SAN GORGONIO PASS WATER AGENCY
Established 1961

BEACON ECONOMICS

San Gorgonio Pass

Economic Outlook and Forecast

July 2025

Introduction

Located in Riverside County and bounded by the San Bernardino Mountains to the north and the San Jacinto Mountains to the south, the San Gorgonio Pass is an important economic corridor for Southern California, connecting the Coachella Valley and eastern Riverside County to Greater Los Angeles. The area is home to the growing cities of Beaumont, Banning, and Calimesa, as well as the Morongo Band of Mission Indians. While the San Gorgonio Pass has historically served as a key transportation and trade route for the Logistics sector, it has seen explosive recent growth in population and employment. In the last ten years, employment has grown by 38.4%, more than double the national rate of 13.7%. Logistics accounted for one in four of the jobs added in the last decade, but impressive gains also occurred in other industries such as Government and Leisure and Hospitality.

The pandemic had a milder impact on employment in the San Gorgonio area compared to the county and state. By late 2021, the area had recovered all jobs lost during the pandemic and has continued to grow ever since. Compared to the first quarter of 2020, payrolls in the San Gorgonio Pass Water Agency Service Area (SGPWA) are 13.5% above pre-pandemic levels compared to just 1.7% statewide. Similarly, labor force growth in the San Gorgonio Pass has been equally impressive, expanding by 34.1% since January 2010, more than five times the statewide rate.

The growth in the labor force is due to increased local housing stock, which has driven population gains. Beaumont has experienced the most robust population growth in recent decades, due to the development of numerous master-planned communities. Over a shorter period, both Beaumont and Calimesa have grown significantly faster than the state or the county.

The following report provides an economic overview and population forecast for the San Gorgonio Pass Water Agency Service Area to 2065. In addition to the San Gorgonio Pass Water Agency Service Area, the forecast includes the following regions: [1]

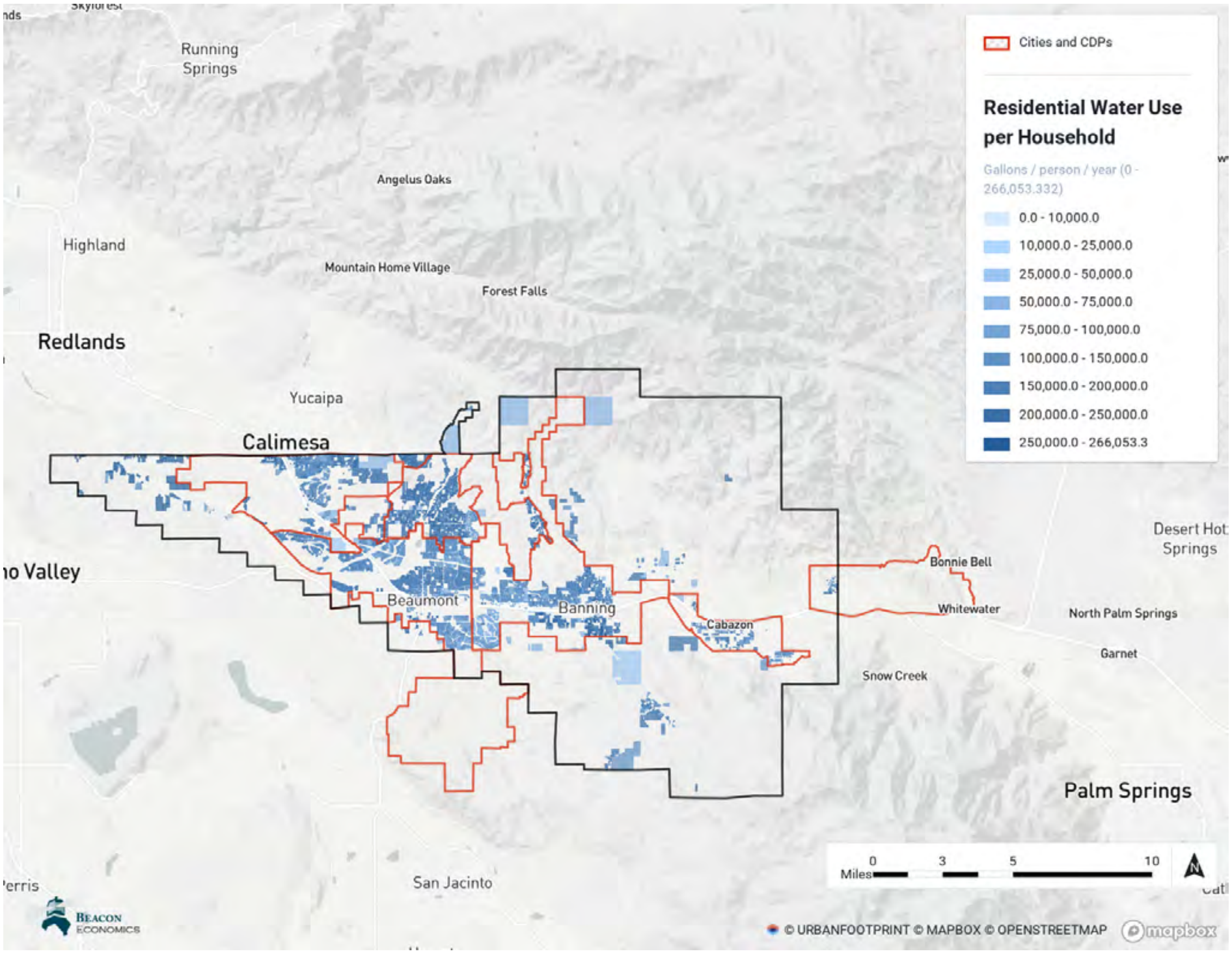
- South Mesa Water Company
- Yucaipa Valley Water District
- Beaumont Cherry Valley Water District
- Banning Water District
- San Gorgonio Pass Groundwater Sustainability Plan area

[1] The South Mesa Water Company and Yucaipa Valley Water District have breakouts for Riverside and San Bernardino Counties.

Regional Overview

Population Trends in the SGPWA Region

To begin, the report examines trends within the cities (both incorporated and census-designated places) and will later discuss housing and population trends in relation to individual water agency service areas and their growth potential. The three incorporated cities of the SGPWA region account for nearly 90% of the population of the SGPWA service area. Among the cities in the region, Beaumont has experienced the strongest growth in recent decades, due to the development of numerous master-planned communities. In 1990, Beaumont had a population half that of Banning. By 2020, however, Beaumont's population was 80% larger than Banning's. Between the two most recent Decennial Censuses (2010 to 2020), population growth was minimal in absolute terms across all areas except Beaumont, which added more than 16,000 new residents. Population in Banning, the region's second-largest city, has remained essentially unchanged over the last ten years.



Population Totals

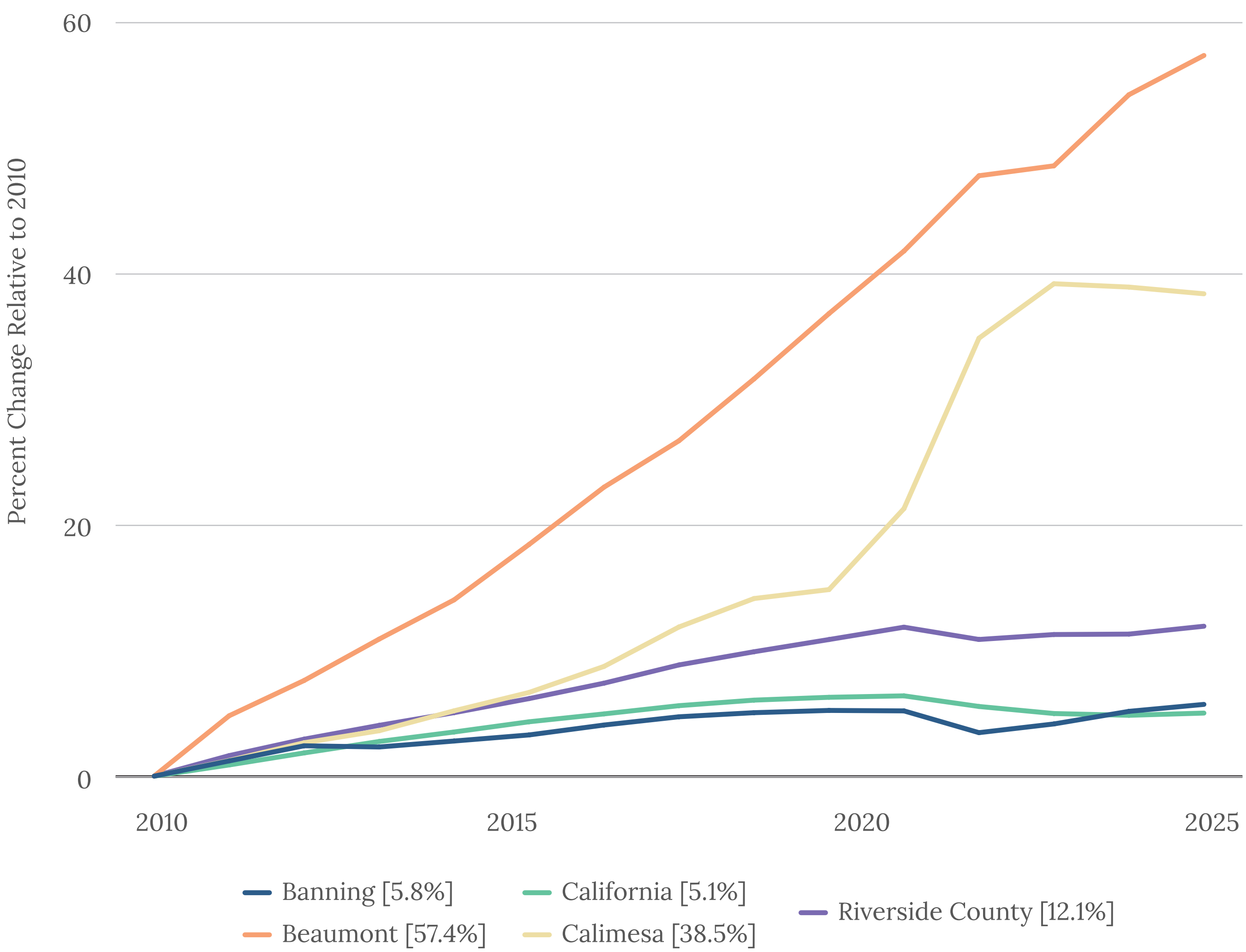
San Gorgonio Pass Water Agency Cities and Census Designated Places (CDPs)

	Calimesa	Cherry Valley	Beaumont	Banning	Cabazon	Whitewater
1980			6,818	14,020		
1990	4,647		9,685	20,570		
2000	7,139	5,891	11,384	23,562	2,229	
2010	7,879	6,362	36,877	29,603	2,535	859
2020	10,026	6,509	53,036	29,505	2,629	971

Source: US Census Bureau. Analysis by Beacon Economics

To further understand the outlook for the SGPWA service area, it is useful to examine data provided by the California Department of Finance that assesses how recent dynamics have unfolded since 2010, a period of significant transformation in the Inland Empire. This also allows a discussion of some of the more recent (post-Covid) data not captured by the 2020 Decennial Census. Again, looking past 2020, Beaumont's population growth has been remarkable—and the same goes for Calimesa. Since 2010, both Beaumont and Calimesa have grown significantly faster than the state or the county. Banning's growth has been comparatively weaker, but still on par with state figures.

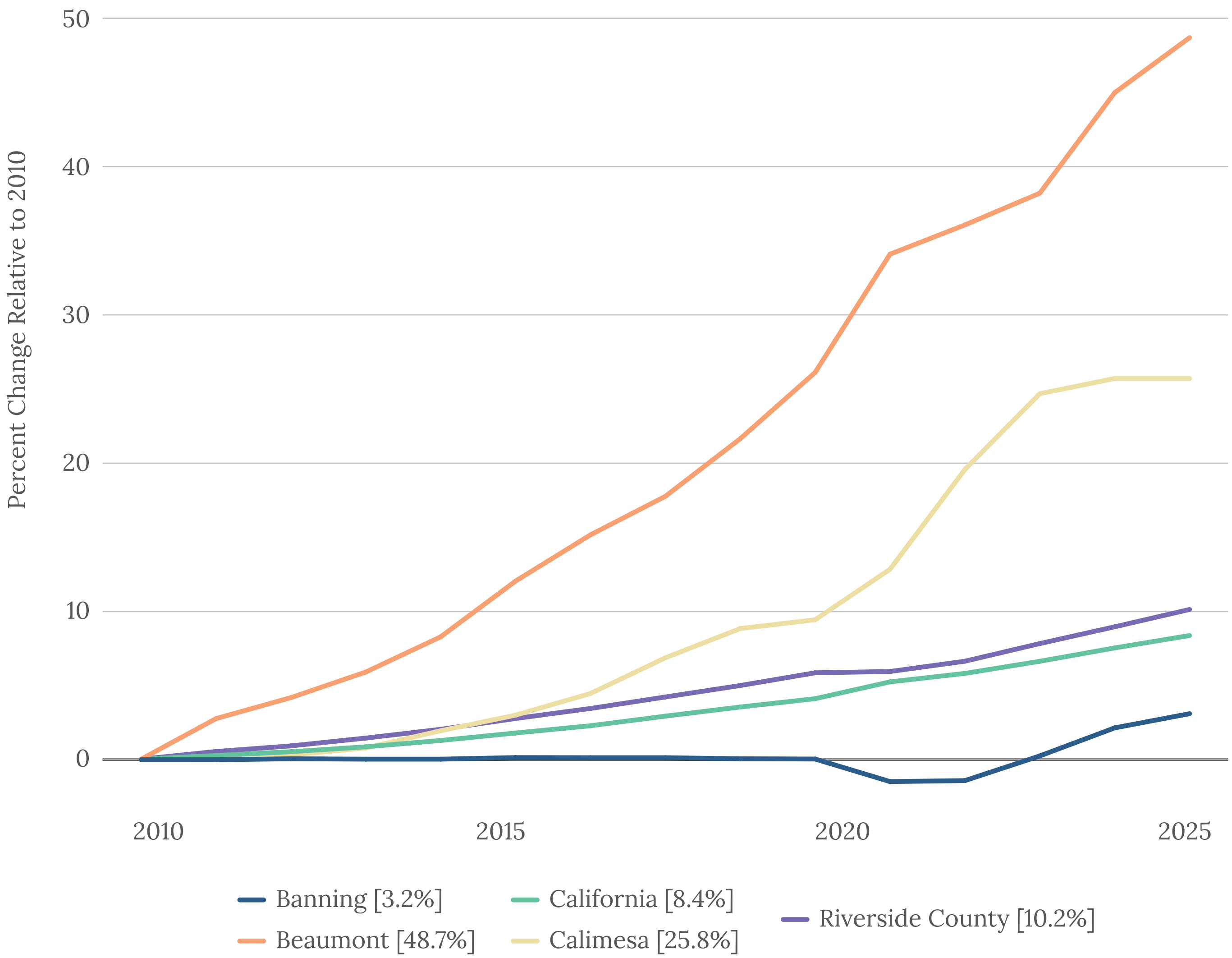
Percent Change in Population
San Gorgonio Pass Water Agency Incorporated Cities



Soure: California Department of Finance. Analysis by Beacon Economics

Housing remains one of the key drivers of growth across Southern California. Put simply, areas that have built the most housing have seen the highest population growth. Between 2010 and 2024, Banning's population grew 5.8%, with housing stock expanding by 3.2%, slower than the statewide rate of 8.4%. In contrast, Calimesa saw a nearly 26% increase in housing stock and a population increase of around 39%. The pandemic redirected a great deal of the state's growth from the coast to inland areas, benefiting the communities within the SGWPA service area. There has been a stark contrast in performance between California's coastal and inland labor markets. The best-performing communities (measured by job recovery) are mostly found inland, while the worst-performing are mostly found on the coast.

Percent Change in Housing Stock
San Gorgonio Pass Water Agency Incorporated Cities



Soure: California Department of Finance. Analysis by Beacon Economics

Employment Trends in the SGPWA Region

The longer-term trends in population growth have fueled job gains across the SGWPA service area. As more people move into the region, businesses respond to increased demand by hiring more workers in locally serving sectors like Retail Trade, Health Care, Education, and Construction. Expansions of the Logistics sector has also been an important driver of employment growth.

The table below shows the most specialized major industries in the SGWPA Service area, with comparisons to Riverside County and California for context (the report later provides a more detailed breakdown of industry specialization). The top three most specialized major industries in the SGWPA service area are Retail Trade, Government, and Leisure and Hospitality. The cells are color-coded for the specialized sectors (LQ[2] > 1) so that the commonalities across all three areas are more apparent. For example, Riverside County shares the same specializations as the SGWPA service area but is also specialized in Logistics and Natural Resources and Construction. At 1.94, Retail Trade is nearly twice as concentrated in the SGWPA service area than in the nation.

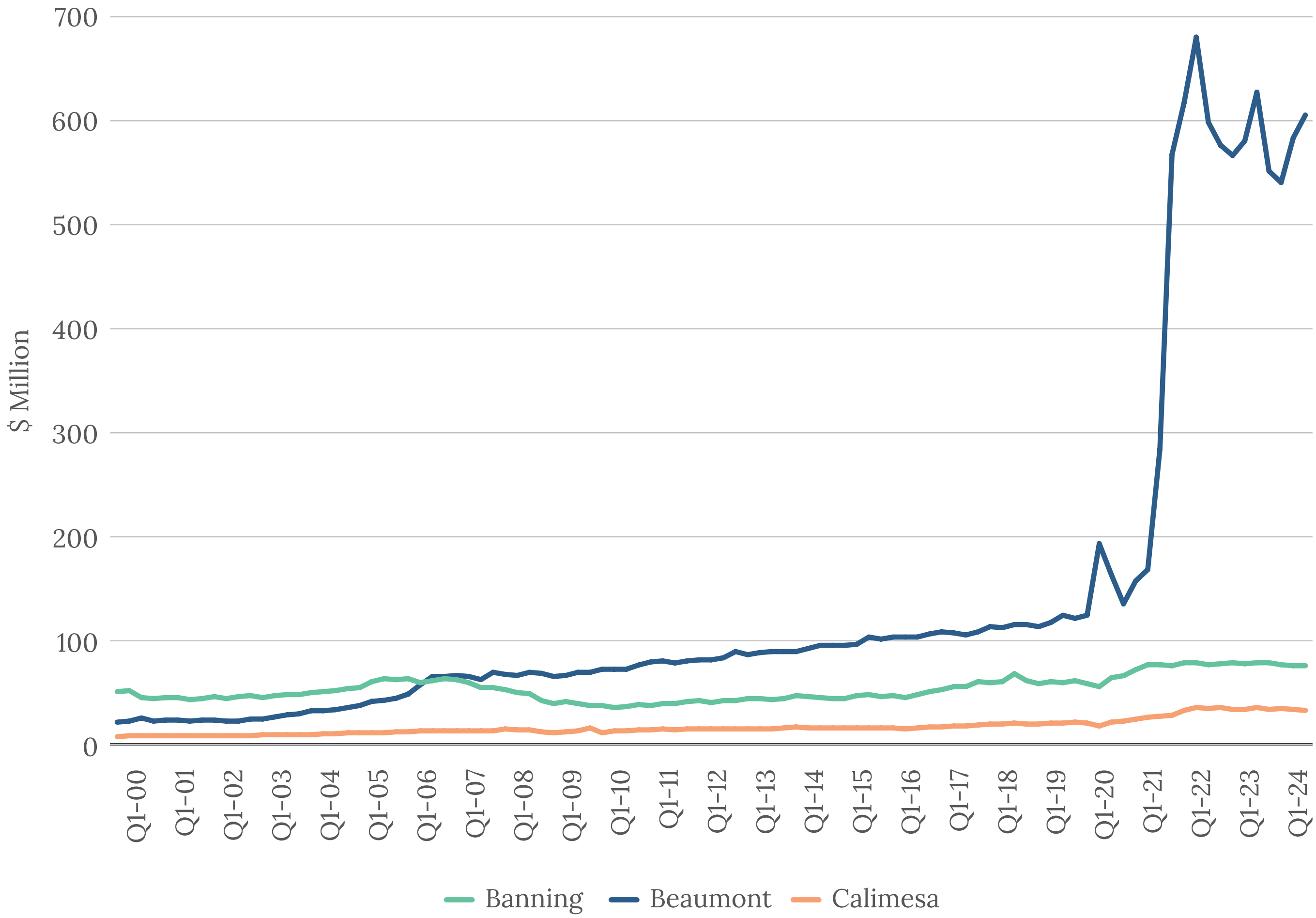
Industry Specialization

Industry	San Gorgonio Service Area	Riverside County	California
Retail Trade	1.94	1.12	0.88
Government	1.73	1.14	0.99
Leisure and Hospitality	1.12	1.17	1.03
Logistics [3]	0.99	1.44	0.96
NR/Construction	0.98	1.63	1.16
Other Services	0.94	0.90	1.00
Education/Health	0.91	1.00	1.05
Manufacturing	0.69	0.65	0.88
Admin Support	0.35	1.00	1.01
Financial Activities	0.32	0.45	0.79
Information	0.19	0.36	1.57
Prof, Sci, Tech, and Management	0.12	0.36	1.05

Source: US Bureau of Labor Statistics. California Employment Development Department. Analysis by Beacon Economics

[2] A location quotient (LQ) is a ratio that compares the distribution of an industry in an area to the distribution in the nation.
[3] Logistics here is comprised of the following sectors: Utilities (NAICS 22), Wholesale Trade (NAICS 42), and Transportation and Warehousing (NAICS 48-49).

