L. S. CONGLETON

& ASSOCIATES

HIGHWAY 111 CORRIDOR DEVELOPMENT IMPLEMENTATION STRATEGY STUDY

P-651

GHD & CITY OF LA QUINTA

October 25, 2022

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MEMORANDUM

DATE: October 25, 2022

TO: Danny Castro, Cheri Flores and Jonathan Linkus

FROM: Linda S. Congleton of L.S. Congleton & Associates ("LSCA")

SUBJECT: Final Report Of Development Implementation Strategy Study, Highway 111 Corridor, La Quinta

STUDY TASKS AND GOALS

The purpose of this Final Report is to provide a summary of our market-based, Development Implementation Strategy Study for the Highway 111 Corridor in La Quinta ("Study Area"). In addition to reviewing past planning/market studies, L.S. Congleton & Associates ("LSCA") conducted the following:

1. Detailed in-field evaluation of Highway 111 Corridor commercial uses (See Exhibits 1-2) over four days in La Quinta;

2. Meeting with Cheri Flores, and subsequent meeting/calls with Danny Castro (team conference calls participation);

3. Survey of the major anchored centers along Highway 111, including a determination of vacant and available spaces in existing centers (See Exhibits 1-2);

4. Personal interviews with Highway 111 shopping center owners and experienced commercial brokers as part of the La Quinta Stakeholder outreach efforts (See Exhibit 3);

5. Preparation of a Strengths, Weaknesses, Opportunities & Threats Analysis ("SWOT"; See Exhibit 4);

6. Survey of Major La Quinta Apartment Projects (80 to over 200 units), (See Exhibit 5);

7. Survey of New, Currently Selling, For-Sale, Residential Projects Near La Quinta (See Exhibit 6);

8. Preparation of residential typology recommendations for incorporation into the Highway 111 plan;

9. Preparation of retail/food & beverage, commercial/workplace, hotel, and entertainment recommendations for the Study Area;

10. Determination of opportunities and constraints in the Study Area, and recommendations regarding potential remediations;

11. Review of the Menino Property Proposed Development, with suggestions provided;

12. Event programming recommendations, including potential sites;

13. Public-private implementation strategies aimed at assisting new development uses; and

14. Optimal development implementation strategies brainstorming session with Jonathan Linkus.

The goals of this Highway 111 Development Implementation Strategy Study are to provide residential and commercial typology product type recommendations that are workable and financially feasible. Our recommendations take into consideration commercial and residential market rents; current for-sale prices of new, nearby competitive products; and key development implementation requirements necessary for developers to financially proceed with the proposed product types.

"SWOT" ANALYSIS

Strengths, Weaknesses, Opportunities And Threats Analysis Highlights Study Area Development Implementation Strategies

The highest and best strategic development implementation opportunities for new development, redevelopment and renovation in the Study Area include:

(1) High density, subsidized rental housing (at 20-26+ units/acre) built on City-owned parcels for low and moderate-income hospitality, retail, service, and medical workers in La Quinta;

(2) Small lot, single-family detached, workforce housing (built at 8-9 units/acre), ranging from about 1,100 to 1,600 square feet, priced broadly between $400,000's to $500,000, and targeting young, local working couples, families, and empty nester buyers desiring moderate-priced, market-rate ownership housing;

(3) Small, independent, family-oriented restaurants ranging from 2,200 to 4,200 square feet with outdoor dining space ranging from 1,000 to 1,500 square feet—if up-front finishing and local fee costs can be ameliorated and/or subsidized;

(4) Destination medical buildings occupied by owner/users who purchase their own buildings;

(5) Selected, high-quality, drive-thru, quick food users, such as the following highly popular food uses: Dutch Bros. Coffee and/or Better Buzz Coffee, and Chick-fil-A;

(6) Use of large, expansive, over-sized asphalt parking areas for seasonal and periodic events and programming;

(7) Selected flexible zoning to allow in-fill, small retail nodes, pods or drive-thrus in over-sized parking areas, in cases where land owners desire the re-allocation of parking for these uses; and

(8) Medical, hospitality, construction, beauty/salon services or other industry vocational schools, like the nursing school that is planned (per City's Economic Development Department) for the one-acre, former gas pump parcel on the Sam's Club site, or like a day care center, or other school (such as a children's charter school) to serve workforce families' needs.

The proposed market-oriented, re-imagined vision for the Study Area may be stated as follow: "Retail/Restaurant and Workforce Living Corridor" that encourages a "Workforce Living-Dining-Shopping-Learning" Lifestyle.

Short-and long-term "threats" to implementing the Study Area Vision include economic conditions beyond the City's control, including:

(1) Higher interest rates;

(2) Higher Inflation;

(3) High new construction costs; and

(4) Development timing that could be delayed by recessionary impacts.

Within the City's control, are potential threats that may be ameliorated by City staff policies, encouragement, and actions:

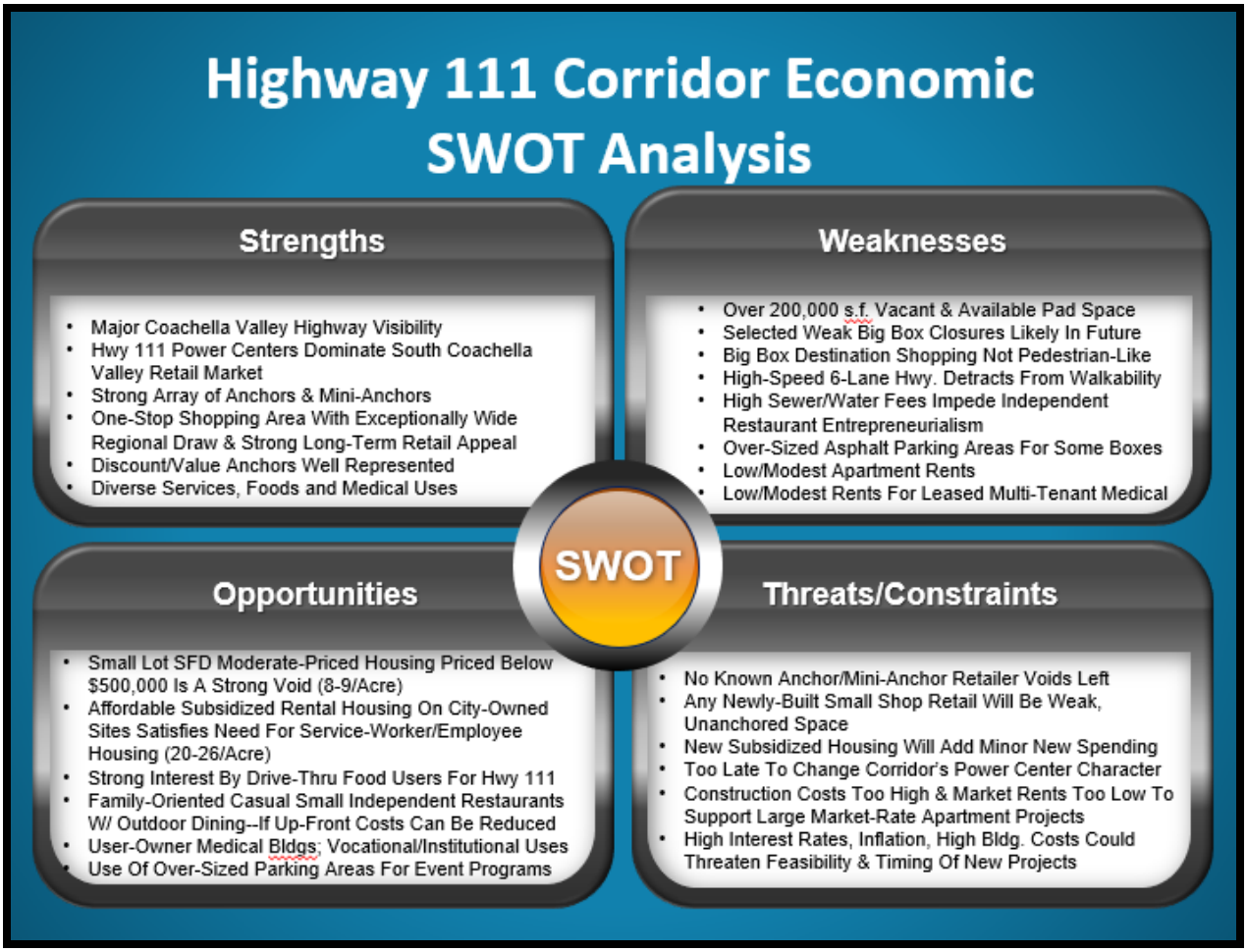
(1) A new Specific Plan for the entire Study Area could add flexible adjustment/expansion sections to accommodate residential and commercial market opportunities as they arise, including the addition of small, retail pods in expansive parking areas, and the inclusion of vocational, educational, or other schools for large empty spaces.

(2) The City may wish to consider providing grant subsidies, or offering low-interest loans, to independent (non-chain) restaurants to offset high sewer/water fees in order to encourage clusters of family-oriented, innovative and creative concepts to open and thrive along the Corridor.

(3) As of the time of this report, no new for-sale housing was offered in the City below $500,000 to serve the moderate-income, workforce, family market. For example, the only single family detached, for-sale offerings priced below $500,000 are the older,

smaller-sized, resale units in La Quinta Cove. Many young workforce families working in or near La Quinta have strong desires for single-family, new home ownership, but must purchase farther away in Indio and Coachella due to the lack of offerings. The City has an opportunity to encourage, throughout the City, the development of less-expensive, moderate-priced, single family detached, for-sale homes for these workforce families. For-sale housing provides a stable, permanent, and committed population of City residents who are likely to spend along the Corridor for home furnishings, housewares, home improvements and other goods and services that are correlated with new home ownership. In general, ownership housing provides more discretionary spending residents than renter households.

The SWOT Analysis chart below summarizes the Economic Strengths, Weaknesses, Opportunities and Threats of the Study Area:



COMMERCIAL CONCLUSIONS AND RECOMMENDATIONS

Highway 111 Commercial Has Over 200,000 S.F. Of Available/Vacant Building Space

As shown on Exhibits 1-2, we conducted a detailed, in-field survey of vacant and available space along Highway 111. This survey was validated and confirmed by property owners' shopping

center leasing brochures, as well as by property owner Stakeholder Interviews. Available and vacant space, and leasing issues, were among the topics discussed with the shopping center owner Stakeholders.

