PREPARED BY

The City of Stockton Community Development Department with assistance from PlaceWorks (Climate, Economics, CEQA).

INTRODUCTION

On December 6, 2022, the City Council approved separate settlement agreements with the State Attorney General and Sierra Club, in conjunction with the approval of a warehouse development project. Both agreements obligated City staff to propose an ordinance to identify and apply feasible mitigation measures to qualifying warehouse and logistics facility projects to minimize their potentially significant environmental impacts. Per the settlement agreements, including a Memorandum of Agreement (MOA), a warehouse ordinance was required to be considered by the City Council by December 31, 2023.

On December 12, 2024, the City Council adopted a new industrial warehouse ordinance in in relation to a specific industrial project in compliance with the separate settlement agreements between the City and the State Attorney General's Office (AG) and Sierra Club. During the adoption public hearing, in response to public comment, the Council directed staff to explore additional modifications to six development standards via an ordinance amendment for Council's approval consideration no later than July 2024. Those modifications include consideration of:

1. Increasing the warehouse size threshold for ordinance applicability.
2. Exempting projects located within the city limit as of 2023.
3. Adding a truck parking and driving setback.
4. Allowing future non-solar clean energy facilities.
5. Expanding electric truck charging infrastructure requirements.
6. Expanding electric automobile charging infrastructure requirements.

After outreach to local stakeholders, on March 6, 2024, the City hosted a public workshop on the proposed modifications at the Robert J. Cabral Agricultural Center from 5 p.m. to 7 p.m. The workshop was attended by 30 members of the public, with approximately 20 attending virtually via Teams. At the meeting, staff described the proposed modifications and responded to comments and questions raised by attendees. All hearing and workshop materials for the Ordinance are available on the Community Development Department "Zoning Update" webpage.

Project Description

The Project entails a City initiated amendment of the Stockton Municipal Code, Title 16 (Development Code), Chapter 16.80 (Standards for Specific Land Uses) to modify Section 16.80.390 (Logistic Warehouse). Per Title 16.116, the City Council is the review authority for amendments to the Development Code, based on the recommendation of the Planning Commission. The process for consideration entails providing public notice of and conducting public hearings, with any decisions needing to be supported by

required findings of approval.

Project Objectives

The warehouse ordinance, currently or if modified, applies to all qualifying logistics warehouse projects whether discretionary or ministerial and whether CEQA applies or not, to achieve the following objectives:

- Reduce potential environmental impacts through enhanced design standards.
- Balance the need for high-quality and sustainable design with project feasibility.
- Continue to streamline reviews and provide clarity in the development review process.
- Create consistency through objective design standards.
- Minimize future legal challenges through enhanced and objective design.

As stated at the December 12, 2023, City Council meeting, the City believes it has met all of the original obligations of the settlement agreements with the State Attorney General and Sierra Club, whether the ordinance is modified or not.

FEASIBILITY ANALYSIS

The following provides findings that incorporate feasibility analysis, explanations, responses to comments, and conclusions of staff's review of all proposed standards that require feasibility consideration consistent with the California Environmental Quality Act (CEQA). This feasibility analysis was prepared by the City with the assistance of outside consultants (PlaceWorks) hired independently by the City.

This analysis focuses on the six modifications, pursuant to Council direction on December 12, 2023. The following summarizes each the requested modifications and offers considerations for the Commission's review. These considerations are derived from potential impacts, or feedback received so far.

Modification #1: Increase Threshold from 100,000 to 400,000 square feet

Description

Consideration of the following change: *These standards shall apply to all logistics warehouses ~~1~~**4**00,000 square feet in size or greater.*

Development Considerations

- Would increase the minimum applicability of logistics warehouse size from 100,000 to 400,000 square feet
- Smaller warehouse facilities (100,000 to 399,999 square feet) would not be subject to the recently adopted warehouse standards.
- Size increase would lessen the unintended impacts on smaller business owners and operators (i.e., non-fortune 500 companies).