Taxable Sales
San Gorgonio Pass Water Agency Incorporated Cities



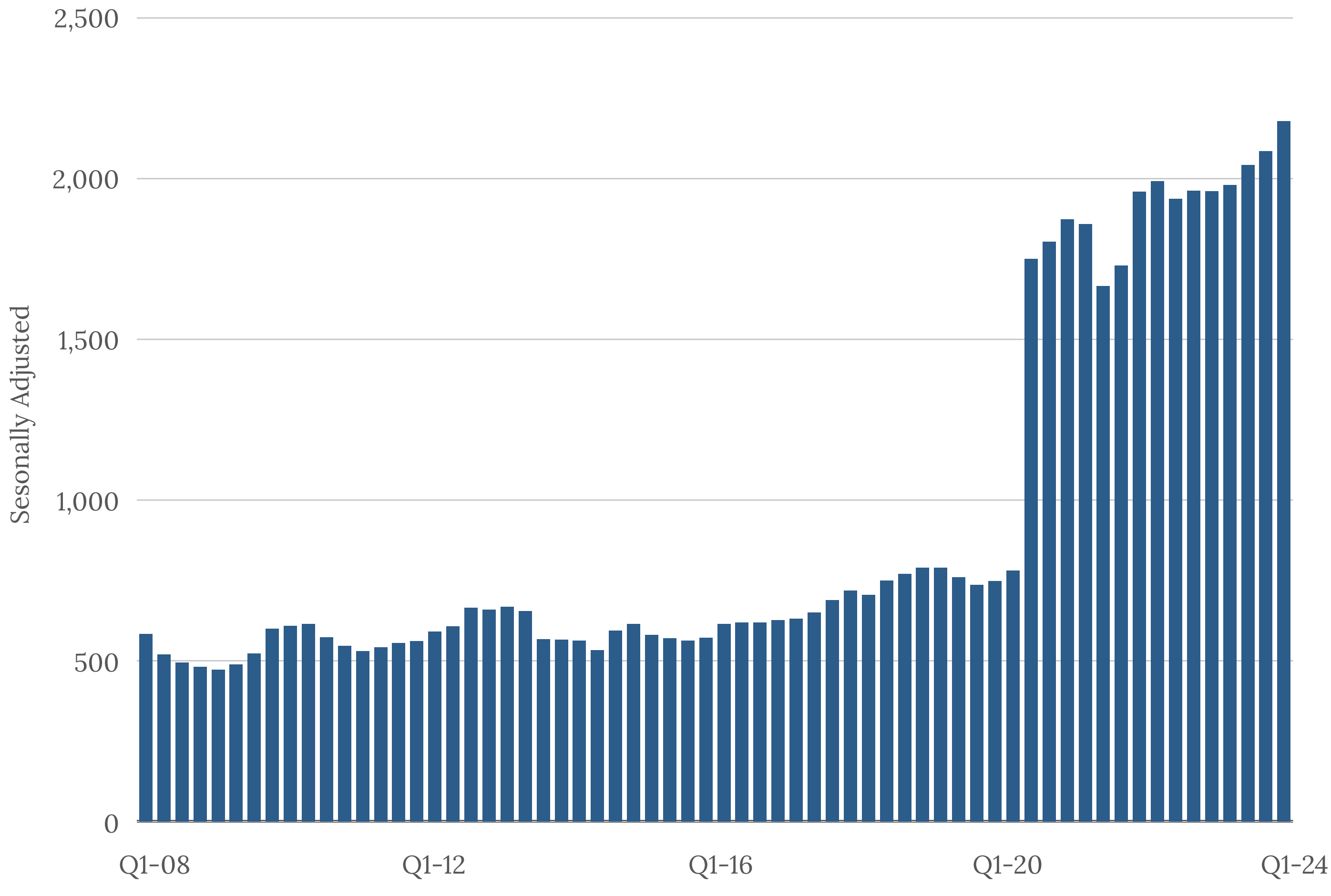
Source: California Department of Tax and Fee Administration. Analysis by Beacon Economics.

Logistics is as specialized in the San Gorgonio Pass as it is in the nation, with an LQ of 1.00 (0.99 unrounded). This is partly due to Logistics recent emergence in the area. From 2008 until late 2019, the LQ for Logistics averaged around 0.4 but ballooned 150% to today's figure thanks largely to new Amazon fulfillment centers opening in Beaumont.[4] This has been beneficial for the city as it stands to collect a portion of every transaction shipped from each warehouse. The impact of the Amazon warehouses can be clearly seen in the jump in taxable sales, which tripled over the course of a few quarters. This bodes well for Beaumont's growth potential.

[4] Amazon. 2020. "Amazon's Beaumont Fulfillment Center Is Now Open for Business." Amazon Press Center, September 10, 2020. https://press.aboutamazon.com/2020/9/amazons-beaumont-fulfillment-center-is-now-open-for-business.

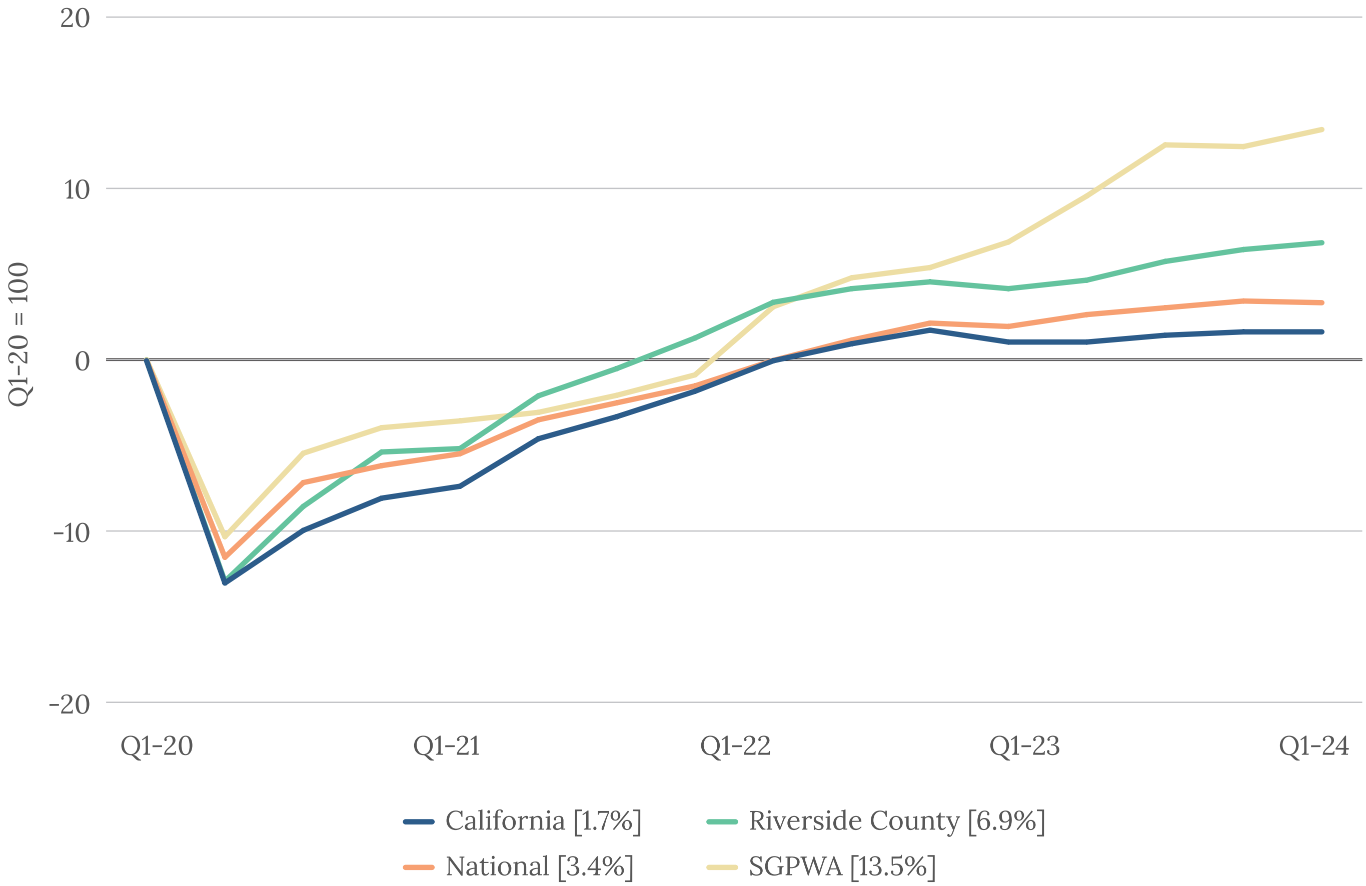
Driven by an increase in online consumption, employment has surged in the Logistics sector. The pandemic created massive disruptions across many industries and regions, but San Gorgonio is one of few beneficiaries. The largest disruptions occurred in the Warehouse and Distribution sector, which was buoyed by the shift from traditional brick-and-mortar shopping to e-commerce, an already existing trend greatly accelerated by the pandemic. The increase is apparent in the chart of Logistics employment in the area, which jumped by nearly 1,000 jobs in mid-2020 and has since expanded to all-time highs.

Logistics Employment
San Gorgonio Service Area



Source: California Employment Development Department. Analysis by Beacon Economics.

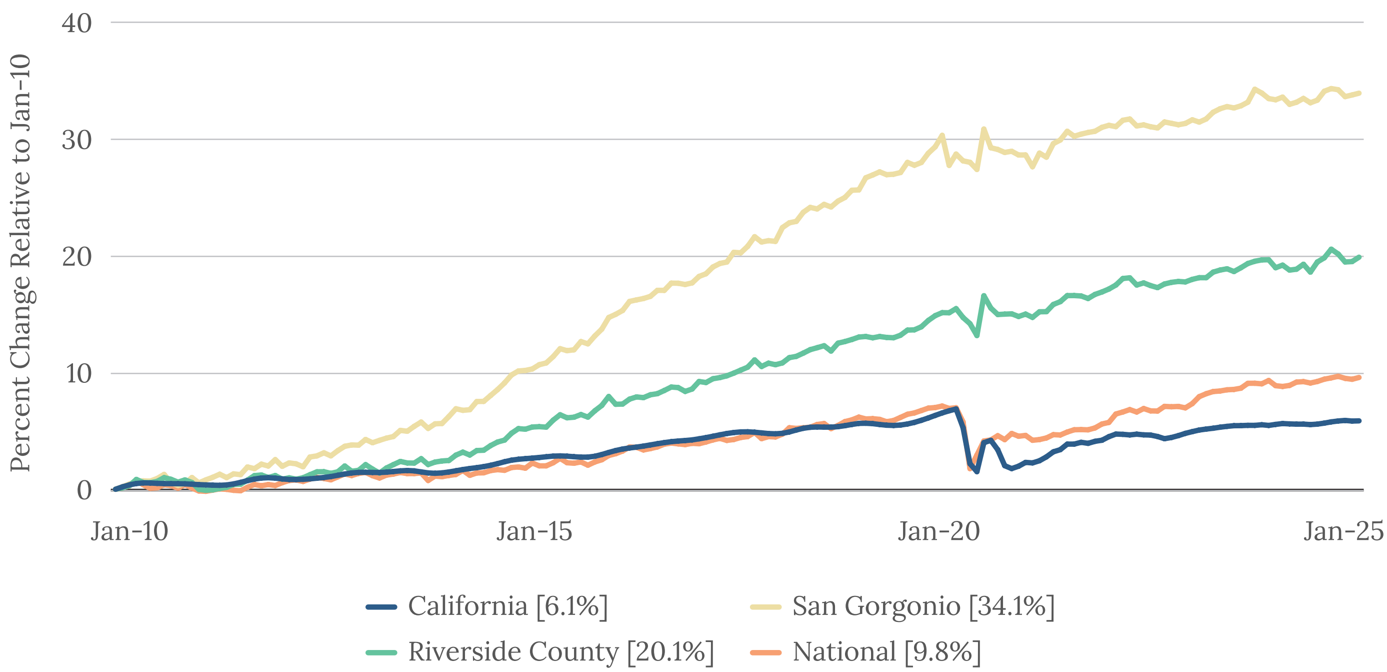
Indexed Employment
Pre-Pandemic



Source: California Employment Development Department. Analysis by Beacon Economics.

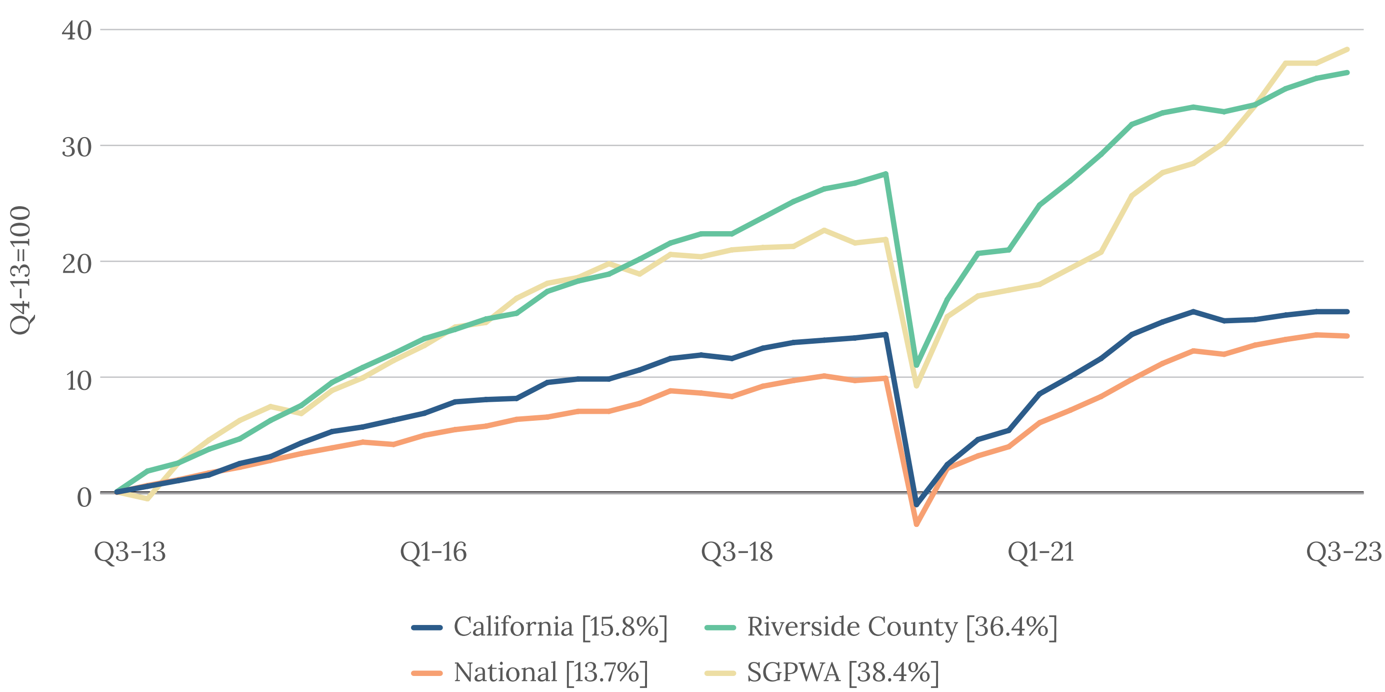
The pandemic did affect employment in the San Gorgonio area but to a lesser extent compared to the county and state. By late 2021, the San Gorgonio area had recovered all jobs lost during the pandemic and has since continued to grow. Compared to the first quarter of 2020, payrolls in the SGWPA service area are 13.5% above pre-pandemic levels. In other words, the SGWPA saw a remarkably rapid recovery relative to pre-pandemic norms. Other areas have not seen the same level of growth. This includes the nation overall, where employment was only 3.4% above pre-pandemic, and California (1.7%). In general, there has been a marked difference in performance between California's coastal and inland labor markets; job growth in inland communities has grown much faster than in coastal communities. The sluggish performance in job recovery can be traced back to limited labor force expansion. Like population, labor force growth among the Census places in SGWPA has been impressive. Since Jan 2010, the labor force in the San Gorgonio region has expanded 34.1%, more than five times the statewide increase.

Percent Change In Labor Force
San Gorgonio Pass Water Agency Service Area



Source: California Employment Development Department. Analysis by Beacon Economics.

Indexed Employment
10 Year



Source: California Employment Development Department. Analysis by Beacon Economics.

The longer-term picture shows a similar dynamic, with the SGWPA service area growing substantially faster than the state and the nation. Between the fourth quarter of 2013 and the fourth quarter of 2023, employment in the SGWPA service area grew 38.4%, outpacing the countywide figure of 36.4% and more than double the national figure of 13.7%. Perhaps most impressive has been industrywide growth. Employment has grown across all major industries in the SGWPA service area over the last decade. Logistics, including Transportation, Warehousing, and Wholesale Trade, saw the largest increase. Logistics in the SGWPA grew nearly 238% between 2013 and 2023, compared to 26% statewide and 127.1% at the county level. Logistics alone accounted for one in four jobs added, but impressive gains also occurred in Government and Leisure and Hospitality. Altogether, Government, Leisure and Hospitality, and Logistics accounted for 56% of jobs added, but there have also been significant gains in industries that expand with population growth such as Education, Health Care, Construction, and Retail Trade.

Percent Change
Major Industry Employment, 2023

	San Gorgonio		10-Yr Growth (%)			
Industry	Employment (SA)[5]	Change	SG Service Area	Riverside	California	National
Logistics	2073	1460	237.9	127.1	25.9	24.6
Information	94	51	117.9	-9.2	26.0	10.2
Other Services	768	293	61.6	20.5	5.6	12.0
Leisure and Hospitality	3161	1185	60.0	39.8	20.4	15.9
Admin Support	534	193	56.8	36.6	14.7	13.1
Manufacturing	1431	461	47.6	15.7	6.7	7.3
NR/Construction	1602	489	44.0	54.5	24.7	24.8
Education/Health	3765	995	35.9	59.9	32.4	20.8
Retail Trade	5004	579	13.1	14.7	0.7	3.0
Professional/Business[6]	271	7	2.7	25.3	22.2	30.2
Financial Activities	476	11	2.3	5.7	4.1	14.0
Total Private	19178	5724	42.5	43.0	18.0	16.2
Government	6210	1265	25.6	15.5	11.8	4.0
Total	**25388**	**6989**	**38.0**	**37.7**	**17.1**	**14.3**

Source: California Employment Development Department, Bureau of Labor Statistics. Analysis by Beacon Economics

[5] Seasonally Adjusted
[6] Professional, Scientific, and Technical Services, and Management.

A shift-share analysis of industry subsectors provides better insight into the drivers of industry growth. Shift-share analysis assumes that local economic growth can be explained by the combined effect of national share, industry mix, and regional shift. Using this technique, we can understand how an industry's performance can be affected by factors unique to the San Gorgonio area.

The shift-share table shows how San Gorgonio's industries have performed over the ten-year period ending in the fourth quarter of 2023. The National Share column measures how much total employment in the SGWPA increased because of growth in the national economy. In other words, the National Share column indicates a level of employment if the local industry had grown at the national rate. For example, had the Limited-Service Eating Places industry grown at the same rate as the national economy overall, employment would be 1,254.

Similarly, the Industry Mix column identifies fast- or slow-growing industries in SGWPA based on the national growth rates for a given industry minus the National Share. This indicates whether a local industry grew more (or less) than the national rate for that given industry. In other words, growth in a given industry is explained by the growth in the industry at the national level (not to be confused with national share, which measures growth in the overall economy). The Regional Shift (or competitive effect) column is the most important because it highlights the lagging and leading industries over the last ten years. This is the most important column since it identifies whether an industry is lagging or leading after accounting for industry and growth trends. Note that the Employment column is equal to the sum of the three components. So how much of the employment increase across these subsectors is due to the U.S. economy (National Share), how much can be attributed to a given industry (Industry Mix), and how much can be credited to the SGWPA (Regional Shift or competitive effect)?

The Regional Shift is sometimes referred to as the competitive effect, which in a shift-share framework shows where the SGWPA has a competitive advantage. The table is interpreted using a SWOT framework:

- **Green**: Specialized subsector (LQ > 1) that is also Leading. These are strengths.
- **Orange**: Specialized subsector that is lagging. These are weaknesses.
- **Blue**: Leading subsector with LQ <1. These are opportunities.
- **Purple**: Lagging subsector with LQ <1. These are threats.

The shift-share analysis again illustrates how population has driven growth for locally serving industries, such as Limited-Service Eating Places and Individual and Family Services, but also in industries tied to Logistics such as General Freight Trucking—although there are some underperforming sectors, namely traditional finance, medical offices, and some specialized construction trades.

Subsector Shift-Share
San Gorgonio Pass Water Agency Service Area, Q4-2023

NAICS	Industry	Local	National Share	Industry Mix	Regional Shift	Class	LQ
7222	Limited-Service Eating Places	2047	1254	68	725	Leading	3.000
6241	Individual and Family Services	1339	862	318	159	Leading	3.009
4451	Grocery and Convenience Retailers	704	546	-25	183	Leading	1.696
7221	Full-Service Restaurants	677	667	-40	50	Leading	0.867
2381	Building Foundation/Exterior Contractors	462	738	155	-431	Lagging	3.166
2382	Building Equipment Contractors	363	123	29	211	Leading	0.989
4841	General Freight Trucking	280	68	0	212	Leading	1.760
4441	Building Material and Supplies Dealers	262	225	-1	38	Leading	1.457
4571	Gasoline Stations	235	115	-1	121	Leading	1.625
8111	Automotive Repair and Maintenance	212	186	12	14	Leading	1.404
2361	Residential Building Construction	203	40	12	151	Leading	1.476
6213	Offices of Other Health Practitioners	164	56	21	87	Leading	0.938
6212	Offices of Dentists	164	140	4	20	Leading	1.084
6233	Senior Care Facilities	161	184	5	-28	Lagging	1.130
5617	Services to Buildings and Dwellings	159	70	3	86	Leading	0.482
7211	Traveler Accommodation	154	150	-19	23	Leading	0.585
8121	Personal Care Services	132	77	0	55	Leading	1.238
4413	Auto Parts and Tire Stores	128	102	-1	27	Leading	1.474
2383	Building Finishing Contractors	124	98	8	18	Leading	1.003
6211	Offices of Physicians	119	155	7	-43	Lagging	0.275
5221	Depository Credit Intermediation	98	159	-14	-47	Lagging	0.370
2389	Other Specialty Trade Contractors	97	88	19	-10	Lagging	0.845
4412	Other Motor Vehicle Dealers	88	70	9	9	Leading	3.396
8139	Membership Organizations	87	58	-6	35	Leading	1.380
5311	Lessors of Real Estate	78	94	-3	-13	Lagging	0.838
5416	Consulting Services	68	66	23	-21	Lagging	0.250
6232	Behavioral Health Residential Facilities	49	132	-7	-76	Lagging	0.519
5412	Accounting and Payroll Services	39	60	5	-26	Lagging	0.231
5411	Legal Services	35	35	-2	2	Leading	0.199
5242	Insurance Services	26	30	7	-11	Lagging	0.130
4453	Beer, Wine, and Liquor Retailers	26	13	0	13	Leading	1.005

Source: California Employment Development Department, US Census Bureau. Analysis by Beacon Economics.

The more recent trends show that the SGWPA has been growing substantially faster than county, state, or the nation. From 2022 to 2023, total employment in the SGWPA service area increased 6.7%, compared to 1.8% countywide and 0.6% statewide. And recent gains have not been limited to locally serving industries. Manufacturing was one of the fastest-growing industries, expanding payrolls by more than 12%. However, not every industry saw job gains. Job numbers declined across Financial Activities (Fin. Services and Real Estate), Information, and Professional, Scientific, Technical Services, and Management. These industries are fairly small, accounting for 3.3% of total employment in the region and with total job losses of 49. Moreover, the declines were not unique to the SGWPA. For example, Information saw a roughly 13% decline locally, but the industry also contracted at the state and national levels. In some cases, San Gorgonio bucked the trend, such as in payrolls for Admin Support, which expanded by 13.3%, making it the fastest-growing industry in 2023. At the same time, the industry contracted at the county, state, and national levels.

