

The Public Record

SERVING ALL OF THE DESERT CITIES AND UNINCORPORATED AREAS OF RIVERSIDE COUNTY IN THE COACHELLA VALLEY

CVEP Summit highlights: Husing delivers 2010 Economic Report, Buchholz is keynoter



BY ALEX ALTMAN

Last Friday, more than 700 attendees filled the convention facilities at the Renaissance Esmeralda Resort and Spa in Indian Wells for the Coachella Valley Fall 2010 Economic Summit, hosted by the Coachella Valley Economic Partnership (CVEP) and titled "Climate for Success." The event, which annually addresses the trends and indicators impacting the Coachella Valley, was marked not only by the delivery of the Coachella Valley 2010 Economic Report by noted regional economist John Husing, Ph.D., and an entertaining keynote presentation by Todd Buchholz, former White House Director of Economic Policy and managing director of the \$15 billion Tiger hedge fund; it also delivered some encouraging surprises. As a service to its readers, *The Public Record* presents some of Friday's highlights.

Husing presented the results of his 41-page report, which analyzed data from the housing, tourism and retail, clean technology, health care, agriculture and manufacturing sectors, acknowledging that the region has traveled a "rough road" but that there are glimmers of cautious optimism. The U.S. economy has gained 613,000 jobs since January, indicating the start of a "long, slow recovery." The slow pace of recovery is the result of the amount of damage sustained by the economy over the course of the recession, said Husing.

Continued on page 18...

New ownership breathes life into venerable desert businesses

BY ALEX ALTMAN

The allure of the Coachella Valley's unique lifestyle is not lost on its millions of visitors, nor is it limited to retirees looking to spend their post-career years relaxing in the sunshine. Vacations in the valley often ignite an interest in a permanent move to the region for people from a wide variety of backgrounds. And while many choose to take advantage of the desert's obvious charms as a retirement destination, some find a way to operate a business in the region. For people in the latter group, people like Bob Schneider of Desert Adventures and Curtis Oldenkamp of Martin Sweeping, purchasing an existing business can provide the opportunity to hit the ground running, leveraging existing customers and relationships while bringing additional capital and fresh ideas. For new owners, taking over a business can be a way to take control of their future, in the process breathing new life into existing desert businesses and enriching the fabric of the community.

Bob Schneider moved to California in 1995 to serve as senior vice president of Worldwide Corporate Promotions for Warner Brothers. "I had a good run in an interesting job at Warner Brothers," Schneider says. But after his Warner Brothers tenure, and time spent at a small agency until the recession, Schneider found his prospects dramatically changed by fall of last year. "There are not a tremendous amount of opportunities for a 58 year old guy in the business world," he says. "I had to face facts, dig deep, and really figure out what I wanted to do next if I was going to be successful." It was at this point that Schneider began to consider what it would be like to own a company, and to become well versed in what it would take to own one. "It is one of the most important decisions in



New Desert Adventures owner, Bob Schneider, is enjoying the challenge of managing his new venture.

a person's life - what will you purchase that will drive your future?"

Like many business owners relocating to the Coachella Valley, Schneider had always enjoyed his time here. He was moved by the place's natural beauty, while the proximity to Los Angeles enabled him to maintain relationships on the coast. "I wanted to be somewhere beautiful and close to L.A.," he says. "On February 2, I saw an ad featuring the iconic big red jeep, and I knew it was something I should investigate right away." During his due diligence, Schneider identified the passion of his employees, the success of the business before the recession years, and dual revenue streams in both family tours and corporate outings as factors that made Desert Adventures an attractive business proposition. "Of course you factor in the economy when you are making this decision," says Schneider. "But the knowledge of our guides and the love for what they do was in place - a key to success in any business. And my gut belief was that, here is a business that is viable, that has been profitable in the past. I felt I could come in at a reasonable price and ride the economic recovery wave up."

