

PALM DESERT CITY COUNCIL STUDY SESSION MEETING AGENDA

Thursday, June 12, 2025

2:15 p.m.

Council Chamber, City Hall

73-510 Fred Waring Drive

Palm Desert, California

NOTICE IS HEREBY GIVEN that the purpose of the Study Session is to review the items listed on the agenda. No action will be taken.

This is a joint meeting of the Palm Desert City Council, Successor Agency to the Palm Desert Redevelopment Agency, Palm Desert Housing Authority, and Palm Desert Board of Library Trustees. Pursuant to Assembly Bill 2449, this meeting may be conducted as a hybrid meeting allowing public access via teleconference or in person, and up to two Councilmembers may attend remotely.

WATCH THE MEETING LIVE: Watch the City Council meeting live at the City's website: <https://palmdesert.zoom.us/> or on the City's [YouTube Channel](#).

OPTIONS FOR PARTICIPATING IN THIS MEETING:

Send your comments by email to: CityClerk@palmdesert.gov.

Emails received prior to 10:00 a.m. on the day of the City Council meeting will be made part of the record and distributed to the City Council. Emails will not be read aloud at the meeting.

1. CALL TO ORDER - STUDY SESSION

2. STUDY SESSION TOPICS

2.a UPDATE ON THE DINING DECK PROGRAM

3

RECOMMENDATION:

Receive and file an update on the dining deck program.

2.b STRATEGY DISCUSSION - 2025 COMMERCIAL BROKERS' REPORT

5

RECOMMENDATION:

Provide feedback on strategies in the 2025 Commercial Brokers' Report to guide further analysis and future implementation.

3. ADJOURNMENT

4. PUBLIC NOTICES

NOTE: Pursuant to Assembly Bill 2449, this meeting may be conducted by teleconference. Study Session is accessible in person or on the City's website: www.palmdesert.gov under the Meeting Agendas link at the top of the page.

Agenda Related Materials: Pursuant to Government Code §54957.5(b)(2) the designated office for inspection of records in connection with this meeting is the Office of the City Clerk, Palm Desert Civic Center, 73-510 Fred Waring Drive, Palm Desert. Staff reports for all agenda items considered in open session, and documents provided to a majority of the legislative bodies are available for public inspection at City Hall and on the City's website at www.palmdesert.gov by clicking "Council Agenda" at the top of the page.

Americans with Disabilities Act: It is the intention of the City of Palm Desert to comply with the Americans with Disabilities Act (ADA) in all respects. If, as an attendee or a participant at this meeting, or in meetings on a regular basis, you will need special assistance beyond what is normally provided, the City will attempt to accommodate you in every reasonable manner. Please contact the Office of the City Clerk, (760) 346-0611, at least 48 hours prior to the meeting to inform us of your needs and to determine if accommodation is feasible.

AFFIDAVIT OF POSTING

I, Michelle Nance, Acting Assistant City Clerk of the City of Palm Desert, do hereby certify, under penalty of perjury under the laws of the State of California, that the foregoing agenda for the Palm Desert City Council, Successor Agency for the Palm Desert Redevelopment Agency, and Housing Authority, was posted on the City Hall bulletin board and City website www.palmdesert.gov no less than 72 hours prior to the meeting.

/S/ Michelle Nance
Acting Assistant City Clerk

CITY OF PALM DESERT

STAFF REPORT

MEETING DATE: June 12, 2025

PREPARED BY: Carlos Flores, AICP, Interim Deputy Director of Development Services
Vanessa Mager, Business and Community Outreach Coordinator

SUBJECT: STUDY SESSION: UPDATE ON THE DINING DECK PROGRAM

RECOMMENDATION:

Receive and file an update on the dining deck program.

BACKGROUND/ANALYSIS:

Since 2020, the City of Palm Desert has monitored its outdoor Dining Deck Program (Program) that permits restaurant owners along El Paseo to build and utilize dining decks within city streets and public rights-of-way. The City Council has held multiple meetings since 2020 to discuss and act on the Program.

