



City of La Quinta

CITY / SA/ HA/ FA MEETING DATE: May 6, 2014

ITEM TITLE: ECONOMIC DEVELOPMENT STRATEGIES

AGENDA CATEGORY:

BUSINESS SESSION:

CONSENT CALENDAR:

STUDY SESSION: 2

PUBLIC HEARING:

RECOMMENDED ACTION:

Provide direction regarding Economic Development strategies.

EXECUTIVE SUMMARY:

- The City incorporated in 1982 during a time of dramatic growth in the region.
- The Redevelopment Agency, when it existed, played a major role in the City's investment in infrastructure and facilities, economic development, affordable housing, recreation opportunities and the La Quinta Village.
- The City must now explore new strategies to adapt to a changing world, to continue to innovate, and to preserve the sacred elements of La Quinta without the benefit of a Redevelopment Agency.
- The purpose of this study session is to highlight the City's current economic development activity, to start conversation regarding a new path forward, and to outline questions to explore.

FISCAL IMPACT:

None.

BACKGROUND/ANALYSIS:

Things Have Changed

Without redevelopment as a major tool, stimulating the local economy is more complicated, riskier, and takes longer. In addition, consumer spending habits are moving away from traditional "brick and mortar" establishments to online shopping.

Large retailers are closing stores in favor of larger distribution centers in order to keep pace with growing online demand. As shown in Attachment 1, online sales growth outpaces brick and mortar across several major categories. Industry is responding by focusing more on online sales, and companies like Uber and Tesla are developing new direct-to-consumer business models. Uber is competing with locally regulated taxi companies, and Tesla is aiming to sell its electric cars directly to the consumer instead of through state-protected dealerships as highlighted in the attached article (Attachment 2). Moreover, the City has successfully built up and developed into a world renowned destination and now must think through economic changes and be an early adopter in the future of economic development.

Current Economic Development Activity

From the early days of incorporation to today, the City has developed and matured. Vacant land continues to be converted into revenue-generating development and activities are aimed to support tourism and resort amenities. Annually, the City invests upwards of \$1,205,000 in economic development and a series of activities are underway.

Property Disposition – The City has acquired key parcels for purposes of facilitating revenue-regenerating development with private parties. New development adds to the City’s economic base with additional sales, property, and transient occupancy tax (when a hotel is included). Current property disposition activities are as follows:

- In 2013, the City Council approved an agreement to sell land for the expansion of Old Town La Quinta to add new retail space, market rate housing, and office space to the Village.
- Negotiations with Meriwether Companies to develop luxury hotels, resort retail, and residential development and SilverRock Resort.
- Marketing the 9 acre commercial parcel on Highway 111.
- \$50,000 in economic development consultant services.

Marketing – The City is engaged in a series of new marketing strategies to keep La Quinta top-of-mind as consumers consider where to visit, live and do business. A total of \$1,060,000 is invested annually in marketing efforts as follows:

- \$210,000 in direct marketing to support and promote large-scale events tourism, community image enhancement and business attraction.
- \$250,000 in direct marketing investment with City partners involving the La Quinta Chamber of Commerce and the La Quinta Arts Foundation.
- \$600,000 in transient occupancy tax investment this fiscal year to Greater Palm Springs Convention and Visitors Bureau to market City and regional resort opportunities.

Regional Economic Development – The City invests in regional economic development partnerships and initiatives. In the current fiscal year, a total of \$95,000 has been invested as follows:

- \$50,000 in the Coachella Valley Economic Partnership and \$5,000 in other partnership activities.
- \$40,000 in the Eastern Coachella Valley Innovation Hub.

Improving City Services – Over the last year, the City has enacted a series of initiatives aimed specifically to enhance customer service and deliver services more efficiently and effectively:

- Changing business processes to issue permits and licenses faster.
- Providing new tools and software systems to provide the public with the ability to receive services online, via a smartphone, and faster over the counter.
- Conducting a series of training programs to create a performance based culture.

Why Economic Development?

