WORLD LOGISTICS CENTER

AN AGRICULTURE INDUSTRY ANALYSIS OF THE INLAND EMPIRE

Prepared by:

Andrew Chang & Company, LLC

March 2012

Our understanding of your situation

- Highland Fairview is currently working to establish a world class logistics center in the city of Moreno Valley. The World Logistics Center will encompass over 40 million sq. feet of facilities and will be the largest master plan logistics corporate park in the nation. It is estimated that the project will bring in 2,500 permanent jobs and 1,100 construction jobs to the area, and create more than $194 million in regional economic benefit to the area.
- Currently part of the planned project area houses Skechers' North American Operations Center's 1.82 million sq. ft. distribution center. The rest of the project area is largely undeveloped land. Presently, there are seven single-family homes in various locations in the project area along with associated ranch/farm buildings. Most of the site has and continues to be used for dry farming (drought resistant crops).
- To help inform key policy decision makers about the ramifications of their decision on agriculture and to adhere to the California Environmental Quality Act requirements, Highland Fairview is seeking an analysis of the agriculture industry in the Inland Empire. Specifically, Highland Fairview is seeking an analysis that includes the following:
  - A description of the Inland Empire's agriculture industry
  - An assessment of the economic trends of the Inland Empire's agriculture industry
  - An analysis of the key factors that are driving agriculture industry trends
  - Any other analysis that may shed light into the past, current or future state of the agriculture industry in the Inland Empire
  - An assessment of the state of the agriculture industry in the Inland Empire
- Highland Fairview has retained Andrew Chang & Company to perform this analysis. Andrew Chang & Company will submit a draft of the report on March 16, 2012 for review and will finalize the report by March 23, 2012
- This purpose of this document is to brief Highland Fairview of Andrew Chang & Company's on our prelimianry findings