- In 2021, the Council took several actions to extend and refine its outdoor dining deck program along El Paseo. The Program was initially extended through June 2022, with direction to develop design guidelines approved by the Architectural Review Commission (ARC). Subsequent extensions pushed the Program through June 2024 and then to June 2026, along with the adoption of updated guidelines.
- In 2024 and 2025, the City held study sessions to discuss and move forward with implementing an annual lease fee and to plan for the El Paseo Street Rehabilitation project scheduled for Summer 2025. The most recent meetings discussed establishing the lease rate in October 2024 and awarding the rehabilitation project contract in May 2025.

City Council discussions and actions relative to the Program are outlined below:

Date	Topic/Action	Meeting Link
June 24, 2021	Extended Program through June 30, 2022, and provide direction to establish ARC approved dining deck guidelines	Link
June 9, 2022	Extended Program through June 30, 2024	Link
November 16, 2023	Extended Program through June 30, 2026, and adopted updated dining deck guidelines	Link
April 11, 2024	Study session to discuss annual fee	Link
May 23, 2024	Study session to receive direction on El Paseo Street Rehabilitation project going into Summer 2025 and move forward with annual lease rate	Link
October 24, 2024	Establish an annual lease rate for dining decks	Link
May 22, 2025	Award contract for El Paseo Street rehab project for Summer 2025	Link

Summary of Outreach Efforts

Over the last year, City staff has conducted outreach with all dining deck restaurant operators to discuss the following:

- Information on the impacts of the Summer 2025 El Paseo rehabilitation project (Rehab Project)
- Requirement to remove dining decks by June 1st
- Requirement for a new Temporary Use Permit (TUP) to construct and operate a dining deck after the Rehab Project is completed
- Updated dining deck guidelines that will need to be followed with the new TUP
- Annual lease rate that will be required for the new TUP
- Status update on state legislation allowing the sale of alcohol on dining decks, which is currently set to expire on July 1, 2026.

Additionally, City staff met with and received input on dining decks from SoCalGas who wanted staff and operators to be aware of:

- These decks might be near or above gas infrastructure
- SoCalGas needs access to their utility facilities for maintenance, inspections, excavation, repairs, and new connections. Cost of repairs would be borne by the private owner.
- Enclosing the deck above or adjacent to gas facilities is a concern for ventilation

As a part of the TUP process, Staff will work with applicants and SoCalGas to provide this information and add appropriate conditions of approval.

City staff will provide Council an update on the Program, including the current status of dining decks, next steps for the Program, and expectations of the dining deck guidelines in FY 2025-26.

Legal Review:

This report has been reviewed by the City Attorney's Office.

FINANCIAL IMPACT:

There is no fiscal impact to the General Fund with this action.

ATTACHMENT:

1. Presentation

CITY OF PALM DESERT STAFF REPORT

MEETING DATE: June 12, 2025

PREPARED BY: Vanessa Mager, Management Analyst

SUBJECT: Strategy Discussion - 2025 Commercial Brokers' Report

RECOMMENDATION:

Provide feedback on strategies in the 2025 Commercial Brokers' Report to guide further analysis and future implementation.

BACKGROUND/ANALYSIS:

At its May 22, 2025, meeting, the Palm Desert City Council received and filed the 2025 Commercial Brokers' Report and requested a Study Session to further discuss broker feedback and the strategies recommended by staff.

Key takeaways from the brokers include:

- Strategic Location Remains a Key Strength.
 - Palm Desert's central location continues to be a major draw for businesses; however, the limited availability of small commercial space presents an ongoing challenge.
- Addressing Rising Lease Rates and Limited Space.
 - Increasing lease rates, coupled with constrained inventory, may be an opportunity for the City to create additional programs to help support small businesses.
- Maintain Proactive Communication with Stakeholders.
 - Continued outreach to tenants and brokers is essential to keep them informed about City programs, zoning regulations, and available support resources.
- Streamline Façade Update Processes.
 - Positive feedback on improvements to discretionary processes for building façade updates suggests this effort is working well and should be expanded.
- Enhance the Approval Process.
 - A streamlined, transparent, and business-friendly approval process will remain critical in attracting and retaining businesses in Palm Desert.
- Support Development of Smaller-Scale Commercial Projects.
 - With increased demand for smaller commercial and retail spaces, the City should consider encouraging projects that align with market needs—such as mixed-use developments and flexible leasing formats that accommodate small businesses.
- Revitalize Underutilized Areas.
 - Encourage new retail development in underused areas and explore adaptive reuse strategies to repurpose vacant spaces, particularly for small square footage retail units in high-demand zones.

