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Hemet, California

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News

Hemet down, San Jacinto up in sales tax revenue

By CHARLES HAND/The Valley Chronicle

For the third quarter in a row, San Jacinto's sales tax revenue has risen while Hemet's has declined.

San Jacinto Mayor Jim Ayres likes to characterize the numbers as a trend that will eventually see the economic fortunes of the two cities reversed, with San Jacinto eventually having the more active business community.

Hemet Assistant City Manager Duane Baker says the numbers are nothing more than an indicator of an economy weakened by the housing crisis and the attendant slow-down in consumer activity.

While the percentage changes reveal a rising San Jacinto economy and slowing Hemet economy, the absolute numbers show Hemet still well ahead of San Jacinto in sales tax revenue.

In the first quarter of 2008, the latest period for which figures are available, San Jacinto revenue increased from \$323,063 in the first quarter of last year to \$466,149, an increase of 44.29 percent.

The same comparison for Hemet shows a decline from \$2,314,602 to \$2,265,674, a drop of 2.1 percent.

Those figures follow a pattern that has held for more than the last three quarters, with most quarters since 2006 showing essentially the same comparison.

"We're 16 months into this trend," Ayres said. "I think it's a growing trend. We continue to see constant, steady growth."

That trend is a marked departure from the city's financial condition just a few years ago when the annual budget was less than a single quarter's budget today.

Ayres attributed much of his city's improvement to the opening of the Wal-Mart Supercenter at San Jacinto and Commonwealth avenues, and said he expects more improvement as other big-box stores are built.

Among those city officials expect to see in the near future are a Target Superstore and a Lowe's.

Neither is expected to open this year.

Ayres said the city's increasing commercial activity is the result of conclusions and plans laid several years ago.

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"We identified several years ago that sales tax leakage was the major issue," he said. At the time, market studies showed that a substantial number of San Jacinto residents were spending money on necessities in Hemet because there were no outlets in San Jacinto.

Hemet has seen a similar phenomenon in its own market studies, except that the spending is going to the Temecula/Murrieta area, Moreno Valley, and Riverside.

Like San Jacinto, Hemet's marketing strategy has been aimed at stanching the flow of money out of the community. "We're now seeing the fruits of that," Ayres said of San Jacinto's commercial development plans. "The redirection of sales tax began the minute Wal-Mart opened its doors," he said.

Ayres said the city is pushing to clear the way for the Target store, which will be built in the area of the Gateway at Sanderson Avenue and Ramona Expressway.

The city is cobbling together a deal in which the developer of the site will front the money for raising and extending the San Jacinto River levee so the Target store can be built. The money will be repaid from several sources as additional development occurs.

"Our position is one of the future," Ayres said. I think the future is extremely bright."

Baker said he believes Hemet has a future too in an economy that will recover and improve the city's revenue collections.

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