

CITY OF NEEDLES, CALIFORNIA



ECONOMIC DEVELOPMENT STRATEGIC PLAN

2014-2019

FINAL ADOPTED

April 22, 2014



Presented by:

Development Management Group, Inc.

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1. Introduction

Development Management Group, Inc. (DMG) has been retained by The City of Needles, California to produce an Economic Development Strategic Plan that will guide the City and the Community in their economic development efforts for the next five (5) to ten (10) years.

This Economic Development Strategic Plan provides a foundational understanding of the local and regional economy and basis for which a community to create/generate economic investment. This plan also provides recommendation regarding specific projects and economic development initiatives that are both tangible and quantifiable as part of the implementation phases. The City of Needles Economic Development Strategic Plan is organized to provide demographic/statistical information and specific initiative/project recommendations.

Note: At such time as the Executive Summary is put together, it will include a list of the highest recommended actions and a timeline matrix for completion.

2. Statement of Independence

The City of Needles, California has provided a joint contractual obligation with Development Management Group, Inc. regarding independence of research, analysis, recommendations and conclusions. Therefore, the City of Needles 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 22 (Page 52) of this Economic Development Strategic Plan.

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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 Needles, California
2. County of San Bernardino, 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. San Bernardino Association of Governments (SANBAG)
13. Federal Register
14. Inland Empire Economic Partnership (IEEP)
15. Inland Empire Film Commission
16. Mayor, Mayor Pro Tem and City Council of the City of Needles (Personal Interviews)
17. Various (Confidential) Regionally Based Real Estate Brokers
18. The HdL Companies
19. NV Energy
20. Mohave Electric Company
21. AHA Macay Power Service (AMPS)
22. Mohave County
23. Clark County
24. Individual Business Owners (10) (Confidential Interviews)
25. DataQuick
26. Development Management Group, Inc. (Internal Calculations/Information)
27. Lake Havasu Tourism Bureau
28. USA Today/Gannett

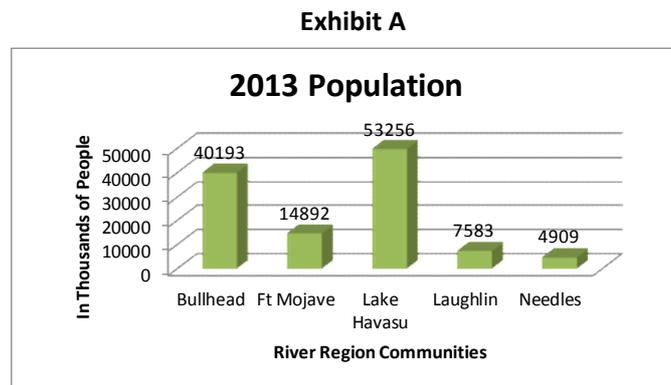
7. Demographic Analysis for the City of Needles

Fundamental to any economic development strategic plan is an understanding of the demographics of a community and the surrounding region, especially if that region is geographically isolated from others. The demographic analysis included helps community leaders (government, education, business and non-profit) better understand the current elements of the community's economy. Development Management Group, Inc.,

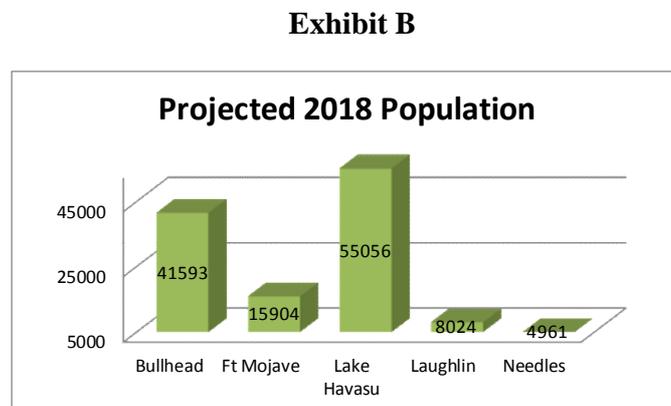
as the economic consultant to the City will provide some narrative as part of this analysis for which to understand what we believe the impacts have been on various statistics as appropriate.

A. Population

The City of Needles has a current population estimated at 4,909. Needles (by population) is the smallest community in what will be referred to as the Tri-State Colorado River Region (Needles, Lake Havasu, Bullhead City, Ft. Mojave and Laughlin). Lake Havasu and Bullhead City are by far the two (2) largest communities in the region with populations of 53,000 and 40,000 respectively.

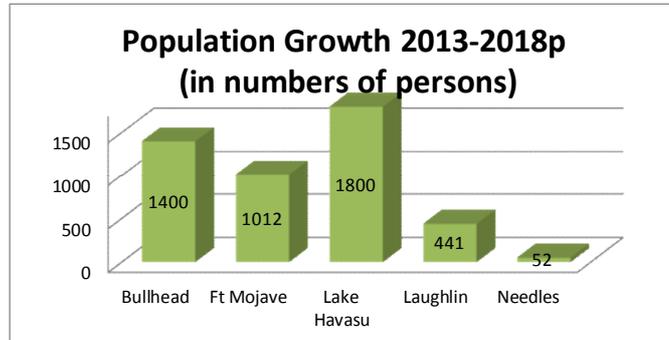


In terms of projected growth, each of the communities within the region is expected to grow modestly over the next five years as the national (and regional) economy continues to slowly recover.



In pure numbers, Lake Havasu and Bullhead City are anticipated to grow by 1,800 and 1,400 residents respectively, while Needles may only experience an increase of about 50 residents (10 per year). These growth projections help City planners understand a potential need for new housing units. In general, a new housing unit needs to be built for each three (3) persons within a community. Note that these figures are for permanent residents only and do not account for seasonal and part-time residents.

Exhibit C



B. Ethnicity

The City of Needles has a population that is about 77% “White Alone” or Caucasian, 17.9% Hispanic/Latino, 7.9% American Indian and 1.5% African American/Black. The region as a whole (statistically) has a larger population of Caucasians and lower percentage of Hispanic/Latino and African American/Black ethnic groups than most other regions in the Pacific Southwest. It is noted that the City of Needles has the largest population (in terms of both percentage of population and number of persons) of American Indians. Exhibits D-G provides a graphical representation of ethnicity within each of the regional communities.

Exhibit D

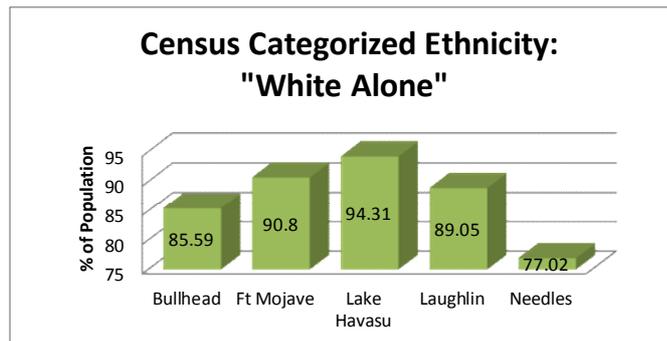


Exhibit E

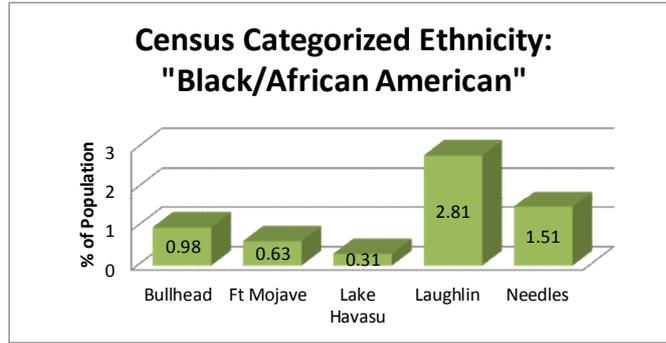


Exhibit F

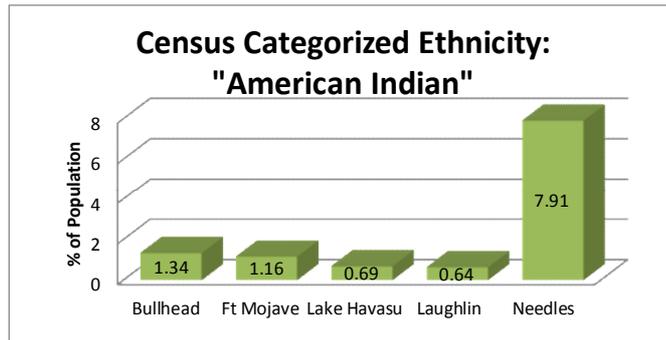
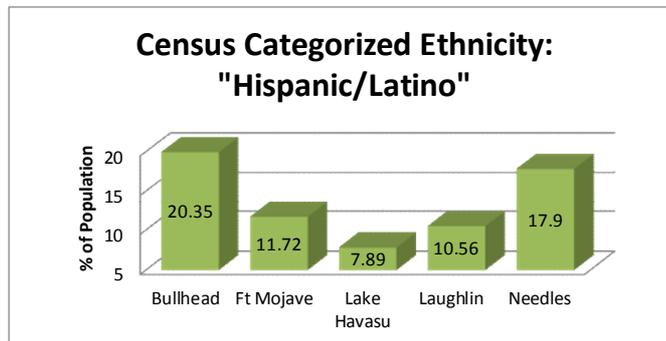


Exhibit G



C. Median Age

The median age in Needles is 39.6 which is the youngest among all of the regional communities. Fort Mohave has a similar median age at 40.4. By comparison the median age across San Bernardino County is 30.2.

Median age can be often an indicator of a strategic economic advantage for a community seeking to grow. The younger the median age, the more opportunity there is for business to utilize a productive workforce.

Exhibit H

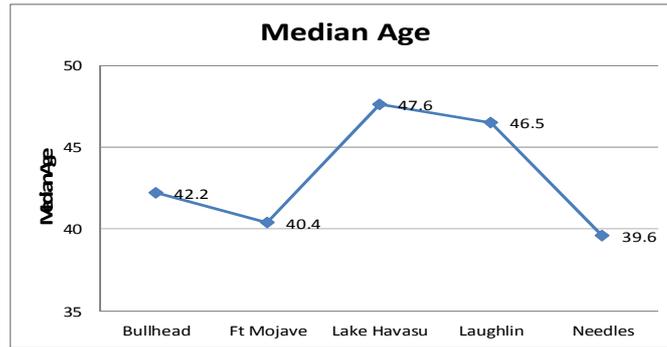
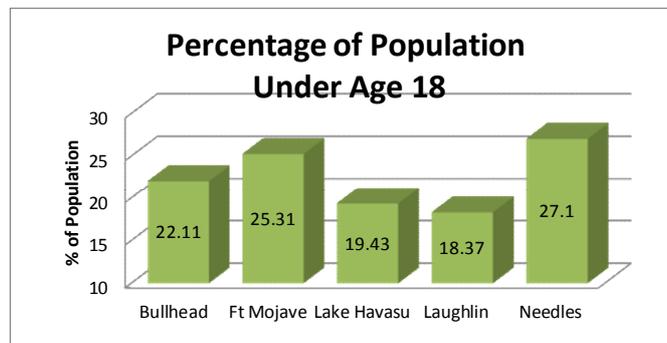


Exhibit I shows that Needles has the largest percentage of population under the age of 18 in the region. Because persons under 18 are generally still in the educational process, the community bears a greater level of costs for schooling, recreational support and other community related activities geared toward youth. Fortunately, these are also the workforce, business and community leaders of the future.

