Pepper 210 Commerce Center
20080 Highland Avenue
San Bernardino County, CA 92377
Economic and Fiscal Impact Analysis

February 20, 2025

ANDREW CHANG & CO

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ABOUT ANDREW CHANG & COMPANY

Andrew Chang & Company works with clients to achieve tangible results by combining best-in-class research and analyses with unique insights into business operations, public policy, and government operations to help frame and solve business and public policy problems. Using advanced economic, statistical, and business techniques, Andrew Chang & Company provides strategy and operations consulting to Fortune 1000 firms to improve their top and bottom lines. Also, consultants at Andrew Chang & Company have significant experience providing policy, economic, fiscal, and operations consulting for public sector agencies and non-profit organizations to shape policies and government operations at the federal, state, and local levels. Their experience covers a host of clients and industries including:

(1) General business & infrastructure;
(2) Health and human services;
(3) Federal, state and local government;
(4) Military & aerospace;
(5) Energy & natural resources; and
(6) Education.

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1. SUMMARY

(1) Pepper 210 Commerce Center (Project) is expected to inject approximately $1 billion of direct spend into San Bernardino County cumulatively from 2027 to 2034.

(2) The Project is also expected to generate approximately $276 million in personal earnings produced within San Bernardino County from 2027 to 2034. This will be $43 million in personal earnings, on an annual basis, once full-scale operations begin.
    (a) $16.5 million worth of personal earnings will be concentrated in Rialto and the City of San Bernardino, cumulatively through 2034.

(3) The Project will increase economic output in San Bernardino County by approximately $1.5 billion from 2027 to 2034. The Project will generate $236 million of economic output annually once operations begin.
    (a) $90 million of economic output will be generated in Rialto and the City of San Bernardino, cumulatively through 2034. This amounts to $5 million of output per year in Rialto and $10 million of output per year in the City of San Bernardino.

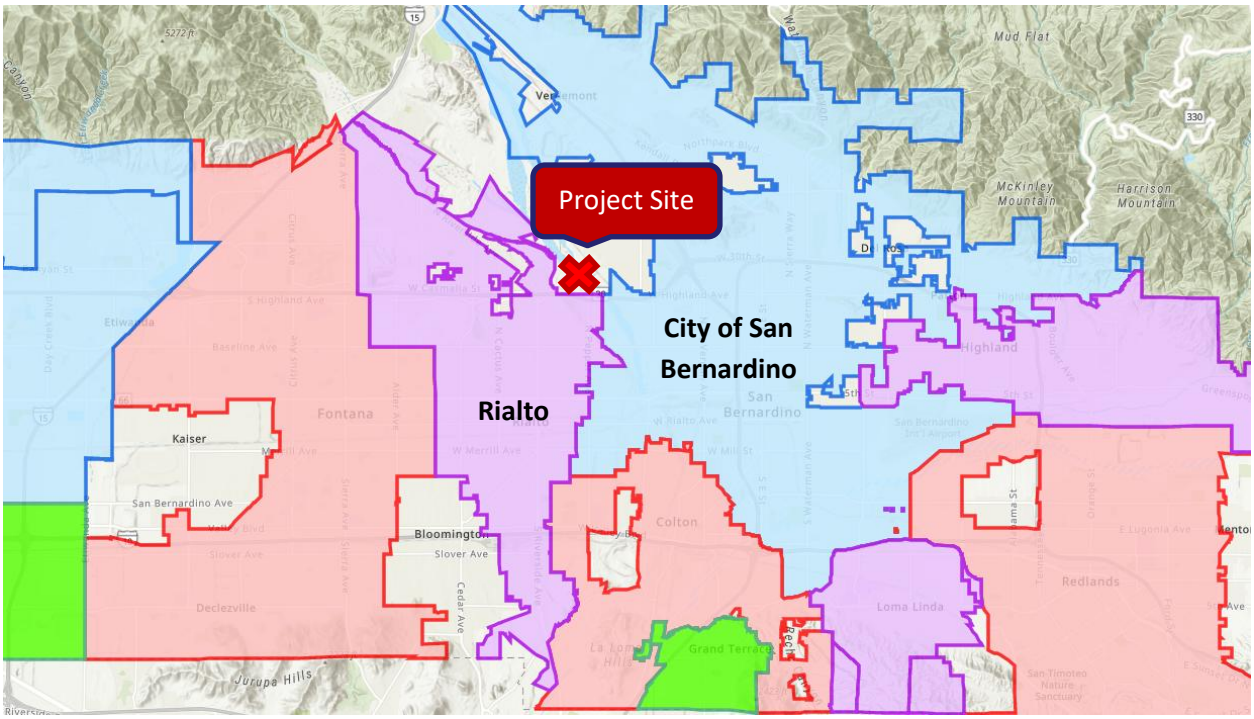
(4) Additionally, the Project is projected to generate $35.8 million in tax collections and development fees cumulatively through 2034, generating $5.3 million in total taxes and fees to the General Fund on a consistent annual basis.
    (a) The Project increased personal earnings in the region, which will impact neighboring cities like Rialto and the City of San Bernardino via increased taxable sales. Rialto will see an extra $37,000 in sales taxes per year and the City of San Bernardino will see an extra $35,000 in sales taxes per year.

(5) It is unlikely that the Project will trigger a significant amount of urban decay in San Bernardino County, primarily due to low vacancy rates and high demand for large industrial buildings.

2. INTRODUCTION

Carson Companies plans to develop a 1.2 million square-foot (SF) warehouse, Pepper 210 Commerce Center (Project). The Project is located at the address of 20080 Highland Avenue in unincorporated San Bernardino County, (Assessor Parcel Number 0264-431-18) which spans approximately 101 acres and has been used as an aggregate mining and rock crushing facility for 70 years, currently leased to Vulcan Materials. Upon closure of the aggregate mining and rock crushing facility and completion of reclamation activities, the Project would be redeveloped as an industrial commerce center facility. Vulcan Materials would then move their current operations to a new site, approximately 4 miles north, also located in San Bernardino County. The Project site sits just north of both Rialto and the City of San Bernardino; therefore, this report will discuss impacts to these nearby cities as well. Figure 2.1 shows the Project site location relative to San Bernardino County and nearby cities.

Figure 2.1
Cities and Towns in San Bernardino County



Carson Companies proposes a Land Use Category Change from Resource Land Management to General Industrial. In addition, Carson Companies proposes a Zoning District Amendment from Resource Conservation to Regional Industrial, in conjunction with a Tentative Parcel Map and Conditional Use permit to allow for the placement of approximately 1,232,660 (SF) warehouse/distribution/logistics building. As a result of the activities from Vulcan Materials at the Project site, there are no longer any mineral resources of economic value on the property. The Project applicant, Carson Companies, is not

expected to eliminate the potential to extract important mineral resources as a part of the Project.[1] Carson Companies is developing the Project on a speculative basis and no user(s) has been identified. There will be consideration of an additional 620,000 SF pick mod mezzanine, should the speculative tenant want it built out, in which case the Project would total 1,867,660 SF. The Project also includes a 2,100 SF yard office[2], trailer parking areas, passenger vehicle parking areas, landscaping, exterior lighting, signage, and connections to existing utility infrastructure.

To better inform interested parties, Carson Companies retained Andrew Chang & Company, Inc. to conduct an economic and fiscal impact analysis of the Project in San Bernardino County, Rialto, and the City of San Bernardino. The purpose of this study is to analyze the economic and fiscal impact to the regions resulting from the development of the Project and the on-going tenant operations of the facility. This report relies on site plans and supporting documents to assess the economic and fiscal impact of the project. Key questions addressed in this study include[3]:

(1) What are the total (direct and indirect) impacts of the initiative on employment[4] in San Bernardino County and nearby cities on a one-time and ongoing basis?
(2) What are the total (direct and indirect) impacts to the personal earnings of San Bernardino County and nearby cities' residents on a one-time and ongoing basis?
(3) What are the total (direct and indirect) impacts on economic output in San Bernardino County and nearby cities on a one-time and ongoing basis?
(4) What is the fiscal impact to San Bernardino County's and nearby cities' General Fund revenues on a one-time and ongoing basis?
(5) Will the development of the Project trigger a significant amount of urban decay in San Bernardino County?

[1] Sourced from EnviroMINE Mining Consultants
[2] In industrial settings, a yard office is a small building or room used as a workspace for management or administrative personnel who oversee the operations of a shipping yard or similar outdoor storage area.
[3] All monetary impacts in this report are displayed in 2023 dollars.
[4] All employment impacts in this report are based on where operations (direct and indirect) occur.

3. STUDY APPROACH

This study relies on generally accepted principles of public policy analysis, public finance, economics, and mathematics to construct cash flow/direct spend and economic models specific to the Project. The models are constructed using publicly available information and current market data. For data gaps or requirements that were not readily available, assumptions were made according to industry practices and standards. All assumptions are documented in this report.

To assess the economic impact of the Project, regional input-output multipliers were utilized to quantify the direct and indirect effects of new monies put into the local economies from construction of the facilities and their on-going operations. The economic multiplier approach is a common and generally accepted means of assessing the full economic impact (both direct and indirect) of new development scenarios. This approach assesses the full effects of injecting new monies into the local economies as the new monies ripple through the economy. The extra spending from new business operations generally leads to more income, which leads to more consumption and monies being circulated throughout the economy. The multiplier effect refers to the increase in final economic activity arising from the new injection of spending within an economic region. The multipliers used in this study were obtained from the United State (U.S.) Bureau of Economic Analysis for San Bernardino County and were adjusted to isolate the impacts to each city, and the County as a whole. The detailed model configuration and data sources are included in the appendices located at the end of this report.

For the purposes of this analysis, Carson Companies provided the following tentative timeline of construction activities at the Project site:

Table 3.1
Tentative
Timeline of Construction Activities

Event	Date / Timeline
Vulcan Materials operations cease	January 1, 2027
Disassembly of current plants	September 30, 2027
Reclamation process, earth work, and rough grading operations	October 1, 2027 – February 29, 2028
Precise grading and construction	March 1, 2028 – May 31, 2029
Project becomes operational	June 1, 2029

4. DIRECT SPEND IN THE COUNTY

The Project will be built with a speculative tenant, meaning the future tenant of the warehouse is currently unknown. As a result, the model will assume warehouse operations will act as a standard warehouse, which operates 24 hours per day, 7 days per week. Since the additional 620,000 SF pick module mezzanine is dependent on the tenant, it will not be included in the model. The model will project figures for analysis based on the 1.249 million SF footprint, sourced from Carson Companies.

Construction Costs:

Table 4.1
Square Footage Breakdown (SF)

FACILITY TYPE	TOTAL
Warehouse	1,232,660
Office Mezzanine	15,000
Yard Office	2,100
Total	1,249,760

Table 4.2
Construction Cost Per Square Foot[5] by Cost Type with Fees Per Square Foot[6]

COST TYPE	TOTAL
Industrial Building	$110
Community Service Fees[7]	$2/SF one time, $0.34/SF/Year ongoing
School Fees and Transportation Fees[8]	$0.78/SF one time, $1.82/SF one time

Table 4.3
Estimated Site Construction Costs by Development and Fees

FACILITY TYPE	TOTAL
Warehouse	$137,473,600
Fees (One time)	$5,748,896
Total	$143,222,496

[5] $/SF of construction for all buildings excluding land provided by Carson Companies.
[6] Provided by Carson Companies: *"One-time fee payable at the time project becomes operational: $2/SF" and "$0.34/SF/Year for the life of the project, starting in the operational year"*
[7] One time fee is a "contribution to local infrastructure improvement fund" and ongoing fee is a "Community enhancement fee"
[8] School fees are $0.78/SF, regional transportation fee for high cube warehouse in Rialto is $1.82/SF

The model assumes construction of the Project will commence in January 2027 and be completed in May 2029; the majority of the construction is assumed to be during the "Precise grading and construction" timeline. The earliest the project can be operational is June 2029. The model makes the conservative assumption that it will take one year to scale up to full operations after construction completes.

Operational Costs:

To calculate the operating revenues of the project, Andrew Chang & Company surveyed per SF revenue estimates from 10-K forms of top value-added retailers in the U.S. Actual revenues per SF are highly dependent on the specific nature and operations of the specific tenants; factors influencing revenues include, but are not limited to, the type and value of products that are being warehoused or retailed, whether the tenant maintains point of sales operations, whether the tenant maintains operations that could deem the site an e-commerce facilitator, number of shifts per operation, and product throughput.[9]

The analysis represented in this case reflects the impact from typical tenants within the warehousing and retail industries and economic conditions, but actual impact may vary. The revenue estimates shown in Table 4.4 are representative of the industry and assumes that the Project would operate and financially perform in a manner similar to others in its respective industry, with a range of operational direct spend since the tenant is speculative.