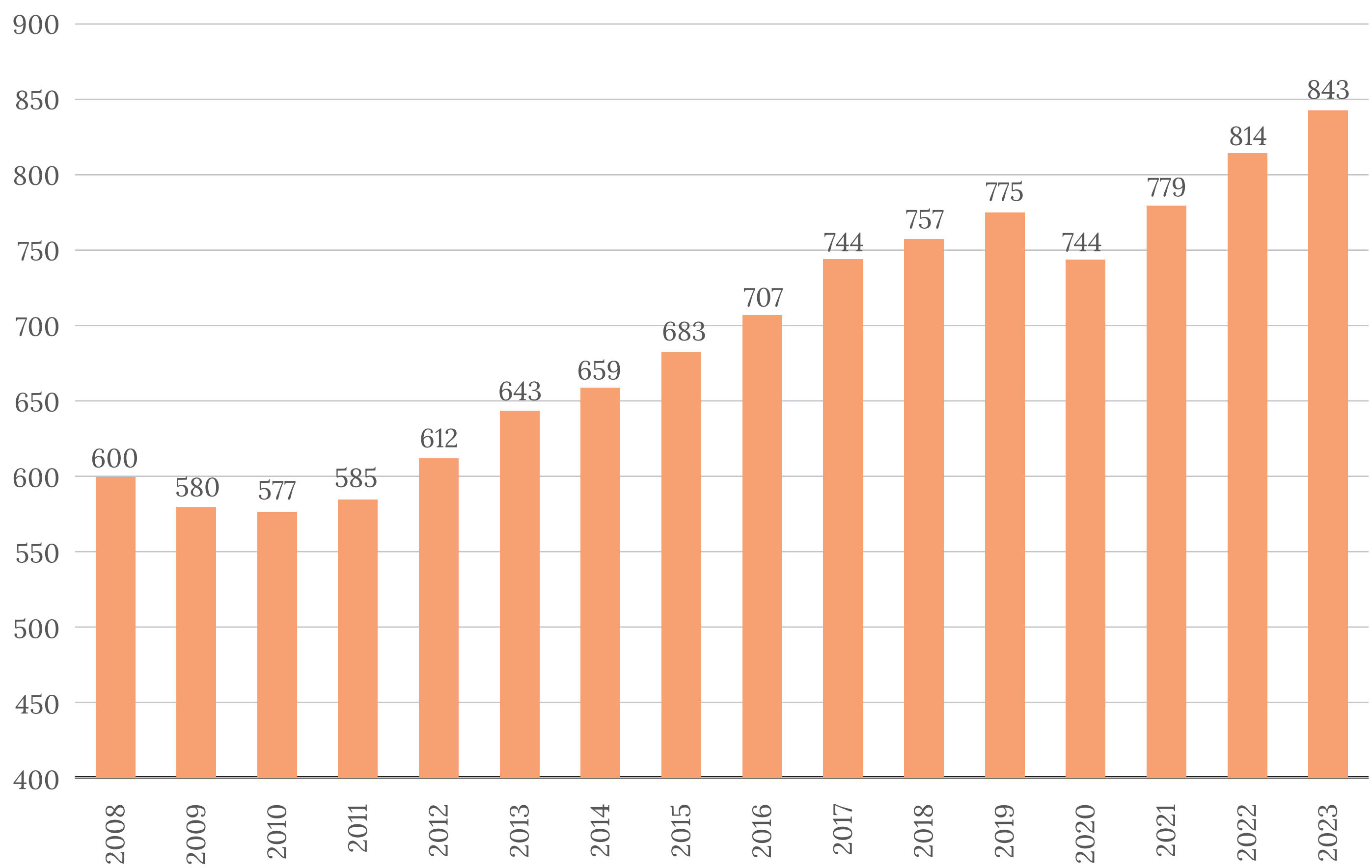
Percent Change
Major Industry Employment, 2023

	San Gorgonio		10-Yr Growth (%)			
Industry	Employment (SA)	Change	SG Service Area	Riverside	California	National
Admin Support	534	63	13.3	-3.8	-5.3	-2.0
Manufacturing	1431	156	12.3	0.5	-0.5	0.9
NR/Construction	1602	142	9.7	-0.8	-0.9	2.7
Other Services	768	65	9.2	4.9	5.1	3.0
Logistics	2073	109	5.5	-2.6	-1.3	1.3
Leisure and Hospitality	3161	129	4.2	3.7	4.0	4.7
Retail Trade	5004	190	3.9	2.0	-0.6	0.3
Education/Health	3765	137	3.8	6.6	4.3	4.5
Financial Activities	476	-12	-2.6	-6.1	-3.6	0.9
Professional/Business	271	-23	-7.9	-0.6	-1.2	1.9
Information	94	-14	-12.9	2.1	-7.7	-2.3
Total Private	19178	941	5.2	1.2	0.1	2.0
Government	6210	648	11.6	5.2	3.2	2.6
Total	**25388**	**1588**	**6.7**	**1.8**	**0.6**	**2.1**

Source: California Employment Development Department, Bureau of Labor Statistics. Analysis by Beacon Economics

The trends in an increasing employment base are also reflected by the increasing number of business establishments operating in the region. Here, an establishment is defined using the unemployment insurance filings for locations with more than three employees. As of 2023, the number of business establishments in the region had increased to 843, an all-time high, with the average establishment employing around 31 persons. The total number of establishments surpassed its pre-pandemic level in 2021.

Business Establishments
San Gorgonio Pass Water Agency Service Area



Source: California Employment Development Department. Analysis by Beacon Economics

Leisure and Hospitality and Retail Trade are the largest industries in terms of establishments, which is to be expected given these sectors tend not to be large employers. Establishment formation has remained strong over both the last five and ten years. The only exceptions are Financial Activities (Fin. Services and Real Estate), Information, and Professional, Scientific, Technical Services, and Management, which have consolidated operations, particularly the Insurance industry within the Financial Activities super-sector.

Establishment Counts by Industry
San Gorgonio Water Pass Agency Service Area

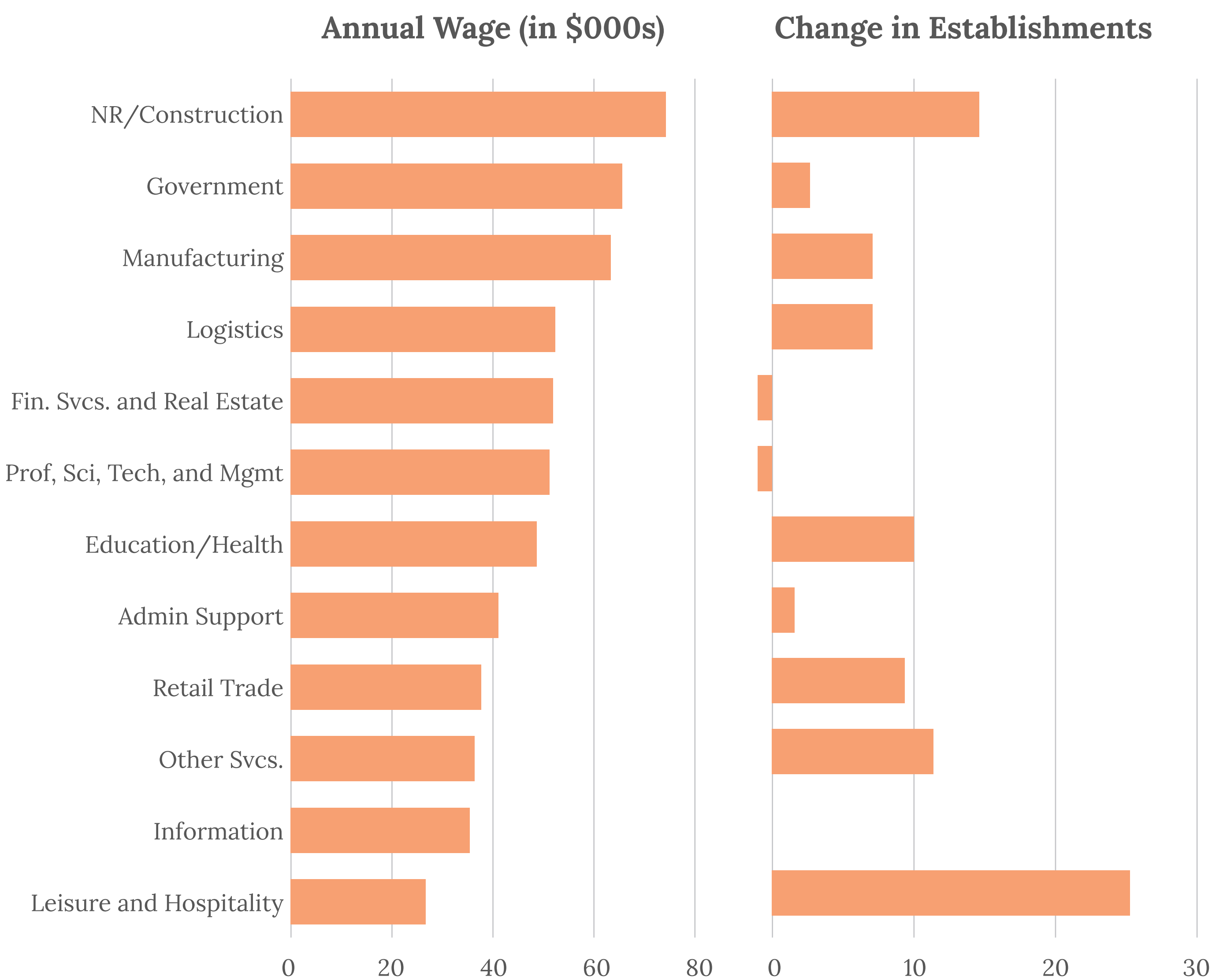
		Change	
Industry	**2023**	**5-Year**	**10-Year**
Admin Support	27	2	9
Education/Health	87	10	11
Financial Activities	34	-1	-6
Information	8	0	5
Leisure and Hospitality	155	25	62
Logistics	44	6	11
Manufacturing	39	6	9
NR/Construction	75	14	31
Other Services.	58	12	21
Prof, Sci, Tech, and Mgmt	15	-2	-4
Retail Trade	227	9	46
Government	74	4	4
Total Private	769	82	196
Total	**843**	**86**	**200**

Source: California Employment Development Department, Bureau of Labor Statistics. Analysis by Beacon Economics

The only downside to the expansion of Leisure and Hospitality is that it tends to be an industry that employs a large number of part-time workers. As such, its average wage is lower compared to other industries. This is clear from the chart below, which shows the change in number of establishments over the last five years across major industries sorted by average annual wage. Yes, there still have been increases in the number of establishments in the region for the higher-wage sectors like Government, Manufacturing, and Natural Resources and Construction.

San Gorgonio Pass Water Agency Service Area

5-Year Change in Establishments by Average Wage, 2023



Source: California Employment Development Department. Analysis by Beacon Ecconomics

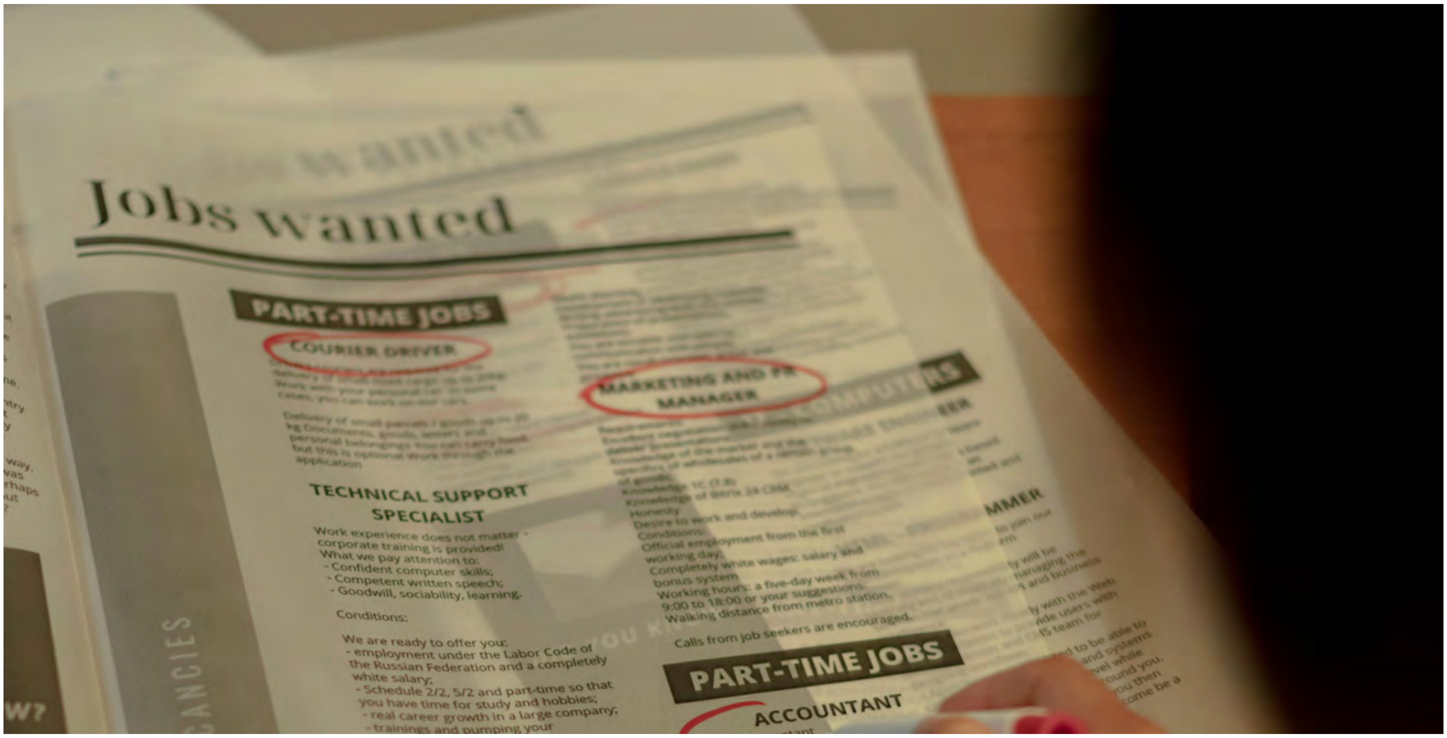
Most of the region's major employers are in Beaumont, the largest being Amazon, which began operations in the city in 2020. Amazon is unique in that it is an external industry (i.e., its goods and services are exported). This is in contrast to many of the other larger employers in the region, which tend to be schools, medical clinics, or large retail establishments like Home Depot and Walmart.

Largest Employers by Size

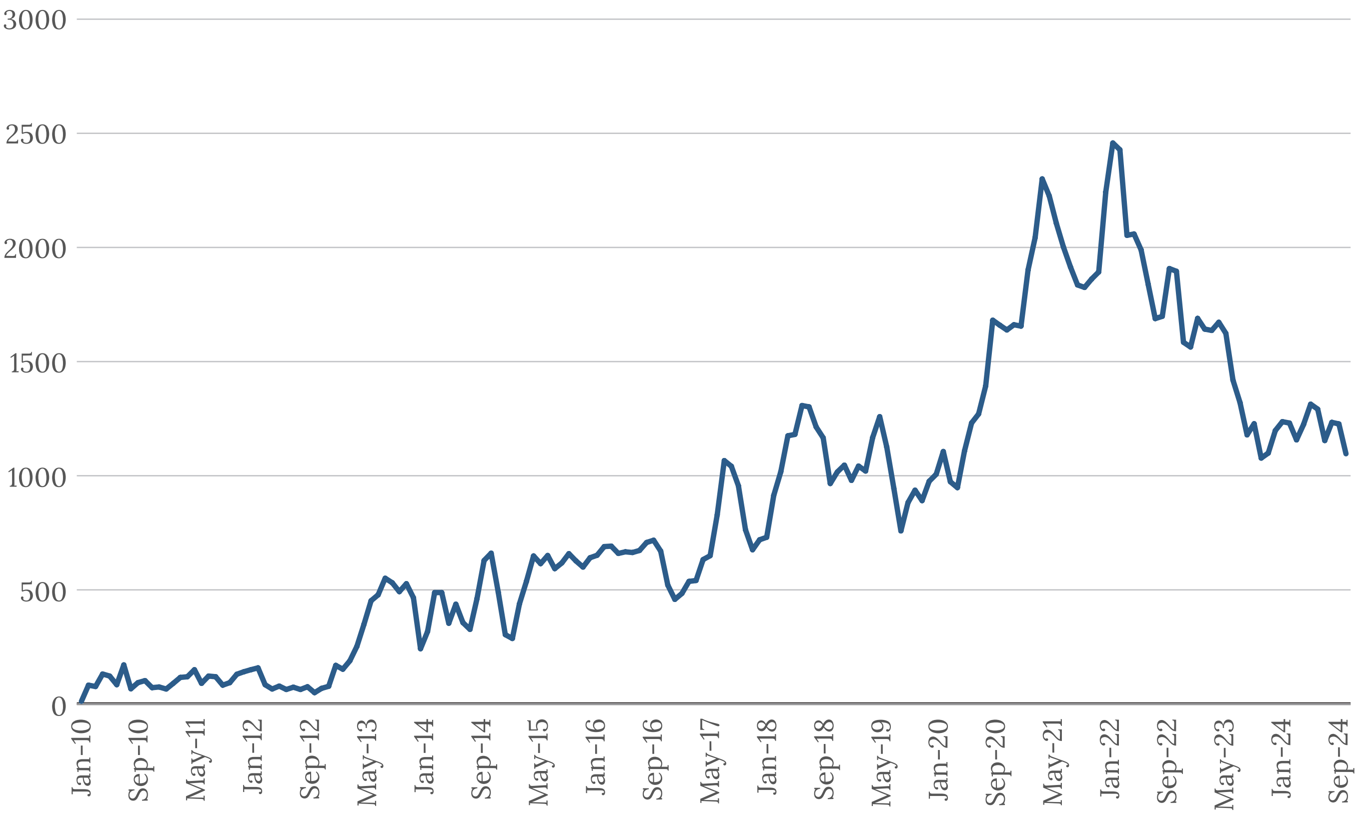
San Gorgonio Water Pass Agency Service Area

Business Name	Industry	Business Size	City
Amazon Fulfillment Center	Other Miscellaneous Durable Goods Merchant Wholesalers	1,000 to 4,999	Beaumont
Banning Prek	Elementary and Secondary Schools	250 to 499	Banning
Walmart Supercenter	Department Stores	250 to 499	Beaumont
San Gorgonio Memorial Medical Clinic	Offices of Physicians (except Mental Health Specialists)	250 to 499	Banning
Home Depot	Home Centers	100 to 249	Beaumont
Perricone Juices	Fruit and Vegetable Markets	100 to 249	Beaumont
Tommy Gun Plastering Inc	Drywall and Insulation Contractors	100 to 249	Calimesa
Morongo	Convenience Retailers	100 to 249	Cabazon
Cherry Valley Healthcare	Nursing Care Facilities (Skilled Nursing Facilities)	100 to 249	Banning
Diesel Outlet Store	Clothing and Clothing Accessories Retailers	100 to 249	Cabazon
Green Thumb Produce	Fruit and Vegetable Markets	100 to 249	Banning
San Gorgonio Memorial Hospital	General Medical and Surgical Hospitals	100 to 249	Banning
Childhelp Merv Griffin Village	Elementary and Secondary Schools	100 to 249	Beaumont
Southern Calif West Coast Electric Inc	Electrical Contractors and Other Wiring Installation Contractors	100 to 249	Beaumont
Beaumont Unified School District	All Other Miscellaneous Schools and Instruction	100 to 249	Beaumont

Source: DatabaseUSA/Lightcast. Analysis by Beacon Economics.



Job Postings
San Gorgonio Pass Water Agency Service Area



Source: Lightcast. Analysis by Beacon Economics.

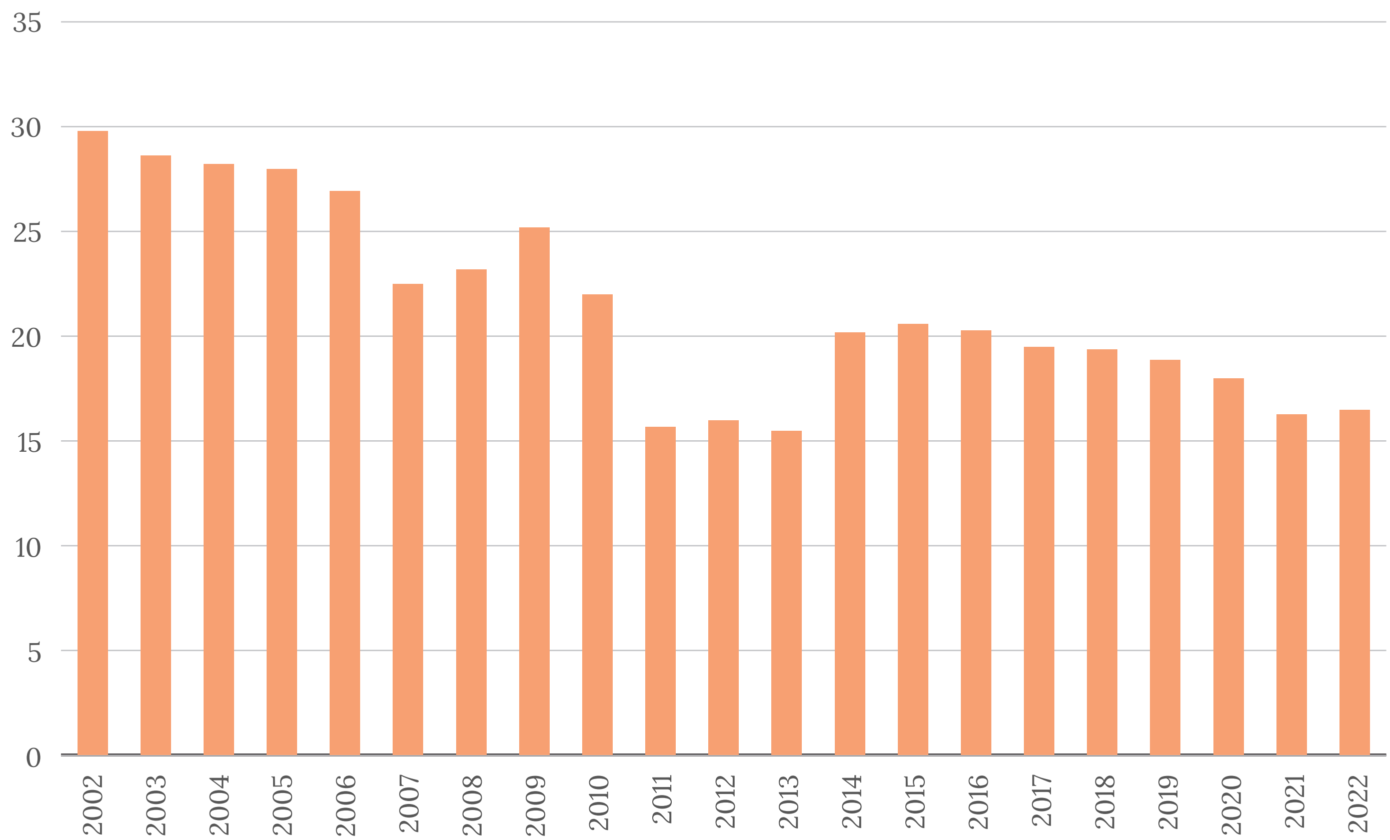
Job postings
San Gorgonio Region, Dec-2024

Industry	Postings	Change 1-Yr.	Change 2-Yr.
Total Across All Industries	1096	19	-802
Retail Trade	211	-17	-206
Accommodation and Food Services	140	11	-144
Health Care and Social Assistance	130	15	-114
Admin Support	107	-15	-36
Other Services	83	35	45
Manufacturing	61	-22	-68
Wholesale Trade	40	11	-16
Transportation and Warehousing	37	21	-27
Professional, Scientific, and Technical Services	21	-3	-47
Finance and Insurance	19	-5	-43
Real Estate and Rental and Leasing	18	-3	-9
Construction	14	-13	0
Information	10	-2	-25
Government	8	1	-11
Educational Services	6	-47	-24
Utilities	3	0	-4
Arts, Entertainment, and Recreation	2	1	-1
Agriculture	1	1	-3
Management	0	-1	-11

Source: Lightcast. Analysis by Beacon Economics

Despite the rapid growth in population and jobs in the San Gorgonio region, an increasing number of workers who live in the San Gorgonio Pass are taking jobs outside of the area. In 2002, nearly one-third of the area's workers were employed locally. By 2022, that figure had dropped into the mid-teens. This decline indicates that an increasing share of local workers now commute out of the San Gorgonio—8.4% of employed residents work in the City of San Bernardino for example—indicating that the region has gradually become a "bedroom community" within the broader Inland Empire, even though the area is adding jobs and expanding its population.