- Minimum lot sizes for new facilities could be increased by 380% as the anticipated minimum lot sizes needed to develop a new warehouse could increase from 5.5 acres to 21 acres based on typical lot size needed for facilities of 100,000 versus 400,000 square feet in size.
- The last 10 entitled logistics projects in Stockton measured an average total size range of 700,000 sq.ft. to 1,000,000 square feet.

- Since 2016, 37 building permits have been approved for new warehouses 100,000 sf or greater (average size ±420,000 square feet)

Environmental Considerations

The proposed modification would result in positive environmental effects on the environment by mitigating the effects of the large majority of logistic warehouse operations, which are greater than 400,000 square feet The proposed threshold is consistent with statewide and local best management practices, including the original City of Fontana ordinance that has been recognized by the Attorney General for setting the bar for warehouse development regulations.

Feasibility

This modification will continue to achieve the purposes of the adopted Ordinance but without preventing smaller businesses from being able to continue or locate in Stockton due to their much higher costs as a percentage of revenues. The 10 most recent logistics projects in Stockton have averaged 850,000 square feet, with individual operation size increasing consistently over the past decade.

Modification #2: Exempt Projects within the City Limit as of 2023

Description

Consideration of the following addition: Warehouse *Ordinance standards shall not apply to any new building constructed on property that was incorporated into the City of Stockton prior to December 31, 2023.*

Development Considerations

- The recently adopted Warehouse Ordinance (effective January 11, 2024) would not apply to new logistic warehouse facilities constructed on vacant properties that were located within the Stockton City Limits prior to December 31, 2023.
- Ordinance Standards would only apply towards future warehouse logistics development projects that were not currently in the Stockton City Limits as of December 31, 2023.
- SMC Section 16.04.050 already regulates project applicability and “vested” rights of completed applications when new Code standards are adopted. The inclusion of the additional “vesting” option would limit the City’s use of the warehouse standards to future annexation projects that meet the size thresholds. Either at the time of the annexation or after.
- This request refers to policy determination as opposed to land use - how the City

wishes to utilize the new warehouse standards, than an additional means to lock in development rights.

Environmental Considerations
This modification would limit ordinance mitigation to new projects on land annexed into the City starting in 2024. It would need to be determined whether the ordinance would apply to rezoning of land (including prior annexations amended to allow industrial uses).

Feasibility
SMC Section 16.04.050 already regulates project applicability and "vested" rights of completed applications when new Code standards are adopted, and it's not clear whether this modification would contradict that existing Code language. Clearly, exempting projects on land currently in the City will increase the feasibility of logistic warehouse uses on those properties. It is not clear whether the request would be applicable to annexations under the minimum size requirement or annexations approved but later amended to allow industrial uses.

Modification #3: Add a Truck Setback 2x Building Height

Description
Addition of a 2:1 setback to height ratio building setback requirement; remove options for design flexibility by not allowing "physically infeasible" from consideration for site with unique constraints in complying with 300-foot buffer distance or the use EV trucks within the 300-foot buffer area; and prohibit loading docks, truck entries and drive aisles from abutting adjacent sensitive receptors.

Development Considerations
- Prohibition of all truck (Electric Vehicle and Fuel) movement, parking, and access within 300-feet of any sensitive receptor defined by code will impact future site design including building placement, location of parking, and access, with only landscaping allowed in the buffer area.
- The Change would achieve the Environmental Justice Alliance's desired result of completely prohibiting trucks within 300-feet of a defined sensitive receptor.
- Could significantly impact site design for smaller projects where the project site does not have enough spaces to accommodate a total restriction of trucks within 300-feet. For example, a 5.5-acre site proposing a 100,000 square foot warehouse facility could have a project boundary of around 480 feet x 480 feet. A 300-foot buffer restriction would restrict truck movement to less than 25-percent of the site of the entire project site should it be boarded on one side by a sensitive receptor.
- Could result in larger land annexations to accommodate the 300-foor buffer restriction.

Environmental Considerations
The proposed standard is consistent with State, local, and best management practices. The new loading standard maintains the intent of the existing 300-foot buffer requirement and increases the setback distance from the building to the sensitive receptors which will

reduce noise, visibility, and possibly also odor impacts.

