



## CITY COUNCIL STAFF REPORT

DATE: November 5, 2008 CONSENT CALENDAR

SUBJECT: APPROVING PARTICIPATION IN A MULTI-AGENCY ENTERPRISE ZONE APPLICATION TO THE STATE OF CALIFORNIA AND APPROPRIATION OF \$35,000 AS THE CITY'S SHARE

FROM: David H. Ready, City Manager

BY: Community & Economic Development Department

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### SUMMARY

Staff recommends the City Council approve participation in a multi-jurisdiction application to the State's Department of Housing and Community Development for an Enterprise Zone designation for an area that would include all or part of Desert Hot Springs, a portion of Cathedral City, a portion of the northern tier of Palm Springs, and unincorporated land adjacent to the aforementioned areas. The City of Desert Hot Springs, as the primary eligible jurisdiction (by demographics) is the lead Agency and will enter a Contractual Services Agreement with the Kosmont Companies of Encino, California to develop the application for submittal. In addition, the Coachella Valley Economic Partnership will provide a coordination role, handling the data collection from the cities and staff support in the drafting of the application.

### RECOMMENDATION:

1. Approve the participation in the Enterprise Zone application process in the amount of \$35,000 as the City's share.
2. Authorize the City Manager or his designee to execute any documents necessary to implement the recommendation.

### STAFF ANALYSIS:

In September 2007, staff from the cities of Desert Hot Springs, Cathedral City, and Palm Springs, as well as the Riverside County Economic Development Agency (EDA) (collectively, the "cities") met to discuss the idea of submitting an application to the State of California to obtain an Enterprise Zone designation for underdeveloped areas of the

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Western Coachella Valley (the "WCVEZ"). The effort was lead by the Coachella Valley Economic Partnership (CVEP).

There currently is an Enterprise Zone in the Coachella Valley which was originally created in 1990. It comprises nearly all of Coachella, and portions of Indio and unincorporated county that extends all the way into Thousand Palms. The Zone has had some success and is now complemented by a Federal Empowerment Zone that covers the same area, but is also much larger.

The cities solicited a proposal from a consultant to prepare an application for the 2007 round, even though there was only about six weeks of lead time; Cathedral City was the lead agency in that round and hired the consultant with financial participation by the other entities. Three jurisdictions paid \$92,285 for consultant services for the 2007 zone application, of which a portion was to CVEP for their services. CVEP served a similar role as what is currently proposed and received \$15,000. In the end, Palm Springs staff felt that, given the long odds of being successful in the best of circumstances, it was prudent to not participate in the 2007 round and save the \$23,000 that would have been Palm Springs' share. As anticipated, the application turned out to be unsuccessful.

In June, 2008, the cities, including Palm Springs, met with a representative of the State Enterprise & Economic Development Section of the California Department of Housing & Community Development to discuss the 2008-09 Enterprise Zone application process. The representative was the staff member that reviewed the 2007 WCVEZ application and in the meeting pointed out the weaknesses and missing elements that lead to a poor ranking. The four jurisdictions subsequently developed an RFP to hire a qualified consultant to prepare the Multi-Jurisdictional application for the 2008-09 application period and in September selected Kosmont Companies.

Kosmont is a well-known economic development, redevelopment, and real estate economics firm based in Los Angeles. They also recently authored a successful Enterprise Zone application in the last round for the cities of Lynwood and Southgate.

Given the uncertainty of any Enterprise Zone application, the staff committee asked Desert Hot Springs and Kosmont to draft a Scope of Work to reflect an initial review and "go/no go" decision point in November. Kosmont will review the previous unsuccessful application as well as the state's critique of it; determine the competitive environment in Sacramento that would make a Western Coachella Valley application more or less likely to succeed; and, do a very rough pre-application scoring based on the above factors to help gauge the odds of success. That information will be collected and presented to the cities by the week of November 17; if it is determined to be too unlikely to be successful, the project will stop and the cities will regroup to discuss other alternatives, with only a modest amount of money spent.

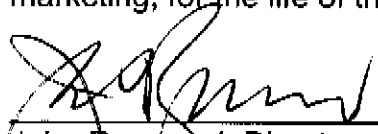
Enterprise Zone Expansion

One of the criteria the State uses in scoring Enterprise Zone applications is whether the adoption of a new zone would be detrimental to any existing zone. With the existing Coachella Valley Enterprise Zone perhaps only a mile or two from the boundary of a new zone, some have suspected that the State may view a WCVEZ application that way. Conversely, Los Angeles County has several zones that are in close proximity to one another, though it has a population density several times the Coachella Valley's.

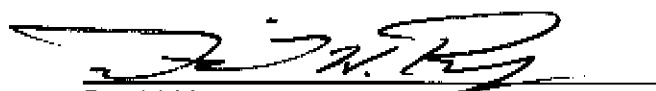
Staff examined the feasibility of working with the existing zone's board (a Joint Powers Authority of Coachella, Indio and the County) to request an expansion that would include parts of the three cities plus additional County land. The problem is that the enterprise zone legislation caps expansion at 15% of the total originally designated zone area. Even factoring in the larger zone that was approved (reapprovals are considered new approvals) in 2005, of 36,000 acres, the resulting 5,400 acre expansion potential is actually quite small, even for a single jurisdiction, and would be meaningless spread over the four participating jurisdictions. The ideal size would be at least 35,000 acres to have the necessary critical mass to be successful. Even going on the premise that large residential areas in the two current cities are included in the zone, and could be removed in favor of new commercial/industrial acreage, the "freed up" land would not be meaningful enough on the west valley for local elected representatives to take the political risk of "shrinking" their zone on the east end of the Valley.


FISCAL IMPACT:

The \$35,000 is in an account entitled Economic Development Programs. If the cities decide on the "no go" option under the contract, the total expenditure should be no more than about \$5,000 per City. If the application is successful, however, the zone will require a commitment of \$75,000-\$100,000 per city per year for administration and marketing, for the life of the Enterprise Zone, which is 15 years.

  
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John Raymond, Director  
Community & Economic Development

  
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Cathy Van Horn  
Economic Development Administrator

  
\_\_\_\_\_  
David H. Ready, Esq., Ph.D.  
City Manager

  
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Thomas J. Wilson  
Assistant City Manager