Share of San Gorgonio Pass Water Agency Service Area
Workers who work in the Service Area

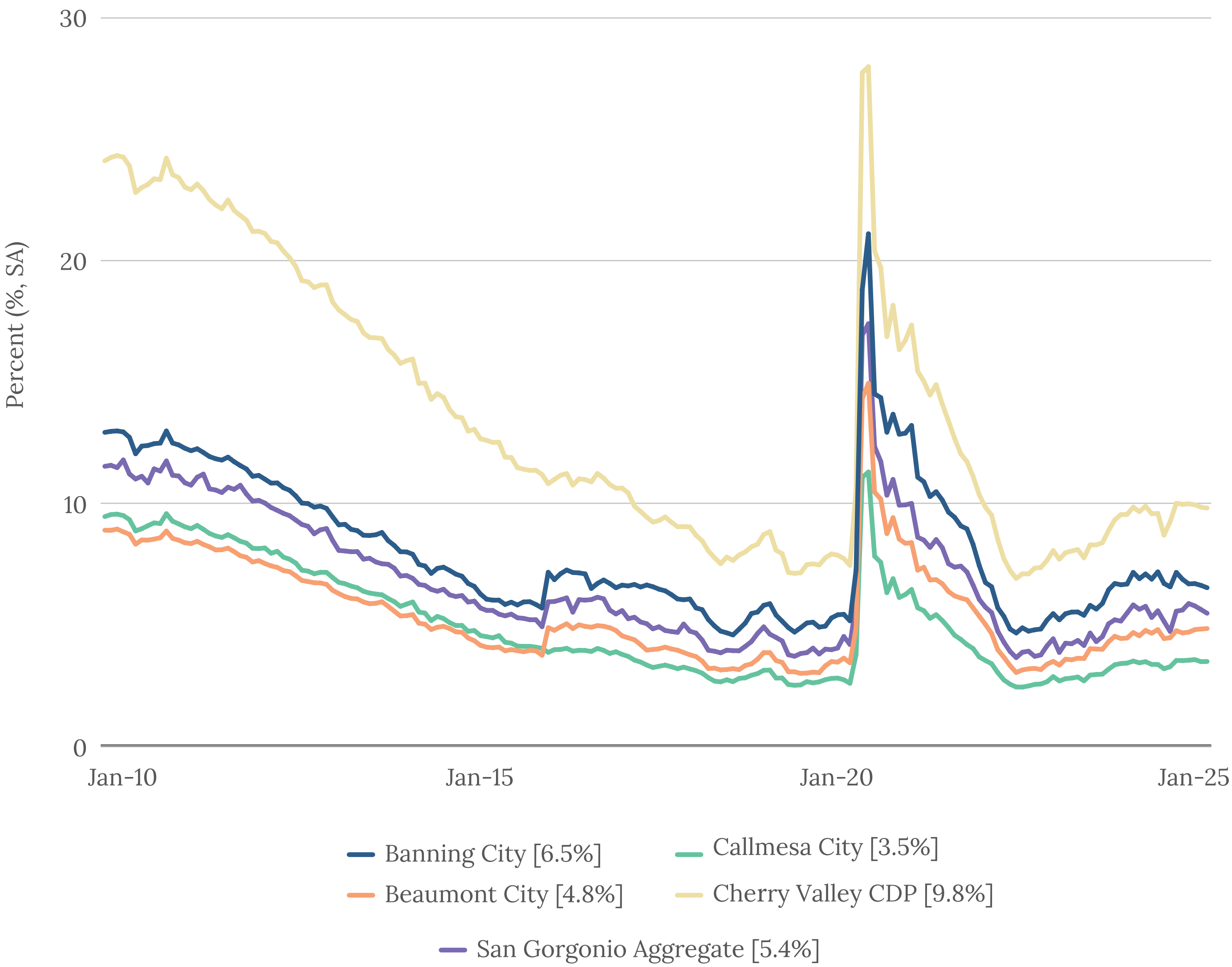


Source: US Census Bureau. Analysis by Beacon Economics.

Because figures on local work share are somewhat lagged, the most recent monthly unemployment data can help gauge the current economic health of residents in the San Gorgonio area. Locally, the unemployment rate has remained above 5% since July 2023, reaching 5.9% in September 2024. This isn't particularly high, but the level matters less than the trend. A look at the historic patterns of unemployment reveals that such increases have only previously occurred during a recession—certainly an ominous sign.

However, the unemployment rate is a lagging indicator, not a leading one, meaning it says nothing about where the economy is going, only where it came from. Previous increases in the unemployment rate occurred when the economy was already in recession, something that does not apply to the current situation. Thus, while the rate of unemployment has risen, other indicators of a weakening labor market, such as initial claims for unemployment insurance and data on involuntary job separations, have not risen at all.

Unemployment Rate
San Gorgonio Pass Water Agency Incorporated Cities



Source: California Employment Development Department. Analysis by Beacon Ecconomics

What's Going on with Housing?

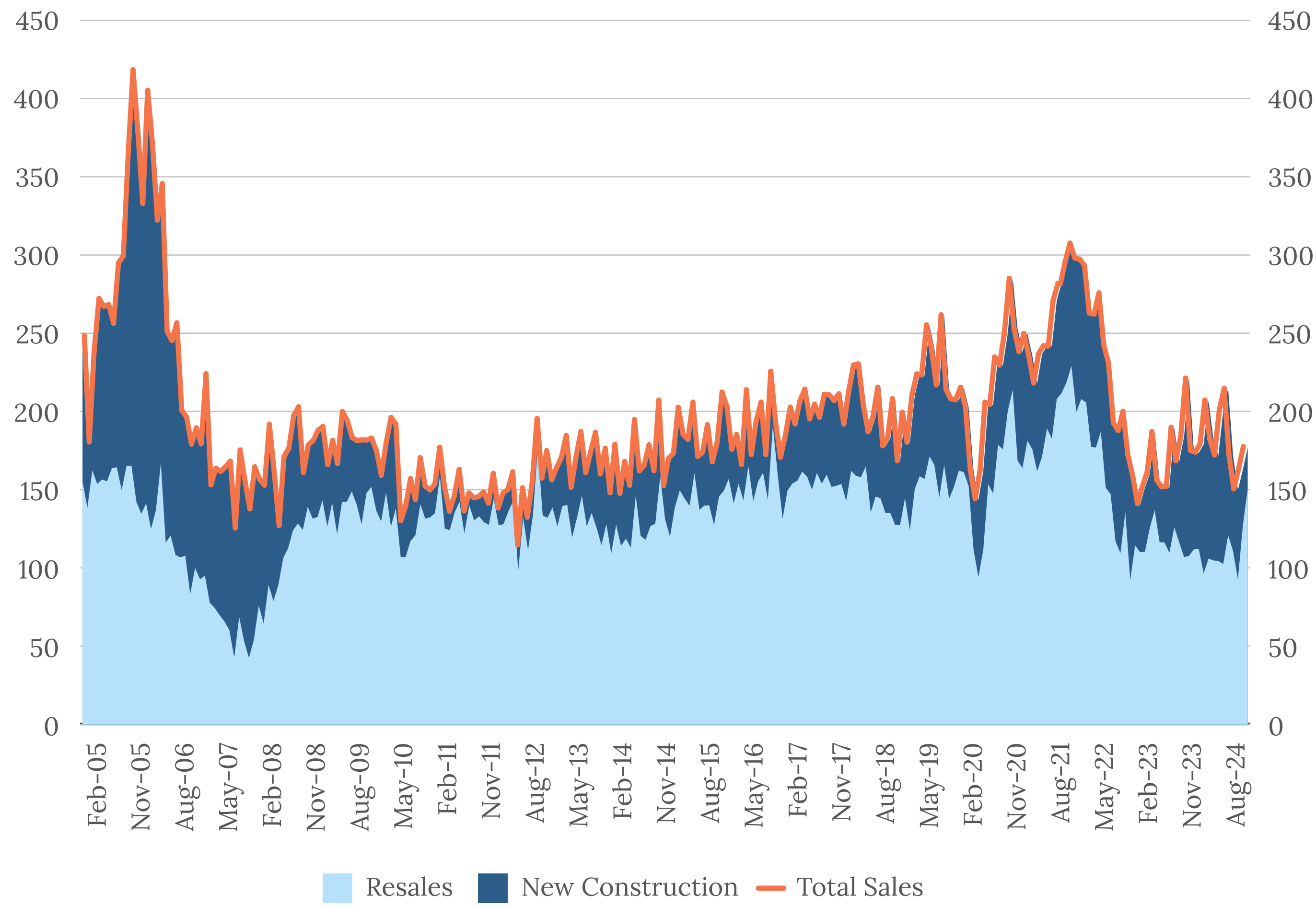
As alluded to earlier in this report, housing is an important part of the long-term outlook. The housing market has recently undergone some significant shifts. Over the last few months, interest rates drifted down in anticipation of a Fed rate cut, which finally occurred on September 18, 2024. The 10-Year Treasury is now slightly below 4.5%, and a 30-year fixed-rate mortgage is on the verge of exceeding 7%. Affordability is improving, though only modestly. The local market is constrained by low supply. What is really needed is an increase in supply to rebalance the market—and listings have begun to increase, signaling that the market is gaining momentum.

Celebrations should be muted for now. Although the tide is turning, several factors will keep the market slow. First, the Fed Funds rate primarily affects the short end of the yield curve. Those focused on the long end should consult the fine print of the Fed's recent monetary policy announcement, as the Fed also stated that "[t]he Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities."

This refers to quantitative tightening, another facet of the Fed's anti-inflation efforts, a $60-$80 billion ongoing monthly reduction of the Fed's balance sheet designed to curtail growth in the money supply. This will tend to keep long-term rates higher, even as the short end of the curve follows the downward trend of the Federal Funds rate. So, why take the foot off one brake and not the other? As it turns out, the Fed's objective is not to stimulate the economy but to unwind the inverted yield curve.

Home Sales

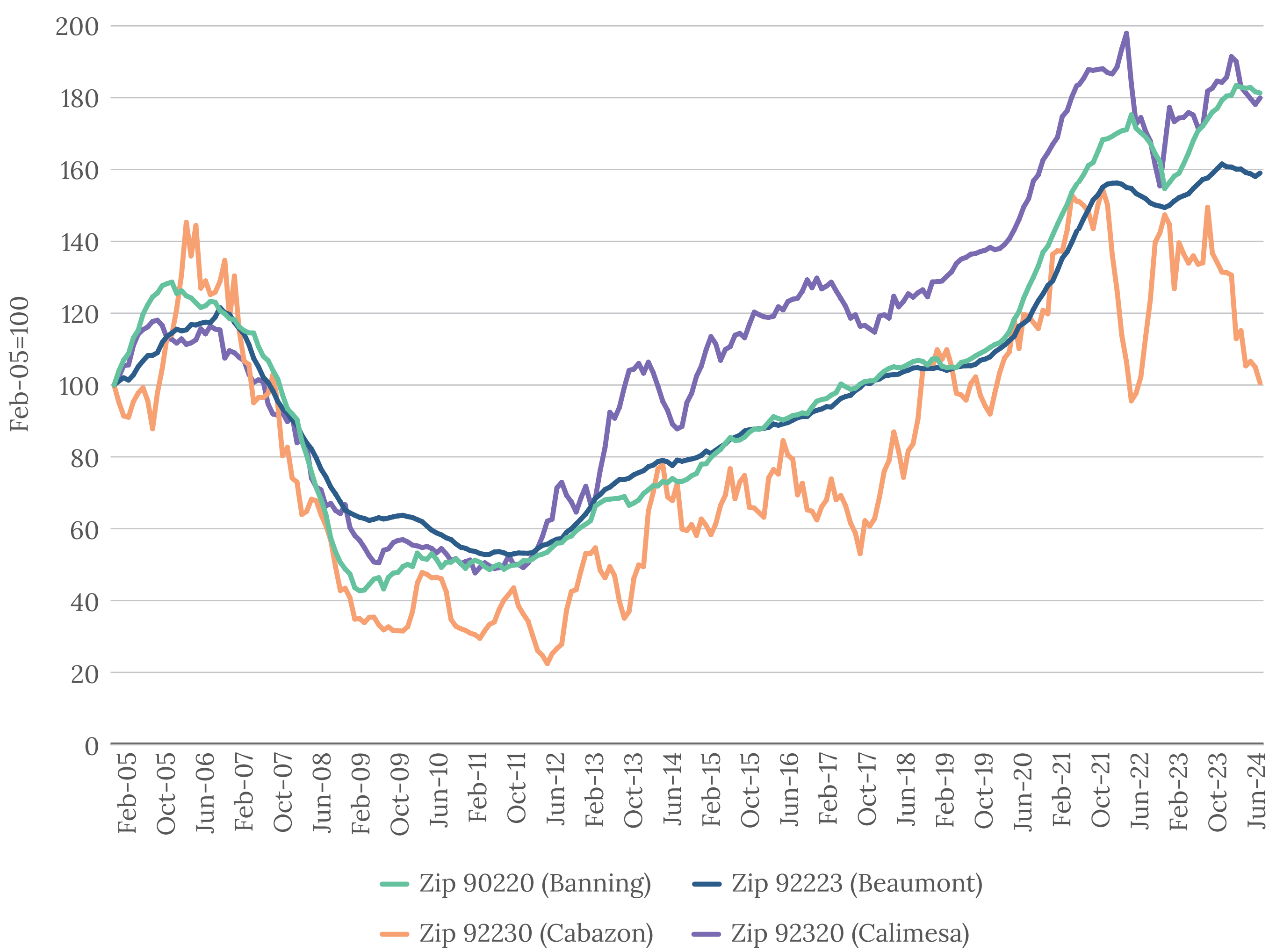
San Gorgonio Pass Water Agency Service Area



Source: CoreLogic. Analysis by Beacon Economics.

A lack of liquidity in the housing market has created a filtering issue. There are simply not enough entry-level homes in the existing homes market, meaning new buyers have to make the jump from renting to an ownership market that has very limited inventories. Available inventory in the existing homes market remains low, while available inventory in the new home market is comparatively high. In the San Gorgonio area, home sales have been sluggish since interest rates spiked. The major hindrance to more available housing now is the ultra-low mortgage rates homeowners currently enjoy. Interest rates have skyrocketed since the Federal Reserve began its rate hikes in March 2022, and homeowners who sell now face a jump from a sub-3% rate to rates nearing 7%, a shift most homeowners are unwilling or unable to make unless absolutely necessary.

Business Establishments
San Gorgonio Pass Water Agency Service Area



Source: CoreLogic. Analysis by Beacon Economics.

Regionally, Home price appreciation has been exceptionally strong in Banning and Calimesa, but most home sales have occurred in Beaumont, which accounted for nearly a third of homes sold in the region, up nearly five percentage points from a decade ago. The broader trend in home sales has been a decline from the 2021 peak, which was riven largely by the rise in interest rates resulting from the Fed's response to the pandemic. Recent trends have been more mixed. In 2024 for example, home sales in Beaumont increased 2% over 2023 figures, while Banning saw a nearly 5% decline over the same period. Home sales in Calimesa are up nearly 20% compared to last year, but Calimesa represents only 5% of the San Gorgonio region's overall housing market.

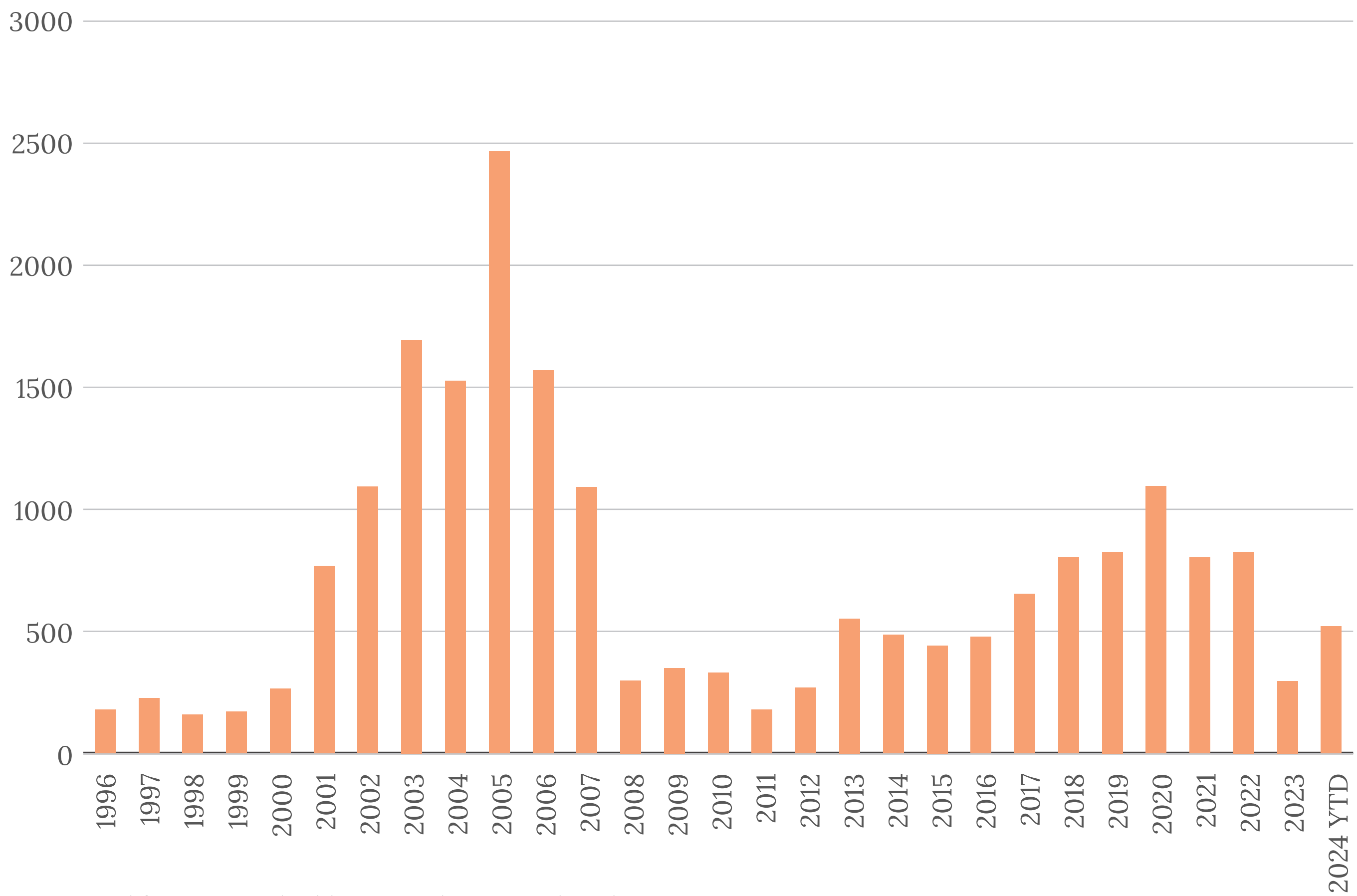
Home Sales
San Gorgonio Region

	Banning	Beaumont	Cabazon	Calimesa
2014	535	1298		180
2015	591	1365		168
2016	609	1413		230
2017	586	1583	47	204
2018	576	1687		154
2019	628	1598	41	359
2020	612	1399	40	447
2021	1094	1536	58	392
2022	919	1727		182
2023	688	1248	63	96
2024	655	1273	58	115

Source: CoreLogic. Analysis by Beacon Economics.

Housing production in the region was exceptionally strong during the run-up to the Great Recession, with nearly 2,500 homes permitted across the San Gorgonio region's three incorporated cities. However, since 2008, there has not been a single year in which permits exceeded 1,000 housing units. The good news is that home permits in the region were up year-to-date in 2024 compared to 2023—although 2023 was one of the weaker years. The slowdown in construction is largely due to rising rates. Housing in the San Gorgonio region has been almost exclusively single-family homes. In the last ten years, only 50 multifamily units have been permitted in the region, compared to more than 7,200 single-family units. Moreover, all the multifamily developments permitted have been in the City of Beaumont.

Housing Permits
Issued in San Gorgonio Pass Water Agency Incorporated Cities



Source: California Homebuilding Foundation. Analysis by Beacon Economics.

The region's three incorporated cities show strikingly different patterns of residential development. Banning remains dominated by single-family permits, which ballooned from just 14 in 2019 to 483 in 2020, but permit activity has been weaker since then. Beaumont, the most populous city, consistently boasts high single-family numbers (peaking at 714 in 2018) and permitted a large multifamily development in 2024. Meanwhile, new development in Calimesa has been virtually nonexistent since 2022, with only 13 housing units permitted.