Table 4.4
Direct Spend of Project Disaggregated by Construction and Operations, 2027-2034
($Millions)

	2027	2028	2029	2030	2031	2032	2033	2034	Total
Construction	$19	$92	$52	$ --	$ --	$ --	$ --	$ --	**$162**
Operations	$ --	$ --	$41	$156	$164	$164	$164	$164	**$856**
Total	$19	$92	$87	$156	$164	$164	$164	$164	**$1,018**

As shown in Table 4.4, revenues from operations will be consistent once tenants fully occupy the facility in 2030/31. Carson Companies will spend approximately $162 million in construction costs of the Project facility, through 2029. Cumulative revenues from operations during that time period are expected to total approximately $856 million, and $164 million annually. This direct spend will result in the local economy experiencing economic ripple effects as it creates new employment opportunities, increases personal earnings, and adds to the County and City's local economic output. In addition, the region will experience a fiscal impact through property taxes, sales taxes, and fees.

[9] See Appendix A for U.S. Warehouse Revenue Survey

5. EMPLOYMENT IMPACT IN THE COUNTY

The Project will generate both direct jobs, which are on-site employees involved in the execution of the Project, as well as indirect jobs throughout the County, which are employment opportunities created as a result of the project but not directly involved in its execution[10]. The Project is expected to directly generate an annual average of 160 Full-Time Equivalent (FTE) direct jobs and 110 indirect jobs during its construction phase from January 2027 to May 2029. Based on direct jobs estimates provided by Urban Crossroads, once operations scale to full capacity, the Project is expected to generate 1569 jobs directly, and generate 1136 jobs indirectly, resulting in a total of 2705 jobs annually.[11] Figure 5.1 demonstrates the new employment opportunities created by the Project from 2027 to 2034.

Figure 5.1

FTE Jobs Generated by Project's Construction and Operations

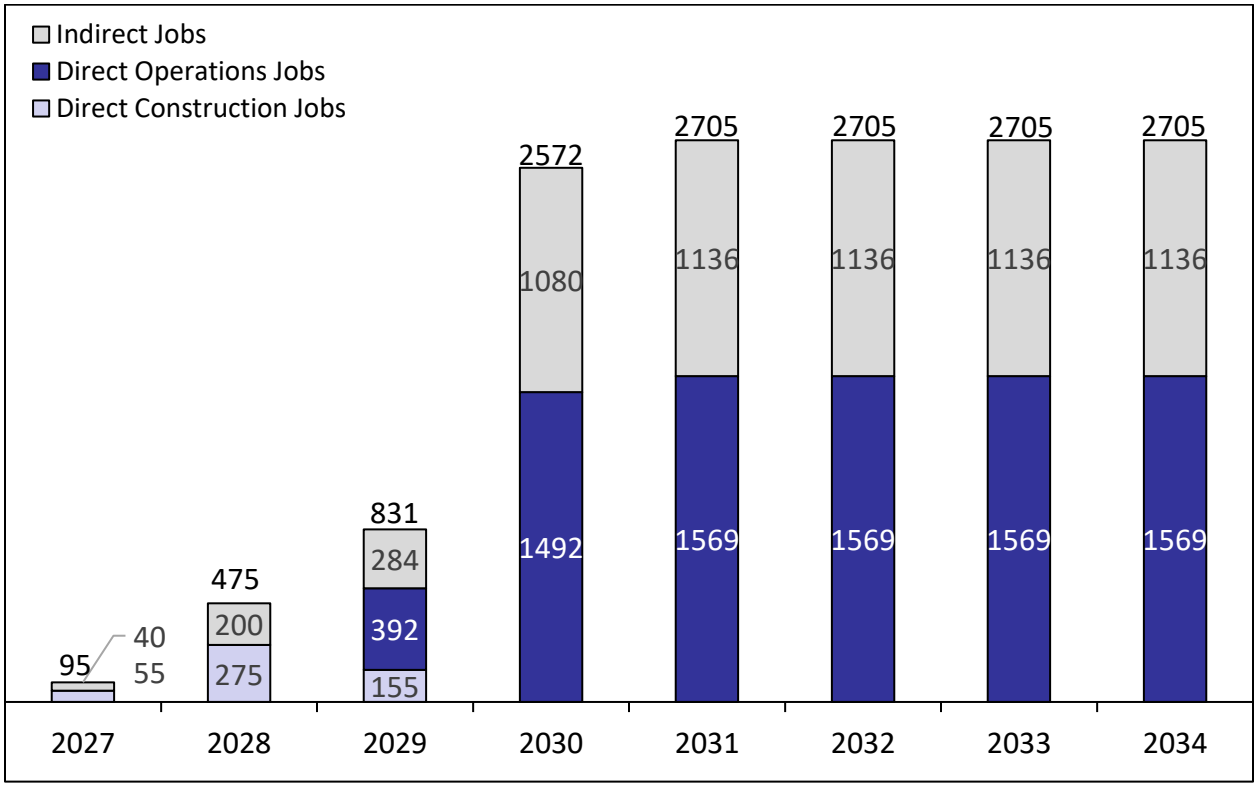


Figure 5.1 aggregates both indirect construction jobs and indirect operational jobs in the county.

[10] All jobs in this report are located where the site is.

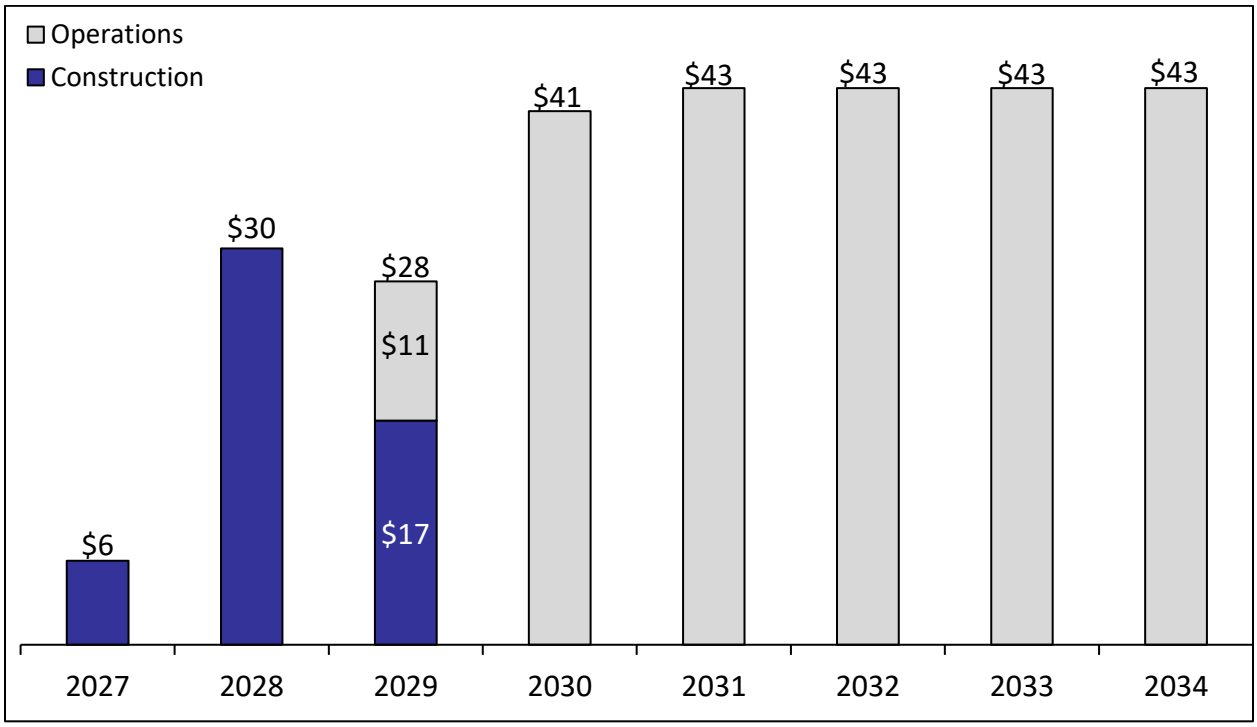
[11] Appendix B – Employment, Personal Earnings, & Output Methodology details the methodology used to calculate earnings in this study.

6. PERSONAL EARNINGS IMPACT IN THE COUNTY

The economic activity generated by construction and ongoing operations of the tenant will increase the personal earnings of County residents as the monies generated from the activities circulates through the local economy. These personal earnings are a result of new direct and indirect jobs generated by the Project, and are a cumulative impact on household incomes in the region. The Project is projected to increase the earnings of local residents by $53 million as a result of the construction activities, and the operations of the facility are expected to increase earnings of County residents by $43 million on a sustained annual basis beginning in 2031. Through the first 5 full years of operations, the Project will increase the earnings of county residents by $211 million.[12] Figure 6.1 demonstrates the personal earnings impact on the County from 2027 to 2034.

Figure 6.1

Personal Earnings Generated by Project's Construction and Operations ($Millions)



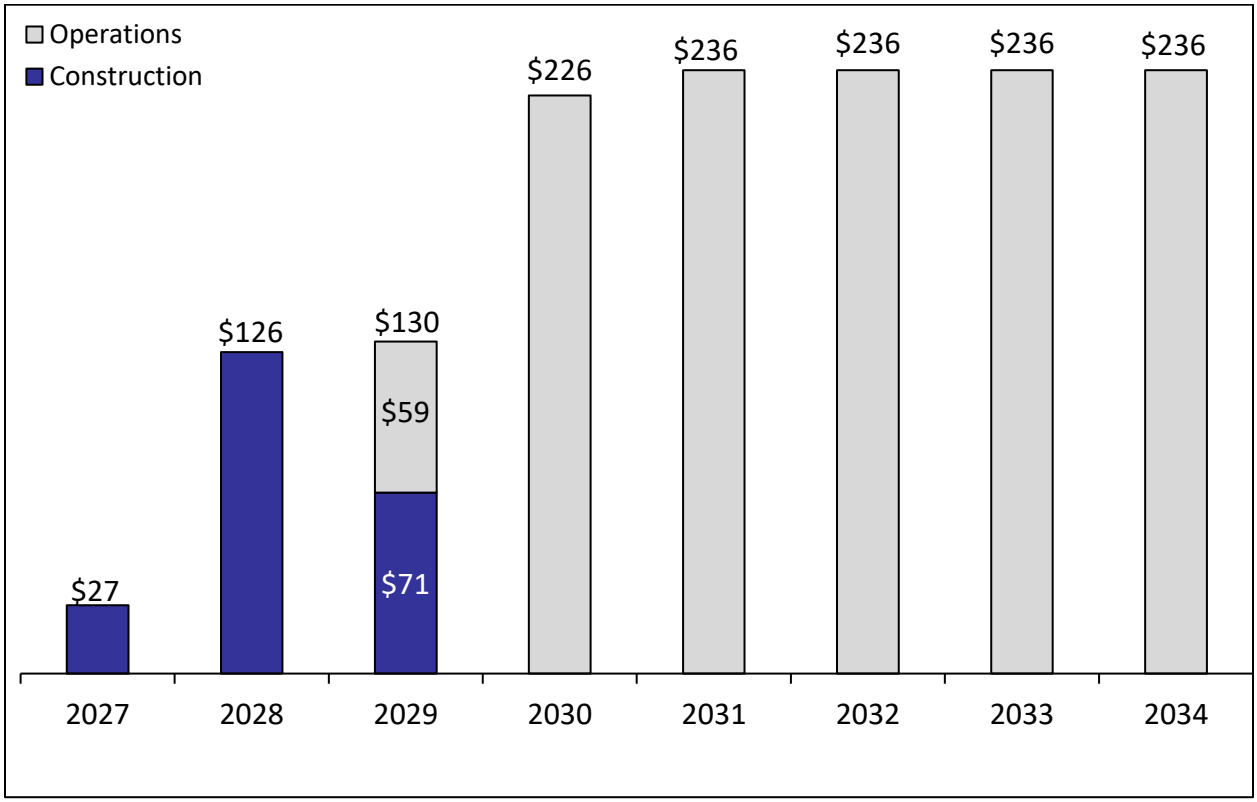
[12] Appendix B – Employment, Personal Earnings, & Output Methodology details the methodology used to calculate earnings in this study.

