has been a key issue along the Date Palm Corridor. We address this point to provide the City with a better understanding of its origin and to, later in this document, discuss how to reverse this trend

From our understanding of the development of Cathedral City the piecemeal development in the City, specifically along Date Palm Drive is a result of developers ability to locate any where along the corridor.

Current zoning provides a significant amount of general commercial zoning along the full six mile Date Palm Corridor study area. Retail developers have a prime interest to maximize profit and are going to choose the most ideal location that will bring in the most customers (not what is best overall for the city).

The market analysis reveals that the population and spending power of Cathedral City is not sufficient to support a six mile long corridor of retail shopping centers, yet the whole corridor is zoned for retail. Retail developers will choose the most select sites. This means primarily along intersections. Then, as these centers age, they become less attractive and since there is still a significant amount of inexpensive land available for development, developers build a new center rather than buy and rehabilitate an existing center.

It should be noted, this scenario is not specific to Cathedral City and is an issue in many Southern California suburbs with long retail corridors.

Economic Development Strategies Memo

Base SWOT Analysis >>

Strengths

Affordability advantage compared to Palm Springs & Rancho Mirage

Family-Oriented City - younger population. Should focus on Cathedral City as a place where people really live

Significant amount of traffic along Date Palm Drive and intersections with Dinah Shore & E Palm Drive

Up and coming mixed-use downtown

Weaknesses

Several, older retail shopping centers / Substantial retail vacancies

Piecemeal development

Not walkable (by design)

Weak sense of community

Opportunities

Cluster of interior design and fixtures stores near downtown area

North City Specific Plan:

- 10,000 residential units
- 3 million SF Business Park
- 250 hotel rooms

Large infill spaces, such as in the "Complete Neighborhood Node", have the opportunity to be master developed on a scale that creates additional internal demand

Decent amount of entertainment/recreation uses already located within Cathedral City

City has two major gateways into the City

Threats

Significant general retail competition from adjacent cities

North City Specific Plan:

- 7 million SF Commercial
- 2 million SF Light Industrial

Significant amount of vacant land

Seen as less attractive location relative to adjacent cities

Municipal finance challenges

After considering issues of location to capture the most customers, commercial developers then focus on their development needs: ease of development (due to entitlements/zoning) and size of properties. The number of specific plans, property sizes, and ownership patterns have also played a role in the piecemeal development along the corridor.

The development strategies in the next section will focus on encouraging development in specific clusters along Date Palm Drive. These efforts along with possible policy changes and the planning recommendations of this study will help to establish more focused development.

Economic Development Strategies

One of the key elements to improving Date Palm Drive is activating the corridor to bring new vitality to the study area. In the following section we, first, describe general strategies that the City can initiate immediately and, secondly, describe the development strategies.

General Strategies

- *Community Design*
The City should focus on creating a cohesive and consistent design with better pedestrian orientation throughout Date Palm Drive. Attractive, cohesive community design will give Cathedral City a stronger identity and will help to draw additional economic activity.

- *Better Brand the City*
It is helpful to build a strong identity and brand for the City. It is desirable to both residents and businesses for others to recognize their city and for local residents and businesses to connect with their city. Relative to façade programs and new developments, branding efforts can be an inexpensive way to create favorable opinions about the city and Date Palm Drive.
 - The City has created a quality marketing campaign with banners throughout the new Civic Center area. Marketing efforts should be expanded throughout the City. For example, there are a significant number of recreation resources in the City of Cathedral City, such as Boomers, an ice skating rink, Big League Dreams Sports Park. These attractions can be marketed collectively. As part of an expanded marketing effort banners could be placed in front of each of the major recreation venues in the City with the word “Play” with the picture/name of the venue.

 - As part of the branding process, the City may consider resident surveys to better understand their current resident profile, particularly demographics that are not accounted for in the Census and work to connect with various stakeholders within the community such as churches and associations to connect with all residents.

 - City events such as festivals, concerts, farmer’s markets, and other cultural events can help to bring residents together and help local businesses advertise. Events can also be a way to celebrate the city’s diversity.