One of the keys to the deal, which closed in June, was partnering with Kim Nilsson on the purchase. Nilsson, who had been general manager for the past four years, brought a level of industry specific expertise to the table; her belief in the company and its product also reassured Schneider, and allowed him to reduce his risk. "I could tell right away that together we can really do some great things with Desert Adventures," Schneider says of his partnership. "We both look at this as a long term commitment - we want to grow the business together over many years, not flip it in another sale."

Already the partners have invested substantially in the business. A new logo, new signage and new uniforms reflect the new partnership while establishing the brand. A methodical process was put in place to thoroughly service the company's iconic jeeps, making sure they operate safely and efficiently. The office facilities have been cleaned and modernized, and the company's mining camp facility and mine exhibit, used for corporate events and parties, is undergoing a dramatic facelift. Also a new marketing effort is underway - capitalizing on Schneider's corporate background - to clarify the company's message in the minds of the consumer, and to re-involve locals in the Desert Adventures experience.

While corporate event and meeting business has suffered over the past several years, Schneider reports a marked increase in the number of proposals being requested for corporate outings. He also says that the October shoulder season has seen tour business stepping up nicely after a flat summer. "Right now our business is split about fifty-fifty between tours and group business. We'd like to increase that corporate business up to about 70 percent of our overall revenue, but that's going to be a

Continued on page 16...

IN THIS ISSUE

DEPARTMENTS

Business News 3
 Business Calendar 3
 Public Sector News 5
 CV People 17
 PUBLIC NOTICES 19

FEATURES/NEWS

Bartering for Business 2
 The Wealth Advisor 4
 Fox & Hounds 6
 Opinion: As I See It 13
 Food Biz 14
 Social Media Maven 15

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...continued from page 1

In California alone, the recession was responsible for the loss of about 866,000 jobs, about ten percent of all the jobs in the state. To put things in perspective, this is nearly double the job loss the state absorbed during the recession of the early 1990s. The Coachella Valley's job loss of 10.1 percent of the region's jobs, closely mirrored the performance of the state, and outperformed the Inland Empire as a whole, which lost 13.1 percent of its jobs over the last three years. The region's unemployment rate, at 14.7 percent, is the highest in the nation among metropolitan areas with one million or more people.

Not surprisingly, the slow pace of new home construction, which is at a historic low, is a major source of the region's difficulties. But the high rate of foreclosures will continue to make it difficult for builders to compete with foreclosure pricing. Husing noted that, of the 97,471 homes in the Coachella Valley, 42,607 (or 43.7 percent) traded from 2004 to 2007. An additional 31,995 homes drained equity during that time period, meaning that a potential 76.5 percent of all homes in the valley are likely underwater, with half that number yet to be

foreclosed upon. In order to sort the real estate market out, "Someone has to take the hit," said Husing, referring to homeowners losing their homes, lenders or mortgage-backed securities losing part of their investments, or the taxpayers subsidizing one or both of these groups. Until this is fixed, Husing said, there can be no complete recovery. The good news is affordability is near a record high at 55 percent, and demand for foreclosed properties has so far exceeded supply. Husing also predicted that cities will see property valuations go up in the next assessment, ending the continued erosion of city property tax values.

In tourism, the valley's annualized hotel occupancy rate, which was 63 percent in 2007, dropped to 51 percent in 2009, but has rebounded slightly to 53 percent this year so far. And while rates have also declined, bounces in air traffic volume and retail sales point to a recovery. Third quarter retail sales may rise by double digits, says Husing, who agreed with the keynote speaker that there will be no double dip recession.

Agriculture remained steady throughout the recession, and clean technology shows promise for the valley's future; Husing cites clean energy and electric vehicle production

as areas with strong potential. The creative arts is also a sector that shows promise for the region, which saw \$38 million in economic impact from the film industry from 2006 through 2009. The valley, says Husing, is poised to capitalize on its relationships and proximity to Hollywood, its successful events, and the fact that filming is already taking place here. The valley's location makes it promising as a logistics hub, while retirees coming to the region bring money to the desert's economy and bode well for the healthcare sector.

