From: Jane Halstead
Sent: Tuesday, October 22, 2013 3:45 PM
To: Cindy Miller; Jane Halstead; Jesse Molina; Michele Patterson; Richard Stewart; Richard Stewart; Tom Owings; Victoria Baca; Yxstian Gutierrez
Cc: Michelle Dawson; Tom DeSantis; Suzanne Bryant; 'Tom Owings (towings123@gmail.com)'; 'Victoriabaca2000 (victoriabaca2000@gmail.com)'
Subject: Federal Grand Jury Subpoenas Served to the Custodian of Records

Mayor Owings & Members of the Council:

Investigators for the FBI delivered to the City Clerk the following subpoenas for records:

1. All documents relating to the following development projects in Moreno Valley: Any development by Ridge Property; Project Numbers P08-133; PA08-0098; PA10-0017, PA08-0097; and PA09-0022.
2. All documents relating to the following development projects in Moreno Valley: All Moreno Valley Properties and Highland Fairview Projects, including Skechers; and City of Moreno Valley project numbers PA07-0090; PA-07-0088; PA-07-0090; and PA-07-0091
3. All documents relating to the following development projects in Moreno Valley: The Aquabella project, including project numbers P11-029, PA-04-0005, PA04-0069, PA-04-0070 and PA-04-0082
4. All documents relating to Victoria Baca
5. All documents relating to the hiring, employment, and termination of Paul J. Early
6. All documents relating to Iddo Benzeevi
7. All documents relating to Tom Owings
8. All documents relating to Dr. Yxstain Gutierrez
9. All documents relating to development construction projects currently awaiting approval by the Moreno Valley City Council
10. All documents relating to pending or completed infrastructure projects in City Council District 3 of the City of Moreno Valley
11. All documents relating to the hiring, employment, and termination of Henry Garcia as City Manager
12. All documents relating to the hiring, employment, and termination of Barry Foster as Moreno Valley's Director of Economic Development
13. All documents relating to development construction projects approved by the Moreno Valley City Council
14. All documents relating to pending development construction projects currently pending approval of the Moreno Valley Planning Commission
15. All documents relating to the following development projects in Moreno Valley: Projects associated with the World Logistic Centers, including the Moreno Valley project numbers PA-12-0010, PA-12-0011, PA-12-0012, PA12-0013, PA-12-0014, PA-12-0015
16. All documents relating to development construction projects approved by the Moreno Valley Planning Commission
17. All documents relating to the following development projects in Moreno Valley: Projects associated with the company Prologis, including Moreno Valley project numbers P07-0081, PA-0081, PA-0084, PA-0142, PA-0158 and PA-0162
18. All documents relating to the following development projects in Moreno Valley: The Economic Development Action Plan approved by the City Council on April 26, 2011
19. All documents relating to Victoria Baca
20. All documents relating to Jesse Molina
21. All documents relating to Michael Geller
22. All documents relating to Richard Stewart
23. All documents relating to Marcelo Co
24. All documents relating to Jerry Stephens
25. All documents relating to the hiring, employment, and termination of Anne Schneider

26. All documents relating to Highland Fairview Corporation

Let me know if you have any questions.

Thank you.

Jane Halstead, CMC
City Clerk
City of Moreno Valley
14177 Frederick Street
Moreno Valley, CA 92552
[redacted]
F:(951)413-3009
W: www.moreno-valley.ca.us
janeh@moval.org

From: Michelle Dawson
Sent: Tuesday, October 22, 2013 4:58 PM
To: Everyone
Subject: Update on investigation, subpoenas, etc.

City staff: I want to continue updating you on what little I do know about the investigation that began last May with the search warrants served at the residences of our Council Members (the ones in office at that time) and others. Subpoenas were delivered to the Clerk's Office today for documents related to the items listed below (most of which, the Clerk indicates, have already been provided to them). In addition, I was served with a subpoena to appear before a grand jury next Wednesday, as was Tom DeSantis. Our testimony is being requested just as witnesses.

Also, some in the media have tried to make an issue of an item on tonight's Council agenda; it is a routine update by the City Clerk of the City's record retention policy. This is done every few years to keep current with technological advancements and to comply with State law. Other cities do this as a routine update as well. Prior year updates were approved by the Council in 2003 and again in 2007. An outside consultant has been working on this update for over one year, obviously well before any investigation began. Tonight's item is on the consent calendar, as was the previous update. The City Clerk will be pulling this item from the agenda and preparing a comprehensive report to present to the City Council at a later date when the consultant can attend and provide information regarding this routine update. I don't know if the record retention update prompted today's influx of subpoenas, but as always the Clerk's Office and City staff will comply fully in providing copies of these items.

I apologize for any distraction and thank you for your continued hard work serving the City of Moreno Valley.
--Michelle

Items subpoenaed today included the following:

1. All documents relating to the following development projects in Moreno Valley: Any development by Ridge Property; Project Numbers P08-133; PA08-0098; PA10-0017, PA08-0097; and PA09-0022.
2. All documents relating to the following development projects in Moreno Valley: All Moreno Valley Properties and Highland Fairview Projects, including Skechers; and City of Moreno Valley project numbers PA07-0090; PA-07-0088; PA-07-0090; and PA-07-0091
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22. All documents relating to Richard Stewart
23. All documents relating to Marcelo Co
24. All documents relating to Jerry Stephens
25. All documents relating to the hiring, employment, and termination of Anne Schneider
26. All documents relating to Highland Fairview Corporation

Subject: CEQA - Community Forum World Logistics Center
Location: CRC

Start: Mon 2/25/2013 6:00 PM
End: Mon 2/25/2013 8:00 PM

Recurrence: (none)

Meeting Status: Meeting organizer

Organizer: Tom Owings
Required Attendees: towings123@gmail.com

2/23/13 (cm)

Council/Staff Workshop

Council Chamber February 2, 2013

Topic: 3-Year Economic Development Action Plan

Background:

- In April 20011, Moreno Valley approved a 2-Year Economic Development (ED) Action Plan to capitalize on economic development opportunities in the short-term.
- The 2-Year ED Action Plan identified goal and objectives to advance economic development efforts in five geographic areas of the City including 1) TownGate, 2) Centerpointe Business Park, 3) South Moreno Valley Industrial Area, 4) City Center and 5) Eastern Moreno Valley-Rancho Belago.
- The 2-Year ED Action Plan also embraced the idea of strategically focusing the funding of projects within the Capital Improvement Program (CIP) to areas that can leverage economic development efforts.
- The advancement of a number of projects identified in the ED Action has been accomplished during the initial 15 months of the 2-Year ED Action Plan.

Discussion:

- A new 3-Year ED Action Plan has been drafted that would expand the focus of the ED Action Plan to eight geographic areas including 1) Edgemont, 2) TownGate, 3) Festival, 4) Centerpointe Business Park, 5) South Moreno Valley Industrial Area, 6) City Center & Medical/Healthcare Corridor, 7) World Logistics Center at Rancho Belago and 8) SR 60 East Corridor.
- The ED Action Plan is also recommended to include ten objectives aimed at increasing overall economic development efforts with 1) Business Attraction, 2) Business Retention and 3) Business Expansion.
- The preliminary schedule for the consideration and approval of the 3-Year ED Action Plan includes:

    1. Economic Development Subcommittee will review and evaluate the ED Action Plan on March 14
    2. ED Action Plan will be discussed at the April 2 City Council Study Session
    3. ED Action Plan will be considered for approval by the City Council on April 23

ECONOMIC DEVELOPMENT ACTION PLAN 2013-2016

An updated Economic Development Action Plan has been formulated to capitalize on near-term opportunities in eight geographic areas during a 3-year time frame. The focus of the updated Economic Development Action Plan includes the following goals and objectives in the eight recommended geographic areas:

Edgemont

Pursue the revitalization of the Edgemont area through the adoption of a multi-faceted redevelopment strategy.

- Work towards the upgrading the water system to ensure sufficient water pressure to allow for new development projects in this area.
- Use Neighborhood Stabilization program funding to acquire and land bank foreclosed properties-both single-family and multi-family residential.
- Conduct quarterly Neighborhood Clean-up programs.
- Retain a planning consultant to evaluate land uses to establish the highest and best land use designations for redevelopment efforts.
- Pursue a master developer to assist with the planning for redevelopment in the Edgemont area.

TownGate

Collaborate with the Fritz Duda Company and CW Capital towards stabilizing, upgrading and expanding retail and restaurant development opportunities in the TownGate area including the Moreno Valley Mall and the five shopping centers surrounding the regional mall including TownGate Center, TownGate Plaza, TownGate Crossing, TownGate Promenade and TownGate Square

- Continue to work with CW Capital-the owner of the Moreno Valley Mall in upgrading and attracting new users to the regional mall.
- Facilitate the planning and marketing for a 30,000 S.F. expansion project at the Moreno Valley Mall to include a new restaurant, retail and plaza area next to Harkins Theatres.
- Work with the Fritz Duda Company in the re-occupancy of vacant retail spaces and the overall stabilization of TownGate Center including new uses such as ULTA Beauty, BevMo and Planet Fitness.
- Assist in the processing of development plans for new projects in TownGate shopping centers including 24 Hour Fitness Sport, Miguels jr. Mexican Restaurant and Richie's Real American Diner.
- Cooperate with the Fritz Duda Company in pursuing the continued development of a 'Restaurant Row' area in TownGate Promenade.

Festival

Cooperate with the Kodash Company and Miller Family Trust-the ownership of the Festival Center, to explore ways to redevelop or enhance the viability of the Festival Center including rehabilitation efforts and incorporating new appropriate land uses.

- Help facilitate attracting new users and the upgrade of the Festival Center.
- Explore developing a new residential component at the Festival Center.
- Explore possibilities with Moreno Valley Unified School District of developing new education facilities at Festival.
- Evaluate developing sports or recreation facilities at Festival for use by the community to create a mixed-use development concept.

Centerpointe Business Park

Work with Ridge Property Trust and USAA Real Estate to expand development and business opportunities aimed at completing the Centerpointe Business Park.

- Assist Ridge Property Trust and Harbor Freight Tools (HFT) in the 507,720 S.F. expansion of HFT's Distribution Center at the NW corner of Cactus and Graham.
- Facilitate efforts for a user to occupy USAA's new 522,774 S.F. Centerpointe Logistics Center at the NW corner of Cactus and Frederick.
- Help advance the development of Ridge Property Trust's approved 607,960 S.F. industrial building at the NW corner of Brodiaea and Graham.
- Facilitate expansion plans for the Serta Mattress facility.
- Work with the owner of the Plaza Del Sol Center in stabilizing the center to provide needed shopping and restaurant opportunities in the Centerpointe Business Park area.

South Moreno Valley Industrial Area

Work with seven developers (Alere Property Group, First Industrial Realty Trust, IDS Real Estate Group, Panattoni Development Co., Sare-REGIS Group, Trammell Crow Company & Western RealCo) on new business attraction and development projects in the South Moreno Valley Industrial Area.

- Work with IDS Real Estate Group in securing a business user for the new 769,320 S.F. Nandina Distribution Center.
- Facilitate the completion of Trammell Crow Company's 1,250,000 S.F. I-215 Logistics Center project, including securing a user.
- Cooperate with First Industrial Realty Trust and Panattoni Development Co. in pursuing the speculative development of two industrial buildings with a total of nearly 2 million S.F.
- Assist Sares-REGIS Group and Western RealCo in build-to-suit opportunities for two approved industrial building projects with a total of more than 3.6 million S.F.
- Work with Alere Property Group, First Industrial Realty Trust and Trammell Crow Co. in the planning and entitlements for several new industrial projects with a proposed 4 million S.F.

City Center Medical/Healthcare Corridor

Cooperate with Riverside County Regional Medical Center (RCRMC), Kaiser Permanente, Moreno Valley College and Highland Fairview to help facilitate the further expansion of the City of Moreno Valley's Medical/Healthcare Corridor on Nason Street & Iris Avenue.

- Assist Riverside County with the implementation of the Master Plan for expanding the Riverside County Regional Medical Center including a new Trauma & Urgent Care, relocated & upgraded Operations Support building and facilities for the new UCR School of Medicine.
- Facilitate plans by Kaiser Permanente to expand the Moreno Valley Community Hospital with an expansion and upgrade of the Emergency Room facilities and development of a planned second tower.
- Cooperate with Moreno Valley College and Riverside Community College District in the development of a proposed 30,000 S.F. allied health sciences facility in the medical-healthcare corridor.
- Support the planning and marketing efforts of Highland Fairview to pursue the creation of a master planned 200-acre healthcare campus to be situated within the medical corridor and between the two existing hospitals-RCRMC and Kaiser's Community Hospital.
- Continue the planning and funding of capital improvement projects that will widen and construct the ultimate improvements on Nason Street from SR 60 to Iris Avenue to provide critical access to the two hospitals and the medical/healthcare corridor.

World Logistics Center at Rancho Belago

Collaborate with Highland Fairview in the development of the World Logistics Center—a 41.6 million S.F. master planned corporate park proposed to be developed on 2,700 acres in the Rancho Belago area of eastern Moreno Valley.

- Process an Environmental Impact Report and preliminary development plans for the World Logistics Center in eastern Moreno Valley—south of SR 60 and east of Redlands Boulevard to Gilman Springs Road.
- Assist in the drafting of a Specific Plan that will guide the orderly development for of World Logistics Center.
- Cooperate with Highland Fairview in the formulation of a Development Agreement to create a public-private partnership to help facilitate the development of new public infrastructure in eastern Moreno Valley associated with the World Logistics Center including roads, trails, utilities, storm water protection and fire protection facilities.
- Work with Highland Fairview in branding the World Logistics Center as one of the largest e-commerce focused development projects in the U.S.

SR 60 East Corridor

Pursue new development opportunities along the SR 60 East corridor—from Nason Street to the easterly City limits.

- Prepare an Overlay Study to determine the 'highest and best' land uses along the SR 60 East Corridor.
- Assist property owners and developers in marketing development opportunities along the SR 60 East Corridor.
- Work on opportunities to expand the Moreno Valley Auto Mall.
- Facilitate the stabilization and further development of Stoneridge Towne Centre and Moreno Beach Plaza.

In addition to activities in the eight geographic areas, a series of objectives are being recommended to assist with overall economic development efforts to assist with Business Attraction, Business Retention and Business Expansion including the following:

- Continue to coordinate the Capital Program (CIP) with economic development efforts
- Expand the Development Ombudsman Program to provide a comprehensive range of business support services for developers and businesses.
- Restart the Business Visitation Program, including the participation of the Mayor in 1 on 1 visits annually with the Top 50 with the major employers in the community
- Implement new software that will enable business owners, developers, contractors and residents to electronically submit and manage their plans with the City of Moreno Valley
- Utilize the Chambers of Commerce to expand participation in the Small Business Counseling Services provided by the Small Business Development Center (SBDC)
- Work with the Community Investment Corporation and the Chambers of Commerce in a business incubator and micro-business loan program
- Pursue the reuse of vacant anchor retail spaces, including the use of the new ED-Retail Anchor Reuse Incentive Program
- Explore revising the scopes of work with the Agreements the Chamber of Commerce to better focus on business retention and expansion activities, including expansion of Shop MoVal, as well as establishing a program to promote more business to business transactions in Moreno Valley
- Utilize the Chambers of Commerce to undertake a survey of the small business community on ways to improve the business climate in Moreno Valley
- Pursue the creation of a Business Support Advisory Council comprised of major employers in Moreno Valley

From: Cindy Miller
Sent: Tuesday, May 14, 2013 6:37 PM
To: Tom Owings; towings123@gmail.com
Cc: Jane Halstead; Juliene Clay; Ewa Lopez; Kathy Gross
Subject: FW: World Logistics Center: 5-22-12 Staff Report RE Non-participating Parcels.doc
Attachments: 5-22-12 Staff Report RE Non-participating Parcels.doc

Follow Up Flag: Flag for follow up
Flag Status: Flagged

Copy printed and will be provide to you this evening

From: Ewa Lopez
Sent: Tuesday, May 14, 2013 3:20 PM
To: Cindy Miller
Cc: Jane Halstead; Kathy Gross; Juliene Clay
Subject: World Logistics Center: 5-22-12 Staff Report RE Non-participating Parcels.doc

The enclosed staff report was provided by the Planning Department with a note "The only report to City Council as a Planning project was regarding the inclusion of non-participating parcels."

Thank you,
Ewa Lopez, CMC
Deputy City Clerk
City Clerk's Office
City of Moreno Valley
P.O. Box 88005
14177 Frederick Street
Moreno Valley, CA 92552
[redacted]
f: 951.413.3009
e: ewal@moval.org
w: www.moreno-valley.ca.us

From:

From: Cindy Miller
Sent: Monday, May 13, 2013 2:58 PM
To: Jane Halstead
Cc: Juliene Clay; Ewa Lopez; Kathy Gross
Subject: Mayor - Document Request

Mayor Owings requested the following:

- 2012 Economic Development Plan
- World Logistics Center
    - when WLC has been presented to City Council (may have been under a different name)
    - rezoning of the property
- FPPC donors for 2007, 2008, 2012 (including Jerry Stephens and Iddo Benzeevi)

Thanks,

Cindy

Cindy A. Miller
Executive Assistant to Mayor / City Council
City Council Office
City of Moreno Valley
14177 Frederick St.
P.O. Box 88005
Moreno Valley, CA 92552-0805
[redacted]
F: 951.413.3760
E: cindym@moval.org
w: www.moval.org

From: Cindy Miller
Sent: Tuesday, May 14, 2013 6:42 PM
To: Tom Owings; towings123@gmail.com
Cc: Jane Halstead; Juliene Clay; Ewa Lopez; Kathy Gross
Subject: FW: Beacon Economics / City or Moreno Valley- World Logistics Center and Husing Report
Attachments: 2013.03.15 - World Logistics Center.docx; World Logistics Center.pdf; Rancho Belago Community Forum 011812 HUSING PPT.pdf

Follow Up Flag: Flag for follow up
Flag Status: Flagged

From: Juliene Clay
Sent: Tuesday, May 14, 2013 5:29 PM
To: Cindy Miller
Subject: FW: Beacon Economics / City or Moreno Valley- World Logistics Center and Husing Report

FYI

These are what I printed out for Tom.

From: Karyn Kiefer
Sent: Tuesday, May 14, 2013 3:31 PM
To: Juliene Clay
Subject: FW: Beacon Economics / City or Moreno Valley- World Logistics Center and Husing Report

Juliene,
Attached are the reports as requested.
Thanks,
Karyn Kiefer
[redacted]

Executive Summary

This report lays out the economic impact that the development and operation of the World Logistics Center (WLC) will have on Moreno Valley and the broader Riverside County area. Because the facility is designed to include more than 41 million square feet of advanced logistics space, the construction and equipping of the WTC will generate a sizable impact on the economy during the development phase. However, the city and county will also experience an ongoing economic impact due to the operations housed within this facility once development has been completed. Overall, this project will add significant economic value to the region.

\textbf{\underline{Construction, Tenant Improvements, and Equipment}}

- \item Constructing and equipping the WLC will generate between 46,138 and 59,018 jobs in Moreno Valley.
- \item This activity will stimulate between \$2.2 and \$2.9 billion in additional earnings within Moreno Valley.
- \item Overall economic output will increase between \$5.8 and \$7.8 billion as a result of construction and equipping the WLC.

\textbf{\underline{Ongoing Operations}}

- \item Ongoing operations at the WLC are expected to support between 22,645 and 32,201 positions each year.
- \item Associated annual earnings will reach between \$1.2 and \$1.3 billion per year.
- \item Annual economic output is expected to increase by \$2.3 to \$2.4 billion per year.

World Logistics Center Summary of Total Economic Impact

Overall, both the development and the subsequent ongoing operation of the World Logistics Center in Moreno Valley are expected to have a very strong economic impact on the city's economy. In addition to assessing the regional economic impact, Beacon Economics has analyzed the basic profile of logistics workers in California and in Inland Southern California. Overall, the quality and quantity of logistics jobs are improving. The World Logistics Center will help to create opportunity for workers in the region, offering a variety of well-paying jobs\textemdash many of which (roughly 48\%) will involve non-logistics occupations in the business and financial side of the operation, providing solid wages and opportunities for future growth. In addition, the creation of local jobs will enable Moreno Valley to take advantage of the significant skill sets of residents in the region who currently have to commute to the coastal areas for work each day.

Report and Project Overview

In this report, Beacon Economics estimates the potential economic impact of the development and eventual operation of the World Logistics Center (WLC) on the City of Moreno Valley and the broader region of Riverside County. According to the World Logistics Center Specific Plan, the WLC is a master-planned industrial development in Rancho Belago\textemdash the eastern portion of Moreno Valley.

This 41.6-million-square-foot facility will cover roughly 2,710 acres and is designed to attract large international companies and domestic corporations. In addition, a key tenet of the proposed development is that it be developed in an environmentally responsible way that conforms to California's CALGreen regulations, which will ensure the conservation of natural resources and the reduction of greenhouse gases, energy consumption, and water use. In fact, the WLC will go even further than this in its environmental efforts, drawing on a variety of other sustainable measures, including maximizing the efficiency of landscape irrigation, using solar equipment, and supporting alternative fuels like natural gas.

To put the scale of this proposed project into context, consider that Moreno Valley is currently home to the Sketchers distribution facility. This 1.82-million-square-foot facility was recently certified as the nation's largest LEED Gold-certified building by the U.S. Green Building Council.\footnote{BusinessWire.Com, "SKECHERS Distribution Center Certified as Largest LEED Gold Building in the United States," February 19, 2013.} As large as this facility is, it pales in comparison to the proposed World Logistics Center, which will be more than 22 times larger, at 41.6 million square feet.

Artist's Rendering of the World Logistics Center

To estimate the economic impact of the World Logistics Center on Moreno Valley and on Riverside County overall, Beacon Economics used Version 3 of the IMPLAN modeling system. This is an input-output model that can be used to estimate the short-run impact of changes in the economy through the use of multiplier analysis.

Impact studies operate under the basic assumption that any increase in spending has three effects: First, there is a direct effect on that industry itself, resulting from the additional output of goods or services. In the case of the WLC, this represents the direct purchase of goods and services associated with building and fitting the space for operation. Once construction is completed, the direct effects consist of the workers who will be hired to work at WLC and the direct operations by WLC's tenants.

Second, there is a chain of indirect effects on all the industries whose outputs are used by the logistics industry and the impacts generated by a business's supply chain. For example, in order to build the facility, the construction teams will need to purchase building materials and supplies, such as steel, timber, and concrete, as well as specialized design and engineering services. From an operational standpoint, tenants of WLC will need to purchase housekeeping and maintenance services, accounting/payroll services, and other inputs to the production process, such as utilities and supplies. These indirect impacts boost output and employment at the companies in the local economy who provide these inputs to the production process.

Third, there are induced effects that arise when employment increases and household spending patterns are expanded. These effects follow from the additional income that is earned in the course of producing this output, both by employees at WLC and in those companies supplying inputs to WLC. For example, the maintenance crew for WLC will need to bring on additional workers to service the center. These workers will earn wages for this effort and, to the extent that they reside within the local or regional economy, they will spend this income on goods and services, like rent, automobiles, clothes, and dining out, among others. This creates additional demand and employment opportunities within Moreno Valley and Riverside County as a result of the earnings associated with the WLC.

It is important to note that capital investments made on different types of projects can lead to different multipliers. Why? A sector can have a large multiplier effect if it induces economic activity in industries whose employees have a high propensity to spend from take-home pay. Also, if the sector does not import many materials from abroad or from out of state, then its multiplier effect on the local economy will be high. In essence, some of the spending in the local economy may “leak out” into other counties and states. If raw materials are imported, then a change in a local sector's level of production will result in a commensurate change in economic activity outside the study area.

Our analysis uses input-output accounts and is based on three important assumptions. First, there are constant returns to scale. This means that a 10\% cut in spending will be ten times as severe\textemdash across every sector in the economy\textemdash as a 1\% cut. Second, there are no supply constraints. This means that any marginal increase in output can be produced without having to worry about bottlenecks in labor markets, commodity markets, or necessary imports. This assumption is quite realistic in a free-market economy like California's where there is some unemployment. It is even more reasonable in times of high unemployment, such as the present economic environment, because there are many under- and un-utilized resources that can be activated without detracting from other industries or businesses. Third, the flow of commodities between industries is fixed. This means that it is not possible to substitute in the short-run the many different inputs that go into the target industry.

Thus, our analysis here covers the four main areas of economic impact that will accrue on a local and regional level due to the development, equipping, and operation of the World Logistics Center in Moreno Valley. We estimate the direct employment, output, and value-added effects after accounting for leakage out of the region. Second, we estimate the indirect effects on all the industries whose outputs are used by the proposed investments and the induced effects arising when employment increases and household spending patterns are expanded.

Economic Impact of Construction

Beacon Economics has modeled the economic impact of the World Logistics Center on Moreno Valley and Riverside County by breaking down the effects into three distinct categories: construction, tenant improvements and equipment purchases, and the ongoing operations of the facility once the development is completed.

In order to provide estimates of the economic impact of the construction of the World Logistics Center, Beacon Economics relied upon data from the developer, Highland Fairview, on the construction costs of other logistics centers it has built within the region. Because this project is still in the planning stages, final construction and improvement budgets have yet to be finalized. Thus, Beacon Economics presents two scenarios for the total economic impact of construction.

Blueprint_Glasses.jpg

One scenario assumes that the WLC will be a highly automated, capital-intensive facility; that is, it will be one of the next-generation logistics centers, similar to the recently developed Sketchers facility. These types of operations use fewer workers for each square foot of space relative to traditional logistics centers, relying more heavily on industrial machinery, computers, and other technology products to deliver services more efficiently. In our second scenario, we assume a more traditional mode of operation\textemdash one that is more labor-intensive than its high-technology counterpart.

By presenting a range of potential effects, Beacon Economics hopes to present a more realistic picture of the economic impact of the construction of the WLC on the local and regional economy. The realization of the WLC will likely fall somewhere in between these two scenarios, as the facility will likely contain a mix of both high-tech and traditional logistics operations.

Table 1: WLC Construction Cost Estimates

Our analysis shows that similar recently constructed logistics centers within the local economy have incurred an average expenditure of \$70 to \$85 per square foot of completed space. The range in cost varies according to how advanced the proposed operations and uses of the facility are and how many "green" features the center has, in addition to depending on a number of other characteristics that potentially raise the cost of construction from a base level of \$70 per square foot. Using these estimates for the upper and lower bounds of construction costs, Beacon Economics estimates that the construction of the WLC in Moreno Valley will cost between \$2.91 and \$3.54 billion, based upon 41.6 million square feet of completed logistics space.

These costs represent the direct impact of the construction of WLC on the local and regional economy. However, as noted, the total economic impact is much larger than this due to the ripple effects (the indirect and induced impacts) that will accrue to Moreno Valley and the broader region as a result of this construction spending. These results, which are detailed herein, are dependent on whether a high-tech or traditional manufacturing operation is put into place.

\textbf{\underline{High-Tech Logistics Operation}}

Under a high-tech scenario, the development itself is expected to create more than 36,000 construction jobs during the building phase. However, due to increased demand for inputs, as well as additional earnings by construction workers and the staff of suppliers, the Moreno Valley economy will enjoy an additional 9,600 jobs created through the indirect and induced effects of the construction spending. In total, the construction phase of the project is expected to create nearly 46,000 jobs within the city throughout the life of construction. In addition, our analysis shows that the economic impact will extend to firms and individuals in the broader region, with the county benefiting from an additional 6,000 jobs that will be stimulated outside the Moreno Valley city limits but within Riverside County. Thus, the region as a whole can expect roughly 52,000 jobs as a result of the construction and development of the World Logistics Center.

It is important to point out that although the increase in employment is a significant benefit of this project, other local benefits are sizable as well. For example, Beacon Economics estimates that the City of Moreno Valley will experience a \$1.2 billion increase in overall economic output (the value of all goods and services produced within the local economy) above and beyond the \$3.54 billion in direct construction costs. This represents a significant increase in demand for goods and services throughout the local economy, and it will provide a big boost to the city's businesses. Moreover, an additional \$800 million in output will be stimulated throughout the rest of Riverside County, bringing the total increase in output attributable to the construction of the WLC to \$5.54 billion\textemdash a very large number for the local economy relative to the overall economic base.

Table 2: WLC Construction Impact: High-Tech Scenario

Much of these increases in output are driven by indirect and induced effects that occur due to increased incomes within the city and county. In fact, Beacon Economics estimates that household income will increase by more than \$2.2 billion within Moreno Valley as a result of construction, with an additional \$231 million being paid out to Riverside County residents who don't live in Moreno Valley specifically. Finally, due to this spending, the state and local economies will enjoy a fiscal bump to the tune of more than \$242 million from a variety of tax sources, including payroll, business, sales, and corporate taxes.

\textbf{\underline{Traditional Logistics Operation}}

Even under the assumption that the WLC will more closely resemble a traditional logistics operation, the economic impact is very large. Although the effects are smaller than under the high-tech scenario, the development of the WLC is expected to create more than 29,000 construction jobs during the life of the building phase. The Moreno Valley economy will enjoy an additional 7,900 jobs created through the indirect and induced effects of the construction spending. In total, the construction phase of the project is expected to create nearly 38,000 jobs within the city throughout the life of construction. As in the high-tech scenario, our analysis shows that the economic impact will extend to the broader region, which will benefit from an additional 5,000 jobs created outside the Moreno Valley city limits but within Riverside County. Thus, the region as a whole can expect roughly 42,700 jobs as a result of the construction and development of the World Logistics Center, even if it is developed as a less high-tech and more traditional building.

Beacon Economics estimates that the City of Moreno Valley will experience a \$970 million increase in overall economic output above and beyond the \$2.91 billion in direct construction costs. An additional \$677 million in output will be stimulated throughout the rest of Riverside County, bringing the total increase in output attributable to the construction of the WLC to \$4.56 billion if the facility is developed as a traditional logistics operation rather than a high-tech logistics center. Beacon Economics estimates that household income will increase by more than \$1.8 billion within Moreno Valley as a result of construction, with an additional \$190 million being paid out to Riverside County residents who don't live in Moreno Valley specifically. Due to this spending, state and local economies will enjoy a fiscal bump of roughly \$199 million from a variety of tax sources, including payroll, business, sales, and corporate taxes.

Table 3: WLC Construction Impact: Traditional Logistics Scenario

Under either scenario, the construction and development of the World Logistics Center in Moreno Valley will provide a significant economic boost for the City of Moreno Valley and for Riverside County. Not only will this project provide some much-needed construction jobs (one of the hardest hit sectors during the recent Great Recession), but it will also boost local incomes, provide substantial demand for goods and services throughout the local economy, and help to sustain state and local government budgets by generating additional tax revenue. Even if the WLC is developed as a less-sophisticated operation (a scenario that is unlikely given the demand considerations and the trends toward automation in the logistics industry), Moreno Valley will still enjoy significant benefits as a result of the construction of the World Logistics Center.

Economic Impact of Improvements and Equipment

Inside a High-Tech Logistics Facility

Table 4: WLC Tenant Improvement and Equipment Cost Estimates

Building the World Logistics Center will lead to a one-time boost to the local economy during the construction phase, but Moreno Valley and the County of Riverside will also experience a sizable boost in the local economy due to specific tenant improvements (TI) and equipment purchases. Relying again on data from previous logistics centers built by the developer in the regional economy, Beacon Economics estimates that the cost of these improvements and equipment purchases will range from \$35 to \$55 per square foot, depending on the level of technology and the specific equipment purchased. For the purposes of this analysis, Beacon Economics uses a figure of \$55 per square foot for the cost of tenant improvements and equipment purchases under the high-tech scenario, and a figure of \$35 per square foot for the cost of improvements and purchases in a more traditional logistics operation. Based upon a completed space that will occupy 41.6 million square feet, the total cost of these improvements and equipment purchases will range from \$2.29 to \$1.46 billion.

These costs represent the direct impact of the tenant improvements and equipment purchases at WLC on the local and regional economy. The total economic impact is again much larger than this due to the ripple effects that will accrue to Moreno Valley and the broader Riverside County region as a result of

these expenditures. These results, which are detailed below, are dependent on whether a high-tech or traditional manufacturing operation is put into place.