Major observations derived from our survey include the following:

- Of the 3.07 million square feet of building area evaluated, 238,052 square feet is vacant and/or available building space (not vacant land) to be leased along Highway 111.

- Of the vacant/available space, six large vacant spaces, totaling 121,624 square feet of building area (not pad area), have been vacant for several years.
  *
- There are two large empty pads in the One Eleven La Quinta shopping center that can accommodate a 22,000-square-foot building and a 50,000-square-foot building.

- A large vacant space existing between the new Amazon Fresh and the World Market in the Washington Park shopping center has been planned for a 17,000 square-foot-building for many years, but is not yet occupied (with recent discussions for a potential salon use). This center also has three pads along Washington Street, including two pads that can accommodate up to 13,200 square feet of building area, as well as a third pad for a large restaurant of 8,374 square feet.

- An undeveloped pad in the La Quinta Centre (Walmart Supercenter) adjacent to PetSmart can accommodate a 17,000 square foot mini-anchor tenant, but has never been occupied.

- The Highway 111 Study Area shopping center owners also report a number of other large, vacant or available mini-anchor spaces: the Office Max space of 20,000 square feet is available for a new tenant at The Pavilion At La Quinta -- Office Max is on a month-to-month lease as the landlord seeks a replacement; three large vacant spaces at La Quinta One Eleven of 8,000, 7,614 and 8,500 square feet, respectively; and a vacant space next to Burgers & Beer of 9,743 square feet in the Komar Desert Plaza center.

In the shopping center industry, having many big box and building pad vacancies is a sign of over-supply. In contrast, shopping centers with little vacant pad space and low in-line vacancies are more likely “right-sized” for the market and not over-supplied.

In our more than 35 years of retail/mixed use consulting, we have rarely seen such a high number of vacant, undeveloped building areas in mature, big box “Power Centers” as there are along Highway 111 in La Quinta. Our Stakeholder Interviews reveal that leasing efforts to fill these large spaces have been on-going for many years, with limited success.

(See following pages showing One Eleven La Quinta and Washington Park site plans.)

One Eleven La Quinta

Washington Park

No Known And Interested Retail Anchor Or Mini-Anchor Voids To Occupy Unfilled Space

All the major shopping center owners in the Stakeholder Interviews report a lack of retail anchor and mini-anchor candidates to fill unoccupied or soon-to-be-vacant space along Highway 111. No retail "void" mini-anchors of 20,000 to 50,000 square feet are known to be interested in occupying unfilled space along Highway 111. Many months of experienced leasing efforts have not resulted in successfully securing mini-anchor tenants for vacant/available spaces.

Stakeholder property owners report that replacing current mini-anchor vacancies is extremely difficult. The Office Max—that is planning to depart from the Pavilion center—is only on a month-to-month lease to keep the space occupied. To date, the owner of the Pavilion has not been able to secure a 20,000-square-foot replacement tenant for the Office Max space, after many months of leasing efforts.

High Turnover Of Independent Restaurants And Difficulty In Securing Independent Restaurants To Occupy Vacant/Available Spaces

Shopping center owners also report difficulties in securing and retaining strong, independent, (non-chain) entrepreneurial restaurant operators, because their up-front costs are so high for finishing out their stores. In particular, the high cost of sewer/water fees required by the water district add significant up-front costs that detract from monies that could be spent on furnishings and interior finish out. One contact reported sewer/water fees for a 2,200-square foot restaurant use at $150,000—a high percent of the proposed, total finish out costs for this independent restaurant owner.

Experienced brokers report high turnover of independent restaurant operations in La Quinta. A rationale given for the high turnover is the seasonality of the customer patronage, particularly a dependence upon the upscale, seasonal (non-summer) visitor market. Based on our 30+-year restaurant consulting experience, the lack of a vibrant, high volume office worker lunchtime market is also a constraining demographic factor. Restaurants typically require a year-round lunch and dinner business to produce strong revenues, with lunchtime business supplied by workers in nearby office campuses and towers. Major office worker nodes are lacking in the Study Area, creating another market constraint for year-round restaurant operators.

New Future Demand Supported By Existing Centers' Available/Vacant Space

New demand for La Quinta retail space, such as the 163,114 to 190,262 square feet of theoretical demand reported in the Lisa Wise Consulting, Inc. report (2022-2045), may be supported within the existing, built shopping centers along Highway 111. Assuming that this demand over a 23-year-period actually occurs, the maximum amount of supportable space of 190,262 square feet could be accommodated within the existing available and vacant square footage in the Highway 111 centers, or within spaces that turn-over as struggling retailers go out of business (e.g., Office Max). There is no "left-over" demand for the four undeveloped, vacant parcels in the Study Area.

The lack of mini-anchor and anchor retailers exceeding 20,000 square feet does not bode well for securing additional retailers for the four, undeveloped vacant parcels in the Study Area (i.e., the

15-acre and 6-acre, city-owned properties, the 9-acre Dune Palms Road site, and the 4.7-acre site behind Target). Without a mini-anchor or anchor tenant, any new, leased space will most likely consist of single, destination-oriented establishments (i.e., a restaurant, car wash, fast food, etc.) and/or unanchored small shop space.

It is a shopping center industry tenet that unanchored small shop space under-performs vis-à-vis similar, small shop space located in centers anchored by grocery stores, department stores (e.g., Target), and major discount retailers (e.g., Walmart). Without an anchor store, any new small shop space is equivalent to a mini-mall, convenience center—the least productive and lowest sales-producing retail product in the shopping center industry.

Limited Study Area Commercial Voids Suggested By Stakeholders

Viable commercial voids suggested by the Stakeholder Interviewees include the following:

- Casual, quick food users with drive-thrus, such as Dutch Bros. coffee; Chick-fil-A; Raising Cane; Salad and Go; and Better Buzz Coffee have expressed interest in Highway 111. Stakeholders report that users desiring drive-thrus have a difficult time finding a space in the Study Area.

- Medical owner/users, such as a hospital group; MRI unit; Urgent Care facility; or other single-user medical uses that purchase and occupy their own buildings. Small medical and doctor multi-tenant space rents are too low to warrant construction of newly-built space.

- Family-oriented, casual independent (not-chain) restaurants—if financial incentives can be provided, given the high up-front costs these entrepreneurs face (e.g., high sewer/water fees).

National Trends Impact Highway 111 Study Area

Several national retail trends impact the short- and long-term viability of current and future uses in the Study Area, including:

- **Kohls** is a struggling anchor store. Its merchandising quality under-performs a number of superior retailers offering modest-priced clothing and homewares, including Target, Ross Dress for Less, and TJ Maxx. This retailer is suffering from mis-management; financial troubles; weak stock prices; and poor strategic direction. It is unclear whether the retailer will successfully regain its former customer appeal. The retailer has recently suffered a 63% drop in net income. The retailer may not survive over the long-term (10-20 years) given the superior competition it faces.

- **Bed Bath & Beyond** has suffered from mismanagement, and poor direction of its merchandising mix. The retailer changed top management, who re-focused the company's offerings to private label merchandise—a direction not well received by customers. The retailer is "burning through cash" with significant same store sales declines of 26% in only the last three months. The company's stock has lost 74% in the

last six months. The company has announced the closure of 150 stores across the U.S. It is uncertain whether this retailer will survive.

- **Cinemas** are struggling across the nation, and total attendance has not regained pre-pandemic, 2019 levels. A shake-out and closure of selected cinemas is likely, particularly for outlets with weak patronage.

- **Office Max** merged with Office Depot, and has suffered sales declines. The merged company announced store closures across the nation, with 55 closed in 2021 and another 90 closures announced for 2022. It also announced extensive company layoffs. The stock price has plummeted, and there is a concern that the retailer will permanently go out of business. It is departing from the Pavilion shopping center.

- **99 Cents Only** store has not been financially performing well in recent years. A few California locations have closed in 2022, including four in LA County and one in Oakland.

Other national and regional shopping trends impacting the Highway 111 Study Area include the following:

- **The power of e-commerce shopping**, particularly from Amazon, have had a deleterious impact on big box discount shopping.

- **Continued store closures** by retailers that over-expanded in the last 20 to 25 years.

- **Lower discretionary spending by aging, pre-retiree and retiree Baby Boomers** who will soon retire or no longer work; have already purchased their home goods/furnishings; and in general, have fewer discretionary home, clothing and other necessity needs than when they were young with growing families.

- **Higher growth, neighboring cities exhibit lower median income demographics with lower discretionary spending**. In addition to La Quinta residents, the Highway 111 Corridor is supported by South Coachella Valley cities, Indio and Coachella, that have exhibited higher percentages of occupied housing growth in recent years than La Quinta. In contrast to La Quinta's 2021 median household income of $75,724 for 16,292 occupied households, Indio's 33,806 occupied households report a 2021 median household income of $53,434 and Coachella's 17,508 occupied households report a 2021 median household income of only $33,999, less than half of La Quinta's median household income (Source: U.S. Census city Quick Facts, 2021). The combined occupied households of Indio and Coachella of 51,314 households are three times the number of occupied households in La Quinta. Indio and Coachella households are clearly a more important shopper segment to Highway 111 based on sheer size alone—and these two southern cities have more income-constrained, family-oriented households seeking value-priced and discount goods and services.

Three other retail/mixed-use national trends are worth discussing.

National Trends Favoring Entertainment, Food Halls And Market-Rate Apartments Are Not Feasible For The Study Area

- **Entertainment** uses are replacing many departing traditional large-space retailers in shopping malls across the nation. This replacement use makes sense in highly urban or suburban/urban locations with high densities of young people and "hipsters." Entertainment companies seek high density locations to draw large numbers of customers on a weekly basis. Unfortunately, as noted by a Stakeholder Interviewee whose leasing team attempted to secure entertainment uses, (See page 17 of the Stakeholder Interviews, InvenTrust Properties), entertainment tenant prospects were not interested in coming to La Quinta due to the low-density, resort-like setting of the city, and lack of urban, young population.

- **Food Halls**, an indoor cluster of small and tiny entrepreneurial, quick food concepts, are being integrated into urban malls, appealing to young demographics in high-traffic (regional shopping center) settings with plentiful apartments, such as Legacy West, Plano, Texas. In Southern California, the "container concept" quick food purveyor, SteelCraft, has opened three locations in Long Beach, Bellflower, and Garden Grove. According to the owner/developer, all these urban locations have required cities to subsidize the land in order to implement the project. Similar to the Entertainment concepts discussed above, La Quinta does not have the urban density of population to support small food hall users in the Study Area, nor does it have sufficient office workers to support the lunchtime business. (See page 17 of the Stakeholder Interviews.)