Based on discussions with the commercial brokers, staff identified the following strategies that may support both brokers and small businesses:

1. Support Small Business Access to Space.
 - a. Launch a Small Commercial Space Incentive Program.
 - i. Provide financial or permitting incentives to property owners who subdivide larger vacant spaces into smaller, leasable units suitable for small businesses.
 - b. Create a Small Business Rent Support Grant.
 - i. Help offset rising lease rates for qualifying small businesses, particularly in prime locations, to keep them competitive and prevent displacement.
2. Streamline and Promote Development Processes.
 - a. Expand Streamlined Façade Improvement Program.
 - i. Continue refining discretionary processes and provide clear, simplified guidelines for façade improvements, with focused outreach to increase participation.
 - b. Develop a Business-Friendly Development Toolkit.
 - i. Provide a centralized, easy-to-navigate online resource that outlines the entire approval process, available programs, and support services for prospective tenants and developers.
3. Revitalize and Repurpose Underutilized Areas.
 - a. Implement Adaptive Reuse Incentives.
 - i. Offer financial or zoning incentives for the conversion of vacant big-box or underutilized buildings into multi-tenant spaces or small business hubs.
 - b. Target Redevelopment Zones.
 - i. Identify key corridors or districts for revitalization efforts and partner with developers to create smaller-scale, flexible retail and office projects.
4. Strengthen Communication and Stakeholder Engagement
 - a. Enhance Broker and Tenant Outreach.
 - i. Continue regular outreach through The Business Bulletin, stakeholder roundtables, and targeted briefings to ensure businesses and brokers stay informed.
 - b. Establish a Commercial Real Estate Advisory Group.
 - i. Form a working group of local brokers, property owners, and business owners to provide real-time feedback and collaborate on solutions.

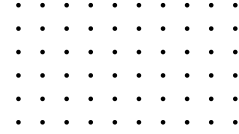
The strategies presented in the brokers' report were developed as an initial framework in response to broker feedback and identified market needs. These concepts have not been fully researched or vetted and may carry significant financial implications depending on the direction taken. Prior to any implementation, staff will need to conduct additional research and preliminary cost analysis to better understand feasibility and impact. At this time, staff is seeking the City Council's input and guidance on the proposed concepts to help shape a more detailed and actionable plan moving forward.

FINANCIAL IMPACT:

The financial impact will ultimately depend on the specific strategies selected by the City Council. Once direction is provided, additional research will be conducted, and staff will return with a full overview, including the anticipated costs and potential funding source, such as grant opportunities, budget reallocations, or a request for General Fund support.

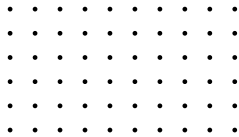
ATTACHMENTS:

1. 2025 Brokers' Report
2. Presentation

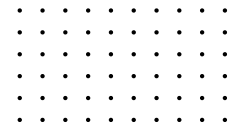


Commercial Brokers Report 2025

Analyzing Key Trends and
Insights From Local Brokers



Background



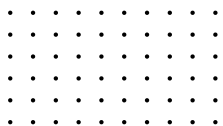
Now in its third edition, the City of Palm Desert's Commercial Brokers Report continues to serve as an essential resource for engaging the commercial real estate community. Building on the success of previous editions, the City has committed to publishing this report on a bi-annual basis.

Feedback from past reports has directly shaped several important updates, including:

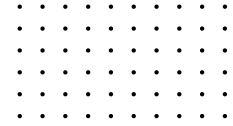
- A re-evaluation of the Downtown Edge Transition Overlay, enabling multi-use businesses in areas previously subject to more restrictive zoning.
- Updates to land use definitions, particularly to accommodate flexible auto retail and medical uses, addressing current market needs.
- The introduction of The Business Bulletin, a quarterly communication tool launched in 2024 to strengthen the City's dialogue with the business community.