It is important to note that, absent adoption of the ordinance, ministerial projects would not be required to exceed minimum standards, therefore, these standards will lessen environmental impacts for all future projects and align with the State's objectives on reducing noise, visibility, and possible odor impacts to sensitive receptors.

The modification could increase air quality protection for adjacent sensitive receptors; however, an analysis would need to be performed, which would be difficult without project specific impacts to compare to.

This modification could also lead to the accelerated loss of farmland as future annexation projects may need to bring in additional acreage to accommodate the 300-foot buffer.

Feasibility

The ordinance already includes a 300-foot setback for loading docks. The modification could significantly impact site design on parcels close to the current minimum lot size. For example, trucks on a 5.5-acre site proposing a >100,000 square feet facility would be restricted to less than 25% of the site, which is also where buildings would typically be located (see Attachment C - Workshop Presentation). Limitations on placement and size of buildings could severely reduce the feasibility of warehousing operations. The ordinance could allow a smaller setback if truck fleets convert to 100% electric and proposed loading docks for only EV trucks within the 300 foot buffer.

An analysis conducted by staff using Geographic Information Systems (GIS) mapping indicated that a 300-foot buffer would have a significant impact, reducing buildable area by 60-80 percent for project sites 5-to-6 acres in size. Parcels that were large enough and not next to receptors that would trigger the buffer requirement were identified within the City's sphere of influence, but not in a legally eligible position to be annexed into the City as they were not contiguous to the City limits (defined as "territory adjacent to an agency to which annexation is proposed"), a State (Local Government Reorganization Act) and local requirement for annexation consideration. Since the total amount of warehouse space would be significantly reduced by the restriction of truck movement (EV and fossil fuel) within the 300-foot buffer, it is infeasible due to its impracticality, technological and economic factors.

This requirement could result in the effective loss of all viable use of some industrial parcels in Stockton. Generally, an industrial developer makes full use of a site, given the needs for truck movement onsite, employee parking, stormwater management, and other needs. The required buffer could necessitate the developer purchasing additional land area that would provide no economic benefit for the property owner or tenant.

PlaceWorks reviewed ten recent warehouse projects[1],four of which appear as though a buffer would be required if developed under the proposed language. PlaceWorks estimates the total property line length for these four buffers would be 13,135 feet. Across

[1] Permit numbers: P19-0189, P20-0114, P20-0115, P20-0242, P20-0395, P20-0805, P21-0277, P21-0576, P21-0980.

the four sites, the 300-foot buffer would require the purchase of an additional 90.5 acres of land (assuming the developer builds similarly sized warehouses and simply purchases additional land to accommodate the buffer). This additional land area would be a 28 percent increase in site area for the four projects, with the individual sites requiring an increase ranging from 23 to 52 percent.

Based on an analysis of industrial property sales in San Joaquin County from 2021 to 2023, PlaceWorks, estimates the cost to acquire industrial zoned land at $699,000 per acre. At this land value, the 300-foot buffer would increase the cost of development by $15.8 million based on a weighted average for the four projects evaluated.

If these projects were developed under the proposed language and had to purchase additional land to accommodate a 300-foot buffer, lease rates would need to increase by $0.09 per square foot per month (based on a permanent loan for the full cost[2] of the additional land, with an interest rate of 7.07 percent, and a debt service coverage ratio of 1.45, representing third quarter 2023 market conditions as reported by RealtyRates.com). This would represent a 13 percent increase in the average lease rate, $0.71 per square foot per month, as reported by CB Richard Ellis for Stockton in their *Central Valley Industrial Figures Q3 2023* report. Currently, Stockton has the third highest lease rates in the Central Valley, and an increase of $0.09 would push it into second place, just behind Tracy, where the average lease rate is $0.82. However, this accounts just for the cost of the land; the cost to provide landscaping also needs to be considered.

