



# Land Use, Sustainability, and Resilience Committee

City of Arts & Innovation

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**TO: LAND USE, SUSTAINABILITY, AND RESILIENCE COMMITTEE MEMBERS**      **DATE: JUNE 13, 2022**

**FROM: COMMUNITY & ECONOMIC DEVELOPMENT DEPARTMENT**      **WARDS: ALL**

**SUBJECT: UPDATE ON CURRENT DEVELOPMENT REGULATIONS AND BEST PRACTICES FOR WAREHOUSE & DISTRIBUTION FACILITIES**

## **ISSUE**

Update on the City of Riverside’s current development regulations for warehousing and distribution facilities and best practices in similar jurisdictions; and provide direction for changes for future consideration related to warehouse & distribution facilities.

## **RECOMMENDATIONS**

That the Committee:

1. Receive and file an update on the City’s current development regulations related to warehouse & distribution facilities; and
2. Provide staff with direction on changes for future consideration.

## **BACKGROUND**

In 2015 and 2016, staff provided the Land Use, Sustainability and Resilience Committee (formerly Land Use Committee - LUC) with an update on best practices related to regulations for industrial/warehouse & distribution development adjacent to residential zones. City Council directed staff to review the City of Riverside’s 2008 “*Good Neighbor Guidelines for Siting New and/or Modified Warehouse Distribution Facilities*” (2008 GNG).

In 2020, staff prepared recommended changes to the 2008 GNG and amendments to Title 19 – Zoning Code related to siting industrial development adjacent to sensitive receptors. Following meetings with the City Council, the LUC, Planning Commission, and public feedback, the 2008 GNG was modified as the Good Neighbor Guidelines for Siting New and/or Modified Industrial Facilities 2020 (GNG 2020) and forwarded to City Council for consideration along with Title 19 – Zoning Code and specific plan amendments that would implement the 2020 GNG.

On November 10, 2020, the proposed GNG 2020, Title 19 – Zoning Code amendments, Hunter

Business Park Specific Plan amendments, and Sycamore Canyon Business Park Specific Plan amendments related to siting industrial uses adjacent to sensitive receptors were presented and unanimously approved by the City Council.

During the January 25, 2022, City Council meeting, following the Public Hearing for the Sycamore Hills Distribution Center project, Councilwoman Plascencia requested a review of the zoning regulations for Warehousing and Distribution Facilities within Riverside and other jurisdictions be brought to a future meeting of the Land Use, Sustainability and Resilience Committee. The review would include strategies to address quality of life issues, including but not limited to reducing Riverside's carbon footprint and exploring community benefits (Attachment 1).

Since then, additional concerns related to impacts associated with warehousing and distribution facilities, including air pollution deriving from increased warehouse & distribution growth and increased health risks to nearby residents, have developed. Recent changes to warehouse & distribution regulations in surrounding jurisdictions related to possible community benefits, and a proposed state bill, provide additional context for direction of warehouse & distribution development in Riverside.

## **DISCUSSION:**

### **Regional Trends and Context**

According to recent data from the Coldwell Banker Richard Ellis (CBRE) real estate group, warehouse & distribution growth in the Inland Empire has been fueled by the rise of the e-commerce sector and logistics.

Between 2004 and 2020, the Inland Empire has added nearly 600 million square feet of warehouse & distribution space. Today, there is an unmet demand of more than four million square feet of warehouse & distribution space in the Inland Empire. In Q1 of 2022, Eastern Inland Empire including the cities of Riverside, Colton, Perris, and San Bernardino had over 250 million square feet of warehouse & distribution space, making it the greatest concentration in the Inland Empire. In Q3 of 2020, the amount of warehouse & distribution square footage under construction in the region was up 20.4% over the previous year.

Demand for warehouse & distribution development in the Inland Empire continues to increase as vacancy rates for warehouses reach the lowest rate (e.g., Q3 of 2021 - vacancy rate of 0.7%) despite the price increase of industrial leases from \$0.57 per square foot in 2018 to \$1.07 in 2021. In 2021, the Inland Empire was ranked third in the country for the number of leases for spaces greater than one million square feet. The ten biggest warehouse leases located in the Inland Empire are located in Riverside and San Bernardino County (over 10.2 million square feet combined). But warehouse & distribution construction has not kept up with demand.