- **High Density, Mixed-Use Residential Market-Rate Apartments** have been replacing struggling anchor retailers in a number of poor-performing national regional malls. The demolition of troubled, vacant retail sites, and replacement with high-density (particularly luxury) apartments are viable opportunities in locations with strong market rents and high numbers of young, working adults and couples. As discussed in the Residential Conclusions section below, building new, large, market-rate apartments in La Quinta is not a financially feasible developer alternative in the Study Area. As reported in the La Quinta Housing Element, the median gross rent for apartments, townhomes, condos, and single family detached housing is only $1,473 per month (page 49). The 2019 Vision Plan states that the average apartment rent for affordable (subsidized) units is $0.73 per square foot, and $1.41 per square foot for market rate apartments (page 13). These rents are far too low to warrant new construction costs, and therefore, market rate apartments are not financially feasible for developers.

Exhibit 5, attached, is a survey of selected La Quinta apartments ranging from 80 to 228 units each. Per-square-foot rents top out at just above $2.00 per square foot for about 1,000-square-foot units—far below projects in Los Angeles County with per-square-foot rents ranging from $2.90 to $4.00+ per square foot.

The Stakeholder Interviews validated the conclusion that market-rate apartments are not feasible. InvenTrust, owner of the Pavilion (See page 16 of the Stakeholder Interviews), considered

acquiring the 15-acre site adjacent to the Pavilion, now owned by the City of La Quinta. During InvenTrust's due diligence period, the company prepared a detailed pro forma for the 15-acre site, whereby the company evaluated market-rate apartments and retail in the front of the property. Both the market-rate apartments and the retail (a small portion in front) "did not pencil" and were determined to not be financially feasible for the developer. Therefore, InvenTrust decided not to buy the 15-acre property. Similarly, Jeff Halbert, founder and CEO of Blackpoint Properties, the company in escrow to purchase the 9-acre property at Dune Palms Road (and sell the back portion to the City of La Quinta for affordable housing), also concluded that market-rate apartments were not feasible during the company's due diligence period, because the La Quinta market rents were too low.

Small Town, Exurban, National Trend Is Compatible With La Quinta: Customers Desire Independently-Owned/Operated Restaurants With Outdoor Dining (Ranging From 2,200 to 4,200 Square Feet, Plus Outdoor Dining Space)

In recent years, LSCA has provided consultation for a number of small-town cities and other outlying, exurban locations. We have performed on-line resident surveys; interviews with builder/developers; and personal interviews with property owners and other community Stakeholders about their desired uses for their small-town cores. Respondents have recently indicated that they want free-standing, independently-operated, non-chain, modest-priced casual restaurants with generous outdoor dining areas. Many family respondents want to see open-space activities for children in or near the outdoor dining areas, such as children's games/activities, as well as periodic live, outdoor entertainment.

Restaurants that satisfy the wants of exurban, small-town residents are typically 2,200-2,500 square feet to 4,200-4,500 square feet with outdoor dining spaces of 1,000 to 1,500 square feet. The restaurants typically request high-ceilings and free-standing buildings to promote their own identity. Clusters of small, free-standing restaurants with outdoor dining areas are popular with small-town residents, providing a unique charm distinct from the plethora of chain operations often associated with more urban, congested shopping areas. Out-of-town residents, such as those visiting La Quinta, also search for distinctive, non-chain dining destinations.

Most independent restaurants in La Quinta are scattered throughout the Study Area and along Washington Street. A central node, where a small cluster of 3-5 independent restaurants can be enjoyed, with outdoor dining, is not available in the Study Area. This is a void in the La Quinta market—one that operators may be encouraged to fill by city staff, offering appropriate incentives.

SUMMARY OF STAKEHOLDER INTERVIEWS

Stakeholder Interviews Revealed Engaged, Interested Parties With Receptiveness To Subsidized High-Density, Low Income Affordable Housing And Small Lot Single Family Detached, Moderate Income, Market-Rate For-Sale Housing In Study Area

LSCA conducted 11 Stakeholder Interviews of property owners and/or their representatives, and local, experienced brokers, using a list provided by City staff. The interviewees were well-engaged, highly interested participants in the process. Selected findings include:

1. Interviewees recognize that Highway 111 is nearly built out, and no Interviewees could name any anchor or mini-anchor voids not already satisfied or filled in the Study Area.

2. Interviewees stated that only four parcels are undeveloped in the Study Area: the two sites owned by the City, the Menino Property (15 acres) and the site located adjacent to the Residence Inn (6 acres); the Dune Palms Road site (9 acres); and the undeveloped property behind Target (4.7 acres).

3. Only two existing retail sites were identified by Interviewees as potentially suitable for future new residential development: (1) the Kohls site (should the retailer close due to financial troubles); and (2) the cinema site (should the operation close due to struggling attendance, as experienced by some other cinemas across the nation). No other sites were large enough or had the appropriate, separate land area to warrant new construction.

4. Other available/vacant retail pads inside the shopping centers were inappropriate for residential. Interviewees stated that over-sized parking lots in front of big box retailers were unsuitable for new housing because the areas were controlled by legal constraints through binding ground leases or other CCR's, and the sites were too small to develop housing in an appropriate manner.

5. Interviewees were positive about high density, low-income affordable, subsidized apartments to be built on city-owned parcels. This use is seen as providing valuable housing to service, retail, hospitality and medical industry workers who need low-cost housing.

6. Several interviewees were enthusiastic about seeing the City build affordable, subsidized rental housing on 100% of the City-owned properties—and not allocating any of the City-owned lands for retail uses. Interviewees mentioned that retail, especially small shop space, fronting the subsidized rental housing would not be financially viable and difficult to lease, given their experience.

7. Interviewees, when asked, stated that market-rate apartments were not feasible in La Quinta because market-rents are too low to support new construction.

8. Interviewees were positive about adding small lot, single-family detached, moderate priced housing, priced under $500,000 in La Quinta. Interviewees stated that this was a void in the La Quinta housing market that would be well-received by potential purchasers.

9. Interviewees desire desert-style landscaping. None of them was in favor of adding trees to the shopping centers or along the streets of Highway 111. All mentioned that conserving water was a major issue in the maintenance of their shopping centers.

10. None of the interviewees saw the bike lane as adding significant shopping sales to their centers. Bikers, in their view, are not shoppers. Bikers are likely to stop only for a quick drink at a Starbucks. None of the interviewees is in favor of having the retailers or dining

operations face the CV bike lane. The interviewees stated that retailers would be opposed to such configurations. The retailers want to face Highway 111.

11. None of the interviewees believed it was appropriate to try to make Highway 111 into a pedestrian-oriented shopping district. Interviewees stated that "it is too late." The Study Area is almost built out.

12. Interviewees stated that the types of retailers in the Study Area do not promote walkability. Big box destination retailers, such as Walmart, Costco, Lowe's, Home Depot and Target are not pedestrian-oriented shopping trips. Customers have large bags that must be placed in a car. Nearly all interviewees mentioned the hot weather as being a deterrent to walkability.

13. Commercial voids identified by interviewees include selected, popular drive-thru quick food operators; end-users and owners of medical office buildings who purchase their own buildings; and casual, moderate-priced, independent restaurants with outdoor seating and offerings appealing to families.

14. Several interviewees mentioned that medical office multi-tenant rents were too low to warrant new building construction costs.

15. Interviewees mentioned that it was difficult to secure and retain independent (non-chain) restaurants. Many mentioned that there was frequent turnover of independent restaurants in the Study Area. The significant costs of furnishing, fixtures and opening an operation, including high sewer/water fees, as well as operations seasonality (focused on non-summer periods) were seen as deterrents to attracting and keeping independent restaurants.

16. Most interviewees do not see the advantage of a new Highway 111 Corridor Specific Plan. Interviewees mentioned that many national retail areas have completely separate Specific Plans for different properties. Many interviewees expressed concerns that the new zoning document would add complicated, new regulations and codes that would add time and cost to the process, should owners renovate or redevelop their sites.

17. Positive suggestions for improving the City's Specific Plan process include an early engagement by the development team whereby the team can go to one big meeting with the City Planning Department and see up-front all the variance and permitting requirements. The entire process would be easier if all the requirements are explained in detail in one, up-front meeting, versus a long, series of step-by-step meetings. An incremental process where a development team finds out about surprises along the way, costs the development team time, money and "added costs down the road." As one experienced interviewee commented, she needs a "sophistication of the Planning staff" that makes the process smoother and quicker for her team. If the process is lengthy and time-consuming, the leasing staff will lose tenant prospects that will go elsewhere where the process is easier.

RESIDENTIAL CONCLUSIONS AND RECOMMENDATIONS

Survey Of La Quinta Apartments Reveals Modest Rents Unsupportable Of New Construction Costs

Six La Quinta apartments, and one Indio apartment project nearby (six minutes from Study Area), totaling 1,266 apartment units, were surveyed to assess market rents for newer, larger projects in the immediate area. Of the six La Quinta projects, two are affordable, subsidized apartments: Wolf Waters, 218 units, three stories, built in 2002; and Coral Mountain Apartments, the newest project of 176 units, two stores, built in 2014. (See Exhibit 5.) The newest, market-rate projects were built 15 years ago in 2007; no large-sized (over 100 units+) market-rate apartments have been found that have been built in recent years. All apartment projects are within a 6-to-12-minute drive of the Study Area.

The highest market rents are reported at Silverhawk Apartments, built in 2005 (222 units) near the La Quinta Resort, about 11 minutes' drive time from the Study Area: rents broadly range from $1,950 for a small, one-bedroom unit to $2,525 for a three-bedroom unit of 1,177 square feet. No other apartment projects list any rents higher than this project, with all other projects topping out at monthly rent of about $2,300.