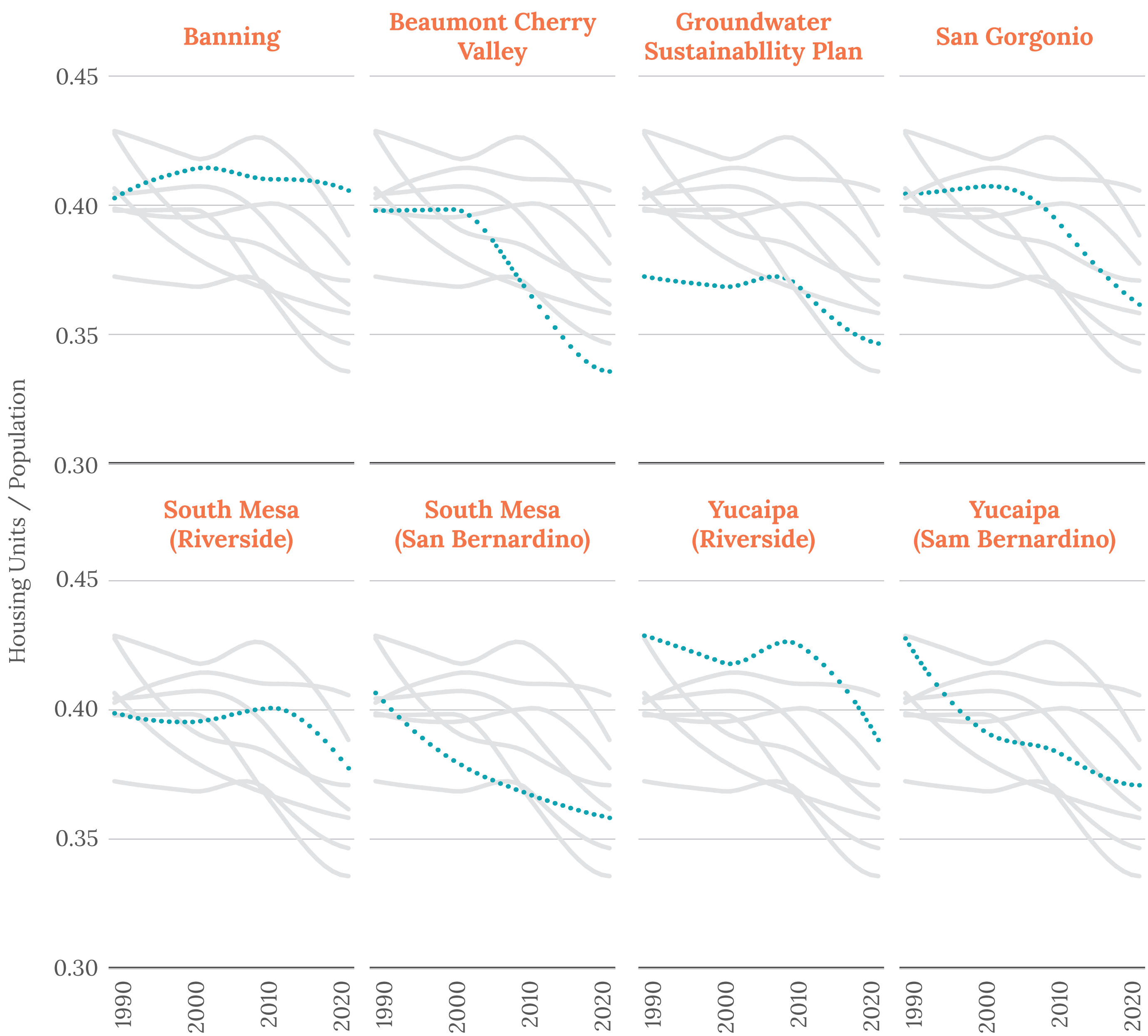
Housing Permits by Type

City	Segment	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 YTD
Banning												
	Multifamily	0	0	0	0	0	0	0	0	0	0	0
	Single-Family	2	0	0	2	3	14	483	219	164	44	231
	Total	2	0	0	2	3	14	483	219	164	44	231
Beaumont												
	Multifamily	0	0	0	2	0	0	0	0	0	0	48
	Single-Family	435	380	408	595	714	528	271	494	651	255	244
	Total	435	380	408	597	714	528	271	494	651	255	292
Calimesa												
	Multifamily	0	0	0	0	0	0	0	0	0	0	0
	Single-Family	51	64	71	56	90	286	343	91	13	0	0
	Total	51	64	71	56	90	286	343	91	13	0	0

Source: California Homebuilding Foundation. Analysis by Beacon Economics.

Beyond the incorporated cities, individual service areas exhibit a general pattern across all areas: a falling number of housing units per capita. This means that new housing construction is slowing and not keeping up with population growth. The most pronounced declines are observed in certain markets, where the ratio has dropped closer to 0.35 housing units per person. One example is the Beaumont Cherry Valley Water District, which has been building new units but not, arguably, enough to match population increases.

Housing Units per Capita
by Individual Water Agency/District



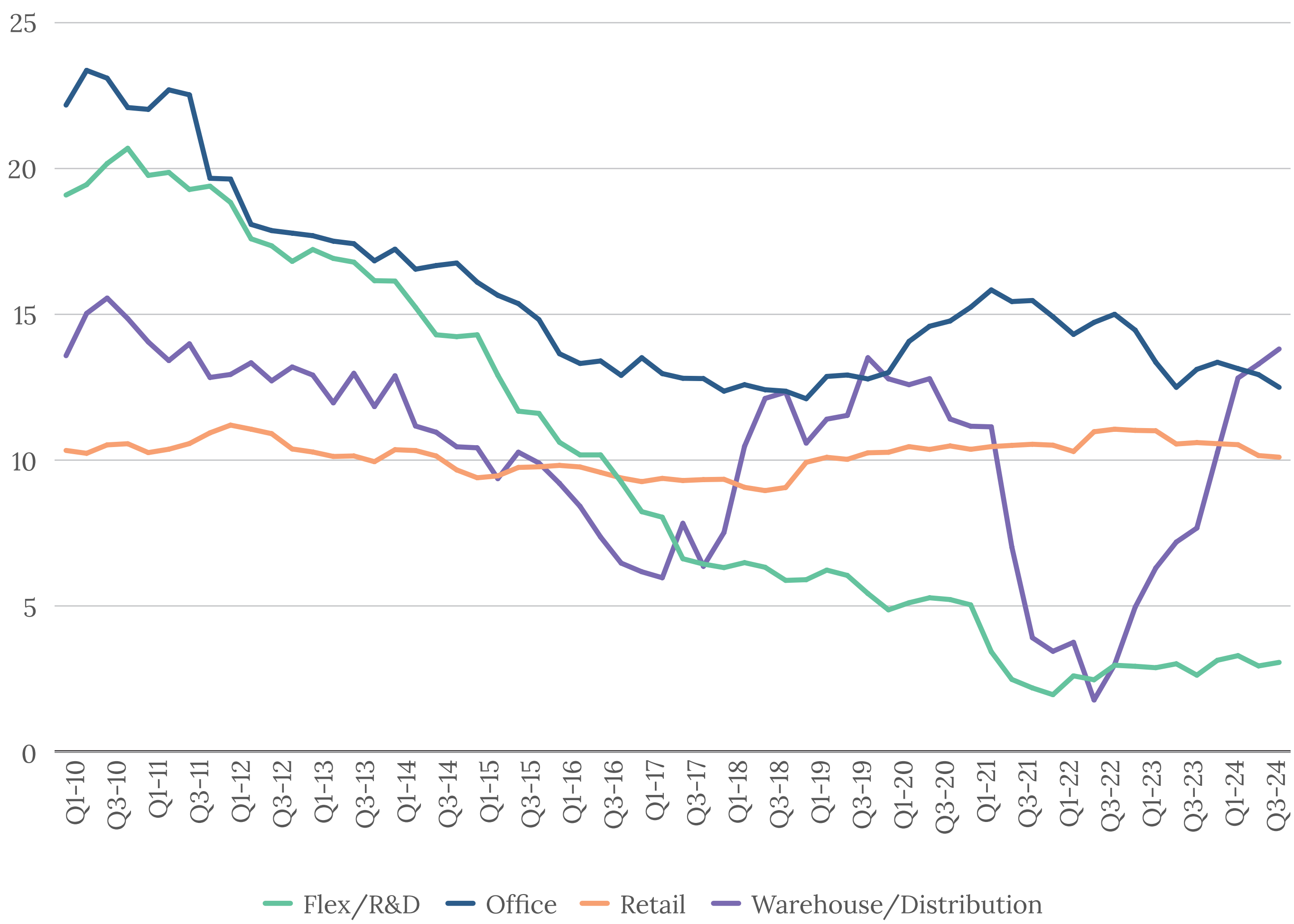
Source: US Census Bureau. IPUMS. Analysis by Beacon Economics.

Other Considerations for the Outlook

At a broader level, Riverside County has been one of the stronger performing economies. Growth in Riverside is broadly positive for San Gorgonio residents. All things considered, employment in Riverside County is on solid ground and the economy is expected to maintain forward momentum in the near term, which bodes well for the San Gorgonio region. Some concerns may arise over the decline in Logistics, and whether the industry overexpanded during the rapid growth following the pandemic. However, payrolls have leveled off rather than declining. Although vacancy rates have been driven up substantially by new stock coming online, there is still a fair amount of warehousing property potentially in the pipeline.

What is clear is that even though the industry has slowed down in terms of job creation and absorption of new space, there is still high demand from a development standpoint. Several projects are underway in the San Gorgonio area, including the Beaumont Heights project, which would bring 5,275,306 square feet of combined office and industrial space. At the time of writing, the project is progressing through the planning stages. The City of Banning could see new commercial development from the Sunset Crossroads Project, which would add multiple commercial projects while reducing the city's residential capacity by up to 1,146 units.[7] The proposal also includes annexing 253.7 acres into the city's jurisdiction and reallocating residential capacity to a 49.2-acre site owned by Mt. San Jacinto Community College District to help offset the loss of up to 1,146 residential units on the main site.

Commercial Vacancy Rates
Riverside County



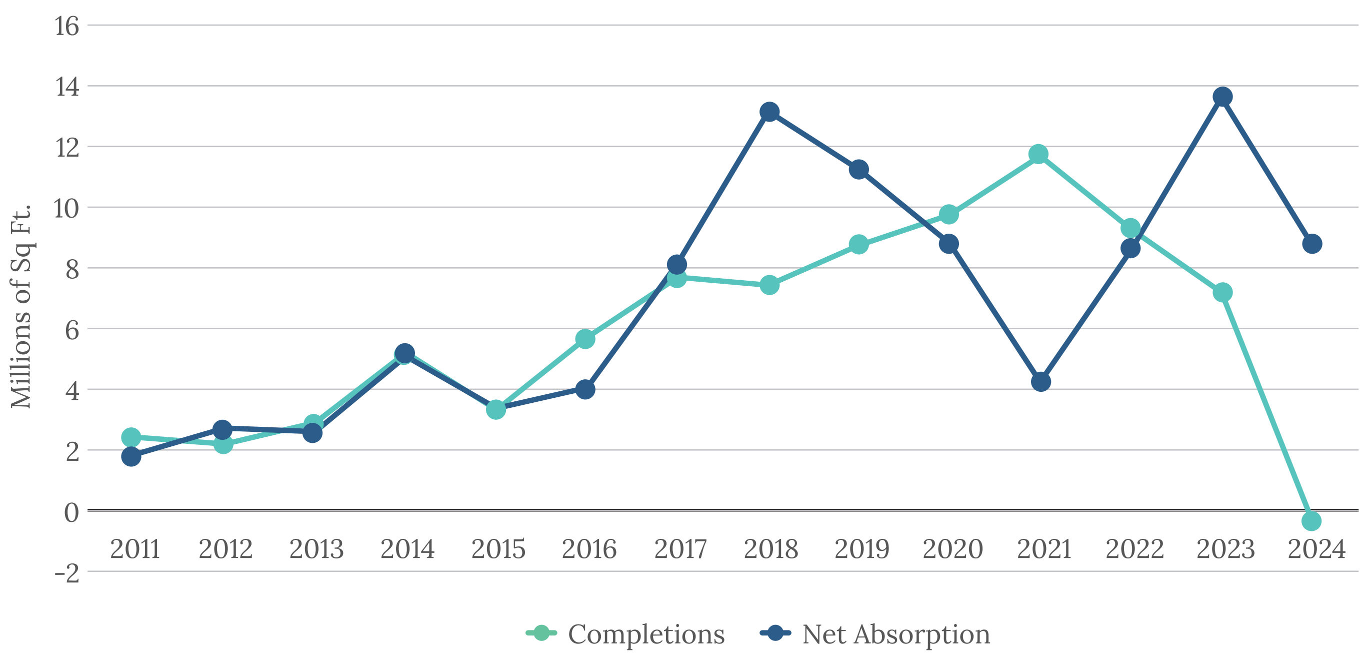
Source: Moody's Analytics. Analysis by Beacon Economics.

[7] City of Banning. 2023. Notice of Availability of a Draft Environmental Impact Report for the Sunset Crossroads Project. City of Banning. https://www.banningca.gov/ArchiveCenter/ViewFile/Item/2967.

There is an argument to be made that Riverside County is overbuilding Warehouse and Distribution centers. As of the fourth quarter of 2024, the vacancy rate for warehouse properties hit 13.8%. This was lower than the peak of the Great Recession, where vacancy rates were above 15%, but vacancies have jumped markedly in recent years. During the early half of 2022, the vacancy rate in the county was below 5%, getting as low as 1.7%. In other words, the vacancy rate has increased by more than 10 percentage points over the last two years alone.

Office properties in Riverside County now have a lower vacancy rate due to the amount of new stock coming online. The issue has been one of net absorption whereby new completions are not getting absorbed, a trend that has played out throughout southern California. Across the Inland Empire, net absorption for warehouse properties was -5.5 million square feet in 2024, meaning the total amount of occupied space fell by 5.5 million square feet in 2024. At the same time, 17.9 million square feet of completions came online. To be clear, the drop-off in occupied space was almost exclusively in San Bernardino, but net absorption in Riverside County was still negative, a first since the Great Recession. Los Angeles County also saw a similar drop, with a net absorption of -5.7 million square feet. The drop-off is not necessarily indicative of a weakening economy, however, but rather a shift away from goods purchases to services.

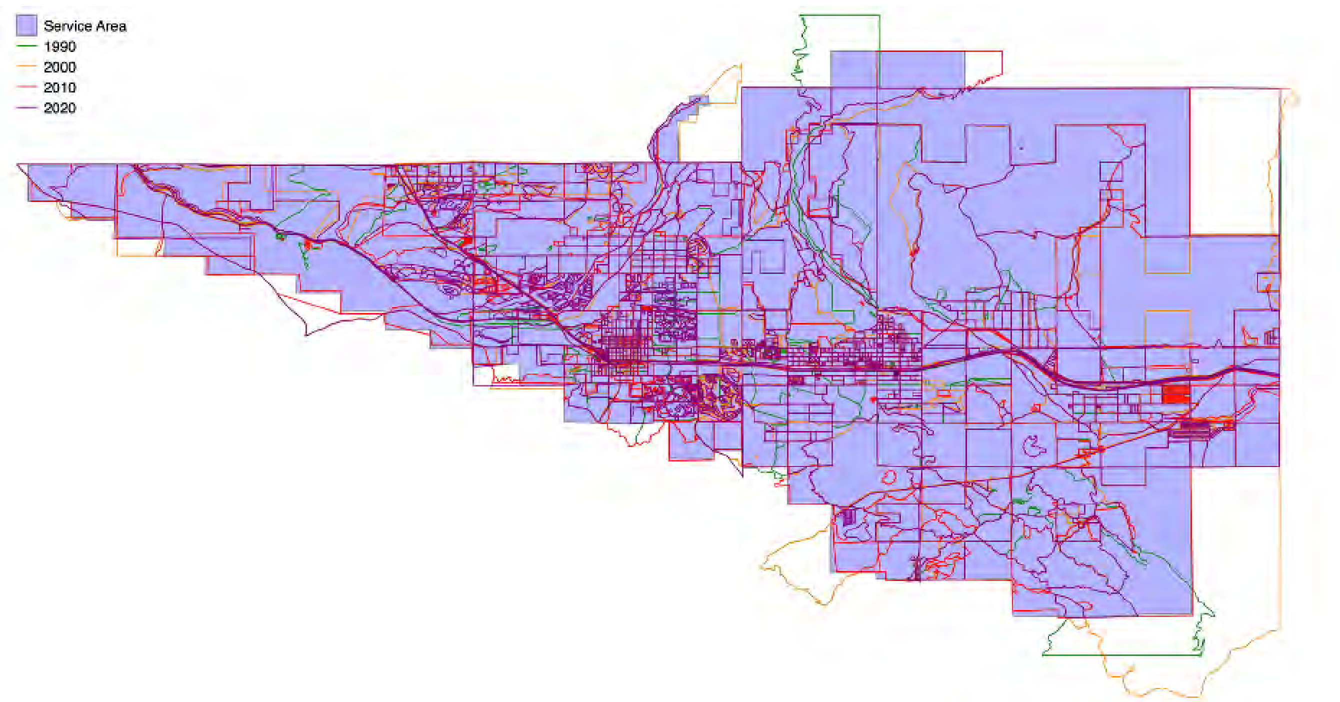
Warehouse/Distribution Centers
Riverside County



Source: Moody's Analytics. Analysis by Beacon Economics

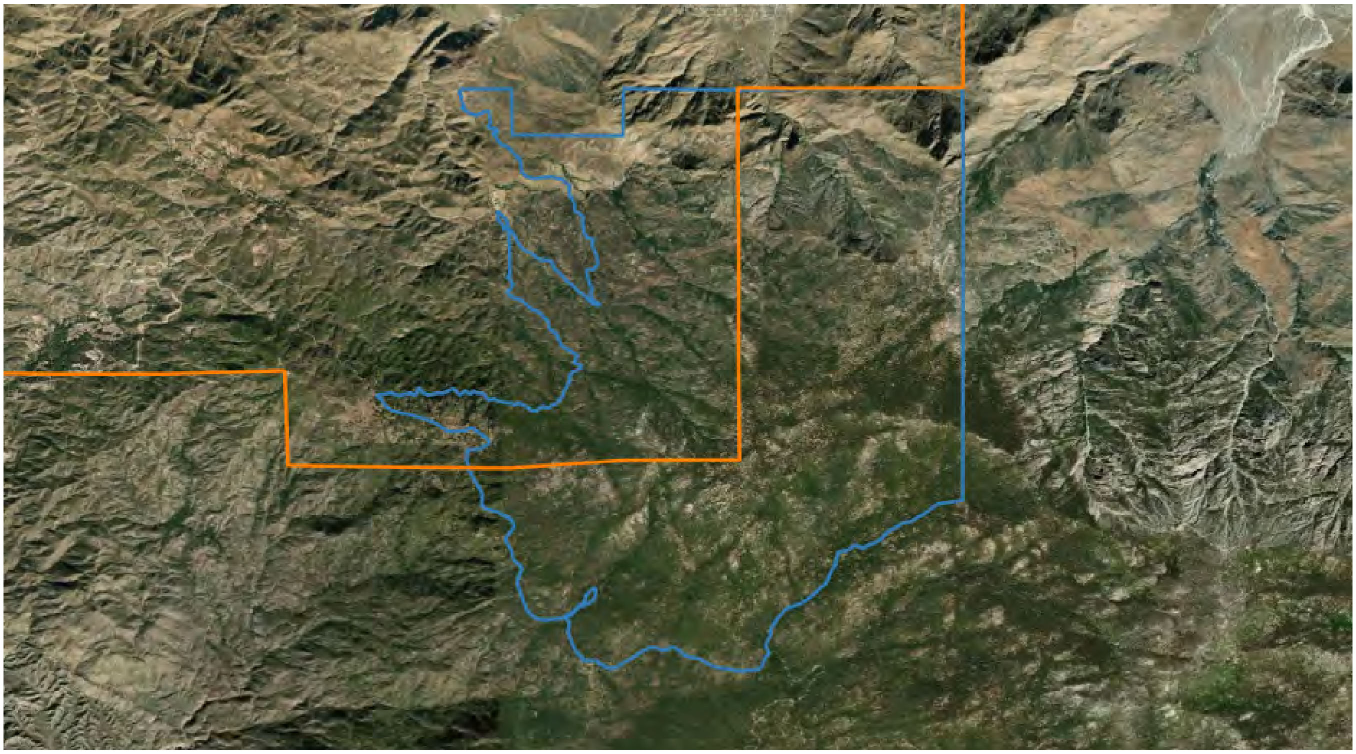
Building the Population Counts

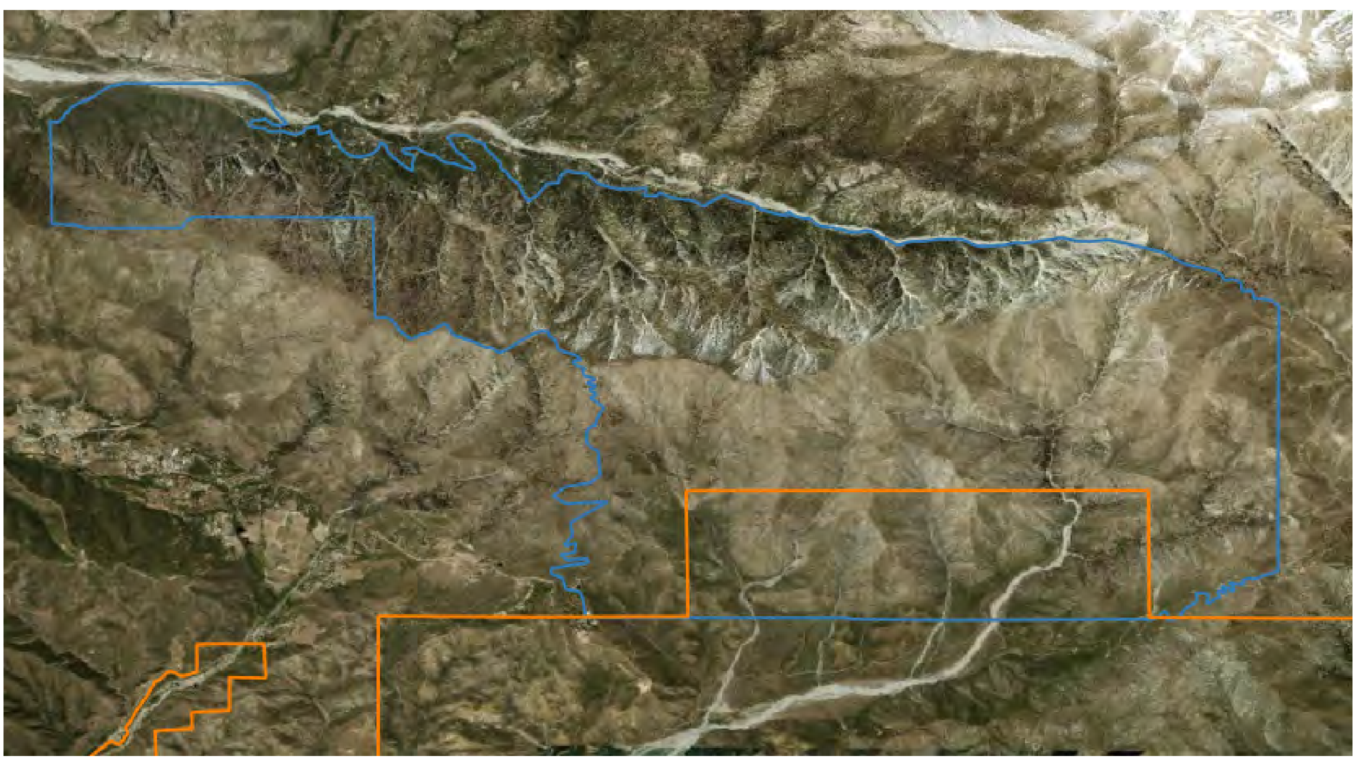
The Water Agency service areas in this report do not conform to traditional boundaries such as cities or zip codes. Beacon Economics created the population series for each agency by mapping Census Blocks from the Decennial Census to a service area, including a block if its centroid fell within the area's boundaries. The advantage here is that Census Blocks are the smallest geographic area that the Census tabulates Decennial Census data. This is done using the data and polygons for the 1990, 2000, 2010, and 2020 Decennial Census Blocks. The San Gorgonio Pass Water Agency service area is shown on the map against the matched Census Blocks from each of the four Decennial Censuses.