Exhibit I



Exhibits J-L show the age distribution for the balance of the population. Exhibit J provides ages 18-34, which is generally defined as persons entering the beginning and middle phases of their working years while Exhibit K shows those toward the middle/end of their careers. These two age categories are often classified as “the wage earners” which are an important component to a local economy as it is often these folks that pay the most in terms of taxes (through income and spending) that supports the balance of the economy (the school system for younger persons and social services for those that are retired).

Exhibit J

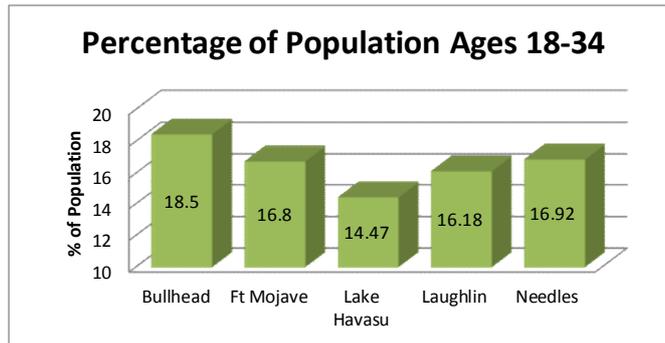


Exhibit K

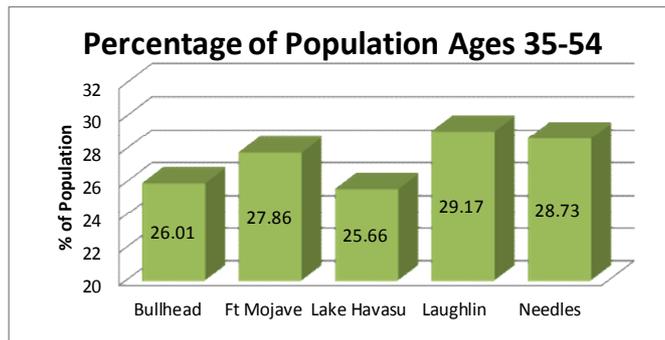
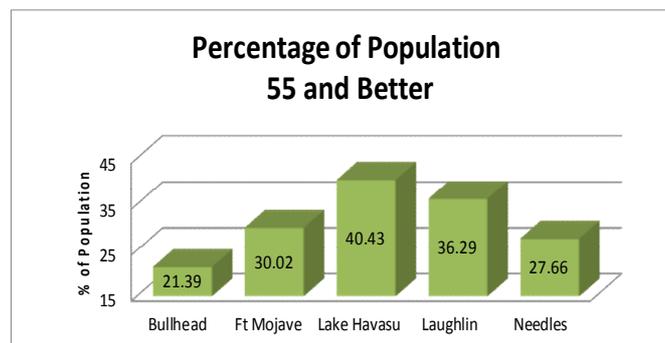


Exhibit L

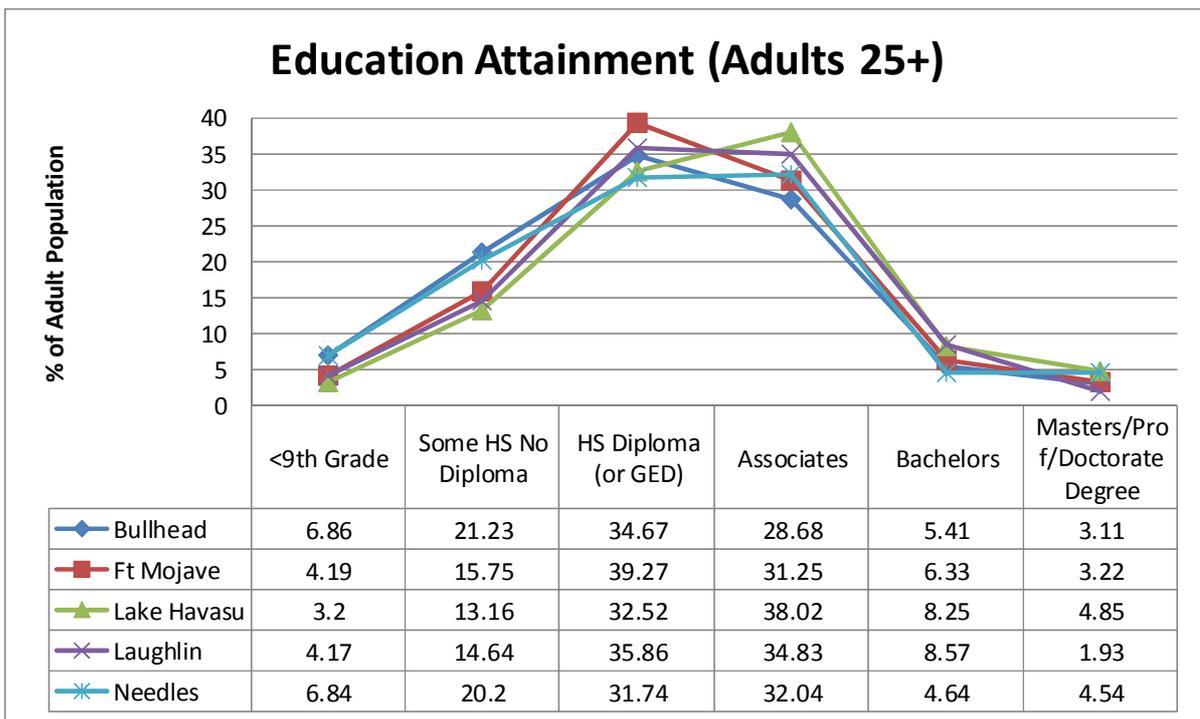


D. Educational Attainment

Note: Educational attainment is measured by the highest level completed by adults 25+. This is because most persons have completed the highest level of education they will obtain by the age of 25.

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 an increasingly competitive and global economy, it is essential that adults complete high school. It is preferable that they have completed at least an Associates or Bachelor's Degree. The basic business and craft skills that come with completion of a college education open many career opportunities. Unfortunately Needles has the highest percentage of adults (25+) lacking a high school education (or equivalent) in the region at 27% (which mirrors that overall County average for San Bernardino County at 26.81%). By comparison 16% of Lake Havasu's population lacks a high school education. About 41% of Needles residents hold Associates or better (though less than 10% have completed a Bachelor's or better. By comparison 23% of residents across San Bernardino County hold an Associates or better while 16% of adults have a Bachelor's, Master's, Professional or Doctorate Degree. Utilizing information previously presented whereby Needles has the youngest overall population (mean) and the highest percentage of persons under the age of 18, higher levels of educational attainment will be key in the long-term economic success of the community.

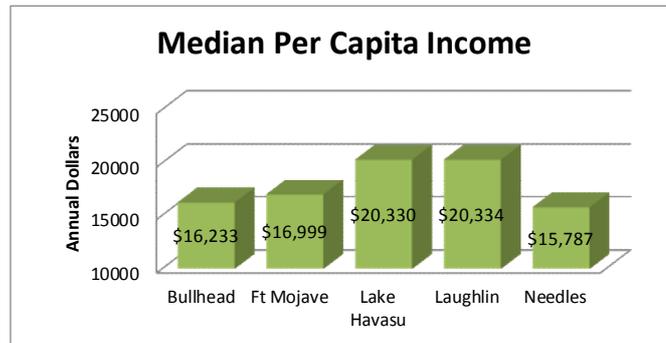
Exhibit M



E. Per Capita Income

The 2012 (estimated) per capita income for residents in the City of Needles was \$15,787. While this is the lowest among the communities within the region, it is similar to Bullhead (\$16,233) and Ft. Mohave (\$16,999). Residents of Laughlin and Lake Havasu, on average, have a per capita median income about 30% higher than residents in Needles. Across San Bernardino County (as a whole), the median per capita income is \$16,854.

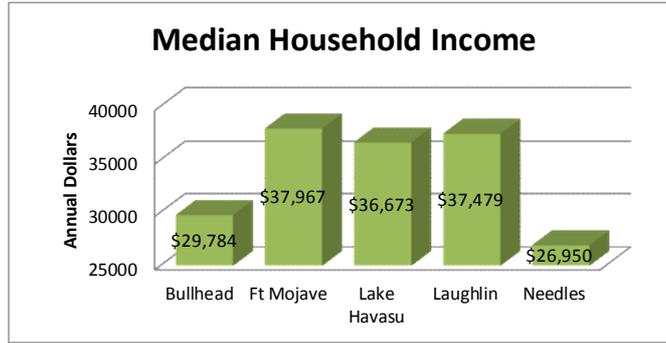
Exhibit N



F. Median Family Income

Median family income in Needles for 2012 (estimated) was \$26,950. Approximately 1/3 of families in Needles had a household income of \$50,000 or more and 18% of families had a household income in excess of \$75,000. Median household income currently lags behind the four other regional communities. The next closest community had a median household income for 2012 of about \$29,784. Both per capita income and family (household) income are important factors in determining which retailers a community should target in their business recruitment efforts. By comparison, San Bernardino County (as a whole) has a median household income of \$42,875 with about 42% of households with an income exceeding \$50,000 annually and 22% exceeding \$75,000 per annum.

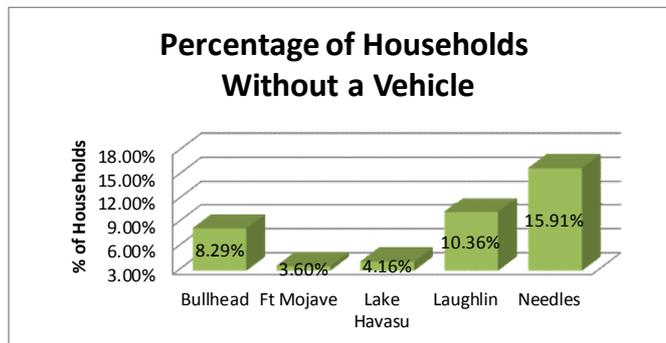
Exhibit O



G. Mobility

Persons living communities like Needles that are within more geographically isolated regions and are generally more suburban in nature rely on personally owned transportation (cars and trucks) versus public transportation. This is especially true in Needles where (at the time being) some of the shops, services and healthcare options sought by residents may be located within a neighboring state (Arizona or Nevada). Exhibit P below shows the percentage of households (by community) without a vehicle. In pure numbers this translates to some 750-800 persons in the community being without reliable transportation other than the limited public transportation available.

Exhibit P



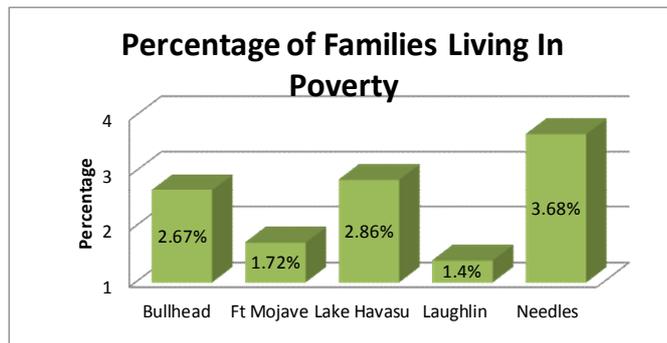
H. Poverty

In 2012, it is estimated that 3.68% of families in the City of Needles lived in poverty. As an example, in 2012, a family is considered to be living in poverty if their family income was below \$23,050. A community is considered to be in poverty if 20% of families are living at or below the poverty line (adjusted by family size).