\textbf{\underline{High-Tech Logistics Operation}}

Under a high-tech scenario, the cost of tenant improvements and equipment purchases are expected to create more than 7,600 jobs. However, due to increased demand for inputs, as well as additional earnings per worker, the Moreno Valley economy will enjoy an additional 5,500 jobs created through the indirect and induced effects of the tenant improvements and equipment purchases. In total, these additional expenditures are expected to create nearly 13,100 jobs within the city. In addition, our analysis shows that the economic impact will extend throughout the region\textemdash the county will benefit from an additional 2,750 jobs that will be created outside the Moreno Valley city limits, accruing to firms and individuals within Riverside County. Thus, the region as a whole can expect to see almost 16,000 jobs as a result of the construction and development of the World Logistics Center.

In addition to an increase in the number of jobs, the other local benefits will be sizable as well. Beacon Economics estimates that the City of Moreno Valley will experience a \$760 million increase in overall economic output above and beyond the \$2.29 billion in direct costs for TI and equipment. This represents a significant increase in demand for goods and services throughout the local economy and will provide a boost to the city's businesses. Moreover, an additional \$455 million in output will be stimulated throughout the rest of Riverside County, bringing the total increase in output attributable to the purchase of equipment and costs of TI at WLC to \$3.50 billion\textemdash a very large number for the local economy relative to the overall economic base.

Table 5: WLC TI and Equipment Impact: High-Tech Scenario

Much of these increases in output are driven by the indirect and induced effects that occur due to increased incomes within the city and county. In fact, Beacon Economics estimates that household income will increase by more than \$660 million within Moreno Valley as a result of tenant improvements and equipment purchases, with an additional \$114 million being paid out to Riverside County residents who don't live in Moreno Valley specifically. Finally, because of this spending, the state and local economies will enjoy a fiscal bump to the tune of more than \$117 million, coming from a variety of tax sources, including payroll, business, sales, and corporate taxes.

\textbf{\underline{Traditional Logistics Operation}}

Even under the assumption that the World Logistics Center will more closely resemble a traditional logistics operation, the economic impact of tenant improvements and equipment purchases is very large. Although the effects will be smaller than under the high-tech scenario, these expenditures at WLC are expected to create more than 4,800 jobs during the life of the building phase. The Moreno Valley economy will enjoy an additional 3,500 jobs created through indirect and induced effects of these tenant improvements and equipment purchases. In total, these expenditures are expected to create nearly 8,400 jobs within the city. As in the high-tech scenario, our analysis shows that the economic impact will extend to the broader region, with the county benefiting from an additional 1,750 jobs that

will be created outside the Moreno Valley city limits but within Riverside County. Thus, the region as a whole can expect to see roughly 10,150 jobs as a result of tenant improvements and equipment purchases at the World Logistics Center\textemdash even from tenants with a more traditional mode of logistics operation than their more automated peers.

Beacon Economics estimates that the City of Moreno Valley will experience a \$480 million increase in overall economic output above and beyond the \$1.46 billion in direct tenant improvement and equipment costs. An additional \$289 million in output will be stimulated throughout the rest of Riverside County, bringing the total increase in output attributable to tenant improvements and equipment purchases at WLC to \$2.23 billion if the facility is developed as a traditional logistics operation rather than a high-tech logistics center. Beacon Economics estimates that household income will increase by more than \$493 million within Moreno Valley in connection with these expenditures, with an additional \$73 million being paid out to Riverside County residents who don't live in Moreno Valley specifically. Due to this spending, state and local economies will enjoy a fiscal bump of roughly \$75 million from a variety of tax sources, including payroll, business, sales, and corporate taxes.

Table 6: WLC TI and Equipment Impact: Traditional Logistics Scenario

Under either scenario, the cost of tenant improvements and equipment purchases at the WLC in Moreno Valley will provide a significant economic boost for the city and for Riverside County. This spending will provide substantial demand for goods and services throughout the local economy, boosting local incomes and helping to sustain state and local government budgets by generating additional tax revenue. Even if the WLC is developed as a less-sophisticated operation, Moreno Valley will still enjoy significant benefits as a result of tenant improvements and equipment purchases at the World Logistics Center. Importantly, these impacts are in addition to the sizable one-time benefits accruing to the city as a result of the construction of the WLC, thereby compounding the economic impact even further.

Economic Impact of Ongoing Operations

In addition to benefiting from the large, one-time bumps in economic activity associated with the construction and outfitting of the World Logistics Center, both Moreno Valley and the broader Riverside County region can expect to enjoy an ongoing economic impact as the facility comes online and is occupied by future tenants. For this portion of the economic analysis, Beacon Economics created both a high-tech scenario and a traditional logistics center scenario for the purposes of generating a range of likely economic effects.

Artist's Rendering of the World Logistics Center Interior

In order to generate these scenarios, Beacon Economics relied upon information regarding the size and employment levels of a variety of logistics centers around the Inland Southern California region. Based upon this analysis, Beacon Economics has concluded that higher-tech operations, which rely much more heavily on automation, industrial equipment, and computers for their operations, are much less space-intensive. In other words, these high-tech logistics operations actually employ fewer workers for each

square foot of space relative to their traditional counterparts. For example, some of the newer, more sophisticated operations average roughly 2,600 square feet for each employed worker. In contrast, more traditional logistics centers are much more labor intensive: employing one worker for every 1,635 square feet of available space.

Using these respective estimates for high-tech and traditional operations, Beacon Economics has determined that the completed WLC facility will house between 16,000 and 25,448 workers once it reaches full occupancy. Armed with this information, we can determine the cost of operation under both scenarios.

According to California's Employment Development Department, employees in the Transportation/Warehousing sector in Inland Southern California earn roughly \$42,000 per worker, on average. Given that the high-technology operation will be much more capital intensive, and thus require more skilled labor, we have assumed an annual average wage for a high-tech operation to equal roughly \$60,000 per worker. In contrast, a more traditional operation, which relies less heavily on skilled labor, is expected to pay an average wage of \$40,000 per year\textemdash closer to the industry-wide average observed across the region.

In addition to labor costs, tenants of the WLC will incur various other operational expenses. Using information from the U.S. Bureau of Economic Analysis, Beacon Economics derived estimates of the external (non-labor) costs associated with the logistics industry on a per worker basis. Here, we utilized several pieces of information. First, gross domestic product (GDP) for the logistics industry was obtained. This figure reflects the value of all services provided by this sector between 1990 and 2011. From this, we subtracted the value added (the value of production less the cost of intermediate inputs and other costs) attributable to logistics. The net result of this figure represents the sum-total of external costs associated with the logistics industry. Finally, by dividing the total external costs by the number of logistics workers in each year, we arrived at an external cost per worker.

Table 7: WLC Annual Operating Cost Estimates

In 2011, the average external expenditure per employee in the logistics industry equaled roughly \$29,800 per year. In our high-tech scenario, this figure was adjusted upward to \$39,800 to reflect the purchase of additional external equipment, supplies, and services above and beyond labor due to the capital-intensive nature of their production process. For a more traditional logistics operation, Beacon Economics has assumed that the operational costs will be similar to cost structures in the logistics space prior to the influx of high-tech processes after adjusting for inflation. In 1990, the logistics industry spent roughly \$11,200 per worker on external expenditures. In 2011 terms, that equates to roughly \$19,275 per worker\textemdash slightly below the industry-wide average and reflecting a less sophisticated operation overall.

Combining both the labor costs and external costs under each scenario yields the annual direct impact of operations on the City of Moreno Valley. Based upon a 41.6-million-square-foot facility, total operational costs will reach nearly \$1.6 billion per year at a high-tech incarnation of WLC, while annual operations will total roughly \$1.5 billion at a more traditional type of logistics facility.

Based on these estimates, Beacon Economics has calculated the economic impact of the operation of the World Logistics Center once it reaches full capacity. As with our estimates for construction and TI/equipment purchases, we have presented a range of likely economic effects accruing to the City of Moreno Valley and to Riverside County, depending on whether the WLC is fully realized as a high-tech logistics center or whether it resembles a more traditional logistics operation.

\textbf{\underline{High-Tech Logistics Operation}}

Under a high-tech scenario, the ongoing operations of tenants at WLC are expected to support more than 16,000 jobs. However, due to increased demand for inputs, as well as additional earnings per worker, the Moreno Valley economy will enjoy an additional 6,650 jobs both created and supported annually through the indirect and induced effects of the ongoing operations. In total, these operational expenditures are expected to support 22,645 jobs within the city each year. In addition, our analysis shows that the economic impact will extend throughout Riverside County, with the broader region benefiting from an additional 2,750 jobs that will be supported outside the Moreno Valley city limits. Thus, the region as a whole can expect over 25,000 jobs to be supported each year as a result of the annual operations of the World Logistics Center.

In addition to the increase in the number of jobs, the increases in other local benefits will be sizable. Beacon Economics estimates that the City of Moreno Valley will experience an almost \$775 million increase in overall economic output above and beyond the \$1.6 billion in direct operational costs. This represents a significant increase in demand for goods and services throughout the local economy and will provide a boost to the city's businesses. Moreover, an additional \$360 million in output will be stimulated throughout the rest of Riverside County, bringing the total output attributable to the ongoing operations at WLC to \$2.73 billion\textemdash a very large number for the local economy relative to the overall economic base.

Table 8: WLC Annual Operating Impact: High-Tech Scenario

Again, much of these increases in output will be driven by the indirect and induced effects that will occur due to increased incomes within the city and county. In fact, Beacon Economics estimates that household income will increase by more than \$1.2 billion within Moreno Valley as a result of the ongoing operations at WLC, with an additional \$100 million being paid out to Riverside County residents who don't live in Moreno Valley specifically. Finally, the state and local economies will enjoy a fiscal bump due to this spending to the tune of more than \$140 million, stemming from a variety of tax sources, including payroll, business, sales, and corporate taxes.

\textbf{\underline{Traditional Logistics Operation}}

If one assumes that the WLC will more closely resemble a traditional logistics operation, the economic impact of the ongoing operations remains substantial. Given that the operation will be much more labor intensive than under a high-tech scenario, the operational expenditures at the WLC under this scenario are expected to sustain more than 25,500 jobs each year, as more workers are required to do the work if the center is using more limited automation technology. Under this scenario, the Moreno Valley

economy will enjoy an additional 6,700 jobs, owing to the indirect and induced effects of ongoing operations. In total, these expenditures are expected to create nearly 32,200 jobs within the city\textemdash a sizable increase over the high-tech scenario due to the larger number of direct jobs employed at WLC in the low-tech scenario. As in the high-tech scenario, our analysis shows that the economic impact will extend to the broader region, which will benefit from an additional 2,775 jobs created outside the Moreno Valley city limits but within Riverside County. Thus, the region as a whole can expect to support almost 35,000 jobs each year as a result of ongoing operations at the World Logistics Center\textemdash even under the assumption that a traditional form of logistics will dominate the facility.

Beacon Economics estimates that the City of Moreno Valley will experience a \$785 million increase in overall economic output above and beyond the \$1.52 billion in direct operational costs. An additional \$368 million in output will be stimulated throughout the rest of Riverside County, bringing the total increase in output attributable to ongoing operations at the World Logistics Center to \$2.7 billion if the facility is developed as a traditional logistics operation rather than a high-tech logistics center. Beacon Economics estimates that household income will increase by more than \$1.27 billion within Moreno Valley in connection with these expenditures, with an additional \$102 million being paid out to Riverside County residents who don't live in Moreno Valley specifically. As a result of this spending, state and local economies will enjoy a fiscal bump of roughly \$143 million, received from a variety of tax sources, including payroll, business, sales, and corporate taxes.

Table 9: WLC Annual Operating Impact: Traditional Logistics Scenario

Under either scenario, the ongoing operations at WLC in Moreno Valley will provide a significant economic boost for the city and for Riverside County. Like the spending on equipment, this ongoing spending will provide substantial demand for goods and services throughout the local economy, boosting local incomes and helping to sustain state and local government budgets through additional tax revenue. Even if the WLC is developed as a less sophisticated operation, Moreno Valley will still enjoy significant benefits each year as a result of ongoing operations at the World Logistics Center. These are impacts that will be sustained into the foreseeable future, which is an important point given that the effects presented up to this point have largely consisted of one-time surges in economic activity.

Total Economic Impacts

Overall, through both the construction and outfitting of the World Logistics Center, as well as through the ongoing operations of the facility, the City of Moreno Valley stands to benefit substantially from this project. As noted herein, the WLC will be more than 22 times larger than the largest comparable property in the region, with more than 41 million square feet of logistics space. Beacon Economics has conducted an economic impact analysis and has found that there will be a significant one-time boost to the local economy as the facility is constructed and fitted with industrial equipment. In addition, the local economy will enjoy ongoing effects as a result of the routine operations of the World Logistics Center, with benefits continuing into the foreseeable future.

If the WLC is built as a high-tech logistics center, such as those recently constructed within the region, the facility itself will rely on fewer direct jobs than a facility housing a more traditional operation. However, the high-tech facility will generate more economic output in the region due in large part to the fact that the quality of the jobs in this scenario (as measured by wages) is expected to be significantly higher than the quality of jobs at a more labor-intensive facility. In addition, the high-tech facility will help to stimulate the local and regional economies through a greater volume of expenditures on advanced industrial equipment, computers, and other technology products. The overall economic impact of the high-tech version of the WLC is presented in Table 10.

Table 10: WLC Total Economic Impact: High-Tech Scenario

Assuming that the World Logistics Center takes on a more conventional form once completed, the overall economic impact of the construction process, the TI/equipment purchases, and the ongoing operations is expected to be smaller than under a high-tech scenario. However, the economic impact on the City of Moreno Valley remains significant, as shown in Table 11. There will be a larger number of direct jobs created because the operations at WLC will require more labor as a result of a lower-tech process. However, employment, output, earnings, and tax revenues are expected to be substantial in either scenario. Ultimately, this project will have a large positive impact on the City of Moreno Valley and the broader area of Riverside County. Initially, this will consist of a significant upfront investment, followed by a continued boost from ongoing operations at what will be the largest advanced logistics facility of its kind.

Table 11: WLC Total Economic Impact: Traditional Logistics Scenario

Logistics Workers: Employment and Demographics

BEA1.pdf

BEA2.pdf

BLS1.pdf

The logistics industry has undergone significant changes over the past few decades. In the past, the logistics industry consisted of primarily labor-intensive operations. Since the advent of the modern computer, the advancements in software and robotics, and the increase in the sophistication of industrial equipment, logistics has become increasingly capital-intensive with automated operations. And, while the new logistics centers, such as the one envisioned here, may not provide the same quantity of direct-jobs for every square foot of occupied space as they did in the past, the quality of those jobs (as reflected by productivity, wages, and levels of educational attainment) has increased significantly.

First, we will consider productivity, which measures the value of all goods and/or services produced by each individual worker within an industry. By 2010 (the most recent metropolitan real GDP figures available), the value of all output produced by the Warehousing/Storage sector within the Inland

Southern California region was more than three times larger than it was even a decade ago after adjusting for inflation. Unsurprisingly, this surge in output has also led to a large increase in employment within the region. Specifically, warehousing and storage operations have grown from roughly 6,000 positions in 2001 to more than 17,500 jobs in 2010, according to estimates from the Quarterly Census of Employment and Wages (QCEW). And, with growth at the Ports of Los Angeles and Long Beach playing a key role in the region's economic recovery, employment in this sector has expanded by even more over the past two years.

In fact, data through the second quarter of 2012 show that employment in this sector within the Inland Southern California region has expanded even further, to nearly 20,400 jobs. More important, not only is the number of jobs increasing but so too is the share of this industry within the overall economy. For example, in 1990 warehousing and storage facilities represented just 0.2\% of private-sector employment within the region. By 2012, that share had increased to over 2\% of all private-sector jobs, thanks in large part to an explosion of this industry during the middle part of the last decade. Thus, not only is the level of employment within this industry growing, but this sector is also becoming increasingly concentrated within the regional economy.

Still, despite this surge in employment, real productivity has continued to rise\textemdash meaning that workers continue to become more productive. On average, each logistics worker in the Inland Southern California region generated roughly \$53,000 of real (inflation-adjusted) output back in 2001. By 2010, the average output per logistics worker had increased to almost \$62,000\textemdash a 16.9\% increase. Indeed, with the exception of the Great Recession, when global exports and port traffic dropped significantly, this sector has averaged roughly 4\% growth in worker productivity each year since 2001.

ACS1.pdf

ACS2.pdf

Overall, the quality of the jobs being offered by logistics companies is being affected by the trend toward increased labor efficiency and productivity. This is evidenced by the basic profiles of workers in the industry, who have in general become more skilled and more highly paid over the past few years alone. For example, even as recently as 2006, the level of educational attainment for workers in the logistics industry was fairly evenly distributed, with 49.4\% of workers having a high-school diploma or less, and with 50.6\% of workers having some form of post-secondary training (community college, vocational training, or college degree). However, the share of higher-skilled workers has increased consistently over the past few years; in 2011, nearly 54\% of all workers in this sector possessed some form of post-secondary training.

Indeed, drilling down to specific levels of educational attainment underscores the trend toward higher-skilled workers, even for workers making under \$50,000 per year. Logistics workers without a high school diploma have fallen to a share of 16\% of all workers, compared with a peak of almost 17\% of all workers. Similarly, workers with only a high school diploma represented roughly 30\% of total logistics employment in 2011, down from nearly 34\% in 2007. At the same time, the proportion of workers with

some college or vocational training has increased, from just over 35\% of all jobs in the industry in 2006 to 38.5\% by 2011. The share of workers with a bachelor's degree has also increased marginally, while the proportion of workers with graduate degrees has remained relatively flat.

Thus, not only has the number of jobs increased dramatically since the turn of the century, but increasingly, those jobs are being filled by workers with a higher degree of skills and educational training than in the past. This highlights the increasing quality of the jobs provided by the logistics industry despite the fact that the operations in question have become less labor-intensive in terms of the amount of labor required per square foot. And it is important to keep in mind that the sector overall has been growing\textemdash both in terms of output as well as employment. So even though each operation is more capital-intensive, there are more of these operations out there offering a larger quantity of jobs overall at a higher quality of employment.

Indeed, we see these trends in increasing productivity and skill requirements spilling over into higher wages for logistics workers. Overall, the share of logistics workers in California earning \$50,000 per year or less has fallen from almost 73\% of all logistics jobs in 2005 to just 68\% by 2011, according to the 2011 American Community Survey. Stated another way, the percentage of logistics workers earning at least \$50,000 per year has grown from 27\% to 32\% of employment within the sector. If we look at the data in more granular detail, we see that the percentages of workers earning \$10,000 or less, \$20,000 to \$30,000, \$30,000 to \$40,000, and \$40,000 to \$50,000 have all fallen, while each of the higher income categories have seen their share of total employment increase.

ACS3.pdf

BLS2.pdf

Annual average wages for warehousing/storage workers are on the rise as well\textemdash they have nearly doubled since 1990. Indeed, the annual average wage of a warehousing/storage worker has increased from just \$23,400 in 1990 to \$41,400 in 2011. This 77\% increase in wages over the 21-year period equates to roughly 2.7\% growth in pay per year. This reflects both the increases in productivity and the shift in the share of workers with higher-skilled, higher-income jobs. Thus, in sum, this report finds that the number of jobs is increasing despite rising automation and increases in worker productivity. Logistics is becoming increasingly concentrated within the local economy. Moreover the quality of those jobs, as measured by training, shares of workers in higher income brackets, and rising wages, has increased significantly over the last 20 or so years.

Finally, it is important to point out that although logistics is primarily focused on the movement of goods and services, there is significant diversity in the types of jobs being offered in the industry. Roughly 52\% of the workers in this sector are classified as having transportation and material moving occupations. These are the logistics worker that one typically associates with the industry, but nearly 48\% of all logistics workers perform some other job function outside of moving goods and materials. For example, office and administrative workers represent 26.5\% of all jobs within the industry. Other higher-wage jobs include management (6.7\% of all workers), installation/maintenance/repair (4.6\%), business/financial/sales occupations (3.3\%), and architects/engineers/computer/mathematical

occupations (1\%). Thus, while this sector does offer a significant number of jobs in the moving and handling of freight and goods, the mix of jobs within the logistics industry, including opportunities for high-wage employment, is significantly more diverse than one might expect. This helps to explain the rising educational training and skill requirements as well as the rising wages and incomes of Inland Southern California residents who work in logistics.

Table 12: California Transportation/Warehousing Employment by Occupation, and Inland Southern California Outbound Commute Characteristics

Overall, the quality and quantity of logistics jobs are improving. With the expansion of the local industrial base as envisioned in the World Logistics Center, there is the opportunity for a variety of well-paying jobs within the region. Many of these jobs (roughly 48\%) will involve non-logistics occupations in the business and financial side of the operation, providing solid wages and opportunities for future growth as demonstrated by historical trends. In addition, this project could help to harness some of the assets currently present within the region that have yet to be tapped into.

Inland Southern California is often thought of as a bedroom community\textemdash a significant portion of local residents commute outside the region for work each day. Indeed, according to the 2011 American Community Survey, roughly 75.7\% of residents work within Inland Southern California, while 24.3\% are outbound commuters. The large number of outbound commuters represents a missed opportunity for the region to capture these skills by keeping employment local. Employing more residents within the region would cut down on road congestion and commute times, thereby helping to improve the quality of life for local residents and the community as a whole. Indeed, many of the outbound commuters are relatively high-skilled. The share of outbound commuters in high-paying occupations, such as architecture, engineering, computer science, and mathematical operations, reaches almost 40\% of all residents\textemdash much higher than the economy-wide average for these occupations. By bringing the WLC project online, Moreno Valley will help to take advantage of the significant skill sets of residents in the region who currently have to commute to the coastal areas for work each day. Hence, this project will not only create a significant number of jobs but will also enable the broader Inland Southern California region to make better use of its existing assets\textemdash namely, its people.

Summary

Beacon Economics has performed an economic impact study of the effects of developing and operating a 41.6-million-square-foot logistics facility in the City of Moreno Valley. Overall, we find that both the city and Riverside County as a whole will enjoy significant benefits from the proposed project.

Table 13: WLC Summary of Total Economic Impact

Our analysis includes two hypothetical scenarios: (1) the World Logistics Center will be a highly-automated and capital-intensive logistics center, and (2) the World Logistics Center will be built as a traditional logistics facility that relies more heavily on labor as inputs to its operations. Under either scenario, the city and the county will enjoy significant economic benefits. Initially, they will benefit from

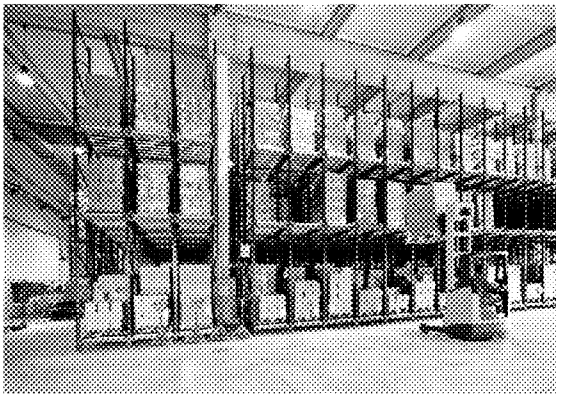
the one-time costs associated with outfitting the facility and equipping it for operations. Thereafter, the City of Moreno Valley and Riverside County will enjoy ongoing benefits from the continued operation of the facility once it reaches full occupancy.

Importantly, the quality and quantity of logistics jobs are improving, and this project provides the opportunity for a variety of well-paying jobs within the region. Many of these jobs involve non-logistics occupations that provide solid wages and opportunities for future growth. In addition, this project could help to harness some of the local assets in the region that have yet to be tapped into. By bringing the WLC project online, Moreno Valley will be able to take advantage of the significant skill sets of residents in the region who currently have to commute to the coastal areas for work each day. This project will create a significant number of high-quality jobs and will also enable the broader Inland Southern California region to make better use of its existing assets\textemdash namely, its people.

Finally, this project will introduce many knock-on benefits that will ripple through the rest of the local and regional economy. These benefits include an increased demand for goods and services throughout the economy, increased household earnings for workers at WLC and its suppliers, and increased state and local tax revenues. Ultimately, Beacon Economics concludes that the construction, development, and operations of the World Logistics Center in Moreno Valley will contribute very significantly to the local and regional economies.

Economic Impact Study

WORLD LOGISTICS CENTER IN MORENO VALLEY



MORENO VALLEY
WHERE DREAMS SOAR

BEACON ECONOMICS

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Executive Summary

This report lays out the economic impact that the development and operation of the World Logistics Center (WLC) will have on Moreno Valley and the broader Riverside County area. Because the facility is designed to include more than 41 million square feet of advanced logistics space, the construction and equipping of the WTC will generate a sizable impact on the economy during the development phase. However, the city and county will also experience an ongoing economic impact due to the operations housed within this facility once development has been completed. Overall, this project will add significant economic value to the region.

Construction, Tenant Improvements, and Equipment

1. Constructing and equipping the WLC will generate between 46,138 and 59,018 jobs in Moreno Valley.
2. This activity will stimulate between $2.2 and $2.9 billion in additional earnings within Moreno Valley.
3. Overall economic output will increase between $5.8 and $7.8 billion as a result of construction and equipping the WLC.

Ongoing Operations

1. Ongoing operations at the WLC are expected to support between 22,645 and 32,201 positions each year.
2. Associated annual earnings will reach between $1.2 and $1.3 billion per year.
3. Annual economic output is expected to increase by $2.3 to $2.4 billion per year.

Overall, both the development and the subsequent ongoing operation of the World Logistics Center in Moreno Valley are expected to have a very strong economic impact on the city's economy. In addition to assessing the regional economic impact, Beacon Economics has analyzed the basic profile of logistics workers in California and in Inland Southern California. Overall, the quality and quantity of logistics jobs are improving. The World Logistics Center will help to create opportunity for workers in the region, offering a variety of well-paying jobs—many of which (roughly 48%) will involve non-logistics occupations in the business and financial side of the operation, providing solid wages and opportunities for future growth. In addition, the creation of local jobs will enable Moreno Valley to take advantage of the significant skill sets of residents in the region who currently have to commute to the coastal areas for work each day.

World Logistics Center Summary of Total Economic Impact

Impact Type	High-Tech Scenario		Traditional Logistics	
	One-Time	Ongoing	One-Time	Ongoing
Employment				
Direct	43,895	16,000	34,713	25,488
Total	59,018	22,645	46,138	32,201
Earnings				
Direct ($ Mill.)	2,306.5	968.5	1,816.4	1,033.0
Total ($ Mill.)	2,871.2	1,205.7	2,240.7	1,272.5
Output				
Direct ($ Mill.)	5,824.0	1,596.9	4,368.0	1,515.4
Total ($ Mill.)	7,762.1	2,370.9	5,822.1	2,300.8

Source: IMPLAN and Beacon Economics

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Report and Project Overview

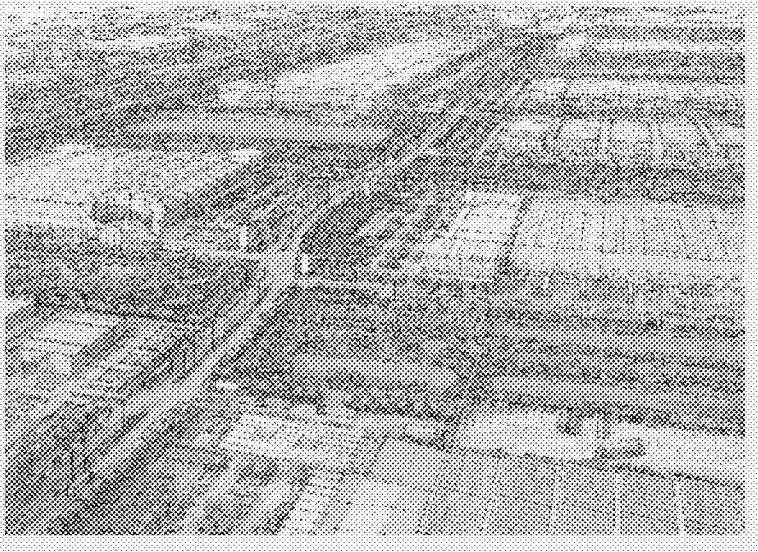
In this report, Beacon Economics estimates the potential economic impact of the development and eventual operation of the World Logistics Center (WLC) on the City of Moreno Valley and the broader region of Riverside County. According to the World Logistics Center Specific Plan, the WLC is a master-planned industrial development in Rancho Belago—the eastern portion of Moreno Valley.

This 41.6-million-square-foot facility will cover roughly 2,710 acres and is designed to attract large international companies and domestic corporations. In addition, a key tenet of the proposed development is that it be developed in an environmentally responsible way that conforms to California's CALGreen regulations, which will ensure the conservation of natural resources and the reduction of greenhouse gases, energy consumption, and water use. In fact, the WLC will go even further than this in its environmental efforts, drawing on a variety of other sustainable measures, including maximizing the efficiency of landscape irrigation, using solar equipment, and supporting alternative fuels like natural gas.

To put the scale of this proposed project into context, consider that Moreno Valley is currently home to the Sketchers distribution facility. This 1.82-million-square-foot facility was recently certified as the nation's largest LEED Gold-certified building by the U.S. Green Building Council.[1] As large as this facility is, it pales in comparison to the proposed World Logistics Center, which will be more than 22 times larger, at 41.6 million square feet.

To estimate the economic impact of the World Logistics Center on Moreno Valley and on Riverside County overall, Beacon Economics used Version 3 of the IMPLAN modeling system. This is an input-output model that can be used to estimate the short-run impact of changes in the economy through the use of multiplier analysis.

Artist's Rendering of the World Logistics Center



Source: Lockard Creative

Impact studies operate under the basic assumption that any increase in spending has three effects: First, there is a direct effect on that industry itself, resulting from the additional output of goods or services. In the case of the WLC, this represents the direct purchase of goods and services associated with building and fitting the space for operation. Once construction is completed, the direct effects consist of the workers who will be hired to work at WLC and the direct operations by WLC's tenants.

Second, there is a chain of indirect effects on all the industries whose outputs are used by the logistics industry and the impacts generated by a business's supply chain. For example, in order to build the facility, the construction teams

[1] BusinessWire.Com, "SKECHERS Distribution Center Certified as Largest LEED Gold Building in the United States," February 19, 2013.

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will need to purchase building materials and supplies, such as steel, timber, and concrete, as well as specialized design and engineering services. From an operational standpoint, tenants of WLC will need to purchase housekeeping and maintenance services, accounting/payroll services, and other inputs to the production process, such as utilities and supplies. These indirect impacts boost output and employment at the companies in the local economy who provide these inputs to the production process.

Third, there are induced effects that arise when employment increases and household spending patterns are expanded. These effects follow from the additional income that is earned in the course of producing this output, both by employees at WLC and in those companies supplying inputs to WLC. For example, the maintenance crew for WLC will need to bring on additional workers to service the center. These workers will earn wages for this effort and, to the extent that they reside within the local or regional economy, they will spend this income on goods and services, like rent, automobiles, clothes, and dining out, among others. This creates additional demand and employment opportunities within Moreno Valley and Riverside County as a result of the earnings associated with the WLC.

It is important to note that capital investments made on different types of projects can lead to different multipliers. Why? A sector can have a large multiplier effect if it induces economic activity in industries whose employees have a high propensity to spend from take-home pay. Also, if the sector does not import many materials from abroad or from out of state, then its multiplier effect on the local economy will be high. In essence, some of the spending in the local economy may "leak out" into other counties and states. If raw materials are imported, then a change in a local sector's level of production will result in a commensurate change in economic activity outside the study area. Our analysis uses input-output accounts and is based on three important assumptions. First, there are constant returns to scale. This means that a 10% cut in spending will be ten times as severe—across every sector in the economy—as a 1% cut. Second, there are no supply constraints. This means that any marginal increase in output can be produced without having to worry about bottlenecks in labor markets, commodity markets, or necessary imports. This assumption is quite realistic in a free-market economy like California's where there is some unemployment. It is even more reasonable in times of high unemployment, such as the present economic environment, because there are many under- and un-utilized resources that can be activated without detracting from other industries or businesses. Third, the flow of commodities between industries is fixed. This means that it is not possible to substitute in the short-run the many different inputs that go into the target industry.

Thus, our analysis here covers the four main areas of economic impact that will accrue on a local and regional level due to the development, equipping, and operation of the World Logistics Center in Moreno Valley. We estimate the direct employment, output, and value-added effects after accounting for leakage out of the region. Second, we estimate the indirect effects on all the industries whose outputs are used by the proposed investments and the induced effects arising when employment increases and household spending patterns are expanded.