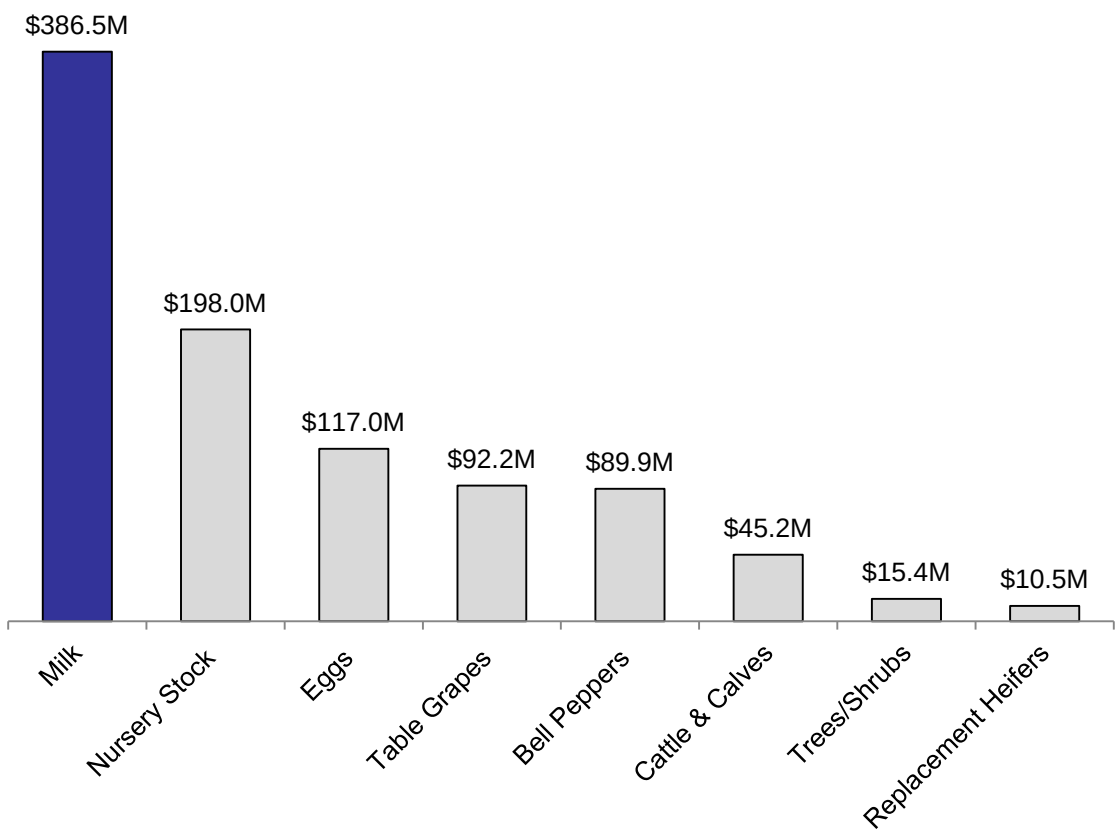
Key Findings

- **The agriculture industry in the Inland Empire is small:** In 2010, agriculture in the Inland Empire made up only 1% of the regional economy and only 4.1% of California's total agriculture industry. In 2010, there was 14,800 workers employed in the agriculture industry in the Inland Empire. This equals less than 1% of all employed persons in the region and 3.9% of total state agriculture employment.
- **The agriculture industry in the Inland Empire is shrinking despite growth in the region**: From 2006 to 2010, over 24,000 acres were removed from agricultural use in the Inland Empire while over 30,000 acres of urban land was gained in the region. As of 2010, agriculture production levels in the Inland Empire were 28% lower than in 2004. Overall employment in the Inland Empire increased by 14% from 2001-2010, but over the same time frame agriculture employment decreased by 31%
- **There is consensus in recent studies agriculture is in decline in the Inland Empire**
- **are 3 key structural issues that are driving the decline of agriculture in the Inland Empire**:
  - Housing affordability in the region
  - Competition from other regions
  - Lower water allocations

  The agriculture industry will continue to decline in the Inland Empire, regardless of whether the World Logistics Center is developed or not

While the Inland Empire produces a diverse set of agriculture products, dairy production is the largest in terms of production value

Inland Empire Leading Agricultural Products Value (2010)



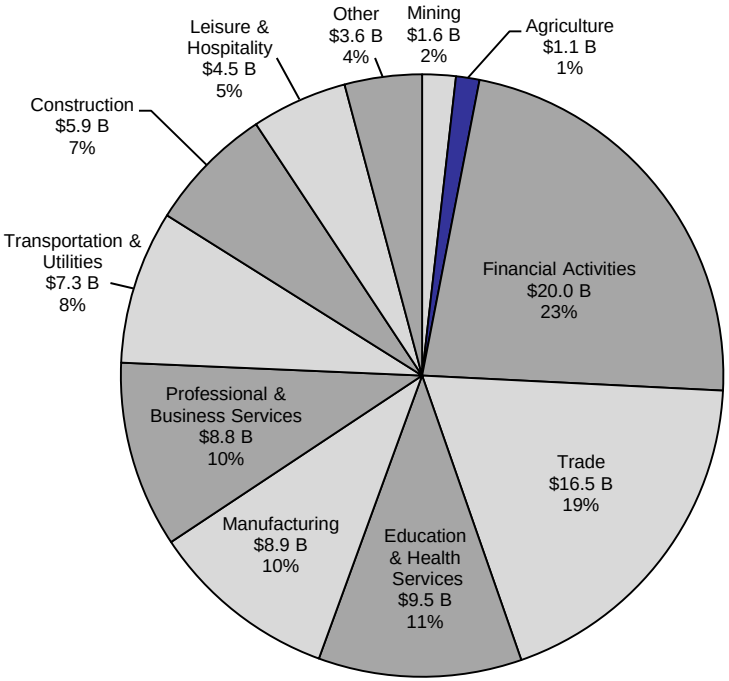
Key Observations

- Milk, nursery stock, eggs, table grapes, bell peppers, cattle and calves, trees/shrubs, and replacement heifers are the top agriculture products in the Inland Empire
- The combined value of the top 8 crops equals 69.6% of the total value of all crop production in the Inland Empire
- Diary production in the Inland Empire totaled $442.1 million in 2010, 32.2% of the total value of all crop production
- Milk production is the largest product in terms of value, but has decreased 8% in value since 2006
- From 2006-2010, 6 of the 8 top agriculture products (milk, nursery stock, table grapes, cattle and calves, trees/shrubs and replacement heifers) declined in value
- Replacement heifers and trees/shrubs saw the biggest decreases at 59% and 44% respectively since 2006

SOURCE: Agricultural Commissioner's Office, Counties of Riverside and San Bernardino, Annual Production Report, Assorted Years

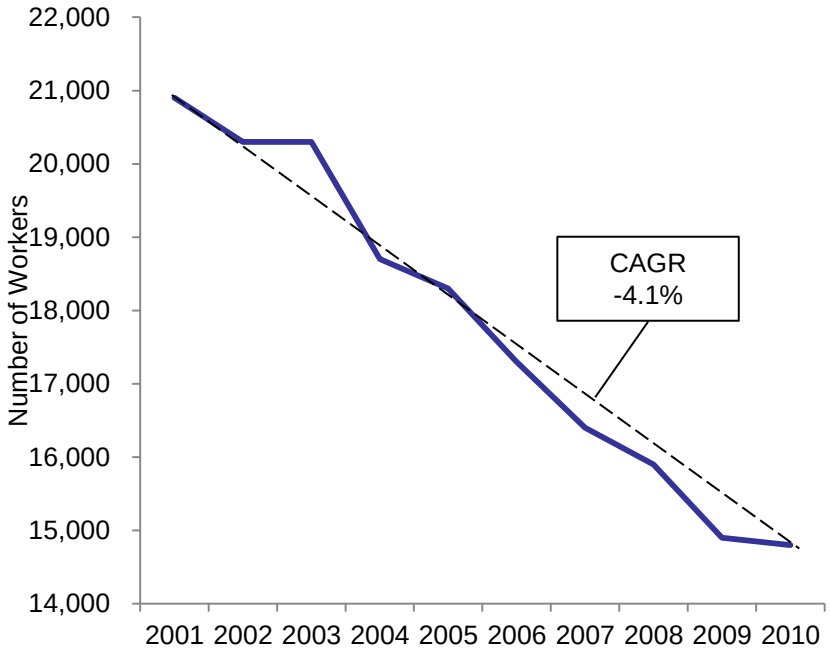
Agriculture in the Inland Empire makes up only a small portion of total GDP and employment in the area

