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# With Inland Empire warehouse moratoriums, both environmentalists and developers see limited positive effects

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When Tanner Jansen began working at value-add management firm Stos Partners in March 2020, he didn't see any developers buy land for nearly six months.

Since then, Jansen, vice president of acquisitions at Stos, said development seemingly hasn't stopped popping up, especially in the Inland Empire, Los Angeles' industrial mecca in Riverside County and San Bernardino County, where 39 million square feet of industrial space was under construction in Q2 2022 to be developed, sold, redeveloped and sold again.



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To parry the influx of development in California's Inland Empire, city councils have begun setting warehouse moratoriums, blocking development permits for anywhere from 45 to 365 days.

In the early 1990s, there were fewer than 700 warehouses in the Inland Empire, according to a data tool from Claremont, California's Pitzer College. Now, there are more than 4,000, with more than 600 million square feet of industrial space across the region.

However, with increased industrial development comes potential increased health risks to communities in the Inland Empire. In April the American Lung Association ranked San Bernardino and Riverside counties first and second respectively for the worst ozone pollution in the U.S. — and in the Top 10 for the worst annual particle pollution nationally.

Residents in the region were found to be more susceptible to asthma, bronchitis, lung cancer and pneumonia, with those living within half a mile of warehouses incurring higher rates of asthma and heart attacks, according to the report. In San Bernardino County, about 70% of children under 10 suffered from asthma in 2020, according to public health data compiled by UCLA.

To parry the influx of development in the region, city councils have begun setting warehouse moratoriums, blocking development permits for anywhere from 45 to 365 days in an attempt to minimize the impact from decades of pollution, putting the industry under pressure when demand is highest.

City councils in Chino, Colton, Jurupa Valley, Norco, Pomona, Perris, Riverside and San Bernardino have voted on whether or not to place moratoriums on warehouse development, resulting in bans on development in nearly every city.

San Bernardino County's Colton extended its moratorium for the third time in May, banning the development of warehouses until May 2023. L.A. County's Pomona extended a 45-day warehouse moratorium that began in July to 10 months and 15 days in August, barring not only industrial development but the use of warehouses and trucking facilities until July 2023.

In Riverside County's Norco, a 45-day moratorium was enacted in August to stop the construction of new industrial areas and warehouses while the city studied the environmental impact of existing developments.

## **Developers 'handcuffed' by moratoriums**

Despite the urgency of the ordinances placed on pausing industrial development for the good of residents, Ryan Campbell, executive managing director at NAI Capital Commercial in the San Gabriel Valley, said moratoriums have little to no effect on environmental challenges, which have “already been addressed” by developers.

Campbell said he knows of developers that bought land in Pomona, but before they could obtain the proper entitlements for the property, they were hit by a moratorium, leaving them stuck with land they can’t build on for at least a year.

“We still have a good demand for warehouse product, but this is just going to greatly affect the supply side of things and is going to skew that supply-demand curve,” Campbell said. “It’s going to prop up lease rates where before it might not if more product could come on the market and be able to stabilize rates.”

He added that moratoriums exemplify a “reactive versus proactive approach” to city planning. While city councils enact moratoriums to curb pollution, Campbell said councils aren’t taking into account how landowners are “handcuffed” by the process, impacting not only their assets but how much they can make on returns and how much they can lease or sell properties for.

Stos Partners' Jansen agreed that moratoriums put more pressure on the supply side of the equation as developers hound the Inland Empire with demand for industrial space.

“If there’s moratoriums in place and there’s huge industrial demand for the Inland Empire, not that much is getting built because there’s land constraints,” he said. “Because of the land constraints in the core markets like Ontario and such, developers are starting to venture out, but if you put moratoriums on cities and you restrict supply and the demand is going up, basic economics will tell you that pricing is going up, so it’s getting harder to find deals.”

Jansen said Stos was hit by the moratorium in Jurupa Valley. After purchasing a distribution and manufacturing property in the city, Stos was promptly blocked from obtaining an occupancy permit by the ordinance due to the trucking use of the existing building.

“When the city of Jurupa Valley first put in that moratorium, they basically turned off everybody in the market from looking at

Jurupa,” Jansen said. “All the larger competitors of ours and a larger [third-party logistics] owners, warehouse owners, they basically went pencils down on Jurupa because everyone was only looking for trucking uses.”

### **Environmentalists say moratoriums make 'small impact'**

Despite moratoriums on warehouse construction lasting up to a year in some cities, Susan Phillips, professor of environmental analysis and director of the Robert Redford Conservancy for Southern California Sustainability at Pitzer College, says moratoriums are often too limiting to do much good.

“Moratoriums are so limited that they're making such a fuss over such a small impact,” she said. “If [development] keeps continuing, we're just going to have even worse congestion of lines and lines of trucks. We already have that on freeways, and at certain times it looks like a freight train of trucks of containers on the freeway. So we'll have worse congestion, and we're gonna have a lot of sick kids.”

Phillips said instead of moratoriums, something “bigger and broader” needs to be put in place that takes into account the costs and benefits of the continued expansion of the goods movements.

“The moratoriums are the only mechanisms to really limit that, and you have to have city council agreement to do that, so it can get a little complicated when you're looking at city councils that are extremely pro-development that need a lot of money,” she said.

While she believes industrial development needs to stop altogether in the Inland Empire, Phillips reasoned the cities in the region are “starved,” needing the money that comes from the industrial industry. But it comes at a huge cost to the communities, she said — “a cost that hasn't been calculated yet.”

Campbell agreed that moratoriums are limiting, but from an opposing standpoint.

“I think you're having some squeaky wheels within the city that are speaking out against these bigger projects, talking about truck traffic and air pollution and forcing the hand of the politicians, so it's becoming more of a trend,” he said. “It's kind of catching fire

and spreading throughout the region. Once a city realizes what can be done, they can enact a policy of their own.”

Still, Phillips said any limit is better than nothing. Even if moratoriums aren’t a surefire way to heal the Inland Empire’s pollution ills, moratoriums still effectively curb development in a market that Phillips said is oversaturated.

Both Campbell and Jansen rejected the notion that the market is oversaturated. Campbell said there’s still plenty of land for industrial space, while Jansen said the market is “undersupplied,” citing the Inland Empire’s sub-1% vacancy rates met with demand that’s higher than ever.

Campbell and Phillips both have alternatives to moratoriums in mind. While Phillips proposed new developments should move up the West Coast to Oakland, Seattle or Vancouver, where less-congested ports sit, Campbell said a general plan amendment, a rezoning assessment by cities every decade, is a viable solution to the influx of industrial developments.

If cities rezone land to restrict industrial developments and instead zone areas for housing, Campbell said, the Inland Empire might see effective change.

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