7. ECONOMIC OUTPUT IMPACT IN THE COUNTY

The direct spend on the Project introduced into the County will also increase the economic output of the region. Economic output is a measurement of value created through the commercial activity and is akin to Gross State Product (GSP) and Gross Domestic Product (GDP) at the local level. The construction and ongoing business activity of the Project is projected to increase the County's economic output by $1.5 billion cumulatively from 2027 to 2034. Construction activities will result in approximately $224 million of economic output. Operations are projected to increase the economic output within the County by $236 million on an ongoing basis starting in 2031.[13] Figure 7.1 demonstrates the economic output that will result from the Project from 2027 to 2034.

Figure 7.1

Economic Output Generated by Project Construction and Operations ($Millions)



[13] Appendix B – Employment, Personal Earnings, & Output Methodology details the methodology used to calculate earnings in this study.

8. FISCAL IMPACT TO THE COUNTY

This study reviewed the most recent budget for the County and identified five tax categories that will be impacted by the Project.[14]

The following tax categories will provide General Fund revenue to the County:

(1) Property tax;
(2) One-time sales tax from construction of the Project;
(3) Ongoing sales tax from increased County resident earnings;
(4) Ongoing sales tax from tenant operations.
(5) One-time and ongoing "Community Services" fee once operations begin

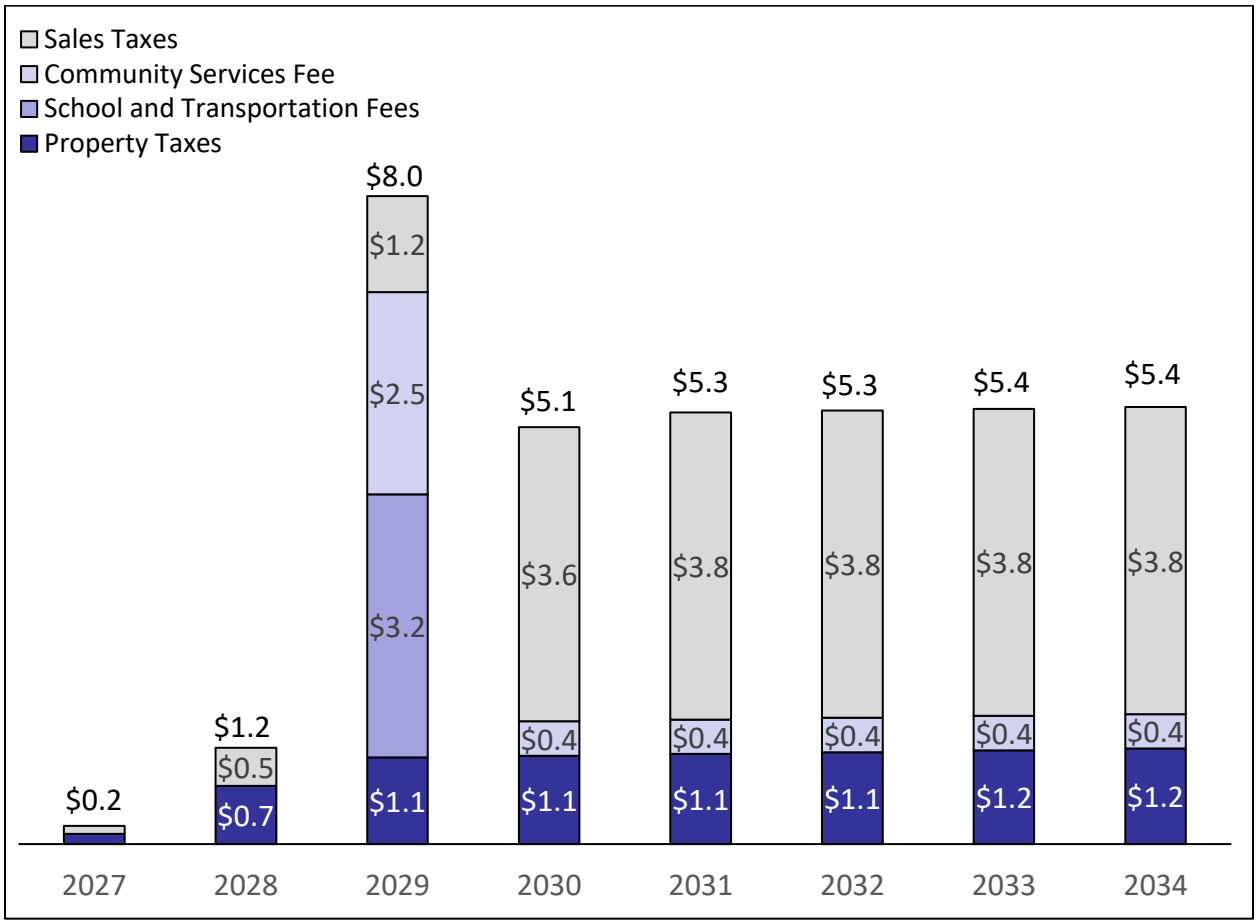
San Bernardino County can obtain sales tax as a result of materials purchased during construction[15], sales taxes resulting from operations, and additional spending as a result of increased earnings. The Project will produce approximately $27.9 million in property and sales tax revenues cumulatively for the County between 2027 and 2034, with an additional $4.6 million from development fees and $3.2 million from school and transportation fees. Table 8.1 and Figure 8.2 shows the fiscal impact to the County from 2027 to 2034, broken down by annual property taxes, sales taxes, community services fees, and school and transportation fees.

Table 8.1
County Tax Revenue ($Thousands)

	2027	2028	2029	2030	2031	2032	2033	2034	**Total**
Property Tax	$125	$717	$1,031	$1,052	$1,074	$1,095	$1,117	$1,139	**$7,352**
Sales Tax									
Construction	$97	$458	$229	$ ----	$ ----	$ ----	$ ----	$ ----	**$784**
Earnings	$3	$14	$12	$19	$20	$20	$20	$20	**$128**
Operations	$ ----	$ ----	$943	$3,616	$3,773	$3,773	$3,773	$3,773	**$19,651**
Community Service Fees	$ ----	$ ----	$2,500	$425	$425	$425	$425	$425	**$4,625**
School and Transportation Fees	$ ----	$ ----	$3,249	$ ----	$ ----	$ ----	$ ----	$ ----	**$3,249**
Total	**$225**	**$1,189**	**$7,964**	**$5,112**	**$5,292**	**$5,313**	**$5,335**	**$5,357**	**$35,787**

[14] Appendix C – Tax Revenue Scope & Methodology details the methodology used for calculating each tax category total.
[15] The model assumes 50% of construction costs will be towards taxable materials.

Figure 8.2
County Tax Revenues by Property and Sales Tax ($Millions)



The County receives $9.0 million in 2029 as a result from the project operations due to $1.2 million in sales tax from operations and construction, $1.1 million in property tax, and $2.5 million for a one-time community services fee and $3.2 million for a one-time school and transportation fee, based on the SF of the warehouse footprint. The County is expected to collect a total of $5.3 million on an ongoing, annual basis once the Project reaches full capacity of operations. The ongoing, annual fiscal impact by the Project is broken down by $3.8 million in sales taxes, $1.2 million in property tax, and $0.4 million in community services fees.

Over the course of the first 8 years, the Project will generate approximately $35.8 million in General Fund revenues for the County, comprised of $20.5 million in sales taxes, $7.5 million in property taxes, $4.5 million in community services fees, and $3.2 million in school and transportation fees.

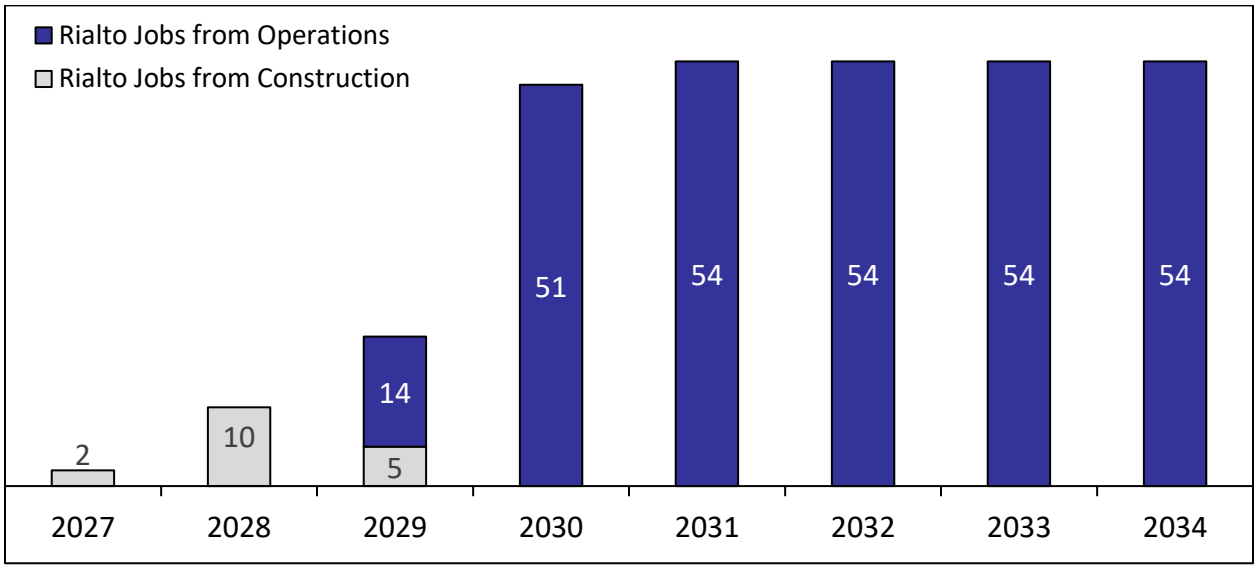
9. ECONOMIC AND FISCAL IMPACT TO NEIGHBORING CITIES

The Direct Spend that occurs on-site in unincorporated San Bernardino County will have indirect ripple effects throughout jurisdictions in the County. Rialto and the City of San Bernardino lay adjacent to the Project site and will receive a large portion of these indirect effects. This section lays out the economic and fiscal impact to each of these immediate cities as a result of the Project's expected construction and operations.

Economic and Fiscal Impact to Rialto*:*

The Direct Spend of the Project is factored into two categories: construction spend and operational spend. Each of these categories of injections into the San Bernardino County economy ripple through Rialto's economy in three impactful ways: employment, personal earnings, and economic output. Figures 9.1-9.4 demonstrate the Project's economic and fiscal impact on Rialto.

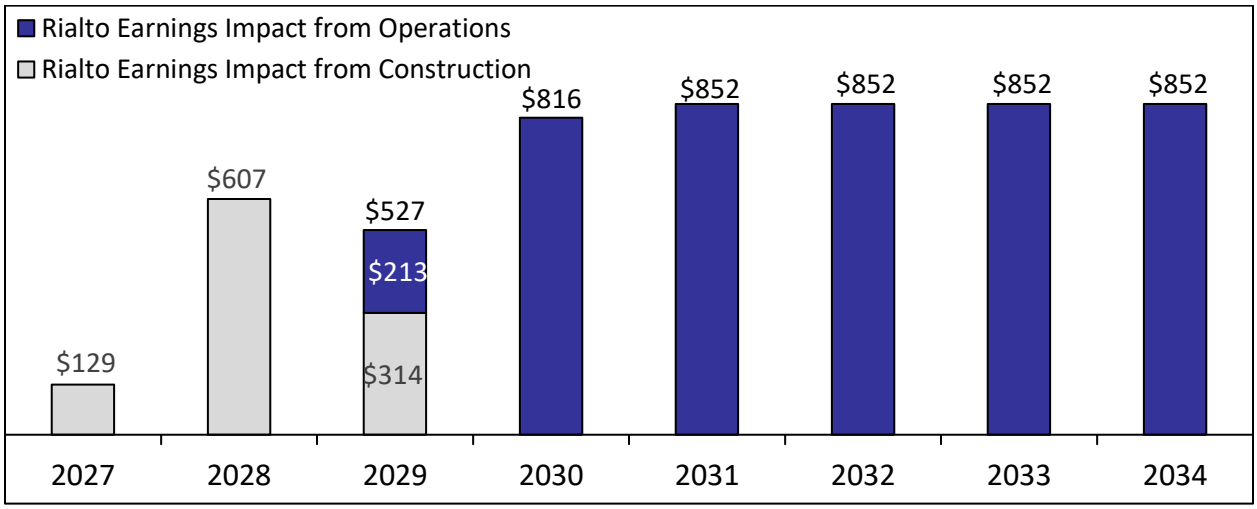
Figure 9.1
Indirect Jobs Generated by the Project, Isolated in Rialto



Construction spend of the Project will result in an average of 5 per year in Rialto during the construction phase. Of the 1100 indirect, ongoing jobs cited in Section 5 of this report from 2031 and on, Rialto will add approximately 54 new jobs.