2010 Inland Empire Economy (GSP)



- Agriculture in the Inland Empire comprises just 1% of the regional economy, making it one of the smallest industries in the area
- The two biggest industries in the Inland Empire economy are financial activities and trade
- The industries that have seen the most growth since 2004 are professional and business services, transportation, and education and health services
- In 2010, the Inland Empire made up only 4.1% of California's agriculture industry

Agriculture Employment In Inland Empire



- In 2010, there was 14,800 workers employed in the agriculture industry in the Inland Empire. This equals less than 1% of all employed persons in the region
- Agriculture employment in the Inland Empire has been in decline since 2001, and as of 2010 made up 3.9% of total state agriculture employment
- Wages in the farming, fishing, and forestry industry in the Inland Empire averaged $21,400 in 2010. This is over 50% lower than the mean salary of $42,930 for all occupations in the region

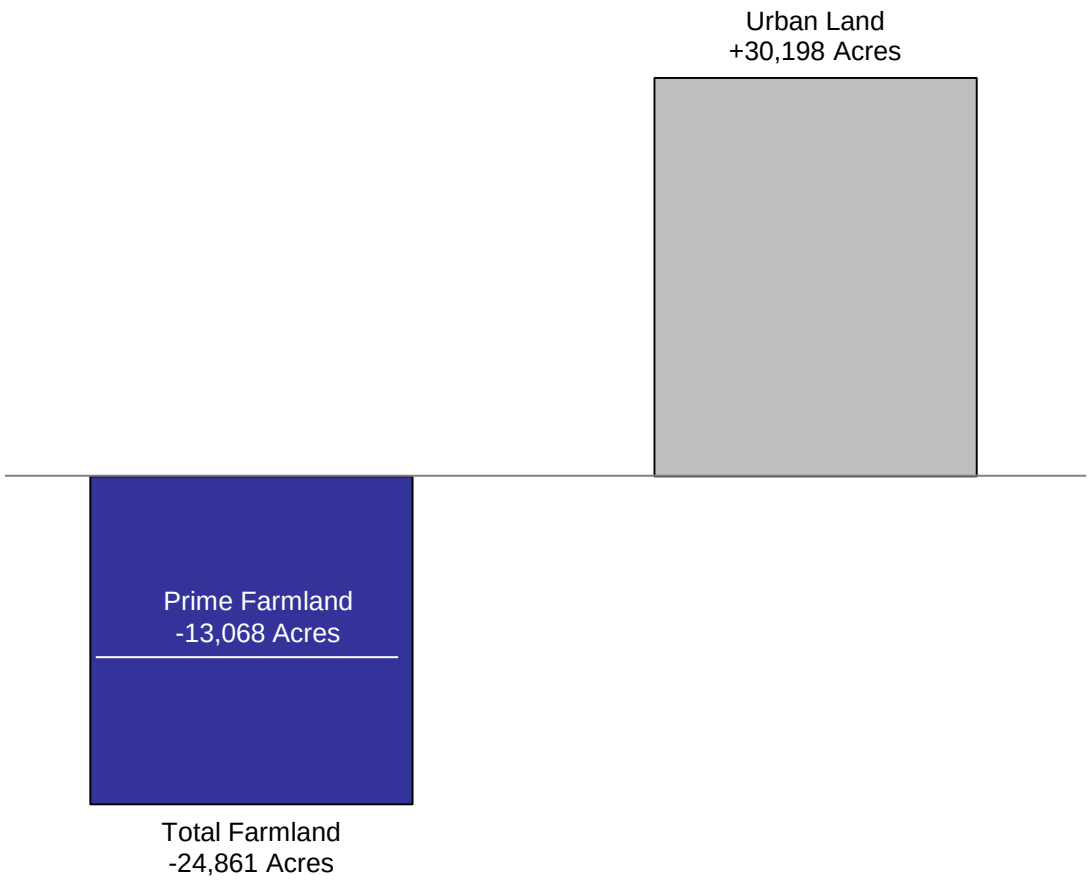
SOURCE: Bureau of Economic Analysis, U.S. Department of Commerce, "Gross Domestic Product by Metropolitan Statistical Area, Riverside-San Bernardino-Ontario 2010," accessed March 2012 (http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=2); State of California Employment Development Department, "LMI for Riverside-San Bernardino-Ontario MSA, California" accessed March 2012 (http://www.calmis.ca.gov/htmlfile/msa/rivsbern.htm)