Commercial brokers have responded positively to these changes. The expanded flexibility within the Downtown Edge Transition Overlay and updated land use definitions have been particularly well received, resulting in increased leasing activity across the city. Additionally, The Business Bulletin has enhanced communication and transparency, reinforcing the City's commitment to responsive economic development.

This latest report reflects what we've learned from our 2024 broker discussions and includes broader economic insights gathered from a range of sources.



Executive Summary



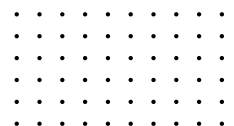
Developed through direct conversations with leading brokers across the Coachella Valley, the 2025 report captures timely insights into leasing trends, market demands, and structural challenges affecting the city's commercial landscape.

Key takeaways reflect a tight industrial market, rising lease rates, shifting space demands, and regulatory barriers affecting development. Feedback gathered in late 2024 also reinforces the value of recent City-led initiatives and highlights further opportunities for strategic adjustments to support small businesses. Recommendations from brokers have shaped several actionable strategies aimed at aligning City policy with current market realities.

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Key Takeaways:

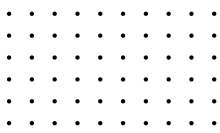
- Severe Industrial inventory shortage
- Demand for smaller, flexible spaces
- Rising lease rates
- El Paseo and Highway 111 occupancy remain strong
- City policy and initiative opportunities
- Broker engagement and communication are working



Industrial Sector Performance

The Coachella Valley is experiencing an industrial boom, particularly along the I-10 corridor, with the development of large warehouses and logistics centers.

Industrial buildings in the area are concentrated in and around the popular resort cities of Palm Springs and Palm Desert. Tenant demand softened from mid-2022 into 2024, but several large tenant move-ins boosted net absorption into positive territory and lowered availability at the end of 2024.



Industrial in Palm Desert

Broker Feedback



- Industrial inventory vacancy is less than 1%.
- No new industrial spaces are under development in Palm Desert due to high construction costs.



- Lease rates for industrial space are comparable to office rents, averaging \$1.30 per square foot.
- Storage space is highly sought after, but there is limited development capacity due to space constraints.

Statistical Information



- The vacancy rate as of May 2025 is 2.7%, with a total of 52, 800 vacant square feet.



Retail Sector Performance

Retail space availability in the Coachella Valley has inched up recently but remains near all-time lows, trending at 7.6% as of the third quarter of 2024. Leasing has been a bit subdued recently, but demand remains strong enough to keep vacancies in the market low.

Retail in Palm Desert

Broker Feedback



- Retail turnover remains low, with El Paseo continuing to have steady lease opportunities and limited availability.
- There is increasing demand for smaller locations, 2,000 to 5,000 square feet.
- The City's restrictions on drive-thrus along Highway 111 have made it more challenging for brokers to pursue certain fast-food and casual dining opportunities.



Statistical Information



- The vacancy rate as of May 2025 is 7.2%, with only 450,000 vacant square feet.
- The market asking rent per square foot is currently at \$28.87.
- The vacancy rate on El Paseo is 6%, with a market asking rent of \$36.65 per square foot.
- The vacancy rate on Highway 111 is 6.6%.

Office Sector Performance

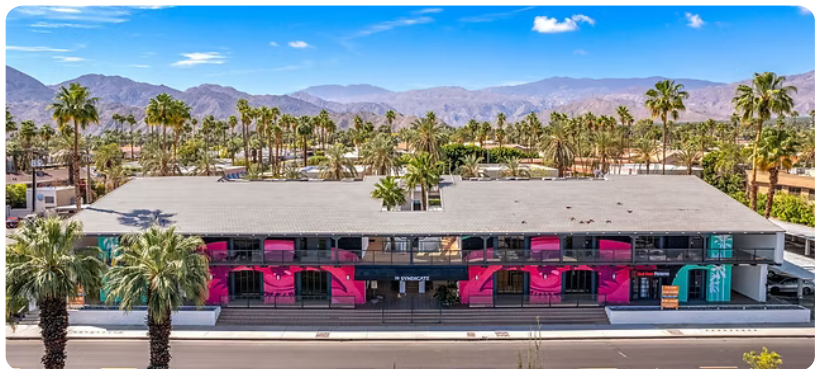
Businesses serving local consumers, such as healthcare providers and government agencies, account for most office users. Demand for medical space has helped suppress vacancies, although net absorption in the market was negative in 2023-24. Vacancy measures 5.9% as of the first quarter of 2025, near all-time lows.