Manufacturing is back to 1997 levels, noted Husing, but it was this sector that was also the source of one of the event's most notable surprises, delivered by alternative energy leader Noble Renewables. The 30-year-old Coachella Valley company announced that it will bring RenewTech's manufacturing unit to Noble's Palm Desert development, Pointe Monterey, for the purposes of building and retrofitting wind turbines, a tangible step toward developing the manufacturing sector in the area. Noble also shared its plan to build a \$1.6 million photovoltaic solar installation for Xavier College Preparatory, which will take the school entirely off the grid. "CVEP's forward thinking in renewables and manufacturing paved the way for Noble Renewables to make this manufacturing facility a reality and bring green jobs to the Desert," said Fred Bell, Chief Operating Officer of Noble & Company, LLC.

If the mortgage situation is fixed, Husing believes the valley's economy could return to normal by 2012. If not, recovery could come as late as 2014 or 2015.

Speakers at the Summit also shared status updates of CVEP's Economic Blueprint, which is aimed at regional diversification and job creation in the Coachella Valley. The expansion to new offices in Palm Springs accomplishes one of CVEP's growth goals. Early statistics from the recent Business Visitation Survey, which received some 1,700 responses, were also revealed at the summit. Of those businesses surveyed, 91% have no further plans to lay workers off, 50 percent feel the economy is improving, and

only 8 percent are considering leaving California, positive signs for the valley.

Another key announcement was directed at CVEP's educational arm, Pathways to Success. The College Access Foundation of California (CAF) will soon present a \$1.467 million grant to the program's regional scholarship and student support program, bringing CAF's donations to Pathways to Success to about \$5 million. The Pathways program, which exposes students to careers in targeted industries, is showing remarkable success in terms of student retention and college matriculation rates. "The Foundation's continued support reflects how CVEP and its partners are building the economy, in part, by training and educating critical workforce," said Wesley Ahlgren, CVEP Chief Operating Officer.

Keynote speaker Todd Buchholz provided a rousing conclusion to the event, discussing how fundamentally the building blocks of the world's economy have shifted in the past ten years, and how this has complicated economic forecasting. The introduction of hundreds of millions of Chinese and Indian workers has driven wages down, while the consumption of these workers has driven commodity costs up, Buchholz said. He covered the real estate lending problems at the root of the recession, and mentioned that he believes real estate prices have bottomed. Stagflation and the dreaded double dip are not the threats that some believe them to be, but healthcare legislation is retarding the hiring of new workers.

Buchholz applauded CVEP's emphasis on education and workforce excellence, citing the "race for IQ points" as the most important long-term economic issue. It is turmoil and challenging circumstances that create an environment for innovation; out of today's perfect storm of terror threats, hurricanes, oil spills, war, and economic crisis will come opportunity and prosperity in the future. The Coachella Valley seems well-positioned to take advantage of this opportunity.


Cara Van Dijk contributed to this summary of the CVEP event.




John Husing, Ph.D.







Todd Buchholz



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Agua Caliente Casino Resort Spa
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 ALEA GOMEZ <small>President and Chief Sales Officer for United Kingdom, Germany</small>	 RAUL RODRIGUEZ <small>Director of Hispanic Sales and Marketing for United Kingdom, Germany</small>	 JOHN PAUL VALDEZ <small>Chief Executive Officer, Hispanic Sales & Marketing</small>	 GLORIA MANGINERA <small>Executive Director of the Hispanic J.C. Cannon BLD Foundation</small>
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Join us for lunch and a Q & A on Hispanic marketing with our distinguished panel!

Hispanics comprise 54% of the market in the Coachella Valley.

If you are marketing at all, you are marketing to Hispanics. Just translating something into Spanish isn't enough.

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