While communities within the region are far from wealthy (by most standards) the region has a low level of poverty. This means that (in general) the needs of families are being met by one or more sources (employment (self or for someone/entity), earned entitlements (retirement/social security), savings/investing or public assistance.

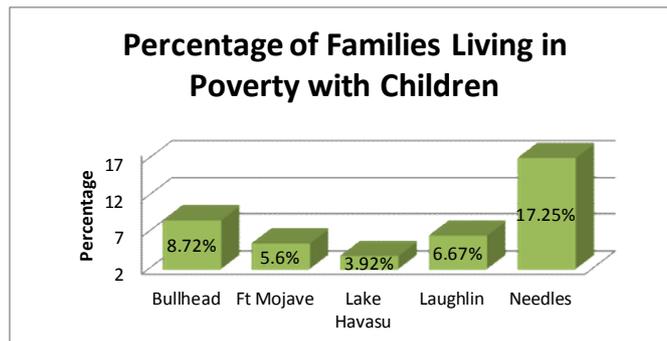
The United States Census Bureau estimates that 16% of families and 20% of children in the United States live in poverty. Within the Tri-State Colorado River Region, poverty appears to be only ¼ of the national average for families with even the highest community (Needles) having a poverty rate under 4%.

Exhibit Q



For families with children, the poverty rate is two to five times higher than for families without children across all communities within the region. In Needles, over 17% of families with children live in poverty while the next closest community (statistically) has a poverty rate 50% less (Bullhead with only 8.72% of families with children living in poverty). Countywide (San Bernardino County), 10.88% of families with children live in poverty.

Exhibit R

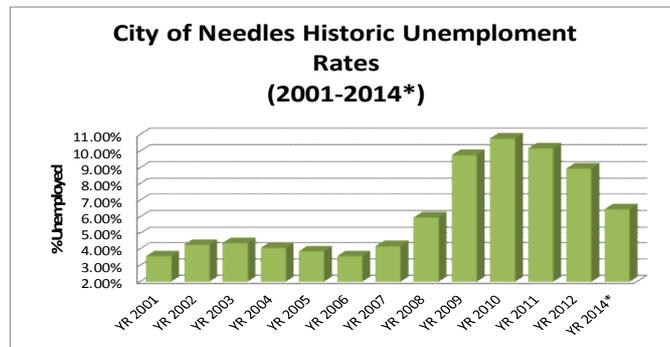


I. Employment

Note: some of the statistics in this section refer to percent of population that is unemployed; this is not to be confused with an unemployment rate. Unemployment rates consider the percentage of persons within the labor force seeking employment.

In terms of traditionally calculated unemployment, the City of Needles is considered by the State of California Employment Development Department (EDD) to have a labor force of 2,200. It is estimated that 2,100 of such persons are currently employed and therefore the unemployment rate is only 6.5%. The Countywide unemployment rate (as of January, 2014) is 8.7%. Essentially, there are employment opportunities within the greater region for those willing to work. The quality of the jobs available and pay is something that is of reasonable discussion and debate.

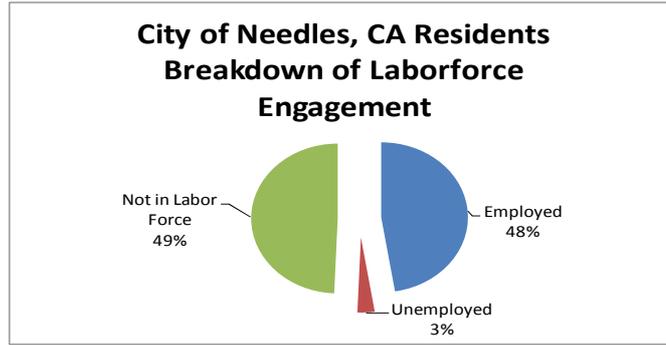
Exhibit S



Local and regional employment is important components to understanding the economy. Two major sections of data include an understanding of the available labor force and the jobs currently held by persons living within various communities within the region.

In the City of Needles, 48% of the total population is employed, while 49% is not currently in the labor force generally they are pre-education age, students, persons retired, disabled and persons whom do not seek employment because of responsibly inside the home or they have given up on finding employment.

Exhibit T



In comparison to other communities within the region, Needles has the lowest percentage of total population employed. While on the surface this would be troubling in working to create economic investment, much of this statistic is washed by information contained in Exhibit I that showed that 27.1% of Needles residents are under the age of 18 and therefore generally not a part of the workforce yet. Communities (like Laughlin) that have a higher percentage of persons employed and a higher average age have a more mature (or maturing) workforce and that can often work as a disadvantage when competing for economic investment as most companies (whether retailers or large-scale employers) are seeking younger consumers (for the retailers) and an active, trainable workforce (large-scale employers).

Exhibit U

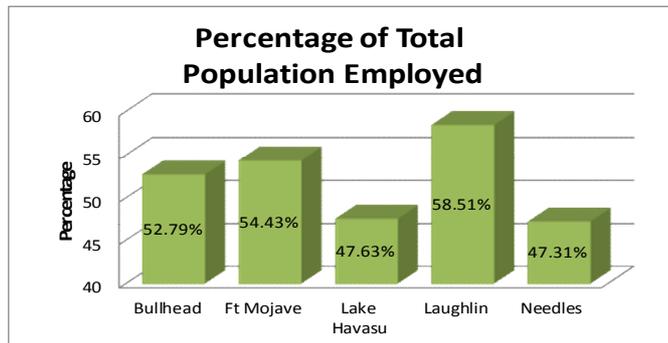


Exhibit V

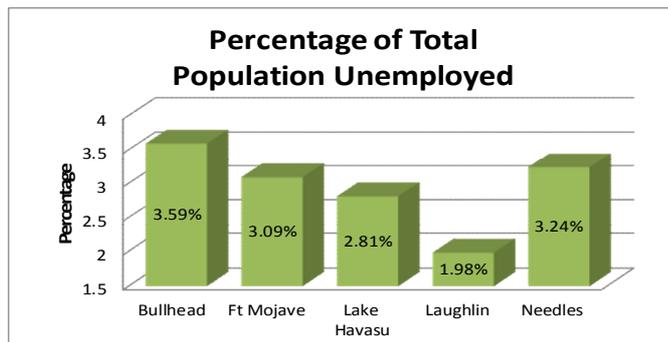
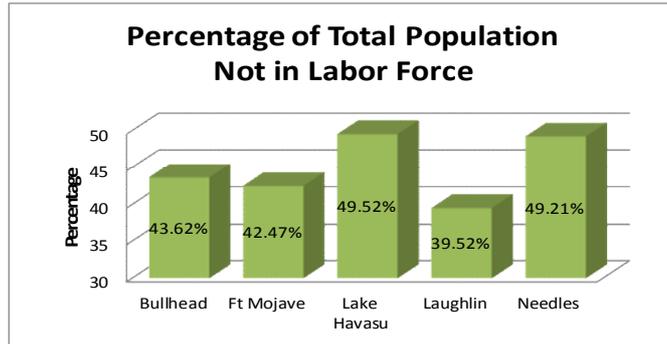
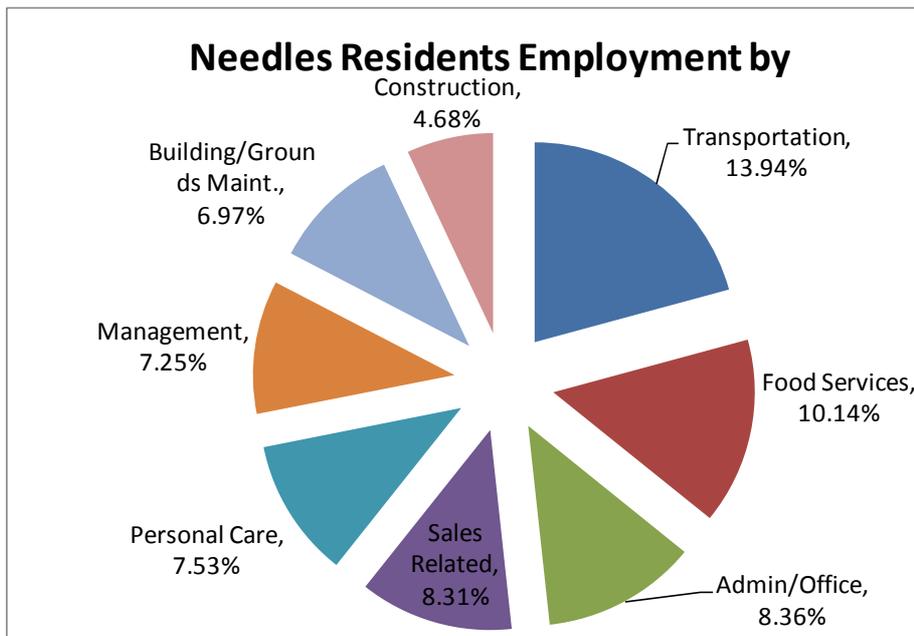


Exhibit W



Employment categories for residents of Needles widely vary. This is important to the overall health of the economy as not one single employment type dominates the jobs. This type of employment/economic diversification generally means that an economy has more resiliency during times of economic downturn or recession. When looking at the region as whole, there are a number of employment centers from railroad transportation to gaming and river-based tourism to I-40 commute support. These are (generally) the categories of the economy that import dollars into the region. The balance of jobs is generally to support persons living in the region (retail, banking, (some) construction).

Exhibit X



The Exhibits below (X-AD) provide a breakdown of percentage of various types of jobs by community within the region.