What should be clear is that the Census Block polygons map on to approximate the San Gorgonio service area with a reasonably great deal of accuracy, as the areas not covered by Blocks tend to be those are not part of developable land. A clear example is the Census Block in the lower right-hand corner of the service area. This Block, while not large (population: 12), does contain a large amount of land beyond the service area. However, it's clear that the land is largely mountainous and therefore the approach is suitable for creating a population profile for the area as the residential units are contained within the service area polygon. In other words, for the Blocks that extend beyond the service area, the areas tend to be undevelopable land.

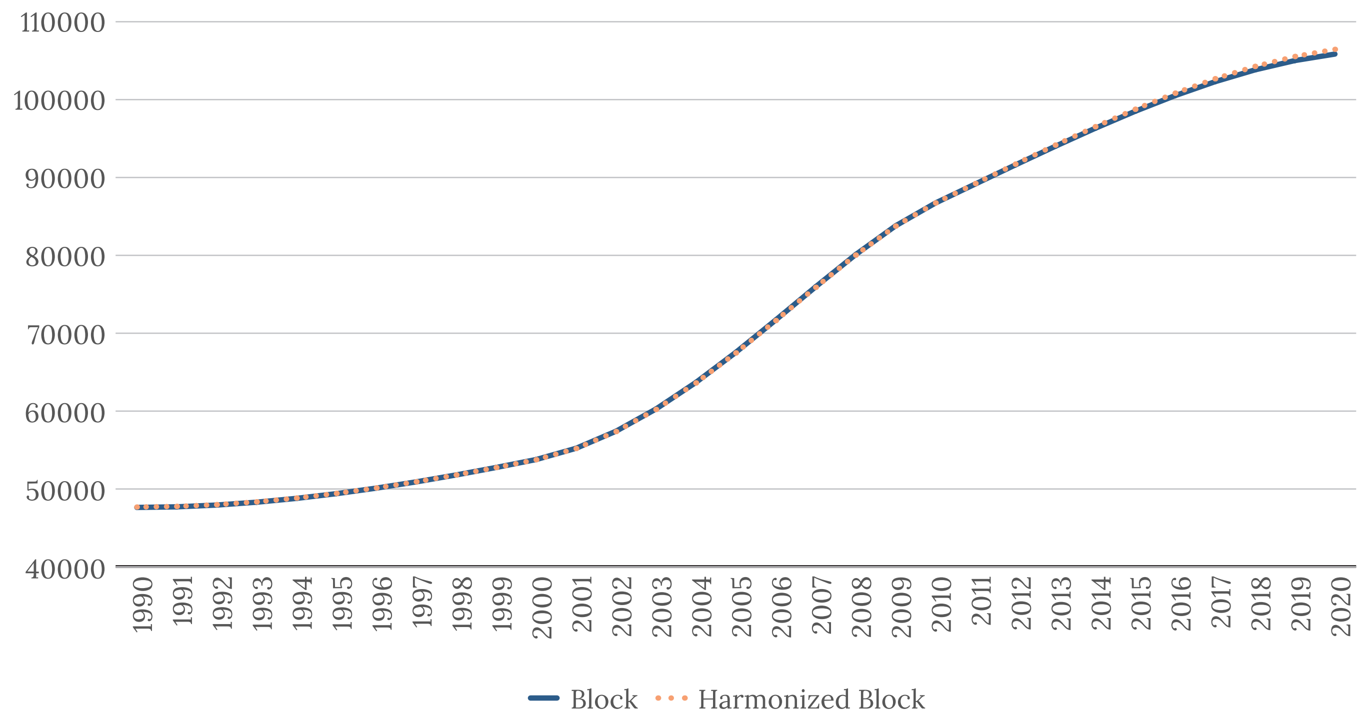
Map of the Census Block Outlined in Blue against the San Gorgonio Pass Water Agency Service Area boundary in Orange





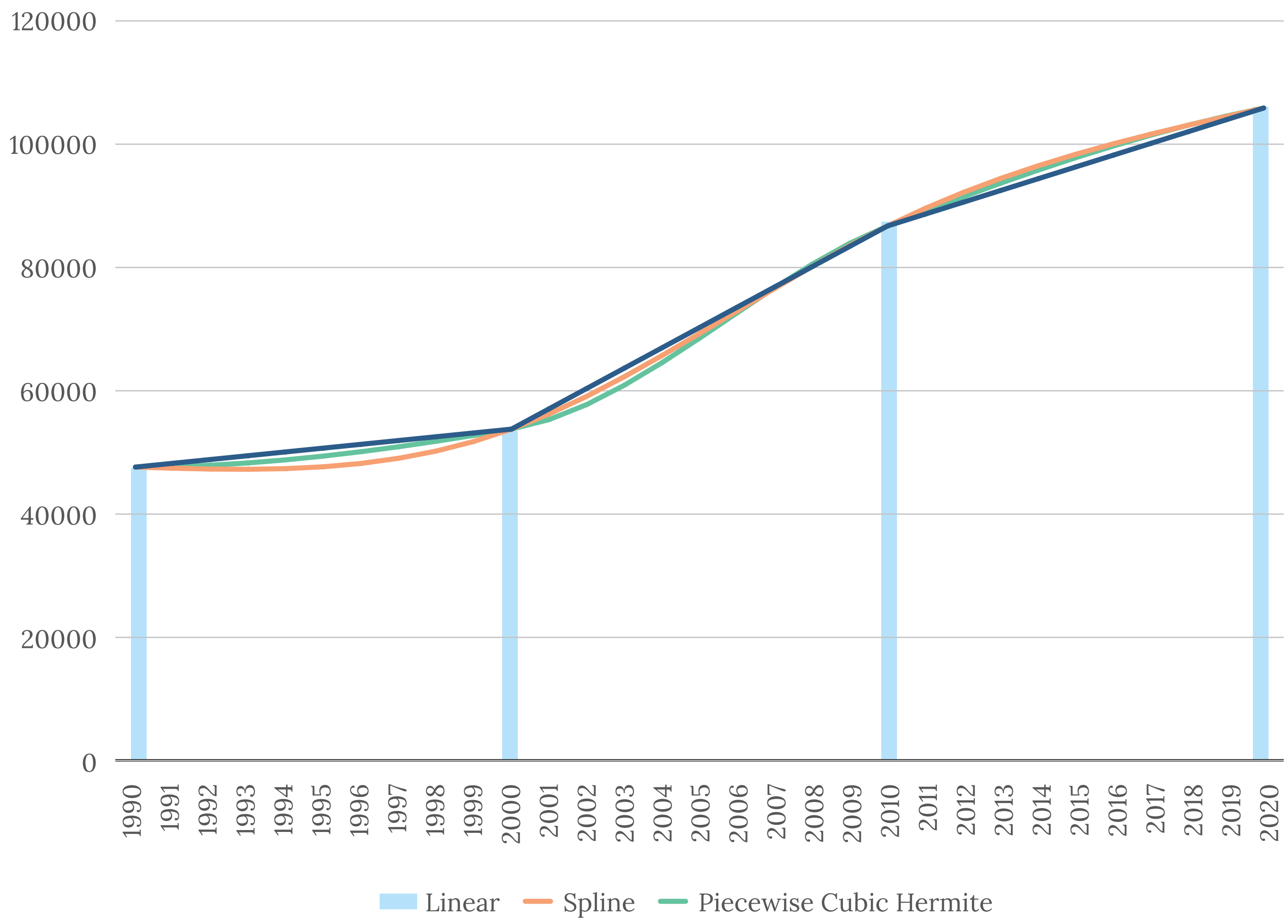
In certain cases, a Census Block may fall within the service area but is not included if its centroid lies outside the boundary. This is evident in the rectangular region in the northern part of the service area (as shown in the map above). Given the Block's size relative to its overlap with the service area, this reinforces the validity of the centroid-based approach

Comparision of Population Counts
San Gorgonio Pass Water Agency Service Area



Source: Analysis by Beacon Economics

Population Estimates using Multiple Interpolation Methods



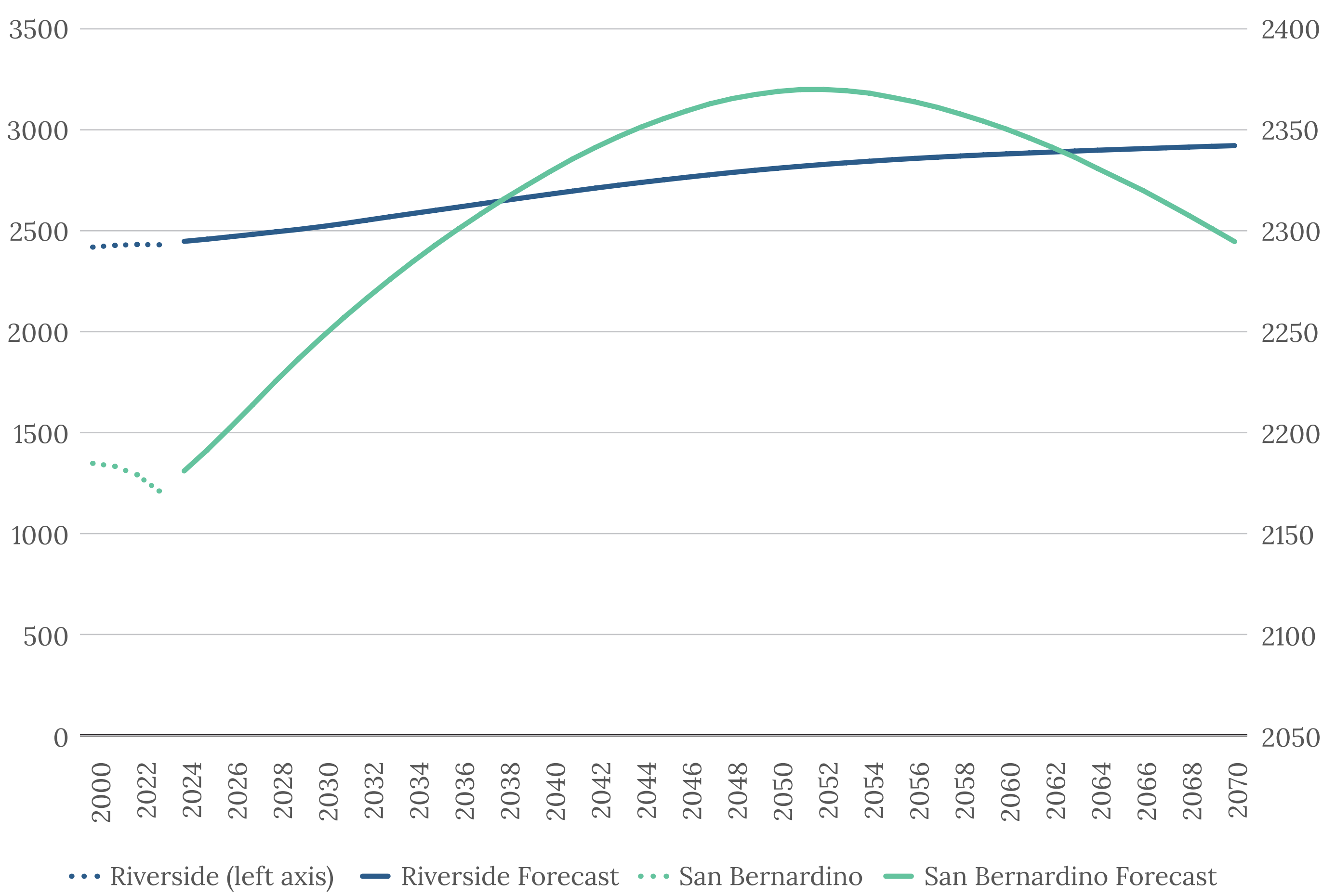
Source: IPUMS. US Census Bureau. Analysis by Beacon Economics.

The one potential disadvantage of this approach is that the Blocks are redrawn every Decennial Census, leading to a potentially inconsistent definition of the service area across Decennial Census years. The National Historical Geographic Information System (NHGIS) provides a consistent set of harmonized Blocks across all Decennial Censuses, which allows us to use a consistent set of Blocks that are harmonized with the 2010 definition. However, a comparison of the two approaches reveals that the estimates are largely the same. Beacon Economics opts to use the former approach. Lastly, we create a time series of the population by imputing the years between Decennial Censuses using piecewise cubic Hermite interpolation. A comparison with other imputation methods is presented in the chart above, along with a comparison of population totals for the harmonized blocks versus the centroid approach. The end result is a time series for each area that can be used to build a forecast for the individual service areas.

The outlook for each region is based on certain factors, such as recent population trends and the availability of developable land. There are other broader dynamics to consider beyond the service area, which can be seen from the population projections provided by the California Department of Finance. These projections are more macro level but give an insight into how population will evolve at the county level and are based on data such as birth rates and net migration. The latest forecasts from the Department of Finance suggest San Bernardino's population will peak in the early 2050s, while Riverside's population is expected to grow at an average annual rate of 0.16% from 2030 through 2070. An aging population and declining birthrate are demographic shifts that have been occurring and these trends are unlikely to reverse in the foreseeable future.

We consider both projections as exogenous drivers for each service area's forecast.

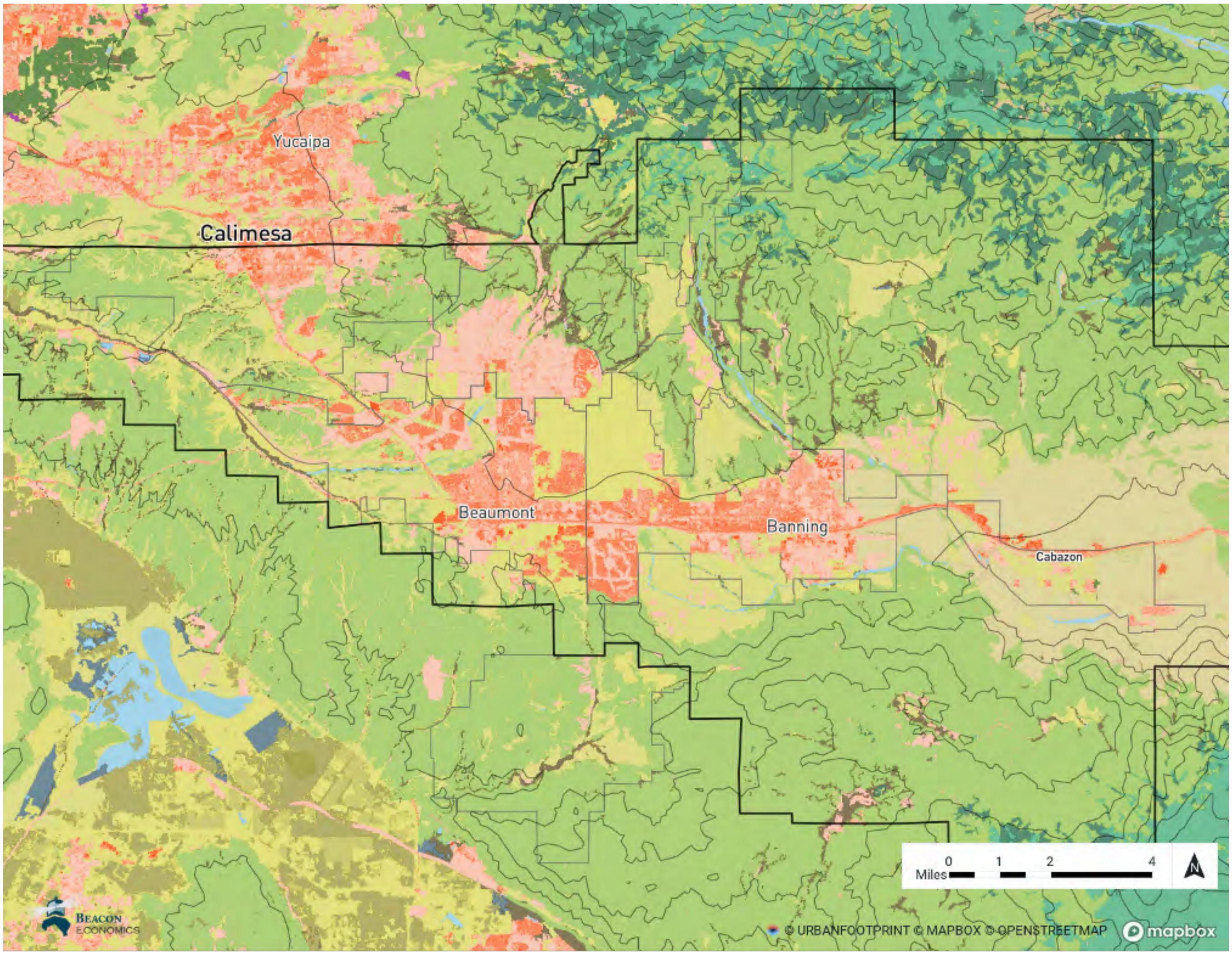
California Department of Finance
Population Projections (in Thousands)



Source: California Department of Finance. Analysis by Beacon Economics.

San Gorgonio Pass Water Agency

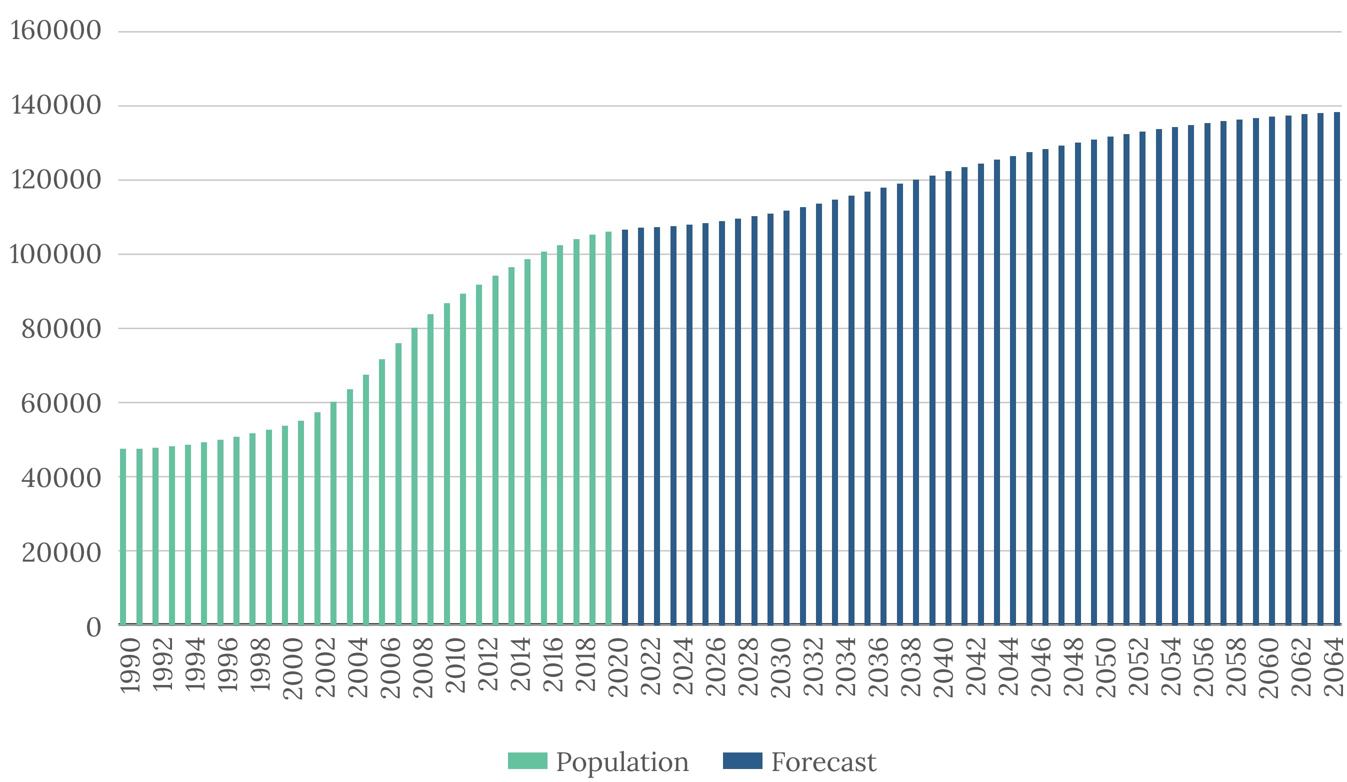
Conservation Land Cover: San Gorgonio Pass Water Agency Service Area



The general pattern of existing land use suggests there is room for the San Gorgonio Pass Water Agency service area to grow over the next four decades. The area is home to growing cities like Beaumont, Banning, and Calimesa, as well as the Morongo Band of Mission Indians, whose sovereign land includes the Morongo Casino Resort & Spa and commercial developments along Interstate 10. Large portions of the area are designated for open space, wildlife preservation, and watershed protection. In other words, land use is restricted or constrained by natural features, but there is still much potential for development.