The City engages in economic development activity to generate revenue for municipal services and infrastructure improvements. This is accomplished by both enticing patrons to existing revenue-generating retail, restaurants and hotels, and by facilitating the creation of additional retail, restaurant and hotel outlets. This has been demonstrated by the following strategies:

- Investment in infrastructure from the Village to Highway 111 commercial corridor and north La Quinta.
- Marketing efforts to bring new establishments into the City and draw patrons to them.

In the past, this investment has been primarily through the Redevelopment Agency. In 2012, redevelopment resources ceased. Now the City only has the redevelopment resources that the State determines the City may retain (land and bond proceeds) and General Fund resources for economic development. Non-redevelopment economic development investment must compete with the need to fund municipal services and infrastructure maintenance and improvements.

What's the City's Role? How Should We Move Forward?

The City can create a business-friendly environment, market its existing outlets, invest in public infrastructure, facilitate the opening of new businesses, and support regional activity. In moving forward, staff wishes to engage the City Council in conversations regarding items that should be explored to identify, develop and create new economic development strategies. Topics include:

- Consumer trends and preferences.
- The business community's needs.
- The investment returns from local and regional partnerships.
- SilverRock, Highway 111 and Village property development.
- City regulations.

Next Steps

This discussion is the initial step. In moving on this course, the recommended next key steps are:

- Establish a City Council subcommittee to work with staff.
- Engage in conversations with the business community, property owners and industry leaders.
- Identify the desired return the City should receive on its economic development investments.

- Define strategies for the future of economic development.

Meanwhile, the City will remain focused on the series of economic development activities that are underway and continue to identify new opportunities to stimulate the local economy.

ALTERNATIVES

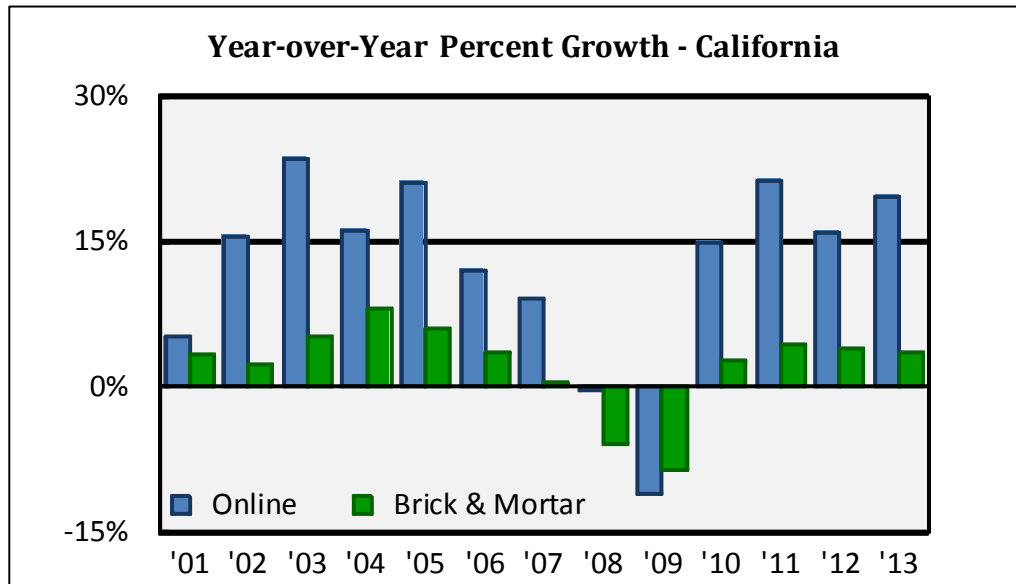
As this is an informational item, staff does not have any alternatives.

Report prepared by: Chris Escobedo, Assistant to City Manager

Report approved for submission by: Frank J. Spevacek, City Manager

Attachments: 1. On-line sales chart
 2. Tesla article

**How Retail is Changing:
Traditional “Brick & Mortar” vs. Online Shopping**



The graphic above illustrates the growth in online sales of General Consumer Goods*, which made up 25.1% of the statewide taxable sales in 2013. Online sales in this segment grew 19.7% in calendar year 2013 and made up 10.3% of total General Consumer Goods sales. With the shift to online shopping, more sales tax dollars flow through the countywide pools, rather than being directly allocated to the jurisdiction where sales take place. Some large retailers are closing stores in favor of larger distribution centers in order to keep pace with growing online demand. Additionally, Forrester Research reports that web-based business-to-business purchases are twice that of web-based consumer purchases. A recent study by Google revealed that 79% of technology business to business purchases are made online.