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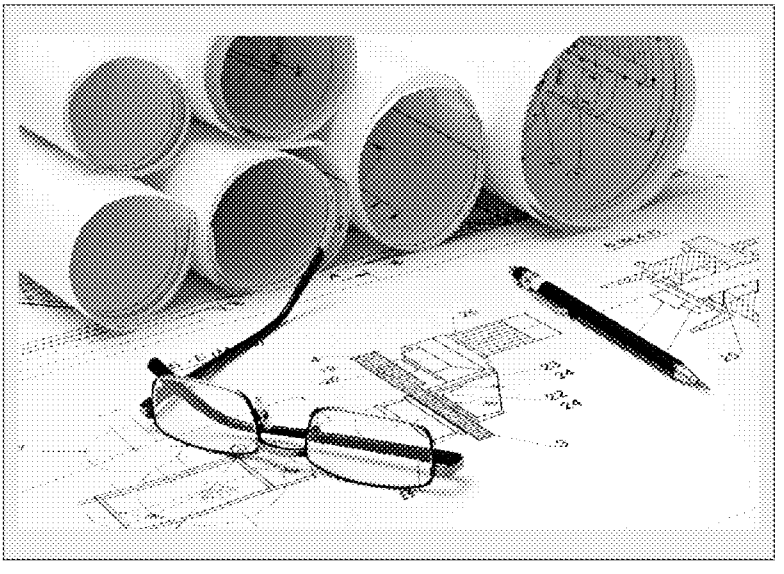
Economic Impact of Construction

Beacon Economics has modeled the economic impact of the World Logistics Center on Moreno Valley and Riverside County by breaking down the effects into three distinct categories: construction, tenant improvements and equipment purchases, and the ongoing operations of the facility once the development is completed.

In order to provide estimates of the economic impact of the construction of the World Logistics Center, Beacon Economics relied upon data from the developer, Highland Fairview, on the construction costs of other logistics centers it has built within the region. Because this project is still in the planning stages, final construction and improvement budgets have yet to be finalized. Thus, Beacon Economics presents two scenarios for the total economic impact of construction.

One scenario assumes that the WLC will be a highly automated, capital-intensive facility; that is, it will be one of the next-generation logistics centers, similar to the recently developed Sketchers facility. These types of operations use fewer workers for each square foot of space relative to traditional logistics centers, relying more heavily on industrial machinery, computers, and other technology products to deliver services more efficiently. In our second scenario, we assume a more traditional mode of operation—one that is more labor-intensive than its high-technology counterpart.



By presenting a range of potential effects, Beacon Economics hopes to present a more realistic picture of the economic impact of the construction of the WLC on the local and regional economy. The realization of the WLC will likely fall somewhere in between these two scenarios, as the facility will likely contain a mix of both high-tech and traditional logistics operations.

Our analysis shows that similar recently constructed logistics centers within the local economy have incurred an average expenditure of $70 to $85 per square foot of completed space. The range in cost varies according to how advanced the proposed operations and uses of the facility are and how many "green" features the center has, in addition to depending on a number of other characteristics that potentially raise the cost of construction from a base level of $70 per square foot. Using these estimates

Table 1. WLC Construction Cost Estimates

	High-Tech Logistics	Traditional Operation
Square Footage (Mill.)	41.6	41.6
Construction Costs per Sq. Ft.	$85	$70
Total Construction Costs ($ Bill.)	$3.54	$2.91

Source: Estimates by Beacon Economics

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for the upper and lower bounds of construction costs, Beacon Economics estimates that the construction of the WLC in Moreno Valley will cost between $2.91 and $3.54 billion, based upon 41.6 million square feet of completed logistics space.

These costs represent the direct impact of the construction of WLC on the local and regional economy. However, as noted, the total economic impact is much larger than this due to the ripple effects (the indirect and induced impacts) that will accrue to Moreno Valley and the broader region as a result of this construction spending. These results, which are detailed herein, are dependent on whether a high-tech or traditional manufacturing operation is put into place.

High-Tech Logistics Operation

Under a high-tech scenario, the development itself is expected to create more than 36,000 construction jobs during the building phase. However, due to increased demand for inputs, as well as additional earnings by construction workers and the staff of suppliers, the Moreno Valley economy will enjoy an additional 9,600 jobs created through the indirect and induced effects of the construction spending. In total, the construction phase of the project is expected to create nearly 46,000 jobs within the city throughout the life of construction. In addition, our analysis shows that the economic impact will extend to firms and individuals in the broader region, with the county benefiting from an additional 6,000 jobs that will be stimulated outside the Moreno Valley city limits but within Riverside County. Thus, the region as a whole can expect roughly 52,000 jobs as a result of the construction and development of the World Logistics Center.

It is important to point out that although the increase in employment is a significant benefit of this project, other local benefits are sizable as well. For example, Beacon Economics estimates that the City of Moreno Valley will experience a $1.2 billion increase in overall economic output (the value of all goods and services produced within the local economy) above and beyond the $3.54 billion in direct construction costs. This represents a significant increase in demand for goods and services throughout the local economy, and it will provide a big boost to the city's businesses. Moreover, an additional $800 million in output will be stimulated throughout the rest of Riverside County, bringing the total increase in output attributable to the construction of the WLC to $5.54 billion—a very large number for the local economy relative to the overall economic base.

Table 2. WLC Construction Impact: High-Tech Scenario

Impact Type	Employment (000s)	Earnings ($ Mill)	Output ($ Mill)
Direct Effect	36.2	1,862.6	3,536.0
Indirect Effect	2.5	95.9	290.9
Induced Effect	7.1	251.0	887.5
Total City Impact	45.8	2,209.5	4,714.4
Additional County Impact	6.0	231.1	821.6
Total Regional Impact	51.9	2,440.6	5,536.0

Source: IMPLAN and Beacon Economics

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Much of these increases in output are driven by indirect and induced effects that occur due to increased incomes within the city and county. In fact, Beacon Economics estimates that household income will increase by more than $2.2 billion within Moreno Valley as a result of construction, with an additional $231 million being paid out to Riverside County residents who don't live in Moreno Valley specifically. Finally, due to this spending, the state and local economies will enjoy a fiscal bump to the tune of more than $242 million from a variety of tax sources, including payroll, business, sales, and corporate taxes.

Traditional Logistics Operation

Even under the assumption that the WLC will more closely resemble a traditional logistics operation, the economic impact is very large. Although the effects are smaller than under the high-tech scenario, the development of the WLC is expected to create more than 29,000 construction jobs during the life of the building phase. The Moreno Valley economy will enjoy an additional 7,900 jobs created through the indirect and induced effects of the construction spending. In total, the construction phase of the project is expected to create nearly 38,000 jobs within the city throughout the life of construction. As in the high-tech scenario, our analysis shows that the economic impact will extend to the broader region, which will benefit from an additional 5,000 jobs created outside the Moreno Valley city limits but within Riverside County. Thus, the region as a whole can expect roughly 42,700 jobs as a result of the construction and development of the World Logistics Center, even if it is developed as a less high-tech and more traditional building.

Beacon Economics estimates that the City of Moreno Valley will experience a $970 million increase in overall economic output above and beyond the $2.91 billion in direct construction costs. An additional $677 million in output will be stimulated throughout the rest of Riverside County, bringing the total increase in output attributable to the construction of the WLC to $4.56 billion if the facility is developed as a traditional logistics operation rather than a high-tech logistics center. Beacon Economics estimates that household income will increase by more than $1.8 billion within Moreno Valley as a result of construction, with an additional $190 million being paid out to Riverside County residents who don't live in Moreno Valley specifically. Due to this spending, state and local economies will enjoy a fiscal bump of roughly $199 million from a variety of tax sources, including payroll, business, sales, and corporate taxes.

Table 3. WLC Construction Impact: Traditional Logistics Scenario

Impact Type	Employment (000s)	Earnings ($ Mill)	Output ($ Mill)
Direct Effect	29.8	1,533.9	2,912.0
Indirect Effect	2.1	79.0	239.6
Induced Effect	5.8	206.7	730.9
Total City Impact	37.8	1,819.6	3,882.5
Additional County Impact	5.0	190.3	676.6
Total Regional Impact	42.7	2,009.9	4,559.1

Source: IMPLAN and Beacon Economics

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Under either scenario, the construction and development of the World Logistics Center in Moreno Valley will provide a significant economic boost for the City of Moreno Valley and for Riverside County. Not only will this project provide some much-needed construction jobs (one of the hardest hit sectors during the recent Great Recession), but it will also boost local incomes, provide substantial demand for goods and services throughout the local economy, and help to sustain state and local government budgets by generating additional tax revenue. Even if the WLC is developed as a less-sophisticated operation (a scenario that is unlikely given the demand considerations and the trends toward automation in the logistics industry), Moreno Valley will still enjoy significant benefits as a result of the construction of the World Logistics Center.

Economic Impact of Improvements and Equipment

Building the World Logistics Center will lead to a one-time boost to the local economy during the construction phase, but Moreno Valley and the County of Riverside will also experience a sizable boost in the local economy due to specific tenant improvements (TI) and equipment purchases. Relying again on data from previous logistics centers built by the developer in the regional economy , Beacon Economics estimates that the cost of these improvements and equipment purchases will range from $35 to $55 per square foot, depending on the level of technology and the specific equipment purchased. For the purposes of this analysis, Beacon Economics uses a figure of $55 per square foot for the cost of tenant improvements and equipment purchases under the high-tech scenario, and a figure of $35 per square foot for the cost of improvements and purchases in a more traditional logistics operation. Based upon a completed space that will occupy 41.6 million square feet, the total cost of these improvements and equipment purchases will range from $2.29 to $1.46 billion.

Inside a High-Tech Logistics Facility

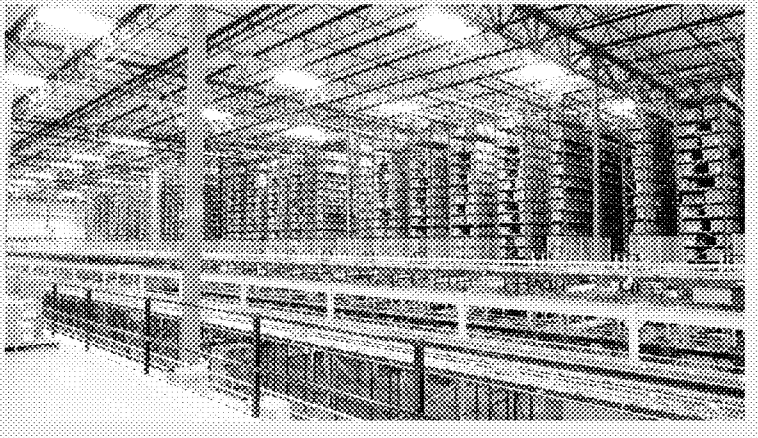

Table 4. WLC Tenant Improvement and Equipment Cost Estimates

	High-Tech Logistics	Traditional Operation
Square Footage (Mill.)	41.6	41.6
TI/Equipment Costs per Sq. Ft.	$55	$35
Total TI/Equipment Costs ($ Bill.)	$2.29	$1.46

Source: Estimates by Beacon Economics

These costs represent the direct impact of the tenant improvements and equipment purchases at WLC on the local and regional economy. The total economic impact is again much larger than this due to the ripple effects that will accrue to Moreno Valley and the broader Riverside County region as a result of these expenditures. These results, which are detailed below, are dependent on whether a high-tech or traditional manufacturing operation is put into place.

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High-Tech Logistics Operation

Under a high-tech scenario, the cost of tenant improvements and equipment purchases are expected to create more than 7,600 jobs. However, due to increased demand for inputs, as well as additional earnings per worker, the Moreno Valley economy will enjoy an additional 5,500 jobs created through the indirect and induced effects of the tenant improvements and equipment purchases. In total, these additional expenditures are expected to create nearly 13,100 jobs within the city. In addition, our analysis shows that the economic impact will extend throughout the region—the county will benefit from an additional 2,750 jobs that will be created outside the Moreno Valley city limits, accruing to firms and individuals within Riverside County. Thus, the region as a whole can expect to see almost 16,000 jobs as a result of the construction and development of the World Logistics Center.

In addition to an increase in the number of jobs, the other local benefits will be sizable as well. Beacon Economics estimates that the City of Moreno Valley will experience a $760 million increase in overall economic output above and beyond the $2.29 billion in direct costs for TI and equipment. This represents a significant increase in demand for goods and services throughout the local economy and will provide a boost to the city's businesses. Moreover, an additional $455 million in output will be stimulated throughout the rest of Riverside County, bringing the total increase in output attributable to the purchase of equipment and costs of TI at WLC to $3.50 billion—a very large number for the local economy relative to the overall economic base.

Table 5. WLC TI and Equipment Impact: High-Tech Scenario

Impact Type	Employment (000s)	Earnings ($ Mill)	Output ($ Mill)
Direct Effect	7.7	443.9	2,288.0
Indirect Effect	3.2	135.5	468.6
Induced Effect	2.3	82.4	291.1
Total City Impact	13.2	661.7	3,047.7
Additional County Impact	2.8	114.1	455.0
Total Regional Impact	15.9	775.8	3,502.7

Source: IMPLAN and Beacon Economics

Much of these increases in output are driven by the indirect and induced effects that occur due to increased incomes within the city and county. In fact, Beacon Economics estimates that household income will increase by more than $660 million within Moreno Valley as a result of tenant improvements and equipment purchases, with an additional $114 million being paid out to Riverside County residents who don't live in Moreno Valley specifically. Finally, because of this spending, the state and local economies will enjoy a fiscal bump to the tune of more than $117 million, coming from a variety of tax sources, including payroll, business, sales, and corporate taxes.

Traditional Logistics Operation

Even under the assumption that the World Logistics Center will more closely resemble a traditional logistics operation, the economic impact of tenant improvements and equipment purchases is very large. Although the effects will be smaller than under the high-tech scenario, these expenditures at WLC are expected to create more than 4,800

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jobs during the life of the building phase. The Moreno Valley economy will enjoy an additional 3,500 jobs created through indirect and induced effects of these tenant improvements and equipment purchases. In total, these expenditures are expected to create nearly 8,400 jobs within the city. As in the high-tech scenario, our analysis shows that the economic impact will extend to the broader region, with the county benefiting from an additional 1,750 jobs that will be created outside the Moreno Valley city limits but within Riverside County. Thus, the region as a whole can expect to see roughly 10,150 jobs as a result of tenant improvements and equipment purchases at the World Logistics Center—even from tenants with a more traditional mode of logistics operation than their more automated peers.

Beacon Economics estimates that the City of Moreno Valley will experience a $480 million increase in overall economic output above and beyond the $1.46 billion in direct tenant improvement and equipment costs. An additional $289 million in output will be stimulated throughout the rest of Riverside County, bringing the total increase in output attributable to tenant improvements and equipment purchases at WLC to $2.23 billion if the facility is developed as a traditional logistics operation rather than a high-tech logistics center. Beacon Economics estimates that household income will increase by more than $493 million within Moreno Valley in connection with these expenditures, with an additional $73 million being paid out to Riverside County residents who don't live in Moreno Valley specifically. Due to this spending, state and local economies will enjoy a fiscal bump of roughly $75 million from a variety of tax sources, including payroll, business, sales, and corporate taxes.

Table 6. WLC TI and Equipment Impact: Traditional Logistics Scenario

Impact Type	Employment (000s)	Earnings ($ Mill)	Output ($ Mill)
Direct Effect	4.9	282.5	1,456.0
Indirect Effect	2.0	86.2	298.2
Induced Effect	1.5	52.5	185.5
Total City Impact	8.4	421.2	1,939.6
Additional County Impact	1.8	72.5	289.4
Total Regional Impact	10.1	493.7	2,229.0

Source: IMPLAN and Beacon Economics

Under either scenario, the cost of tenant improvements and equipment purchases at the WLC in Moreno Valley will provide a significant economic boost for the city and for Riverside County. This spending will provide substantial demand for goods and services throughout the local economy, boosting local incomes and helping to sustain state and local government budgets by generating additional tax revenue. Even if the WLC is developed as a less-sophisticated operation, Moreno Valley will still enjoy significant benefits as a result of tenant improvements and equipment purchases at the World Logistics Center. Importantly, these impacts are in addition to the sizable one-time benefits accruing to the city as a result of the construction of the WLC, thereby compounding the economic impact even further.

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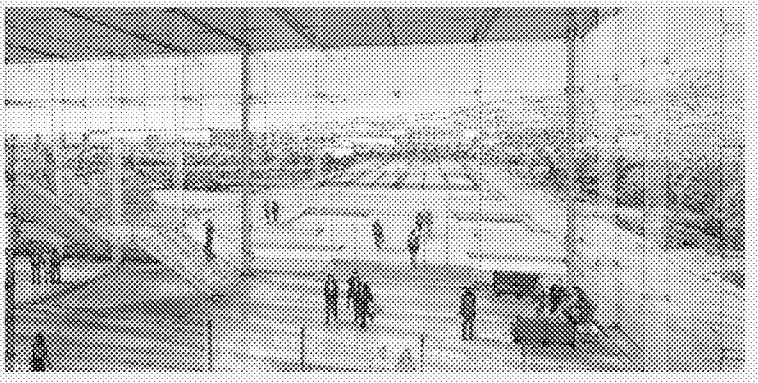
Economic Impact of Ongoing Operations

In addition to benefiting from the large, one-time bumps in economic activity associated with the construction and outfitting of the World Logistics Center, both Moreno Valley and the broader Riverside County region can expect to enjoy an ongoing economic impact as the facility comes online and is occupied by future tenants. For this portion of the economic analysis, Beacon Economics created both a high-tech scenario and a traditional logistics center scenario for the purposes of generating a range of likely economic effects.

Artist's Rendering of the World Logistics Center Interior



Source: Lockard Creative

In order to generate these scenarios, Beacon Economics relied upon information regarding the size and employment levels of a variety of logistics centers around the Inland Southern California region. Based upon this analysis, Beacon Economics has concluded that higher-tech operations, which rely much more heavily on automation, industrial equipment, and computers for their operations, are much less space-intensive. In other words, these high-tech logistics operations actually employ fewer workers for each square foot of space relative to their traditional counterparts. For example, some of the newer, more sophisticated operations average roughly 2,600 square feet for each employed worker. In contrast, more traditional logistics centers are much more labor intensive: employing one worker for every 1,635 square feet of available space.

Using these respective estimates for high-tech and traditional operations, Beacon Economics has determined that the completed WLC facility will house between 16,000 and 25,448 workers once it reaches full occupancy. Armed with this information, we can determine the cost of operation under both scenarios.

According to California's Employment Development Department, employees in the Transportation/Warehousing sector in Inland Southern California earn roughly $42,000 per worker, on average. Given that the high-technology operation will be much more capital intensive, and thus require more skilled labor, we have assumed an annual average wage for a high-tech operation to equal roughly $60,000 per worker. In contrast, a more traditional operation, which relies less heavily on skilled labor, is expected to pay an average wage of $40,000 per year—closer to the industry-wide average observed across the region.

In addition to labor costs, tenants of the WLC will incur various other operational expenses. Using information from the U.S. Bureau of Economic Analysis, Beacon Economics derived estimates of the external (non-labor) costs associated with the logistics industry on a per worker basis. Here, we utilized several pieces of information. First, gross domestic product (GDP) for the logistics industry was obtained. This figure reflects the value of all services provided by this sector between 1990 and 2011. From this, we subtracted the value added (the value of production less the cost of intermediate inputs and other costs) attributable to logistics. The net result of this figure represents the sum-total of external costs associated with the logistics industry. Finally, by dividing the total external costs by the number of logistics workers in each year, we arrived at an external cost per worker.

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In 2011, the average external expenditure per employee in the logistics industry equaled roughly $29,800 per year. In our high-tech scenario, this figure was adjusted upward to $39,800 to reflect the purchase of additional external equipment, supplies, and services above and beyond labor due to the capital-intensive nature of their production process. For a more traditional logistics operation, Beacon Economics has assumed that the operational costs will be similar to cost structures in the logistics space prior to the influx of high-tech processes after adjusting for inflation. In 1990, the logistics industry spent roughly $11,200 per worker on external expenditures. In 2011 terms, that equates to roughly $19,275 per worker—slightly below the industry-wide average and reflecting a less sophisticated operation overall.

Table 7. WLC Annual Operating Cost Estimates

	High-Tech Logistics	Traditional Operation
Square Footage (Mill.)	41.6	41.6
Sq. Ft. per Job	2,600	1,635
Direct Jobs	16,000	25,448
Annual Wage	$60,000	$40,274
Labor Costs ($ Mill.)	960.0	1,024.9
External Costs per Worker	$39,803	$19,273
Operational Costs ($ Mill.)	$636.9	$490.5
Total Costs ($ Mill.)	$1,596.9	$1,515.4

Source: Estimates by Beacon Economics

Combining both the labor costs and external costs under each scenario yields the annual direct impact of operations on the City of Moreno Valley. Based upon a 41.6-million-square-foot facility, total operational costs will reach nearly $1.6 billion per year at a high-tech incarnation of WLC, while annual operations will total roughly $1.5 billion at a more traditional type of logistics facility.

Based on these estimates, Beacon Economics has calculated the economic impact of the operation of the World Logistics Center once it reaches full capacity. As with our estimates for construction and TI/equipment purchases, we have presented a range of likely economic effects accruing to the City of Moreno Valley and to Riverside County, depending on whether the WLC is fully realized as a high-tech logistics center or whether it resembles a more traditional logistics operation.

High-Tech Logistics Operation

Under a high-tech scenario, the ongoing operations of tenants at WLC are expected to support more than 16,000 jobs. However, due to increased demand for inputs, as well as additional earnings per worker, the Moreno Valley economy will enjoy an additional 6,650 jobs both created and supported annually through the indirect and induced effects of the ongoing operations. In total, these operational expenditures are expected to support 22,645 jobs within the city each year. In addition, our analysis shows that the economic impact will extend throughout Riverside County, with the broader region benefiting from an additional 2,750 jobs that will be supported outside the Moreno Valley city limits. Thus, the region as a whole can expect over 25,000 jobs to be supported each year as a result of the annual operations of the World Logistics Center.

In addition to the increase in the number of jobs, the increases in other local benefits will be sizable. Beacon Economics estimates that the City of Moreno Valley will experience an almost $775 million increase in overall economic output above and beyond the $1.6 billion in direct operational costs. This represents a significant increase in demand for goods and services throughout the local economy and will provide a boost to the city's businesses. Moreover, an

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additional $360 million in output will be stimulated throughout the rest of Riverside County, bringing the total output attributable to the ongoing operations at WLC to $2.73 billion—a very large number for the local economy relative to the overall economic base.

Table 8. WLC Annual Operating Impact: High-Tech Scenario

Impact Type	Employment (000s)	Earnings ($ Mill)	Output ($ Mill)
Direct Effect	16.0	968.5	1,596.9
Indirect Effect	2.8	101.4	294.2
Induced Effect	3.8	135.8	479.9
Total City Impact	22.6	1,205.7	2,370.9
Additional County Impact	2.7	100.0	360.5
Total Regional Impact	25.4	1,305.7	2,731.4

Source: IMPLAN and Beacon Economics

Again, much of these increases in output will be driven by the indirect and induced effects that will occur due to increased incomes within the city and county. In fact, Beacon Economics estimates that household income will increase by more than $1.2 billion within Moreno Valley as a result of the ongoing operations at WLC, with an additional $100 million being paid out to Riverside County residents who don't live in Moreno Valley specifically. Finally, the state and local economies will enjoy a fiscal bump due to this spending to the tune of more than $140 million, stemming from a variety of tax sources, including payroll, business, sales, and corporate taxes.

Traditional Logistics Operation

If one assumes that the WLC will more closely resemble a traditional logistics operation, the economic impact of the ongoing operations remains substantial. Given that the operation will be much more labor intensive than under a high-tech scenario, the operational expenditures at the WLC under this scenario are expected to sustain more than 25,500 jobs each year, as more workers are required to do the work if the center is using more limited automation technology. Under this scenario, the Moreno Valley economy will enjoy an additional 6,700 jobs, owing to the indirect and induced effects of ongoing operations. In total, these expenditures are expected to create nearly 32,200 jobs within the city—a sizable increase over the high-tech scenario due to the larger number of direct jobs employed at WLC in the low-tech scenario. As in the high-tech scenario, our analysis shows that the economic impact will extend to the broader region, which will benefit from an additional 2,775 jobs created outside the Moreno Valley city limits but within Riverside County. Thus, the region as a whole can expect to support almost 35,000 jobs each year as a result of ongoing operations at the World Logistics Center—even under the assumption that a traditional form of logistics will dominate the facility.

Beacon Economics estimates that the City of Moreno Valley will experience a $785 million increase in overall economic output above and beyond the $1.52 billion in direct operational costs. An additional $368 million in output will be stimulated throughout the rest of Riverside County, bringing the total increase in output attributable to ongoing operations at the World Logistics Center to $2.7 billion if the facility is developed as a traditional logistics operation

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rather than a high-tech logistics center. Beacon Economics estimates that household income will increase by more than $1.27 billion within Moreno Valley in connection with these expenditures, with an additional $102 million being paid out to Riverside County residents who don't live in Moreno Valley specifically. As a result of this spending, state and local economies will enjoy a fiscal bump of roughly $143 million, received from a variety of tax sources, including payroll, business, sales, and corporate taxes.

Table 9. WLC Annual Operating Impact: Traditional Logistics Scenario

Impact Type	Employment (000s)	Earnings ($ Mill)	Output ($ Mill)
Direct Effect	25.5	1,033.0	1,515.4
Indirect Effect	2.7	96.2	279.2
Induced Effect	4.0	143.3	506.2
Total City Impact	32.2	1,272.5	2,300.8
Additional County Impact	2.8	102.4	368.3
Total Regional Impact	35.0	1,374.9	2,669.0

Source: IMPLAN and Beacon Economics

Under either scenario, the ongoing operations at WLC in Moreno Valley will provide a significant economic boost for the city and for Riverside County. Like the spending on equipment, this ongoing spending will provide substantial demand for goods and services throughout the local economy, boosting local incomes and helping to sustain state and local government budgets through additional tax revenue. Even if the WLC is developed as a less sophisticated operation, Moreno Valley will still enjoy significant benefits each year as a result of ongoing operations at the World Logistics Center. These are impacts that will be sustained into the foreseeable future, which is an important point given that the effects presented up to this point have largely consisted of one-time surges in economic activity.

Total Economic Impacts

Overall, through both the construction and outfitting of the World Logistics Center, as well as through the ongoing operations of the facility, the City of Moreno Valley stands to benefit substantially from this project. As noted herein, the WLC will be more than 22 times larger than the largest comparable property in the region, with more than 41 million square feet of logistics space. Beacon Economics has conducted an economic impact analysis and has found that there will be a significant one-time boost to the local economy as the facility is constructed and fitted with industrial equipment. In addition, the local economy will enjoy ongoing effects as a result of the routine operations of the World Logistics Center, with benefits continuing into the foreseeable future.

If the WLC is built as a high-tech logistics center, such as those recently constructed within the region, the facility itself will rely on fewer direct jobs than a facility housing a more traditional operation. However, the high-tech facility will generate more economic output in the region due in large part to the fact that the quality of the jobs in this scenario (as measured by wages) is expected to be significantly higher than the quality of jobs at a more labor-intensive facility.

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In addition, the high-tech facility will help to stimulate the local and regional economies through a greater volume of expenditures on advanced industrial equipment, computers, and other technology products. The overall economic impact of the high-tech version of the WLC is presented in Table 10.

Table 10. WLC Total Economic Impact: High-Tech Scenario

Impact Type	Employment (000s)	Earnings ($ Mill)	Output ($ Mill)
Direct Effect	59.9	3,275.0	7,420.9
Indirect Effect	8.5	332.7	1,053.7
Induced Effect	13.3	469.2	1,658.5
Total City Impact	81.7	4,076.9	10,133.0
Additional County Impact	11.5	445.2	1,637.2
Total Regional Impact	93.2	4,522.1	11,770.2

Source: IMPLAN and Beacon Economics

Assuming that the World Logistics Center takes on a more conventional form once completed, the overall economic impact of the construction process, the TI/equipment purchases, and the ongoing operations is expected to be smaller than under a high-tech scenario. However, the economic impact on the City of Moreno Valley remains significant, as shown in Table 11. There will be a larger number of direct jobs created because the operations at WLC will require more labor as a result of a lower-tech process. However, employment, output, earnings, and tax revenues are expected to be substantial in either scenario. Ultimately, this project will have a large positive impact on the City of Moreno Valley and the broader area of Riverside County. Initially, this will consist of a significant upfront investment, followed by a continued boost from ongoing operations at what will be the largest advanced logistics facility of its kind.

Table 11. WLC Total Economic Impact: Traditional Logistics Scenario

Impact Type	Employment (000s)	Earnings ($ Mill)	Output ($ Mill)
Direct Effect	60.2	2,849.4	5,883.4
Indirect Effect	6.8	261.4	816.9
Induced Effect	11.4	402.5	1,422.6
Total City Impact	78.3	3,513.2	8,122.9
Additional County Impact	9.5	365.3	1,334.2
Total Regional Impact	87.8	3,878.5	9,457.1

Source: IMPLAN and Beacon Economics

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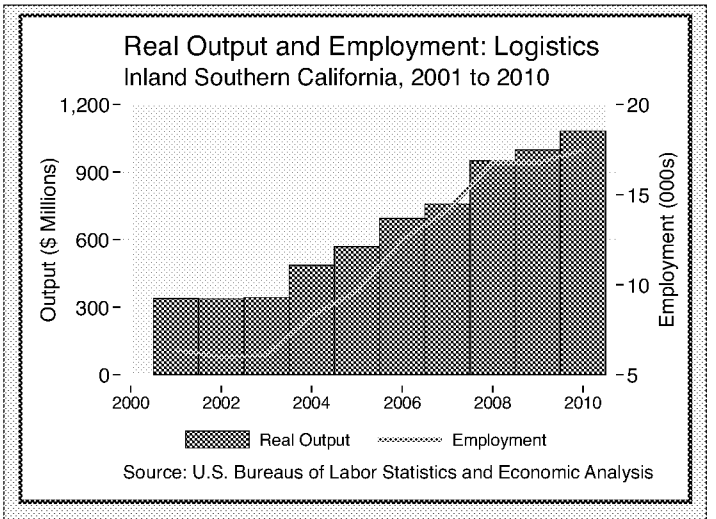
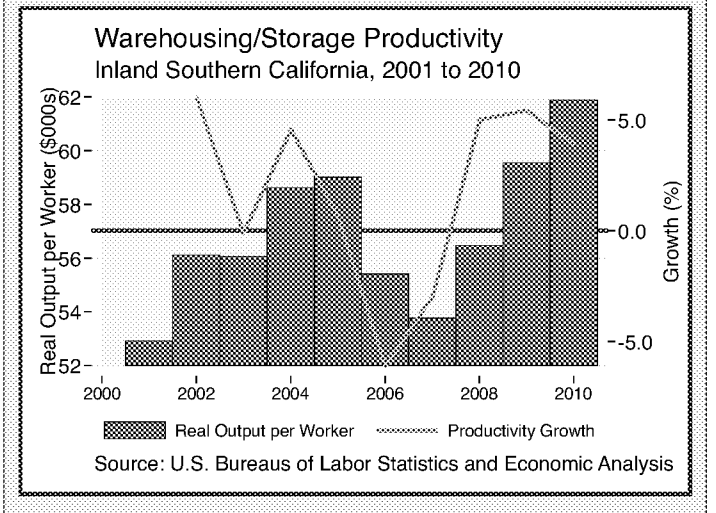
Logistics Workers: Employment and Demographics

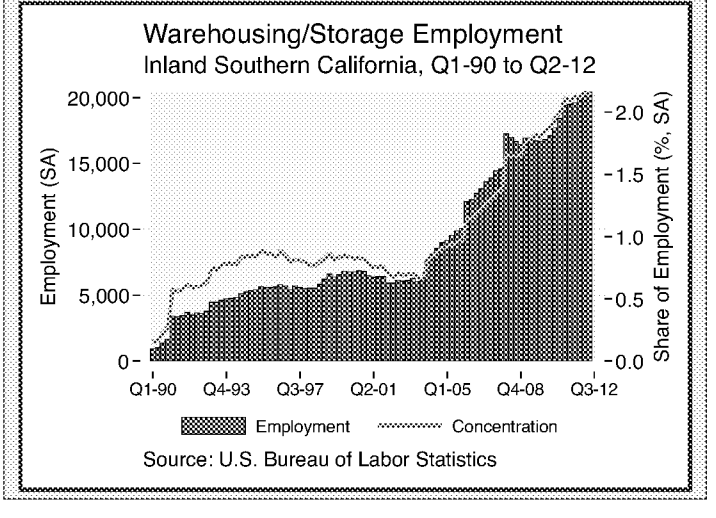
The logistics industry has undergone significant changes over the past few decades. In the past, the logistics industry consisted of primarily labor-intensive operations. Since the advent of the modern computer, the advancements in software and robotics, and the increase in the sophistication of industrial equipment, logistics has become increasingly capital-intensive with automated operations. And, while the new logistics centers, such as the one envisioned here, may not provide the same quantity of direct-jobs for every square foot of occupied space as they did in the past, the quality of those jobs (as reflected by productivity, wages, and levels of educational attainment) has increased significantly.