Office in Palm Desert

Broker Feedback



- Office rents are at an all-time high, averaging around \$1.25 - \$1.50 per square foot.
- Smaller office spaces of 950-1,250 square feet are in high demand.
- Office requests near the freeway are on the rise.



Statistical information



- Office vacancy as of May 2025 is 9.9% overall, a total of 212,000 per square foot.
- Vacancy Rate by Class
 - Class A 16%
 - Class B 8.5%
 - Class C 10.90%

Challenges and Risks

- Leasing rates continue to rise steadily, making it increasingly difficult for small businesses to secure space in high-demand, prime locations.

- Low turnover in property ownership is contributing to a lack of redevelopment activity, as long-term owners are less likely to initiate significant improvements or changes.

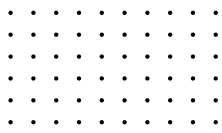


- The City's Façade Enhancement Program remains underutilized, primarily because improvements to older buildings often trigger costly requirements, such as ADA compliance upgrades and prevailing wage obligations, which can discourage participation.



- The local commercial real estate market continues to face a mismatch between supply and demand. While demand for small commercial spaces remains high, the inventory of these spaces is limited. At the same time, large-format or “big box” spaces are

readily available, but demand for them is low. With no new development occurring—largely due to high construction costs—this imbalance is expected to persist in the near term.



Key Takeaways

Strategic Location Remains a Key Strength:

- Palm Desert’s central location continues to be a major draw for businesses; however, the limited availability of small commercial space presents an ongoing challenge.

Addressing Rising Lease Rates and Limited Space:

- Increasing lease rates, coupled with constrained inventory, may be an opportunity for the City to create additional programs to help support small businesses.

Maintain Proactive Communication with Stakeholders:

- Continued outreach to tenants and brokers is essential to keep them informed about City programs, zoning regulations, and available support resources.

Streamline Façade Update Processes:

- Positive feedback on improvements to discretionary processes for building façade updates suggests this effort is working well and should be expanded.

Enhance the Approval Process:

- A streamlined, transparent, and business-friendly approval process will remain critical in attracting and retaining businesses in Palm Desert.

Support Development of Smaller-Scale Commercial Projects:

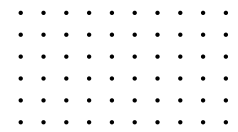
- With increased demand for smaller commercial and retail spaces, the City should consider encouraging projects that align with market needs—such as mixed-use developments and flexible leasing formats that accommodate small businesses.

Revitalize Underutilized Areas:

- Encourage new retail development in underused areas and explore adaptive reuse strategies to repurpose vacant spaces, particularly for small square footage retail units in high-demand zones.



Forward-Looking Strategies



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- Launch a Small Commercial Space Incentive Program
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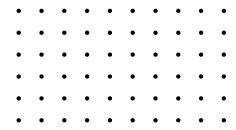
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Thank you to the following

Commercial Brokers Engaged:

Baxley Properties: Matthew Longstreth

Coldwell Banker: Steve Lyle & Curtis Barlow

Progressive: Heather Sharpe

Desert Pacific Properties: Susan & Emily Harvey

Johnson Commercial: Matt Johnson

Lee & Associates: Shawna Strange & Maggie Montes

Smoketree Investments: Josef Jonathan

The Firm: Adam Gilbert

Chartwell Properties: Amy Smith, Bob Baker, Cheryl Beckel and Ed Levey

Wilson and Meade: Noel Ramos & Matt Rifkin