In terms of vacant land, Beacon Economics estimates that the population could increase by nearly 68,000 if all vacant parcels are zoned for small lot single-family, which amounts to nearly 32,800 new housing units. Of course, this is something of an extreme assumption, but it offers a guardrail for the long-run regional forecast. Compared to the 56.4% increase in Riverside County, population in the region has nearly doubled in the last 20 years, growing from less than 54,000 in 2000 to nearly 106,000 today. Over that time the region's housing stock grew at a slower rate, increasing by roughly 75% to a total of 38,265. The Cabazon area has the most potential from a development standpoint, although a large amount of vacant land is owned by the Morongo Band of Mission Indians, and tribal land development has historically not been focused on new residential units. A new hotel is slated to open in early 2026,[8] which will bring fresh economic opportunities to the area. But from a long-term standpoint, housing will be the most important driver of population growth. The current forecast for the region puts population around 140,000 by 2065, which suggests around 32,330 new residents over the next four decades. In 2020, the region accounted for 4.4% of the countywide population. Mapped against the projections from the California Department of Finance, Beacon Economics' forecast suggests that figure will approach 5% by 2065.

Population Forecast
San Gorgonio Pass Water Agency Service Area



Source: Forecast by Beacon Economics.

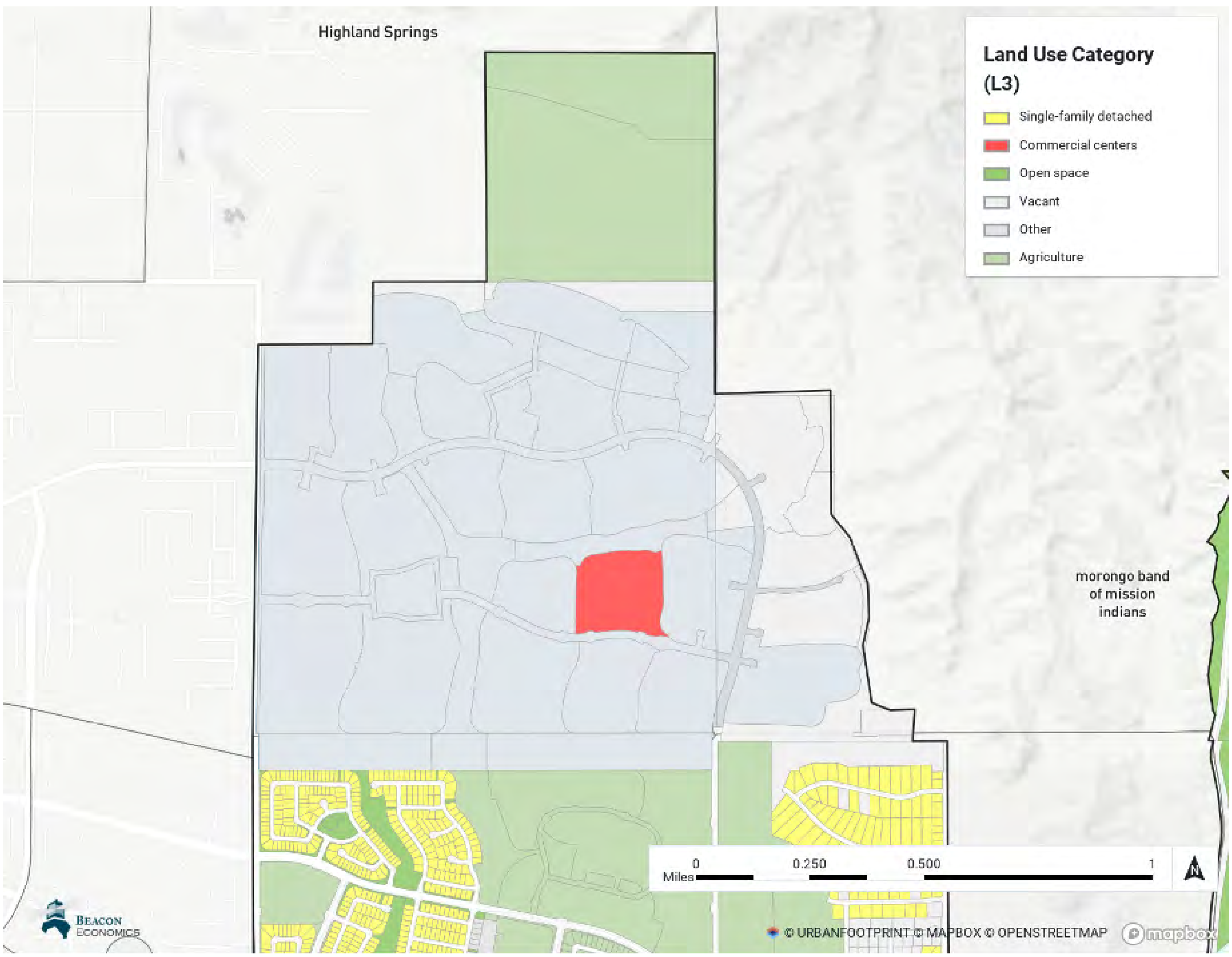
[8] New Four-Story Hotel Coming to Morongo Casino Resort & Spa," MSN Travel. https://www.msn.com/en-us/travel/tips/new-4-story-hotel-coming-to-morongo-casino-resort-spa/ar-BB1rs7MG

City of Banning

The area in the Banning Water District with the most growth potential is located alongside N Highland Springs Ave. This is an active area with many new housing communities currently under construction. We consider the scenario where the northern plot of land is developed for large lot single-family, which is what most of the recent residential development in the area has been. The area of consideration is shown in the grey parcels in the land use map. Under the assumption that the vacant parcels are rezoned for large lot single-family detached, this gives a potential increase of 3,970 units and 8,957 new residents.

Of course, not all these units will be occupied and it's entirely possible that not all of these parcels will be zoned for single-family homes. If it's conservatively assumed that 10% of units are unoccupied, that still gives a potential long-run increase of nearly 3,600 residents. Banning's recent growth has been limited by a slow expansion of housing stock, which grew by just 0.1% over the last decade. Beacon Economics' current forecast assumes that these units will be added to the housing stock in the 2030s, which will help drive the forecast from there to 2065. We do not foresee a scenario where the Banning District's population exceeds 35,000, although these projections might be too conservative. It is possible the region could expand to nearly 40,000 by 2065, but over the last ten years, the population in the area has remained virtually unchanged.

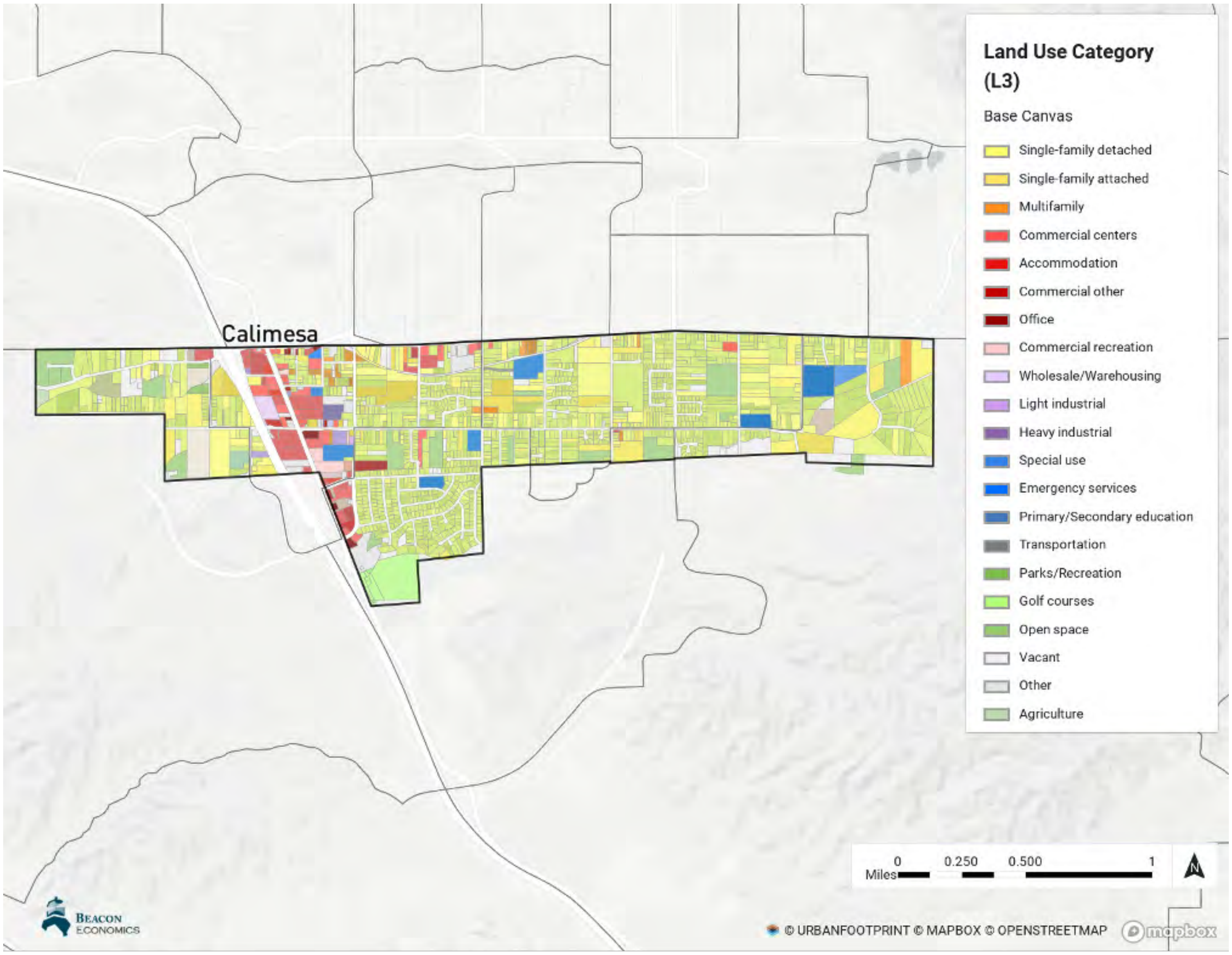
Map of Vacant Parcels in Banning where Single-Family Development Could Occur



South Mesa Water Company

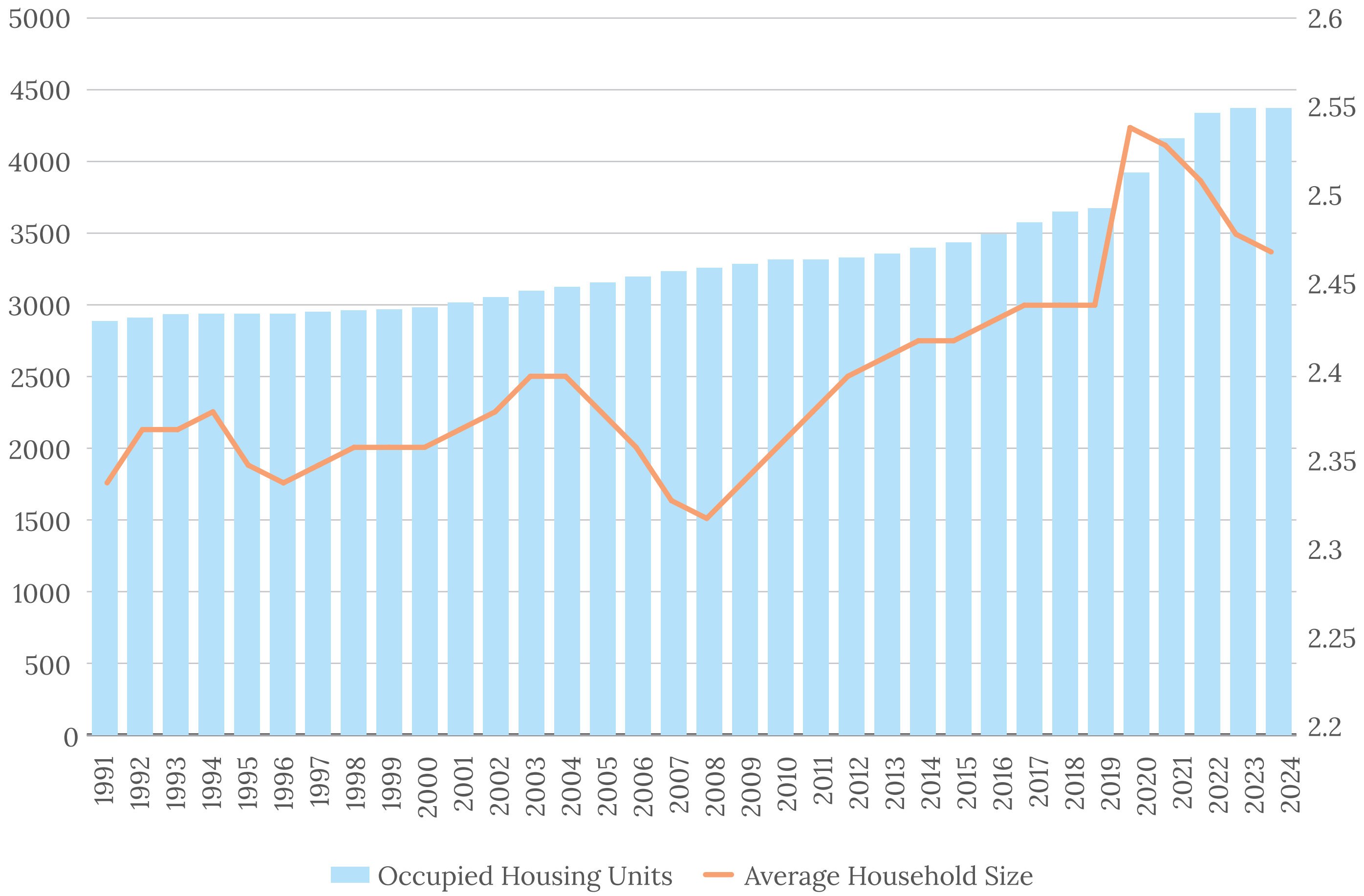
The South Mesa Water Company service area includes an individual breakout for both Riverside and San Bernardino counties. In other words, the service area encompasses a portion of both counties. Growth in the Riverside portion of the market will be limited going forward. According to the map below, which shows the land use designations for the area, there is very little room for new development, despite 2.8% of the region's area being zoned as vacant residential lots. A simple way to assess growth potential is to rezone vacant residential lots for single-family developments. The following schedule shows the impact of reclassifying these parcels:

- Very Small Lot Single-Family Detached + 922
- Small Lot Single-Family Detached +612
- Medium Lot Single-Family Detached +468
- Large Lot Single-Family Detached +366



The most extreme case would be to reclassify all vacant residential land as suburban multifamily, which would add nearly 2,100 new residents. However, the most likely scenario would be a mix of single-family homes which, depending on what gets built, adds anywhere from 200-900 residents to the area. The region does encompass a large portion of Calimesa, so it helps to look at some of the data provided by the California Department of Finance for that incorporated city. The number of occupied housing units in the city is currently at an all-time high, despite a decline in the average household size. In other words, the pandemic did not have any noticeable impact on the local population—people just spread out. In addition, the area has only seen its housing stock increase by 339 units in the last 30 years. All things considered, the region will likely trend between 5,000 and 6,000 residents. Beacon Economics' current forecast suggests the population will approach 6,000 by 2065.

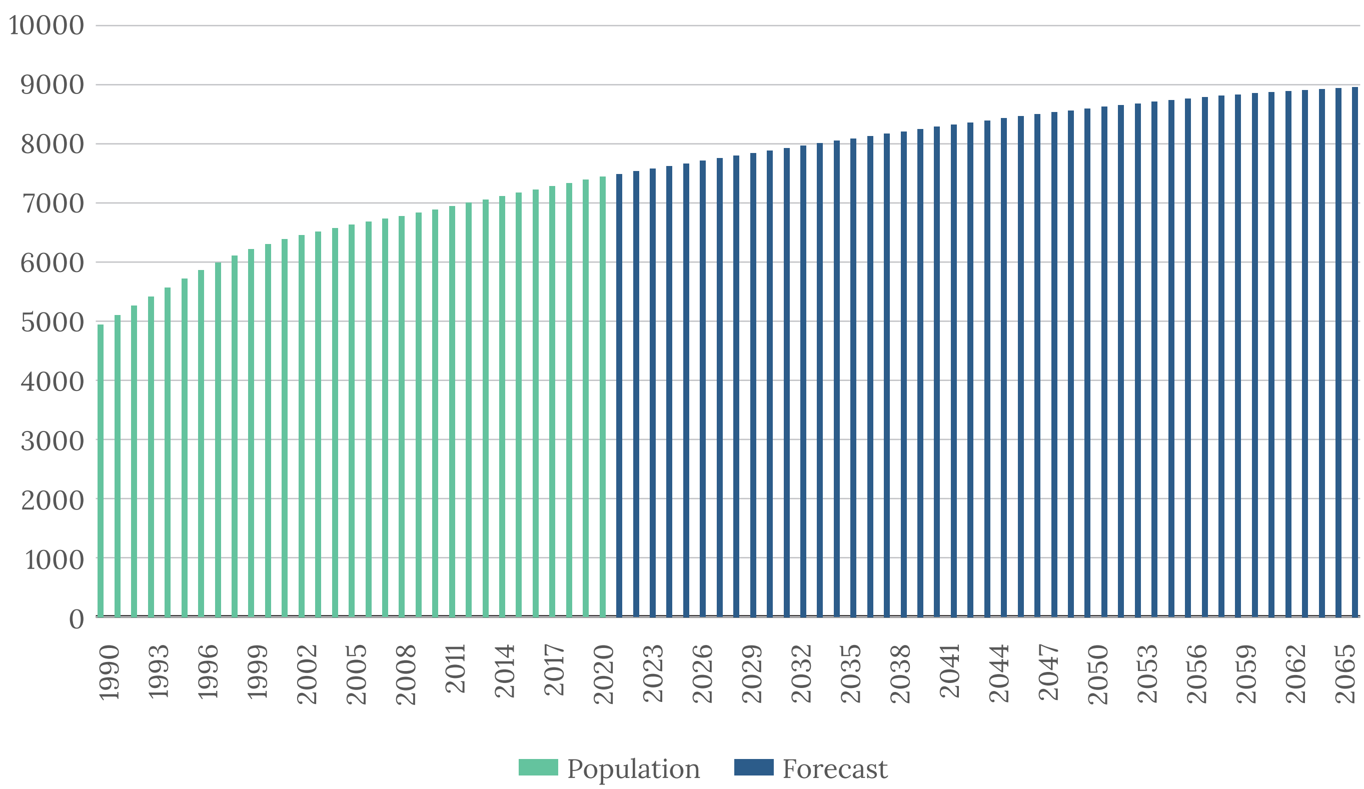
Household Trends
Incorporated Calimesa



Source: California Department of Finance. Analysis by Beacon Economics.

The story for the San Bernardino portion of the market isn't markedly different. The area is largely built out so there is not much room for population growth, and most of the residential parcels are zoned for large lot single-family detached. If it's assumed that the vacant residential lots are rezoned for medium lot single-family detached, that still only yields a population increase of 267, which is well within the margin of error for any forecast model. However, if the analysis is extended to include all vacant parcels, the potential population growth jumps to over 3,000, implying 1,472 new housing units are built. This might be optimistic, considering only 650 houses have been built over the last 30 years. Beacon Economics' current forecast assumes that roughly half of the vacant parcels will be zoned for residential, which will allow the region to add nearly 1,500 new residents over the course of the forecast horizon, amounting to nearly 9,000 residents by 2065.

South Mesa Water Company Service Area Population Forecast
San Bernardino Portion



Source: Forecast by Beacon Economics.

Yucaipa Valley Water District

Like the South Mesa Water District, the Yucaipa Valley Water District is split into two distinct zones—one in Riverside County and the other in San Bernardino County. Surprisingly, the two water districts share a common parcel. However, this doesn't affect the forecast or population counts as the parcel is the site for the I-10 Logistics Center in Cherry Valley and doesn't have any housing units.

Lane Use Summary in Yucaipa Valley Water District
San Bernardino

Property	Land Sq Ft.	Building Sq Ft	Building Sq Ft	Building Units
Not Specified	1,341,922	-	-	1
Agricultural	22,248,734	64,035	64,035	12
Amusement/Recreation	9,015,032	28,945	28,945	10
Apartment	6,858,699	851,816	859,366	114
Commercial	30,859,881	10,176,825	10,184,433	136
Condominium	1,800,223	919,203	766,865	379
Duplex	4,866,497	368,981	399,820	248
Exempt	6,051,478	505,862	509,821	44
Financial Institution	149,956	17,515	17,515	3
Hospital	1,630,072	311,383	312,475	14
Hotel, Motel	169,744	12,779	12,779	5
Industrial	47,044	12,350	12,350	2
Industrial Light	1,455,405	73,013	73,873	33
Miscellaneous	1,751,227	-	-	-
Office Building	1,252,430	147,197	147,197	55
Parking	84,758	29,400	29,400	5
Retail	6,574,667	1,032,012	1,034,759	215
Service	3,874,591	292,054	294,538	116
Single-Family Residence	323,551,062	30,590,411	24,923,277	13,398
Transport	9,225	-	-	-
Utilities	2,995,618	-	-	-
Vacant	329,989,875	4,705	4,705	4
Warehouse	1,391,301	357,327	357,327	20
Total	**757,969,441**	**45,795,813**	**40,033,480**	**14,814**

Source: CoreLogic. Analysis by Beacon Economics.

The San Bernardino portion of the Yucaipa Valley Water District doesn't have a lot of vacant residential land as a share of total land. However, there is a great deal of vacant land in the area that could be rezoned for residential use in the future. In terms of land use, nearly 330 million square feet (11.8 square miles) of land is currently zoned as vacant, which exceeds the amount of land zoned for single-family. Of course, not all of the vacant land is developable. Considering only the currently vacant residential parcels, the population could increase by nearly 3,300 across 1,580 housing units—assuming the parcels are zoned for medium-lot single-family homes. Infill development (very small lot single-family detached) would yield an increase of more than 6,400 residents.