Exhibit Y

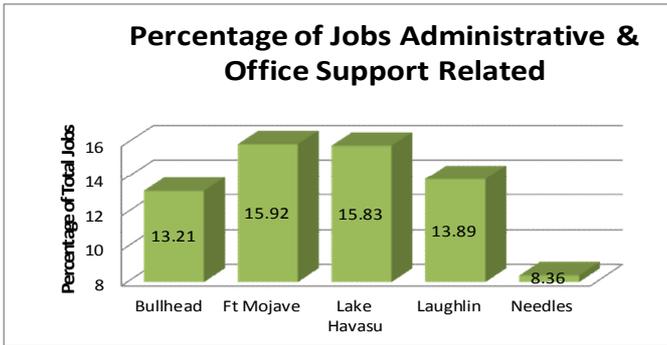


Exhibit Z

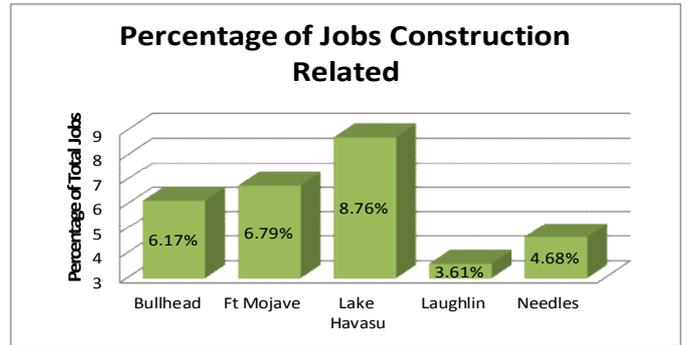


Exhibit AA

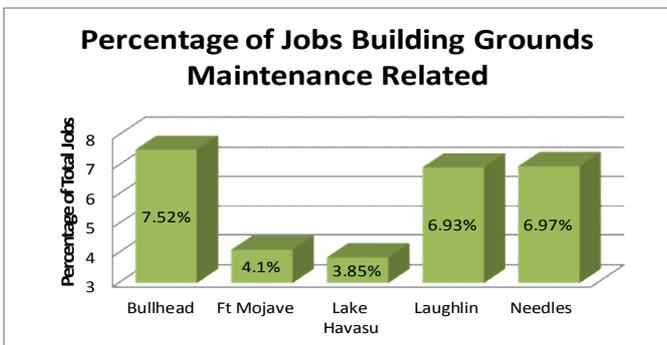


Exhibit AB

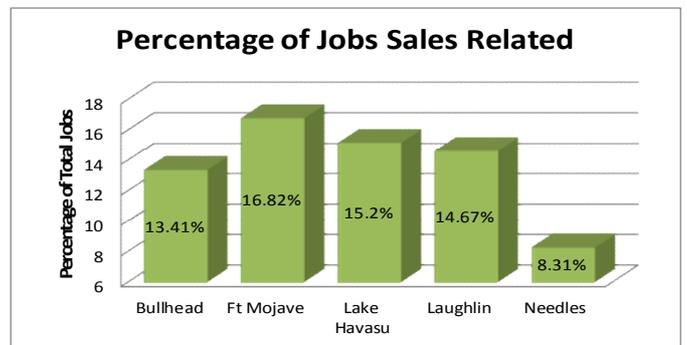


Exhibit AC

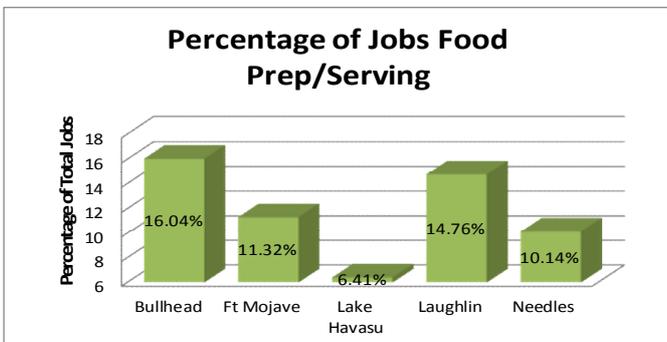


Exhibit AD

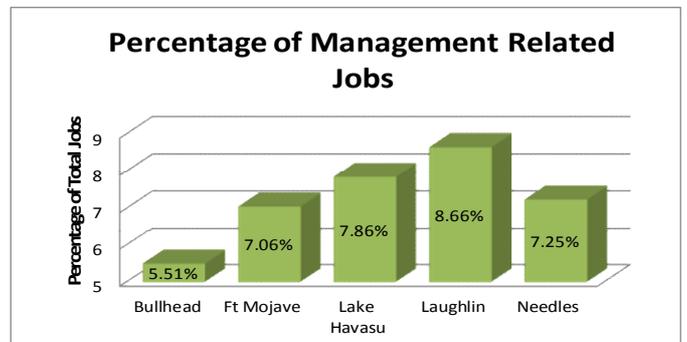
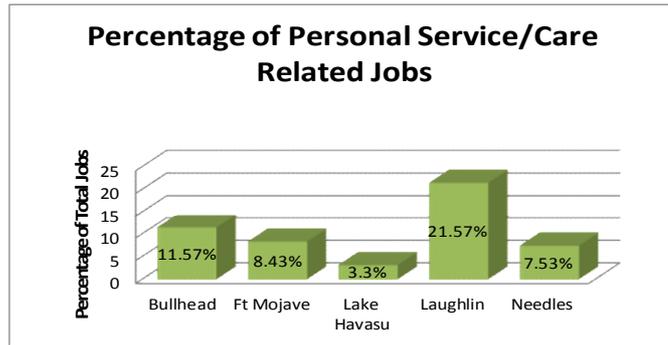
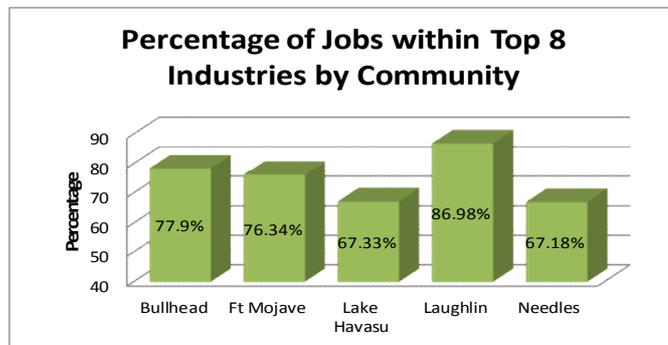


Exhibit AE



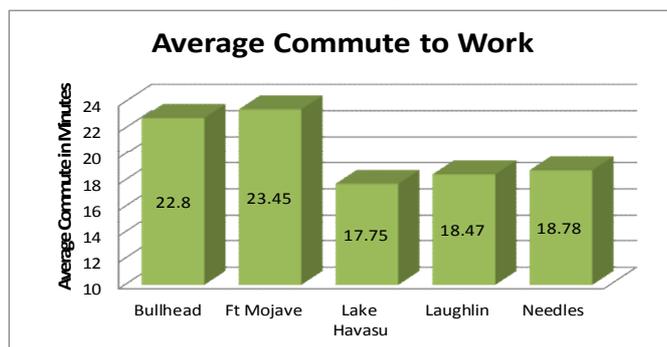
When adding the top eight (8) industries within each community, Laughlin has the least diverse economy with about 87% total jobs (held by residents) being in the core categories while Needles and Lake Havasu have the most economically diverse job base with about 67% of their residents holding employment in one of the 8 core categories. Statistically this should mean that Needles and Lake Havasu could withstand economic downturns better than surrounding communities.

Exhibit AF



One final aspect of employment is the average commute to work for residents of various communities throughout the region. Residents within the region generally enjoy relatively minor commutes as the region is geographically isolated from other areas and most people living within the region also work within the region.

Exhibit AG



J. Housing Characteristics

Twenty-five percent (25%) of single family homes in the City of Needles are owned free and clear (without mortgage). Statistically, 18.6% of housing units are considered vacant, but about 33% of the units considered vacant are recreational/seasonal housing and are essentially utilized as second homes or vacation rental. The rental market has only a 6.5% vacancy, which is extremely low for a community without much traditional multi-family housing stock. Finally, only 1.8% of single-family homes are considered vacant-for sale.

On a regional basis, housing varies quite widely. Exhibit AH shows the percentage of owner-occupied housing by community. Fort Mohave and Lake Havasu boast over ¾ of their population owning their own home while in Bullhead and Needles about 6 in 10 families live in a home they own. Laughlin lags behind the rest of the region with only 1/3 of families living in an owner occupied residence. Nationally, 64% of families live in a home they own while 36% live in rental housing. Overall the region is on par with the national average.

Owner occupancy is an important component of a community's economic strength. The larger the share of owner occupied housing, the more stable a community is economically and the more rooted families feel. This also goes to the overall "sense of pride" felt by residents as often times homes that are owner occupied are better maintained (both inside and out) than rental units.

Exhibit AH

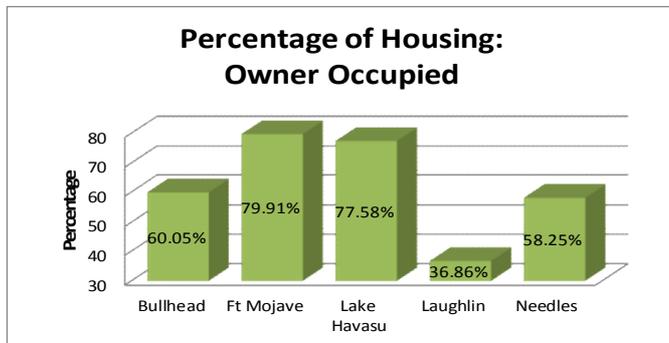
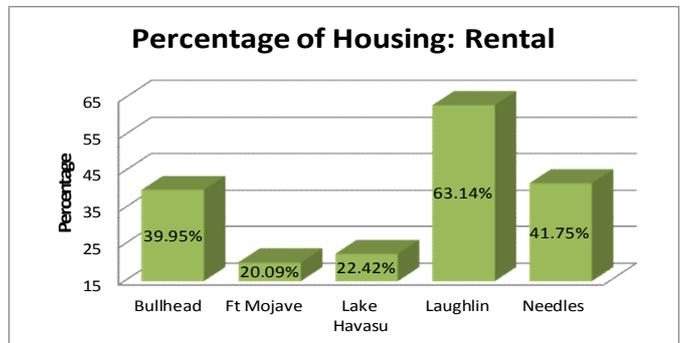


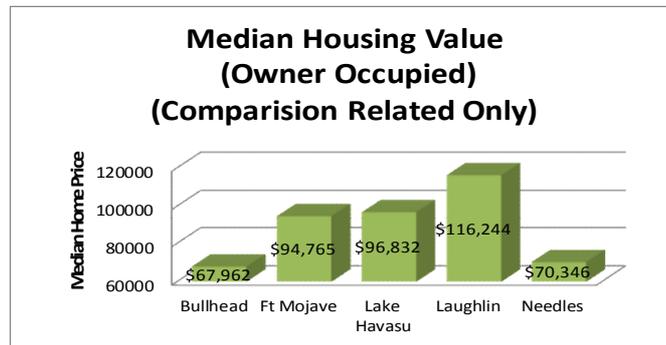
Exhibit AI



When providing information regarding the value of owner-occupied housing, it is important to note that there is a data time-lag for stabilized price comparisons. While monthly and quarterly figures are typically available that compares current sales information, it does not show true home-value comparisons. Exhibit AM below provides a value comparison. Home pricing (and affordability) can impact the ability for a community to grow. On one hand low housing prices provides an opportunity for a variety of first-time buyers to enter the market.

On the other hand, when prices are below “replacement” value (the amount it would cost to build the home from new) it serves to detract homebuilders from beginning new projects.

Exhibit AJ



Note: Exhibit AM does not necessarily represent recent sales data, and should be used only for stabilized comparative purposes.

Recent sales data show that in 2013, there were 39 sales of single-family residence in the City of Needles for an average of \$71,000. The average price per square foot was \$47. In the 4th quarter alone, there were 10 sales for an average price of \$94,000 which represented a price per square foot of \$98. The sales volume and price per square foot are both key indicators as to when home builders may begin production in the marketplace. In 2014 dollars, production homebuilders are seeking a sale price of \$115-\$125 per square foot in order to be profitable in a market. This figure is slightly higher for smaller volume builders that are building one or two units at a time.