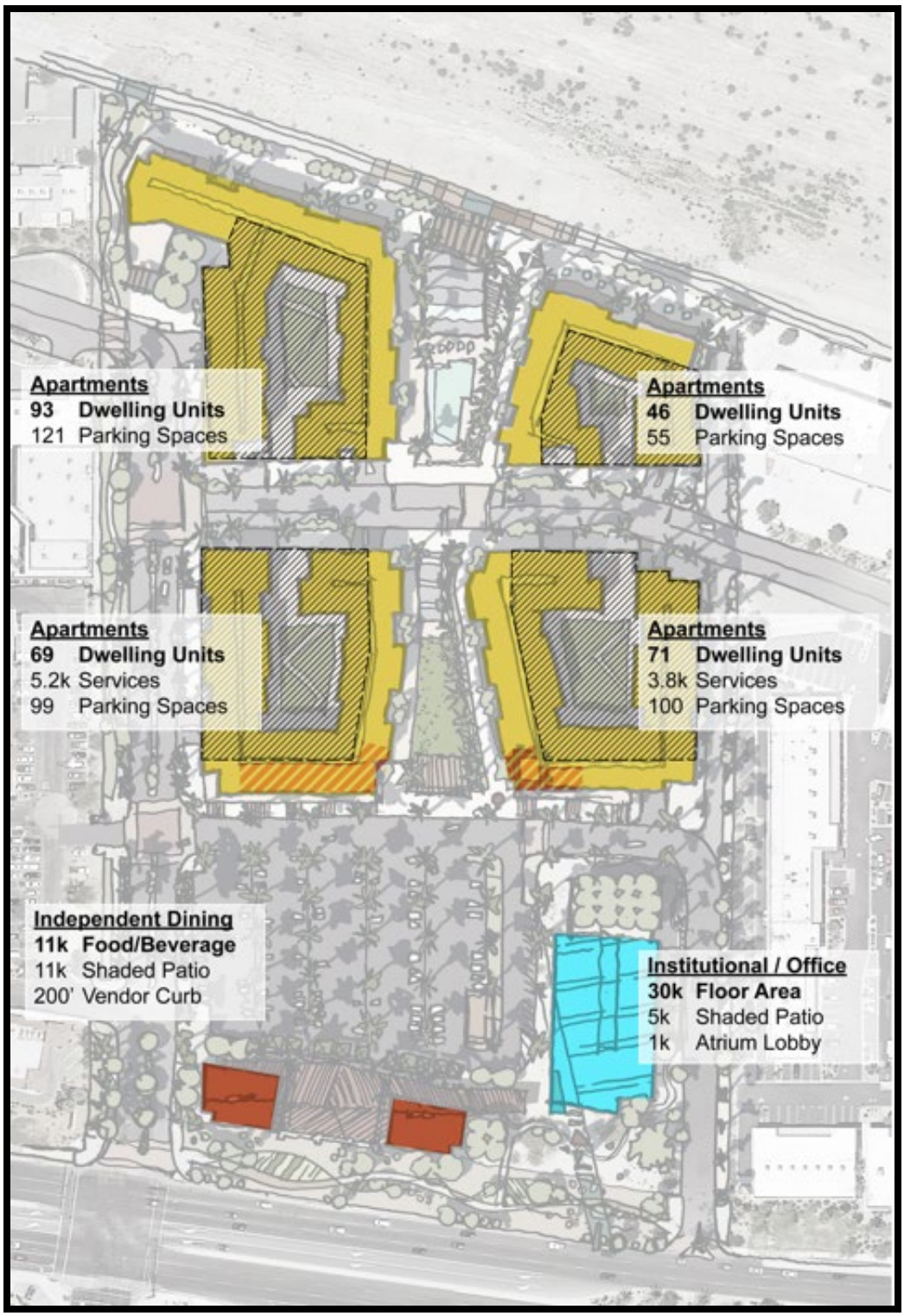
In contrast to typical Los Angeles County apartment rents of $2.90 to over $4.00 per square foot, La Quinta monthly rents top out at about $2.13 to $2.15 per square foot per month—a rent level too low to warrant new construction costs. (See Exhibit 5, attached.)

The top per-square-foot monthly rents for affordable, subsidized apartments in La Quinta range from $.45 to $1.10 per square foot, very low to meet the needs of low-income residents. Total monthly rents top out at $998 per month for 1,013 square feet of space for the subsidized units.

Photo examples of La Quinta's affordable rental projects are below:

Menino Property Plan Review: Recommend Maximizing Affordable Units

GHD asked us to review the site plan for the 15-acre former Menino property, owned by the City of La Quinta, planned for affordable, subsidized rental housing in the rear, with retail/other uses in the front portion of the property. (See site plan below.)



The above site plan shows 279 affordable, subsidized rental units in the rear of the project, with two buildings of retail totaling 11,000 square feet, and institutional/office space of 30,000 square feet in the front portion of the site.

We recommend maximizing the affordable, subsidized rental units on the 15-acre site, and down-playing any retail/dining uses. LSCA believes that the 11,000 square feet of retail/restaurant space is excessive, given the high supply of vacant and available spaces in existing shopping centers in the Study Area. Based on our Stakeholder Interviews, viable uses for the retail may be limited.

Options for the retail uses include one or two casual, quick food operations, with drive thrus of about 3,500 square feet each, to be developed on about one acre for each use (to allow for drive-thru space). Examples would include the popular Chick-fil-A or Raising Cane operations, both modest priced chicken outlets, and a coffee operator with a drive-thru, such as the highly popular Dutch Bros. Coffee or Better Buzz Coffee.

We recommend attempting to secure a hospitality, medical or construction industry vocational school for the institutional building. The building may be one-to two story of 20,000 to 30,000 square feet on 2 to 3 acres. Alternatively, a childrens' day care or charter school may be an appropriate use at this site.

Pre-leasing should occur for the retail, dining, vocational/institutional/educational uses. Should viable uses not be secured for the entire front of the site within a year of commencement of construction, we recommend down-sizing the retail, dining and institutional buildings and adding more affordable housing units. As noted in our Stakeholder Interview responses, there is strong recognition by property owners that low cost affordable housing is needed for the service, retail, medical and hospitality industry workforce serving La Quinta and the Coachella Valley.

A For-Sale Housing Void Exists In La Quinta To Provide Moderate-Priced (Below $500,000) Small Lot, Single Family Detached Homes For Local Workforce

La Quinta is a semi-rural, low-density, desert resort city. Our research in recent years in exurban, semi-rural cities has shown that the dominant home-buying preference of existing and newly-arrived residents is single-family detached living. Evidence of this in La Quinta is the City's record of building permits: from 2010 to 2021, nearly 80% (79.3%) of issued building permits were for single-family detached units (1,565 units), with 20.7% (or only 408 units) consisting of multi-family units. (Source: HUD SOCDS, 2022, Lisa Wise Consulting, page 17.) Young, growing workforce families, in particular, prefer single-family detached homes to accommodate their family lifestyle needs.

The median value of owner-occupied housing units in La Quinta, according to the U.S. Census (2021) is about $405,200. Resale homes provide lower-priced options for homebuyers in La Quinta. For example, selected, newly-renovated, resale homes in the older, well-maintained neighborhood of La Quinta Cove (up against the local mountains) have been recently listed in early October, 2022 for prices below $500,000 (e.g., $425,000 to $499,000) for three-bedroom units of about 1,282 to 1,300 square feet with backyards. (See examples below.)

In order to evaluate the new, for-sale housing typology market in and near La Quinta, we reviewed the currently selling housing products located within about a 15-to-19-minute drive time of the Study Area. During our field work, we reviewed the new products and discussed the offerings with sales representatives at the model homes.

It is recognized that workforce employees in La Quinta are likely to commute to work if their desired home preferences, in terms of size, configuration and price, are not found within the City of La Quinta. At the time of this survey, no new housing product was currently built for-sale in the City of La Quinta. (See Exhibit 6.)

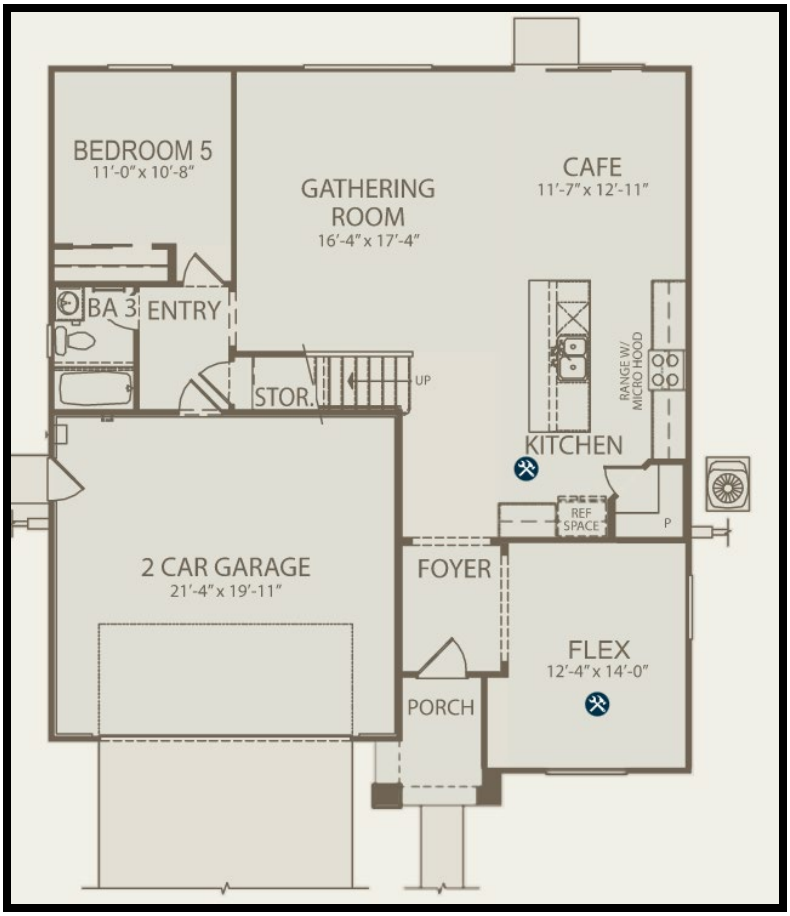
Five currently selling housing developments were surveyed in Palm Desert, Coachella, and Indio. Two of the five developments are age-restricted (over age 55): Trilogy by Shea Homes in Indio and Renata At Domani By Pulte Homes in Palm Desert, north of Freeway 10, east of Washington Street. Starting price ranges for Pulte's Renata range from $461,990 for 1,579 square foot, two bedrooms, to $491,990 for 1,865 square foot, two bedrooms with optional third bedroom (or office), single-level detached homes. Trilogy by Shea Homes is an upscale, gated, resort-amenity, age-restricted community of 1,238 homes. Starting prices broadly range from $466,990 for two-bedroom, single-level, 1,542-square-foot duplex units to $631,990 for three-bedroom, single level, 2,367-square-foot single-family detached units. Trilogy homes offer a extensive array of upscale interior upgrades, adding to the completed prices. There is a clubhouse and resort amenities.