In addition to economic impacts to developers, this would also result in the permanent elimination of farmland, in direct contradiction with San Joaquin County General Plan (SJC GP)[3], the San Joaquin County Multi-Species Habitat Conservation and Open Space Plan (SJMSCP), and Sierra Club California Urban Growth Management Policy Guidelines[4]. Further, the premature conversion of farmland could create pressure to develop on surrounding agricultural lands, conflicting with SJC GP Goal LU-7 *Provide for the long-term preservation of productive farmland*.

Modification #4: Solar Equipment Installation Requirements

Description

Consideration of the following addition: *The solar system installation should be done by owners, operators, tenants, or a qualified solar system contractor.*

[2] Typically, a construction loan might provide half the cost of land acquisition, with the developer's equity investment making up the remainder. It is very unlikely that a warehouse would be financially feasible if the developer is required to invest an additional $7.9 million to purchase land that generates no economic activity. However, it is also not certain whether a developer would be able to finance the full buffer-area acquisition through the construction loan or permanent loan.

[3] Goal LU -1.7 *Farmland Preservation*

[4] https://www.sierraclub.org/sites/default/files/sce/mother-lode-chapter/Website/Growth%20Management%20Guidelines.pdf

Development Considerations

- Current process already requires this for solar system construction permit approval.

Environmental Considerations

Solar is the only commercial-scale proven clean energy source to reduce GHG emissions typically associated with warehouse operations, but other clean energy sources are in development and realistically could emerge in the coming years. While the adopted warehouse ordinance includes new solar requirements and definitions, the proposed modification does not increase or decrease the amount of solar used in the project. Only how they are installed.

Feasibility

This modification would have no effect on feasibility in comparison with the solar requirement in the current ordinance.

Modification #5: Expand Electric Truck Charging Facilities

Description

Facilitate future charging stations by expanding the current electric vehicle charging station infrastructure requirement to include light-heavy duty (LHD) and medium-heavy duty (MHD) in addition to heavy-heavy duty (HHD) trucks. It also includes new Electric Vehicle Chargers Stations (EVCS) standards for EV truck conduits to be installed. This does not require charging stations, but instead that truck docking stations provide EV ready hook-ups to meet future needs. Conduit should be provided on the site to serve 50% of the number of truck docking stations. Location of conduit is at discretion of the developer (e.g., truck trailer parking spaces or docking stations).

Development Considerations

- Could potentially lead to more EV charging stations and EV-ready facilities.
- Potential added cost for additional spaces.
- Currently adopted California Green Building Standards Code (CALGreen) generally already requires this. In addition to the conduit requirements, CALGreen currently requires upsizing of the electrical service to accommodate future medium- and heavy-duty EVCS for warehouse uses.

CALGreen Code Section 5.106.5.4 requires installation of power supply equipment for medium- and heavy-duty electric vehicles in conjunction with new warehousing uses. Section 5.106.5.4.1 also requires electric vehicle charging readiness features, in part to avoid future demolition when adding EV supply and distribution equipment, including spare raceway(s) or busway(s) and adequate capacity for transformer(s). Service panels or subpanel(s) shall be installed at the time of construction in accordance with the

California Electrical Code. Construction plans and specifications shall include, but are not limited to, the following:

1. The transformer, main service equipment, and subpanels shall meet the minimum power requirement in Table 5.106.5.4.1 to accommodate the dedicated branch circuits for the future installation of EV supply equipment.
2. The construction documents shall include one or more location(s) convenient to the planned off-street loading space(s) reserved for medium- and heavy-duty ZEV charging cabinets and charging dispensers, and a pathway reserved for routing of conduit from the termination of the raceway(s) or busway(s) to the charging cabinet(s) and dispenser(s), as shown in Table 5.106.5.4.1.
3. Raceway(s) or busway(s) originating at a main service panel or a subpanel(s) serving the area where potential future medium- and heavy-duty EVSE will be located and shall terminate in close proximity to the potential future location of the charging equipment for medium- and heavy-duty vehicles.
4. The raceway(s) or busway(s) shall be of sufficient size to carry the minimum additional system load to the future location of the charging for medium- and heavy-duty ZEVs as shown in Table 5.106.5.4.1.
5. CALGreen Table 5.106.5.4.1: (shortened for clarity)