According to CBRE, warehouse & distribution development is likely to continue to increase well into 2030. At the same time, according to the California Employment Development Department, job openings for warehouse workers will likely exceed all other job occupations in the area.

### **City of Riverside Policies**

#### ***Good Neighbor Guidelines***

The Good Neighbor Guidelines for Siting New and/or Modified Industrial Facilities 2020 (GNG 2020) (Attachment 2) were codified in the Zoning Code and seek to balance the need to minimize

potential negative impacts on sensitive receptors with the economic growth potential related to industrial/warehouse & distribution development. Specific amendments address concerns regarding air quality, noise, neighborhood character and health risks resulting from warehouse & distribution development. Policies within the GNG 2020 are consistent with current California Air Resources Board (CARB), South Coast Air Quality Management District (AQMD) and the Western Riverside Council of Governments (WRCOG) policies and guidance. GNG 2020 Policies include:

1. **Air Quality** - Minimizing air quality impacts - requiring modeling to identify significant air quality impacts, limiting idling and promotion of installation of electric loading back hookups for refrigerated trucks.
2. **Noise**
  - a. Locating driveways, docks, and bays away from sensitive receptors to the maximum extent possible.
  - b. Minimizing traffic in residential areas through specific traffic routes and Transportation Demand Management measures.
  - c. Ensuring compliance with Title 7 – Noise Code.
3. **Neighborhood character**
  - a. Minimizing visual impacts by providing tiered regulations related to height, setbacks, building massing and requiring screening when adjacent to sensitive receptors.
  - b. Signage requirements and encouraging facilities to provide information to truck drivers related to the closest amenities.

### ***Innovation District***

In October 2021, City Council amended Title 19 – Zoning Code to implement the 2021-2029 6<sup>th</sup> Cycle Housing Element Update of the General Plan, including establishment of the Innovation District Overlay Zone (ID Overlay Zone) and its application to the area bounded by Third Street, the Burlington-Northern-Santa Fe Railroad and Interstate 215 (the Triangle). The ID Overlay Zone implements the goals, policies, and principles of the Innovation District Master Plan to facilitate the development of innovative and creative businesses, research facilities and housing in a transformed, walkable, mixed-use neighborhood where underutilized industrial properties exist today.

The ID Overlay Zone created five sub-districts: Industrial Emphasis (IE), Employment Emphasis (EE), Housing Emphasis (HE), Eastside Transition (ET) and Civic Space (CS). Warehousing and Distribution Facilities are only permitted within the IE sub-district, located closest to the rail and highway corridors on the edges of the Triangle, and must meet specific development and design standards (Attachment 3). The EE and HE sub-districts allow some light industrial uses, but these do not include warehousing and distribution facilities. Any development must also comply with the GNG 2020.

### **Title 19 – Zoning Code and Comparative Analysis with Surrounding Jurisdictions**

The GNG 2020 and related Title 19 updates established regulations for development in all of Riverside’s industrial zones. Key changes were made to codify additional standards intended to reduce air quality, noise, health and visual impacts from new warehouse & distribution development adjacent to residential zones or uses as summarized below.

Staff researched and analyzed surrounding jurisdictions including Fontana, Colton, Riverside County and Ontario to complete a comparative analysis of Riverside’s requirements. The analysis

generally indicates that Riverside meets or exceeds the requirements in the surrounding jurisdictions as it relates to regulations for development adjacent to sensitive receptors. The analysis also identifies areas where additional standards could be applied. A comparative analysis of Riverside's requirements as they relate to those of the other jurisdictions surveyed is provided below, organized by topic area.

## A. Permit Type Requirements

Title 19 includes permit requirements for warehouse & distribution facilities based on building size in order to provide greater discretion and oversight of this type of development that is commensurate with potential impacts to air quality, noise and neighborhood character, which have a proportional relationship to building size.