K. Energy Costs

Communities seeking to grow their local economy need to understand their overall competitiveness. One important cost factor for both families and businesses is that of energy costs. In fact outside of a mortgage (for families) and occupancy/labor costs (businesses), utilities make up the next highest overall costs. DMG, Inc. working with various (confidential) sources examined residential energy bills from residents within communities throughout (most) of the region.

Residential Energy bills have two (2) major components. The first component includes service charges (which can include various taxes and fees). The second component is the actual energy charge (based on use). Exhibit AN shows that in terms of energy use charges, the City of Needles offers energy rates that are 20% - 40% below

the balance of the region. When looking at example overall residential billings for home usage ranging from about 400-600 kWh (winter month), the City of Needles offers rates that are consistent with the lowest (AHA Power) and 5%-24% lower than other energy providers. In summer months, the cost savings is much greater (in favor of Needles users) as the fixed costs of a bill (service charges) stay the same and the energy cost difference will create greater savings.

Exhibit AK

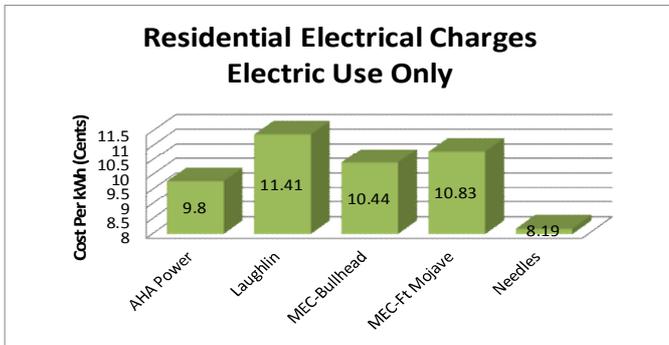
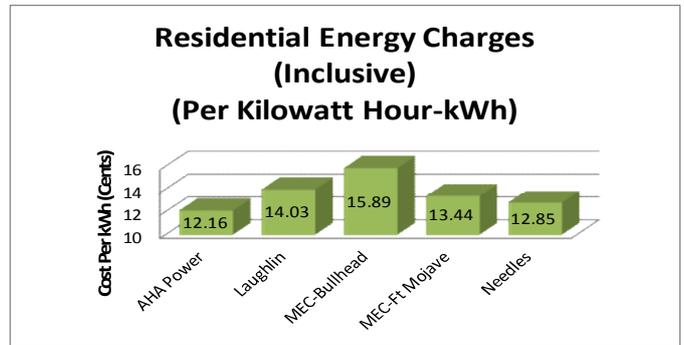


Exhibit AL



Commercial Energy Bills:

THIS SECTION WILL BE COMPLETED WHEN THE DATA IS AVAILABLE

8. Retail Demand, Sales & Opportunities

When analyzing the retail potential of a community, three factors must be taken into account. First, the native demand from the local population (current residents). Next, the regional demand from persons living within a reasonable distance of the subject community. Finally, a combination of part-time residents, vacationing visitors and flow-through traffic.

Native Demand (Current Residents)

In 2013, it was estimated that residents has a statistical demand of about \$65 million for retail products services. Statistical demand is demographically adjusted demand for purchases based on a number of factors including location, weather conditions and incomes. Within the City of Needles, the largest theoretical demand was for food and beverage stores, motor vehicles, building materials and health/personal care. The supply numbers tell a more accurate story as it reports that actual sales of retail goods and services. When “supply” exceeds demand, this is a sign that there is more retail activity in a category than what the residents would typically

demand. Two major categories where this is seen are food & beverage stores and gasoline stations. The additional sales are a result of recreational tourism (in case of food & beverage stores) and interstate travelers (gasoline stations).

Exhibit AM

Retail Sales Figures City of Needles, CA

Category	2013 Demand	2013 Supply
Motor Vehicles	\$8.2	\$2.2
Furniture & Home Furnishings	\$1.3	\$0.3
Electronics	\$1.2	\$0
Building Materials	\$6.0	\$3.4
Food & Beverage Stores	\$10.1	\$22.6
Health & Personal Care	\$3.8	\$5.2
Gasoline Stations	\$7.1	\$50.7
Clothing	\$3.0	\$0
Sporting Goods	\$1.3	\$0
General Merchandise	\$9.2	\$7.1
Misc. Stores (Florists, Office Supply)	\$1.9	\$0.2
Non-Store Retailers	\$5.1	\$5.0
Food Service and Drinking (Restaurants & Bars)	\$6.9	\$5.8

* Figures in Millions of Dollars

Note: Demand & Supply figures are Native Population based (residents of Needles) and do not account for Interstate Traffic (4.4 million vehicles annually) and 5.5+ million visitors to the Colorado River area (Laughlin, Lake Havasu areas).

Regional Demand (Residents within the Region)

While the Tri-State Colorado River Region has about 126,000 full-time permanent residents, Laughlin alone has 4,000,000 annual visitors while Lake Havasu has an additional 1.5 million visitors annually. Additionally, some 4.3 million cars pass along Interstate 40 through Needles on an annual basis. These additional persons along with seasonal residents (“Snowbirds”) add to the local economy and demand for retail products and services. Below is a chart of the regional native demand and supply for retail. Note that in most cases, the supply (actual sales) exceeds demand, again because the demand includes only native demand and does not factor in visitors, travelers and snowbirds.

Exhibit AN

Retail Sales Figures Tri-State Colorado River Region *(Bullhead, Ft. Mohave, Lake Havasu, Laughlin, Needles)*

Category	2013 Demand	2013 Supply
Motor Vehicles	\$90.4	\$328.7
Furniture & Home Furnishings	\$15.5	\$15.7
Electronics	\$13.3	\$7.7
Building Materials	\$71.0	\$187.8
Food & Beverage Stores	\$111.8	\$215.4
Health & Personal Care	\$47.1	\$65.9
Gasoline Stations	\$78.1	\$234.2
Clothing	\$30.5	\$73.7
Sporting Goods	\$14.7	\$45.3
General Merchandise	\$100.6	\$73.2
Misc. Stores (Florists, Office Supply)	\$20.2	\$54.4
Non-Store Retailers	\$57.8	\$24.6
Food Service and Drinking (Restaurants & Bars)	\$77.1	\$336.2

* Figures in Millions of Dollars

9. Regional Organizations/Associations Assisting in Building Needles Economy

As a small and mostly geographically isolated community, Needles must work to leverage the partnership potential it has with various organizations that exist for purposes of increasing commerce. This section of the economic development strategic plan will briefly introduce these commerce partners and provide specific recommendations as to what can be done to best receive economic benefit from these partnerships.

Inland Empire Economic Partnership

The Inland Empire Economic Partnership is a private public regional economic development corporation that represents the economic growth interests of Riverside and San Bernardino Counties. While most of the economic activity that has resulted from IEEP efforts has been centered in the Riverside-San Bernardino-Ontario areas, the following Needles can leverage this relationship through the following:

1. Utilize IEEP events and membership database to introduce Needles to commercial real estate brokers that specialize in region/super-regional service facilities (distribution centers, large-scale vehicle service facilities)
2. Provide IEEP with contacts to large scale land owners and sites that are being marketed within the community (again for larger projects).
3. Utilize the information from Item #2 above to respond to leads provided by IEEP (which are either generated through IEEP marketing or flow from the State of California).

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. Funding for IEEP is mostly from the public sector from communities seeking film activity. For Needles, film activity (still, print and motion) can provide additional economic activity in the community through hotel stays, food service and other needed items to support shoots.

It is recommended that Needles:

1. Negotiate a minor investment in IEFP to become a partner
2. Determine the top 5-10 film locations within the community (combination of fixed buildings, regional attributes and geographic features) and build electronic inventory for inclusion with IEFP and internal to the City of Needles (on City website).
3. Consider allowing IEFP and/or local organizations (such as the Chamber of Commerce) permit location shoots in the City of Needles and provide them with ability to arrange through San Bernardino Sheriff's Department for appropriate road arrangements (when needed). It is important that there exists the ability to provide permitting on short time frames (often evenings, weekends and when City Hall is generally closed).
4. Permit fees should modest to non-existent. For Cities that allow for outside organizations (such as IEFP or the Chamber) to permit film production, those organizations often keep the revenue from receipts generated as a means of funding the permitting activity).

Needles Economic Development Commission (NEDC)

The Needles Economic Development Commission is a team of community, business and elected/appointed leaders that comprise the local economic development team for the following purposes:

1. To keep them informed regarding progress of development activity (that is often confidential) (Therefore each member should be subject to a "Confidentiality" or "Non-Disclosure Agreement")
2. Should include a mix of representative from the City Council, public utilities, hotel industry, business support, restaurants and real estate brokerage sectors.
3. The Needles Nine will serve as a "welcoming team" when appropriate to meet with brokers, developers and interested economic investors (ambassador role).
4. Private businesses associated with the Needles Nine will be asked to provide complimentary room stays and meals/entertainment for brokers/developers and specific businesses looking at the area for new economic investment.

Needles Chamber of Commerce & Downtown Business Association

In the research conducted as part of assembling an economic development strategic plan for the community, it is apparent that there currently exist different individual/group efforts for which to advocate business interests in the community. These interests surround various sectors including visitor support, business to business commerce and geographically specific business location support. The multiple effort approach in smaller communities is often an off-shoot of personality clashes that many times have roots that can be generations old. As the concept of economic development or the infusion of economic investment is based on attracting persons (and entities) from outside the community to spend money (either on a temporary or permanent basis) within the community, it is necessary that people put aside personal differences to focus on a single mission.

The most successful economic development efforts include such organizations as a Chamber of Commerce focused on two key areas (business to business connections and bringing people together to build community pride). In a community like Needles where the population alone limits the number of community leaders available to assist in these types of endeavors, bifurcation only further limits the success. It is the opinion of this economic development professional that the following occur:

1. Chamber of Commerce and Downtown Business Association merge their efforts under one united effort.
2. The Chamber of Commerce should have a distinct committee that focuses on Downtown commerce issues (El Garces, downtown tenant mix, beautification, and historical designations)
3. The Chamber of Commerce should focus on community events that bring people (from all parts of the community together)
4. The Chamber of Commerce may be asked to take on the role of issuing filming permits within the City of Needles
5. Chamber of Commerce should serve as the communities Visitors Center and Tourism Bureau to provide information to those visiting for recreational purposes, commuting through on I-40 or staying as snowbirds.

City/School District 2X2 Ad-Hoc

In order to economically prosper, educational achievement must be made a priority by the everyone within the community. At current, some 26.86% of adults 25+ lack a high school diploma or GED. This severely limits their ability to participate in the workforce and economically prosper. All too often this statistic is directly tied to the percentage of persons living in poverty, as most people without an education are simply not employable for even the most basic of jobs. Communities that have high levels of educational achievement economically prosper, it is as simple as that. The community must have a goal to reduce the percentage of adults without a high school diploma (or GED) and increase the number of persons with a bachelor's degree or higher (which currently stands at 9.18%). No economic development effort can replace a highly educated workforce.

As there are many topics of mutual interest between a City and School District (from staffing to facilities to public safety), it is recommended that the City and School District create a 2x2 committee whereas the administrative heads of the two organizations and two members of the elected bodies meet on a regular basis. In regards to the business community, there needs to be greater exploration of job shadowing, internships and meaningful work-study programs that introduce students to new career opportunities in the medical, hospitality and business support/distribution fields.