Only three, currently selling housing products are targeting young and growing families: Sevilla by Pulte Homes in Coachella (107 single family detached single and two-level units); Almeiria at Espana by Lennar in Indio (96 single family detached single level units); and Avena at Talavera by Beazer Homes in Indio (38 single and two-story single family detached homes). Low-end starting prices (without upgrades) broadly range from $492,990 for a 1,959-square-foot, three-to-

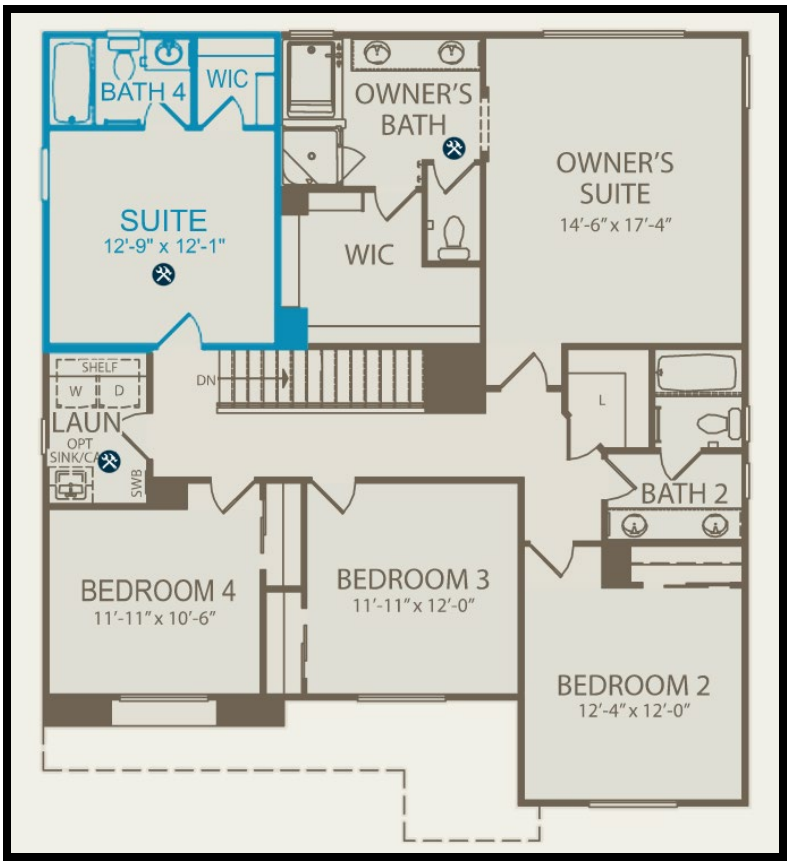
four-bedroom Sevilla (Coachella) home, to $535,990 for a 2,181 square foot three-to-four-bedroom Avena (Indio) home. Sevilla's top starting price is $554,990 for a spacious, 2,824-square-foot, five-six-bedroom, two-story home. The top starting price is the largest single-level floorplan offered by Almeria, $604,365 for a 2,747 square foot, four-bedroom home.

Sevilla by Pulte Homes offers the most fascinating floorplans, targeting large, extended, multi-generational Hispanic families. According to the sales representative, the homebuilder purposefully designed the larger units to accommodate multi-generational living, with one to two bedrooms downstairs, and four to five bedrooms upstairs, including a separate master suite bedroom. The sales representative reports extended family units "combining their financial resources" to buy the larger homes, with spacious backyards. Grandparents, middle-aged parents and young, working adults, all related, are pooling their resources to buy the larger, four-to-six-bedroom homes. The two floorplans with four to six bedrooms report starting prices ranging from $517,990 to $554,990 (without upgrades). The Sevilla development reports the lowest starting prices per square foot of $196 to $252. These homes are filling a multi-family, "affordable" housing niche, providing attractive, spacious homes with sizable yards for children at starting prices under $555,000 for up to three "extended" families (grandparents, parents with children, and young working adults). (See the 2,824-square-foot floorplan, below, with a starting price of $554,990, with level 1 shown first and the second level following.)

Sevilla by Pulte, Visionary Floorplan, Level One



Sevilla by Pulte, Visionary Floorplan, Level Two



All the family-oriented homes offered for-sale, as shown in the survey on Exhibit 6, range from nearly 2,000 to 2,700 square feet in size for three to six bedroom single and two-story homes (excluding age-restricted 55+ homes). No homes under 1,959 square feet are offered for the first-time homebuyer and young, growing workforce family.

La Quinta has the opportunity to fill this first-time homebuyer, family workforce niche by encouraging homebuilders to build smaller, single and two-story homes between 1,100 to about 1,600 square feet, with two to three bedrooms, built on small lots. With starting prices under $400,000 to the $460,000 - $470,000's range, these small lot single and two-story units may be built at a density of 8 to 9 units per acre, depending on the configuration, and assuming that one floorplan offered is single level, with remaining floorplans being two-story models.

Residential Unit Typology, Unit Mix, Timing/Phasing Recommendations

Four parcels remain undeveloped in the Study Area: (1) the 15-acre Menino Property site, owned by the City, slated for high-density subsidized rental housing; (2) the 6-acre site adjacent to the Residence Inn owned by the City; (3) the 9-acre Dune Palms property; and (4) the 4.7-acre property located behind Target. Two of the sites, the 15-acre Menino Property and the 9-acre Dune Palms property, are slated for affordable, subsidized multi-family housing for the rear portions of the properties. We recommend development densities up to 20 to 26+ to the acre for these subsidized rental units.

Should, for some reason, the City be unable to secure the 9-acre site for additional subsidized rental housing, the site could be developed for small lot, single family detached units at a density of 8 to 9 units per acre. A small, perhaps gated, cluster of starter homes could be offered at this site, resulting in 70 to 80 new, single and two-story moderate-income, market-rate homes for workforce families.

The 4.7-acre site behind Target is an excellent site for 37 to 42 units of single family detached small lot homes, with one floorplan that is single level, with remaining units consisting of two-story floorplans, to be built at 8 to 9 units per acre.

We understand that the City of La Quinta is considering reserving the 6-acre site adjacent to the Residence Inn for retail/dining uses or other commercial/entertainment uses. We recommend that the City re-consider this approach to the site, given the lack of retail anchor and mini-anchor stores, and the lack of major retail voids, in general, in the Study Area. Moreover, the Stakeholder Interviewees report no interest by entertainment tenant uses in the Study Area.

A 6-acre site could theoretically accommodate 52,000 square feet of commercial space, assuming a 20% site coverage. We are unaware of any 50,000-square-foot retail/dining/commercial program that could successfully be developed on the site at market-rate rents.

In contrast, there are low-and-moderate income housing needs in La Quinta, as expressed by Stakeholder Interviewees, including the President of TALUS, for affordable housing to serve hospitality, retail and other service workers—particularly given the growth of resort hotels in the City. TALUS is building two new hotels, the Montage and the Pendry, and the President stated that a third resort hotel is planned in the future.

We recommend that the City of La Quinta consider building another multi-family affordable, subsidized housing project on the 6-acre city-owned site, similar to Coral Mountain, immediately to the south. Extending this product would possibly add 100+ more multi-family units to the City's housing stock.

Should the City of La Quinta successfully procure affordable housing, multi-family developers in the next two to three years for two to three sites in the Study Area, we believe the Study Area could be built out within five to seven years, as long as inflation rates, construction costs and high interest rates do not constrain the financing of these projects.

As mentioned previously in this report, we do not recommend that the City encourage or plan for building market-rate rental units or mixed-use market-rate rental units due to the City's low rent levels, and lack of financial and developer feasibility, as confirmed by the Stakeholder Interviews.

We have been asked to comment on the potential for the following other types of residential product typologies: live-work; townhomes or row housing; stacked or terraced flats; courtyard flats; mixed-use residential; single family with ADU's; and "bungalow" or "casita"-style units. As stated in the previous paragraph, market-rate rental units are not feasible. Therefore, stacked

or terraced flats, courtyard flats, and mixed-use with apartments are not feasible, developer-implemented products.

The La Quinta semi-rural, low-density lifestyle is generally not compatible with urban-style for-sale products, such as townhomes, row housing and live-work units. These products are optimally built in existing, highly urban, Downtown, in-fill locations, particularly cities with strong office markets with office towers and campuses within walking distance to the residences.

LSCA highly recommends that the City encourage small lot single family detached homes built at 8 to 9 units per acre to assist young, first-time homebuyers and other workforce families working in the area, including those likely to be working at the new TALUS resort hotels. This for-sale product is an excellent fillable void in the south Coachella Valley, and would be optimally built on in-fill, La Quinta locations—versus in outlying large land parcels in Coachella and Indio. Moderate income, young homebuyers, particularly those seeking starter homes, are willing to opt for a smaller home at a lower price if the housing products are located closer in to shopping, dining, medical and other service amenities, as are found in La Quinta.

CONCLUDING RECOMMENDATIONS

Food & Beverage, Medical Office End-Users, Vocational/Institutional, And Future Hotel Uses Are Prime, Future, In-Fill Commercial Uses For The Study Area

The following is a brief summary of the retail/food & beverage and commercial/workplace opportunities, including sizing and leasable square footages, appropriate for Study Area in-fill areas, as well as redeveloped or renovated spaces in the Study Area for future years:

- **Independent, family-oriented casual restaurants**: Three to four independent, family oriented, casual, moderate-priced restaurants ranging from 2,200 to 4,200-square-feet with outdoor dining of 1,000 to 1,500 square feet. These users may replace existing tenants that turn over or go out of business; may be appropriate for renovated or redeveloped space; and could provide in-fill uses for vacant parcels in existing shopping centers. A total of about 13,000 to 14,000 square feet, excluding outdoor dining areas, is a reasonable target for future years. In order to entice independent operators, financial incentives may be required to offset the high up-front finish out costs.