There is consensus that agriculture is declining in the Inland Empire

Title	Scope	Findings
CB Richard Ellis, "Economic Viability of Agriculture in the West Inland Empire," January 2009	▪ Examined economic and market trends affecting agriculture in the Western Inland Empire ▪ Focus on Chino/Ontario basin and dairy industry	▪ Found that there are many factors demonstrating the infeasibility of agriculture production in the Inland Empire particular to the dairy industry: – Urbanization in Inland Empire results in increase in land prices – Higher water costs – Stringent environmental regulations – Competition from Kern County and Central Valley
County of San Bernardino, "2007 General Plan," 2007	▪ City plan that outlines the policies and programs to make decisions on land use	▪ Briefly mentions the fact that urban expansion in San Bernardino is both driving farmers away for the area and making it difficult to expand farmland in the region
Riverside County Farm Bureau, "The Disappearance of Farmland in the Inland Empire," July 2004	▪ Looks into why Inland Empire farmers and ranchers are selling their land for development	▪ Increased number of laws, regulations, and taxes for farmers and ranchers makes it difficult for them to profit ▪ Rapid population increases result in high demand for urban development and increase the value of the land
Paul Shigley & William Fulton, *California Journal,* "From Cow Pens to Palaces," June 2001	▪ Examines the diary industry's move from the Chino and Ontario to the San Joaquin Valley	▪ Agriculture in the Inland Empire is giving way to houses, shopping centers and industrial parks to meet the population growth in the region ▪ Los Angeles and Orange counties have become built out, and the Inland Empire has provided a relief valve for growth pressures ▪ However while housing developments have shifted into the Inland Empire, jobs have remained closer to the coast. Thus, San Bernardino and Riverside counties increasingly provide affordable housing for people who work 40 miles to the west
Albert Medvitz & Alvin Sokolow, *California Agriculture*, "Can we stop farmland losses? Population growth threatens agriculture, open space," 1995	▪ Article that looks at the estimated population growth in California and how it will effect farmland in the state	▪ California's population is projected to double to 63 million by 2040 ▪ The population increase will result in urban acreage replacing farmland. California agriculture will lose nearly 5 million acres 17% of the total farmland base in 1995 ▪ There is in longer much land to convert to agriculture due to limited cultivable land and water

Demand for urban development continues to grow and more farmland is being converted to urban use

Land Conversion in Inland Empire Net Acre Change (2006-2010)



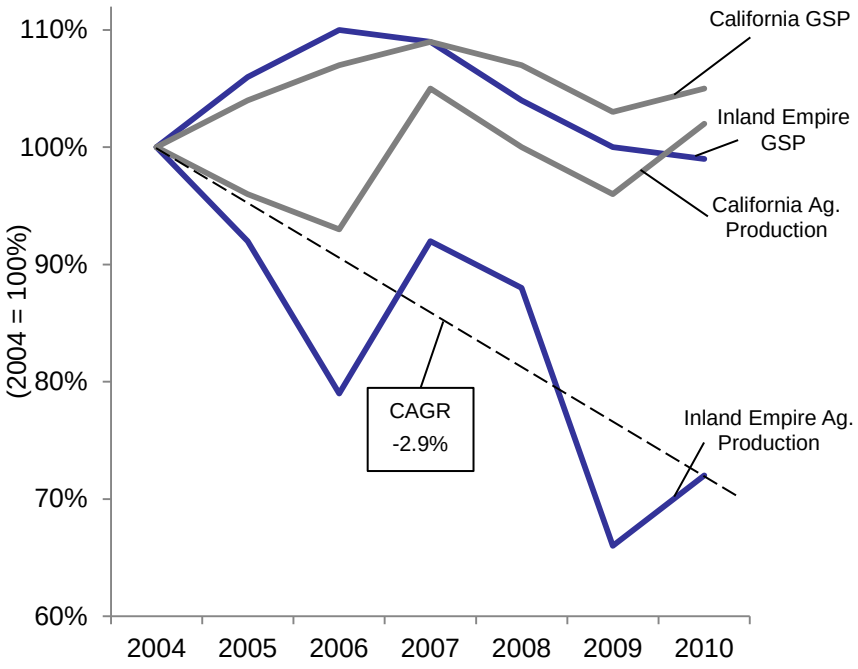
Key Observations

- Over 24,000 acres were removed from agricultural use in the Inland Empire from 2006 to 2010
- Over the same time period, over 30,000 acres of urban land was gained in the region
- Because the majority of agriculture development is located in areas with relatively level terrain and stable soil, it is desirable for urban development
- Furthermore, as urban expansion encroaches into agricultural land, it is difficult for farmers and ranchers to expand

SOURCE: Division of Land Resource Protection, "Riverside and San Bernardino County Important Farmland Data Availability," accessed March 2012 (http://redirect.conservation.ca.gov/dlrp/fmmp/county_info_results.asp)

