

NAIOP

COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION

SoCAL CHAPTER

NAIOP SoCAL LEGISLATIVE UPDATE

A Periodic Update on Key Issues
Impacting Commercial Real Estate in Southern California

2022 Mid-Year Update for Gavel Sponsors

2022 has been a politically restless year for commercial real estate. Legislators and special interests have accelerated their efforts and targeted the industry on various fronts. NAIOP SoCal has been at the forefront defending the commercial real estate industry against higher property taxes and warehouse moratoriums while increasing our voice on matters related to electrification and reducing emissions.

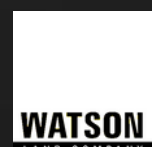
NAIOP SoCal also took initiative in changing the industry's legislative advocacy. Instead of being only on the defensive, NAIOP SoCal backed the Taxpayer Protection Act which served as a long-term protection against excessive taxes at the state and local level without 2/3 voter approval. Furthermore, in the first quarter of 2022, we arranged "meet and greets" with an L.A City Councilman, two members of the U.S. House of Representatives, a State Assemblymember and a State Senator. These meetings provided opportunities for NAIOP SoCal members to build deeper relationships with legislators and educate them on the positive contributions commercial real estate makes to communities across Southern California.

This Gavel Sponsor Newsletter provides an update on legislation we are tracking and the course of action NAIOP SoCal is taking to defend the commercial real estate industry.



Tim Jemal
CEO
NAIOP SoCal

2022 Gavel Sponsors



Local Issues

Policy Issue: Warehouse Moratoriums

The COVID-19 pandemic created a surge of growth of large warehouses, distribution facilities and related businesses throughout Southern California. This has gained the attention of legislators, regulators and environmental justice advocacy groups. As a result, many legislators and special interests are seeking policies to substantially increase regulation of warehouse developments.

Warehouse Moratorium Tracking Chart - Southern California

The following is a chart of all the warehouse moratoriums enacted by cities that NAIOP SoCal and NAIOP IE have tracked in Southern California. The start dates and expiration dates, if available, are listed or the status of the moratorium if it has not been enacted.

Inland Empire Moratoriums

City of Rialto	Moratorium start: Mar. 2020	Moratorium ended on Jan. 2021
City of Riverside	Moratorium start: Mar. 2020	Replaced Moratorium with Good Neighbor Policy
City of Rancho Cucamonga	Moratorium start: Nov. 2020	Moratorium end: June 2021
City of Jurupa Valley	Moratorium start: Jan 2021	Moratorium end: Dec. 2022
City of Colton	Moratorium start: April 2021	Moratorium ends: May 2023
City of San Bernadino	Moratorium never enacted	Moratorium defeated
City of Beaumont	Moratorium start: Oct. 2019	Moratorium end: July 2021
City of Fontana and Meniffee	Pending	
City of Redlands	Moratorium start: June 2022	Moratorium has not ended
City of Chino	Moratorium start: Oct. 2021	

Orange and Los Angeles Counties Moratoriums

City of Carson	Status: pending	
City of Vernon	Moratorium start: June 2022	Moratorium ends: Aug 2023
City of Pomona	Moratorium start: July 2022	Moratorium has not ended
City of Irvine	Status: Pending	

STATUS: The City of Carson is considering implementing an urgency ordinance that will require a conditional use permit for developments of facilities that exceed 5,000 square feet in light and heavy manufacturing zones.

NAIOP SoCal POSITION: OPPOSE

NAIOP SoCal's Legislative Affairs Committee unanimously voted in favor of opposing this proposed ordinance and sending a letter of opposition to the Carson City Council.

Warehouse and Logistics Facilities Down Zone - City of Irvine

STATUS: On February 3rd, 2022 the Irvine Planning Commission approved initiating a zoning revision to regulate warehouse and logistics projects. The revisions could include changes to definitions, appropriate zoning for covered uses, development standards and entitlement processes.