- **Popular quick foods with drive thrus**. Two new, highly popular quick food offerings with drive thrus, such as Chick-fil-A and Dutch Bros. Coffee, would be popular drive-through offerings in the south Coachella Valley. Each use would require an acre of land for the 3,500 square-foot building and stacking lanes.

- **Owned medical buildings**. Destination-oriented, end-user, owned medical buildings, purchased and/or built by the end-users, such as urgent care; new medical doctor group buildings; MRI or radiology labs; or other medical specialty groups. Estimated size ranges are 3,500 to 5,000 square feet for single medical uses, such as a small urgent care facility or specialty medical use building, to about 10,000 to 12,000 square feet for a larger, owned, new medical group building. These users may take over existing buildings and renovate the buildings to their desired uses, or arrange for build-to-suit buildings.

- **Medical, hospitality industry, construction, salon/beauty vocational school.** Based on a discussion with the City of La Quinta Economic Development Department, we understand a new nursing school is planned for a small site in front of the former Sam's Club (now Floor Décor) building. Other medical training vocational schools, such as physical therapy, radiology or other specialties, may be good additions to the Study Area. With the expansion of new resort hotels in La Quinta, there may be the potential for a hospitality-industry-related vocational school, such as a small culinary school. The construction-related industry, perhaps operated by a trade union, may also have interest in opening a vocational school. We estimate 8,500 to 30,000 square feet of space for this institutional use.

- **Day Care or Charter School.** Given the significant number of low-income affordable housing rental units, including units suitable for families, there may be a need for a non-profit, church-managed, or other day care and/or charter school in the Study Area. This space is estimated at 5,500 (day care) to 30,000 square feet.

Future Sales-Per-Square-Food Productivities To Increase, If Over-Supply Not Encouraged

It is a shopping center industry tenet that higher sales-per-square-foot productivities result when retail and food & beverage square footage is not over-supplied. In fact, in many cases, tighter, more compact shopping centers and on-street shopping districts out-perform those districts that are over-planned, over-extended by city planners, architects and zoning specialists. California is inundated with excessive, on-street shopping streets that perform at low, modest, or weak sales-per-square-foot levels.

We recommend that the City planning staff and the City Council take a prudent approach to adding more retail and food and beverage square footage to the City. Several anchor and mini-anchor stores are struggling or will soon close. No evidence exists for near-term, newly built sizable retail and food and beverage sites in the Study Area. New home sales are needed to strengthen the sales productivities of the **existing array of stores in the Study Area.**

Adding more retail and dining to the four vacant parcels will dilute the sales productivities of the existing shopping centers, reducing the sales-per-square-foot of current tenants. In contrast, if the existing square footage in the Study Area stays about the same or is somewhat reduced as the Coachella Valley home sales grow in cities like Indio and Coachella, the sales-per-square-foot productivities of the remaining, existing stores are likely to increase on a per-square-foot basis.

Long-Term Potential For An Additional Limited Service Hotel

We understand that the City of La Quinta has two additional new planned hotels, in addition to the Montage and Pendry at TALUS, currently under construction. According to the President of TALUS, the upscale resort has plans for a third hotel to be eventually built. In keeping with the prestigious nature of the two other TALUS hotels, we assume that the third hotel will be equally upscale, catering to an affluent resort market.

We understand that an approved, 125-room limited-service hotel, will be located adjacent to the 131 single family detached homes for rent (Centre La Quinta), currently under construction, south of Highway 111. The hotel site is between Auto Centre Drive and La Quinta Drive.

Over a 20+-year time frame, a third hotel may be feasible, particularly another limited-service business/leisure product of 120 to 130 rooms at a moderate room rate level. The ideal location would be a quiet, off-Highway 111 site, south of the noise of the main arterial.

Prime Seasonal Events Are Those Benefitting Commercial/Retail Enterprises

We encourage the City and the local businesses to plan events that directly relate to businesses in the City. Our over 35 years of shopping center/mixed-use experience has shown that such events and outdoor programs that are directly tied to the retailers and the food & beverage operations result in increased sales. Entertainment events, such as jazz festivals or other musical events, typically do not benefit retailers. In fact, during many of these musical events, shopping patronage decreases, leading to displeased retailers who face less patronage during these times.

Examples of events and programs that are directly tied to increasing local sales are the following:

1. Local, independent restaurant tasting events, such as the "Taste of La Quinta" that highlights locally-operated, unique tasting menus and alcohol—not chain restaurants.

2. Home décor and showroom events, such as "Lifestyle La Quinta", highlighting discounted items and specialty sales that cater to home furnishings, décor, home hobbies, outdoor furniture and accessories, etc., possibly at the start of the winter season.

3. "Christmas In La Quinta" event in November, highlighting decorations, home accessories and seasonal gift merchandise of local stores, as well as specialty boxed food gift items.

Local La Quinta businesses appreciate efforts by the City, the Chamber and business associations to promote and market events that directly tie into businesses. In cities with more fashion stores than La Quinta, a prime program would highlight the specialty fashion stores, including casual, evening, golfing, and outdoor clothing, called "La Quinta Fashion." If enough entrepreneurial operators, including those within the resort operations, can be secured, this could be a popular local and visitor event, with drinks and snacks offered.

City Incentives Such As Subsidies Or Loans To Independent Restaurants, Institutional Land Assistance, And Streamlined City Processing

Small independent casual, moderate-priced restaurants have a difficult time locating and operating in La Quinta due to the high initial, start-up costs and the seasonality of the customer patronage. In order to assist these operators in the early stages, the City may wish to consider offering cash grant subsidies, especially to off-set sewer/water fees, or long-term, low-interest rate loans to off-set the high, start-up costs.

In order to attract vocational, institutional or charter school uses on city-owned parcels, the City may wish to consider free land conveyance (with a buyback provision should the use be

discontinued) or a nominal, low-cost ground lease arrangement. The institutions would then be required to build their own buildings, but would not have to acquire the land to do so.

As the City considers its new Specific Plan for the Study Area, it may want to consider methods and procedures for creating greater efficiency in the planning review process. Several Stakeholder Interviewees are concerned by over-complicating the approval process, and adding time and money to the development team when they submit plans. Having all requirements known up-front and presented at once was seen as a positive step for the development teams. Most disliked were "surprises" or new requirements presented on a step-by-step, meeting by meeting basis over many months. Stakeholders are concerned that they will lose valuable time, and their new tenant prospects may not wait over a lengthy time period. The tenant prospects may decide to go elsewhere to other cities where the planning and opening process is easier and less time-consuming.

FINAL COMMENTS

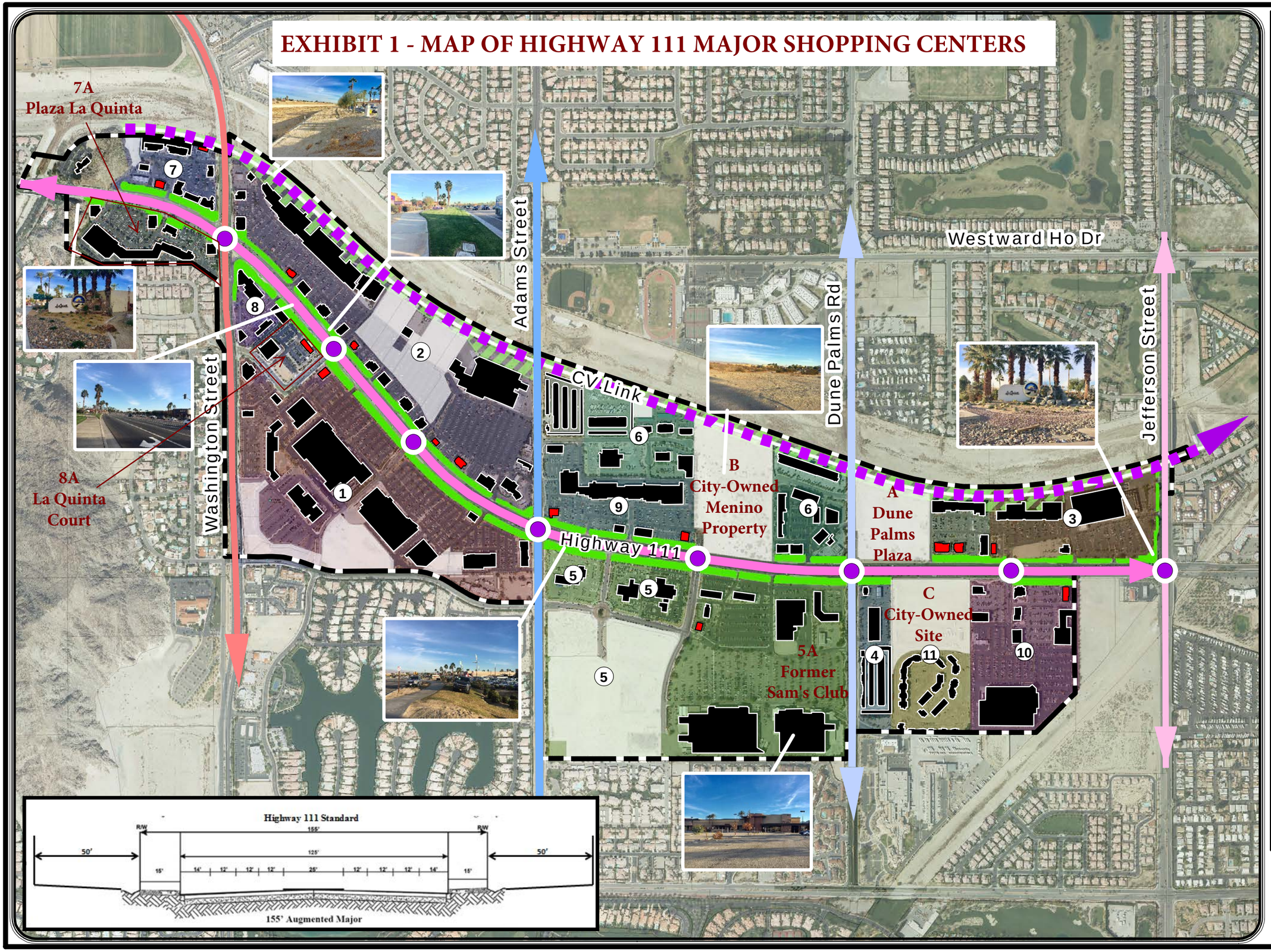
As evidenced by the City's efforts to purchase land for the development of low-income workforce housing, the City's executive team has initiated important steps to incorporate affordable housing into the Study Area. These additional rental units will be critical to serving those workers supporting the hospitality, resort, medical and construction industries of the south Coachella region.