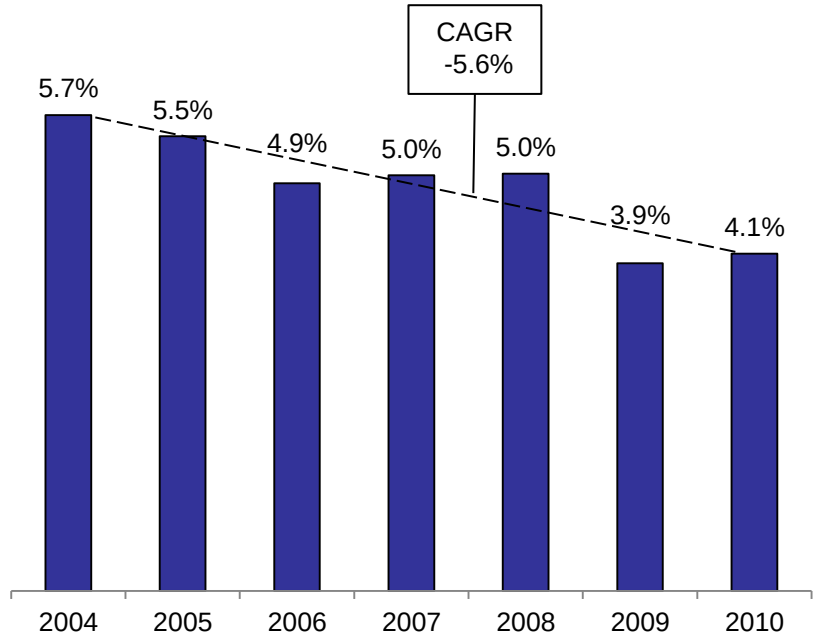
Agriculture production in the Inland Empire has been unsteady and in decline since 2004, whereas statewide agriculture production has been on the rise

Agriculture Production Inland Empire & California (2004-2010)



- Where agriculture production statewide has increased slightly since 2004, production in the Inland Empire has seen a substantial decrease
- As of 2010, agriculture production levels in the Inland Empire were 28% lower than in 2004. This is a significant drop, especially when GSP (adjusted for inflation) in the Inland Empire over the same time period remained relatively stable
- California GSP has increased by 5% since 2004 and state agriculture production has also realized a growth of 2%

Percentage of State Agriculture Production by Inland Empire (2004-2010)

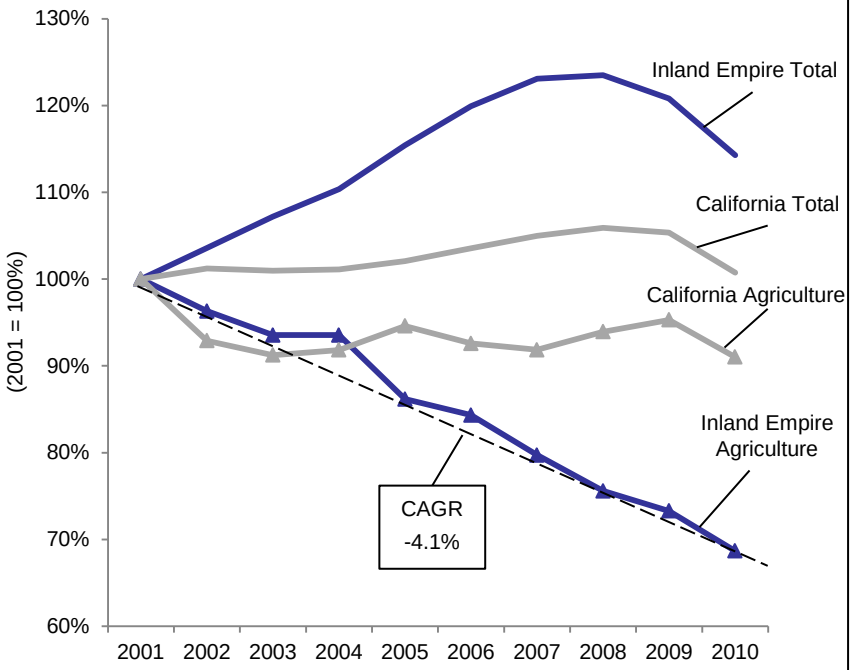


- The amount of total state agriculture production that the Inland Empire supplies has been in decline since 2004.
- In 2004, the Inland Empire was responsible for 5.7% of California's agriculture production, but as of 2010 the number was down to 4.1%
- Agriculture production equated to just 1.4% of total production (GSP) for the Inland Empire region in 2010

SOURCE: California Department of Food and Agriculture, "County Rank by Gross Value of Agricultural Production, 2004–2009;" California Farm Bureau Federation, "Assorted County Crop Information 2010"