(To be Formed) Colorado River Communities Economic Development Cooperative

The community of Needles is part of a larger region. This report has called it the Tri-State Colorado River Region (though there are probably better names!). Essentially, the region has about 126,000 full-time residents, over 5.5 million visitors a year (just counting Laughlin and Bullhead) and 4.3 million flow-through traffic counts on Interstate-40. For purposes of public safety, tourism, transportation planning, locally based social services and economic development (job creation), the communities of Bullhead, Ft. Mohave, Lake Havasu, Laughlin and Needles should be meeting on a regular basis to determine where there is a convergence of interests and potential economy of scale. While the actual outcomes of such cooperative cannot be predicted, it would be recommended that this cooperative be formed with the following core representatives:

1. Mayor and Councilmember of each incorporated community
2. Advisory community councilmember or similar from Ft. Mohave
3. Tribal Chairman and Tribal Councilmember from each of the regional Tribes
4. City Manager or Administrative Head from each the organizations listed above

Each of the first four (4) quarterly meetings should focus on a specific topic:

1. Public Safety
2. Transportation Planning (Interstate, Highway and Railroad)
3. Economic Development
4. Regional Tourism
5. Education (P-16) (Pre-School through College/University)

For each of the above topics, the core organizations should invite appropriate professionals, experts and practitioners to assist with the conversation and technical support. The first four meetings should be more an informal round-table format so that leaders get an opportunity to learn more about how core areas are handled and specific challenges facing them.

10. Introduction to Economic Development 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 Needles, 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:

Section 11. Local Economic Development Initiatives

- A. Community Branding/Image
- B. Economic Development Training
- C. Debris Removal
- D. Increased Communication (Internal to Community)
- E. Entry Monument Signage
- F. Expanded Mural Program

Section 12. External Communication

- A. Real Estate Industry Specific Communication
- B. Industry Specific Communication
- C. Needles Application (App)

Section 13. Specific Development Projects

- A. Bureau Bay
- B. Jack Smith Park (Off-Season) RV Usage
- C. El Garces Historic Train Depot
- D. Historic Route 66
- E. Hotel Development at Golf Course
- F. Master-Planned Communities
- G. Semi-Custom/Custom Home Development
- H. Commercial Scale Solar/Wind Projects
- I. (Former) RDA Owned 28 Acres

Section 14. Housing

- A. Owner Occupied Rehabilitation Program
- B. Removal of Dilapidated Housing
- C. Pooled Community Lending Authority
- D. Pre-Closing Code Inspection
- E. Rental Door Tax
- F. Vacant REO Reporting
- G. New Homeowner Welcome

15. Retail Opportunities for City of Needles

16. Freeway Corridor (Interstate-40) Location Based Opportunities

- A. Transient Traveler Services
- B. Logistics/Distribution
- C. Renewable Energy
- D. Recreation Based Tourism
- E. Interstate-40 Travel Center (Commercial and/or Passenger)

17. Funding Opportunities

18. Role/Responsibilities of Economic Development Ombudsperson

19. One-Stop Web-Based Information Center

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

11. Local Economic Development Initiatives (Within Market)

Community Branding/Image, Needles 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/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.

After communicating with various civic, community and business leaders throughout the region, Needles must work to create a brand/image that the community can rally around and can be marketed for economic investment purposes. Below is a list of community attributes concepts that were brought forward by various participants to be considered as part of the overall brand:

- A. Needles is gateway to California, and only community in the region with direct access to Interstate 40.
- B. Needles is the oldest community in the area and has long served as the Railroad hub.
- C. Needles is widely known as part of Route 66 which many portions of the original route are still in existence and used on a daily basis.
- D. Needles is home to El Garces which is a 100 year old railroad building set in the core of the Downtown
- E. Needles is one of the few communities in California that has welcomed retail sales of medical marijuana
- F. Needles boast a large amount of privately owned land with direct access to the Colorado River
- G. Needles has some of the best developed access for public boating to the Colorado River (through Jack Smith Park)
- H. Needles hosted a childhood home of Charles Schultz, the creator of the comic strip Peanuts
- I. In the comic strip Peanuts, “Spike” the older brother of “Snoopy” lived in Needles and was often featured with his Saguaro Cactus

What is obvious in these statements is that the City of Needles has a rich history in industry, trans-continental transportation, pop culture and tourism. Most of the recommendation to better develop the economy will come from these known (and enviable) attributes.

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).

Debris Removal, insuring that the City (including private properties) is 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 Needles. While the community is older (in terms of age and housing stock) this is a feature that should be celebrated with

housing that is free of debris, yards kept (even in a desert environment) and homes in reasonable repair (paint, fencing and roofing).

Increased Local Communication between City Hall, Chamber of Commerce and ALL residents to insure that the community knows about events as well as 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 through programs such as Constant Contact) that shares what is going in the City/community. In addition, the City of Needles should establish ongoing relationships with local church leaders in order to foster greater communication between residents and the City itself.

Entry Monument Signs, Install Needles entry monument signs/billboards 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. This may include the need to acquire consent from the estate of Charles Schultz, any legally recognized body of Route 66 and/or the Railroad operators.

Local Based Tourism Campaign (Private-Public Partnership), Hoteliers Association (Market Group), The City of Needles and local hoteliers should consider both an organizational element (separate or part of the Chamber of Commerce) and a funding source (such as a small add-on to transient occupancy taxes) that go specifically to providing an opportunity for hoteliers to further market the region. This may be in conjunction with other items below (such as entry monuments, signage and applications).

Expand Community Based Mural Program, continue to expand and develop the downtown mural program along Route 66 that celebrates the history of the community as a way of educating local/regional residents and attracting either daytime or overnight tourism activity.

12. External Marketing/Communication

Real Estate Industry Specific Communication (brokers, developers), create and utilize a database of brokers and developers to communicate with on an ongoing basis about Needles. The communication campaign can be a combination of personal communication (in person, trade show), electronic (through Constant Contact or

direct email) and/or hard-copy materials (mail). The database of brokers and developers will (predominately be those based in Southern California or in the Tri-State super-region).

Industry Specific Communication, (retailers, industrial/distribution, hotel development, utilizing similar techniques as described in the item above, develop and use a database of industry specific contacts in order to foster long-term economic investment based relationships. The core areas of interest should include retailers, hotel developers (and corporate flags) and industrial/distribution users.

Needles Application (App), develop and maintain a Needles application that serves three purposes. First, to provide instant information for on the road travelers about available hotels, restaurants and service station opportunities. Next, to provide information to tourist based visitors for community event and tourist facility availability (launches, RV parks, boat/vehicle repair). Third, the App should be designed for use by local and regional residents to drive additional traffic into the community for a) retail/service opportunities specific to Needles and b) community events. In all cases, the App should allow for opt-in follow-up so that an ongoing marketing campaign (via email or phone message) can be used to communicate with persons to generate future economic activity.

13. Specific Development Projects that Result in Increased Economic Investment

As part of the implementation of an economic development program, it is recommended that the projects listed below pose the greatest economic opportunities for the City of Needles to expand its current economy.

Bureau Bay Development

As quality access to the Colorado River seems extremely limited within the region, the City of Needles has a unique opportunity to utilize land it owns to develop a daytime/overnight stay recreational vehicle park/camping area that would attract additional visitors and users to the community. It is recommended that the City began the process of identifying a development partner to construct and/or operate the project in cooperation with the City and Bureau of Reclamation.

Jack Smith Park Recreational Vehicle Overnight Use

During the traditional off-season for river recreation (the months in which Jack Smith Park is not manned for entry/parking purposes), the City should consider installing a permit machine that allows overnight (dry/non-utility) camping. This coincides with the “snow-bird season” and will produce additional tourist traffic as well as helping to establish potential demand for the build-out of Bureau Bay.

El Garces Historic Train Depot

As the El Garces become available for occupancy, the following uses should be explored (note that the size of the building at 60,000 square feet) will allow for a number of users:

- A. Use by Amtrak as a passenger train depot
- B. Staging/Operational Facility for Burlington Northern Santa Fe Railroad (BNSF)
- C. Tribal Government (administration, transportation or cultural museum)
- D. Community activities/local convention/conference center
- E. Restaurant
- F. Retail
- G. Farmers Market/Open Air Market (joint use with park area)
- H. Government Offices
- I. Private Use Offices
- J. Route 66 or Railroad Museum (stand-alone or in combination with a restaurant user)
- K. Bed & Breakfast, Hostile, Hotel

Historic Route 66

Community groups (Chamber of Commerce, Downtown Business Association and hotelier’s) should work together to explore additional signage, monument and funding opportunities for Historic Route 66. The efforts to designate Route 66 as a National Historic Highway should be monitored and supported. Additionally, community groups should consider the planning and implementation of additional events and activities that

celebrate Route 66. The City of Needles should support such efforts through the use of public works (traffic control), refuse contract (place within contract event refuse services on a complimentary basis) and electricity (either for general lighting, specialized lighting (especially for night events during the fringe seasons) and vendor booths), and public safety services.

Hotel Development (at Golf Course)

Immediately adjacent to the Golf Course (and near Jack Smith Park and Bureau Bay) is a city-owned parcel of land of between 2 and 3 acres. This pad (in combination) with adjacent and adjoining facilities provides an opportunity for hotel development that may support surrounding activities.

Golf Course Development/Redevelopment

The City owned golf course provides a great recreational feature for those seeking to golf. The economic reality is that publicly owned golf courses rarely break-even in and of themselves. This also means that new golf courses are simply not being built. The City should work to partner with development partners that may want a master-planned resort in combination with the pad (adjacent to the golf course) that could be utilized for a hotel and the Bureau Bay project described above.

Master-Planned Community Housing Developer(s)

Almost unanimously, those sought to work on this economic development strategic plan say the “community needs to grow”. In short, housing creates people, people create demand for retail and (ultimately) there is a larger workforce for which companies can draw to be profitable. As the population of the United States continues to age and baby boomers begin to retire, there is an opportunity to recruit a “Sun City” type development into Needles. New residents would have support services within the region (medical and shopping) and have access to a variety of recreational and leisure activities (golf, casino, shopping, water activities and desert recreation). Community location, access and availability of land are all factors that will assist in this endeavor. It should be noted that this is a long-term initiative.

Semi-Custom & Custom Home Developer(s)

In the near term, the community must exploit an opportunity to grow its population through semi-custom and custom home developers. Within the region there are a number of smaller (localized) home builders that are either developing small tracts of housing (semi-custom) or highly specialized (custom) homes for residents and second-home owners. Utilizing a database of available (regionally based) builders, the economic development effort will reach out to them to determine their needs. Historically communities seeking to attract this type of investment must work to have a streamlined entitlement/permitting process and user friendly fee structure.

Commercial Scale Energy Production Development (Solar/Wind)

On both a State and National level, there is increased demand for commercial scale renewable energy projects. In fact, California has mandated that 33% of total energy use within the State come from renewable sources by the year 2020. This has manifested itself into dozens of new commercial scale energy production developments in (mostly) the inland counties of Riverside, San Bernardino and Imperial. As most of these projects have a 20-30 year life, they are considered to be interim land-use projects. The upside for communities is that the materials (to build) can be taxable at the point of use and that a portion of the project is subject to new valuation (for property tax purposes). Additionally, some projects generate new infrastructure investment may benefit additional projects. It is noted that most of the economic impacts are during the construction phase.