Encouraging, planning, and zoning for small lot single family detached homes, built at 8 to 9 units per acre, and targeting the moderate-income, first-time homebuyer, would be another excellent step forward in advancing the number of housing units within the price range reach of workforce families serving La Quinta. Providing a full range of moderate-priced, for-sale housing choices in La Quinta will ensure that a balanced array of working families in the City will have permanent homes, spinning-off new sales to the stores along Highway 111.

HIGHWAY 111
CITY OF LA QUINTA
DEVELOPMENT IMPLEMENTATION STRATEGY STUDY

#	DESCRIPTION OF EXHIBIT
HIGHWAY 111 COMMERCIAL ANALYSIS & STAKEHOLDER INTERVIEWS	
1	MAP OF HIGHWAY 111 MAJOR SHOPPING CENTERS
2	HIGHWAY 111 MAJOR ANCHORED CENTERS
3	STAKEHOLDER INTERVIEWS
STRATEGY IMPLEMENTATION SUPPORTING EXHIBITS	
4	HIGHWAY 111 CORRIDOR ECONOMIC SWOT ANALYSIS
5	SURVEY OF SELECTED LARGE LA QUINTA APARTMENTS
6	NEW CURRENTLY-SELLING FOR SALE RESIDENTIAL PROJECTS NEAR LA QUINTA

EXHIBIT 1 - MAP OF HIGHWAY 111 MAJOR SHOPPING CENTERS



Highway 111 Corridor Map

La Quinta
GEM of the DESERT

N
W
E
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Legend

- Highway111 Area Boundary
- Highway 111
- Highway 111 Intersections
- 65' Landscape Setback
- CV LINK ROUTE (FUTURE)
- CV Link Frontage Opportunity
- Vacant Properties
- Drive-throughs

Specific Plans

1. Washington Park
2. One Eleven Shopping Center
3. Jefferson Plaza
4. Dune Palms Plaza
5. Centre at La Quinta
6. La Quinta Corporate Centre
7. Point Happy Shopping Center
8. La Quinta Court
9. The Pavilion at La Quinta
10. Komar Desert Center
11. Dune Palms and Highway 111

City of La Quinta

Planning Division

Design and Development Department

January 2018

EXHIBIT 2
LA QUINTA HIGHWAY 111 MAJOR ANCHORED CENTERS

Key to City Corridor Map	Name/Center Type Location	Anchor/ Mini Anchor & Key Stores	Total SF Square Footage	Vacant Space Description	Est. Vacant Square Feet	Vacancy Opportunities, Voids, Comments
	EXISTING CENTERS					
3	**Home Depot & The Dunes Center (Jefferson Plaza)** 79900 Hwy-111, La Quinta, CA 92253	Smart & Final IHOP Jack in the Box 99 Cents Store Goodwill Dollar Tree	36,001 Dunes Center 105,000 Home Depot	None	0	Excellent Vietnamese small restaurant, Pho Vu, also located in Palm Springs.
6	**La Quinta Valley Plaza (est)** 79390 Hwy-111, La Quinta, CA 92253	Unanchored	122,000	Small Space (est)	1,300	Senior Day Care Center under renovation/construction of entire north-east building of 54,000 s.f. (two levels).
9	**The Pavillion At La Quinta** 79220 Hwy-111, La Quinta, CA 92253	Best Buy Office Max Bed Bath & Beyond DSW Sprouts	165,860	Office Max space Panera Bread	20,030 4,854	Office Max space reported available per leasing brochure. Per interview with ownership, Office Max is on temporary, month-to-month lease. Panera Bread is leaving center and moving to One Eleven with a drive-thru (under-construction).
2	**One Eleven** 78950 Hwy-111, La Quinta, CA 92253	Kohl's Petco Big 5 Hobby Lobby Stater Bros Ross Staples WDC (Kitchen & Bath) Eisenhower Health	1,100,000	Pad A next to Mexican restaurant Pad C South of Hobby Lobby Space between Petco & WDC Space between Hobby Lobby & Kohl's Space between Hobby Lobby & Kohl's Space between Hobby Lobby & Kohl's Small shop North of Stater Bros Small shop on AT&T pad	50,000 22,000 8,000 7,614 8,500 3,500 1,600 2,500	Power center with large pad vacancies (Pad A & C) for many years. Center in-line space recently sold in June to Milan Capital Management, Inc., Orange, CA. New ownership does not own Kohl's, Stater Bros., Hobby Lobby and a number of pads at the front of the center, such as Eisenhower Health. Per interview with ownership, there are 15-20 different ownerships of parcels within the center, with Milan owning the in-line shop space.

EXHIBIT 2
LA QUINTA HIGHWAY 111 MAJOR ANCHORED CENTERS

Key to City Corridor Map	Name/Center Type Location	Anchor/ Mini Anchor & Key Stores	Total SF Square Footage	Vacant Space Description	Est. Vacant Square Feet	Vacancy Opportunities, Voids, Comments
	EXISTING CENTERS					
7	**Plaza At Point Happy** 78370 Hwy-111, La Quinta, CA 92253	Okura Sushi Broken Yolk Café	43,000	Small shop Small shop Upper office Upper office Upper office	1,162 569 2,092 1,425 1,435	Spanish style building with office over retail.
7A (S. of Hwy-111)	**Plaza La Quinta** 78267-78483 Hwy-111, La Quinta, CA 92253	Vons	141,920	Small shop Small shop Small shop Small shop Small shop Small shop	627 2,190 1,440 2,275 1,267 2,008	Attractive Spanish neighborhood center style anchored by Vons grocery store.
8	**La Quinta Court** 78525 Hwy-111 La Quinta, CA 92253	Unanchored	54,992	Small shop Small shop	1,816 2,527	Located at Washingston St. & Hwy-111 corner, with LG's Prime Steakhouse visible from key corner.
8A	**La Quinta Square** 78611 Hwy-111, La Quinta, CA 92253	Aldi In-N-Out El Pollo Loco	29,270	None	0	Three pad users recently opened.

EXHIBIT 2
LA QUINTA HIGHWAY 111 MAJOR ANCHORED CENTERS

Key to City Corridor Map	Name/Center Type Location	Anchor/ Mini Anchor & Key Stores	Total SF Square Footage	Vacant Space Description	Est. Vacant Square Feet	Vacancy Opportunities, Voids, Comments
	EXISTING CENTERS					
1	**Washington Park Shopping Center** Highway 111 between Simon Dr. & Adams St, & Washington Street From Simon Drive to Ave. 47 La Quinta, CA 92253	Target Trader Joe's TJ-Maxx Lowe's Century Theatres Ulta Beauty World Market Amazon Fresh (former Stein Mart) Planet Fitness	600,000	Pads 8 & 9 Washington St South-half of former Lumpy's Golf store Restaurant space Washington St (lease pending) Small shop near Cinema (lease pending) Small shop CA-111 next to Verizon Small shop CA-111 next to SAWA Sushi Pad 7, planned for restaurant Washington St, s.f. includes patio space Future building between former Stein Mart & World Market (a Phoenix salon shows interest)	13,250 6,011 2,553 1,495 1,549 1,335 8,374 17,000	Amazon Fresh to replace vacant Stein Mart building, opening in October. Significant vacant pad space between Stein Mart and World Market facing Hwy-111, originally planned in 2008 for junior anchor (mini-anchor) of 10,000 s.f. and 7,000 s.f. of small shop space. Interest by car wash tenant for taking vacant Pads 8 and 9 along Washington St. Per Curtis Barlow, 7 shop spaces vacant, with 4 of these spaces with leases pending. No immediate plans for vacant, 4.7-acre parcel behind Target. Recently, an in-fill townhome developer from Orange County evaluated the parcel for residential development, either for-sale or for-rent.
5	**La Quinta Centre** 79255 Hwy-111, La Quinta, CA 92253	Walmart Supercenter (est) Marshalls (est) Petsmart (est) Small shops	200,000 30,000 17,000 48,000	Undeveloped pad with fencing (est) Small shop	17,000 1,203	Several pads and strip retail fronting Hwy-111 with Walmart Supercenter in back lot. Marshalls, Petsmart, and undeveloped pad immediately behind one small strip center facing Hwy-111.

EXHIBIT 2
LA QUINTA HIGHWAY 111 MAJOR ANCHORED CENTERS

Key to City Corridor Map	Name/Center Type Location	Anchor/ Mini Anchor & Key Stores	Total SF Square Footage	Vacant Space Description	Est. Vacant Square Feet	Vacancy Opportunities, Voids, Comments
	EXISTING CENTERS					
5A	**Former Sam's Club** SWC of Dune Palms & Hwy-111, La Quinta, CA 92253	Floor & Décor Storequest Storage	138,000	Vacant small parcel formerly used for Sam's Club gas pumps.	0	Former Sam's Club space converted into two uses. Oversized parking lot in front of Floor & Décor but too small for any significant development. Sam's Club former gas pumps approximately one acre of space, planned for nursing school.
10	**Costco & Komar Desert Plaza** SWC of Jefferson St & Hwy-111, La Quinta, CA 92253	Costco (est) Komar Desert Plaza BevMo (est) Former Souplantation (est) (Long Horn Steakhouse planned)	150,000 73,000 7,000 5,000	Vacant space next to Burgers & Beer Small shop Small shop Small shop Small shop	9,743 1,843 1,882 1,213 2,870	Six buildings in Komar Desert Plaza, including Mimi's, and two pads West of plaza. Costco located in the back portion of site.
	PROPOSED (PLANS NOT FORMERLY SUBMITTED)					
A	**Dune Palms Plaza** NEC of Dune Palms Rd & Hwy-111, La Quinta, CA 92253	N/A		N/A	N/A	Total site is about 9 acres. No development plans submitted. Per Casey Griffin, owner representative, site is in escrow to sell to Petaluma based, Blackpoint Properties, Jeff Halbert, Founder & CEO. Per Mr. Halbert, his company is in negotations with City of La Quinta to sell fhe rear portion of the site to the City for affordable subsidized housing (5.1 acres), and would retain front portion for restaurant/retail facing the Highway 111.
B	**City-Owned Menino Property** N. of Hwy-111, W. of La Quinta Valley Plaza La Quinta, CA 92253	N/A		N/A	N/A	Per Economic Development Director, plans are for 204 subsidized low and moderate-low apartments in the back of the site and retail space in the front portion of site. Total site is approx. 15.2 acres.
C	**City-Owned Site W. of Residence Inn** S. of Hwy-111 & N. of Vista Coralina Lane, La Quinta, CA 92253	N/A		N/A	N/A	Total site is about 6 acres, owned by the City of La Quinta. No firm development plans. City Council has stated preference for retail at this location per Economic Development Director.
ANCHORED TOTAL EXISTING NEIGHBORHOOD AND COMMUNITY CENTER S.F.:			**3,066,043**			
VACANT SPACE					**238,052**	**Includes vacant pad spaces.**
PERCENT VACANT					**7.8%**	**Excludes vacant parcel of 4.7 acres behind Target.**

Sources: LoopNet; Leasing brochures; City of La Quinta; L.S. Congleton & Associates field research; interviews with property owner/representatives; Google maps area calculator (S.F.).