Figure 9.2

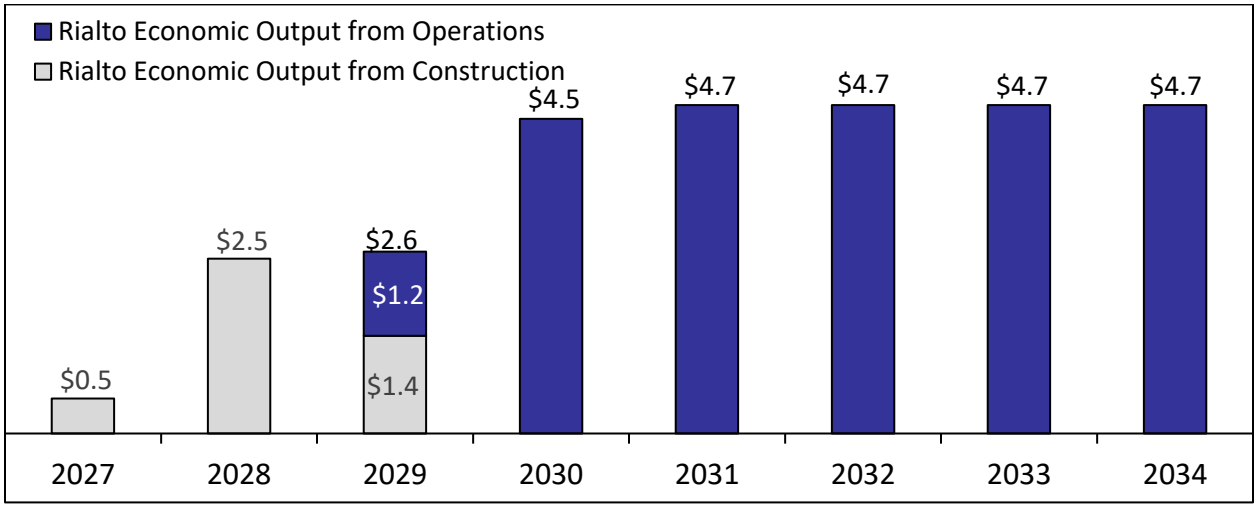
Personal Earnings Impact Generated by the Project, Isolated in Rialto ($Thousands)



The construction spend and operational spend for the Project will increase Personal Earnings in Rialto. The construction phase between 2027 and 2029 is projected to increase Rialto's personal earnings by $1.05 million. Once Project operations begin full capacity, the indirect ripple effects from the Project will generate $852,000 annually, totaling $4.44 million between 2029 and 2034.

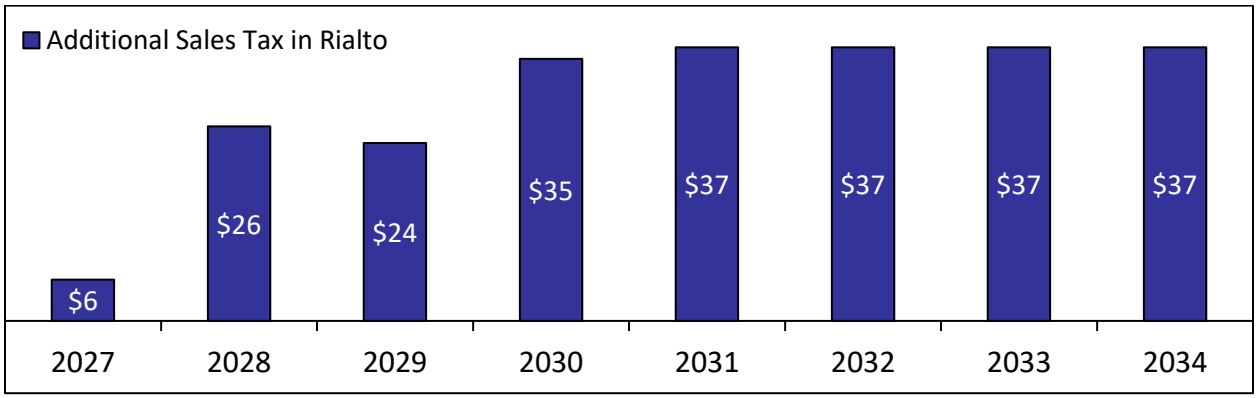
Figure 9.3

Economic Output Impact Generated by the Project, Isolated in Rialto ($Millions)



The construction spend and operational spend for the Project will ripple throughout San Bernardino County and increase economic output in Rialto. The construction phase between 2027 and 2029 is projected to contribute $4.4 million in output to Rialto's economy. Once Project operations begin full capacity, the Project will generate nearly $5 million annually in output in Rialto, totaling nearly $25 million between 2029 and 2034.

Figure 9.4
Fiscal Impact Generated by the Project, Isolated in Rialto ($Thousands)

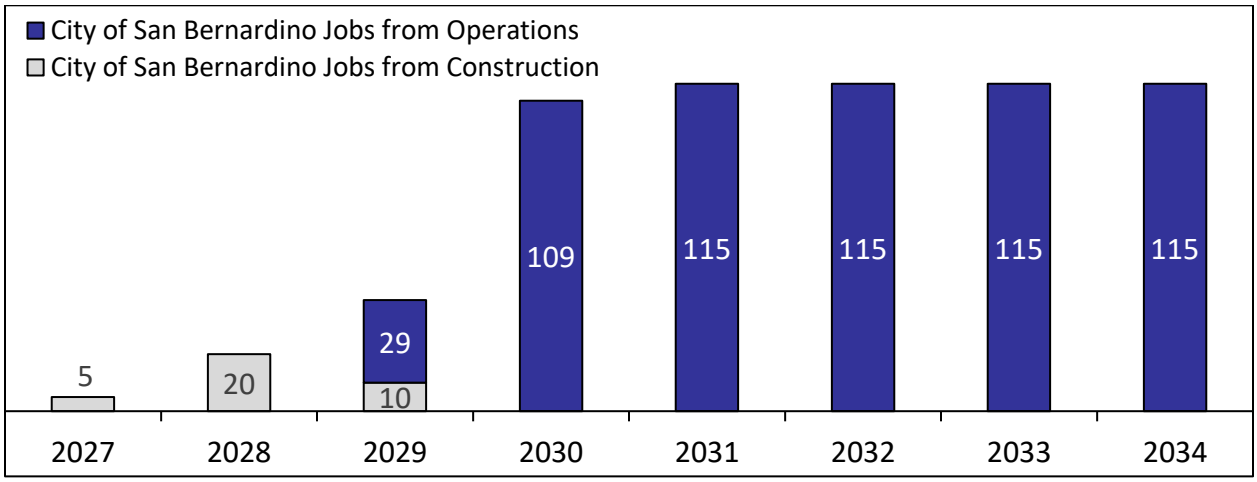


The construction spend and operational spend for the Project will increase Personal Earnings in Rialto, thereby increasing taxable personal spending in Rialto. Over the first 8 years of the Project, including both construction phase and operations, Rialto will see $238,000 in additional sales taxes. Once operations reach full capacity, Rialto will see an additional $37,000 annually as a result from ongoing operational spend at the Project site, rippling into the city.

Economic and Fiscal Impact to the City of San Bernardino*:*

Figures 9.5-9.8 demonstrate the Project's economic and fiscal impact on the City of San Bernardino.

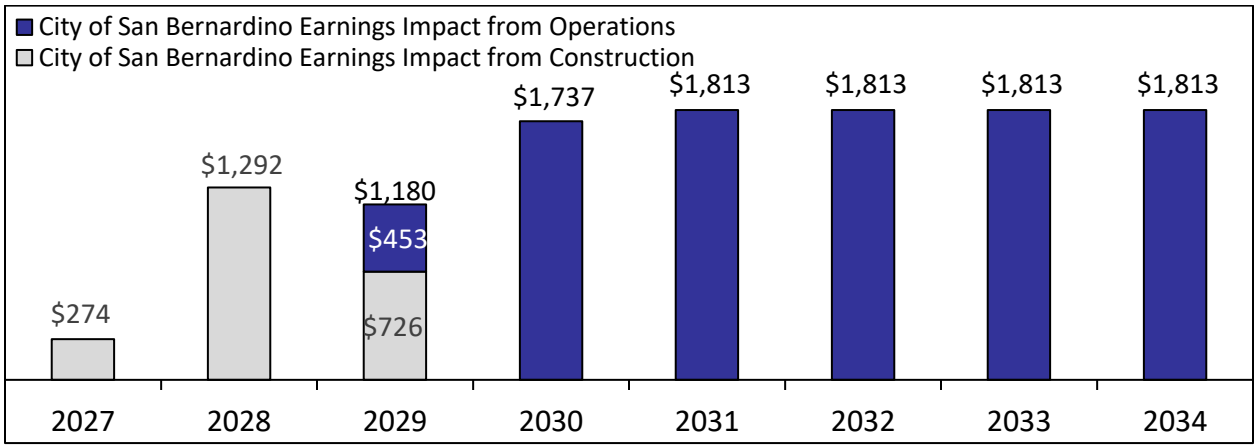
Figure 9.5
Indirect Jobs Generated by the Project, Isolated in the City of San Bernardino



Construction spend of the Project will result in an average of 12 jobs per year in the City of San Bernardino during the construction phase. Of the 1100 indirect, ongoing jobs mentioned in Section 5 of this report from 2031 and on, the City of San Bernardino will see approximately 115 new jobs.

Figure 9.6

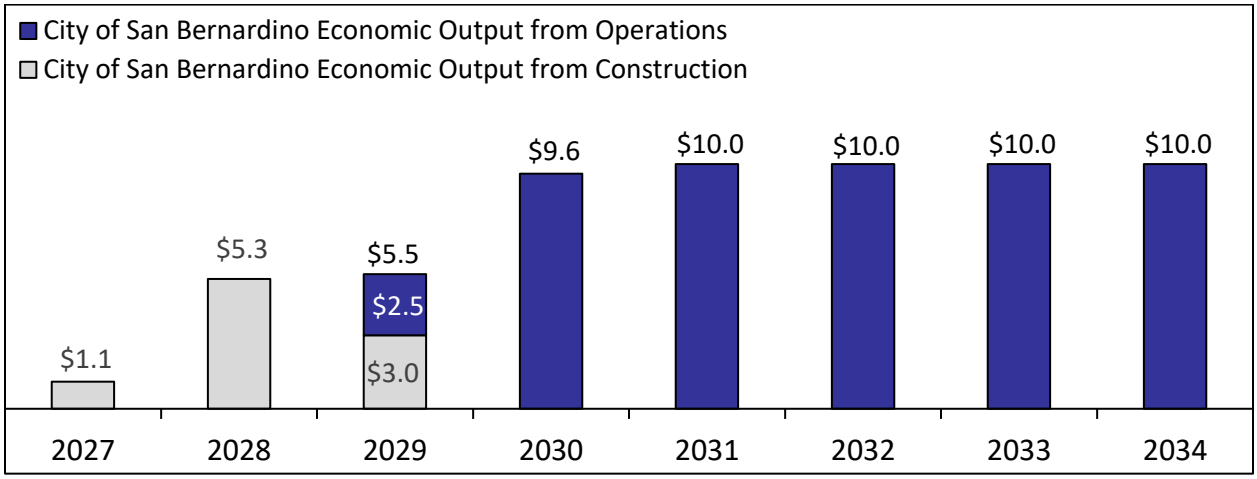
Personal Earnings Impact Generated by the Project, Isolated in the City of San Bernardino ($Thousands)



The construction spend and operational spend for the Project will increase Personal Earnings in the City of San Bernardino. The construction phase between 2027 and 2029 is projected to increase the City of San Bernardino's personal earnings by $2.27 million. Once Project operations begin full capacity, the indirect ripple effects from the Project are expected to generate $1.8 million annually, totaling $13.07 million between 2029 and 2034.