**Table 1 – Permit Type Requirements – Riverside and Surrounding Jurisdictions**

Jurisdiction	Building Size	Permit
Riverside	10,000 sq. ft. or less	P/MC
	10,000 sq. ft. - 100,000 sq. ft.	MC/C
	Greater than 100,000 sq. ft.	C
Riverside County	All sizes	P
Fontana	All sizes	P
Colton	All sizes	P
		C required for Warehouses with Truck Storage
Ontario	All sizes	P/C

*P = Permitted by right; MC = Minor Conditional Use Permit; C = Conditional Use Permit*

## B. Specific Use Regulations – Warehouse & Distribution Facilities

Title 19 includes specific development and operational standards for Warehousing and Distribution facilities include the need for applicable studies related to air quality and health risks and include requirements to reduce noise related to loading docks, truck idling and queueing when adjacent to a residential use. Chapter 19.435 Warehousing and Distribution Facilities codifies specific development standards for warehousing facilities based on square footage, becoming more restrictive as size increases:

### 1. Buildings 10,000 square feet or less

- a. Driveways, loading areas, docks, truck wells, internal circulation routes and storage areas must be:
  - i. Oriented away from sensitive receptors to the extent feasible.
  - ii. Fully screened if adjacent to residential zone.
- b. All operations must comply with Title 7 – Noise Code.

### 2. Buildings larger than 10,000 square feet and less than 100,000 square feet

- a. All of the previous requirements apply.
- b. Temperature-controlled trucks or trailers must:
  - i. Have electrical hookups at loading docks.
  - ii. May not use auxiliary truck engine to power climate control equipment.
- c. Truck idling cannot exceed five minutes.

### 3. Buildings 100,000 square feet and larger

- a. All of the previous requirements apply.
- b. Queuing lanes or aisles must:
  - i. Have sufficient space to accommodate queuing of trucks.
  - ii. Not obstruct regular vehicular, pedestrian circulation or emergency equipment access.
- c. Facilities generating 150 or more truck trips must prepare a Health Risk Assessment (HRA).
  - i. Required when buildings 100,000 square feet or greater generate 150 or more trips per day.
  - ii. Required when there is any industrial development within 1,000 feet of a residential zone or use (Attachment 4).

### **C. General Development Standards**

The General Development Standards related to height, building size, setback and parking for the City of Riverside and other jurisdictions were reviewed and compared. The details are included in attachments as identified below and include:

#### **1. Maximum Building Height (Attachment 5)**

- a. Riverside
  - i. Maximum building height of 45 feet for any building in the Industrial zones.
  - ii. Limits height to 35 feet within 200 feet of a residential zone or use.
  - iii. If parcel or lot abuts a residential zone or use, a minimum eight-foot-high solid masonry wall is required along the property line.
- b. Surrounding Jurisdictions
  - i. Ontario limits the maximum building height to 45 feet within their Light Industrial (IL) Zone whenever an industrial use abuts a residential zone.
  - ii. Other jurisdictions surveyed addressed taller buildings by providing graduated setbacks, where the maximum allowable height of the building increases the further it is from the property line.

#### **2. Maximum Building Size (Attachment 6)**

- a. Riverside
  - i. Industrial buildings within 200 feet of a residential zone or use - maximum floor area of 10,000 square feet.
  - ii. Industrial buildings within 200 through 800 feet of a residential zone or use – maximum floor area of 100,000 square feet.
  - iii. All other areas, the maximum allowed building size is controlled by the maximum Floor Area Ratio (FAR) for the zone.
- b. Surrounding Jurisdictions
  - i. Ontario limits the maximum allowed building size for the Light Industrial (IL) District within 200 feet of a residential zone to 45,000 square feet (single tenant) and 60,000 sq. ft (multi-tenant).
  - ii. The same maximum building size restriction also applies to all buildings within the Business Park (BP) and Industrial Park (IP) Districts.
  - iii. Other jurisdictions do not provide a maximum allowed building size.

#### **3. Minimum Setbacks (Attachment 7).**

- a. Riverside

- i. Minimum 60-foot side and rear setback with minimum 15 feet of landscaping along property line when adjacent to a residential zone or use.
- b. Surrounding Jurisdictions
  - i. Colton - least restrictive minimum side and rear setback of 15 feet when adjacent to a residential zone.
  - ii. Riverside County (I-P Zone) provides a minimum side and rear setback of 50 feet.
  - iii. Other jurisdictions generally less restrictive.