 - Establishing gateway entries

- *Reposition Vacant Spaces*
Currently, there is approximately 330,000 square feet of vacant retail space in Cathedral City. Vacant spaces are a deterrent to new businesses and may hamper Cathedral City's retail environment.

As described in the SWOT analysis, most of Date Palm Drive is zoned for retail commercial, but it is difficult to attract demand for a whole six-mile corridor of retail shopping. Rather than bring in less desirable retailers, it may be more advantageous for the City to reposition vacant spaces to other uses.

- As shown in the market analysis a significant amount of resident dollars are currently being leaked to nearby cities, but Cathedral City is, currently, not well positioned to fight for these dollars. Cathedral City may be able to capture approximately 140,000 of the "Other Retail" store category, but is not likely to recapture money leaking to big boxes (General Merchandise category) along the corridor. Across the next 10 to 15 years the City may be able to capture 30,000 to 50,000 square feet of General Merchandise retail demand from new residents.
- Given the current cluster of interior art and design stores, the City may feasibly recapture back approximately 90,000 square feet in the Building Materials category and, with the development of a cluster, may also be able to capture another 40,000 square feet from new residential growth in the primary and secondary market in the buildings materials category, as well as almost 15,000 square feet in the Home Furnishings category.
- Based on the market analysis, on aggregate, it seems feasible that the City will be able to capture approximate 300,000 to 315,000 square feet of retail in the next 3 to 15 years.

Rather than trying to draw retailers along the complete boulevard, the recommendations of this study describe clustering retail and other developments within certain areas of the corridor. Through this strategy, select vacant retail properties may be better reposition where appropriate with office/medical office uses, or, secondly, institutional uses.

Development Nodes

Clustering development within particular areas (development nodes) along the corridor will help to create a better sense of place along the corridor and will help to foster environments that are inviting to residents, customers, and businesses.

The following section describes possible nodes that build upon existing assets within the community. These strategies are further refined into development recommendations by Gruen.

- *'Desert Art & Design' District*
Cathedral City has a number of existing interior design and fixture stores near the downtown area. Demand for home design is generated by households in the high-income cities of Palm

Springs and Rancho Mirage, as well as the new homes in Cathedral City and the rest of the Coachella Valley.

Businesses are attracted to Cathedral City for several reasons including:(1) more available space to show goods or industrial-type space (in the case of outside fixtures and some heavy materials stores); and (2) inexpensive rents available in Cathedral City. As shown in the figures on the next page, Cathedral City has a substantial cluster of these businesses relative to the secondary market. In addition, Cathedral City has a large number of general contractors who, perhaps with the help of a city registry can be tied into the Desert Art and Design District.