Development (by Private Sector) of City and/or (former) Redevelopment Owned Properties within the City of Needles (inclusive of freeway oriented pads and approximate 28 acres behind the current Bashas')

The City of Needles (and the former Redevelopment Agency) owns a number of parcels of land that are strategically located for retail and business park development. One of the best opportunities in the near-term will be to work to generate economic investment on these key parcels. In regards to the (former) redevelopment agency owned land, the Successor Agency has yet to receive a "Finding of Completion" from the State Department of Finance due to some ongoing litigation between the City and State and also still needs to file a Long Range Real Property Management Plan (required under AB 1484). It will be part of the implementation of this plan to satisfy those requirements so that development may occur on the (former) RDA owned land.

14. Housing as an Economic Development Strategy

The strongest and most vibrant economies across the United States share the common thread of high levels of home ownership. In the City of Needles 58% of housing units are owner occupied while 42% are rental. About 26% of homes in the City of Needles are owned without a mortgage (free and clear).

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. The community in concert with the City must utilize opportunities to increase home ownership and create an environment whereby homes improvements are made in order to improve the overall appearance (and function) of housing in the community. The following are programs that have successfully worked in other communities and should be explored. It is noted that without traditional redevelopment agency funding, that the City must look to the State and Federal Government along with private foundations to fund.

Owner-Occupied Single Family Housing Rehabilitation Program, The City of Needles 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. Competitive funding is generally available through the State Department of Housing & Community Development and Federal Housing and Urban Development.

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.

Pooled Community Banking Lending Authority, working with all regional based financial institutions (banks and credit unions), establish a shared risk loan pool that is available for home buyers (owner occupied) to establish additional credit resources.

Pre-Closing Code Inspection, the City of Needles 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.

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 Needles 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).

Vacant/REO Home Reporting Process, the City of Needles 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 insure that it is a) secure and b) there is an action plan in place to seek occupancy of the unit.

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 Needles. The package should contain city, school and community resource information and can include certificates (generous ones!) from Needles businesses as a means of a) welcoming the new resident b) introducing them to the businesses that are in the community to serve them.

15. Retail Attraction Opportunities

In order of greatest value to a local economy, retail operations take the following characteristics:

A. Locally owned/operated business... when small business retail flourishes, a community has a solid base. This is because the business owners generally live in the community or region and profits stay closer to where they were generated. Additionally, small business owners are more likely to be involved in community leadership (Chamber of Commerce, charitable organizations/fraternal organizations).

B. Franchise operations, the next best type of retail business are that of franchise type operations. As with locally owned/operated businesses, ownership is local and most profits stay within the community. Some revenues are sent out of the community in the form of franchise fees, marketing cooperative payments and training funds (most franchise operations use centralized training facilities). That said, franchise owners often become active in the communities in which they have located businesses.

C. Regionally Based Retail, larger retail operations whereas the “home or corporate office” is located within a short drive (less than 4 hours) share some characteristics in terms of desire to participate in the betterment of a community through service and involvement. While profits usually leave the community, these types of businesses are usually dedicated to management that is involved locally and is stabilized.

D. National Retailers, while they offer the widest range of products and services, profits leave the area, management is usually in a location for a (comparatively) shortened period of time as people get promoted or leave the company and community involvement is marginal at best. Operators (management) for national retailers have less autonomy to negotiate with and support local endeavors.

Based on the information described, communities should desire to build an economy through locally owned businesses and franchise operations. Unfortunately it is the regional and national retail enterprises that are growing the fastest as consumer tastes have dictated price over service and community involvement. Regional and national retailers often offer the most competitive price because of operating efficiencies and purchasing power.

What successful communities are doing is balance retail supply (from the regional and national retailers) with some franchise operations (which are widely available in a variety of retail sectors) while looking to local business owners for highly specialized services (especially in smaller communities) and professional services (attorneys, accountants and the like). Additionally, as we see a greater number of individual professional service entrepreneurs, there is conversion of traditional retail space into business incubators and executive office suites providing a small work area and professional/social atmosphere to persons that would otherwise work in a more isolated environment.

Focusing more on traditional retail, below are lists of the categories of retail for which the City of Needles has the greatest opportunity, and provides a list of retailers what the City may choose to target for expansion. Note that the retailers identified to target come from internal lists of retailers that have been in expansion mode in California and in communities similar to Needles in terms of demographics and geography.

A. Motor Vehicles: based on market size, the residents could support the purchase \$7 million annually in new/used cars. It is highly unlikely in the near term that automotive dealerships would relocate or expand into the city. The City may have an opportunity for either a **private pre-owned car lots** which specialize in late model, low mileage vehicles or a small satellite facility from one of the major dealerships currently located on the Arizona side of the border. 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 Needles. 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.

B. Automotive Parts: based on market size, the residents have a native need for about \$850,000 of auto parts annually. When this is combined with a combination of tourist and interstate traffic that are in need of services (especially on weekends and evenings), it is likely there is a market for a combination brand-name service center and auto parts facility.

C. Furniture/Home Furnishings: based on market size, the residents could purchase an additional \$1.1 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 region 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 \$1.2 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 Needles residents could support an additional \$3.4 million in building materials. Considering the average Home Depot/Lowes does about fifteen times 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. Due to the nature of this industry, an operation that has or becomes known for excellent customer service has an ability to draw customers from Fort Mohave.

F. Food & Beverage Stores: At current, retailers have done a good job at insuring that there are shopping opportunities for persons seeking grocery stores. Bashars and smaller independent markets do over \$22.6 million in annual sales, doubling the sales of the native demand. Obviously this is in support of tourism, interstate travelers and what is commonly referred to as “daytime population” which is another word for a job base that brings additional people into the community for work on a daily basis (railroad, hospital and education sectors all widely contribute to this). A full-service grocery store is a must for a community the size of Needles to be economically viable. As there is an ongoing evolution of retailers in this category, it is incumbent upon the community to keep in close communication with, **Stater Brothers, Dollar General Market, Wal-Mart**

Neighborhood Market and Family Dollar. Additionally, **Aldi** (which currently has 1,300 stores in 32 states) is actively working to move into California). These markets provide the greatest potential to replace the Basha's that is leaving the community in May, 2014.

G. Health/Beauty/Pharmacy: the current market opportunity is about \$3.9 million. **Rite-Aid** accounts for the largest operator in this arena in Needles. While there may not be sufficient market for another operator to be successful, the rise of additional SKU's (number of products) offered by those in this category means that Rite-Aid may be willing to consider a new or remodeled store to offer more products/services to their customers.

H. Gas/Service Stations: currently gas stations sell seven times (7X) as much as the native demand would suggest. At \$50.8 million annually, the service stations in Needles that are newer, clean, well run and customer service oriented report to be both healthy and profitable. While many local consumers describe concerns regarding pricing, it is important to note that the service stations have chosen to target interstate traffic as their primary customer as they are unaware of the pricing difference on "the other side of the bridge" in Fort Mohave. Some of the price difference is due to additional taxes in California and the additional cost for certain types of reformulated fuel required to reduce vehicle emissions. Operators seeking to come into the market should consider an interstate oriented location, co-location of quick-serve restaurants (QSR's) and understand the importance of both customer service and cleanliness in their operations. As many states have quite operating traditional "rest-stops", a well marketed and maintained service station fills that niche. **AM/PM, Shell, Chevron and Valero** are the four most likely candidates for which to pursue expansion. Finally, as many residents expressed concern regarding the pricing policy of the local service stations, it may be worth consideration for said stations to create "local loyalty" programs in which residents have an opportunity to pay prices closer to standard market mark-up rather than the interstate oriented pricing strategy currently employed. This would generate additional sales for the service stations; create more add-on sales (from the convenience stores and quick serve restaurants on site).

I. Clothing Stores: at current there are no stores known to specialize in clothing, yet there is a \$3.0 million (native) demand annually. This may prove to be a strong opportunity for a "variety" or "general merchandise" oriented store such as **Dollar General** or **Family Dollar**. It is also possible that in a larger development that a **Kohl's** or **Wal-Mart** could support this category. Additionally, there are some national chains that specialize in

smaller store sets that are within retail centers. **Payless Shoes** has historically done well in communities with similar demographics as Needles.

J. Sporting Goods: the community offers almost no sporting goods for sale and as such, there is a \$1.3 million market opportunity. This does not create a situation whereby there is sufficient native demand to attract the likes of a Sports Authority or Big 5. That said, in combination with a couple other categories, there is a great opportunity for a locally owned/operated business that specializes in outdoor sports equipment, boating, hunting, fishing and off-road vehicle sales, serve and repair. Additionally, a maintenance facility that includes adjacent storage would provide a great service for folks to have their motorized equipment prepared for their arrival for outdoor recreation.

K. Full Service Food: the native market opportunity on an annual basis is about \$3.1 million for full service restaurants (sit down, table service). While current supply (based on sales) exceeds this by about \$1 million per annum, this does not include tourist or interstate demand. There is likely a significant pent up demand for sit-down restaurants that offer great food at reasonable prices with relatively quick service. As with service stations, restaurants that pride themselves on cleanliness and service will do very well in this category. While casual dining chains seem to be cutting back on store development and franchising, this is another category that could be served by locally-owned operators. In terms of franchise operations, the leading candidates would be **Applebee's, Chili's, Broken Yolk and International House of Pancakes (IHOP)**.

L. Limited Service/Fast Food: there is a market opportunity for an additional \$2.3 million annually for limited serve restaurants. This could include another **Subway, Port-o-Subs, Five Guys, Arby's and El Pollo Loco and In-N-Out Burger and Starbucks**. Additionally, the community would probably be well served by a traditional donut shop which is often a community gathering spot in the early morning for retirees, construction workers and those serving the railroad industry.

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. **Wal-Mart 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 Needles in combination with tourist and interstate traffic would support a traditional Wal-Mart. Internal calculations run by DMG, Inc. show that even with the pending Fort Mojave Wal-Mart, there is enough market in Needles (based on a combination of native demand, Interstate traffic and tourist) to support an additional Wal-Mart/Target type facility.

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Representation of Regional/National Retailers Currently Located in the City of Needles, CA

Fast Food/Quick Serve

- Carl's Jr.
- Dairy Queen
- Denny's
- Domino's Pizza
- Jack in the Box
- McDonalds
- Subway
- Taco Bell



Automotive/Fuel/Convenience

- Big-O Tires
- Chevron (2)
- Mobil
- Napa Auto Parts
- Shell (2)
- U-Haul
- Union 76



Business Services

- Farmers Insurance



Grocery/Pharmacy/Health & Beauty

- Bashas'
- Dollar Tree
- Rite Aid



Hotel/Hospitality

- America's Best Inn
- Best Western
- Budget Inn
- Days Inn
- Motel 6
- Rodeway Inn



Note: the names and logo's utilized are for educational and demonstration purposes and are property of their respective companies.

The implementation plan in working to acquire some of these retail opportunities should include:

A. ***Electronic media campaign*** (utilizing Constant Contact or similar) whereas an established database of brokers, developers, financiers and retailers will receive monthly emails from the community regarding retail and investment opportunities. As part of the implementation, DMG, Inc. will develop a topic/information rotational list so that what is received by those being targeted is timely and informative.