#### **4. Parking Requirements (Attachment 8)**

- a. Riverside
  - i. 1 parking space per 1,000 square feet of floor area plus one space per 250 square feet of office area.
  - ii. Parking may also be provided on the same lot or within 300 feet of the site.
- b. Surrounding Jurisdictions
  - i. Fontana
    - a. 1 parking space per 1,000 square feet up to 20,000 square feet.
    - b. 1 parking space per 2,000 square feet of additional floor area for the next 20,000 square feet.
    - c. 1 parking space per 5,000 square feet of additional floor area greater than 40,000 square feet.
    - d. No additional parking for office area.
  - ii. Colton
    - a. 1 parking space per 1,000 square feet up to 10,000 square feet.
    - b. 1 parking space per 2,000 square feet for floor area greater than 10,000 square feet.
    - c. 1 space per 250 square feet of office area.
  - iii. Ontario
    - a. 1 space per 1,000 square feet for floor area less than 20,000 square feet.
    - b. ½ parking space per 1,000 square feet for floor area greater than 20,000 square feet.
    - c. No additional parking for office area.
  - iv. Riverside County requires 1 parking space per 2,000 square feet.

### **Potential Development Areas in Riverside**

#### ***Projects in Process***

In the City of Riverside, a total of 21 projects totaling up to 3,724,576 square feet of development are currently in process (Attachment 9), including:

- A. Two warehouse projects under construction (654,330 square feet);
- B. Eight entitled warehouse projects (Planning approval but construction not started) (919,552 square feet);
- C. Seven proposed warehouse projects currently working through the entitlement process (857,925 square feet); and
- D. Four warehouse projects undergoing preliminary pre-application process (Conceptual Development Review) (1,292,769 square feet).

### ***Vacant Sites Analysis***

Staff completed a vacant site analysis of potential locations for warehouse & distribution facility development sites that currently exist in the City. The analysis assumed a minimum warehouse & distribution development size of 100,000 square feet with a minimum floor area ratio of 0.5 which would translate into a minimum site of approximately four acres. The analysis looked at all parcels within an Industrial Zone (General Industrial, Business and Manufacturing Park, Airport Industrial and Northside Specific Plan – Business/Office Park Zones) of at least four acres. The land use category was then identified from County tax assessor data to identify potential development sites that are currently vacant (Attachment 10).

Based on the vacant sites analysis, it appears that the majority of industrially zoned land (78 percent) within the City is already developed. The vacant sites analysis identified 67 existing vacant parcels over four acres in size, comprising 590 acres that could be developed with warehouse & distribution uses in the future. This comprises 13 percent of the City's existing 4,558 acres of industrially zoned land (the remaining nine percent of undeveloped industrial land being less than four acres in size).

It is important to note that contiguous vacant sites may be consolidated to accommodate larger development projects. Similarly, sites with existing, older development (generally more than 40 years) could also potentially be redeveloped or consolidated to accommodate larger development. Where this may occur is difficult to assess as it would require willing ownership, land assembly and tenant relocation efforts.

### **South Coast Air Quality Management District (AQMD)**

In May 2021, AQMD adopted Rule 2305, the Warehouse Indirect Source Rule and the accompanying Warehouse Actions and Investments to Reduce Emissions (WAIRE) Program (Attachment 11 and 12). The rule seeks to reduce local and regional emissions of nitrogen oxides and particulate matter associated with warehouses by regulating the vehicles travelling to and from as indirect sources.

Rule 2305 applies to owners/operators of existing and new warehouses within the South Coast Air Basin with at least 100,000 square feet of indoor floor space. Currently in Phase 1 of implementation, warehouses over 250,000 square feet must comply with this Rule. The remaining requirements will phase in to eventually require compliance for all warehouses 100,000 square feet and larger within the South Coast Air Basin.