First, we will consider productivity, which measures the value of all goods and/or services produced by each individual worker within an industry. By 2010 (the most recent metropolitan real GDP figures available), the value of all output produced by the Warehousing/Storage sector within the Inland Southern California region was more than three times larger than it was even a decade ago after adjusting for inflation. Unsurprisingly, this surge in output has also led to a large increase in employment within the region. Specifically, warehousing and storage operations have grown from roughly 6,000 positions in 2001 to more than 17,500 jobs in 2010, according to estimates from the Quarterly Census of Employment and Wages (QCEW). And, with growth at the Ports of Los Angeles and Long Beach playing a key role in the region's economic recovery, employment in this sector has expanded by even more over the past two years.

In fact, data through the second quarter of 2012 show that employment in this sector within the Inland Southern California region has expanded even further, to nearly 20,400 jobs. More important, not only is the number of jobs increasing but so too is the share of this industry within the overall economy. For







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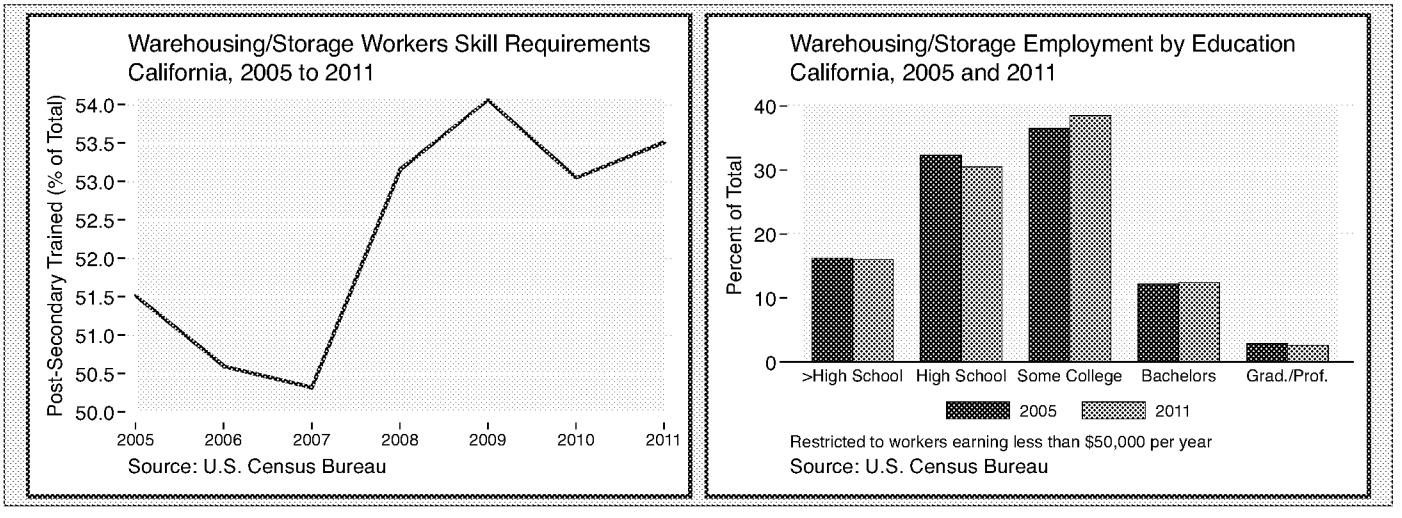
example, in 1990 warehousing and storage facilities represented just 0.2% of private-sector employment within the region. By 2012, that share had increased to over 2% of all private-sector jobs, thanks in large part to an explosion of this industry during the middle part of the last decade. Thus, not only is the level of employment within this industry growing, but this sector is also becoming increasingly concentrated within the regional economy.

Still, despite this surge in employment, real productivity has continued to rise—meaning that workers continue to become more productive. On average, each logistics worker in the Inland Southern California region generated roughly $53,000 of real (inflation-adjusted) output back in 2001. By 2010, the average output per logistics worker had increased to almost $62,000—a 16.9% increase. Indeed, with the exception of the Great Recession, when global exports and port traffic dropped significantly, this sector has averaged roughly 4% growth in worker productivity each year since 2001.



Overall, the quality of the jobs being offered by logistics companies is being affected by the trend toward increased labor efficiency and productivity. This is evidenced by the basic profiles of workers in the industry, who have in general become more skilled and more highly paid over the past few years alone. For example, even as recently as 2006, the level of educational attainment for workers in the logistics industry was fairly evenly distributed, with 49.4% of workers having a high-school diploma or less, and with 50.6% of workers having some form of post-secondary training (community college, vocational training, or college degree). However, the share of higher-skilled workers has increased consistently over the past few years; in 2011, nearly 54% of all workers in this sector possessed some form of post-secondary training.

Indeed, drilling down to specific levels of educational attainment underscores the trend toward higher-skilled workers, even for workers making under $50,000 per year. Logistics workers without a high school diploma have fallen to a share of 16% of all workers, compared with a peak of almost 17% of all workers. Similarly, workers with only a high school diploma represented roughly 30% of total logistics employment in 2011, down from nearly 34% in 2007. At the same time, the proportion of workers with some college or vocational training has increased, from just over 35% of all jobs in the industry in 2006 to 38.5% by 2011. The share of workers with a bachelor's degree has also increased marginally, while the proportion of workers with graduate degrees has remained relatively flat.

Thus, not only has the number of jobs increased dramatically since the turn of the century, but increasingly, those jobs are being filled by workers with a higher degree of skills and educational training than in the past. This highlights

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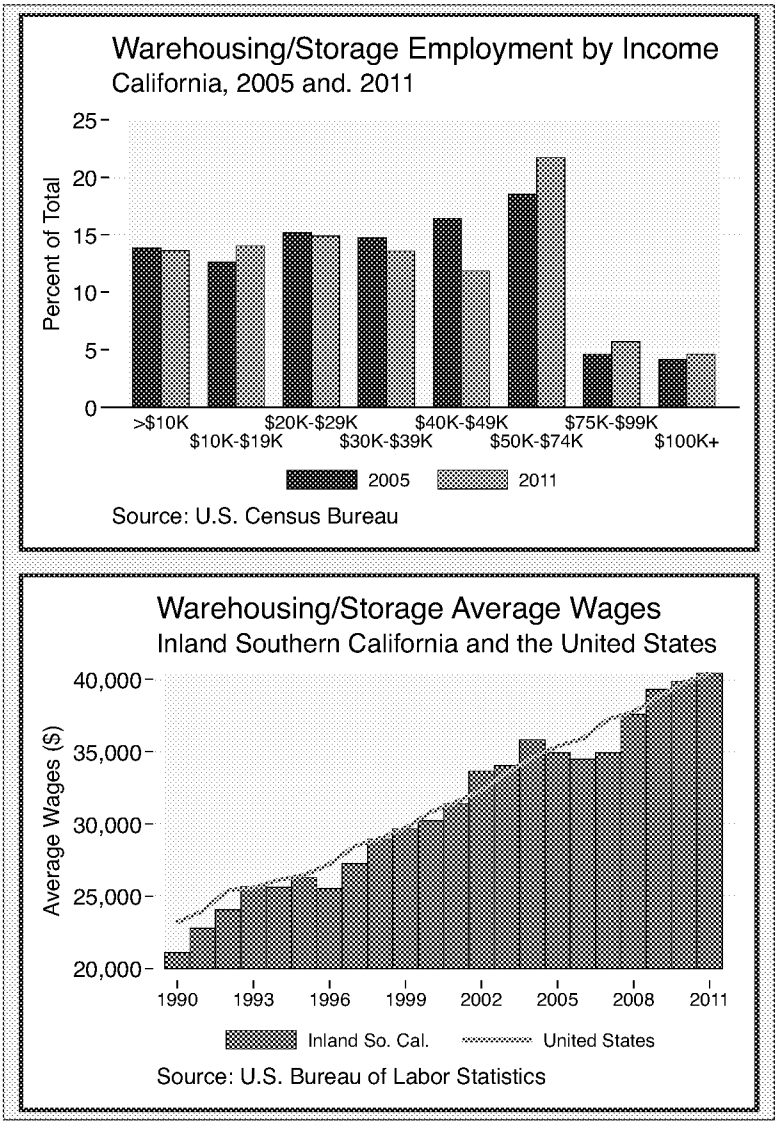
the increasing quality of the jobs provided by the logistics industry despite the fact that the operations in question have become less labor-intensive in terms of the amount of labor required per square foot. And it is important to keep in mind that the sector overall has been growing—both in terms of output as well as employment. So even though each operation is more capital-intensive, there are more of these operations out there offering a larger quantity of jobs overall at a higher quality of employment.

Indeed, we see these trends in increasing productivity and skill requirements spilling over into higher wages for logistics workers. Overall, the share of logistics workers in California earning $50,000 per year or less has fallen from almost 73% of all logistics jobs in 2005 to just 68% by 2011, according to the 2011 American Community Survey. Stated another way, the percentage of logistics workers earning at least $50,000 per year has grown from 27% to 32% of employment within the sector. If we look at the data in more granular detail, we see that the percentages of workers earning $10,000 or less, $20,000 to $30,000, $30,000 to $40,000, and $40,000 to $50,000 have all fallen, while each of the higher income categories have seen their share of total employment increase.

Annual average wages for warehousing/storage workers are on the rise as well—they have nearly doubled since 1990. Indeed, the annual average wage of a warehousing/storage worker has increased from just $23,400 in 1990 to $41,400 in 2011. This 77% increase in wages over the 21-year period equates to roughly 2.7% growth in pay per year. This reflects both the increases in productivity and the shift in the share of workers with higher-skilled, higher-income jobs. Thus, in sum, this report finds that the number of jobs is increasing despite rising automation and increases in worker productivity. Logistics is becoming increasingly concentrated within the local economy. Moreover the quality of those jobs, as measured by training, shares of workers in higher income brackets, and rising wages, has increased significantly over the last 20 or so years.



Finally, it is important to point out that although logistics is primarily focused on the movement of goods and services, there is significant diversity in the types of jobs being offered in the industry. Roughly 52% of the workers in this sector are classified as having transportation and material moving occupations. These are the logistics worker that one typically associates with the industry, but nearly 48% of all

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logistics workers perform some other job function outside of moving goods and materials. For example, office and administrative workers represent 26.5% of all jobs within the industry. Other higher-wage jobs include management (6.7% of all workers), installation/maintenance/repair (4.6%), business/financial/sales occupations (3.3%), and architects/engineers/computer/mathematical occupations (1%). Thus, while this sector does offer a significant number of jobs in the moving and handling of freight and goods, the mix of jobs within the logistics industry, including opportunities for high-wage employment, is significantly more diverse than one might expect. This helps to explain the rising educational training and skill requirements as well as the rising wages and incomes of Inland Southern California residents who work in logistics.

Table 12. California Employment in Transportation and Warehousing, 2011, and Outbound Commuters in Inland Southern California, 2011

Occupation	2011 California Employment		2011 Inland So.Cal. Commuting	
	Jobs	Percent of Total	Outbound Commuters	Percentage of Occupation
Transportation	327,658	52.3	31,765	24.2
Office/Administrative	166,200	26.5	51,503	22.4
Management	41,764	6.7	44,196	30.3
Install./Maint./Repair	28,891	4.6	18,318	25.7
Business/Financial	11,513	1.8	21,189	32.2
Sales	9,197	1.5	34,965	19.1
Production	9,014	1.4	26,458	26.3
Cleaning/Grounds Keeping	8,816	1.4	11,388	14.1
Protective Service	5,453	0.9	22,160	43.4
Personal Care	4,343	0.7	13,794	17.1
Computer/Mathematical	3,392	0.5	8,308	37.4
Construction	3,224	0.5	34,630	37.0
Architecture/Engineering	2,936	0.5	9,124	42.7
Arts/Entertainment	1,295	0.2	5,700	24.2
Food Prep./Serving	719	0.1	9,831	11.0
Other	1,918	0.3	61,334	N/A

Source: U.S. Census Bureau

Overall, the quality and quantity of logistics jobs are improving. With the expansion of the local industrial base as envisioned in the World Logistics Center, there is the opportunity for a variety of well-paying jobs within the region. Many of these jobs (roughly 48%) will involve non-logistics occupations in the business and financial side of the operation, providing solid wages and opportunities for future growth as demonstrated by historical trends. In addition, this project could help to harness some of the assets currently present within the region that have yet to be tapped into.

Inland Southern California is often thought of as a bedroom community—a significant portion of local residents commute outside the region for work each day. Indeed, according to the 2011 American Community Survey, roughly 75.7%

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of residents work within Inland Southern California, while 24.3% are outbound commuters. The large number of outbound commuters represents a missed opportunity for the region to capture these skills by keeping employment local. Employing more residents within the region would cut down on road congestion and commute times, thereby helping to improve the quality of life for local residents and the community as a whole. Indeed, many of the outbound commuters are relatively high-skilled. The share of outbound commuters in high-paying occupations, such as architecture, engineering, computer science, and mathematical operations, reaches almost 40% of all residents—much higher than the economy-wide average for these occupations. By bringing the WLC project online, Moreno Valley will help to take advantage of the significant skill sets of residents in the region who currently have to commute to the coastal areas for work each day. Hence, this project will not only create a significant number of jobs but will also enable the broader Inland Southern California region to make better use of its existing assets—namely, its people.

Summary

Beacon Economics has performed an economic impact study of the effects of developing and operating a 41.6-million-square-foot logistics facility in the City of Moreno Valley. Overall, we find that both the city and Riverside County as a whole will enjoy significant benefits from the proposed project.

Our analysis includes two hypothetical scenarios: (1) the World Logistics Center will be a highly-automated and capital-intensive logistics center, and (2) the World Logistics Center will be built as a traditional logistics facility that relies more heavily on labor as inputs to its operations. Under either scenario, the city and the county will enjoy significant economic benefits. Initially, they will benefit from the one-time costs associated with outfitting the facility and equipping it for operations. Thereafter, the City of Moreno Valley and Riverside County will enjoy ongoing benefits from the continued operation of the facility once it reaches full occupancy.

Table 13. WLC Summary of Total Economic Impact

Impact Type	High-Tech Scenario		Traditional Logistics	
	One-Time	Ongoing	One-Time	Ongoing
Employment				
Direct	43,895	16,000	34,713	25,488
Total	59,018	22,645	46,138	32,201
Earnings				
Direct ($ Mill.)	2,306.5	968.5	1,816.4	1,033.0
Total ($ Mill.)	2,871.2	1,205.7	2,240.7	1,272.5
Output				
Direct ($ Mill.)	5,824.0	1,596.9	4,368.0	1,515.4
Total ($ Mill.)	7,762.1	2,370.9	5,822.1	2,300.8

Source: IMPLAN and Beacon Economics

Importantly, the quality and quantity of logistics jobs are improving, and this project provides the opportunity for a variety of well-paying jobs within the region. Many of these jobs involve non-logistics occupations that provide solid wages and opportunities for future growth. In addition, this project could help to harness some of the local assets in the region that have yet to be tapped into. By bringing the WLC project online, Moreno Valley will be able to take advantage of the significant skill sets of residents in the region who currently have to commute to the coastal areas for work each day. This project will create a significant number of high-quality jobs and will also enable the broader Inland Southern California region to make better use of its existing assets—namely, its people.

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Finally, this project will introduce many knock-on benefits that will ripple through the rest of the local and regional economy. These benefits include an increased demand for goods and services throughout the economy, increased household earnings for workers at WLC and its suppliers, and increased state and local tax revenues. Ultimately, Beacon Economics concludes that the construction, development, and operations of the World Logistics Center in Moreno Valley will contribute very significantly to the local and regional economies.

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About Beacon Economics

Beacon Economics is a leading provider of economic research, forecasting, industry analysis, and data services. The firm's internationally recognized forecasters were among the first and most accurate predictors of the U.S. mortgage market meltdown that began in 2007—and among a relatively small handful of researchers who correctly calculated the depth and breadth of the financial and economic crisis that followed. By delivering independent, rigorous analysis, Beacon Economics gives its clients the knowledge they need to make the right strategic decisions about investment, growth, revenue, and policy. The firm's clients span both the public and private sector, ranging from the California State Controller's Office to major universities to one of Wall Street's most successful hedge funds. Core service areas include economic and revenue forecasting, economic impact analysis, economic policy analysis, regional economic analysis, real estate market and industry analysis, and EB-5 Visa analysis. Visit Beacon Economics' website at www.BeaconEcon.com to learn more.

Services

- Economic & Revenue Forecasting
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- Ports & Infrastructure Analysis
- Public Speaking
- Expert Testimony

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Moreno Valley
Economic Development Strategy

John Husing, Ph.D.
Economics & Politics, Inc.

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Inland Empire Job Changes, 2007-2011

Source: CA Employment Development Department

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IE Construction Still Negative in 2011

Note: 2011 average assuming December loss of -400
Source: CA Employment Development Department

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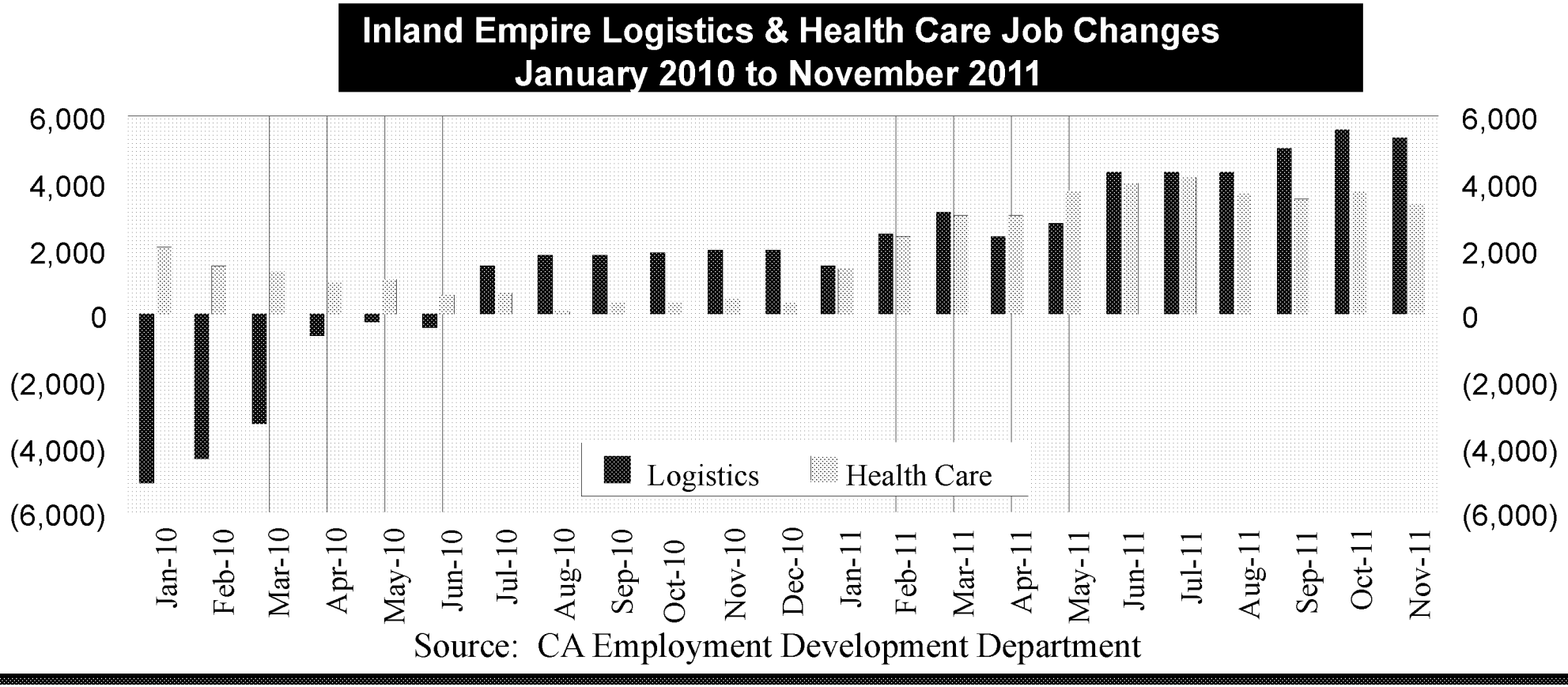
IE Job Change: Key Economic Drivers



Source: CA Employment Development Department

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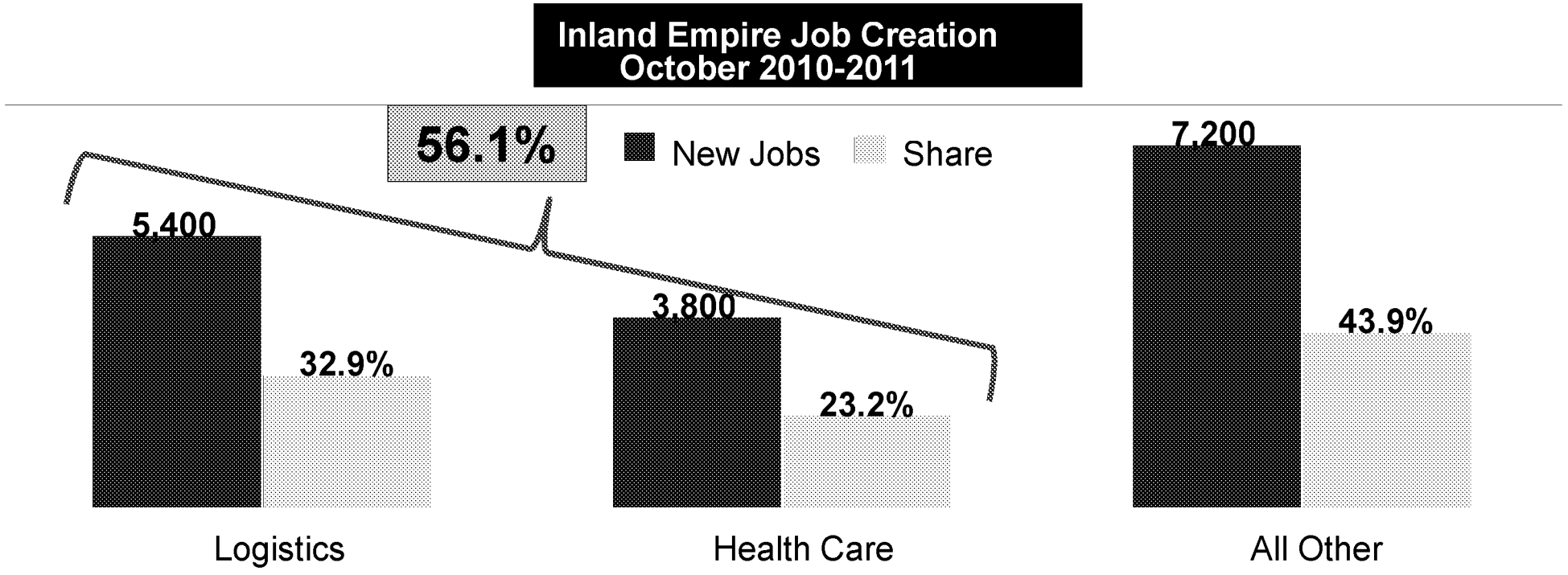
Two Sectors Are Dominating Inland Empire Job Growth



Source: CA Employment Development Department

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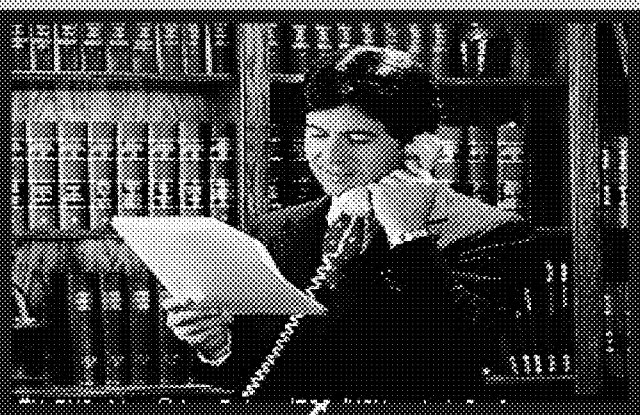
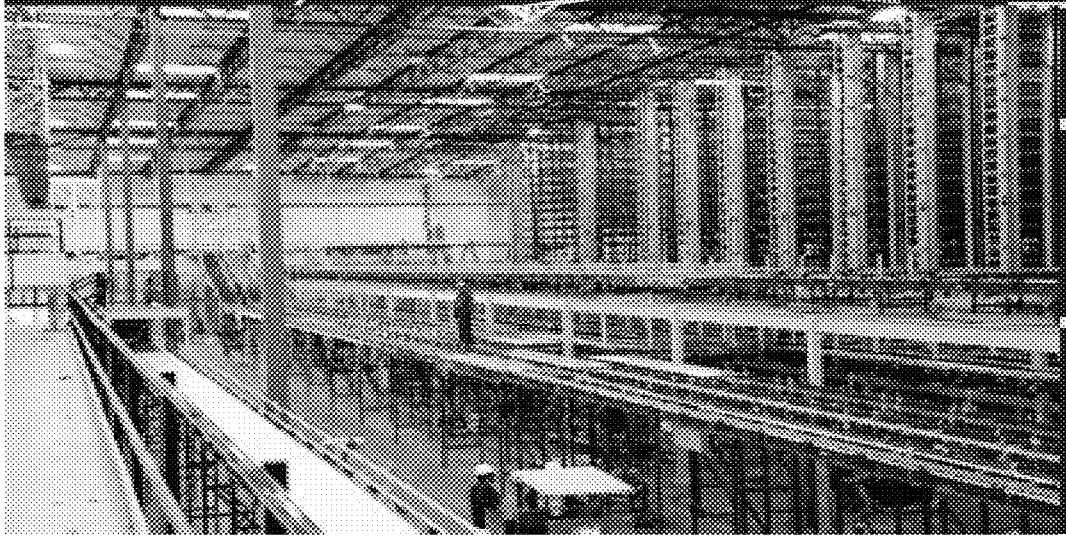
Gold Mine Theory

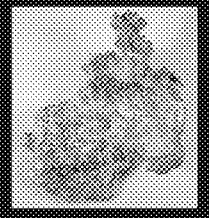


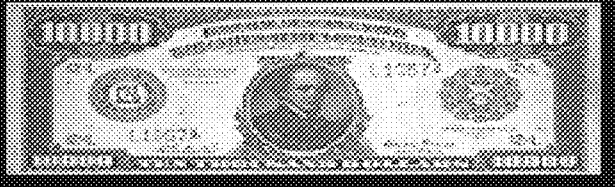
Secondary Tier

Another
-$10.6 Billion

Primary Tier







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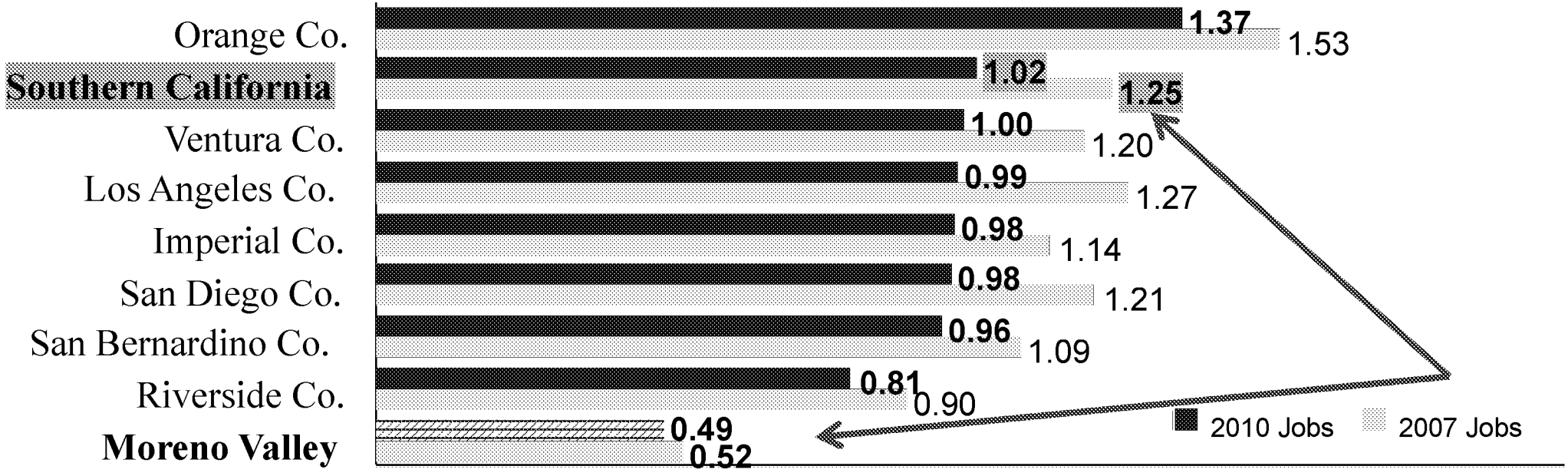
Moreno Valley Needs Jobs
Jobs:Housing Balance Extremely Low

Jobs:Housing Balance, Southern California
2010 & 2007 Wage & Salary Jobs v. 2010 Occupied Housing



Sources: CA Department of Finance & CA Employment Development Department

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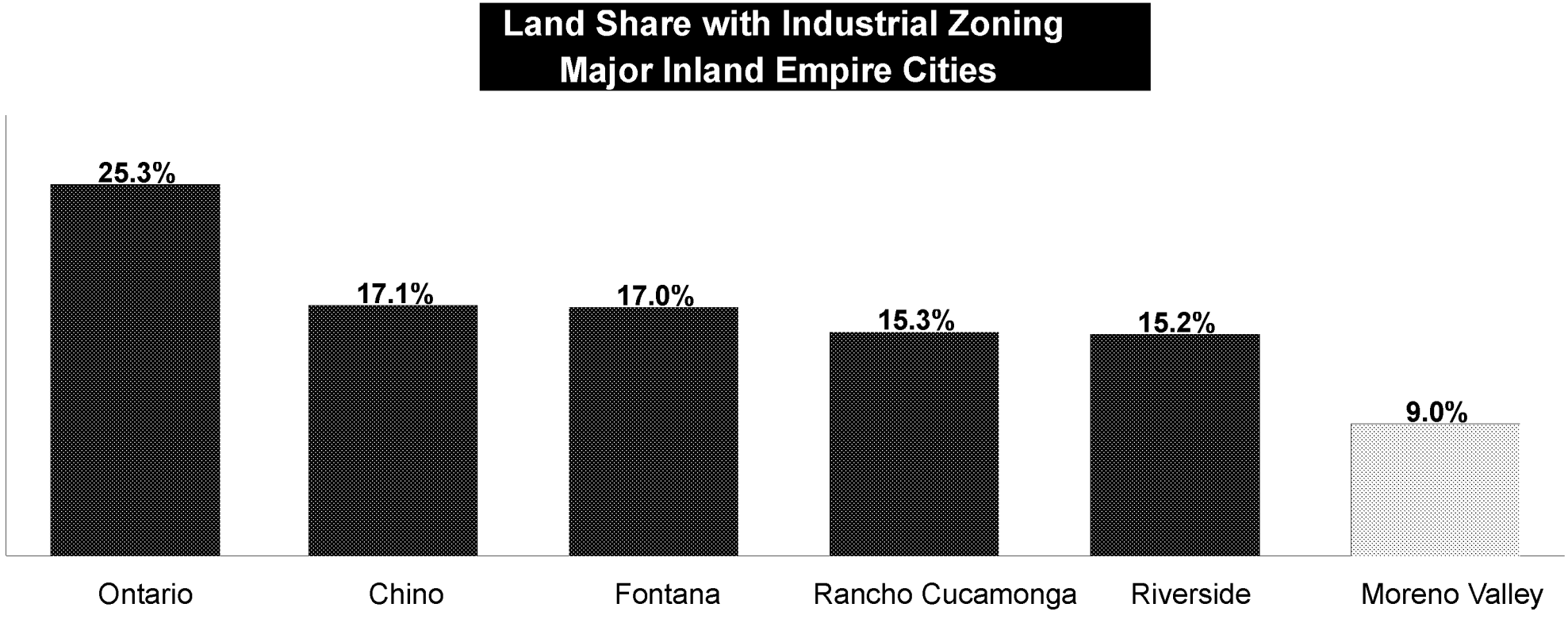
Commuting Issue Is largely Self-Imposed By Zoning



Source: City of Moreno Valley

Moreno Valley Needs An Economic Boost

Economic Statistics

	Moreno Valley	Riv. County
Unemployment Rate (*Nov.*)	14.8%	12.8%
No Health Insurance	25.1%	21.1%
People Below Poverty Line	19.4%	16.3%
Notices of Default (*Nov. 2010-11*)	6.3%	5.8%
Retail Sales *(3rd Qtr-2010-11)*	6.9%	10.2%
Assessed Valuation	+0.7%	-1.6%

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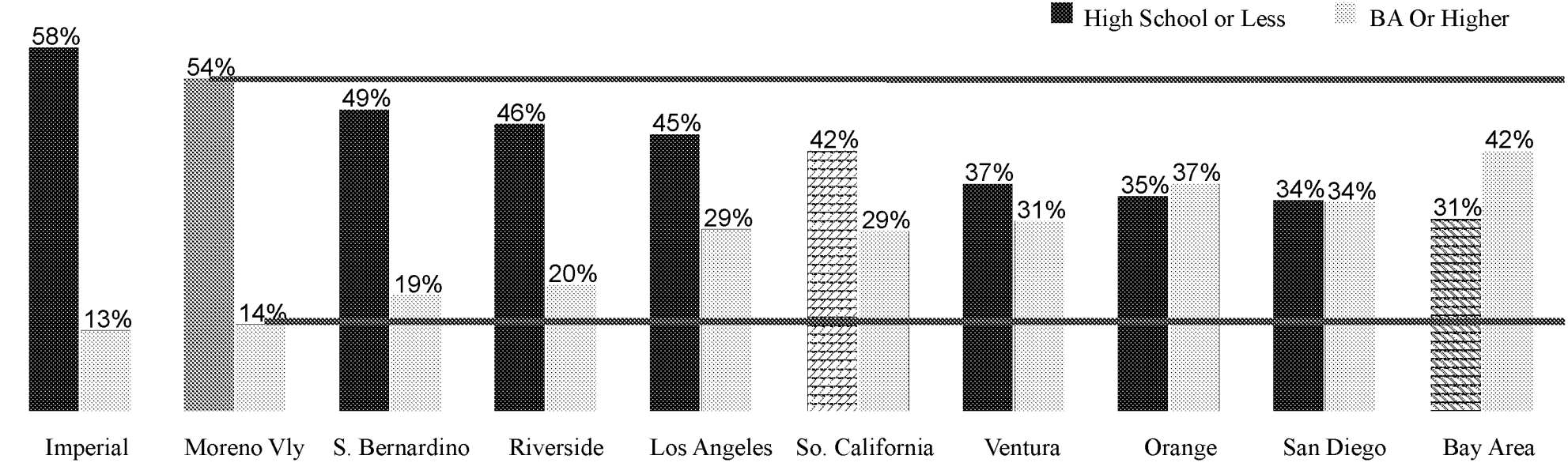
What Types of Jobs Do Residents Need?