B. ***Direct Communication (Personal Sales)*** whereby the same database of brokers, developers and retailers are contacted for both phone communication and face to face meetings (for specific deals or as part of trade-show endeavors such as International Council of Shopping Centers (ICSC) or RetailLive).

C. ***Commercial Real Estate Professional FAM Trip***, the City of Needles should conduct 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.

D. ***Individual Meetings/Tours with Commercial Real Estate/Finance Professionals***, in addition to one tour/experience day for a group of real estate professionals, Needles should endeavor to host individual tours once a year for each of the top 20-30 real estate professionals and the top 10 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.

E. ***Economic Development Investment Incentive Program***, as the marketplace for the few projects/tenants is extremely competitive; the City of Needles 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. Compensation can be in the form of additional percentage (commission) on land sold or leased owned by the City of Needles or the Successor Agency (proceeds of sale/lease).

F. **Major Retail Center Facade/Signage Improvement**, working with owner's 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. DMG, Inc. will provide more specific recommendations regarding this program in the near future.

G. **Inventory of Available Space**, maintain an inventory of all retail (and other commercial) space available in the City of Needles and have communication mechanism to insure that regional real estate professionals know what is currently available and ready for immediate occupancy (to be built into strategy A & B above).

H. **Buy Local Marketing Strategy**, as part of a business retention strategy, the City and local businesses should have quarterly or annual programs that encourage folks to shop locally (retail or service oriented businesses). Retail recruitment will not ultimately be successful unless the businesses currently located in the community are successful. This is partially a follow-up to the pricing/marketing concerns local residents have regarding gas stations in the City.

I. **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 Needles (note, some of the retailers listed below may be duplicate to those in the opportunity analysis):

Retail Stores

1. 99 Cents Only Stores
2. Big Lots
3. Burlington Coat Factory (as part of regional shopping center)
4. Hobby Lobby (as part of regional shopping center)
5. Kohl's
6. Payless Shoes
7. Ross Dress for Less
7. dd Discounts
8. Fallas Parades

9. Family Dollar
10. Dollar General
11. Verizon Wireless

Restaurants

1. Broke Yolk
2. Buffalo Wild Wings
3. In-N-Out Burger
4. Five Guys Famous Burgers

Food & Drug Stores

1. 7-11
2. Smart & Final
3. Stater Brothers
4. Walgreens
5. Wal-Mart

16. Freeway Corridor and Locational Opportunities

The City of Needles must find ways to attract additional interstate traffic either for daytime visit or overnight stays as well as additional tourism. The following are identified opportunities based on location in proximity to Interstate 40, the Colorado River.

A. ***Transient Traveler Services***, the City of Needles 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 insure that the development professionals with each of these hotels know the ongoing opportunity. Demand appears to be reasonable for additional hotel(s) as flagged hotels within the community report strong occupancy rates.

B. Logistic/Distribution, as a gateway to California and located on a major Interstate (40), Needles may be able to attract a logistic/distribution hub that is either truck or railcar based.

C. Renewable Energy Generation Facilities, the community's available land and sun resources along with proximity to transmission infrastructure may provide an immediate opportunity for the City to pursue 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, must be developed further. This may include the resort opportunities discussed earlier (surrounding golf, Bureau Bay and Jack Smith Park) or may involve the development of a “desert toy” riding and camping facility to accommodate off-road vehicles.

E. Interstate 40 Large Vehicle Support Services (Trucker Facility) Travel Centers, as the City of Needles is the only service oriented community for 2 hours (west-bound) and 1 hour (eastbound) there are retail/service opportunities for travel centers. This may include commuter support (such as *Arco AM/PM* or *Pilot*-type super facility that includes fuel, convenience store, *Starbucks* and other quick serve food operations or a facility geared toward the commercial trucking industry.

17. State/Federal Governmental/ Private Foundation Assistance as Financial Resource

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 Needles should be working with (and a specific goal):

A. State of California New Incentives

B. State of California HCD Funding (Home Funds)

C. Federal Economic Development Administration Funds

D. Federal HUD Programs and County Operated CDBG

E. Private Foundations Centered on Poverty Reduction, Historic Preservation and Education

18. Importance and Use of Economic Development Ombudsperson

The role of an economic development ombudsperson is to serve as both a sales person and project expeditor on behalf of the community. The following are a list of specific activities/commitments that should be followed if an ombudsperson is to be successful:

1. Ombudsperson can generally be reached by mobile phone or email 7 days a week throughout the entire day
2. Ombudsperson has ability to educate prospects regarding the community, region, market area, basic sites and private/public resources available to secure economic investment.
3. Ombudsperson is empowered by the City Council and City Manager to be able to contact and communicate with department heads and those with functional department responsibility. Further, inquiries to said staff will always be returned within 4 business hours of initiation.
4. Ombudsperson is empowered to work with regional, county, state and federal organizations and agencies as needed to help secure economic investment (either through private investment or to secure government grant/project funding).

19. One-Stop Web-Based Information Center (Page of City Website)

The City should have a single point where both economic investors and the economic development ombudsperson can access to gain information in order to secure economic development for the community. The following information should be on a dedicated page on the City website (with links, as necessary):

1. Economic Development Strategic Plan
2. Demographics of City
3. Demographics of Region
4. Market Analysis (Retail Opportunities)
5. Traffic Counts (Interstate 40 and Off-Ramps)
6. Map of City
7. General Plan Map of City
8. Brief Description of Zoning within General Plan

9. Matrix of Allowable/Conditional/Prohibited Uses within General Plan
10. Development Application
11. Fee Schedule for ALL Known City/Regional Fees
12. Signage Application & Fee Schedule
13. Business License Application & Fee Schedule
14. Matrix/Map Showing the Development Entitlement/Permit Process
15. Contact Numbers for Key City Staff and Economic Development Ombudsperson
16. Listing of City/Successor Agency Owned Properties/Buildings Available for Sale/Lease
17. Direct Listing/Link of Known Available Buildings/Sites (Privately Held) and Contact Information for Brokers/Developers/Owners (Listing Opportunities MUST be Open and Transparent)

20. Quantifying Local Economic Development Success (Return on Investment)

Local communities deserve to have a transparent methodology for which to calculate the return on investment of an economic development program. As stated previously, economic development is basically defined as any activity that raises the overall wealth of a community. To determine the success, the following baselines will be established and re-measured periodically to determine the delta (or change). The total change in benchmarks (in total or in combination) divided by the financial resources placed into an economic development program provides the Return on Investment or ROI. This ROI can be calculated in both one-time (fee revenue) and on-going (tax revenue and job counts/spendable income). A sample matrix will be developed and presented to the City Manager for consideration as the accepted methodology within 60 days of adoption of this Economic Development Strategic Plan.

1. Total Taxable Sales (Sales Tax Received by City)
2. Total Transient Occupancy Tax (Hotel Taxes Received by City)
3. Total Property Tax Received by City
4. Total Number of Local Jobs (within the Community)
5. Total Water Use by Commercial Users
6. Total Energy Use by Commercial Users
7. Total Number of Building Permits and Associated Fees

8. Total Number of Entitlement Applications and Associated Fees
9. (If Quantifiable) Total Number of Vehicles Using Off-Ramps within Community

21. Next Step: Implementation Plan

This Economic Development Strategic Plan outlines a holistic approach to developing a vibrant economy for the residents of Needles that will generate new investment, job creation and resources for which the City can deliver goods and services to the community. As this plan has been vetted and brought before the City Council to consider adoption, DMG, Inc. will work on a monthly or quarterly implementation plan that takes into account the highest priorities. 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.

22. 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 Needles 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 (April 11, 2014), then the undersigned reserves the professional privilege to modify the contents and/or conclusions of this report.



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23. Appendices

Appendix A: Needles Pictures (Opportunities for Economic Investment)

Jack Smith Park / Bureau Bay / Golf Course / Hotel Pad



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Appendix B: Needles Pictures (Opportunities for Economic Investment)

Substantial Remodel/Re-tenant of Bashars' Plaza



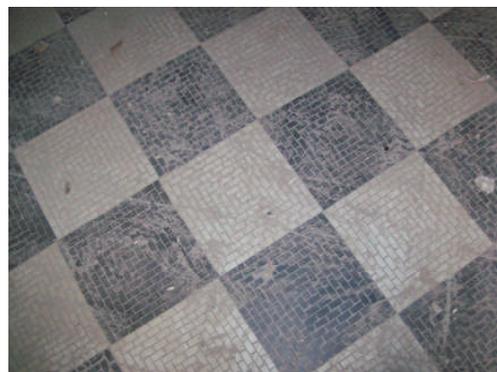
Appendix C: Needles Pictures (Opportunities for Economic Investment)

Downtown Commercial Vacancy



Appendix D: Needles Pictures (Opportunities for Economic Investment)

El Garces Historic Railroad Building



Appendix E: Examples of Local Economic Development from Other Communities

Freeway Oriented Signage with Community Name

As freeway oriented commercial and or industrial/distribution center facilities are developed, the City of Needles 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 Needles 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 Needles 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:

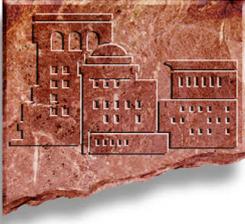


Examples of Renewable Energy Projects



Appendix F. Qualifications of Consultant

Attached on following pages



Development Management Group, Inc.

economic development ■ fiscal & economic impact analysis ■ development management

Overview of Business Activities

Development Management Group, Incorporated specializes in services related to economic analysis, site selection, development management, market/development feasibility, entitlement/permit processing, financing and redevelopment/economic development activities (including ABx1 26 & AB 1484 processing and compliance).

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 DMG, 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 \$100 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.

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.

List of Market Analysis Projects (Direct and Commissioned Reports):

Costco Corporation
City Wok Restaurants
Chipotle
Starbucks
Big 5 Sporting Goods
Ford Motor Company
Kia Motors
Toyota Motor Corporation (both United States and Mexico)

Our Client List for Economic Impact Analysis Include:

AEG Live/GoldenVoice, LLC
Elmore Sports Group, Limited
Denley Development & Management
Sanitations District of Los Angeles County Mesquite Regional Landfill
Manheim Investments, Inc.-Riverside, Fontana and Anaheim, 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)
Tenaska Energy
County of Imperial (Multiple Analyses of Renewable Energy Generation Projects)

Our Client List for Development/Site Selection Projects Include:

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

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

City of Colton CA: Economic Development and Fiscal Impact Consulting Services
City of Desert Hot Springs, CA: Economic Development Strategic Plan & Implementation
City of Imperial, CA: Economic Development Business Recruitment Services
City of Needles, CA: Economic Development Business Recruitment Services
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 / Lead Protocol
 Investor Recruitment Program
 Executive & Professional Employee Performance Program
County of Riverside, CA
 Countywide Economic Development Strategic Plan
 Sub-regional Econ Dev Strategic Plans (Southwestern, Western, Mid-County, San Geronio Pass and Coachella Valley)
California State University San Bernardino Palm Desert Campus: School of Communication Market Analysis
San Diego Regional Economic Development Corporation/National University
Southern California Association of Governments
 Economic Growth Strategy Panel of Experts (San Bernardino, Riverside, Imperial & Kern Counties)