NAIOP SoCal POSITION: MONITORING

NAIOP SoCal's Legislative Advocate, Jose Cornejo, is in contact with city staff to inquire about any potential draft proposal. City staff has not provided any new information at this time.

Warehouse Moratorium Discussion - City of Pomona

STATUS: On July 18th, 2022 the City Council passed a 45-day warehouse moratorium, with a possible 2-year extension, on the establishment, expansion, or modification of the following:

- Common carrier trucking companies.
- Trucking facilities and stations.
- Warehouses

On August 15th, 2022 City Council decided to extend the moratorium for 10 months and 15 days. The warehouse moratorium will remain intact until July 2023.

NAIOP SoCal POSITION: OPPOSE

Warehouse Moratorium Discussion - City of Santa Fe Springs

STATUS: As a result of NAIOP SoCal member engagement and opposition, a warehouse moratorium in the city of Santa Fe Springs was postponed

Warehouse Moratorium - City of Vernon

STATUS: On June 21, 2022 the Vernon City Council adopted a 45-day moratorium, with a possible 2-year extension, on the construction of new warehouse and logistic centers while the city decides what additional regulatory actions it will take.

On August 2nd, 2022 the City Council will hold a public hearing on the "development agreement" requirement for warehouse and logistic center projects on lots exceeding 150,000 s.f which would essentially allow the city to impose inconsistent regulations on covered uses.

NAIOP SoCal POSITION: OPPOSE

- During the public comment session at the June 21st, 2022 city council meeting Legislative Affairs Committee Chair Stephane Wandel requested that the City Council work with NAIOP SoCal on a better solution instead of imposing a draconian moratorium.

- At the July 14, 2022 Vernon Business and Industry Commission (BIC) meeting, NAIOP SoCal Legislative Advocate, Jose Cornejo, voiced NAIOP's concern with the proposed development agreement's requirement's unclear language with Vernon's BIC
- On July 26, 2022 NAIOP SoCal sent a letter to the city council opposing the moratorium and requesting the city to discuss and collaborate on developing a well-rounded solution.

Warehouse Moratorium - City of Redlands

STATUS: On June 21, 2022 the Redlands City Council unanimously passed a 45-day moratorium on the construction of new warehouse/logistics centers to investigate the purported impacts on the health of the community caused by activities associated with warehouses.

Consideration of New Green Building Development Standards - City of Irvine

STATUS: Irvine's City Council unanimously voted in favor of ordering staff to draft building decarbonization ordinances for consideration and gather more information on the impacts that electrification will bring. Staff does not expect to have any updates or draft ordinances before summer 2022

NAIOP SoCal POSITION: MONITORING

- NAIOP SoCal is closely monitoring this item for updates and will actively oppose if necessary.

POLICY ISSUE: ELECTRIFICATION

California is accelerating its transition to green energy sources. As such, electrification has garnered more attention and legislators are considering implementing policies that will steer developers towards building structures that are completely or primarily electrically powered. Below are some of the electrification policies that NAIOP SoCal is tracking.

City of Los Angeles Zero Emissions Building Motion - City of Los Angeles

STATUS: On February 9, 2022, Councilwoman Raman introduced a motion to require new residential and commercial buildings in Los Angeles to be constructed with zero emissions standards in mind and such standards are to be implemented before January 1, 2023.

NAIOP SoCal Position: Monitoring

- NAIOP SoCal is closely monitoring the issue and is ready to actively oppose.

Building Electrification - City of Pasadena

STATUS: The City of Pasadena unanimously passed an ordinance that mandates the electrification of certain newly constructed buildings. Under the ordinance, buildings requiring electrification include:

- Newly constructed multi-family buildings greater than 3 units.
- Newly constructed mixed-use buildings.
- Newly constructed commercial buildings.

Existing commercial buildings with new additions that add fifty percent (50%) or more of the existing square foot area. In such cases, the entire building must convert to complete electrification. Sequencing is different than in prior sections.