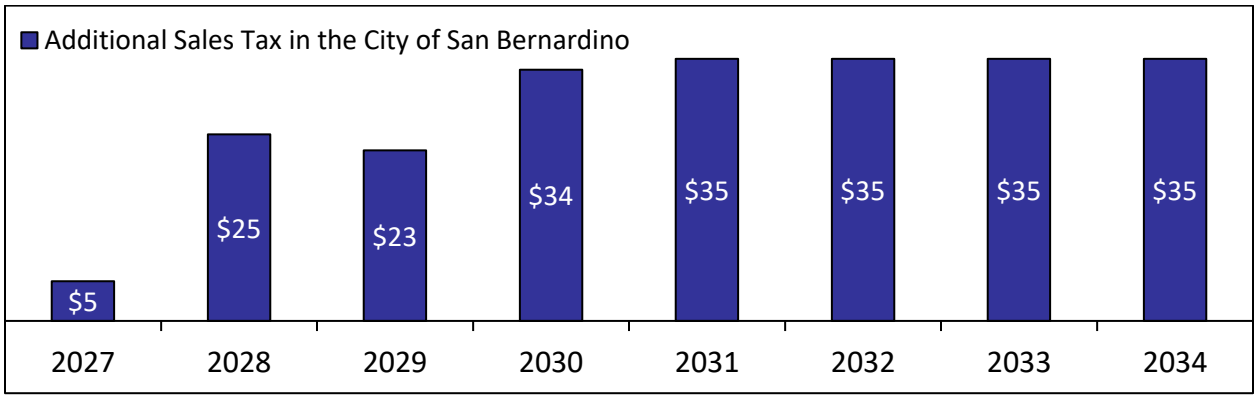
Figure 9.7

Economic Output Impact Generated by the Project, Isolated in the City of San Bernardino ($Millions)



The construction spend and operational spend for the Project will ripple throughout San Bernardino County and increase economic output in the City of San Bernardino. The construction phase between 2027 and 2029 is projected to contribute $9.4 million in output to the City of San Bernardino's economy. Once Project operations begin full capacity, the Project will generate $10 million annually in output in the City of San Bernardino, totaling $52.1 million between 2029 and 2034.

Figure 9.8
Fiscal Impact Generated by the Project, Isolated in the City of San Bernardino ($Thousands)



The construction spend and operational spend for the Project will increase Personal Earnings in the City of San Bernardino, thereby increasing taxable personal spending in the City of San Bernardino. Over the first 8 years of the Project, including both construction phase and operations, the City of San Bernardino will see $228,000 in additional sales taxes. Once operations reach full capacity, the City of San Bernardino will see an additional $35,000 annually as a result from ongoing operational spend at the Project site, rippling into the City.

Conclusion:

While the Project is located in unincorporated San Bernardino County, the Project will generate meaningful benefits to neighboring cities like Rialto and the City of San Bernardino. On a per-year basis, once operations begin full capacity at the Project, Rialto will see approximately 20 new jobs generated, an increase of $850,000 in personal earnings, nearly $5 million in economic output, and $37,000 in additional sales taxes in the General Fund. The City of San Bernardino, on an annual ongoing basis, will see approximately 40 new jobs generated, $1.8 million in personal earnings, $10 million in economic output, and $35,000 in additional sales taxes in their General Fund.

A comprehensive table[16] which includes all 24 cities in San Bernardino County is included in Appendix C, along with the methodology of how the model is structured to isolate the indirect impacts to each city. Rialto and the City of San Bernardino were included in the main portion of the report since they were identified as the most pertinent cities to the Project, geographically.

[16] See Table C.4 in Appendix C

10. URBAN DECAY ANALYSIS

This section evaluates the potential for urban decay to occur resulting from the possible future closure of one of the trade area's (San Bernardino County / Inland Empire) existing warehouses, allowing for the potential of urban decay. As cited in the Bakersfield Citizens for Local Control v. City of Bakersfield (2004) 124 Cal. App 4th 1184 p2, "urban decay" is a potential consequence of a downward spiral of competitor closures and long-term vacancies. Urban decay analysis typically is performed on the retail components of large development projects; California Environmental Quality Act (CEQA) requires consideration of the potential economic impacts of a retail development project if such impacts have the potential to indirectly result in adverse changes to the physical environment, generally manifested in the form of urban decay. In this context, urban decay would result only if all of the following occurred: (1) the project results in a net-negative economic impact so severe that existing businesses might close as a result; (2) existing buildings and/or properties that closed as a result of the Project remain vacant for long periods of time; and (3) vacant buildings and/or properties would be allowed to deteriorate, and lead to the physical decline of the associated or nearby real estate.[17]

While urban decay analyses are typically performed on large, retail developments, Andrew Chang & Company followed the typical analysis processes established by accepted urban decay analyses, while following CEQA's 2018 statutes within their handbook[18], and drew comparisons from these sources that are most analogous to the Project, a large industrial building development.

[17] Physical deterioration includes, but is not limited to, abandoned buildings and commercial sites, boarded doors and windows, long-term unauthorized use of properties and parking lots, extensive gang or offensive graffiti painted on buildings, dumping of refuse or overturned dumpsters on properties, dead trees or shrubbery, extensive litter, uncontrolled weed growth, and homeless encampments. To constitute a significant impact under CEQA, the physical deterioration would need to be substantial in scale, which would require sizeable business closures and ongoing vacancies (i.e., in terms of the total square footage affected and/or the loss of key "anchor" tenants).

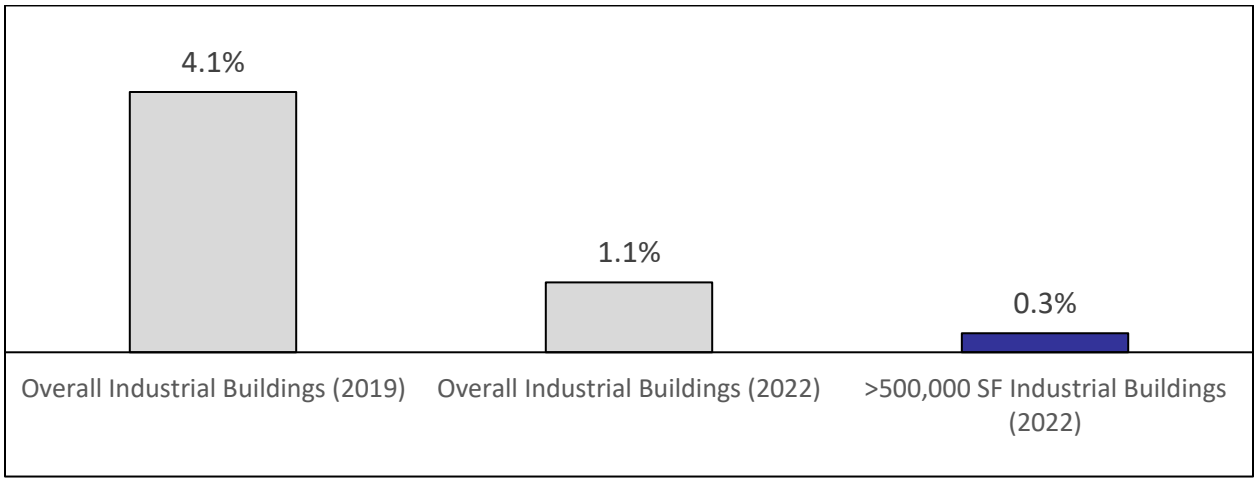
[18] CEQA, Association of Environmental Professionals, 2018 https://nrm.dfg.ca.gov/FileHandler.ashx?DocumentID=161599

Industrial Market Analysis:

The Project is located in unincorporated San Bernardino County, which sits in the Inland Empire. The Inland Empire is a metropolitan area and region inland of and adjacent to coastal Southern California, centering around the cities of San Bernardino and Riverside, bordering Los Angeles County to the west. For the purposes of this urban decay analysis, Inland Empire industrial market data was evaluated to determine the likelihood of urban decay in the immediate area.

Per Coldwell Banker Richard Ellis' (CBRE) Quarter 4 (Q4) 2022 Industrial Market Report[19] on the Inland Empire, industrial buildings that have more than 500,000 SF report 0.3% vacancy rates. Comparing the CBRE Q1 2019 Industrial Market Report on the Inland Empire to the most recently available one, overall industrial buildings' vacancy rate decreased from 4.1% to 1.1%, presumably due to the growth in the e-commerce industry in the Inland Empire and adjacent areas, such as the Greater Los Angeles region. Figure 9.2 demonstrates the overall industrial building vacancy rates in the Inland Empire, as well as the vacancy rates of warehouses with a footprint of over 500,000 SF.

Figure 9.2
Industrial Market of the Inland Empire by Vacancy Rate



The most recently available data regarding large, industrial warehouses (>500,000 SF) suggest there is a very large demand for this size of building. There is only 1 building that is vacant that falls into this category, which accounts for all 0.3% of vacant space in the Inland Empire for large industrial buildings.

[19] CBRE, Inland Empire Industrial Figures Q4 2022, https://www.cbre.com/insights/figures/inland-empire-industrial-figures-q4-2022

During the timespan between 2019 and 2022, 56 million SF of industrial buildings were developed in the Inland Empire, with 37 million SF currently under construction, as of Q4 2022. Between Q1 2019 to Q4 2022, the average asking lease rate per SF increased by $0.89 from $0.57 to $1.46.[20] Figures 9.3 and 9.4 demonstrate the available industrial space and asking lease rate of aforementioned

Figure 9.3
Inland Empire Rentable SF by Year (Millions)

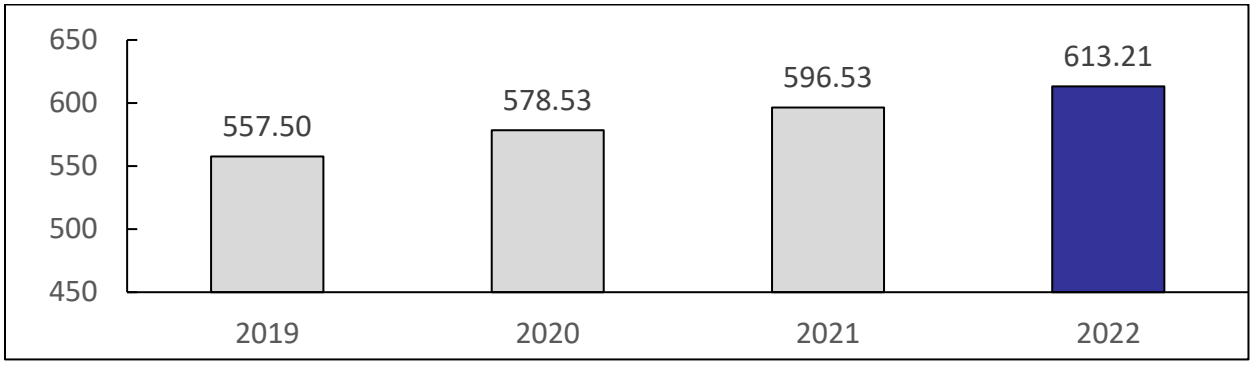
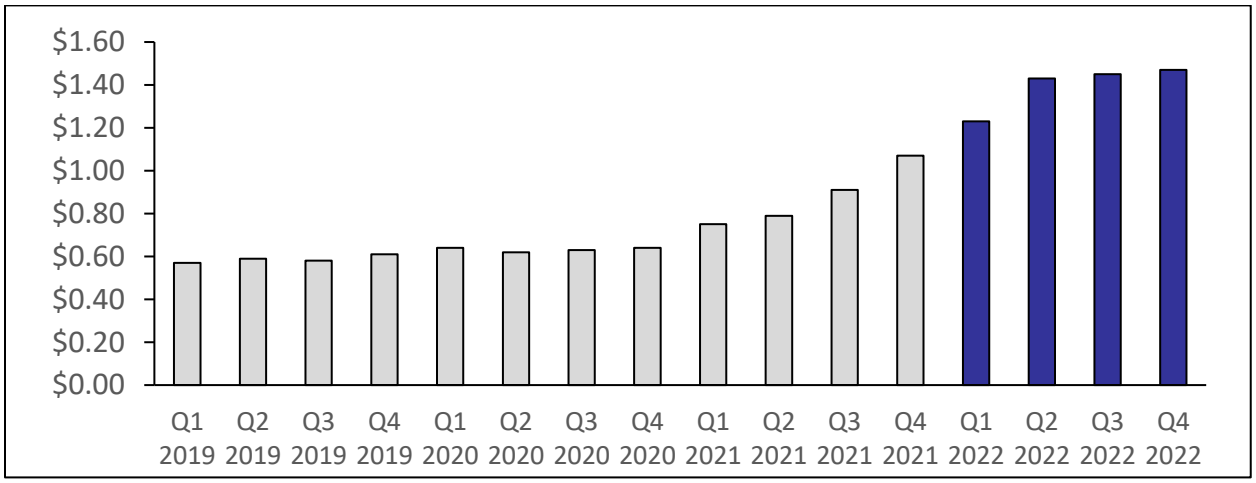


Figure 9.4
Inland Empire Asking Lease Rate Per SF



While the supply of warehousing increased by over 56 million SF since 2019, a 10% overall increase, the asking lease rate per SF suggests that the growth of supply is still not meeting the ever-growing demand. Vacancy rate decreased by 73% since 2019, and the asking lease rate increased by over 250%. The Inland

[20] CBRE, Inland Empire Industrial MarketView Insert Q4 2019, https://www.cbre.com/insights/figures/inland-empire-industrial-marketview-insert-q4-2019
CBRE, Inland Empire Industrial Figures Q4 2022, https://www.cbre.com/insights/figures/inland-empire-industrial-figures-q4-2022

Empire has proven resilient despite the economic headwinds from 2022, and the industrial market shows strong activity while other markets underperformed due to economic uncertainties.
Lastly, it is important to note the net economic benefit in San Bernardino County that will result from the Project. Carson Companies is going to develop on the land that Vulcan Materials currently inhabits, but operations from Vulcan will move to a new site within San Bernardino County to continue their current operations. This means that no jobs will be lost for the county, from Vulcan's relocation. As a result, all economic benefits is a net positive for the County. The salaries resulting from the Project's operations average $47,000[21], which is nearly double of the $28,000[22] median San Bernardino County income. Figure 9.5 demonstrates the Project site and Vulcan's new relocated site.