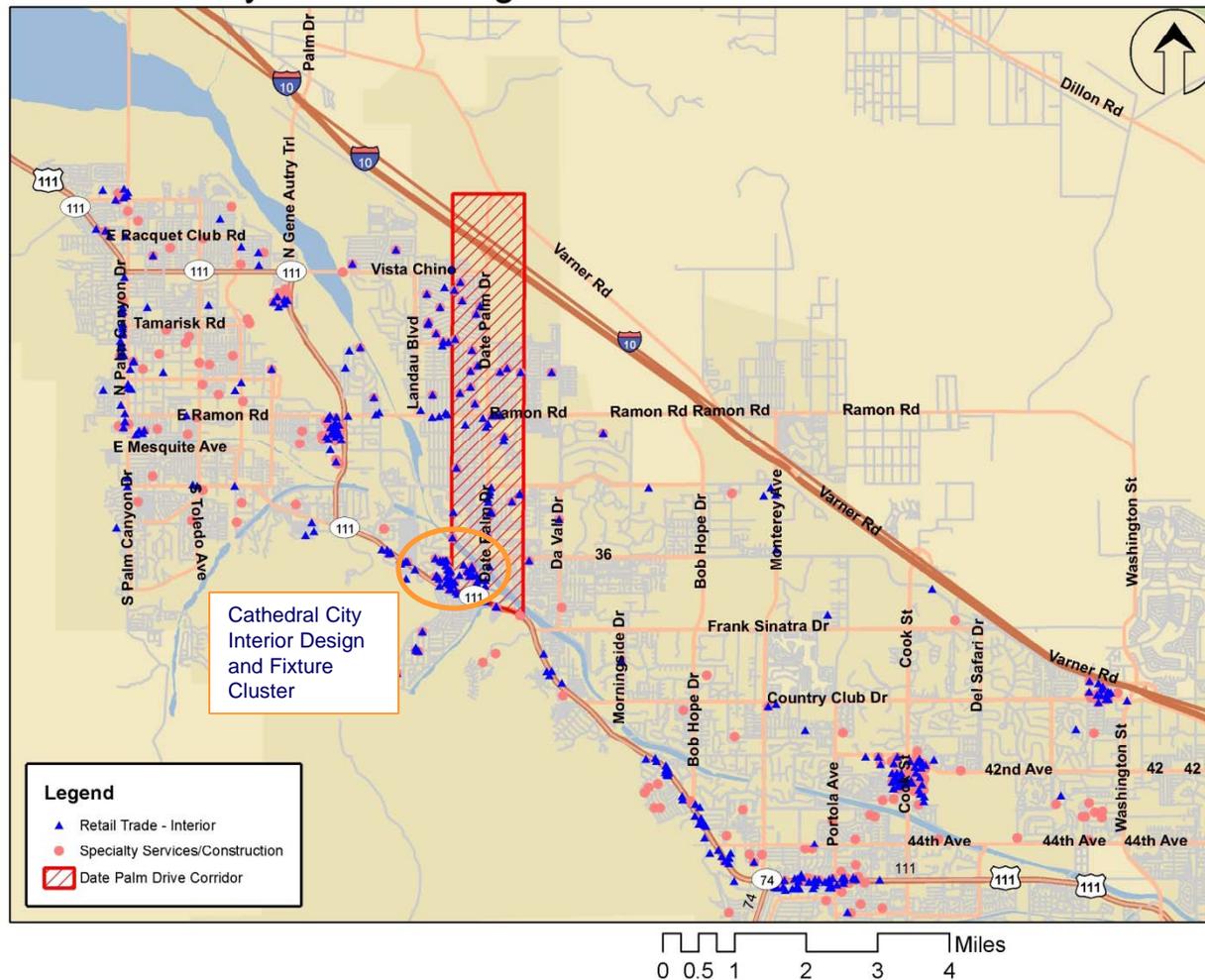
These interior design and fixture stores can be leveraged to create a branded regional district.

- Branding the area with a name, such as the Desert Art & Design District, will help to bring recognition of the area within Cathedral City and throughout the Coachella Valley.
 - Advertise the District as a place for do-it-yourself decoration and fixes.
 - This may also be good timing for marketing such an area. The Obama Administration approved a program providing cash discounts for energy efficient appliances (similar to the Cash for Clunkers car program) and they have considered introducing programs for all levels of energy efficient home improvements, Cash for Caulkers.
- The City needs to understand needs of businesses in the area. The City may want to consider performing a survey of why businesses are locating there and what they can do to attract more businesses/make it easier for businesses to succeed.
 - Focus on attracting additional mom and pop improvement businesses.
- Work on attracting furniture /fixtures businesses as an extension of the district along Date Palm Drive.
 - IKEA / Living Spaces (Somewhere along the corridor)
 - With some rehabilitation, the Cathedral Plaza Shopping Center may be an excellent location for a furniture showroom.
- Consider a business improvement district (BID) for the District (though you may need to wait a couple years until the economy improves). A BID can be used to direct the marketing and branding efforts described above. BIDs are described in more detail in the Funding Memo.
- Also, as the City looks to grow and expand this District it is important to note that the industrial/business park nature of the area has helped it to be successful. The City will want to continue to allow businesses to have the flexibility to bring in their heavy materials, such as marble slabs, tiles, and other large outdoor and indoor decorations.

Economic Development Strategies Memo

Economic Development Strategies >> Desert Interior Art and Design District

Cathedral City Interior Design Retail and Services



- *Downtown Area Along Palm Canyon Drive*

The Downtown Cathedral City area, between Cathedral Canyon Drive and Date Palm Drive, along East Palm Canyon Drive should be a focus for cultural uses and restaurants and entertainment uses.