The WAIRE Program requires that warehouse owners and operators obtain WAIRE points to offset the number of trips to and from warehouses. These points may be earned through implementing emissions reducing activities or paying mitigation fees to AQMD. These fees may then be used to fund clean air projects in communities near warehouses based on project proposals and subject to AQMD board approval.

An Initial Site Information Report must be submitted by the owner or operator containing the WAIRE Points Compliance Obligation based a formula which weighs different variables to enumerate the number of WAIRE points required for the 12-month compliance period. Following the 12-month period, an Annual WAIRE Report must be submitted including truck trip data and how many WAIRE points were earned from the emission reducing activities or paying mitigation fees. Warehouse owners or operators may choose to earn WAIRE points through a customized plan to meet the number of WAIRE points required. Transfer of WAIRE points is only possible in limited circumstances in order to avoid creating a cap-and-trade-like marketplace for compliance points.

The mitigation fees collected through Rule 2305 will not be known until at least 2024 following implementation of Phase 1 and the 2023 annual reporting period.

### **Proposed Legislation - AB 2840: Qualifying Logistics Use Projects**

Assembly Majority Leader Eloise Gómez Reyes introduced Assembly Bill (AB) 2840 on February 18, 2022, which would amend the Government Code to regulate the development of certain industrial uses near sensitive receptors (Attachment 13). The bill would prohibit approval of the development or expansion of any qualifying logistics use within 1,000 feet of any sensitive receptor.

Although Riverside does not have a 1,000-foot buffer for new development adjacent to sensitive receptors, Title 19 requires any new industrial use located within 1,000 feet of a residential zone or use to conduct an HRA. This is consistent with guidance provided by the SCAQMD. Only the City and County of Riverside require the HRA for new warehouse & distribution facilities.

Additionally, the bill would require that the project applicant of any industrial use provide a written construction careers agreement that would require a minimum percentage of local hiring and use of skilled and trained labor for all construction work. While local and skilled and trained workforce hiring preferences involving public resources (such as financing or property) are common in California, this bill appears to be the first of its kind to broadly require such agreements for private development that does not involve public resources.

### **Consideration Items – Moving Forward**

The following summarizes additional items that could be considered as it relates to warehouse & distribution development in Riverside. These considerations have been put in place by surrounding jurisdictions and could be considered by the City as an additional requirement for warehouse & distribution facilities.

#### ***Alternative Energy Requirements***

In March 2022, Fontana passed Ordinance No. 1891 to clarify requirements for alternative energy and improvements to construction of industrial commerce centers (Attachment 14). Fontana requires various sustainability standards such as requiring all roofs be solar ready, on-site motorized operational equipment to be zero emission, and requires sustainable practices during the construction process of the project. Fontana requires that the development identify a location where future electric truck charging stations may be installed and requires that the highest CARB Tier technology be used during construction of the project.

The City of Riverside does not have a similar requirement for alternative energy requirements, but they could be considered.

#### ***Development Agreements***

Development Agreements (DA) are legally binding contracts between a developer of a project and a local government. DA allow greater flexibility and certainty within the scope of a local government's zoning code and regulations in exchange for community benefits beyond those for which current regulations allow. The developer and local government agree to standards and conditions that will govern the project throughout its development.

DAs have been negotiated for warehouse & distribution projects within the region. The Fontana Foothills Commerce Center project entered into a DA with the City whereby they agreed to pay



public benefit fees to balance public needs with the project. Fontana also required community benefits in the Summit at Rose Specific Plan project which required the developer improve park lands and pay fees for landscape improvement, storm drain, fire station and multi-species habitat conservation.

In Riverside, a DA may be initiated by a qualified applicant or by action of the City Council per Resolution No. 15475. The City defines a qualified applicant as a person or entity who has legal or equitable interest in the real property for which the project is being developed. The City Attorney's Office would need to be involved in developing any DA. Processing of a DA is completed by the City's Planning Division. A public hearing is held by the Planning Commission and their decision will be considered by the City Council at another public hearing.

### ***Community Benefit Agreements***

Community Benefit Agreements (CBA) are legally enforceable contracts entered into by a community group or groups and a developer which set forth a range of community benefits as part of a development project. CBA allow community members to advocate for benefits such as wages, local hire requirements, provision of on- or off-site amenities, or funding or in-kind contributions to offset project impacts beyond what may be possible through the development review or CEQA processes.