Figure 9.5
Map of Vulcan Material's Old Site vs. New Site

Considering the factors in the Inland Empire of: low vacancy rates, high demand and inadequate supply for large warehousing, Vulcan Materials relocating their operations within the County, and above-average paying jobs being added to the County, it is unlikely that the Project will trigger a significant amount of urban decay in San Bernardino County.

Literature Review:

[21] Calculated via Total Personal Earnings divided by Total Jobs from the economic impact methodology.
[22] Source: https://www.census.gov/quickfacts/fact/table/sanbernardinocountycalifornia/INC110221

Andrew Chang & Company concludes there is little to no chance of urban decay resulting from the Project, after evaluating the net economic impact of the Project as well as conducting a market analysis on industrial sites in the Inland Empire, where the Project is located. It is possible that warehouses are not a source of urban decay but rather a response to urbanization, since industrial space in 2023 within the Inland Empire is mostly used for e-commerce. Studies regarding industrial markets and urban decay are on par with these inferences. Table 9.1 details the findings of related studies and articles.

Table 9.1

Literature Review for Urban Decay and Industrial Buildings

Study/Article	Findings
Inland Empire warehouse development[23]	- Creation of jobs and employment opportunities - Quick rebound from COVID-19 pandemic and pre-pandemic levels of employment - Economic growth and prosperity for the region - Access to one of the world's largest port complexes in Los Angeles and Long Beach - Potential for increased tax revenue for local governments
The Future of Warehouse Building is Urban[24]	- Industrial Warehouses have mitigated unemployment in the US post-COVID. - E-Commerce continues to grow and the US needs infrastructure to support the growing demand.
The Evolution of the Urban Warehouse[25]	- Approximately 25-30% of the warehousing space in the US is dedicated to e-commerce. - Urban warehouses have a significant advantage over suburban warehousing for the economy. - There is a need for new, modern warehouses.
Warehouse Sprawl: Plan Now or Suffer the Consequences[26]	- Warehouses should be constructed in a location-efficient manner, i.e. near urbanized areas, since that is where the majority of sales from warehouses go to. - Build up rather than out.
How Warehousing Near Highways Benefits Our Customers[27]	- The biggest advantage a warehouse can have is being near highways with access to important transportation routes. - This yields direct and indirect cost savings for the community.
Urban Logistics: What Cities Can Learn from Warehouses[28]	- Intralogistics concepts used in warehouses can be applied to urban environments to create better urban goods flows.

[23] https://calmatters.org/commentary/2023/01/inland-empire-california-warehouse-development/
[24] https://www.ttnews.com/articles/future-warehouse-building-urban
[25] https://www.globest.com/2019/06/26/the-evolution-of-the-urban-warehouse/
[26] https://www.njfuture.org/research-reports/warehouse-sprawl-plan-now-or-suffer-the-consequences/
[27] https://www.americanwarehouses.com/blog/warehousing-near-highways-benefits-customers
[28] https://simplexity.news/en/urban-logistics-what-cities-can-learn-from-warehouses/

11. CONCLUSION

The Project stands to provide meaningful benefits to San Bernardino County's community. The Project is expected to inject approximately $1 billion into the community via direct spend, cumulatively from 2027 to 2034. The Project is expected to generate approximately $276 million in personal earnings produced within the County from 2027 to 2034, while increasing economic output by $1.5 billion during the same time frame. Additionally, the Project is projected to generate $35 million in tax collections and development fees cumulatively through 2034, generating $5.3 million in total taxes and fees to the General Fund on a consistent annual basis.

Despite being located in unincorporated San Bernardino County, the Project will have positive impacts on nearby cities such as Rialto and the City of San Bernardino. Once the Project reaches full capacity, on an annual basis, Rialto can expect an increase of $850,000 in personal earnings, nearly $5 million in economic output, and $37,000 in additional sales taxes in the General Fund. The City of San Bernardino, on the other hand, can expect $1.8 million in personal earnings, $10 million in economic output, and $35,000 in additional sales taxes in their General Fund.

Based on the urban decay analysis, there is little to no chance of urban decay being triggered in San Bernardino County as a result of the Project. The region reports low vacancy rates, high demand and inadequate supply for large warehousing. In addition, Vulcan Materials are relocating their operations within the County, resulting in above-average paying jobs generated from the Project. It is unlikely that the Project will trigger any amount of urban decay in San Bernardino County.

12. APPENDIX

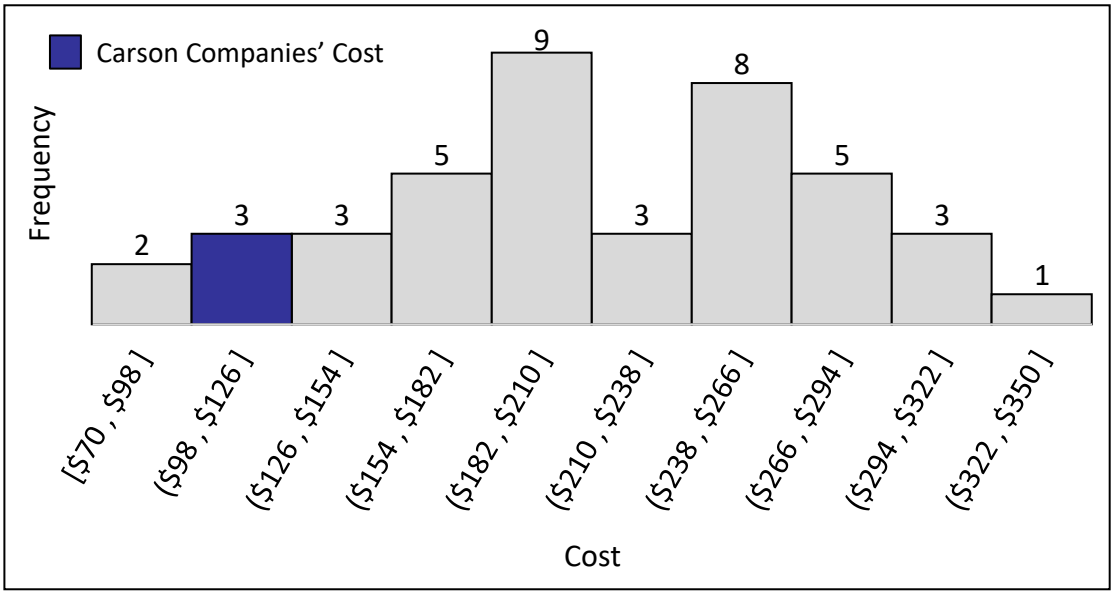
Appendix A – Direct Spend Methodology

The direct spend analysis for the project is comprised of two components:

- Dollars spent in the construction of the facilities; and
- Revenue through on-going operations of the proposed project.

Andrew Chang and Company surveyed current market estimates[29] to estimate the per SF construction cost of each building type. The median of the market estimates was then used. Per SF cost estimates for ongoing operations revenues are based on a survey of top retailers in the U.S. (See Table A.2 on the following page). The construction cost and revenue per SF estimates were factored by the project's total active SF (i.e., SF currently being utilized/occupied by a tenant). Additional details regarding the methodology used to derive each revenue estimate are listed in Figure A.1 below.

Figure A.1
Warehouse Construction Cost Per Square Foot in Western United States



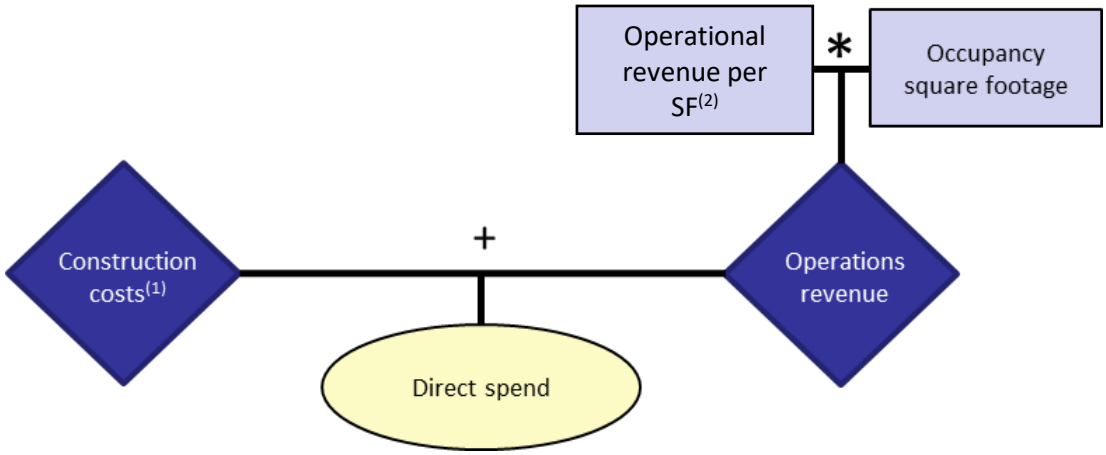
[29] Shetty, Anush. "U.S. Construction Costs Per Square Foot." *Cumming Insights*, 24 March 2022, https://insights.cumming-group.com/ Accessed 28 April 2022.
Sewell, Cathy. "RLB Construction Cost Report North Americas Q1 2022." *RLB*, 31 March 2022, https://www.rlb.com/americas/insight/rlb-construction-cost-report-north-america-q1-2022/
"U.S.: warehouse construction cost 2022, by city." *Statista*, 6 May 2022, https://www.statista.com/statistics/830417/construction-costs-of-industrial-warehouses-in-us-cities/ Accessed 28 April 2022.