NAIOP SoCal Position: Monitoring

POLICY ISSUE: TAXATION

Special interests and lawmakers have introduced a slew of new taxation policies. This year, commercial real estate has faced a flurry of taxation attempts. NAIOP SoCal has closely tracked and advocated against these policies.

Business License Tax Ballot - City of Santa Fe Springs

STATUS: City Council considered placing on the November 8, 2022 ballot a measure that would have restructured the city business license tax in a manner that would extract more tax revenue from businesses.

The new business license tax would have been based on gross receipts for most of the businesses in the city while industrial businesses would be taxed on a \$0.10 per square foot rate. However, property owners would have been exempted from paying any business license taxes.

Thanks to NAIOP SoCal member engagement and opposition the business license tax will not be on the November ballot.

Los Angeles Program to Prevent Homelessness and Fund Affordable Housing (Document Transfer Tax) Initiative - City of Los Angeles

STATUS: The Document Transfer Tax initiative has qualified for the November 8, 2022 ballot and now voters will get to decide if the proposal becomes law.

This tax initiative imposes an exorbitant 4.5% tax on the sale of properties over \$5 million and a ludicrous 5.5% tax on properties over \$10 million. This initiative is another scheme by special interests groups to purportedly solve the housing and homeless crisis in the City of L.A.

NAIOP SoCal POSITION: OPPOSE

Funding for Homelessness Prevention, Affordable Housing, and Schools Initiative (Document Transfer Tax) - City of Santa Monica

The City of Santa Monica has officially certified this document transfer tax initiative and will be placed on the November 8, 2022 ballot for voters to decide if it becomes law.

This tax proposal would impose an unreasonable tax rate of \$56 per \$1,000 for all properties valued at \$8 million or more. Just like the Los Angeles groups, the special interests groups, which the mayor of Santa Monica is part of, that proposed this tax initiative suggest that these funds will keep Santa Monica schools afloat and solve the housing crisis.

NAIOP SoCal POSITION: OPPOSE

- NAIOP SoCal will provide updates as they arrive and is ready to actively oppose this initiative.

Warehouse Tax - City of Pomona

STATUS: On August 1st, 2022 the Pomona City Council voted to place a Warehouse Special Parcel Tax on the November 8, 2022 ballot. Therefore, the Special Parcel Tax would have to receive a $\frac{2}{3}$ voter majority to be enacted. Staff's justification for this measure targeting industrial properties is the unfounded claim that warehouse and logistic centers are responsible for all the damage that is on public streets and other infrastructure.

The parcel tax measure will tax industrial properties at a rate of \$0.15 per square foot. This will allow the city to extract about \$13.9 million per year from industrial businesses.

NAIOP SoCal POSITION: OPPOSE

Business License Tax Reform - City of Santa Ana

A business license tax reform measure has been placed in the November Ballot in the City of Santa Ana. This tax reform would **lower the business license tax fee for most businesses**. The ballot measure now has to receive a **simple majority vote (50% or more)** to be enacted.

Retail, services, admin HQ's, commercial property rentals, and home based business **will be taxed at Single Gross Receipts tax rate: \$0.65 per \$1,000**. Wholesale, manufacturing, processing, gas & motor Fuels, telephone, and utilities **will be taxed at a single gross receipts tax rate of \$0.50 per \$1,000**.

NAIOP SoCal Position: Pending

HOUSING

California legislators are facing increasing pressure to address homelessness and rising housing prices. As a result, cities have focused on ways to incentivize/steer developers into building more affordable housing units. Below are the policies that are currently being pursued by municipalities in Southern California to increase the production of housing.

Inclusionary Housing Requirement - City of Newport Beach

STATUS: On March 22nd, 2022 the City Council delayed implementing an inclusionary housing ordinance requiring developers to either include a specified percentage of low and/or moderate income housing in new residential developments or pay an in-lieu fee. The Council cited concerns about noncompliance with the Housing Element, a policy document identifying necessary policies to meet current and future housing needs.

Policy approaches include mandating apartment developments to dedicate a specific amount of housing units to low-income households. 15% for projects with 50 or more housing units and 7% for those with less than 50.

