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California Association for Local Economic Development

September 3, 2024

Honorable Governor Gavin Newsom
1021 O Street, Suite 9000
Sacramento, CA 95814
leg.unit@gov.ca.gov

Re: Veto Request AB 98 (Carillo and Reyes) – Undermining Economic Development

Dear Governor Newsom:

The California Association for Local Economic Development (CALED), an organization representing over 900 public and private local economic development professionals, respectfully requests that you thoughtfully review a range of issues that were not properly vetted in a flawed legislative process, and Veto of AB 98 (Carrillo and Reyes), on both policy and process grounds.

Policy: This sweeping measure has many unvetted policy impacts that undermine California's economic development efforts and that deserve your thoughtful consideration:

- **Economic Development:** Logistics facilities are a vital cornerstone to California's economy, and support interstate and global commerce. These facilities already must comply with stringent air quality requirements and mitigation measures through CEQA. It is reckless to impose major limitations and costly requirements on the expansion and development of these facilities without carefully considering broader economic impacts. Such measures contribute to the perception that California is hostile to business.
- **Climate:** Making it onerous and costly to expand or develop logistic facilities in certain locations simply means that the associated economic growth and jobs will be shifted away from developed areas or to other states. This will lead to increased vehicle miles traveled for trucks, and longer employee commutes to remote areas. Furthermore, the policies in this bill do not properly incorporate California's plans to phase-out trucks and vehicles operated with fossil fuels or take into account investments private sector companies are making to meet these requirements.
- **Broad scope:** The definition of "logistic use" in this measure has no minimum square footage, and thus can be interpreted to apply to a wide range of buildings and businesses statewide. The author's concerns are primarily with large warehouses in the Inland Empire, yet this bill is not narrowly tailored to that issue and has far-reaching impacts – including to our agricultural sector.
- **Impacts on local government:** The requirement for all local governments throughout the state to be saddled with costly one-size-fits-all mandatory updates to their circulation elements (by January 1, 2026, in Riverside and San Bernardino counties, and in all other jurisdictions, by January 1, 2028), has numerous flaws:

- Attempting to limit where trucks may travel in communities will have broader impacts on local economies and land use patterns. Updates to circulation elements to comply with the bill's requirements, will be exposed to potential litigation under CEQA, and further restrict opportunities to expand and grow businesses served by trucks. Furthermore, when an EIR takes over 18 months, the jurisdictions in Riverside and San Bernardino counties are not being given sufficient time to update their elements and comply with CEQA.
- Due to existing compact development land use patterns, it is unrealistic to expect truck traffic to "avoid residential areas and sensitive receptors" in some urban areas. Emphasizing separation between truck traffic and the long list of "sensitive receptors" will undercut infill development opportunities, incentivize additional sprawl, and cause facilities to locate elsewhere.
- Many communities lack large logistic facilities, yet they would still be required to waste taxpayer dollars chasing phantoms, when there may be more pressing issues, such as fire danger in rural areas. Local governments will be forced to make this a priority because of the onerous fines imposed - \$50,000 per every six months – for elements not yet in compliance
- **Inconsistent state policy:** This bill imposes distance and buffer requirements that logistic facilities must maintain from "sensitive receptors," but places no similar restrictions on prohibiting "sensitive receptors" from encroaching on logistics facilities. Moreover, the state promotes such co-locations with laws allow housing developments to be built "by right" in commercial and industrial areas, including adjacent to industrial sites. The state should support the efforts of local agencies to preserve the integrity of their industrial and commercial zoned areas and avoid establishing state policies with internal conflicts.

Process: Democracy only works when it is inclusive. The wide range of opposition to AB 98 reflects purposeful exclusion of stakeholders from the secretive process in developing this measure. Language was only obtained via a leak, and amendments to the bill were timed with the 72-hour print rule to avoid the possibility of amendments. It is inappropriate for the authors to attempt to represent this measure as a "compromise" when directly affected stakeholders had no opportunity to even be in the room. This process does not reflect well on California legislative process and is antithetical to the principles of democracy, inclusiveness, and transparency. The authors have ample opportunity to reintroduce their proposal in the 2025 Session, so it can be properly vetted in an inclusive public process accessible to all stakeholders.

For these reasons, we respectfully request your Veto of AB 98, to allow a full public vetting of affected issues with all stakeholders in an inclusive process. Thank you for your consideration and please feel free to contact me at 916-448-8252 with any questions.

Sincerely,



Gurbax Sahota
President & CEO

cc: Mary Hernandez, Chief Deputy Legislative Secretary
The Honorable Juan Carrillo
The Honorable Eloise Gómez Reyes