Educational Attainment, Persons 25 & Over
Southern California Counties & Bay Area, 2010



Source: American Community Survey, 2010

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Few Training Barriers To Beginning Employment

Mining	**($65,268)**	**Blue Collar**
Manufacturing	**($49,884)**	**Blue Collar**
Construction	**($48,444)**	**Blue Collar**
Logistics	**($45,868)**	**Blue Collar**
Gaming	**($37,827)**	
Retail Trade	**($28,824)**	
Agriculture	**($24,552)**	
Hotel/Motel	**($16,026)**	
Eating & Drinking	**($16,026)**	

Not Reach Middle Class

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Results Of Blue Collar Job Suppression

- Unemployment Higher Than It Needs To Be
- Underemployment A Constant Difficulty
- Lack of Access to Jobs Leading to the Middle Class

- Health Issues of Poverty
- Divorce
- Spousal Abuse
- Drug & Alcohol Abuse
- Suicide
- Lack of Timely Medical Care

Public Health Issues!

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Why Demand For Inland Empire Health Care Workers

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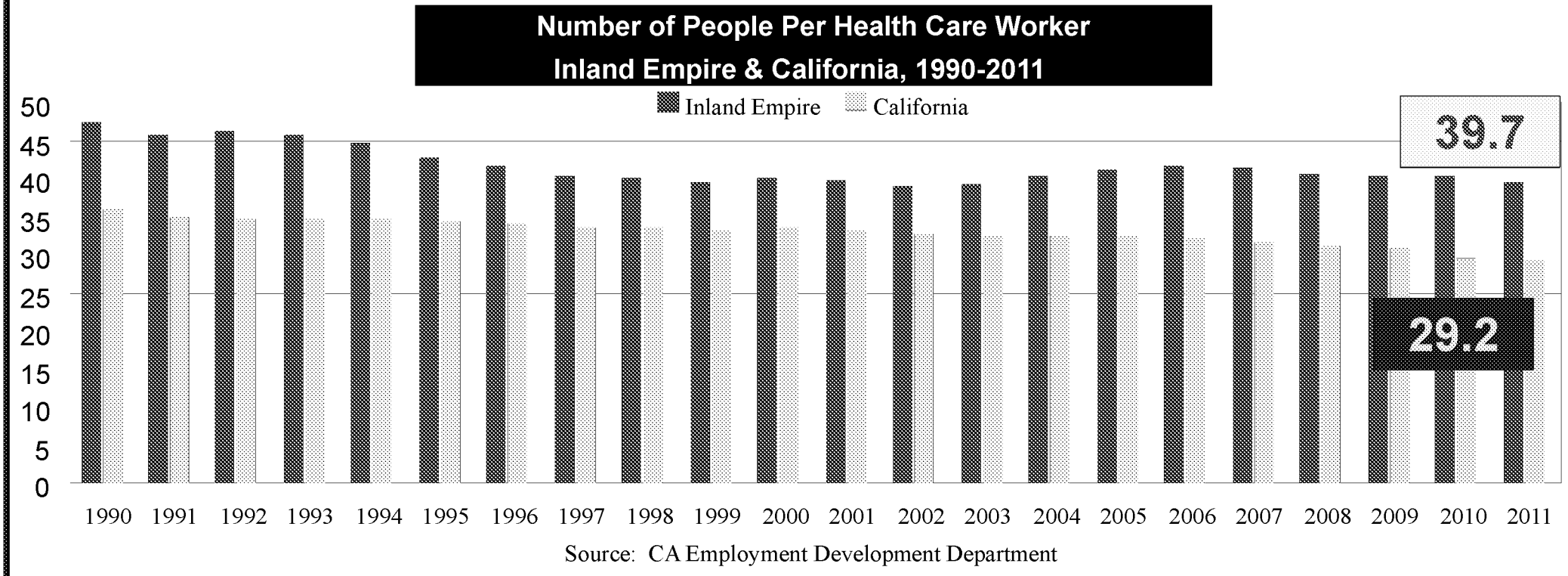
Too Many Inland Residents Per Health Care Worker



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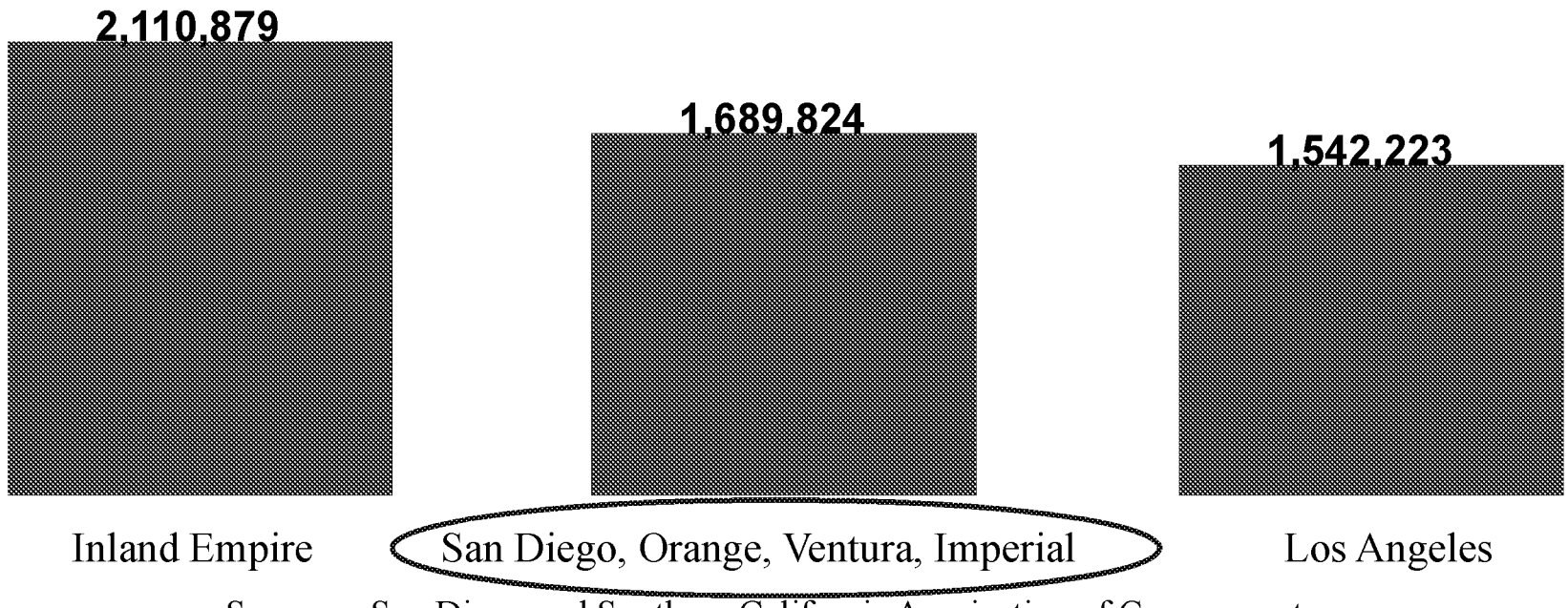
Demand For Health Care Will Increase

Population Forecasts
Southern California Areas, 2008-2035



Sources: San Diego and Southern California Assoication of Governments

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Hospitals: A Key Source of Upward Mobility

Medical and Health Services Managers	$43.48	$90,438
Registered Nurses	$38.29	$79,643
Medical and Clinical Laboratory Technologists	$36.94	$76,835
Medical Scientists, Except Epidemiologists	$35.43	$73,694
Healthcare Practitioners and Technical Workers, All Other	$33.42	$69,514
Health Diagnosing and Treating Practitioners, All Other	$32.40	$67,392
Respiratory Therapists	$30.63	$63,710
Respiratory Therapy Technicians	$26.62	$55,370
Medical and Public Health Social Workers	$26.52	$55,162
Medical Appliance Technicians	$21.84	$45,427
Licensed Practical and Licensed Vocational Nurses	$21.56	$44,845
Medical Equipment Repairers	$21.24	$44,179
Medical Transcriptionists	$19.68	$40,934
Medical Records and Health Information Technicians	$18.82	$39,146
Health Technologists and Technicians, All Other	$18.53	$38,542
Medical and Clinical Laboratory Technicians	$17.57	$36,546
Healthcare Support Workers, All Other	$16.51	$34,341
Emergency Medical Technicians and Paramedics	$15.17	$31,554
Medical Equipment Preparers	$14.32	$29,786
Medical Secretaries	$14.18	$29,494
Ambulance Drivers and Attendants	$13.78	$28,662
Medical Assistants	$12.99	$27,019
Healthcare Support Occupations	$12.76	$26,541
Nursing Aides, Orderlies, and Attendants	$11.83	$24,606

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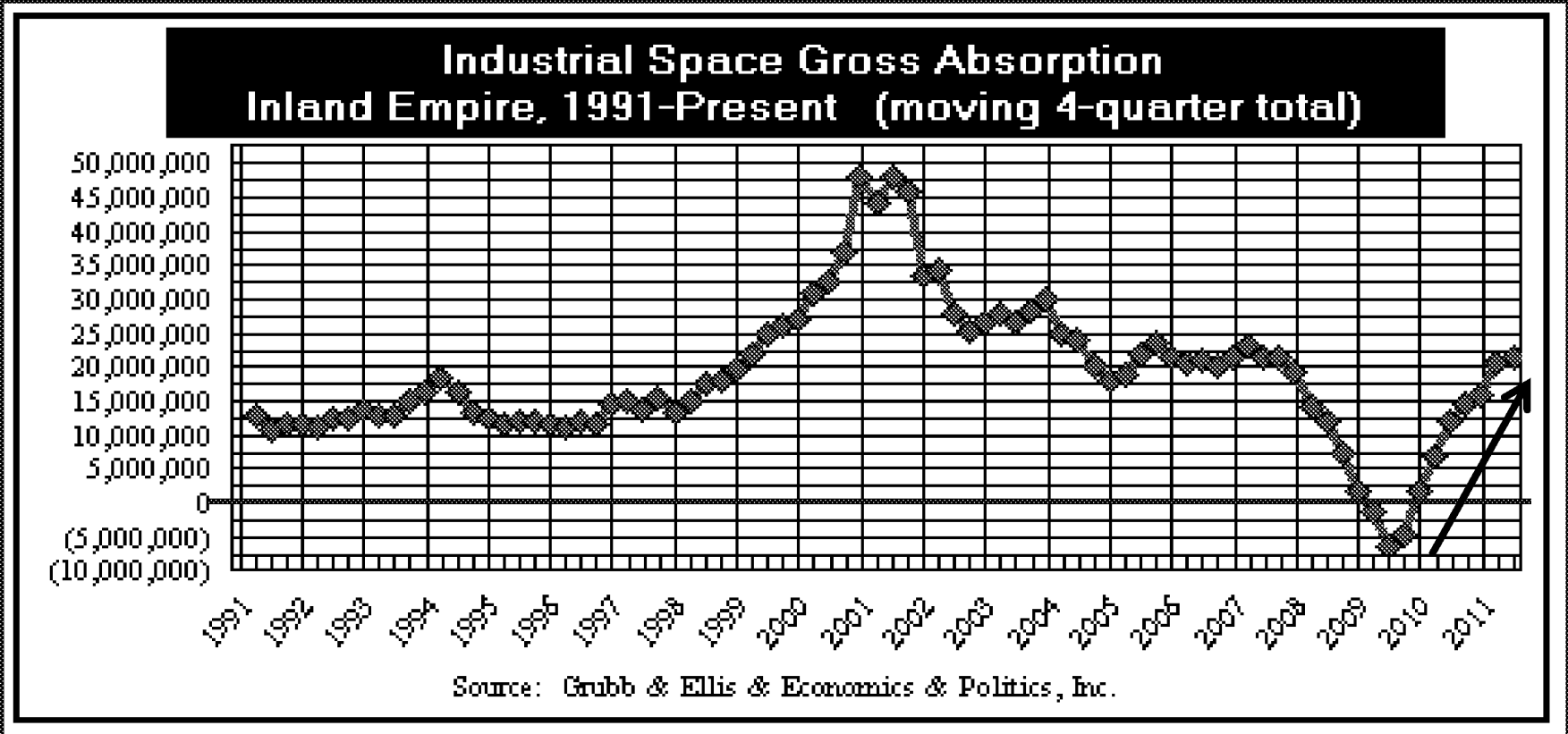
Why Demand For Inland Empire Logistics Workers

MV00251418

Industrial Space Absorption Rising



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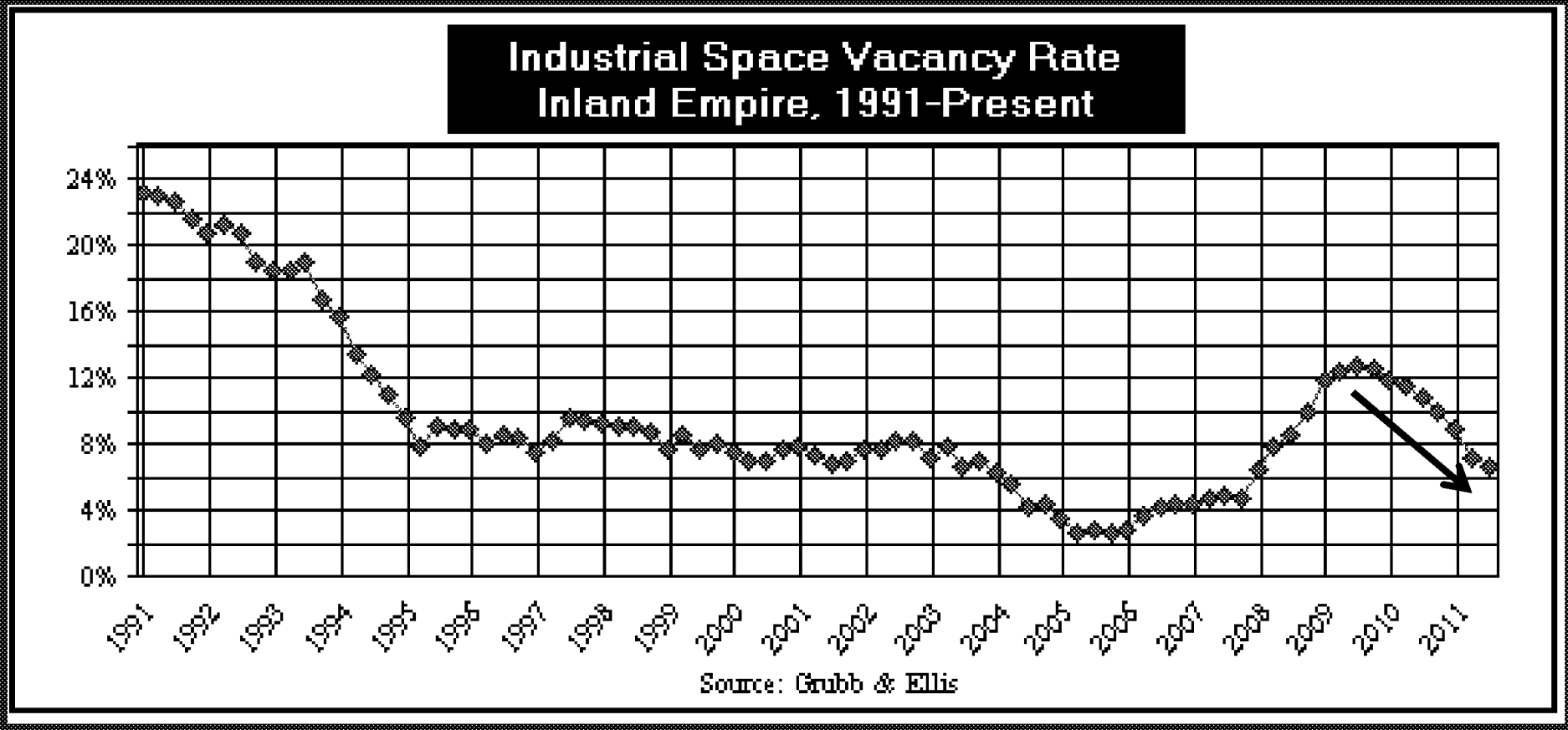
Industrial Space Vacancy Rate Falling



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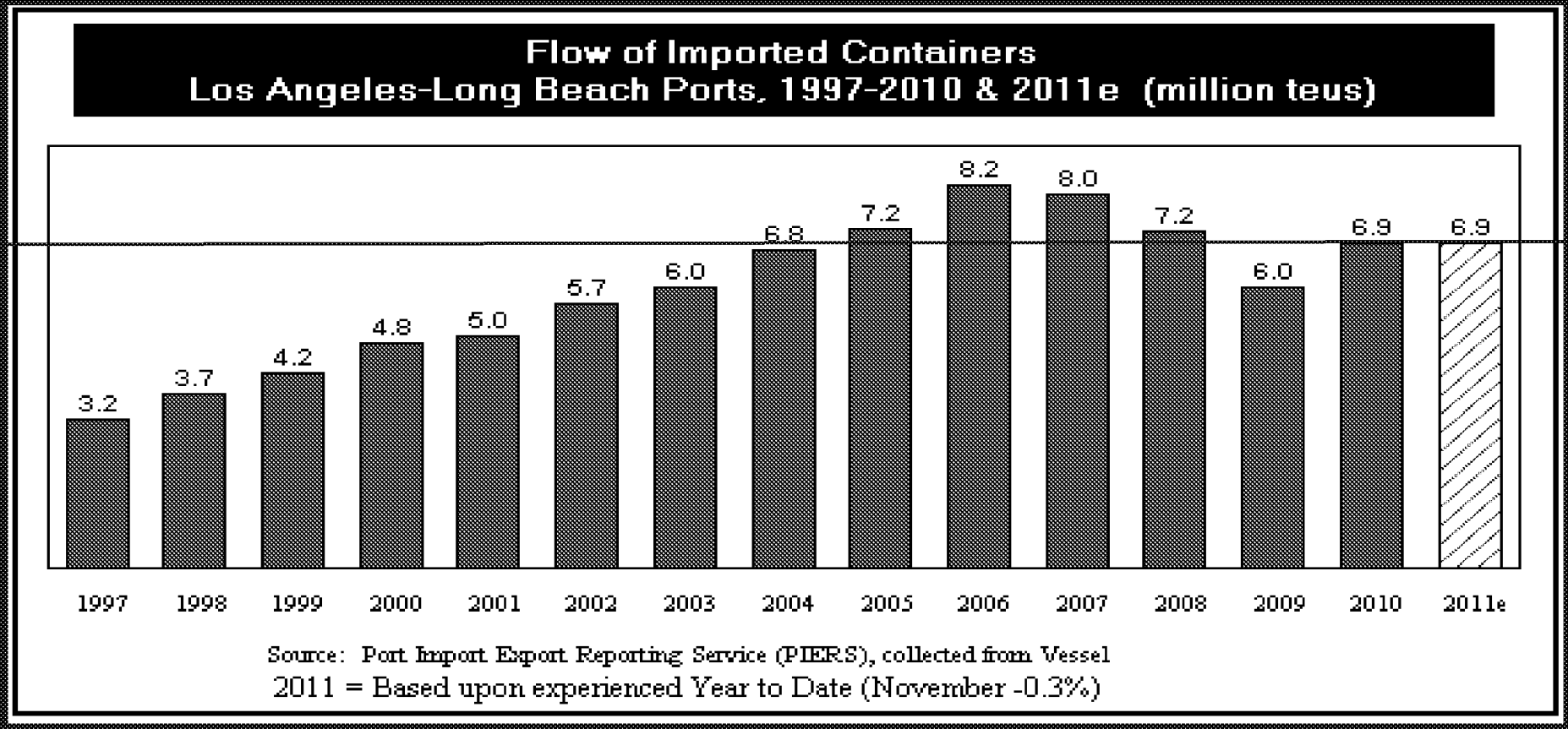
Strong Imported Container Levels



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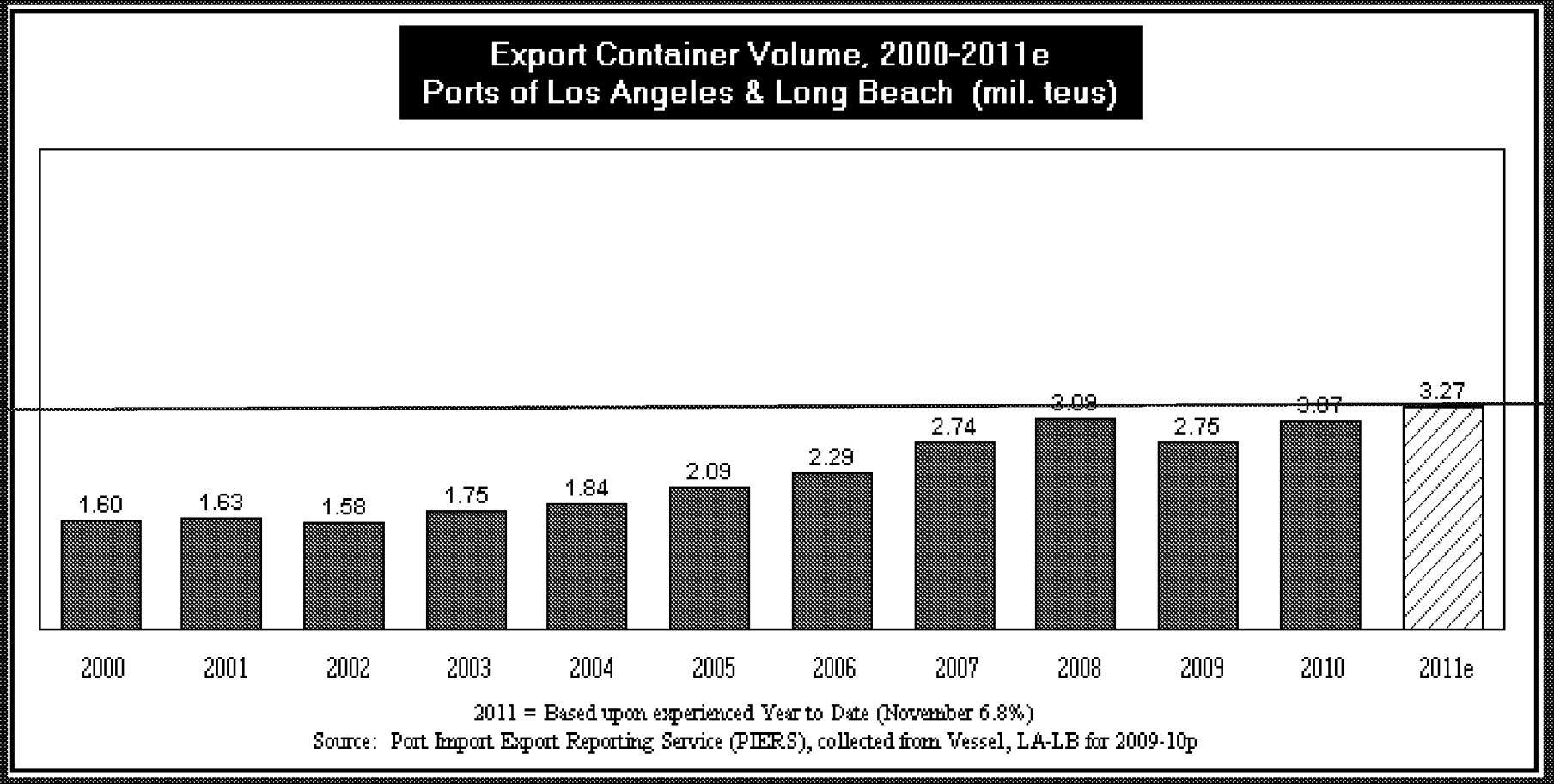
Record Export Container Volume



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Job & Financial Impact: Logistics Alone

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Direct New Construction Jobs

40,000,000 Square Feet

$93.69 Per Square Foot Of Construction

$3,747,600,000 Construction Activity

Sources: Construction Cost Per Square Foot, RSMeans September 2009 for Los Angeles Area

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Direct & Secondary Construction Increase

	Jobs	Payroll	Output
Direct Effect	30,337	$ 1,808,715,704	$ 3,747,600,000
Indirect Effect	2,346	$ 112,232,486	$ 294,693,116
Induced Effect	7,634	$ 317,490,615	$ 958,408,543
Total Effect	40,316	$ 2,238,438,804	$ 5,000,701,659
Years	10	10	10
Each Year	4,032	$ 223,843,880	$ 500,070,166

MV00251425

Direct New Permanent Jobs, Income

40,000,000 Square Feet

2,000 Square Feet per Job

20,000 Direct New Jobs

$45,868 Income Per Logistics Job

$917,361,553 Annual Payroll

$118,438,872 Proprietorship Income

Sources

1,906 Jobs per square foot from 2003 Study By U.S. Energy Information Agency, Distribution & Shipping Centers from Table 5, increased 5% to 2,000

Weighted average of income per wholesale trade plus transportation & warehousing job from U.S. Census Bureau Longitudinal Employer Dynamics Reports, 2010 *(Riverside SMA)*

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Direct & Secondary Permanent Increase

Moreno Valley	Jobs	Payroll/Proprietors	Output
Direct Effect	20,000	$1,035,800,425	$2,644,763,776
Indirect Effect	3,525	$153,904,228	$394,918,255
Induced Effect	4,653	$193,908,095	$584,309,881
Total Effect @ Build-Out	**28,178**	**$1,383,612,748**	**$3,623,991,912**
2010 Base	**25,440**	**$934,575,664**	
New Base At Build-Out	**53,618**	**$2,318,188,412**	
Increase from 2010	**111%**	**148%**	

Sources: IMPLAN Modeling For Moreno Valley Zip Codes; EDD data for 2010 Base

Riverside Co.	Jobs	Payroll/Proprietors	Output
Indirect & Induced over MV	**+4,335**	**+$191,821,792**	**+$602,565,124**
Total County Impact	**32,513**	**$1,575,434,540**	**$4,226,557,036**

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Taxes:
City, Schools, County, Special Districts

40,000,000 Square Feet of Logistics Space

$178.01 Assessed Value Per SF

$7,120,400,000 New Assessed Valuation

1.15% Rate (Tax Zone 021-579)

$82,169,416 New Annual Taxes Revenue

MV00251428

Planning: Best Practices

Isolate Industrial

No Homes
No Schools
No Shopping Centers
Direct Freeway Access

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john@johnhusing.com

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April 8, 2013

Via E-mail

John Terell, Planning Official
City of Moreno Valley
Community and Economic Development
Department, Planning Division
14177 Frederick Street
P.O. Box 88005
Moreno Valley, CA 92552

Re: World Logistics Center Project Draft Environmental Impact Report (SCH #2012021045)

Dear Mr. Terell:

This firm represents the Friends of the Northern San Jacinto Valley with respect to the proposed World Logistics Center Project ("WLC" or "Project"). We respectfully submit this letter to present comments on the Draft Environmental Impact Report ("DEIR") circulated by the City of Moreno Valley for the proposed Project pursuant to the California Environmental Quality Act ("CEQA"), Public Resources Code § 21000 *et seq.*

The Project as proposed and described in the DEIR is enormous. Highland Fairview, the applicant, proposes to build more than 41 million square feet of warehouse and associated uses on over 2,700 acres of land. The new users of the site would overwhelm the area's roadways, in violation of the City's General Plan, and the Project itself would require extensive on- and off-site infrastructure and utilities. Through this approval, Highland Fairview seeks specific vested rights to build this particular project at this specific density.

Yet, due to the City's decision to prepare a programmatic EIR for the Project, critical details of the Project and its related infrastructure remain entirely

undefined. In many instances, the DEIR improperly defers both analysis and mitigation of the Project's impacts to some future, post-approval date. For example, the DEIR fails to provide crucial information relating to the extensive network of storm water infrastructure that would be needed to adequately handle increased storm water flows. This deferral is particularly problematic given the nature of the Project site, which has a history of poor drainage and localized flooding. The DEIR also asserts that the Project can be designed to avoid impacts to scenic viewsheds from State Route 60, but defers determining how the 41 million square feet of high-cube buildings can actually be arranged to accommodate these views.

The overly simplified nature of this programmatic EIR and its deficient impact analyses and mitigation measures undermine the very purpose of CEQA. As the Supreme Court has explained, the EIR is "the heart of CEQA." *Laurel Heights Improvement Ass'n v. Regents of Univ. of Cal.* (1988) 47 Cal.3d 376, 392 ("*Laurel Heights I*") (citations omitted).

> [It] is an environmental "alarm bell" whose purpose is to alert the public and its responsible officials to environmental changes before they have reached ecological points of no return. The EIR is also intended "to demonstrate to an apprehensive citizenry that the agency has, in fact, analyzed and considered the ecological implications of its action." Because the EIR must be certified or rejected by public officials, it is a document of accountability.

Id. (citations omitted).