EXHIBIT 4

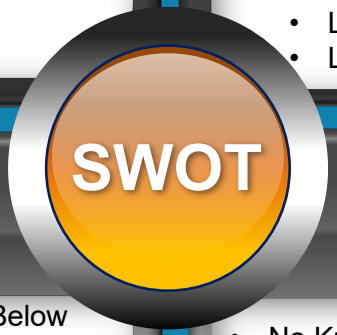
Highway 111 Corridor Economic SWOT Analysis

Strengths

- Major Coachella Valley Highway Visibility
- Hwy 111 Power Centers Dominate South Coachella Valley Retail Market
- Strong Array of Anchors & Mini-Anchors
- One-Stop Shopping Area With Exceptionally Wide Regional Draw & Strong Long-Term Retail Appeal
- Discount/Value Anchors Well Represented
- Diverse Services, Foods and Medical Uses

Weaknesses

- Over 200,000 s.f. Vacant & Available Pad Space
- Selected Weak Big Box Closures Likely In Future
- Big Box Destination Shopping Not Pedestrian-Like
- High-Speed 6-Lane Hwy. Detracts From Walkability
- High Sewer/Water Fees Impede Independent Restaurant Entrepreneurialism
- Over-Sized Asphalt Parking Areas For Some Boxes
- Low/Modest Apartment Rents
- Low/Modest Rents For Leased Multi-Tenant Medical



Opportunities

- Small Lot SFD Moderate-Priced Housing Priced Below $500,000 Is A Strong Void (8-9/Acre)
- Affordable Subsidized Rental Housing On City-Owned Sites Satisfies Need For Service-Worker/Employee Housing (20-26/Acre)
- Strong Interest By Drive-Thru Food Users For Hwy 111
- Family-Oriented Casual Small Independent Restaurants W/ Outdoor Dining--If Up-Front Costs Can Be Reduced
- User-Owner Medical Bldgs; Vocational/Institutional Uses
- Use Of Over-Sized Parking Areas For Event Programs

Threats/Constraints

- No Known Anchor/Mini-Anchor Retailer Voids Left
- Any Newly-Built Small Shop Retail Will Be Weak, Unanchored Space
- New Subsidized Housing Will Add Minor New Spending
- Too Late To Change Corridor's Power Center Character
- Construction Costs Too High & Market Rents Too Low To Support Large Market-Rate Apartment Projects
- High Interest Rates, Inflation, High Bldg. Costs Could Threaten Feasibility & Timing Of New Projects

EXHIBIT 5

SURVEY OF SELECTED, LARGE LA QUINTA APARTMENTS

Name/Location/Units/Year Built	1B Rent	Sf	Rent/Sf	2B Rent	Sf	Rent/Sf	3B Rent	Sf	Rent/Sf	Comments	Drive Times
Aventine Apartments 47750 Adams St La Quinta, CA 92253 200 Units, 2 Stories, 2001	$1,625	792	$2.05	$1,725 $1,825	960 1,121	$1.80 $1.63	N/A	N/A	N/A	Deposit: 1B $600, 2B $800.	5 minutes
Silverhawk Apartments 50660 Eisenhower Dr, La Quinta, CA 92253 222 Units, 2 Stories, 2005	$1,950 $1,975	670 743	$2.91 $2.66	$2,010 $2,120	889 1,047	$2.26 $2.02	$2,505 $2,525	1,177	$2.13 $2.15	Deposit: 1B $350, 2B $450, 3B $550; highest rents per s.f. reported in La Quinta; near La Quinta Resort.	11 minutes
Wolf Waters Place Apartments 47795 Dune Palms Rd, La Quinta, CA 92253 218 Units, 3 Stories, 2002	$236 $552	500	$0.47 $1.10	$353 $656	600	$0.59 $1.09	$316 $754	700	$0.45 $1.08	Subsidized affordable apartments.	7 minutes
Coral Mountain Apartments 47360 Dune Palms Rd, La Quinta, CA 92253 176 Units, 2 Stories, 2014	$643 $785	743	$0.87 $1.06	$754 $911	968	$0.78 $0.94	$823 $998	1,013	$0.81 $0.99	Subsidized affordable apartments.	4 minutes
Villagio At La Quinta 80175 Avenue 52, La Quinta, CA 92253 147 Units, 3 Stories, 2007	N/A	N/A	N/A	$2,279 $2,359	1,090 1,128	$2.09 $2.09	N/A	N/A	N/A	One of the few market-rate apartment projects built in last 15 years.	12 minutes
Arches at La Quinta 46896 Jefferson St, Indio, CA 92201 80 Units, 2 Stories, 1988	N/A	800	N/A	$2,195	1,100	$2.00	N/A	N/A	N/A	Technically in Indio, but close to Highway 111 Corridor.	6 minutes
Mediterra 43100 Palm Royale Dr, La Quinta, CA 92253 223 Units, 2 Stories, 2007	$2,065 $2,395	755 985	$2.74 $2.43	$2,315 N/A	1,087 1,344	$2.13 N/A	N/A	N/A	N/A	Deposit: 1B $600, 2B $800; one of the few market-rate apartments built in last 15 years.	9 minutes

Sources: LSCA; Leasing brochures; Apartments.com.

Drive times to Hwy-111 corridor, La Quinta Best Buy, calculated by Google Maps with 12PM weekday arrival time.

Wolf Waters Place rents per Coachella Valley Housing Coalition; note: per the 2019 Highway 111 La Quinta Corridor Plan reports that market rate rents for apartments were an average of only $1.41 per s.f.

By contrast, market rate apartments in LA County range from about $2.90 to over $4.00 per square foot for top quality apartments.

EXHIBIT 6

NEW CURRENTLY-SELLING FOR-SALE RESIDENTIAL PROJECTS NEAR LA QUINTA

Name / Location / # Units	Model	Starting Price Ranges	SF Ranges	Price/SF	Bedroom Count	Amenities	Drive Times
Sevilla By Pulte Homes 84-457 Calle Larriva, Coachella, CA 92236 107 Single & Two-Story SFD	Gateway	$492,990	1,959	$251.65	3-4 bd	Single family detatched unit with 2 bathrooms and 2 car garage.	16-18 minutes
	Pathmaker	$517,990	2,404	$215.47	4-6 bd	Single family detatched unit with 2.5-3 bathrooms and 2 car garage.	
	Visionary	$554,990	2,824	$196.53	5-6 bd	Single family detatched unit with 3-4 bathrooms and 2 car garage.	
Renata At Domani (55+) By Pulte Homes 39906 Felicita Pkwy, Palm Desert, CA 92211 202 Single Level SFD	Brownstone	$461,990	1,579	$292.58	2 bd	Single family detatched unit with 2 bathrooms and 2 car garage.	16 minutes
	Silver Creek	$476,990	1,731	$275.56	2 bd	Single family detatched unit with 2 bathrooms and 2 car garage.	
	Bellwood	$491,990	1,865	$263.80	2 bd	Single family detatched unit with 2 bathrooms and 2 car garage.	
Almeria at Espana By Lennar 39530 Taffala Drive, Indio, CA 92203 96 Single-Level SFD	Residence 1	$516,040	1,912	$269.90	3 bd	Single family detatched unit with 2 bathrooms and 2 car garage.	18 minutes
	Residence 2	$519,165	2,094	$247.93	4 bd	Single family detatched unit with 2 bathrooms and 3 car garage.	
	Residence 3	$521,940	2,332	$223.82	4 bd	Single family detatched unit with 2.5 bathrooms and 2 car garage.	
	Residence 4	$604,365	2,747	$220.01	4 bd	Single family detatched unit with 3.5 bathrooms and 3 car garage.	
Avena at Talavera By Beazer Homes 79641 Bolton Drive, Indio, CA 92203 38 Single & Two Story Detatched Homes	Modena	$535,990 $545,990	2,181	$245.75 $250.34	3-4 bd	Single family detatched unit with 2.5 bathrooms and 2 car garage.	19 minutes
	Siena	$559,990 $565,990	2,333	$240.03 $242.60	3-4 bd	Single family detatched unit with 3 bathrooms and 3 car garage.	
	Treviso	$584,990 $594,990	2,689	$217.55 $221.27	4-5 bd	Single family detatched unit with 3.5 bathrooms and 3 car garage.	
Trilogy By Shea Homes 60-750 Trilogy Pkwy, Indio, CA 92253 1,238 Single-Level Units, Age 55+ Community	Resort Collection, Single-Level, Duplex Attached At Garage	$466,990 $476,990	1,542 1,678	$302.85 $284.26	2 bd	Single family detatched unit with 2-2.5 bathrooms and 2 car garage; resort-type Club and amenities geared to seniors.	18 minutes
	Freedom I Collection	$505,990 $528,990	1,622 1,928	$311.95 $274.37	2-3 bd	Single family detatched unit with 2 bathrooms and 2 car garage. Prices do not reflect extensive available interior upgrades.	
	Freedom II Collection	$579,990 $631,990	2,039 2,367	$284.45 $267.00	2-3 bd	Single family detatched unit with 2.5-3 bathrooms and 2.5 car garage. Prices do not reflect extensive available interior upgrades.	

Sources: LSCA; Beazer, Lennar, Pulte, Trilogy leasing brochures.

Drive times to Hwy-111 corridor, La Quinta Best Buy, calculated by Google Maps with 12PM weekday arrival time.