NAIOP SoCal POSITION: MONITORING

Affordable Housing Opportunity and Creation Ordinance - City of Santa Ana

STATUS: On April 19th, 2022 the Santa Ana City Council enacted an ordinance on a second reading and adopt. The ordinance enacted inclusionary housing requirements for new residential projects and penalized lack of compliance with a fee. In effect, the policy seeks to promote and incentivize the creation of more affordable housing.

PROVISIONS:

- All projects that were approved with an in-lieu fee of \$5, remain with the same agreement.
- A minimum of 5% of units in a new project shall be sold to moderate income households, down from 10% in the first version.
- The requirement to use a local skilled and trained workforce will be gradually integrated over time. However, this requirement will only apply to projects with 20 or more residential units/lots.
- Incorporated a local density bonus provision for for-sale units

NAIOP SoCal POSITION: MONITORING

Inclusionary Housing Mandate - City of Fullerton

STATUS: On July 5th, 2022 the Fullerton City Council ordered the Planning Commission to analyze Inclusionary Housing policies adopted by surrounding cities as a result of staff recommending the implementation of a similar policy.

NAIOP SoCal POSITION: MONITORING

State Issues

AB 2840: Warehouse Ban Bill

At the start of the year, Assemblywoman Eloise Gómez Reyes introduced Assembly Bill 2840. The bill proposed a statewide ban on the construction of all warehouse developments that are 100,000 s.f or more within 1,000 ft of a "sensitive receptor" which refers to basically most non-industrial uses. Any projects not banned would have required a Project Labor Agreement (PLA) as a condition for approval.

NAIOP SoCal made it a top priority to defeat AB 2840 given the destructive impact it would have on the movement of goods, housing starts, and job creation. As such, NAIOP SoCal launched a grassroots campaign which involved our members and the broader commercial real estate industry in the legislative process by having them email and call the offices of legislators to register their opposition to the bill using our One-Click software. NAIOP SoCal also mobilized by joining a broad statewide business and commercial real estate coalition in opposition to AB 2840.

AB 2840 passed the Assembly Committees on Local Governments and Appropriations, and by a single vote on the Assembly floor. However, before passing the State Assembly, the scope of the bill's applicability was narrowed down to only Riverside and San Bernardino Counties. Once it reached the Senate, it was referred to the Governance and Finance Committee to be heard on June 22nd. The hearing was postponed, and was finally heard on June 29th, 2022. In the weeks of June 20th and 27th, 2022 NAIOP SoCal CEO Tim Jemal and

our Legislative Advocate Jose Cornejo traveled to Sacramento to speak with legislators on the Senate Governance and Finance Committee and attend the hearing. On the digital campaign front, NAIOP SoCal members sent over 2,000 emails and made dozens of calls to legislators.

In the end, AB 2840 was defeated. Assemblywoman Reyes decided to hold the bill for the rest of the year after rejecting further amendments to the bill such as imposing a one-year moratorium instead. However, she did promise to bring back the bill next year.

This significant victory is a first step in changing the narrative surrounding the commercial real estate industry. We must continue working towards strengthening our advocacy, combating destructive policies such as AB 2840, and better educating elected officials on the positive contributions commercial real estate makes to quality of life throughout California.

Taxpayer Protection and Government Accountability Act

The Taxpayer Protection and Government Accountability Act (TPA) was a proposed initiative for the November 2022 ballot that would have limited the ability of legislators to pass new and higher taxes through giving voters the right to vote on all future tax proposals and holding governments accountable. NAIOP SoCal Strongly supports the measure but unfortunately it did not qualify for the November 2022 ballot due to not achieving the requisite number of signatures.

This initiative was developed by NAIOP SoCal's Sacramento partner, CBPA, and a broad coalition of real estate and business partners in response to Commercial Real Estate and other industries increasingly becoming a primary source for new taxes that California legislators and special interests seek to exploit whenever more funds are needed to support programs that cater to their base. This excessive taxation can be seen through Split-roll property taxes, housing in-lieu fees, document transfer taxes, and state agencies imposing taxes or "hidden fees."