Where the environmental document fails to fully inform decision makers and the public of the environmental consequences of the proposed actions, it does not satisfy the basic goals of CEQA. "The purpose of an environmental impact report is to provide public agencies and the public in general with detailed information about the effect which a proposed project is likely to have on the environment; to list ways in which the significant effects of such a project might be minimized; and to indicate alternatives to such a project." Pub. Res. Code § 21061. The DEIR here fails to fulfill this purpose.

For all the reasons set forth below, it is our opinion that the DEIR does not comply with the requirements of CEQA. The City must revise and recirculate the DEIR to provide the public an accurate assessment of the environmental issues at stake, and a mitigation strategy—developed *before* project approval—that fully addresses the

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Project's significant impacts. The City must also take a serious look at alternatives that can avoid or lessen the Project's significant impacts, rather than designing straw-man alternatives to make this particular Project seem like the only possible choice.

Finally, the Project demonstrates a disturbing disregard for the City of Moreno Valley General Plan's provisions developed to protect the environment and human health and well-being. Although the applicant proposes to amend to the General Plan, these amendments would likely only serve to undermine the integrity of the City's planning efforts. Thus, because the Project conflicts with fundamental General Plan provisions so as to result in significant environmental impacts, and because the City has failed to adequately identify these conflicts in the EIR, approval of the Project would violate not just CEQA, but also the California Planning and Zoning Law, Gov't Code § 65000 *et seq.*, and the Subdivision Map Act, Gov't Code §§ 66473.5, 66474.

I. THE PROJECT VIOLATES THE CALIFORNIA ENVIRONMENTAL QUALITY ACT.

A. The City's Reliance on a Programmatic EIR Is Unlawful Because the Project Includes Vested Rights to Develop.

From the outset, the DEIR establishes that it will offer a "programmatic" review of the WLC. DEIR at 1-1 ("It is important to note that, even though this project has a Specific Plan, it does not have a site plan showing actual building locations, so the EIR will be programmatic rather than project level."); DEIR at 2-3. For that reason, the DEIR repeatedly defers analysis of environmental impacts and the development of mitigation and alternatives to a later time. The City avers this analysis will occur once the development plans are more specific. This approach violates the core tenant of CEQA: environmental impacts of a project are to be studied and disclosed at the earliest possible time.

"The most common type of EIR" is the "project EIR," which "examines the environmental impacts of a specific development project." CEQA Guidelines § 15161.[1] By contrast, programmatic EIRs are "designed for analyzing program-wide effects, broad policy alternatives and mitigation measures, cumulative impacts and basic policy considerations, as opposed to specific projects within the program." *Friends of*

[1] The CEQA Guidelines, Cal. Code Regs., tit. 14 § 15000 *et seq.*, are referred to herein as "CEQA Guidelines." The courts generally accord the Guidelines "great weight." *Laurel Heights I*, 47 Cal.3d at 391, fn. 2.

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Mammoth v. Town of Mammoth Lakes Redevelopment Agency (2000) 82 Cal.App.4th 511, 533-34; CEQA Guidelines § 15168(c). Programmatic EIRs frequently serve as "first-tier" documents, whereby review for future specific projects relies in part on the analysis contained in the programmatic EIR. The City asserts that it will use the programmatic EIR as a first-tier EIR in this instance. DEIR at 3-27 ("This programmatic EIR provides a streamlined environmental review process for future development projects in the WLC Specific Plan area, including site-specific subdivisions and development entitlements that are consistent with the overall plan."); *id.* at 3-75.

CEQA, however, permits the use of programmatic environmental review documents only in certain limited circumstances. In particular, programmatic EIRs—and later tiering—are permitted only when a lead agency considers a wide-ranging set of policies or an over-arching land use plan. *See, e.g., Al Larson Boat Shop, Inc. v. Board of Harbor Comrs.* (1993) 18 Cal.App.4th 729, 740 (noting the appropriateness of using a first-tier EIR for the adoption of a general plan "which is by its nature tentative and subject to change"); Pub. Res. Code § 21068.5 (tiering is available from a first-level document that reviews a "policy, plan, program or ordinance"); CEQA Guidelines §§ 15152(c), 15168. Programmatic EIRs have been upheld for such programs as a statewide water management plan (*In re Bay Delta Programmatic Environmental Impact Report Consolidated Proceedings* (2008) 43 Cal.4th 1143) and a major port expansion project (*Al Larson Boat Shop*, 18 Cal.App.4th at 740). This use of a programmatic EIR makes practical sense: it allows a lead agency to weigh the pros and cons of a general policy choice before proceeding to make site-specific decisions.

The CEQA Guidelines, however, caution that "[t]iering does not excuse the lead agency from adequately analyzing reasonably foreseeable significant environmental effects of the project and does not justify deferring such analysis to a later tier EIR or negative declaration." CEQA Guidelines § 15152(b). Consequently, when an agency commits to a course of action by issuing binding approvals for a specific project, the use of a programmatic EIR and its generalized and deferred analysis are unlawful. *Id.* § 15152(c) (prohibiting the use of tiering to "prevent adequate identification of significant effects of the planning approval at hand"); *In re Bay Delta Programmatic Environmental Impact Report Consolidated Proceedings*, 43 Cal.4th at 1171 (distinguishing a statewide water management program, an appropriate subject of a programmatic EIR, from projects involving "proposed commercial land developments . . . on identified sites").

In *Stanislaus Natural Heritage Project v. County of Stanislaus* (1996) 48 Cal.App.4th 182, the California Court of Appeal struck down the use of a first-tier EIR for a project analogous to the one under review by the City. In that case, Stanislaus County approved a private developer's proposal to build a "destination resort and

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residential community" that featured golf courses, sports facilities, and 5,000 residential units. *Id.* at 186. For its approval, the county prepared a "first-tier EIR" that, like this DEIR, explicitly deferred important aspects of environmental review to a later document. *Id.* at 197-98.

The Court of Appeal firmly rejected this approach: "[T]iering is not a device for deferring the identification of significant environmental impacts that the adoption of a specific plan can be expected to cause." *Id.* at 199. Instead, because the county "adopted a specific plan calling for construction of [specific] facilities and of other particularly described facets of the [proposed resort]" (*id.* at 203), it had to prepare a project-level EIR. The court took particular issue with the project's commitment to (1) "the specific sites for future development," (2) "the timing of construction" and (3) "what structures the future development will consist of." *Id.* at 204.

All three factors counsel in favor of a project EIR in this instance. The City is proposing to approve not only General Plan amendments, which alone might warrant a programmatic EIR, but also a Specific Plan, a Tentative Parcel Map, and a Development Agreement. DEIR at 3-25; 3-65, 3-74. The public has yet to be informed regarding the contents of the Development Agreement or the location or size of the parcels to be subdivided, but these activities will vest certain specific rights and entitlements with the developer, should the City approve the Project as proposed. Given the importance of these documents, the City must release this information to the public and provide additional time for review and comment. Pub. Res. Code § 21092(b)(1).

Regardless of the specifics, once a development agreement is approved, a public agency "shall not prevent development of the land for the uses and to the density or intensity of development set forth in the agreement," even if the project requires further discretionary approvals. Gov. Code § 65865.2; *see also Citizens for Responsible Government v. City of Albany* (1997) 56 Cal.App.4th 1199, 1214-15 (development agreement creates vested rights in the form of an "entitlement for use"); DEIR at 3-74 (noting that the development agreement will "provide certainty for the future development of the project for those parcels owned by Highland Fairview"). If the agency breaches a development agreement, it may be subject to damages. *See Mammoth Lakes Land Acquisition, LLC v. Town of Mammoth Lakes* (2010) 191 Cal.App.4th 435, 443-47, 476 (developer awarded $30 million for town's anticipatory breach of development agreement).

Moreover, a city cannot later impose new standards or conditions on an approved vesting tentative map that were not in place at the time the application was deemed complete. *Bright Development Co. v. City of Tracy* (1993) 20 Cal.App.4th 783,

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788. The DEIR's efforts to characterize the tentative parcel map as a mere technicality are ill-founded. DEIR at 3-25 ("A Tentative Parcel Map is being processed to subdivide 1,539 acres of the project for financing purposes only. . . . Approval of the map will confer no development rights to the property."). The Subdivision Map Act provides no mechanism for dividing land for a limited purpose such as financing. Instead, all resulting parcels can be sold, financed, or developed separately. A subdivision map is, by definition, a land use entitlement, not a financing mechanism. *See* Gov't Code § 66424 (defining "subdivision" as "the division, by any subdivider, of any unit or units of improved or unimproved land, or any portion thereof . . ."). We have located no law suggesting that a subdivision, even if created for the purpose of financing, is not a land use entitlement that could lead to development. The revised DEIR must clarify the legal import of this subdivision map.

Given these specific land use entitlements, the City's use of a programmatic EIR for the Project is entirely inappropriate. The City must instead employ a project EIR in order to meet CEQA's core mandate: to conduct a full environmental analysis at the time of a project's earliest approval. *See, e.g., Save Tara v. City of West Hollywood* (2008) 45 Cal.4th 116, 134.

The City's programmatic approach creates errors throughout the document. Some examples include:

- The DEIR's failure to produce visual renderings of the Project. DEIR at 1-9 (Mitigation Measure 4.1.6.1B).
- The DEIR's failure to conduct a glare analysis for solar panels, despite the Specific Plan's requirement for a "maximize[d] [] use" of roof-mounted solar systems. DEIR at 1-9 (Mitigation Measure 4.1.6.4B); *id.*, App. H at 10.
- The DEIR's failure to conduct surveys or analysis for sensitive plant species, the L.A. Pocket Mouse, and other biological resources. *E.g.*, DEIR at 1-14 (Mitigation Measure 4.4.6.2A), *id.* at 1-15 (Mitigation Measure 4.4.6.4E).
- The DEIR's failure to conduct a jurisdictional delineation of wetlands. DEIR at 1-14 (Mitigation Measure 4.4.6.3A).
- The DEIR's failure to conduct a geotechnical fault study. DEIR at 1-19 (Mitigation Measure 4.6.6.1A, B).
- The DEIR's failure to conduct grading and drainage studies. DEIR at 1-38 (Mitigation Measure 4.16.1.6.2A).

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- The DEIR's failure to develop air pollution control measures. DEIR at 1-11 to 12 (Mitigation Measure 4.3.6.2A).

These errors are only compounded by others detailed elsewhere in this letter.

The very real problem created by the use of a programmatic EIR in this instance will become evident only after this phase of the development is approved. Highland Fairview is seeking specific vested rights through the Development Agreement and Tentative Parcel Map. Once these approvals are granted, it is impossible to undo them. *See, e.g., Citizens for Responsible Government*, 56 Cal.App.4th at 1223 ("[T]he purpose of a development agreement is to provide developers with assurance that they can complete the project. After entering into the development agreement . . . the City is not free to consider the wisdom of the project in light of environmental effects."). Yet the DEIR is proposing to defer analysis of significant environmental effects and the development of necessary mitigation measures off into the future. Granting these approvals for a specific project at a guaranteed density now, before adequate CEQA analysis has been completed, contravenes CEQA's primary goal: to study the environmental impacts of an action *before* making a binding decision. *Laurel Heights I*, 47 Cal.3d at 392.

The DEIR must be revised as a project EIR, a document that will thoroughly analyze the impacts of the entitlements granted the developer, and identify appropriate mitigation measures and alternatives. Without a properly detailed level of analysis, the City cannot include the Specific Plan, Development Agreement, or Tentative Parcel Map as part of its approvals.

B. The DEIR's Project Description is Inadequate.

Even though the City proposes to grant specific vested rights to the applicant via this approval, the DEIR's project description fails to provide a complete picture of the entire Project. In order for an EIR to adequately evaluate the environmental ramifications of a project, it must first provide a comprehensive description of the project itself. "'An accurate, stable and finite project description is the *sine qua non* of an informative and legally sufficient EIR.'" *San Joaquin Raptor/Wildlife Rescue Center v. County of Stanislaus* (1994) 27 Cal.App.4th 713, 730 (quoting *County of Inyo v. City of Los Angeles* (1977) 71 Cal.App.3d 185, 193). As a result, courts have found that even if an EIR is adequate in all other respects, the use of a "truncated project concept" violates CEQA and mandates the conclusion that the lead agency did not proceed in the manner required by law. *San Joaquin Raptor/Wildlife Rescue Center*, 27 Cal.App.4th at 729-30. Further, "[a]n accurate project description is necessary for an

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intelligent evaluation of the potential environmental effects of a proposed activity." *Id.* at 730 (citation omitted). Thus, an inaccurate or incomplete project description renders the analysis of significant environmental impacts inherently unreliable. Here, the DEIR for the WLC Project does not come close to meeting this established legal standard.

In practical terms, the WLC is a plan to erect more than 41 million square feet of warehouses and warehousing-related uses in the middle of what are now mostly agricultural lands in the City of Moreno Valley. Because of the scale and the timing of the Project—it is slated to be developed over a period of 10 years—the DEIR has a lot of ground to cover. There may be further discretionary approvals down the road, but this EIR and the approvals it informs are the only opportunity for decision makers and the public to understand and weigh in on the "big-picture" questions that will determine what kind of Project will be created in their midst, or whether this massive Project should be created at all.

1. Construction Phasing and Infrastructure Improvements Are Undefined.

Despite proposing to provide Highland Fairview with certain vested rights, the DEIR fails to contain fundamental information relating to the phasing and timing of the Project's development and infrastructure. The document states that the Project will be built over the next ten years, absorbing approximately four million square feet of development each year, depending on market conditions. DEIR at 3-65. The DEIR does not, however, provide any evidence that this phasing timeline is realistic. Other than estimating that construction is estimated to take ten years, the DEIR lacks any substantive description of how or when this massive Project would actually be implemented. Details of construction are critical to understanding the impacts of the Project and to designing appropriate mitigation, yet the DEIR lacks the necessary description of this critical Project component. The revised DEIR must describe the overall plan for construction of this Project.

Fundamental details pertaining to the infrastructure and public services necessary to serve the Project are also deferred until later, remaining unplanned and therefore unresolved. In a development of this size and duration, public and private improvements must be developed in a logical and viable sequence; infrastructure needs to be in place prior to demand for new development. Because the DEIR contains no documentation, let alone evidence, that development would be efficiently linked to necessary infrastructure, it violates CEQA. Courts have made it abundantly clear that infrastructure improvements that are integral to a project must be analyzed in an EIR.

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San Joaquin Raptor/Wildlife Rescue Center, 27 Cal.App.4th 713; *Santiago County Water Dist. v. County of Orange* (1981) 118 Cal.App.3d 818, 830.

What little detail exists in the DEIR regarding infrastructure components such as water and wastewater service, flood control, and drainage and electrical service is given such cursory treatment that the public and decision-makers are left in the dark as to how the development would actually function. Although the DEIR contains diagrams of the water, wastewater, and drainage systems (Figures 3.13, 3.14, 3.15), these graphics simply depict the location and tentative size of utility lines. The description of the storm water drainage system, for example, amounts to nothing more than self-evident ruminations that a drainage system will be constructed. *See* DEIR at 1-54 (stating "[p]rior to issuance of any development permit within the Specific Plan area, the developer shall place detention basin(s) and spreading area(s) as appropriate within each proposed watershed).

In addition, as the report from Tom Brohard & Associates explains, the Project would result in a substantial increase in traffic congestion, yet the DEIR provides no assurance that the many needed improvements to local and regional roadways would keep pace with development.[2] In fact, the DEIR concedes that area roadways will operate under gridlock conditions during every phase of development and upon buildout. *Id.* at 1-32 to 1-35 (finding traffic impacts to be significant and unavoidable).

The Project would also require construction of a number of off-site infrastructure improvements, including debris basins and water reservoirs, covering more than 100 acres of land adjacent to the Project site. *Id.* at 3-19. Yet, the DEIR omits critical details associated with these improvements, such as their specific location or design. For example, while the DEIR states the Project will require the construction of three new off-site reservoirs (*id.* at 3-45, 61, 4.16-14), the details pertaining to these reservoirs are never identified. Nor is there any indication that the DEIR has analyzed the environmental effects associated with the construction of these facilities.

As described above, given that the City intends to use this EIR to support subdivision maps and a Development Agreement, the DEIR cannot put off analysis of necessary infrastructure planning. The public and decision makers must know now whether it is possible to develop infrastructure that is able to accommodate the density

[2] This report is submitted under separate cover.

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that the City intends to guarantee to the applicant. The revised EIR must contain a description and analysis of these integral aspects of the Project.

2. The DEIR Does Not Identify General Plan Amendments Needed to Implement the Proposed Project.

The vagueness of the DEIR's description of the Project creates all sorts of analytical problems, including making it impossible to determine the Project's consistency with the City of Moreno Valley General Plan or to analyze the Project's land use impacts. The Project requires amendments to the General Plan's Goals and Objectives, as well as to several General Plan elements, including to the Community Development; Circulation; Parks, Recreation and Open Space; Safety; and Conservation elements. *Id.* at 3-25, 4.10-1. Amazingly, however, the DEIR fails to identify the *content* of these amendments or explain how they would relate to the existing General Plan. The scant explanation that is provided is entirely vague (e.g., "revise land use map," and "revise discussion on flood hazards" (*id.* at 3-71 and 3-72)). With respect to the transportation and circulation improvements, for example, the DEIR asserts that a revised General Plan Circulation Element will provide for the movement of vehicles in and around the WLC area. *Id.* at 3-33. Yet, the DEIR does not include the text of this "revised Circulation Element" or even bother to describe it in general terms.

As discussed below, the Project would be inconsistent with numerous provisions of the General Plan. Yet, because the DEIR does not identify the specific amendments to the General Plan, the public and decision makers have no idea whether it is even possible to rectify all of the General Plan inconsistencies, while ensuring the integrity of the Plan. Some of the amendments may result in environmental impacts, while other amendments may result in internal inconsistencies within Plan. The environmental impacts and planning inconsistencies arising from these amendments are indirect impacts of the Project. Under CEQA, they must be identified, analyzed, and mitigated now; they cannot wait until after approval of the Project.

C. The DEIR's Analysis of and Mitigation for the Impacts of the Proposed Project Are Inadequate.

The discussion of a proposed project's environmental impacts is at the core of an EIR. *See* CEQA Guidelines § 15126.2(a) ("[a]n EIR shall identify and focus on the significant environmental effects of the proposed project"). An EIR must effectuate the fundamental purpose of CEQA: to "inform the public and responsible officials of the environmental consequences of their decisions before they are made." *Laurel Heights Improvement Assn. v. Regents of the University of California* (1993) 6 Cal.4th 1112, 1123

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("*Laurel Heights II*"). To do so, an EIR must contain facts and analysis, not just an agency's bare conclusions. *Citizens of Goleta Valley v. Board of Supervisors* (1990) 52 Cal.3d 553, 568.

An EIR must also identify feasible mitigation measures to minimize significant environmental impacts. CEQA Guidelines § 15126.4. Under CEQA, "public agencies should not approve projects as proposed if there are feasible alternatives or feasible mitigation measures available which would substantially lessen the significant environmental effects of such projects . . . ." Pub. Res. Code § 21002. California courts have made clear that an EIR is inadequate if it fails to suggest feasible mitigation measures, or if the proposed mitigation measures are so undefined that it is impossible to evaluate their effectiveness. *San Franciscans for Reasonable Growth v. City and County of San Francisco* (1984) 151 Cal.App.3d 61, 79.

As explained below, the EIR's environmental impacts analysis is deficient under CEQA because it fails to provide the necessary facts and analysis to allow the City and the public to make informed decisions about the WLC Project and its environmental impacts. The DEIR also impermissibly defers analysis and the development of mitigation until after Project approval—clear violations of CEQA. Finally, the conclusions drawn in the DEIR regarding the significance of Project impacts and the adequacy and efficacy of mitigation are not supported by evidence. For all of these reasons, the DEIR is inadequate under CEQA.

1. The DEIR Fails to Adequately Analyze and Mitigate the Project's Hydrological Impacts.

Insufficient drainage on and around the Project site currently causes localized flooding. The proposed Project would result in a substantial increase in the amount of impervious surfaces. Consequently, the post-development flow volumes that will be generated on site are anticipated to be substantially higher than the pre-development flows. DEIR at 4.9-28, 29. At the same time, the Project would substantially alter the existing drainage pattern of the site and area. This additional runoff volume and velocity, reduced infiltration, and increased flow frequency and duration have the potential to exceed the capacity of existing or planned storm water drainage systems. Notwithstanding these facts, the DEIR fails to accurately describe the existing drainage and flooding problems, fails to adequately analyze the Project's potential to exacerbate these problems, and fails to identify enforceable mitigation for these impacts.

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(a) The DEIR Fails to Describe the Project's Hydrological Setting.

CEQA requires that an initial study contain "an identification of the environmental setting." CEQA Guidelines § 15063(d)(2). "Without accurate and complete information pertaining to the setting of the project and surrounding uses, it cannot be found that [a CEQA document] adequately investigated and discussed the environmental impacts" of the Project. *San Joaquin Raptor/Wildlife Rescue Center*, 27 Cal.App.4th at 729.

The DEIR generally concedes that the Project site and vicinity suffer from poor drainage and localized flooding. Members of the public have also expressed concerns regarding the Project's effects on local drainage, especially in locations that currently experience historic localized flooding. DEIR at 4.9-8. Drainage from east of Gilman Springs Road has been an on-going problem as it flows southwest and south out of the Badlands and under Gilman Springs Road through corrugated steel pipe culverts. These culverts are relatively small, and during times of high flow, runoff often causes repeated localized flooding along the roadway. *Id.* at 3-51. Despite recognizing this problem, the DEIR fails to describe these flooding incidents. Where does this flooding occur, and how often? How extensive is the flooding? What properties, if any, have been affected? What measures, if any, have been taken to control the drainage and flooding?

Nor does the DEIR include fundamental information regarding the site's hydrologic characteristics. It does not disclose, for example, the amount of existing impervious surfaces on the site, or the site's existing storm flow velocities or volumes. Without this information, it is not possible to determine if post-development velocities or volumes would exceed pre-development conditions, as the DEIR claims. *Id.* at 4.9-30.

In addition, the DEIR's hydrological chapter never discloses that the site contains numerous natural drainage channels and blue-line (waters of the state of California) streams. It is not until the biological resources chapter that the reader learns there are a total of 14 primary drainages and a number of sub-drainages or tributaries on the Project site. *Id.* at 4.4-59. Yet, the biological resources chapter discusses these drainages only in the context of riparian and wetland resources. Consequently, there is no discussion of the hydrological value of these creeks. Moreover, because the DEIR's hydrological analysis does not disclose the location—or even the existence—of these natural drainage features, it does not analyze whether the Project would result in a substantial alteration of the existing drainage pattern of the site consistent with the DEIR's thresholds of significance. *See id.* at 4.9-17 ("[A] project would have a

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significant impact on surface hydrology if it would result in a substantial alteration of the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river.").

As discussed below, the DEIR's analysis focuses exclusively on whether post-development storm water flows would be greater than pre-development storm water flows. While this is an issue that requires analysis, the DEIR cannot simply omit evaluation of the Project's impact on natural storm drainages. In particular, the DEIR must actually analyze the hydrological effect to downstream resources (e.g., San Jacinto Wildlife Area, Mystic Lake, and San Jacinto River). The EIR must be revised to include this analysis.

(b) The DEIR Fails to Adequately Analyze the Project's Hydrological Impacts.

There are numerous deficiencies in the DEIR's analysis of drainage and flooding impacts. First, as discussed above, the DEIR fails entirely to analyze the Project's impacts to natural drainages and streams. The only mention of a potential impact to a natural drainage feature occurs in the context of biological resources. Here, the DEIR admits that the proposed Project may impact Drainage Feature 12, located on the San Jacinto Wildlife Area ("SJWA"), but then defers any analysis. Instead, the DEIR asserts that if any impacts are to occur, regulatory permitting may be required. *Id.* at 4.4-59. As California courts make clear, merely requiring compliance with agency regulations does not conclusively indicate that a proposed project will have no significant impacts. In *Kings County Farm Bureau v. City of Hanford* (1990) 221 Cal.App.3d 692, 716, for example, the court found that the fact that the EPA and the local air pollution control district had issued air emission permits for a coal-fired cogeneration plant did not nullify CEQA's requirement that the lead agency analyze the significant air quality impacts of the entire project. The revised EIR must analyze the Project's potential impacts to all natural drainage features. If these impacts are significant, the EIR must identify mitigation and/or alternatives capable of minimizing or eliminating altogether these impacts.

Second, the DEIR fails to use the correct baseline for analyzing the Project's storm water impacts under CEQA because it assumes the implementation of storm water infrastructure improvements. In analyzing the Project's effects, the DEIR must evaluate the Project's impacts against a baseline of existing conditions, not a hypothetical future environment where planned infrastructure will be built. In *Sunnyvale West Neighborhood Assn. v. City of Sunnyvale*, the City of Sunnyvale certified an EIR that measured the project's impacts against a baseline of traffic conditions in the year

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2020; these conditions assumed a future scenario where: (1) development had occurred according to the city's general plan, and (2) "numerous roadway improvements in the project area [were] in place by the year 2020 . . . ." (2010) 190 Cal.App.4th 1351, 1361. In a lengthy analysis, the court held that this approach violated CEQA as a matter of law:

> The statute requires the impact of any proposed project to be evaluated against a baseline of existing environmental conditions (*see* §§ 21060.5, 21100, subd. (d); *see also* CEQA Guidelines § 15125, subd. (a)), which is the only way to identify the environmental effects specific to the project alone.

Id. at 1380.

Here, the DEIR authors make the exact same error. The analysis simply assumes that storm water runoff will be stored in on-site basins or somehow infiltrated in the ground. DEIR at 4.9-29, Table 4.9.G, Footnote 1. Yet, as discussed below, there is no indication that this storm drain infrastructure will be constructed. Because the DEIR assumes the implementation of this as-of-yet unplanned storm water infrastructure, it concludes that post-development storm water flows would not exceed pre-development storm water flows. *Id.* at 4.9-29. An adequate environmental analysis would include the following four steps:

(1) identify existing hydrologic conditions;
(2) identify the Project's impact (assessment of the increase in storm flows attributable to proposed Project and the site's ability to accommodate these flows);
(3) identify proposed storm water control features; and,
(4) evaluate whether the storm water features are sufficient to ensure that post-development flows do not exceed pre-development flows.

The DEIR skips steps 1 through 3 and simply concludes, absent factual analysis, that post-development flows will exceed pre-development flows. DEIR at 4.9-29.

(c) The DEIR Proposes Insufficient Mitigation for the Project's Hydrological Impacts.

Notwithstanding this flawed impact analysis, the DEIR concludes that the Project would result in a significant hydrological impact. *Id.* at 4.9-29. The DEIR's approach to mitigation is insufficient, however, because it lacks the evidentiary support to

conclude the impacts would be reduced to insignificant levels. When a lead agency relies on mitigation measures to find that project impacts will be reduced to a level of insignificance, there must be substantial evidence in the record demonstrating that the measures are feasible and will be effective. *Sacramento Old City Assn. v. City Council of Sacramento* (1991) 229 Cal.App.3d 1011, 1027; *Kings County Farm Bureau*, 221 Cal.App.3d 692, 726-29. To this end, the DEIR must set forth either specific mitigation measures or specific performance standards guaranteeing that mitigation will be successful. *See* CEQA Guidelines § 15126.4; *see also Sacramento Old City Ass'n*, 229 Cal.App.3d at 1034. Here, the DEIR lacks the evidence necessary to show that the Project will not contribute to on-going drainage and flooding problems.

The DEIR identifies exactly one mitigation measure for the Project's significant drainage and flooding impacts. This measure (4.9.6.1A) would route the on-site storm water flows through a series of detention and infiltration basins, so that storm water flows are reduced to equal or below pre-development conditions. DEIR at 4.9-30. Specifically, the DEIR calls for the developer to place detention basin(s) and spreading area(s) *as appropriate* within each proposed watershed, to "mitigate the impacts of increased peak flow rate, velocity, flow volume and reduce the time of concentration by storing increased runoff for a limited period of a time and release the outflow at a rate that does not exceed the pre-development conditions." *Id.* (emphasis added). Unfortunately, there are numerous flaws with this proposed measure.

First, by using phrases such as "as appropriate," the DEIR provides no assurance or commitment that the storm water facilities will ever be implemented. *San Franciscans for Reasonable* Growth, 151 Cal.App.3d at 79. The CEQA Guidelines state that "mitigation measures must be fully enforceable through permit conditions, agreements, or other legally-binding instruments." CEQA Guidelines § 15126.4(a)(2).

Second, although the DEIR asserts the "project hydrology plan" provides the details regarding the storm water facilities relating to peak flow rate, velocity, flow volume and the timing of releasing flows (at 3-46), the hydrology plan contained in Appendix J to the DEIR does no such thing. The hydrological appendix explicitly *excludes* the necessary details relating both to the design for controlling increased peak flow rate, velocity, and flow volume and to the methodology that would be used to release the outflow at a rate that does not exceed the pre-development conditions. Instead, the appendix improperly asserts that the approximate sizes of the basins will determined in the final design stage. DEIR, App. J at 9.

Moreover, even if these important details were included in the DEIR's hydrological appendix, the DEIR's approach is unlawful. CEQA requires that the

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analysis be presented in the EIR. *See Santa Clarita Organization for Planning the Environment v. County of L.A.* (2003) 106 Cal.App.4th 715, 722 (agency's analysis must be contained in the EIR, not "scattered here and there in EIR appendices"). "Decisionmakers and the general public should not be forced to sift through obscure minutiae or appendices in order to ferret out the fundamental assumptions that are being used for purposes of the environmental analysis." *San Joaquin Raptor Rescue Center v. County of Merced* (2007) 149 Cal.App.4th 645, 659; *see also Vineyard Area Citizens for Responsible Growth, Inc. v. City of Rancho Cordova* (2007) 40 Cal.4th 412, 442 ("The data in an EIR must not only be sufficient in quantity, it must be presented in a manner calculated to adequately inform the public and decision makers, who may not be previously familiar with the details of the project.").

Third, although the Project will be constructed in phases, neither the DEIR nor the hydrological appendix provides any explanation as to whether or how the drainage improvements would keep pace with anticipated development. The DEIR does not set forth specific, measurable performance standards for the Project's drainage system that could justify later formulation of mitigation methods targeted to meet those standards. The closest the hydrology appendix comes is the vague statement that "proposed drainage systems which are connecting to the existing downstream facilities shall be designed so the proposed discharge does not exceed the existing discharge to the downstream facilities." DEIR, App. J at 7. The Specific Plan also lacks any performance standards for the drainage improvements. Instead, it simply states that "at each stage of development, the peak flows at downstream discharge points at the southerly project boundary will not exceed the peak flows for the existing conditions." DEIR, App. H at 42. Because the DEIR lacks any specific performance standards, this vague statement of intent is meaningless.

Fourth, the DEIR promises that post-development flows will not exceed the pre-development condition. DEIR at 4.9-30. Yet, as discussed above, the Project site and surrounding area currently experience flooding. By the DEIR's own admission, the post-development flow volumes that will be generated on-site are anticipated to be substantially higher than the pre-development flows. *Id.* at 4.9-29. Simply designing drainage facilities to meet pre-development drainage conditions provides no assurance that flooding will not continue to occur on and adjacent to the Project site. In fact, as the DEIR recognizes, flood control systems are not always constructed to the ultimate condition envisioned. *See id.* at 4.9-26. Moreover, without appropriate monitoring and maintenance, over time storm drainage systems may no longer provide sufficient capacity for storm water flows.

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Indeed, the DEIR provides no mechanism for on-going maintenance of drainage facilities. As the hydrology appendix makes clear, proper maintenance is necessary to adequately convey flows. DEIR, App. J at 18. Sediment, for example, can be transported downstream, filling the downstream channel, leading to a decrease in channel capacity and an increase in flooding and overbank deposition. *Id.* at 16. In fact, the DEIR identifies sediment as the principal component in most storm water by volume. DEIR at 4.9-31. Rather than ensure regular monitoring and maintenance as Project mitigation, the DEIR specifically states that sediment basins will *not* be constructed as part of the Project. *Id.* Instead, it calls for operations, maintenance and funding details to be included in a Project specific water quality management plan ("WQMP"), to be prepared at a later date. *Id.* at 4.9-35. Such deferral of mitigation violates CEQA.