Table A.2
Retailer Revenue per SF from U.S. Operations

RETAILER	TOTAL SF	TOTAL REVENUE FROM U.S. OPERATIONS	RETAIL REVENUE PER SF	WAREHOUSE REVENUE PER SF
CVS[30]	90,500,000	$313,407,000,000	$3,463	$866
Costco Wholesale[31]	83,200,000	$151,706,000,000	$1,823	$456
Walgreens[32]	121,027,500	$120,171,000,000	$993	$248
Sam's Club[33]	80,351,000	$78,918,000,000	$982	$246
Kroger[34]	179,000,000	$147,940,000,000	$800	$200
Amazon US[35]	410,113,000	$300,234,000,000	$732	$188
Albertsons[36]	113,000,000	$74,771,000,000	$662	$165
Walmart[37]	703,000,000	$421,917,000,000	$600	$150
Home Depot[38]	329,000,000	$149,048,000,000	$453	$113
Lowes[39]	250,128,000	$103,267,000,000	$413	$103
Target[40]	300,284,000	$113,733,000,000	$379	$95
Median	**410,113,000**	**$300,234,000,000**	**$732**	**$188**

[30] "CVS Health Corporation, Form 10-K", *SEC.gov*, https://www.sec.gov/Archives/edgar/data/0000064803/000006480322000008/cvs-20211231.htm. Accessed 28 April 2022.
[31] "Costco Wholesale Corporation, Form 10-K", *SEC.gov*, https://www.sec.gov/Archives/edgar/data/0000909832/000090983221000014/cost-20210829.htm. Accessed 28 April 2022.
[32] "Walgreens Boots Alliance, Inc., Form 10-K", *SEC.gov*, https://www.sec.gov/Archives/edgar/data/0001618921/000161892121000085/wba-20210831.htm. Accessed 28 April 2022.
[33] "Walmart Inc., Form 10-K", SEC.gov, https://www.sec.gov/Archives/edgar/data/104169/000010416922000012/wmt-20220131.htm
[34] "The Kroger Co., Form 10-K", *SEC.gov*, https://www.sec.gov/Archives/edgar/data/0000056873/000155837022004595/kr-20220129x10k.htm. Accessed 28 April 2022.
[35] "Amazon.com, Inc., Form 10-K" SEC.gov, https://www.sec.gov/Archives/edgar/data/1018724/000101872422000005/amzn-20211231.htm
[36] "Albertsons Companies, Inc., Form 10-K", *SEC.gov*, https://www.sec.gov/Archives/edgar/data/0000056873/000155837022004595/kr-20220129x10k.htm. Accessed 28 April 2022.
[37] Walmart Inc., Form 10-K", SEC.gov, https://www.sec.gov/Archives/edgar/data/104169/000010416922000012/wmt-20220131.htm
[38] "Home Depot, Inc., Form 10-K", *SEC.gov*, https://www.sec.gov/Archives/edgar/data/0000354950/000035495022000070/hd-20220130.htm. Accessed 28 April 2022.
[39] "Lowes Companies, Inc., Form 10-K", *SEC.gov*, https://www.sec.gov/Archives/edgar/data/0000060667/000006066722000038/low-20220128.htm. Accessed 28 April 2022.
[40] "Target Corporation, Form 10-K", *SEC.gov*, https://www.sec.gov/Archives/edgar/data/0000027419/000002741922000007/tgt-20220129.htm. Accessed 28 April 2022.

Flowchart A.3
Direct Spend Methodology



Notes

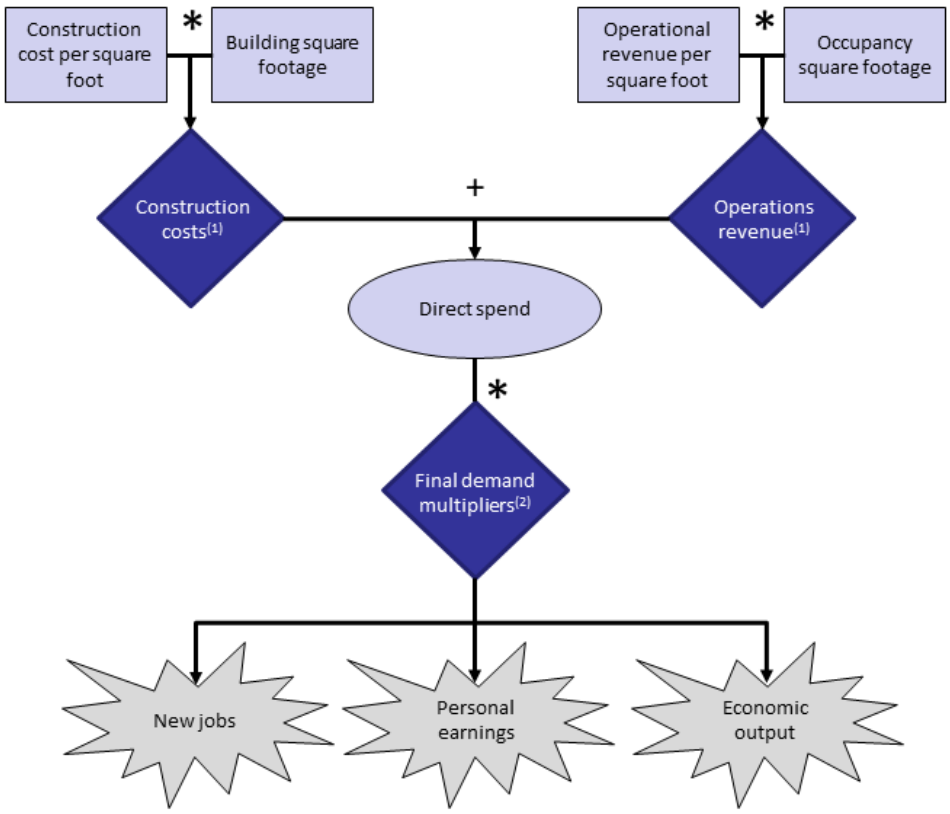
(1) Median construction cost per SF was used;
(2) Operations revenue methodology was adjusted to account for independent projections of employment numbers. See Flowchart B.1;
(3) Median revenue per SF estimates similar to those of top retailers in the U.S. (Table A.2);
(4) The U.S. consumer price index (CPI)[41] is used to convert the 2018 revenue estimates to a projected 2022 value.

[41] "Inflation | Department of Finance." *Department of Finance*, https://dof.ca.gov/forecasting/economics/economic-indicators/inflation/ Accessed 26 July 2022.

Appendix B – Employment, Personal Earnings, & Output Methodology

The total number of direct jobs created from operations coincides with that provided by Urban Crossroads in its May 31,2024 memorandum to Carson Companies. The economic and fiscal impact analysis includes the total impact in increased employment, personal earnings, and economic output to the County.

Flowchart B.1
Employment, Earnings, & Output Methodology



Notes

(1) Construction costs and operations revenue obtained from Direct Spend Methodology in Appendix A'

(2) The final demand regional multipliers (RIMS II) for San Bernardino County, produced by the U.S. Bureau of Economic Analysis. (See Appendix D – Multipliers)

Appendix C – Tax Revenue Scope & Methodology

The 2022-23 San Bernardino Annual Budget was analyzed to determine potential revenue to the County from the proposed project through taxes and fees. Based on the analysis of the County's revenues, it was concluded that the following recurring taxes should be positively impacted by the proposed project:

- Sales tax; and
- Property taxes.

An overview of the calculation for each tax impact is outlined below.

One-Time Sales Tax

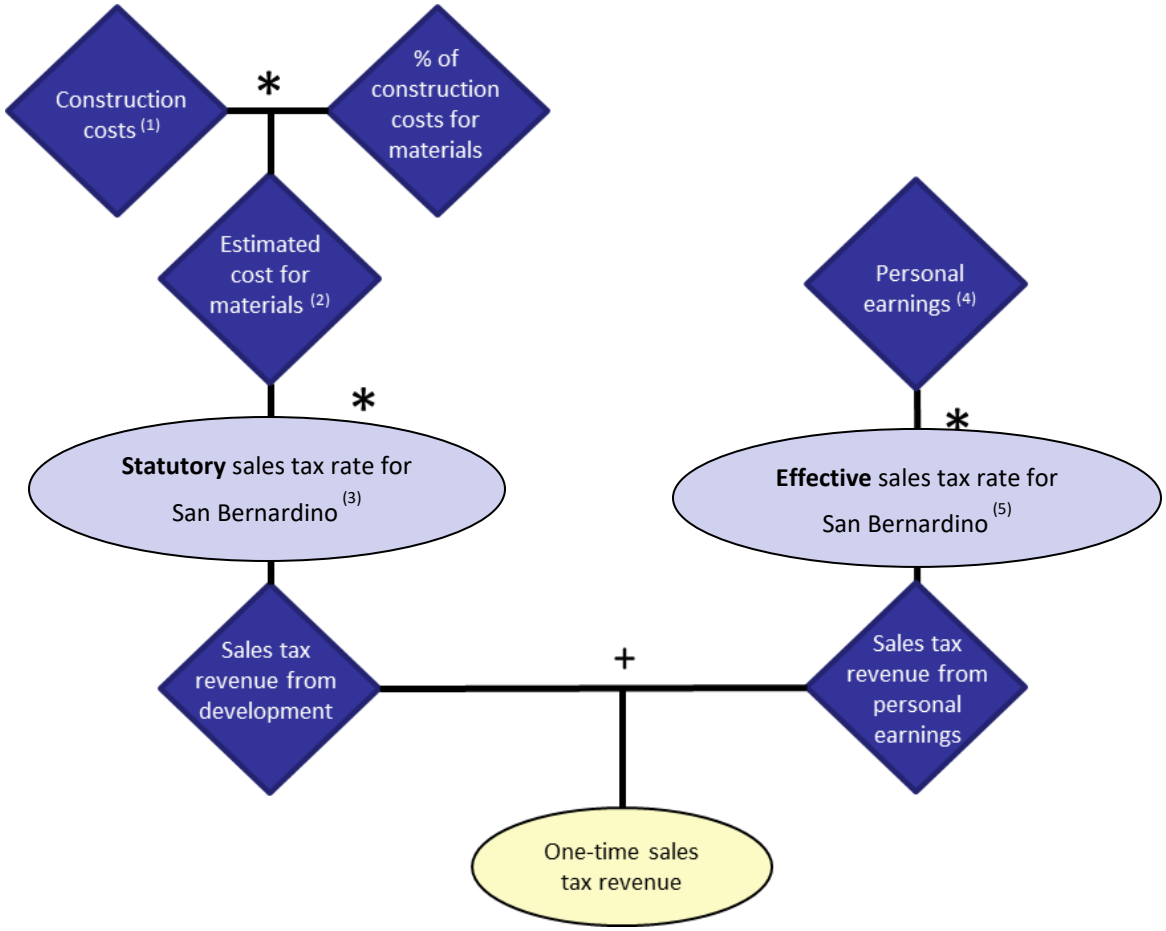
One-time sales tax revenue is comprised of two components:

- Sales tax revenues from the cost of materials during construction; and
- Sales tax revenue from the increase in personal earnings.

Sales tax revenues from the cost of materials are found by factoring the cost of materials estimated at 50% of the total construction cost, per industry standards,[42] by the statutory County tax rate. Sales tax revenue on earnings is found by first factoring the survey's median construction costs with the earnings multiplier produced by the U.S. Bureau of Economic Analysis (BEA)[43] in order to find the increase in personal earnings resulting from construction of the proposed project. Those earnings are then factored by the effective sales tax rate[44] to find the one-time sales tax revenue. See Flowchart C.1 below for a graphical representation for this approach.

[42] "CLMA Project Labor Cost Allocation," *Construction Labor Market Analyzer*, 2016, https://www.myclma.com/details
Hedley, George, "Construction Labor Costs – 5 Percent Factor," *Construction Business Owner*, Accessed May 11, 2016, http://www.constructionbusinessowner.com/topics/accounting/accounting-finance/construction-labor-costs-5-percent-factor.
[43] "Regional Multipliers," *U.S. Bureau of Economic Analysis*, Series: 2012 U.S. Annual I-O Data and 2020 Regional Data. Region: San Bernardino County, CA.
[44] See "Effective Sales Tax Calculation" at the end of this Appendix (Appendix C – Tax Revenue Scope & Methodology).