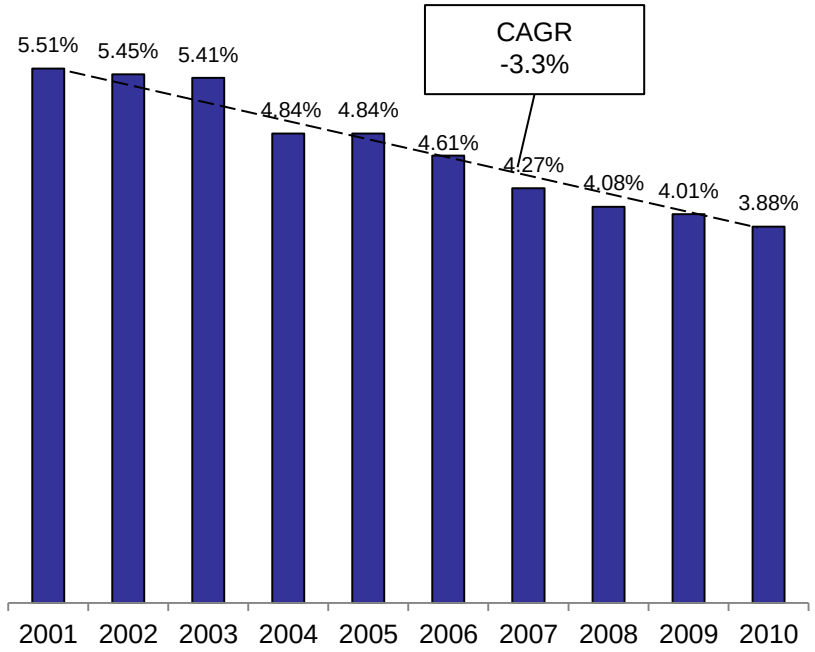
While overall employment grew in the Inland Empire since 2000, employment in agriculture steadily declined

Agriculture Employment Inland Empire & California (2001-2010)



- Overall employment in the Inland Empire increased by 14% from 2001-2010, but over the same time frame agriculture employment decreased by 31%
- Agriculture employment throughout the state decreased over the same time frame, but not at the rate seen in the Inland Empire
- In 2010, agriculture employment equated to less than 1% of total employment in the Inland Empire, down from 1.6% in 2000
- Even when total employment was increasing in the Inland Empire, agriculture continued to decline

Percentage of State Agriculture Employment by Inland Empire (2001-2010)



- The Inland Empire's contribution to the state agriculture workforce declined by 1.63% from 2001-10
- While the total number of workers in all industries increased from 2000 to 2010, the number of agriculture workers decreased from 21,700 in 2000 to 14,800 in 2010

SOURCE: State of California Employment Development Department, "LMI for Riverside-San Bernardino-Ontario MSA, California" accessed March 2012 (http://www.calmis.ca.gov/htmlfile/msa/rivsbern.htm)

There are 3 key factors that attribute to the decline of agriculture in the Inland Empire

Inland Empire Decline in Agriculture

Housing Affordability in the Region

- The low price of homes in the Inland Empire are drawing people from Los Angeles and Orange County and resulting in a population surge in the region

Competition From Other Regions

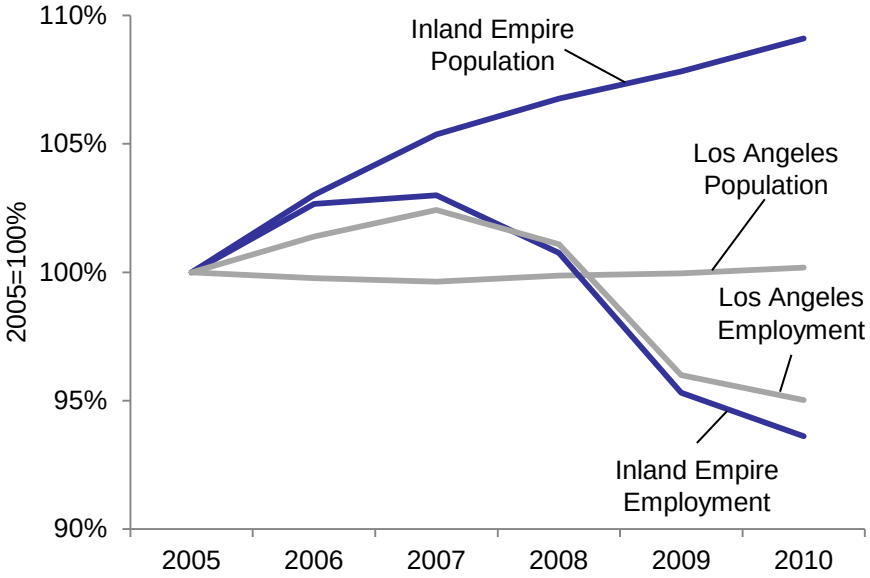
- Agriculture production in the Inland Empire, particularly the dairy industry, appears to be moving to other regions such as the Southern Central Valley