The Taxpayer protection act would have served as a long-term protection against excessive taxes at the state and local level without 2/3 voter approval. This initiative would have achieved this through the following:

- Requiring all taxes (including levy, charge, fees, exaction) to acquire a 2/3rd majority vote in the legislature or local governments and giving voters a final say on passing of new taxes.
- Eliminating the ability of state agencies (i.e. South Coast Air Quality Management District) and the California Air Resources Board to impose fees or "hidden taxes" without a 2/3 majority vote.
- Prohibiting "Split Roll" property taxes by eliminating the ability to add surcharges exceeding Prop 13 limits for all properties and ensuring all property taxes to stay within their respective municipalities.
- Nullifying all tax proposals adopted after January 1, 2022 that do not comply with this Act.

It is now likely the TPA will appear on the 2024 ballot.

The California June Primary Elections have concluded. These elections do not necessarily mean that the candidate with the higher votes wins outright. For many of the races, the two candidates with the most votes will face off once again in the November general election. Our Legislative Advocate Jose Cornejo prepared a presentation that summarizes the results. Click [here](#) for the PowerPoint.

Federal Legislative Issues

Inflation Reduction Act

The U.S Senate passed the Inflation Reduction Act, a \$740 billion budget reconciliation measure with provisions to address climate change and energy security, extend federal healthcare subsidies, and allow Medicare to negotiate prescription drug prices. The bill will now be sent to the House of Representatives, where it is expected to pass. Once passed, President Biden will receive the bill and is expected to sign. Upon the president's signature, the bill will become law.

The bill also contained a proposal that would have changed the taxation of carried interest which would have greatly impacted the Commercial Real Estate industry. In response, NAIOP joined a broad group of business organizations to oppose to the changes. The carried interest taxation provisions were dropped before the bill was passed by the Senate.

2022 GAVEL SPONSORSHIP DISCUSSION SERIES

The political environment in California is becoming more hostile to the commercial real estate industry as legislators are not aware of the economic benefits that our industry provides. More than ever, it is imperative that we change the narrative by telling our story. As such, at the start of 2022 NAIOP SoCal launched its Gavel Sponsorship Discussion series where top legislators would be invited to discuss pressing issues concerning the commercial real estate industry and learn about NAIOP SoCal and its mission. This new series had three purposes in mind: First, to build relationships with legislators. Second, expand NAIOP SoCal's recognition in the political arena. Third, educate legislators on the value commercial real estate provides to jobs and the local economy.

NAIOP SoCal aimed to invite legislators from all levels of government. From the federal level, our members met with Congresswoman Michelle Steel and Nanette Barragán. At the state level, we met with Assemblywoman Sharon Quirk-Silva and Senator Bob Archuleta. Last but not least, NAIOP SoCal met with L.A City Councilmember Gil Cedillo. During these meetings, Legislators learned about NAIOP SoCal's mission and the reality about the commercial real estate industry. In terms of policy issues, key topics discussed include renewable energy, zoning legislation, the supply chain crisis, and the housing crisis.

In early Summer, NAIOP SoCal CEO Tim Jemal and NAIOP SoCal Legislative Advocate Jose Cornejo traveled to Sacramento multiple times to meet with Senators in the Governance and Finance Committee to discuss the Warehouse Ban Bill (AB 2840).

Overall, NAIOP SoCal made great progress in building relationships with public officials and expanding awareness of the commercial real estate industry. We will continue pushing forward with educating legislators about the value our industry creates for California which will ultimately allow us to take control of the narrative.

For more information on these or any other issue, please contact Timothy Jemal, CEO, NAIOP SoCal,
tjemal@naiopsocal, Tel. 949-636-8946
Stephane Wandel, Chairman, NAIOP SoCal Legislative Affairs Committee,
Wandel@ThriftyOil.com, Tel. 310-418-6588.

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