 - Some of the existing shopping centers, such as the Cathedral Plaza Shopping Center, could use façade improvements.
 - With some improvements, the Cathedral Plaza Shopping Center would be an excellent location for community retail and additional restaurants in the area.
 - New cultural uses should be focused in this area, particularly adjacent to the City Hall and IMAX Theater.
 - Another avenue to revitalizing the area is to also extend the hours of operations through night clubs and bars. Upscale lounges and bars can bring in new demographics and generate more energy into the downtown areas.
- *Educational/Civic/Sports Node*

Given the location of Big League Dreams Sports Center, the Post Office, and the nearby Cathedral City High School, the area between 33rd Avenue and North of Dinah Shore Drive is well placed for a clustering of educational, civic, and sports uses.

 - Additional recreation uses would be well located on frontage of the vacant property north of the Post Office. This recreation could be integrated as part of an overall community master plan on the property.
 - The vacant property along the western portion, can be made into attractive multifamily housing development , including potentially senior and affordable housing
- *Business Node*

Employment and institutional uses would be well clustered between McCallum Way and 30th Avenue along the east and west of Date Palm Drive. There is demand for office uses and smaller, locally oriented office buildings, similarly to the small one to two story offices seen in Santa Barbara would fit well in Cathedral City.

 - As described in the market analysis, Cathedral City not a significant office market, but can support more office along the Date Palm Corridor. Based on anticipated population growth, the corridor can support 65,000 square feet of resident serving office. In addition, there may be “unmet” demand from current residents. Current residents could support an additional 100,000 square feet of office. This office is likely being captured by other areas, Palm Springs and Rancho Mirage or existing shopping centers, but more office developments in Cathedral City could recapture the demand currently captured by other towns.
 - An educational anchor could also be located in the business node. This would be advantageous to the city in that it would offer residents a quality of life amenity and it

would also help to attract students (which can translate into foot traffic) from all over the Coachella Valley and, depending on the type of facility, may also attract auxiliary retail and office businesses to support the educational facility.

- *Complete Neighborhood Node*

We recommend pursuing a mixed-use master planned community north of 30th Avenue along Date Palm Drive. There is sufficient vacant land to develop a large scale greenfield development on the east of Date Palm Drive north of 30th avenue.

- This master plan development could include light industrial along the I-10 freeway, retail along Date Palm Drive, and a well planned medium to high-density residential community.
- The North City Specific Plan which includes between 7,000 and 9,000 new units is planned just north of the freeway from this area; the timing of this node would be dependent on the development of the North City Specific Plan. This node is likely to be either developed before or after the North City Specific Plan. If developed after, the development will be likely to capture greater values.
- This node will help to link the North City area to Date Palm Drive and to the Downtown Cathedral City area.
- A key factor in this strategy is that the City incentivize the area to be developed as a comprehensive and cohesive master planned community, rather than allow for parcelization of the area. It is helpful to provide land use flexibility to the property owner, but to encourage the development to have a comprehensive plan for the whole area rather than to allow for piecemeal development.
- On the west side of Date Palm Drive, the vacant parcels are narrow. These parcels can be developed as multifamily live/work spaces or convenience retail. However, it would be helpful to cluster any convenience retail closer to Vista Chino and Adelina Road.



GENERAL LIMITING CONDITIONS

Every reasonable effort has been made to ensure that the data contained in this report are accurate as of the date of this study; however, factors exist that are outside the control of AECOM and that may affect the estimates and/or projections noted herein. This study is based on estimates, assumptions and other information developed by AECOM from its independent research effort, general knowledge of the industry, and information provided by and consultations with the client and the client's representatives. No responsibility is assumed for inaccuracies in reporting by the client, the client's agent and representatives, or any other data source used in preparing or presenting this study.

This report is based on information that was current as of the April 2010 and AECOM has not undertaken any update of its research effort since such date.

Because future events and circumstances, many of which are not known as of the date of this study, may affect the estimates contained therein, no warranty or representation is made by AECOM that any of the projected values or results contained in this study will actually be achieved.

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This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.