Statewide Local 1% Sales Tax Fourth Quarter Holiday Spending Percent Change from 2012 to 2013 (Selected California Retailers)		
	Brick and Mortar	Online
Apparel Stores	6.8%	29.0%
Department Stores	-0.4%	41.1%
Discount Department Stores	2.9%	22.4%
Home Furnishings	7.4%	42.2%
Consumer Electronics	4.2%	21.9%
Retail Fulfillment Centers	-	33.8%
Total Statewide Consumer Goods	2.3%	16.0%

*See reverse for more information about HdL’s General Consumer Goods Group

Fuel-Efficient Cars

Hybrid, Electric and Alternative-Fuel Vehicles
(/fuel-efficient)

presented by the Chicago Tribune

Uber and Tesla bust monopoly models



Rideshare companies, including UberX, are not regulated by city or state. (Phil Velasquez/Chicago Tribune)

April 25, 2014, 7:18 a.m.

By James Greiff and Bloomberg News

Question: What's an automotive monopolist's worst nightmare? Answer: Uber picks you up in a Tesla.

Two big Silicon Valley companies are busy disrupting state-sponsored transportation monopolies. Uber is competing with locally regulated taxi companies, and Tesla wants to sell its electric cars directly to the public instead of through state-protected dealerships. Different issues arise in each case, but because competition is a good thing, both of these disrupters deserve to succeed.

Most states have laws that prevent auto manufacturers from selling straight to consumers, but Tesla has been sidestepping the rules by setting up showrooms that let consumers place orders over the Internet. The dealers don't care much about Tesla — its share of the market is tiny — but they're scared stiff that bigger producers will follow its example. So they should be.

The dealers say they provide protections that consumers need, by doubling as service centers. If you believe that, they've also got a late-model, lightly used roadster that's just what you're looking for. Consumers don't need vendors to double as mechanics. Independent maintenance and repair centers — typically offering lower prices — are already a big business. So long as they do a good job, they'll grow even larger once dealers lose their sales monopoly and the warranty-related work that comes with it.

Dealers understand the danger all too well and are fighting back — spending millions of dollars in campaign contributions. Five states have adopted laws or regulations that actually tighten bans on direct auto sales. Several others have prohibited Tesla from opening new showrooms or put limits on the company's sales. Tesla has economics and common sense on its side, but that won't be enough. The company needs to get public opinion behind it and press state or federal lawmakers to lift restrictions that were a bad idea in the first place.

Uber and other services like it, such as Sidecar and Lyft, are also running up against government-sponsored monopolies. Licensed taxi drivers and owners from the Golden Gate Bridge to the Champs Elysees are in uproar. Again, monopolistic profits are at stake. And again, consumer protection is at issue — though in this case safety concerns are partly legitimate.

Restrictions on the number of taxis in operation make no more sense than telling Tesla it can't sell cars direct. Governments rig taxi markets by restricting licenses, ensuring that demand outstrips supply. The resulting excess profit gets bundled into the price of a license: In New York City, they fetch more than \$1 million apiece. Consumers, meanwhile, can't get a cab when they need one.

The supply of taxis should be allowed to expand as the market dictates – but that doesn't mean no regulation at all. Rather than shutting down Uber, as a court in Brussels did this week, governments should place all competitors on the same regulatory footing. All operators should be required to adhere to basic standards, such as regular vehicle inspections, safe driving records and minimum insurance requirements. That's the system New York uses for livery cars that can be hailed only via phone or app. Uber has accepted those regulations and thrived in the market. It should be willing to do the same elsewhere. If ratings by users were an acceptable substitute for safety regulations, as Uber argues, there'd be no need for restaurant health inspectors.

It isn't a question of competition or regulation. It's a question of serving the interests of consumers, not producers.

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