Volatile Water Allocations

- Farmers are unsure of their monthly water supply due to volatile water allocations from the State Water Project

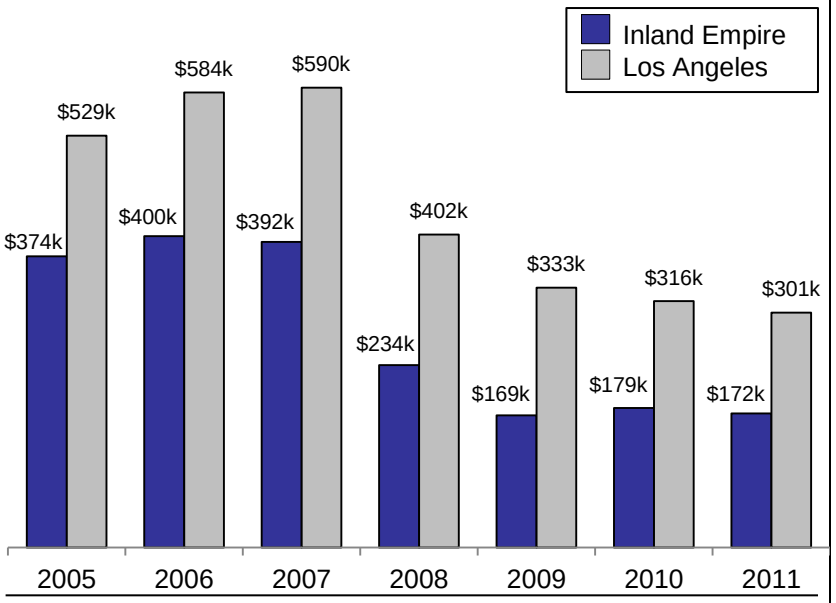
In part to competitive housing prices, the population in the Inland Empire has been increasing

Population Growth Since 2005



- The population of the Inland Empire grew 9% from 2005-2010, while the population of Los Angeles remained stable with a slight growth of 0.2%
- However, total employment in both Los Angeles and the Inland Empire decreased by 5% and 6.4% respectively
- The employment decrease is unusual in the Inland Empire dues to its strong population growth

Median Home Sale Price (2005-11)

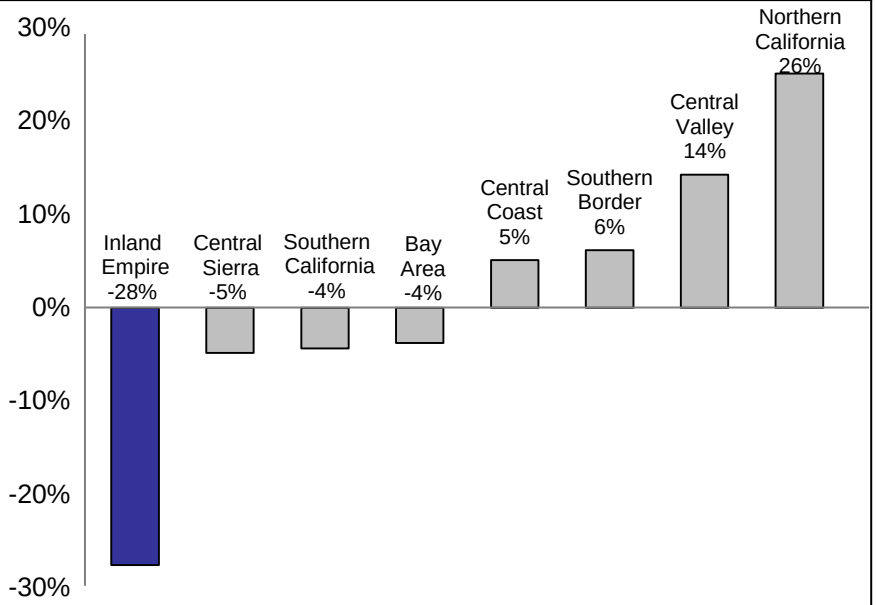


- One factor that contributes to the differing population growths in the two regions is home prices. While the median home price in Los Angeles was $301k in 2011, prices in the Inland Empire were 57% cheaper at a median of 172k

SOURCE: : California Department of Finance, “California County Population Estimates and Components of Change by Year 2000-2010;” National Association of REALTORS, "Median Sales Price of Existing Single-Family Homes for Metropolitan Areas," 2004-2010;”