Flowchart C.1
One-Time Sales Tax Methodology

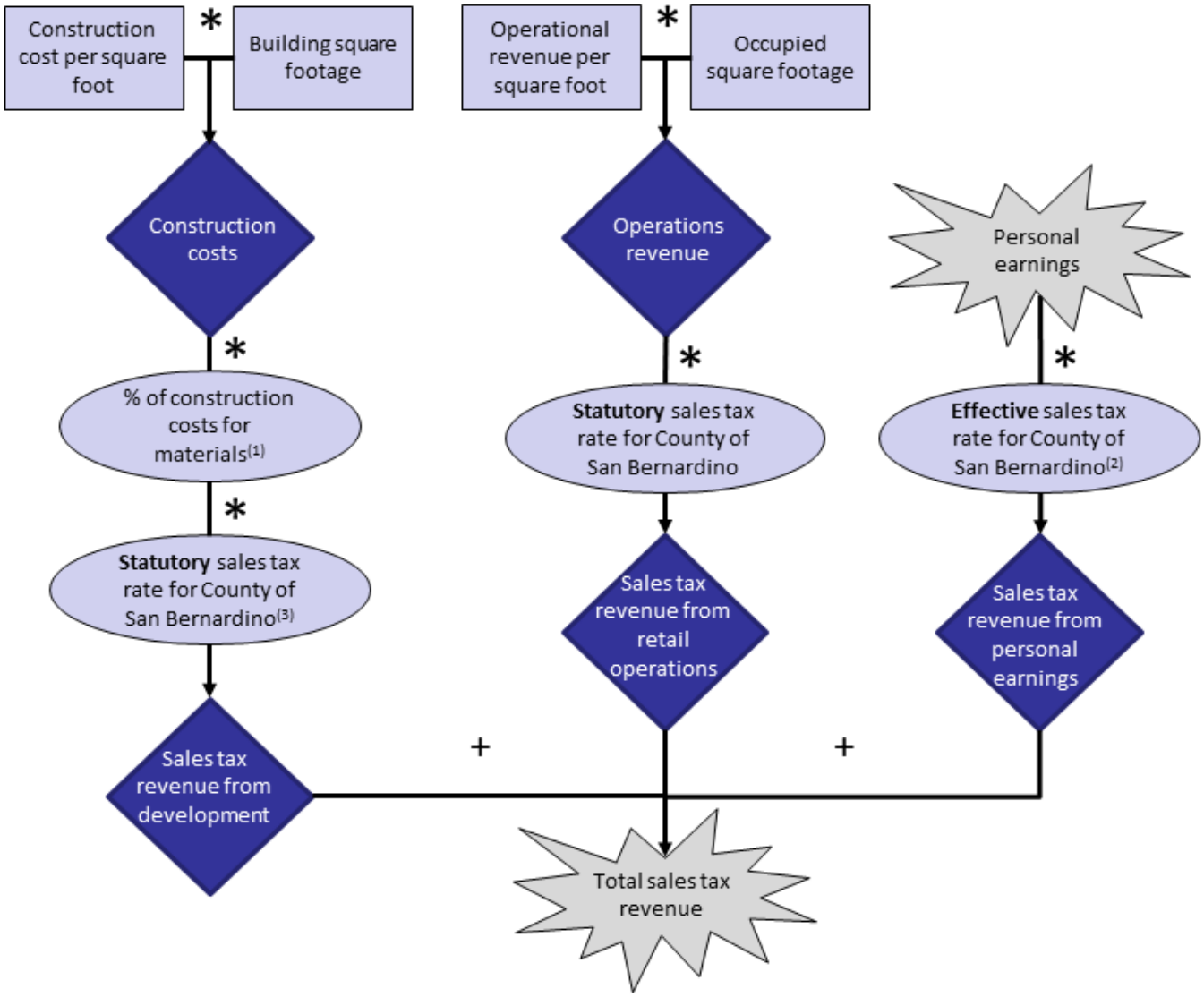


Notes

(1) Construction costs as calculated in Appendix A – Direct Spend Methodology;
(2) Cost of materials estimated at 50% of total construction costs as provided by the applicant per industry standards;[45]
(3) County statutory sales tax rate taken from County adopted budget FY 2022-23. (1.25%);
(4) Personal earnings as calculated in Appendix B – Employment, Personal Earnings, & Output Methodology;
(5) See "Effective Sales Tax Calculation" at the end of Appendix C – Tax Revenue Scope & Methodology for methodology.

[45] "CLMA Project Labor Cost Allocation," *Construction Labor Market Analyzer*, 2016, https://www.myclma.com/details
Hedley, George, "Construction Labor Costs – 5 Percent Factor," *Construction Business Owner*, Accessed May 11, 2016, http://www.constructionbusinessowner.com/topics/accounting/accounting-finance/construction-labor-costs-5-percent-factor.

Flowchart C.2
Ongoing Sales Tax Methodology



Notes

(1) Personal earnings as calculated in Appendix B – Employment, Personal Earnings, & Output Methodology.

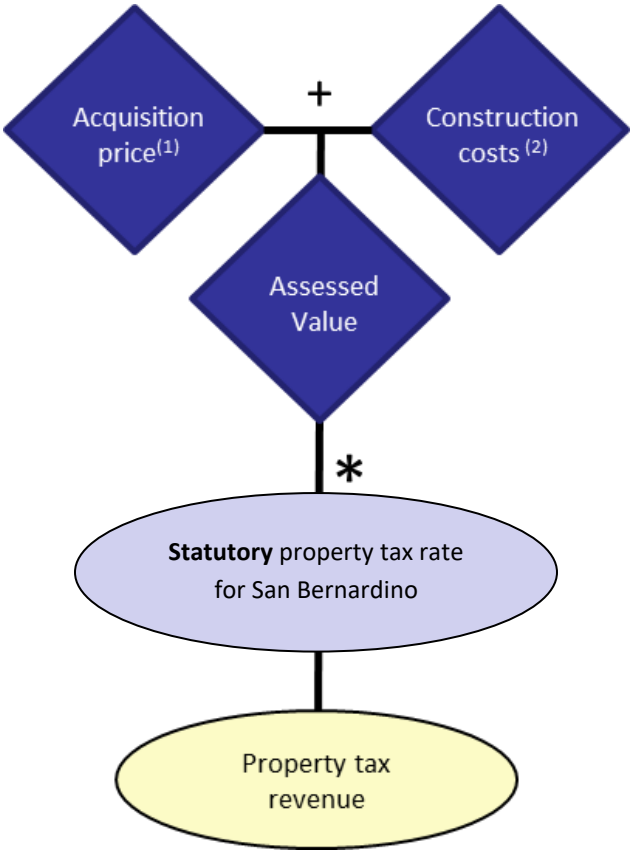
(2) See "Effective Sales Tax Calculation" at the end of Appendix C – Tax Revenue Scope & Methodology for methodology.

(3) County statutory sales tax rate taken from County adopted budget FY 2022-23. (1.25%).

Property Tax

According to San Bernardino County's Fiscal Year 2022-2023 Adopted Budget, the County retains roughly .63% of a property's assessed value as property tax revenue. Property tax revenue for the Project is found by factoring the assessed property value as provided by the applicant, taking into account the 2% growth in value per year, by the .63% tax rate. See Flowchart C.3 below for a graphical representation of this approach.

Flowchart C.3
Property Tax Methodology



Notes

(1) Carson Companies did not acquire the property, thus there is no acquisition price. Instead, the value from the San Bernardino County Assessor was sourced.[46]
(2) Median construction cost from national survey.

[46] San Bernardino County Assessor: https://arc.sbcounty.gov/assessment-roll/ Accessed 20 April 2023

Effective Sales Tax Calculation

The effective tax rate is the ratio of sales tax revenues over personal earnings for the County. In order to produce an effective sales tax rate for this study, Andrew Chang & Company determined the total income of County residents by factoring the estimated population and the estimated per capita income for the County for 2022[47]. The 2022 County sales tax revenue, as provided by the Adopted Fiscal Year 2022-2033 Budget[48], is divided by the total income of County residents to produce an effective sales tax rate. See the equation below.

$$\frac{\text{2022 County Sales Tax Revenue Actuals}}{\text{(Est. 2022 County Population) x (Est. 2022 per Capita Income)}} = \frac{\$29,449,444}{(2,194,710) \times (\$28,443)} = 0.05\%$$

The effective tax rate for the cities is calculated similarly to the County. Andrew Chang & Company determined the total income of County residents by factoring the estimated population in the area and the estimated per capita income for the County, and used this figure as the denominator of each individual city's tax revenue, thus creating the effective sales tax rate increase per city for personal earnings of a county resident. See the equation below.

$$\frac{\text{2022 City Sales Tax Revenue Actuals}}{\text{(Est. 2022 County Population) x (Est. 2022 per Capita Income)}} = \text{Effective tax rate by city}$$

[47] https://www.census.gov/quickfacts/fact/table/sanbernardinocountycalifornia/AFN120217
[48] https://wp.sbcounty.gov/cao-finance/wp-content/uploads/sites/38/2022/12/2022-23-Adopted-Budget-Book-San-Bernardino-County.pdf

Fiscal Impact to Neighboring Cities:

The Project will also have fiscal benefits to neighboring cities, such as the City of San Bernardino and Rialto. Nearby cities will reap fiscal benefits from increased personal earnings, thus leading to increased taxable spending in their cities.[49] Projected fiscal impact to each city factors in population and retail presence. Table C.4 shows how much the Project will contribute to each of the City's General Fund in San Bernardino County between 2027 and 2034.

Table C.4

Sales Tax Revenue in San Bernardino, by City ($Thousands)

	2027	2028	2029	2030	2031	2032	2033	2034	Total
Adelanto	$0.2	$1.0	$0.9	$1.4	$1.5	$1.5	$1.5	$1.5	**$9.4**
Apple Valley	$0.9	$4.5	$3.8	$6.0	$6.3	$6.3	$6.3	$6.3	**$40.4**
Barstow	$0.6	$2.9	$2.5	$3.9	$4.1	$4.1	$4.1	$4.1	**$26.3**
Big Bear Lake	$0.3	$1.4	$1.2	$1.8	$1.9	$1.9	$1.9	$1.9	**$12.4**
Colton	$1.1	$5.2	$4.4	$6.9	$7.2	$7.2	$7.2	$7.2	**$46.5**
Chino	$3.7	$17.3	$14.7	$23.2	$24.3	$24.3	$24.3	$24.3	**$155.9**
Chino Hills	$1.1	$5.0	$4.2	$6.7	$7.0	$7.0	$7.0	$7.0	**$45.0**
Fontana	$4.9	$22.9	$19.5	$30.9	$32.2	$32.2	$32.2	$32.2	**$206.9**
Grand Terrace	$0.1	$0.7	$0.6	$0.9	$1.0	$1.0	$1.0	$1.0	**$6.3**
Hesperia	$1.4	$6.8	$5.8	$9.1	$9.5	$9.5	$9.5	$9.5	**$61.0**
Highland	$0.4	$1.8	$1.5	$2.4	$2.5	$2.5	$2.5	$2.5	**$16.2**
Loma Linda	$0.6	$3.0	$2.6	$4.1	$4.2	$4.2	$4.2	$4.2	**$27.2**
Montclair	$1.6	$7.8	$6.6	$10.4	$10.9	$10.9	$10.9	$10.9	**$70.1**
Needles	$0.1	$0.4	$0.3	$0.5	$0.6	$0.6	$0.6	$0.6	**$3.6**
Ontario	$11.3	$53.4	$45.5	$71.9	$75.1	$75.1	$75.1	$75.1	**$482.5**
Rancho Cucamonga	$3.9	$18.5	$15.7	$24.9	$25.9	$25.9	$25.9	$25.9	**$166.7**
Redlands	$2.9	$13.6	$11.5	$18.3	$19.1	$19.1	$19.1	$19.1	**$122.5**
Rialto	**$5.5**	**$26.1**	**$23.9**	**$35.2**	**$36.7**	**$36.7**	**$36.7**	**$36.7**	**$237.4**
The City of San Bernardino	**$5.3**	**$25.0**	**$22.9**	**$33.7**	**$35.2**	**$35.2**	**$35.2**	**$35.2**	**$227.7**
Twentynine Palms	$0.2	$0.7	$0.6	$1.0	$1.0	$1.0	$1.0	$1.0	**$6.7**
Upland	$1.9	$8.9	$7.6	$12.0	$12.6	$12.6	$12.6	$12.6	**$80.8**
Victorville	$3.2	$15.3	$13.0	$20.6	$21.5	$21.5	$21.5	$21.5	**$137.9**
Yucaipa	$0.5	$2.5	$2.1	$3.4	$3.5	$3.5	$3.5	$3.5	**$22.7**
Yucca Valley	$0.5	$2.4	$2.0	$3.2	$3.3	$3.3	$3.3	$3.3	**$21.3**
Total	**$52.5**	**$247.0**	**$210.2**	**$332.5**	**$347.0**	**$347.0**	**$347.0**	**$347.0**	**$2,233.4**

[49] Appendix C – Tax Revenue Scope & Methodology details the methodology used for calculating each tax category total.

Appendix D – Multipliers

This study uses the most recent regional RIMS II multipliers produced by the U.S. Bureau of Economic Analysis for San Bernardino County, in order to determine the direct and indirect changes in output, earnings, and employment as a result of the proposed project. The industry-specific multipliers used for this study are listed below in Tables D.1 and D.2.

Table D.1
RIMS II Final Demand Multipliers

	San Bernardino County Base Year Final Demand Multipliers	San Bernardino County Current Year Final Demand Multipliers	San Bernardino County Estimated Direct Effect	San Bernardino County Estimated Indirect Effect
Jobs				
Construction	6.7926	5.1875	3.0066	2.1810
Warehousing and storage	7.1097	5.4297	3.1495	2.2802
Earnings				
Construction	0.4336	0.3311	0.1919	0.1392
Warehousing and storage	0.3359	0.2565	0.1488	0.1077
Output				
Construction	1.7944	1.3704	0.7942	0.5761
Warehousing and storage	1.8575	1.4186	0.8228	0.5957

Table D.2
RIMS II Direct Effect Employment Multipliers

Construction	1.7254
Warehousing and storage	1.7240

Appendix E – Project Site Plan