RACEWAY CONDUIT AND PANEL POWER REQUIREMENTS FOR MEDIUM- AND HEAVY-DUTY EVSE

BUILDING SIZE (SQUARE FEET)	NUMBER OF OFF-STREET LOADING SPACES	ADDITIONAL CAPACITY REQUIRED (KVA) FOR RACEWAY & BUSWAY AND TRANSFORMER & PANEL
20,000 to 256,000	1 or 2	200
	3 or Greater	400
Greater than 256,000	1 or Greater	400

Environmental Considerations
This modification is current business as usual since California Green Building Standards Code (CALGreen) generally already requires these facilities for warehouse uses.

Feasibility
Infrastructure for both medium duty and light duty EV trucks currently carries a substantial cost increase compared to that for diesel trucks. The extent of this added cost will vary depending on how many trucks in a fleet would meet the definition of being domiciled at the warehouse facility.

Due to the current market restrictions for providing a full EV fleet, it can be difficult to assess at the time of building permit how many EV spaces or capacity will be needed, but this modification only requires the installation of conduit and therefore does not consume site coverage that might be needed for other uses until EV truck parking is need in the future.

Modification #6: Expand Electric Automobile Charging Facilities

Description

Consideration of the following additions:

- At least 10% of all passenger vehicle parking spaces shall be electric vehicle (EV) ready, with all necessary conduit and related appurtenances installed.
- At least 5% of all passenger vehicle parking spaces shall be equipped with working Level 2 Quick charge EV charging stations installed and operational, prior to building occupancy.
- Signage shall be installed indicating EV charging stations and specifying that spaces are reserved for clean air/EV vehicles.
- Unless superior technology is developed that would replace the EV charging units, facility operator and any successors in interest shall be responsible for maintaining the EV charging stations in working order for the life of the facility.

Development Considerations

- Potential additional EV charging and quick charging spaces.
- Potential added Cost for additional spaces.
- Current adopted California Green Building Standards Code (CALGreen) generally requires this. CALGreen currently has minimum requirements to provide EV capable spaces in quantities greater than the proposed amendment and substantially similar requirements for spaces provided with EV equipment. CALGreen currently requires Level 2 chargers or the highest-level Direct Current Fast Charging type.

CALGreen Code Section 5.106.5.3 Electric vehicle (EV) charging: Construction to provide electric vehicle infrastructure and facilitate electric vehicle charging shall comply with Section 5.106.5.3.1 and shall be provided in accordance with regulations in the California Building Code and the California Electrical Code. CALGreen Code Section 5.106.5.3.1 EV capable spaces: EV capable spaces shall be provided in accordance with Table 5.106.5.3.1 and the following requirements:

1. Raceways complying with the California Electrical Code and no less than 1-inch (25 mm) diameter shall be provided and shall originate at a service panel or a subpanel serving the area and shall terminate in close proximity to the proposed location of the EV capable space and into a suitable listed cabinet, box, enclosure or equivalent. A common raceway may be used to serve multiple EV capable spaces.

2. A service panel or subpanel(s) shall be provided with panel space and electrical load capacity for a dedicated 208/240 volt, 40-ampere minimum branch circuit for each EV capable space, with delivery of 30-ampere minimum to an installed EVSE at each Electric Vehicle Charging Station (EVCS).
3. The electrical system and any on-site distribution transformers shall have sufficient capacity to supply full rated amperage at each EV capable space.
4. The service panel or subpanel circuit directory shall identify the reserved overcurrent protective device space(s) as "EV CAPABLE". The raceway termination location shall be permanently and visibly marked as "EV CAPABLE."