Fifth, the DEIR explains that projects that are identified as "Priority Development Projects" are required to prepare a Project-Specific WQMP. DEIR at 4.9-12. The City's Municipal Separate Storm Sewer System ("MS4") Permit System mandates a Low Impact Development ("LID") approach to storm water treatment and management of runoff discharges. *Id.* at 3-59. According to the DEIR, the Project site should be designed to minimize imperviousness, detain runoff, and infiltrate, reuse, or evapotranspirate runoff where feasible. DEIR at 4.9-13. The DEIR goes on to explain that LID Best Management Practices ("BMPs") should be used to infiltrate, evapotranspirate, harvest and use, or treat runoff from impervious surfaces, in accordance with the Design Handbook for Low Impact Development Practices. *Id.* We can find no indication that the Project or the mitigation measures include any design features to minimize imperviousness or reuse or evapotranspirate runoff.

2. The DEIR's Analysis and Conclusions Regarding Aesthetic Impacts to State Route 60, a City-Designated Scenic Road, Are Unsupported.

The Project site is directly adjacent to State Route 60, designated a local scenic road under the City's General Plan. Existing agricultural fields currently allow expansive views across the site. Consequently, motorists driving along State Route 60 in the vicinity of the Project site, particularly those driving east, have excellent views of Mystic Lake and the San Jacinto Valley.

The DEIR's analysis of impacts to these views errs in two crucial ways. First, the DEIR's primary methodology for understanding Project impacts on scenic vistas and viewsheds fails to provide necessary information about the Project's impacts to views from State Route 60. The DEIR purports to identify specific key vantage points. DEIR at 4.1-17. Photographs of existing conditions at these key vantage points are

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provided (*id.* at 4.1-11, 13); next, digital models of the Project are projected onto each key vantage point to approximate the Project's impacts (*id.* at 4.11-43 to 59). The flaw is that while the DEIR recognizes that impacts to the motoring public along State Route 60 have the potential to be significant (*id.* at 4.1-7), the DEIR offers only *one* vantage point from this location. *Id.* at 4.1-9. Moreover, the direction and scope of the photograph work to *cut off* the significant views from this scenic road. *Id.* at 4.1-13 (Photograph 12). The DEIR must be revised to disclose the true extent of these visual impacts.

Second, the DEIR erroneously concludes that the Project's visual changes "while substantial, are generally consistent" with the City's General Plan. *Id.* at 4.1-65, 69. The City's General Plan "require[s] development along scenic roadways [including State Route 60] . . . to allow for scenic views of the surrounding mountains and Mystic Lake." Moreno Valley General Plan Policy 7.7.5. The DEIR's simulation of views from State Route 60, however, indicates that the Project will completely block all views from the road out toward the San Jacinto Wildlife Area and Mystic Lake. DEIR at 4.1-55, 57.

To the extent the City relies on the "programmatic" nature of the EIR to justify its failure to simulate important views from State Route 60 (DEIR at 4.1-62 to 63), the tactic must fail. The DEIR's statement provides another example of the improper deferral encouraged by the City's inappropriate use of a programmatic EIR. *See* Part I(A).

The DEIR offers a number of excuses for this apparent contradiction. While the General Plan focuses on impacts to views of both the surrounding mountains and Mystic Lake, the DEIR focuses only on impacts to views of the "scenic uplands." DEIR at 4.1-7. Because the tips of the mountains may be visible over structures reaching 60 feet or higher, the City implies that the Project can still comply with the General Plan. This argument strains credulity. The General Plan refers to "scenic views" of the surrounding mountains and Mystic Lake. Because the Project will largely block these natural features, the views will not be "scenic." In addition, the DEIR must be clarified that the Specific Plan allows this 60 foot height limitation to be raised under certain circumstances. *E.g.*, DEIR at 4.1-61 (stating that "the project will allow a maximum of 60-foot tall warehouse buildings along the west, north, and south perimeters of the site"); DEIR, App. H at 113 (Specific Plan allows height exceptions up to an additional ten feet).

The DEIR also relies on an erroneous baseline: the Moreno Highlands Specific Plan. The DEIR states that the Project's change in views "while substantial, is anticipated in the City's General Plan, which allows development within the Project area," and therefore concludes that the Project is compliant with the General Plan. *Id.* at

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4-1.65. It is black letter CEQA law, however, that a lead agency must consider a project's impact on the existing environment, not on the underlying land use designations. *Environmental Planning & Information Council v. County of El Dorado* (1982) 131 Cal.App.3d 350, 354 (CEQA is not concerned with a project's impacts on a plan, but "with the impacts of the project on the environment, defined as the existing physical conditions in the affected area."). Relying on the Moreno Highland Specific Plan in this instance is particularly inappropriate, as the development agreement for that project has since expired and the City acknowledged in an update to its Housing Element in 2011 that that project will not be built. DEIR at 4.13-5.

In addition, the DEIR's conclusion regarding compliance with the General Plan's protections for scenic roads is based on a faulty assumption regarding the City's ability to mitigate for Project impacts. The DEIR states that the Project "can preserve significant visual features, significant views, and vistas if the size and location of building developed under the [specific plan] can be controlled so as not to substantially block views of Mount Russell, the Badlands, and Mystic Lake." DEIR at 4.1-65; *accord id.* at 4.1-69. Yet the DEIR includes no requirement to actually control the size and location of buildings; the only mitigation measures outlined in the DEIR relate to setbacks and visual screening. *Id.* at 4.1-65. While the DEIR states that the Specific Plan includes such restrictions (*id.* at 4.1-69), the DEIR is wrong. In fact, the Specific Plan's only provisions for protecting views and vistas call for localized screening and setbacks, which would have no impact on long-range views. *See, e.g.*, DEIR, App. H at 104, 106-07. The Specific Plan fails even to mention the important viewsheds toward Mystic Lake and San Jacinto Valley.

In any event, given the sheer size of the Project, it is unlikely that such mitigation is feasible at all. *See* Pub. Res. Code § 21081.6 (mitigation under CEQA must be both feasible and enforceable); *Lincoln Place Tenants Ass'n*, 155 Cal.App.4th at 445 (same). Over 950 acres of the of the 2710-acre Project site will be covered in buildings, and much of the remainder will be used for parking facilities and other improvements. DEIR at 3-19.

The City's unsupported conclusion regarding the Project's compliance with the General Plan leads to two legal outcomes. First, the City cannot approve a project that fails to comply with a General Plan policy, where, like Policy 7.7.5, the requirement is "fundamental, mandatory, and clear." *Endangered Habitats League, Inc. v. County of Orange* (2005) 131 Cal.App.4th 777, 782. Second, inconsistency with a General Plan is a potentially significant impact under CEQA, which must be analyzed just like any other potentially significant impact. *Pocket Protectors v. City Of Sacramento* (2004) 124 Cal.App.4th 903, 930-34. Here, given the Project's clear inconsistency with a

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fundamental General Plan policy intended to protect the environmental setting, the impact is significant. The DEIR must be revised to address the Project's inconsistency with a fundamental General Plan policy and to address the inconsistency as a significant impact under CEQA.

3. The DEIR Does Not Properly Analyze the Project's Land Use Impacts.

The DEIR also suffers from other land use related errors. CEQA requires that environmental impact reports analyze the consistency of a project with applicable local plans, including general plans. *See Napa Citizens for Honest Govt. v. Napa County Board of Supervisors* (2001 91 Cal.App.4th 342, 386-87; CEQA Guidelines, App. G, § IX (b). Inconsistencies with a general plan or other local plan goals and policies that were enacted in order to protect the environment are significant impacts in themselves and can also be evidence of other significant impacts. *See id.*; *Pocket Protectors*, 124 Cal.App.4th at 929.

The DEIR's analysis of the Project's consistency with the City's General Plan is seriously flawed. First, because the proposed general plan amendments are not provided, it is not even possible to determine the Project's consistency with the General Plan. Second, what information that is provided in the DEIR makes clear that the Project would conflict with numerous General Plan provisions.

(a) Deficiencies in the Project Description Make It Impossible to Determine the Project's Consistency With the General Plan.

As discussed above, the DEIR fails to adequately describe key components of the Project. The DEIR does not include, for example, fundamental information pertaining to the utilities, infrastructure and public services that will be needed to serve the Project. The General Plan, however, contains provisions about the importance of ensuring that utilities, infrastructure and public services keep pace with development. Because the DEIR does not provide that assurance—for example, there is no assurance that storm drainage infrastructure will be constructed in advance of each phase of development—it is simply not possible to determine whether the Project is consistent with the General Plan.

Nor does the DEIR disclose the content of the proposed general plan amendments. Consequently, the public and decision makers are left in the dark as to whether the amendments would be consistent with the remaining elements of the General Plan or whether they would result in a General Plan that is internally inconsistent. Perhaps the most troubling omission pertains to the DEIR's treatment of the Project's

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transportation circulation system. Here, the DEIR states that "the revised General Plan Circulation Element (as amended by the proposed project) and the Specific Plan's Circulation Plan (Specific Plan Section 3.1) provides for the movement of vehicles in and around the World Logistics Center area." DEIR at 3-33. Yet, we can find no indication that this "revised General Plan Circulation Element" has even been prepared. If this Circulation Element is a part of the proposed Project, as the DEIR implies, it must be described in the DEIR.

The implications of this omission are very important. The circulation element of a general plan serves as an "infrastructure" plan and must "correlate" with the other elements of the plan, including planned land uses called for in the land use element. *Concerned Citizens of Calaveras County v. Calaveras County* (1985) 166 Cal.App.3d 90, 99-104. The City must ensure that its discretionary land use projects do not result in a general plan land use element that is inconsistent with its circulation element. Here, the WLC Project calls for an enormous level of development that will result in significant and unavoidable traffic impacts. DEIR at 1-32 through 1-35. The DEIR does not analyze the Project's consistency with the General Plan Circulation Element, or whether approval of the Project would result in an internally inconsistent General Plan.

(b) The Project Is Inconsistent With Numerous General Plan Objectives, Goals and Policies.

The General Plan embodies values and principles that recognize the importance of protecting the safety, healthy, and desirability of the City. *See* General Plan at 1-1, 9-1. These goals and policies are inextricably linked to preserving the environment through protection of visual resources, avoidance of noise-intensive uses and air emissions near sensitive receptors, and minimizing traffic impacts.

Notwithstanding the massive nature of the Project and the General Plan's emphasis on environmental protection, the DEIR concludes that the Project is consistent with the Plan's goals, policies, and objectives. To reach this contrived conclusion, the EIR carefully cherry-picks a sampling of isolated Plan policies. DEIR Table 4.10.E. Because the EIR ignores a myriad of other relevant policies—with which the Project flatly conflicts—the document misinforms decision makers and the public about the Project's consistency with the General Plan.

Set forth below are examples of the Project's General Plan inconsistencies. The DEIR provides either inaccurate analysis, or no analysis, of these conflicts.

Objective, Goal and Policy	Definition	Consistency of Proposed WLC Project
Policy 2.5.2	Locate manufacturing and industrial uses to avoid adverse impacts on surrounding land uses. General Plan at 9-7.	*Inconsistent*: As the DEIR explains, the Project would result in increased noise, lighting, air pollutant, and health risk impacts. There is no effective mitigation available to protect or separate existing residences in the area from the Project's warehousing buildings and operations. The DEIR concludes this impact is significant and unavoidable. DEIR at 4.10-34.
Policy 2.5.3	Screen manufacturing and industrial uses where necessary to reduce glare, noise, dust, vibrations and unsightly views. General Plan at 9-7.	*Inconsistent*: As the DEIR explains, the Project would result in increased noise, lighting, air pollutant, and health risk impacts. There is no effective mitigation available to protect or separate existing residences in the area from the Project's warehousing buildings and operations. The DEIR concludes this impact is significant and unavoidable. DEIR at 4.10-34.

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Objective, Goal and Policy	Definition	Consistency of Proposed WLC Project
Policy 2.10.11	Screen and buffer nonresidential projects from adjacent residential property and other sensitive land uses when necessary to mitigate noise, glare and other adverse effects on adjacent uses. General Plan at 9-9.	*Inconsistent*: As the DEIR explains, the Project would result in increased noise, lighting, air pollutant and health risk impacts. There is no effective mitigation available to protect or separate existing residences in the area from the Project's warehousing buildings and operations. The DEIR concludes this impact is significant and unavoidable. DEIR at 4.10-34.
Objective 2.13	Coordinate development activity with the provision of public infrastructure and services to eliminate possible gaps in service provision. General Plan at 9-10.	*Inconsistent*: During each phase of development, and at build out, the Project will generate significant amounts of traffic onto roadways, intersections, and freeways. The DEIR identifies these impacts as significant and unavoidable. DEIR at 1-32 to 35. The DEIR provides no evidence that storm drain infrastructure will be installed concurrent with development.

Objective, Goal and Policy	Definition	Consistency of Proposed WLC Project
Objective 5.3	Maintain Level of Service (LOS) "C" on roadway links, wherever possible, and LOS "D" in the vicinity of SR 60 and high employment centers. Figure 9-2 depicts the LOS standards that are applicable to all segments of the General Plan Circulation Element Map. General Plan at 9-18, 19.	*Inconsistent*: During each phase of development, and at build out, the Project will generate significant amounts of traffic onto roadways, intersections and freeways. The DEIR identifies these impacts as significant and unavoidable. DEIR at 1-32 to 35.
Policy 5.3.6	Where new developments would increase traffic flows beyond the LOS C (or LOS D, where applicable), require appropriate and feasible mitigation measures as a condition of approval. Such measures may include extra right-of-way and improvements to accommodate left-turn and right-turn lanes at intersections, or other improvements. General Plan at 9-19.	*Inconsistent*: During each phase of development, and at build out, the Project will generate significant amounts of traffic onto roadways, intersections and freeways. The DEIR identifies these impacts as significant and unavoidable. DEIR at 1-32 to 35.

Objective, Goal and Policy	Definition	Consistency of Proposed WLC Project
Policy 5-6	Conduct studies of specified arterial segments to determine if any additional improvements will be needed to maintain an acceptable LOS at General Plan build-out. Generally, these segments will be studied as new developments are proposed in their vicinity. Measures will be identified that are consistent with the Circulation Element designation of these roadway segments, such as additional turn lanes at intersections, signal optimization by coordination and enhanced phasing, and travel demand management measures. The study of specified arterial segments will be required to identify measures to maintain an acceptable LOS at General Plan build-out for at least one of the reasons discussed below: (a) Segments will need improvement, but their ultimate volumes slightly exceed design capabilities. (b) Segments will need improvements but require inter-jurisdictional coordination. (c) Segments would require significant encroachment on existing adjacent development if built-out to their Circulation Element designations. General Plan at 9-23, 24.	*Potentially inconsistent*: The Project includes a "Revised Circulation Element" yet it is not included in the DEIR. The DEIR concludes that roadway segments would exceed applicable level of service thresholds and that these impacts are significant and unavoidable. DEIR at 1-32 to 35.

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Objective, Goal and Policy	Definition	Consistency of Proposed WLC Project
Policy 6.2.3	Maximize pervious areas in order to reduce increases in downstream runoff resulting from new development. General Plan at 9-30.	*Inconsistent*: Although the DEIR does not identify the increase in impervious surfaces, the 41 million square foot development would result in an enormous increase in impervious surfaces in a location that already experiences drainage deficiencies and flooding. The DEIR provides no indication as to whether the applicant has taken any action to maximize pervious areas.
Policy 6.2.4	Design, construct and maintain street and storm drain flood control systems to accommodate 10-year and 100-year storm flows respectively. General Plan at 9-30.	*Potentially Inconsistent*: As discussed above, the DEIR provides no evidence that sufficient storm drain flood control systems will be implemented.
Policy 6.3.1	The following uses shall require mitigation to reduce noise exposure where current or future exterior noise levels exceed 20 CNEL above the desired interior noise level: Single and multiple family residential buildings shall achieve an interior noise level of 45 CNEL or less. Such buildings shall include sound-insulating windows, walls, roofs and ventilation systems. Sound barriers shall also be installed (e.g. masonry walls or walls with berms) between single-family residences and major roadways. General Plan at 9-31.	*Inconsistent*: The Project will result in significant and unavoidable construction- and operational- noise impacts. DEIR at 1-27, 28.

Objective, Goal and Policy	Definition	Consistency of Proposed WLC Project
Objective 6.5	Minimize noise impacts from significant noise generators such as, but not limited to, motor vehicles, trains, aircraft, commercial, industrial, construction, and other activities. General Plan at 9-31.	*Inconsistent*: The Project will result in significant and unavoidable construction- and operational- noise impacts. DEIR at 1-27, 28.
Policy 7.7.5	Require development along scenic roadways to be visually attractive and to allow for scenic views of the surrounding mountains and Mystic Lake. General Plan at 9-38.	*Inconsistent*: The Project will significantly impact viewsheds in the area, including views of the Mt. Russell Range, the Badlands, and Mystic Lake. DEIR at 1-9; *see also* Part I(C)(2) of this letter.

The revised EIR must examine each of the General Plan policies for which the Project may be inconsistent. If inconsistencies exist, the revised EIR must identify these as significant impacts and identify feasible mitigation or Project alternatives capable of minimizing or eliminating these impacts.

4. The DEIR's Analysis of Hazards and Hazardous Materials Is Inadequate.

(a) The DEIR Fails to Provide Sufficient Information for Accurate Analysis and Decision-Making.

The hazards and hazardous materials section of the DEIR lacks sufficient information to enable the public and decision-makers to make an informed judgment regarding the potentially significant impacts of the Project. In particular, the section relies on conclusory statements and unstated assumptions that are specifically prohibited under CEQA. *See Berkeley Keep Jets Over the Bay Com. v. Board of Port Cmrs.* (2001) 91 Cal.App.4th 1344, 1371 (striking down an EIR "for failing to support its many conclusory statements by scientific or objective data"); *San Joaquin Raptor Rescue Center*, 149 Cal.App.4th at 659 ("[D]ecision makers and general public should not be forced to . . . ferret out the fundamental baseline assumptions that are being used for purposes of the environmental analysis.").

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As an example, the DEIR states that "18 separate Phase I Environmental Site Assessments (ESAs) have been conducted covering a large majority of the property." DEIR at 4.8-2. However, the DEIR fails to inform the public which areas have not been subject to Phase I ESAs and if any of these areas will be part of the 42 million cubic yards of cut and fill necessary to grade the Project site. *Id.* at 3.6-1. Without this information, the public and the relevant decision-makers cannot ascertain whether the DEIR accurately concludes that the Project will result in a less than significant impact with respect to hazardous materials. *Id.* at 4.8-17.

The Moreno Valley Local Hazard Mitigation Plan and the Moreno Valley General Plan also indicates the presence of hazardous materials sites on the Project site. Local Hazard Mitigation Plant at 89; Moreno Valley General Plan Final EIR, Figure 5.5-1. These sites are not disclosed or otherwise described in the Project EIR. Information about these hazardous materials sites, and the impacts of the Project on the sites, must be included in a revised draft EIR and recirculated for additional public comment.

Similarly, the DEIR states that certain setbacks "appear [to be] sufficient" to guard against potential risks from an existing regional natural gas compressor station located within the Project site. *Id.* at 4.8-15. The DEIR, however, contains no analysis or substantial evidence to support its conclusion that the specified setbacks are "sufficient." This type of conclusory statement does not comport with CEQA's informational purpose.

(b) The DEIR Fails to Adequately Mitigate for Potentially Significant Impacts.

In addition to its information disclosure requirements, CEQA mandates that lead agencies adopt all feasible mitigation measures that substantially lessen the significant environmental effects of a project. Pub. Res. Code § 21001. If a lead agency concludes that an impact is less than significant based on the presence of conditions or mitigation measures that lessen the potential impact, these conditions or mitigation measures must be adopted and enforceable. Pub. Res. Code § 21081(a) (A lead agency may not approve a project unless "changes or alterations have been *required in, or incorporated into,* the project which mitigate or avoid the significant effects on the environment." (emphasis added)). In contravention of these requirements, the hazards and hazardous materials section of the EIR frequently relies on conditions or mitigation measure that the City appears *not* to intend to adopt or enforce.

For example, Phase I ESAs for the Project site indicate the presence of trash and debris, including some potentially hazardous material. *E.g.*, DEIR at 4.8-2 to 4 (noting several containers of paint, waste, and hydrocarbons and dozens of tires and other

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debris). These materials present a potentially significant impact, in that they could create a significant hazard to the public or the environment through a reasonably foreseeable upset and release. *Id.* at 4.8-11. While the DEIR indicates that "all containers of hazardous materials and waste will need to be lawfully transported off site for disposal or recycling by a licensed hazardous waste transporter" (*id.* at 4.8-4), this requirement is not listed as a condition or mitigation measure for the Project. As mitigation measures must be enforceable, the DEIR must be revised accordingly. Pub. Res. Code § 21081.6.

Similarly, the DEIR indicates that manufacturing or chemical processing on the Project site could result in a significant hazard to the public. DEIR at 4.8-13. The DEIR therefore states that such uses "will not be permitted under the provisions of the Specific Plan." *Id.* However, the Specific Plan contains no express prohibition on this type of activity, and thus the DEIR erroneously concludes that there is no risk associated with this type of use. The DEIR must be revised to indicate that this prohibition must be incorporated into the Specific Plan.

The DEIR also concludes that potential hazards from the Moreno natural gas Compressor Plant will be reduced to a "less than significant level," in part because of "sufficient setback[s] from the plant to the future warehouse uses (e.g., 1,000 feet to [*sic*] east and 1,500 feet to west)." *Id.* at 4.8-15. This setback, however, is not included as a requirement in the Specific Plan or as a enforceable mitigation measure in the DEIR. Given that the location of the buildings will not be established as part of the proposed Project, the DEIR or Specific Plan must include a specific condition regarding these proposed setbacks to ensure that the potential hazard from the natural gas compressor plant can be reduced to a less-than-significant level.

(c) The DEIR Repeatedly Defers Analysis and Mitigation Related to Potential Hazards.

In response to the City's Notice of Preparation, a number of members of the public raised concerns regarding the pressurized natural gas lines that currently criss-cross the Project site and the potential for construction to result in a catastrophic accident. *Id.* at 4.8-6. In response to these concerns, the DEIR states that "as development occurs in areas with buried natural gas lines, the project proponent will be required to negotiate with the involved utility provider as to whether these pipelines can be relocated or need to be protected in place." *Id.* at 4.8-16. The DEIR ultimately concludes, however, that any potential impact can be reduced to a less-than-significant level. *Id.* This response represents a deferral of analysis that is strictly prohibited under CEQA. *Communities for a Better Environment*, 184 Cal.App.4th at 92 (setting aside an EIR for deficient consideration of greenhouse gas emissions where the document "improper[ly] deferr[ed]

[] environmental assessment."). As explained in Part I(A), the programmatic nature of the EIR provides no excuse for this deferral.

In addition, the Project includes the construction of a liquefied natural gas/compressed natural gas fueling station. DEIR at 4.8-18. This construction raises similar concerns related to a fire or catastrophic explosion. *Id.* Instead of addressing these concerns in the DEIR, however, the City defers the development of mitigation measures to a later time: after the approval, the applicant must "provide a risk assessment or safety study" that demonstrates that the location and construction of "the facility will not create any significant public health or safety impacts or risk." *Id.* at 4.8-19. But this is the exact type of deferred mitigation that is prohibited under CEQA. An EIR is inadequate if

> "[t]he success or failure of mitigation efforts . . . may largely depend upon management plans that have not yet been formulated, and have not been subject to analysis and review within the EIR." *San Joaquin Raptor Rescue Center*, 149 Cal.App.4th at 670. "A study conducted after approval of a project will inevitably have a diminished influence on decisionmaking. Even if the study is subject to administrative approval, it is analogous to the sort of *post hoc* rationalization of agency actions that has been repeatedly condemned in decisions construing CEQA." *Sundstrom v. County of Mendocino* (1988) 202 Cal.App.3d 296, 307.

Communities for a Better Environment, 184 Cal.App.4th at 92. Without the specific information that will be disclosed through a risk assessment or safety study, the public cannot be assured that mitigation related to the risk of fire or catastrophic explosion can be adequately mitigated at the Project site.

5. The DEIR Fails to Adequately Analyze and Mitigate Impacts Relating to Geology and Soils.

The DEIR's analysis of impacts relating to geology and soils is riddled with flaws. First, the document fails to adequately analyze or mitigate impacts resulting from the Project site's location within an area susceptible to fault rupture. State law prohibits the construction and placement of habitable structures over the trace of an active fault within an Alquist-Priolo Zone. DEIR at 4.6-17. Before a project can be permitted within an identified Earthquake Fault Zone, a lead agency must require a geologic investigation to demonstrate that proposed buildings will not be constructed across active faults. The primary method to avoid this hazard is to either set structures and facilities away from active faults, or avoid their construction in close proximity to an active fault. *Id.* 4. 6-16.

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The DEIR asserts that a detailed fault investigation was performed for the site's projected faults. Trenching conducted across the Claremont Segment of the San Jacinto Fault in the eastern area of the Project site identified the location of a portion of the fault. However, the DEIR admits that the entire length of the fault through the site was not trenched. DEIR at 4.6-17. Notwithstanding this incomplete investigation, the DEIR correctly concludes that future development permitted by the Project would locate development in an area susceptible to fault rupture and finds this impact to be potentially significant. *Id.* at 4.6-16. The DEIR proposes to mitigate this impact by requiring a study that "will likely" involve future trenching to adequately identify the location of the Claremont segment of the San Jacinto Fault Zone. *See* Mitigation Measure 4.6.61B at 4.6-17. We can find no logical explanation as to why the initial "detailed" fault investigation did not include trenching of the section of entire length of the Claremont Segment of the San Jacinto Fault through the Project site. Moreover, the DEIR's mitigation measure does not even commit to conduct future trenching. Without a thorough investigation, the DEIR has no basis to conclude that proposed buildings will not be constructed across active faults. Therefore, the document's conclusion that the Project's impacts relating to susceptibility to fault rupture would be mitigated to less than significant levels cannot be sustained.

Second, the DEIR fails to adequately analyze or mitigate impacts relating to ground shaking. The DEIR states that the level of potential ground motion is considered moderate to high in the City of Moreno Valley and concludes that this impact is potentially significant. DEIR at 4.6-18. The DEIR proposes to mitigate for this impact by complying with applicable standards and codes (e.g., Title 24 (California Building Standards Code), City Building Code and/or professional engineering standards). The DEIR never, however, identifies the specific grading, soils and construction techniques that could justify later formulation of mitigation methods targeted to meet the applicable standards. In the absence of this information, the DEIR lacks the evidence necessary to conclude that the Project's impacts related to ground shaking would be reduced to less than significant levels.

Third, the DEIR concludes that the potential exists to locate development on moderately expansive and compressible soils and deems these impacts to be significant. DEIR at 4.6-19. Here too, the DEIR defers the necessary analysis of impacts until after project approval. Mitigation Measure 4.6.6.3A calls for geotechnical investigations that "shall identify any site-specific impacts…", while Measure 4.6.6.3D calls for studies to "address if or to what degree compressible and/or expansive alluvium on or underlying individual pads is present." *Id.* at 4.6-19,20. It is wholly inappropriate

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to deem these measures "mitigation" and allow them to be delayed until after project approval. *Gentry v. City of Murrieta* (1995) 36 Cal. App. 4th 1359, 1396 (rejecting mitigation measures allowing project applicant to comply with report and measures regarding the Stephens' kangaroo rat developed after project approval). An analysis of the Project's potential to locate development on expansive and compressible soils must necessarily begin with a detailed investigation of the presence of such soils on the Project site. This information must be must be included in the revised DEIR.

Finally, the Project includes an array of off-site improvements such as reservoirs and highway projects. DEIR at 4. 6-10. The DEIR fails to analyze the extent to which these off-site improvements would be subject to potential geotechnical constraints. Instead, the DEIR simply concludes that none of the off-site improvement areas would have substantial seismic or seismically related constraints. *Id.* Contrary to this conclusion, the DEIR's geotechnical appendix shows clearly significant potential geotechnical impacts. For example, several landslides have been mapped and observed during the field review of off-site reservoir Area A. *See* Appendix G at 6, 7. The appendix goes so far as to state, "Due to the existing nearby landslides, the gross stability of the area must be determined during future studies." *Id.* Nor does the DEIR disclose that that the planned reservoir access road will traverse through a mapped landslide as well as potential unstable San Timoteo formation bedrock and that the site has potential for ground fissuring/rupture. *Id.*

The DEIR also fails to disclose that water reservoir and access area B also have landslides and that the access road would cut through potentially unstable bedrock. Appendix G at 8 and 9. The appendix also explains that although no faulting was observed during the review, "mass wasting and weathering of the formational materials may be masking any onsite features indicative of active faulting." *Id.* at 8.

We can find no plausible explanation for the DEIR's omission of this important information. As the appendix makes very clear, the potential exists for these off-site improvements to result in significant geotechnical impacts. The EIR must be revised to include a comprehensive analysis of these site constraints and identify appropriate mitigation measures.

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6. The DEIR Fails to Properly Analyze Impacts Relating to Population, Housing and Employment.

The DEIR lacks evidentiary support to conclude that the Project would not induce substantial population growth. According to Highland Fairview, the proposed Project will more than double the number of jobs within the City. While there were approximately 25,000 jobs in the City in 2011, the DEIR states the Project will generate about 29,500 new direct and induced jobs. DEIR at 4.13-3, 9; 5-5.

The DEIR asserts that the jobs generated by the proposed Project are anticipated to be filled by workers who, for the most part, already reside in the Project area; therefore, construction of the proposed WLC Project would not cause a permanent increase in population. DEIR at 4.13-8. The DEIR fails, however, to provide any factual support for this assertion. Indeed, because the DEIR omits fundamental information about the skills and/or the educational characteristics of the local labor force, it is not possible to determine whether City residents could fill the new positions. The DEIR also entirely ignores the fact that the creation of 28,000 potential jobs could cause people to move to Moreno Valley, which could generate additional housing demand in the region.

Finally, the DEIR lacks factual support for the conclusion that the Project would improve the jobs/housing imbalance. The DEIR asserts that since the City is already "housing rich," the Project's increase in jobs will help to improve the region's job/housing imbalance. DEIR at 4.13-13. But it is impossible to verify the accuracy of this conclusion because the DEIR provides incomplete information pertaining to existing employment. For example, the DEIR does not account for regional in- or out-commuting due to job/labor mismatches or housing affordability. Even if a community has a numerical balance between jobs and housing/employed residents, sizeable levels of in- and out-commuting are possible and even likely, especially where employment opportunities do not match the skills and/or the educational characteristics of the local labor force. An actual jobs-to-housing match occurs only when the types of jobs provided in a community "match" the skills and income needs of the employed workers within the community. The revised DEIR must describe the types of jobs that would be created by the Project and match them to local worker' skills and education.

7. The DEIR Fails to Adequately Analyze the Project's Cumulative Impacts.

Under the CEQA Guidelines, "a cumulative impact consists of an impact which is created as a result of the combination of the project evaluated in the EIR

together with other projects causing related impacts." CEQA Guidelines § 15130(a)(1). Because "[c]umulative impacts can result from individually minor but collectively significant projects" (CEQA Guidelines § 15355(b)), an impact that appears less than significant (or mitigable to such a level) when only the project is scrutinized may turn out to contribute to a significant cumulative impact. Accordingly, the EIR must determine whether the project's contribution is "cumulatively considerable," that is, whether its "incremental effects . . . are significant when viewed in connection with the effects of past projects, the effects of other current projects, and the effects of probable future projects." CEQA Guidelines § 15065(a)(3); *see also Kings County Farm Bureau*, 221 Cal.App.3d at 729. This mandate assumes even greater importance for a program-level EIR such as this one. *See* CEQA Guidelines § 15168(b)(4) (programmatic EIR allows agency to "consider broad policy alternatives and program-wide mitigation measures" at an early stage when the agency has greater flexibility to deal with cumulative impacts).

To analyze the Project's potential cumulative impacts, the DEIR purports to use the growth projections set forth in the City's General Plan. DEIR at 2-22. However, the DEIR identifies only the growth that is expected to occur in the City and the County, which simply lists the amount of population, housing, employment and jobs/housing ratio (*see* Table 2.E at p. 2-23). There is no indication that the General Plan documents "described or evaluated regional conditions contributing to the cumulative impact," as required by the CEQA Guidelines section 15130(b). Indeed, after purporting to rely on the City's General Plan, the DEIR goes on to discuss the Project's cumulative impacts without once referring back to the General Plan. DEIR at 4.9-42, 43.