A CBA can also help secure community support for a project to successfully complete the development process. There are no local CBAs for a warehouse & distribution development project within the region, but there was a CBA for the 2015 "Revive Oakland" Oakland Army Base project for a warehouse & distribution complex. After five years, the Revive Oakland CBA agreed to hire at least 50% of workers from Oakland, ban pre-screening job applicants, limit use of temporary workers, and ensure that 25% of jobs are reserved for disadvantaged workers.

A CBA may be implemented through a Development Agreement and can be enforced by the local government or participating community groups. A local government can enforce a CBA, coordinated through input from the community with agreement from the developer. Additional information on CBAs can be found at: [www.forworkingfamilies.org/page/cba-101](http://www.forworkingfamilies.org/page/cba-101).

In the City, there are currently no requirements for a CBA which could be implemented through a City-wide policy and implementing ordinance. Coordination with the City Attorney's Office would be required to move forward with a CBA policy.

### ***Community Engagement***

According to a report conducted by Office of the Attorney General, community input for warehouse & distribution projects ensures mutually beneficial outcomes for the developer and the community (Attachment 15). WRCOG's GNG requires community engagement for warehouse projects that can be fulfilled in a variety of ways including public meetings and site visits of facilities for neighbors. Riverside County's GNG includes an option to require a developer to pay a one-time community benefit funding contribution to off-set potential air quality impacts above and beyond any CEQA related mitigation measures. The funding contribution will directly impact the community where the project is located.

Riverside's existing requirement for community engagement for warehousing & distribution facility development is limited to the required public notice for CUPs/MCUPs and a public hearing for CUPs. Additional engagement requirements could be developed and implemented to enhance the noticing process. A citywide Community Engagement Policy is currently underway and a final draft will be presented to the Inclusiveness, Community Engagement, and Governmental Process Committee this summer and then to the City Council in Fall of 2022.

## **STRATEGIC PLAN ALIGNMENT**

This item contributes to **Strategic Priority 3 – Economic Opportunity (Goal 3.1 – Facilitate partnerships and programs to develop, attract and retain innovative business sectors)** and **Strategic Priority 4 – Environmental Stewardship (Goal 4.4 - Implement measures and educate the community to responsibly manage goods, products and services throughout their life cycle to achieve waste reduction outcomes).**

This Project aligns with the following Cross-Cutting Threads as follows:

1. **Community Trust** – The update on warehouse & distribution facilities is presented at an open public meeting and contains transparent information on City processes and regulations.
2. **Equity** – The update on warehouse & distribution facilities seeks to promote environmental justice so that impacts of new facilities are minimized on residents.
3. **Fiscal Responsibility** – The update on warehouse & distribution facilities will not have any fiscal impact to the City.
4. **Innovation** – The update on warehouse & distribution facilities is seeking best practices that will innovate how the City addresses these facilities in the future.
5. **Sustainability & Resiliency** – The update on warehouse & distribution facilities seeks to minimize the environmental impacts of these facilities in the future.

## **FISCAL IMPACT**

There is no fiscal impact associated with this report.

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Approved as to form: Phaedra Norton, City Attorney

Attachments:

1. City Council Meeting Minutes – January 25, 2022
2. Good Neighbor Guidelines Policy – 2020 (GNG 2020)
3. Title 19 (Zoning) – Chapter 19.170 – Innovation District Overlay Zone
4. Title 19 (Zoning) – Chapter 19.435 – Warehousing and Distribution Facilities
5. Comparison Table – Building Height
6. Comparison Table – Building Size
7. Comparison Table – Setbacks
8. Comparison Table – Parking
9. Warehouse & Distribution Facility Projects in Process
10. Potential Industrial Development Areas
11. SCAQMD Rule 2305 – Warehouse Indirect Source Rule
12. Rule 2305 – Frequently Asked Questions
13. Assembly Bill 2840 – Bill text
14. City of Fontana Ordinance No. 1891

15. Warehouse Projects: Best Practices and Mitigation Measures to Comply with CEQA

16. Presentation