CALGreen Table 5.106.5.3.1

TOTAL NUMBER OF ACTUAL PARKING SPACES	NUMBER OF REQUIRED EVCAPABLE SPACES	NUMBER OF EVCS (EV CAPABLE SPACES PROVIDED WITH EVSE)[2]
0–9	0	0
10-25	4	0
26–50	8	2
51–75	13	3
76–100	17	4
101–150	25	6
151–200	35	9
201 and over	20 percent of total[1]	25 percent of EV capable spaces[1]

CALGreen Code Section 5.106.5.3.2 Electric vehicle charging stations (EVCS):
EV capable spaces shall be provided with EVSE to create EVCS in the number indicated in Table 5.106.5.3.1. The EVCS required by Table 5.106.5.3.1 may be provided with EVSE in any combination of Level 2 and Direct Current Fast Charging (DCFC), except that at least one Level 2 EVSE shall be provided. One EV charger with multiple connectors capable of charging multiple EVs simultaneously shall be permitted if the electrical load capacity required by Section 5.106.5.3.1 for each EV capable space is accumulatively supplied to the EV charger.

The installation of each DCFC EVSE shall be permitted to reduce the minimum number of required EV capable spaces without EVSE by five and reduce proportionally the required electrical load capacity to the service panel or subpanel.

<u>Environmental Considerations</u>
This modification is current business as usual since California Green Building Standards Code (CALGreen) generally already requires these facilities, including Level 2 chargers or the highest-level Direct Current Fast Charging type.

Feasibility

It can be very difficult to assess at the time of building permit how many extra EV spaces or capacity will be needed, and an initial estimate below actual demand could render future tenants in violation of this ordinance and lead to undue effort and cost to supplementing EV areas beyond the parking needed.

The California Green Building Standard Code (CALGreen) currently has minimum requirements to provide EV capable spaces in quantities greater than the proposed amendment and substantially similar requirements for spaces provided with EV equipment. CALGreen is currently adopted and enforceable in the City of Stockton per Ordinance No. 2022-11-15-1203. The amendment requests 10% of all passenger vehicle spaces are EV capable spaces with 5% of all passenger vehicle spaces provided with EV equipment. For a typically sized warehouse development (row 5 or greater in the table above), CALGreen will require 16-20% EV capable spaces and 4-5% of spaces provided with EV equipment. Further, the amendment requests Level 2 chargers in EV equipped spaces. CALGreen already requires Level 2 chargers or the highest-level Direct Current Fast Charging type. This part of the request is not a higher standard than current minimum code. The 5% EV equipped requirement in the amendment may be slightly higher than current minimum code in some cases depending on number of spaces in the development, and current minimum code does not address the maintenance of EV equipment for the life of the facility as requested in the amendment.

SUMMARY

The City finds that the modifications would have the following environmental and economic benefits:

Feasibility Findings

- The proposed are consistent with statewide and local best management practices and will automatically correspond with changes in minimum building requirements (CALGreen) and air quality standards adopted by the State to meet State Carbon Neutrality objectives, including project reviews, construction standards and practices, and monitoring by regional and State agencies.
- The proposed measures are consistent with many General Plan policies for environmental review, and enhanced design standards.
- The proposed standards are consistent with the provisions of the Municipal Code and do not conflict with other industrial and zoning standards and would supersede any conflicting measure as they are specific to logistic warehouses of a certain size.
- The modifications have been designed to be objective and applied to all applicable projects.

Alternative Standards Findings

- Absent adoption of the ordinance modifications, discretionary and ministerial projects would still be subject to the existing warehouse ordinance. Discretionary projects are also subject to CEQA to mitigate any project related impact.
- The proposed modifications may result in added costs, but larger projects could offset the revenue loss from exempting projects less than 400,000 square feet.

Reduction of Environmental Impacts Findings

- The modifications provide some enhanced mitigation (buffer) for future project review that could lead to air quality through greater proximity from receptors to trucks; area; however, many of the modifications seem to already be required per Building Code (EV auto and trucks) or current development practices (solar installation). While some of the active warehouse projects seeking entitlements are exempt from the warehouse standards, their environmental review includes analysis utilizing similar mitigation requirements.
- State and Regional Agencies will continue to enforce stricter climate change requirements regarding air quality, water quality, and building standards. All future projects will have to comply with state and local air quality and climate standards. This includes ministerial projects not subject to CEQA.