The DEIR errs further because, rather than analyzing the Project's cumulative impacts, it simply repackages, in abbreviated form, the project-specific impact analysis. In doing so, the DEIR misses the point of cumulative impacts analysis entirely. For example, the DEIR concludes that the Project would not contribute considerably to cumulative storm water impacts because the Project's drainage system will be designed to control post-development runoff—and all other development in the vicinity of the Project site will have the same requirement. *Id.* at 4.9-43. However, the DEIR's project-specific analysis did not analyze whether the buildout allowed under the City General Plan, together with development in the City, would cause significant storm water and flooding impacts. The document never identifies how the growth anticipated by the General Plan would affect the various watersheds in the area.

Moreover, the very purpose of cumulative impact analysis is to determine whether impacts that appear insignificant in isolation add up to significant damage when taken together with other projects' impacts. Thus, the fact that individual projects may

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have only less than significant impacts is no answer to the question whether, taken together, they may have a cumulative impact. *See Kings County Farm Bureau*, 221 Cal.App.3d at 720.

The DEIR must take a hard look at the impacts of the proposed Project together with the impacts of development with the various watersheds, and after undertaking that analysis, must determine whether the Project's contribution to such impacts are cumulatively considerable. In determining the significance of the Project's incremental contribution, the question is *not* the relative amount of the Project's contribution to the existing cumulative problem (i.e., whether this Project contributes the same, less, or more than other projects), but rather whether the addition of the Project's impact is significant in light of the serious existing or soon-to-be existing problem (i.e., whether the project's contribution to the environmental problem is cumulatively considerable). As the courts have explained, the greater the existing environmental problem is, the lower the threshold of significance is for considering a project's contribution to the cumulative impact. *Communities for a Better Environment v. California Resources Agency* (2002) 103 Cal.App.4th 98, 120.

The DEIR's analysis of cumulative impacts relating to wastewater treatment demand is similarly deficient. The document does not identify the cumulative wastewater demand in the area or evaluate whether the Project's increase in wastewater demand, combined with the wastewater demand from cumulative development, will impact wastewater treatment facilities. Instead, the DEIR merely observes that (1) cumulative population increases and development within the area serviced by the Moreno Valley Regional Water Reclamation Facility will increase the overall regional demand for wastewater treatment service, and (2) the reclamation facility *is expected to* have adequate capacity to service the City's wastewater needs through 2030. DEIR at 4.16-28. These vague and uninformative statements are not sufficient. CEQA requires that an EIR's conclusions be supported by substantial evidence. *Laurel Heights I*, 47 Cal.3d at 409. Substantial evidence consists of "facts, a reasonable presumption predicated on fact, or expert opinion supported by fact," not "argument, speculation, unsubstantiated opinion or narrative." Pub. Res. Code § 21080(e)(1)-(2).

The DEIR also concludes, absent factual analysis, that the proposed Project would not have a cumulatively significant impact on wastewater infrastructure because the Project itself would not require the expansion of existing infrastructure. DEIR at 4.16-28. As explained above, this misses the point of a cumulative impact analysis. Even where a project might cause an "individually limited" or "individually minor" incremental impact that, by itself, is not significant, the project may nevertheless contribute to a cumulative impact if the contribution is "cumulatively considerable" when

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viewed together with environmental changes anticipated from past, present, and probable future projects. CEQA Guidelines §§ 15064(h)(1), 15355(b).

The DEIR must be revised to conduct its cumulative impact analyses in accordance with CEQA. If any Project impact is determined to be cumulatively considerable, the DEIR must identify mitigation measures or alternatives capable of minimizing or eliminating these impacts.

8. The DEIR Fails to Analyze the Project's Growth-Inducing Effects.

CEQA requires an EIR to include a "detailed statement" setting forth the growth-inducing impacts of a proposed project. Pub. Res. Code § 21100(b)(5); *City of Antioch v. City Council of Pittsburg* (1986) 187 Cal.App.3d 1325, 1337. The statement must "[d]iscuss the ways in which the proposed project could foster economic or population growth, or the construction of additional housing, either directly or indirectly, in the surrounding environment." CEQA Guidelines § 15126.2(d). It must also discuss how projects "may encourage and facilitate other activities that could significantly affect the environment, either individually or cumulatively." *Id.* The CEQA Guidelines expressly recognize that growth-inducing impacts can occur through extension of infrastructure. CEQA Guidelines, App. G, § XIII(a). The EIR here does not begin to meet these requirements.

The DEIR concedes that the Project has the potential to induce growth by creating new employment opportunities and increasing the demand for goods and services. DEIR at 5-5. Despite this pronouncement, however, we find no indication that the EIR has, in fact identified this resultant growth or evaluated its environmental consequences. None of the EIR's environmental impact analyses (save population, employment, and housing section) even mention induced or indirect growth. For its part, the population, employment and housing section merely notes that the specific location of the induced jobs cannot be specifically determined; the analysis then goes on to assume that a "large percentage" of these jobs may be located in the proposed WLC project vicinity, i.e. the City. *Id.* at 4.13-13. The DEIR provides no factual support for this assertion.

The DEIR errs further when it boldly asserts that "it is expected that any such [induced housing] development would occur consistent with planned growth identified in the General Plan or applicable specific plans." *Id.* 4.13-8. Here too, the DEIR provides no support that the City's General Plan anticipated the WLC project or its associated indirect growth. Nor could it: the Project as proposed requires numerous amendments to the City's General Plan.

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Finally, the DEIR asserts that the streets, water, and sewer utilities that would be extended to serve the Project could potentially induce development because they would remove an impediment to growth. *Id.* at 5-6. Yet, the document immediately contradicts itself by stating that the Project will not necessitate extension of major infrastructure. *Id.* This statement is erroneous. Inasmuch as the Project site is currently undeveloped, it will certainly require the extension of utilities and services. Yet, because the DEIR fails to describe the necessary public utilities and services, the public is left in the dark as to whether this infrastructure would be sized only to accommodate the needs of the WLC. The revised DEIR must assess whether the extension of infrastructure to serve the Project will induce further growth and analyze the environmental consequences of this growth.

D. The DEIR Analyzes an Inadequate Range of Alternatives and Fails to Develop Alternatives that Reduce Impacts.

A core substantive requirement of CEQA is that "public agencies should not approve projects as proposed if there are feasible alternatives . . . which would substantially lessen the significant environmental effects of such projects." Pub. Res. Code § 21002; *see also* CEQA Guidelines §§ 15002(a)(3), 15021(a)(2), 15126(d); *Citizens for Quality Growth v. City of Mount Shasta* (1988) 198 Cal.App.3d 433, 443-45. Accordingly, a major function of the EIR "'is to ensure that all reasonable alternatives to proposed projects are thoroughly assessed by the responsible official.'" *Laurel Heights I*, 47 Cal.3d at 400 (quoting *Wildlife Alive v. Chickering* (1976) 18 Cal.3d 190, 197). To fulfill this function, an EIR must consider a "reasonable range" of alternatives "that will foster informed decisionmaking and public participation." CEQA Guidelines § 15126.6(a). "An EIR which does not produce adequate information regarding alternatives cannot achieve the dual purpose served by the EIR . . . ." *Kings County Farm Bureau*, 221 Cal.App.3d at 733.

By artificially constraining the Project's objectives and failing to consider alternatives that would lessen the Project's significant impacts, the DEIR for the Project fails to present a reasonable range of alternatives and thus violates CEQA.

1. The DEIR's Narrow Project Objectives Prevent Consideration of Reasonable Alternatives.

The first step in conducting an alternatives analysis under CEQA is to define the project's objectives. This step is crucial because project objectives "will help the Lead Agency develop a reasonable range of alternatives to evaluate in the EIR." CEQA Guidelines § 15124(b). The lead agency may not define project objectives so

narrowly as to make the proposed development a foregone conclusion. *Kings County Farm Bureau*, 221 Cal.App.3d at 736.

Here, the DEIR's project objectives include the following very specific directives:

- "[E]stablish the 2,710-acre WLC Specific Plan land use designations and development standards that will direct the development of a world-class corporate park specifically designated to support the logistics warehouse and operational needs of large companies and corporate users"
- "[D]esignate 1,084 acres of vacant land owned by the CDFW as Open Space"
- "Create a high-quality regional logistics center"
- "Create a major logistics center in Rancho Belago"
- "Establish a master plan for the entire project area to ensure that the project is efficient and business-friendly to accommodate the next-generation of logistics buildings"

DEIR at 6.2. The Alternatives analysis also states that "[t]he purpose of the proposed project is to establish the 2,710-acre WLC Specific Plan that will result in the development of 41.6 million square feet of high-cube logistics warehouse uses." *Id.* at 6-3.

Because these objectives specify the precise location and size of the Project site, as well as the specific use and footprint of buildings, they constrain the DEIR's alternatives analysis in violation of CEQA. In fact, they preclude *all* alternatives except building a massive logistics facility at the applicant's proposed location in Moreno Valley. As the DEIR explains, the only feasible alternative sites are ones that "could realistically support the proposed project (i.e., a contiguous 2,635-acre site for 41 million square feet of high-cube logistics warehouse uses as envisioned by the WLC Specific Plan)." *Id.* at 6-38. The document then proceeds to reject all potential alternatives sites, even those as large as 1,700 acres. *Id.* at 6-41 to 43.

In addition, though the DEIR frames "alternatives sites" as a considered alternative, the DEIR ultimately rejects all possible sites and fails to consider whether any alternative site would lessen environmental impacts. DEIR at 6-38 to 43. This alternative, unless more fully developed as required under CEQA, should be classified as an alternative considered but not carried forward. *Id.* at 6-3 to 4.

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By designing the project objectives to make the selection of the applicant's site a foregone conclusion, the City failed to proceed according to law. Under CEQA, an agency cannot "avoid an objective consideration of an alternative simply because, prior to commencing CEQA review, an applicant made substantial investments in the hope of gaining approval for a particular alternative." *Kings County Farm Bureau*, 221 Cal.App.3d at 736. Rather, the agency must analyze a range of alternatives "even if these alternatives would impede to some degree the attainment of the project objectives." CEQA Guidelines § 15126.6(b). Here, the DEIR should have posited project objectives in a way that includes the public purposes of the project—as opposed to focusing narrowly on the developer's private objectives. Such an approach would allow an adequate discussion of off-site alternatives and consideration of how to meet these purposes with "minimal environmental expense." *Citizens of Goleta Valley*, 197 Cal.App.3d at 1179.

In sum, because the DEIR's narrow objectives for the Project prevent decision makers from evaluating a reasonable range of alternatives, including off-site options, the City violated CEQA. CEQA Guidelines § 15126.6(a); *see National Parks & Conservation Assn. v. Bureau of Land Management* (9th Cir. 2010) 606 F.3d 1058, 1072 (striking down a narrowly drawn statement of project objectives where it "necessarily and unreasonably constrain[ed] the possible range of alternatives" and "foreordain[ed] approval of the proposed project"). Because CEQA was patterned on the National Environmental Policy Act ("NEPA"), NEPA case law is treated as "persuasive authority" in interpreting CEQA. *Citizens of Goleta Valley*, 52 Cal.3d at 565, fn. 4.

2. The DEIR Fails to Identify Alternatives that Would Avoid or Substantially Lessen the Project's Significant Impacts.

In order to achieve the goals of CEQA, the discussion of alternatives must focus on alternatives to the project or its location that are capable of avoiding or substantially lessening any significant effects of the project, even if these alternatives would impede to some degree the attainment of the project objectives, or would be more costly. CEQA Guidelines § 15126.6(b). In this case, the DEIR authors have crafted a handful of environmentally inferior alternatives that, unsurprisingly, the document dismisses as creating more significant impacts or as infeasible. This approach is untenable, as the point of the alternatives analysis is to develop alternatives that *lessen* significant environmental impacts. *Laurel Heights I*, 47 Cal.3d at 403.

For example, the DEIR sets up Alternative 2 as a mix of logistics warehousing, light manufacturing, retail commercial, and office space on the same footprint as the proposed Project. DEIR at 6-5. The DEIR states that Alternative 2 is

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intended to avoid or reduce impacts to traffic, air quality, and noise impacts. *Id.* at 6-29. However, because of the changes in use, "the volume of operational air pollution would be increased when compared to the proposed project." *Id.* at 6-30. Similarly, "this alternative would *almost triple total traffic trips*" as compared to the proposed Project, with concomitant effects on operational noise. *Id.* at 6-30 to 31 (emphasis added); *see also id.* at 6-33 ("[T]he Mixed Use Alternative A would increase employment opportunities but would substantially increase traffic, noise, and air quality impacts."). The City's good intentions mean nothing when the crafted alternative substantially worsens the very impacts it was intended to address. In fact, the only possible reason for including this mixed-use option is to set up a straw man that can be knocked down.

The DEIR fails to explain the significant impacts that Alternative 3 is intended to address, noting only that "this alternative would develop the project site similar to the land use plan of the Moreno Highlands Specific Plan (MSHP) but with logistics warehousing on the 603 acres proposed for business, retail, institutional and other uses under the MHSP." *Id.* at 6-34. However, the DEIR concludes that the alternative would increase traffic by 13 percent; it would also increase almost all air quality impacts and potentially expose new residents to health risks associated with diesel-related air pollution. *Id.* at 6-36 to 37. While the DEIR concludes that the alternative "would reduce a significant impact of the project (aesthetic—views) by substantially reducing the amount of warehousing on the site and replacing it with residential uses" (*id.* at 6-37), the DEIR offers no analysis to support this conclusion. As the project site would still be developed, albeit at a lower height, the impact to views from State Route 60, a designated scenic road, would still be significant. Consequently, this alternative also fails to address any of the significant impacts created by the Project.

The DEIR likewise sets up the reduced density alternative for failure. Under this alternative, the Project would permit only 29 million square feet of logistics warehousing (a 28 percent reduction in size), but allow the development to be spread across the same 2,635 acre footprint. DEIR at 6-6, 6-22. Because the footprint is identical, the alternative's impacts related to construction pollution and noise, storm water runoff and hydrology, agricultural land, and scenic vistas and local scenic roads, among others, remain *exactly the same* as under the proposed Project. *Id.* at 6-27. To reduce impacts, it would have been far more logical to reduce the footprint of the Project, as described further below. Such an alternative would produce far fewer significant impacts, yet offer similar employment and other public benefits. For that reason, a reduced footprint alternative, as opposed to the reduced density alternative developed in the DEIR, would meet CEQA's mandate to develop and analyze alternatives that lessen a project's significant impacts. *Laurel Heights I*, 47 Cal.3d at 403.

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To remedy the DEIR's faulty alternatives analysis, the City must broaden the objectives both to clarify the public purpose of the proposed Project and to permit the selection of options other than the applicant's proposal. At the same time, the City must develop alternatives that actually lessen the Project's significant impacts, particularly in the areas of air quality, noise, traffic, aesthetics, agriculture, climate change, hydrology, and biological resources. One possible alternative to address many of these concerns is to build a smaller logistics warehousing project on a reduced footprint. Such a configuration would require the development of less impervious surfaces and allow for an increased buffer between the Project and the San Jacinto Wildlife Area. This option would not only reduce the Project's impacts from storm water runoff and other edge effects,[3] but also lessen its impact to agricultural land, as portions of the site could be retained in productive agriculture. A reduced footprint alternative must also remove the San Jacinto Wildlife Area/MSHCP lands from the scope of the Project. The San Jacinto Wildlife Area is not part of this Project. A reduced footprint alternative could also be sited to avoid the Project's severe impacts to scenic vistas and designated scenic roads. Finally, the reduced footprint alternative would have the same benefits related to air quality impacts, traffic, and noise as a reduced density alternative.

In particular, a reduced footprint alternative should be sited to leave significant amounts of land in agriculture to provide for local agriculture, thereby also reducing greenhouse gas emissions. Finally, given the severe impacts of the Project on air quality, traffic and noise, the DEIR must also include an alternative that would reduce truck traffic. In particular, the DEIR should identify alternative sites that could be served by existing or proposed rail corridors.

In sum, the DEIR must be revised to consider logical, environmentally superior alternatives. Its exclusive reliance on environmentally inferior or infeasible alternatives does not meet CEQA's mandate to provide decision makers with a reasonable range of options. *Citizens for Quality Growth*, 198 Cal.App.3d at 443-45.

E. The DEIR Must Be Recirculated.

Under California law, the present EIR cannot properly form the basis of a final EIR. CEQA and the CEQA Guidelines describe the circumstances which require recirculation of a draft EIR. Such circumstances include: (1) the addition of significant new information to the EIR after public notice is given of the availability of the DEIR but before certification, or (2) the draft EIR is so "fundamentally and basically inadequate

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and conclusory in nature that meaningful public review and comment were precluded." CEQA Guidelines § 15088.5.

Here, both circumstances apply. Decision makers and the public cannot possibly assess the Project's impacts, or even its feasibility, through the present DEIR, which is riddled with errors. Among other fundamental deficiencies, the DEIR repeatedly understates the Project's significant environmental impacts and assumes that unformulated or clearly useless mitigation measures will effectively reduce these impacts. In order to resolve these issues, the City must prepare a revised EIR that would necessarily include substantial new information.

II. APPROVAL OF THE PROJECT WOULD VIOLATE THE STATE PLANNING AND ZONING LAW AND THE SUBDIVISION MAP ACT.

The State Planning and Zoning Law (Gov't Code § 65000 *et seq.*) requires that development decisions be consistent with the jurisdiction's general plan. As reiterated by the courts, "[u]nder state law, the propriety of virtually any local decision affecting land use and development depends upon consistency with the applicable general plan and its elements." *Resource Defense Fund v. County of Santa Cruz* (1982) 133 Cal.App.3d 800, 806. Accordingly, "[t]he consistency doctrine [is] the linchpin of California's land use and development laws; it is the principle which infuses the concept of planned growth with the force of law." *Families Unafraid to Uphold Rural El Dorado County v. Board of Supervisors* (1998) 62 Cal.App.4th 1332, 1336.

General plans establish long-term goals and policies to guide future land use decisions, thus acting as a "constitution" for future development. *Lesher Communications, Inc. v. City of Walnut Creek* (1990) 52 Cal.3d 531, 540. Specific plans and zoning then ensure implementation of the general plan. Gov't Code § 65450; *see* Gov't Code §§ 65850, 65860. The Subdivision Map Act likewise requires that subdivision maps be consistent with the general plan. Gov't Code § 66473.5, 66474.

To promote coordinated land use policies and practices, state law requires local governments not just to formulate theoretical general plans, but also to conform their development and land use projects and approvals to those duly certified plans. *Citizens of Goleta Valley*, 52 Cal.3d at 570; *see also* Gov't Code §§ 65860 (requiring consistency of zoning to general plan), 65454 (requiring consistency of specific plan to general plan), 66473.5 & 66474 (requiring consistency of subdivision maps to general plan), and 65867.5 (requiring consistency of development agreements to general plan). It is an abuse of discretion to approve a project that "frustrates[s] the General Plan's goals and policies." *Napa Citizens for Honest Gov't*, 91 Cal.App.4th at 379. The project need

not present an "outright conflict" with a general plan provision to be considered inconsistent; the determining question is instead whether the project "is compatible with and will not frustrate the General Plan's goals and policies." *Id.* at 379.

For the reasons described in Parts I(C)(2) and I(D) above, the Project is inconsistent with the General Plan. Because of these inconsistencies, approval of this Project would violate State Planning and Zoning Law and the Subdivision Map Act.

In addition, the General Plan is legally inadequate because it contains a statement that the provisions of specific plans take precedence over provisions of the General Plan to the extent that the two documents are inconsistent. General Plan at 9-8. This General Plan provision fails to recognize that in the hierarchy of land use law, a specific plan is inferior to a general plan and therefore cannot take precedence over a general plan. Gov't Code § 65454. Specific plans must be consistent with the general plan, not the other way around. *Id.* Because this General Plan inadequacy implicates this Project, the Project cannot be lawfully approved. *Neighborhood Action Group v. County of Calaveras* (1984) 156 Cal.App.3d 1176, 1187-88.

III. CONCLUSION

As set forth above, the WLC DEIR suffers from numerous deficiencies, many of which would independently render it inadequate under CEQA. Taken as a whole, the deficiencies of the DEIR necessitate extensive revision of the document and recirculation for public comment. Moreover, as currently designed, the Project conflicts with the General Plan, and therefore cannot be legally approved. Accordingly, we respectfully request that the City reevaluate this Project in light of its inconsistencies with the General Plan, and take no further action on it until a legally adequate EIR is prepared and circulated.

Very truly yours,

SHUTE, MIHALY & WEINBERGER LLP

Rachel B. Hooper

Laurel L. Impett (RH)

Rachel B. Hooper
Laurel L. Impett, AICP

cc: Susan Nash, Friends of Friends of the Northern San Jacinto Valley

MV00253291

From: Thomas Thornsley [savemorenovalley@hotmail.com]
Sent: Monday, July 08, 2013 7:50 AM
To: Save Moreo Valley fb
Subject: July 13 COMMUNITY AWARENESS MEETING

COMMUNITY AWARENESS MEETING
Sat., July 13, 2013, 10 a.m. to Noon
Moreno Valley High School at 23300 Cottonwood Ave

Once again we will be hosting a community information meeting about the impacts of the 41,600,000 sq ft World Logistic Center (WLC) warehouse project. The meeting will be held in the Lecture Hall of Moreno Valley High School at 23300 Cottonwood Ave (between Graham St and Frederick St) this Saturday, July 13, from 10 a.m. to noon.

We hope you can join us or keep up with information and news articles about activities affecting our community. You can find us on facebook/SaveMorenValley for follow us by liking facebook/SaveMoVal. You do not need a facebook account to view these pages.

The link below will take you to The Press Enterprise article of July 6 regarding the Beaumont City Council's vote to stop a major warehouse proposal in their city. The citizens stood up and were heard. Let fight for the same in out City.

http://www.pe.com/local-news/riverside-county/the-pass/the-pass-headlinesindex/20130703-beaumont-public-support-helped-reject-warehouse-project.ece

Thanks for your involvement. Together we will make a difference.

Jane Halstead

To:	Council
Cc:	Michelle Dawson; Tom DeSantis; Suzanne Bryant
Subject:	Subpoenas served to the Custodian of Records

Mayor Owings & Members of the Council:

Investigators for the FBI delivered to the City Clerk the following subpoenas for records:

1. All documents relating to the following development projects in Moreno Valley: Any development by Ridge Property; Project Numbers P08-133; PA08-0098; PA08-0097; and PA09-0022.
2. All documents relating to the following development projects in Moreno Valley: All Moreno Valley Properties and Highland Fairview Projects, including Skechers; and City of Moreno Valley project numbers PA07-0090; PA-07-0088; PA-07-0090; and PA-07-0091
3. All documents relating to the following development projects in Moreno Valley: The Aquabella project, including project numbers P11-029, PA-04-0005, PA-04-0070 and PA-04-0082
4. All documents relating to Victoria Baca
5. All documents relating to the hiring, employment, and termination of Paul J. Early
6. All documents relating to Iddo Benzeevi
7. All documents relating to Tom Owings
8. All documents relating to Dr. Yxstain Gutierrez
9. All documents relating to development construction projects currently awaiting approval by the Moreno Valley City Council
10. All documents relating to pending or completed infrastructure projects in City Council District 3 of the City of Moreno Valley
11. All documents relating to the hiring, employment, and termination of Henry Garcia as City Manager
12. All documents relating to the hiring, employment, and termination of Barry Foster as Moreno Valley's Director of Economic Development
13. All documents relating to development construction projects approved by the Moreno Valley City Council
14. All documents relating to pending development construction projects currently pending approval of the Moreno Valley Planning Commission
15. All documents relating to the following development projects in Moreno Valley: Projects associated with the World Logistic Centers, including the Moreno Valley project numbers PA-12-0010, PA-12-0011, PA-12-0012, PA12-0013, PA-12-0014, PA-12-0015
16. All documents relating to development construction projects approved by the Moreno Valley Planning Commission
17. All documents relating to the following development projects in Moreno Valley: Projects associated with the company Prologis, including Moreno Valley project numbers P07-0081, PA-0081, PA-0084, PA-0142, PA-0158 and PA-0162
18. All documents relating to the following development projects in Moreno Valley: The Economic Development Action Plan approved by the City Council on April 26, 2011
19. All documents relating to Victoria Baca
20. All documents relating to Jesse Molina
21. All documents relating to Michael Geller
22. All documents relating to Richard Stewart
23. All documents relating to Marcelo Co
24. All documents relating to Jerry Stephens
25. All documents relating to the hiring, employment, and termination of Anne Schneider
26. All documents relating to Highland Fairview Corporation

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Let me know if you have any questions.

Thank you.

Jane Halstead, CMC
City Clerk
City of Moreno Valley
14177 Frederick Street
Moreno Valley, CA 92552
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F:(951)413-3009
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MV00260380

RIVERSIDE COUNTY
DISTRICT ATTORNEY
3960 ORANGE STREET
RIVERSIDE, CALIFORNIA 92501-3643
951-955-5520

PAUL E. ZELLERBACH
DISTRICT ATTORNEY

October 22, 2013

Ms. Jane Halstead
Moreno Valley City Clerk
14177 Frederick St.
Moreno Valley, CA 92552

Subject: **Preservation of Evidence Demand**

Dear Ms. Halstead:

The Riverside County District Attorney's Office has learned that the Moreno Valley City Council will consider adopting Resolution No. 2013-82, a "Resolution Adopting Updated Records Retention Schedules and Authorizing Destruction of Certain City Records" at its regular meeting on October 22, 2013.

The District Attorney's Office has reason to believe that litigation may result from matters currently under investigation with regard to the City of Moreno Valley and that relevant evidence potentially may be destroyed if Resolution No. 2013-82 is passed and implemented. This information may be in the City of Moreno Valley's possession or control and the City has a duty to preserve that information.

Therefore, the District Attorney's Office demands that the City of Moreno Valley immediately take action to protect and preserve until further notice any of that information that is in its possession or under its control until further notice.

Specifically, the District Attorney's Office demands that the City of Moreno Valley immediately suspend deletion, overwriting and/or any other destruction of records and electronic stored information (hereinafter "ESI") connected, either directly or indirectly, to the following:

- All records and ESI associated with or concerning Highland Fairview, Iddo Benzeevi, Jerry Stephens, Tom Owings, Marcelo Co, Jesse Molina, Victoria Baca, Richard Stewart, Yxstian Gutierrez and Michael Geller.

- All records and ESI associated with or concerning all City of Moreno Valley elected and appointed public officials and Department Heads.

- All records and ESI associated with or concerning pending or approved development construction projects, infrastructure and/or new infrastructure projects located in the City of Moreno Valley.

- All records and ESI associated with or concerning communications to and from City of Moreno Valley employees, elected and/or appointed public officials regarding the hiring, employment and discharge of former City Manager Henry Garcia.

- All records and ESI associated with or concerning the following development projects: Skechers, World Logistic Center, Prologis, Aquabella Development, Ridge Property Development and Nason Street infrastructure improvements.

The District Attorney's Office is specifically demanding that you preserve all documents, tangible things and ESI potentially associated with or concerning the matters identified above for the time frame of January 1, 2008 to present.

ESI, as used in this demand, should be afforded the broadest possible definition and includes (by way of example and not as an exclusive list) any and all information electronically, magnetically or optically stored as:

- Digital communications (e.g., e-mail, voice mail, instant messaging);
- Word processed documents (e.g., Word or WordPerfect documents and drafts);
- Spreadsheets and tables (e.g., Excel or Lotus 123 worksheets);
- Accounting Application Data (e.g., QuickBooks, Money, Peachtree data files);
- Image and Facsimile Files (e.g., .PDF, .TIFF, .JPG, .GIF images);
- Sound Recordings (e.g., .WAV and .MP3 files);
- Video and Animation (e.g., .AVI and .MOV files);
- Databases (e.g., Access, Oracle, SQL Server data, SAP);
- Contact and Relationship Management Data (e.g., Outlook, ACT!);
- Calendar and Diary Application Data (e.g., Outlook PST, Yahoo, blog tools);
- Online Access Data (e.g., Temporary Internet Files, History, Cookies);
- Presentations (e.g., PowerPoint, Corel Presentations)
- Network Access and Server Activity Logs;
- Project Management Application Data;
- Computer Aided Design/Drawing Files; and,
- Back Up and Archival Files (e.g., Zip, .GHO)

All ESI must be preserved so that it can be retrieved at a later time. The information must be preserved in its original electronic form so that all information contained within it,

whether visible or not, is also available for inspection. It is not sufficient to make a hard copy of electronic communication.

Thank you for your anticipated cooperation.

Very truly yours,

PAUL E. ZELLERBACH
Riverside County District Attorney

Cc: Michelle Dawson
Moreno Valley City Manager
14177 Frederick St.
Moreno Valley, CA 92552

Suzanne Bryant
Moreno Valley City Attorney
14177 Frederick St.
Moreno Valley, CA 92552

Tom Owings
Mayor, Moreno Valley City Council
14177 Frederick St.
Moreno Valley, CA 92552

Jesse Molina
Mayor Pro Tem, Moreno Valley City Council
14177 Frederick St.
Moreno Valley, CA 92552

Victoria Baca
Moreno Valley City Council
14177 Frederick St.
Moreno Valley, CA 92552

Richard Stewart
Moreno Valley City Council
14177 Frederick St.
Moreno Valley, CA 92552

Yxstain Gutierrez
Moreno Valley City Council
14177 Frederick St.
Moreno Valley, CA 92552

From: Jane Halstead
Sent: Tuesday, October 22, 2013 3:45 PM
To: Cindy Miller; Jane Halstead; Jesse Molina; Michele Patterson; Richard Stewart; Richard Stewart; Tom Owings; Victoria Baca; Yxstian Gutierrez
Cc: Michelle Dawson; Tom DeSantis; Suzanne Bryant; 'Tom Owings (towings123@gmail.com)'; 'Victoriabaca2000 (victoriabaca2000@gmail.com)'
Subject: Federal Grand Jury Subpoenas Served to the Custodian of Records

Mayor Owings & Members of the Council:

Investigators for the FBI delivered to the City Clerk the following subpoenas for records:

1. All documents relating to the following development projects in Moreno Valley: Any development by Ridge Property; Project Numbers P08-133; PA08-0098; PA10-0017, PA08-0097; and PA09-0022.
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22. All documents relating to Richard Stewart
23. All documents relating to Marcelo Co
24. All documents relating to Jerry Stephens
25. All documents relating to the hiring, employment, and termination of Anne Schneider

26. All documents relating to Highland Fairview Corporation

Let me know if you have any questions.

Thank you.

Jane Halstead, CMC
City Clerk
City of Moreno Valley
14177 Frederick Street
Moreno Valley, CA 92552
[redacted]
F:(951)413-3009
W: www.moreno-valley.ca.us
janeh@moval.org

From: Michelle Dawson
Sent: Tuesday, October 22, 2013 4:58 PM
To: Everyone
Subject: Update on investigation, subpoenas, etc.

City staff: I want to continue updating you on what little I do know about the investigation that began last May with the search warrants served at the residences of our Council Members (the ones in office at that time) and others. Subpoenas were delivered to the Clerk's Office today for documents related to the items listed below (most of which, the Clerk indicates, have already been provided to them). In addition, I was served with a subpoena to appear before a grand jury next Wednesday, as was Tom DeSantis. Our testimony is being requested just as witnesses.

Also, some in the media have tried to make an issue of an item on tonight's Council agenda; it is a routine update by the City Clerk of the City's record retention policy. This is done every few years to keep current with technological advancements and to comply with State law. Other cities do this as a routine update as well. Prior year updates were approved by the Council in 2003 and again in 2007. An outside consultant has been working on this update for over one year, obviously well before any investigation began. Tonight's item is on the consent calendar, as was the previous update. The City Clerk will be pulling this item from the agenda and preparing a comprehensive report to present to the City Council at a later date when the consultant can attend and provide information regarding this routine update. I don't know if the record retention update prompted today's influx of subpoenas, but as always the Clerk's Office and City staff will comply fully in providing copies of these items.

I apologize for any distraction and thank you for your continued hard work serving the City of Moreno Valley.
--Michelle

Items subpoenaed today included the following:

1. All documents relating to the following development projects in Moreno Valley: Any development by Ridge Property; Project Numbers P08-133; PA08-0098; PA10-0017, PA08-0097; and PA09-0022.
2. All documents relating to the following development projects in Moreno Valley: All Moreno Valley Properties and Highland Fairview Projects, including Skechers; and City of Moreno Valley project numbers PA07-0090; PA-07-0088; PA-07-0090; and PA-07-0091
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