Proposed Developments in Yucaipa Valley Water District
Riverside

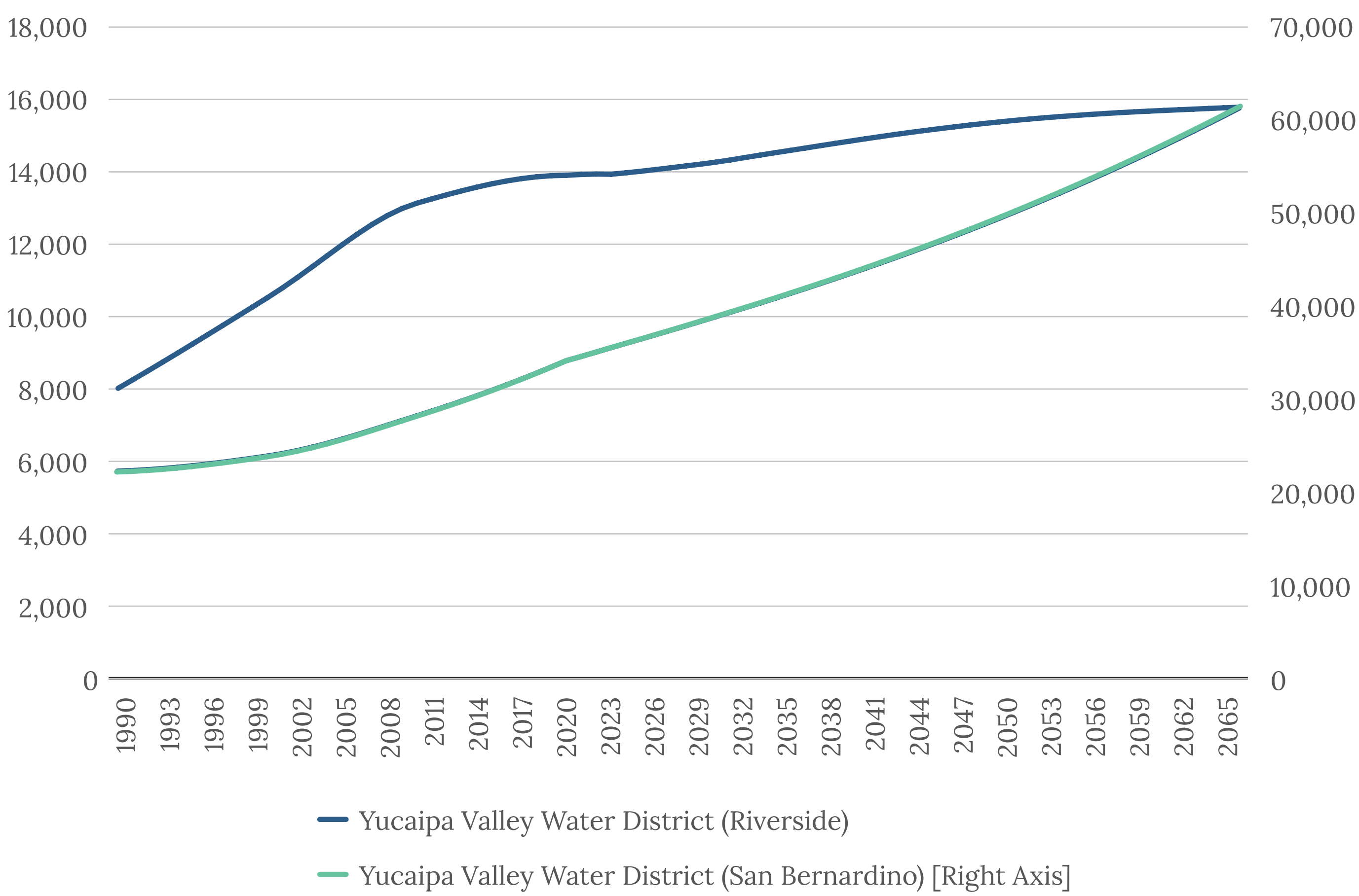
Type	Property Name	Address	Size SF	No of Buildings
Warehouse Distribution	Oak Valley North Bldg 1	Calimesa Blvd and Singleton Rd	236,892	1
Warehouse Distribution	Oak Valley North Bldg 2	Calimesa Blvd and Singleton Rd	249,840	1
Warehouse Distribution	Oak Valley North Bldg 3	Calimesa Blvd and Singleton Rd	249,000	1
Warehouse Distribution	Oak Valley North Bldg 4	Calimesa Blvd and Singleton Rd	246,500	1
Warehouse Distribution	SW of Roberts Rd and Singleton Rd, Bldg A	SW of Roberts Rd and Singleton Rd, Bldg A	705,783	1
Warehouse Distribution	SW of Roberts Rd and Singleton Rd, Bldg B	SW of Roberts Rd and Singleton Rd, Bldg B	466,172	
Warehouse Distribution	SW of Roberts Rd and Singleton Rd, Bldg C	SW of Roberts Rd and Singleton Rd, Bldg C	457,257	1
Warehouse Distribution	SW of Roberts Rd and Singleton Rd, Bldg D	SW of Roberts Rd and Singleton Rd, Bldg D	619,358	1
Strip Center		NE of 7th St and Sandalwood Dr	5,849	1
Townhouse	The Enclaves	1105 5th St		22

Source: Moody's Analytics. Analysis by Beacon Economics

An unpredictable element of long-run forecasting is how existing land could be rezoned for future developments. For example, in the Riverside portion of the district, there is a General Plan Amendment that has been submitted for the Oak Valley North Specific Development Plan in Calimesa, which would include (up to) 982,232 square feet of warehouse/office space and 223 multi-family residential units across a site of roughly 110.2 acres. The Birtcher Oak Valley Commerce Center is another large project in the pipeline. This project alone will add 2.5 million square feet of industrial space to the commercial landscape, limiting population expansion in the area.

The population will grow over time, but some factors weigh on the overall trend—an aging population, falling birth rate, and a decline in household size are evident in all districts. However, Beacon Economics' baseline forecast assumes that the region will continue to grow, with population nearing 6,230 residents by 2065. This growth is predicated on the assumption that more of the vacant land is developed for small lot single-family or suburban multifamily homes.

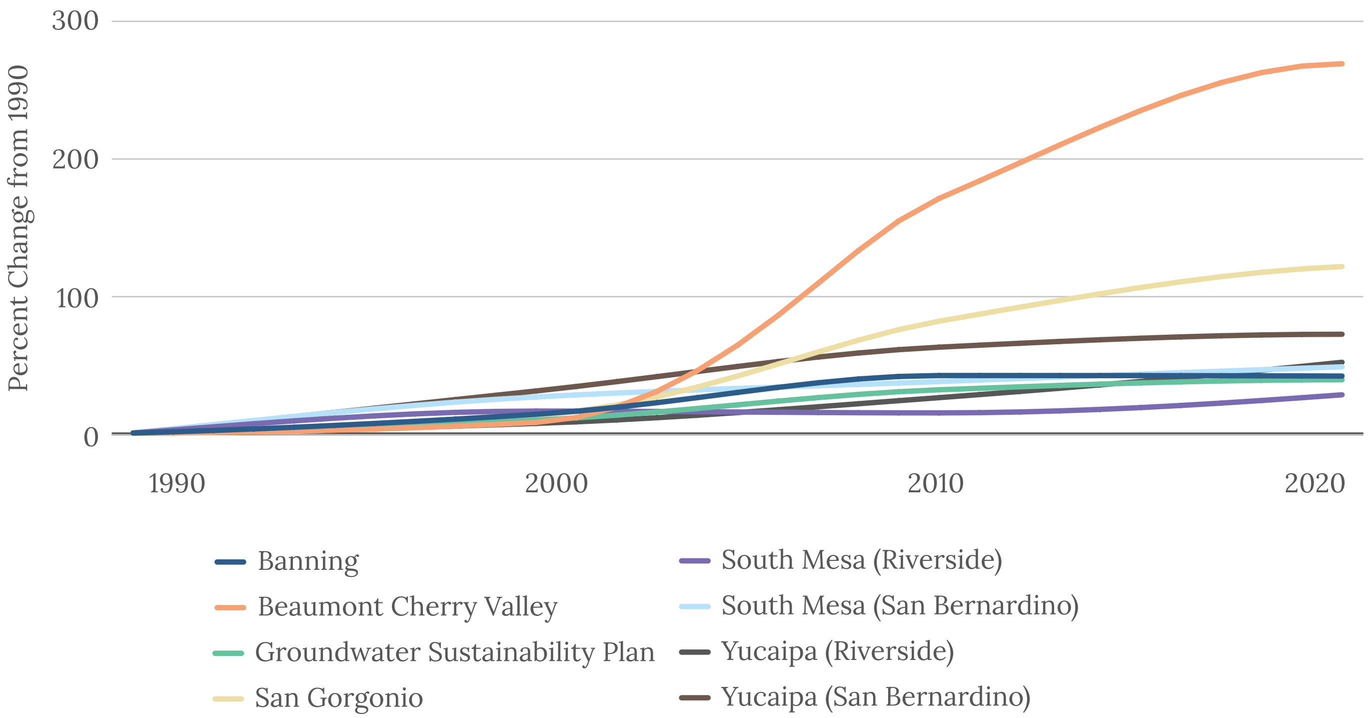
Yucca Valley Water District
Population Forecast



Source: Forecast by Beacon Economics

Beaumont Cherry Valley Water District

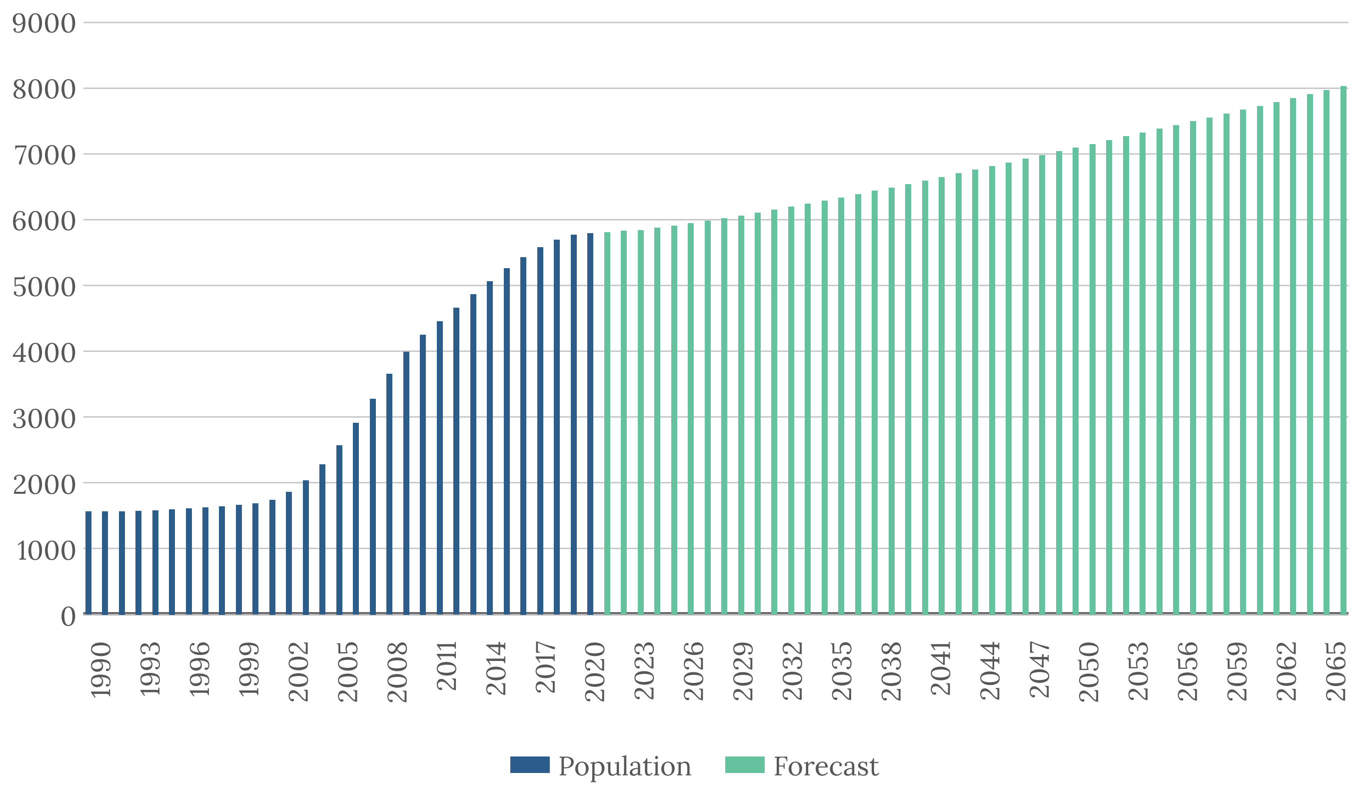
Percent Change in Population from 1990



Source: US Census Burea, IPUMS, Analysis by Beacon Economics

The Beaumont Cherry Valley Water District has been the fastest-growing area among the service areas in this report by a sizable margin. Since 1990, the population in the district has increased by more than 270%, adding nearly 42,300 residents over three decades. The increase is attributed to a build-out of the area that started in the early 2000s, with Beaumont Cherry Valley Water District accounting for 70% of the increase in the housing stock in the San Gorgonio Pass region in the last thirty years. The district still has developable residential land, which will help support population growth in the coming decades, although a lot of land is currently being scouted for large industrial projects.

Population Forecast
Beaumont Cherry Valley Water District



Source: Forecast by Beacon Economics.

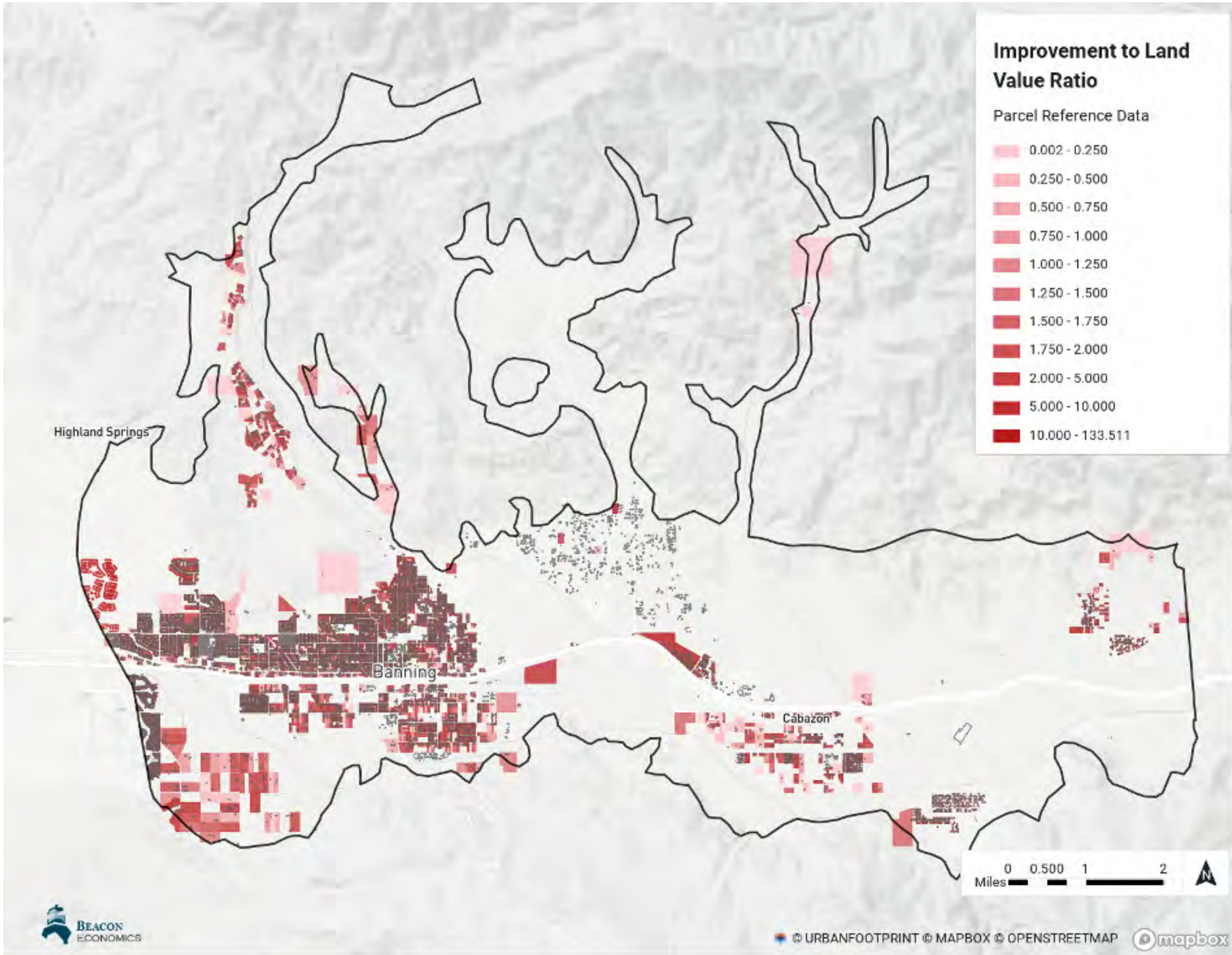
This rapid growth in recent decades is not sustainable over the long run, but the forecast for the Beaumont Cherry Valley Water District is more optimistic, considering recent developments in the region and its location. Beacon Economics' current forecast for the region suggests the district will grow at an average annual rate of 0.8% in the long term. This is predicated on the assumption that a large amount of the vacant land is developed and land that is not currently zoned for single-family housing will be rezoned for residential uses. Moreover, the Beaumont Cherry Valley Water District will likely see more multifamily development over the long run, which will allow for more population growth, adding over 22,000 residents between now and 2065.

San Gorgonio Pass Groundwater Sustainability Plan Area

The San Gorgonio Pass Groundwater Sustainability Plan Area covers a large portion of the Banning district as well as the community of Cabazon. There is a considerable amount of vacant land on the eastern portion of the plan area that encompasses the community of Cabazon, although a lot of this land is owned by the Morongo Band of Mission Indians. California tribes often focus on commercial or gaming development before or instead of extensive residential projects, such as the aforementioned hotel development. That said, residential development does occur. In 2020, the Morongo Band of Mission Indians was awarded roughly $360,000 by HUD to support affordable housing initiatives.[9]

[9] "HUD awards local tribes grant to support affordable housing." The Desert Sun, February 18, 2020. https://www.desertsun.com/story/news/2020/02/18/hud-awards-local-tribes-grant-support-affordable-housing/4801454002/.

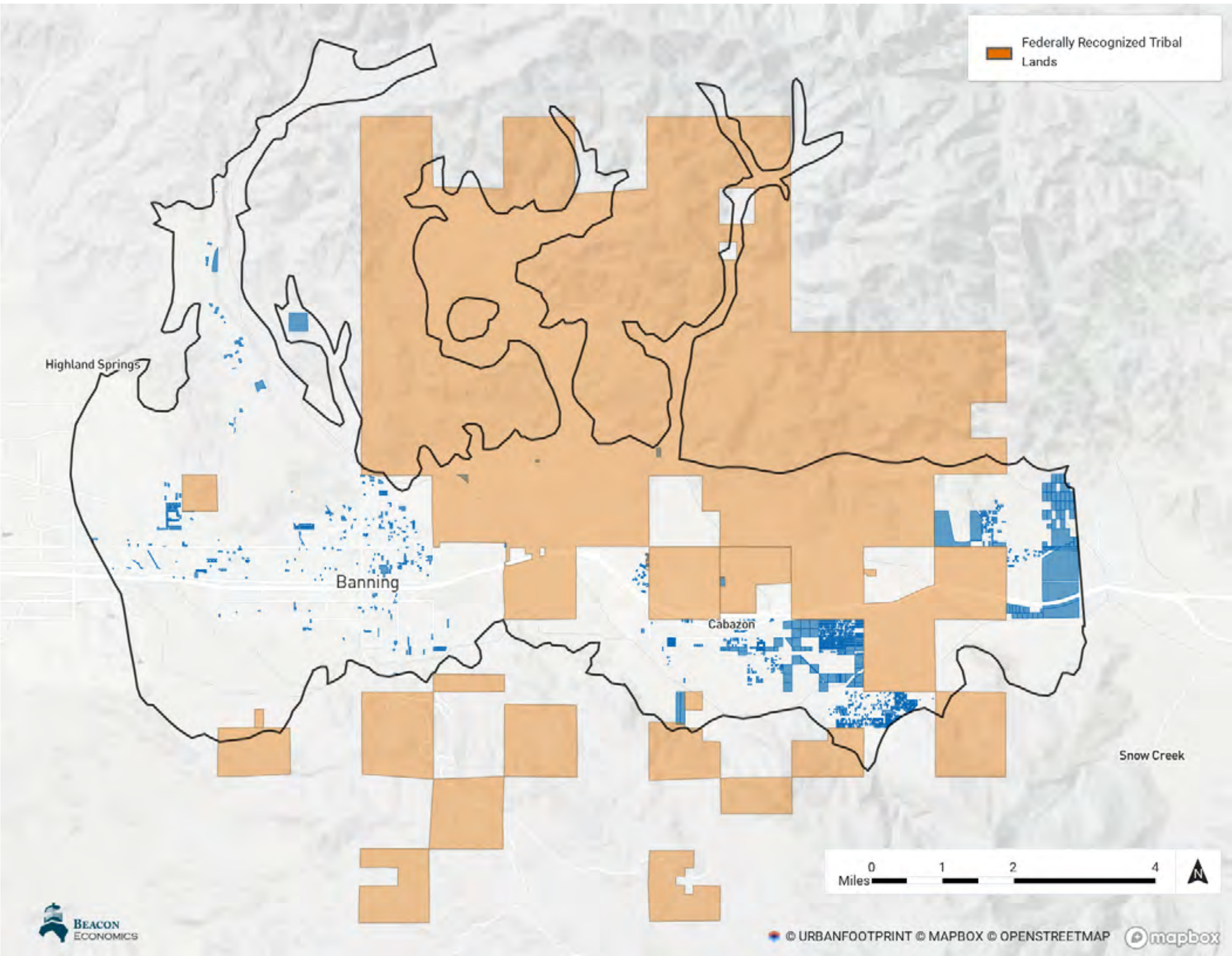
Improvement to Land Value Ratio: San Gorgonio Pass Groundwater Sustainability Plan Area



The sparseness of development in the eastern half of the district can be seen on the map, which contains Improvement to Land Value Ratios for parcels identified in the CoreLogic data. The lack of development along I-10 near Cabazon is largely the result of tribal land control, zoning restrictions, and competition from nearby cities. Moreover, developers tend to focus on areas with existing infrastructure which lowers construction costs. Large-scale residential or commercial development requires extensive infrastructure investment, particularly for water and sewage systems.

The San Gorgonio Pass Groundwater Sustainability Plan Area has strong growth potential due to its strategic location along I-10, a major transportation corridor. Targeted economic development policies and infrastructure investment will be key drivers of this growth. However, realizing this potential depends on infrastructure expansion (water, sewers, and roads) and incentives for private investment. Ultimately, the region's future hinges on policy decisions and strategic investments. If the County prioritizes the eastern half for long-term growth, population could increase significantly given the available land. However, Beacon Economics' baseline forecast is largely based on assumed developments in the Banning area, with minimal activity expected in Cabazon, despite its potential.

Vacant Residential Parcels and Tribal Lands in the San Gorgonio Pass Groundwater Sustainability Plan Area



About Beacon Economics

Founded in 2006, Beacon Economics, an LLC and certified Small Business Enterprise with the state of California, is an independent research and consulting firm dedicated to delivering accurate, insightful, and objectively based economic analysis. Employing unique proprietary models, vast databases, and sophisticated data processing, the company's specialized practice areas include sustainable growth and development, real estate market analysis, economic forecasting, industry analysis, economic policy analysis, and economic impact studies. Beacon Economics equips its clients with the data and analysis they need to understand the significance of on-the-ground realities and to make informed business and policy decisions.

Learn more at beaconecon.com

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