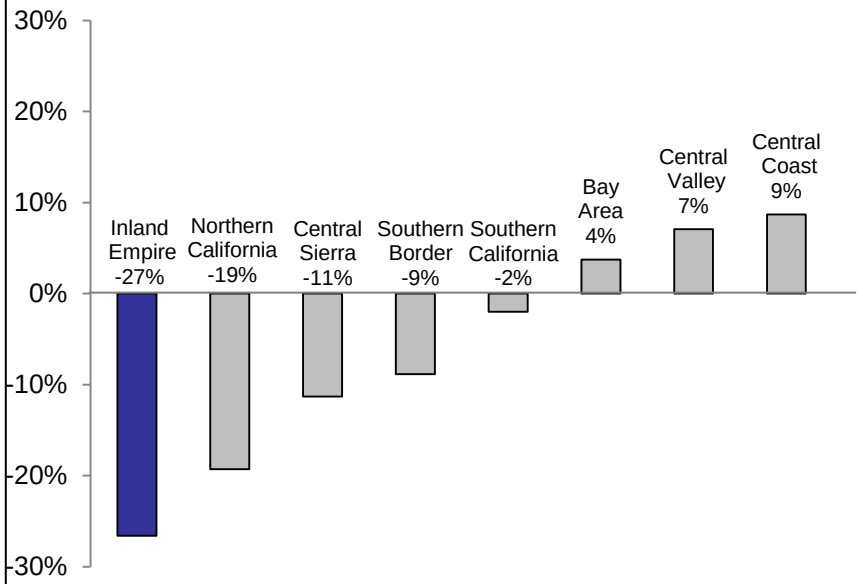
Agriculture production in the Inland Empire has been shifting to other regions

Regional Agriculture Production Growth from 2004-2010



- The decrease in agriculture production in the Inland Empire is 7 times greater than any other district in California
- While other districts have seen a decrease in production (Central Sierra, Southern California, and the Bay Area), none have decreased by more than 4%
- The districts of Northern California, Central Valley, Southern Border, and Central Coast have all seen increases in production

Regional Agriculture Employment Growth from 2004-2010

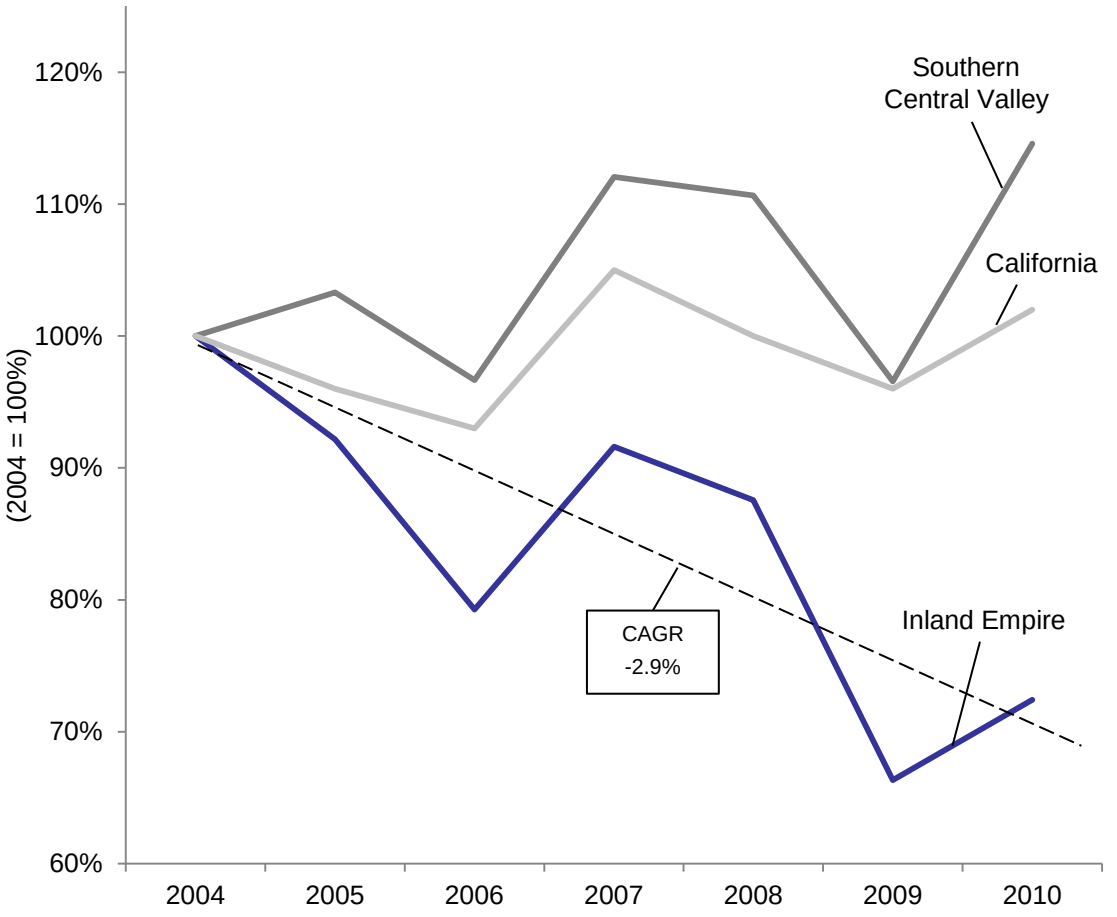


- From 2004-10, agriculture employment in the Inland Empire declined by 27%, by far the greatest decrease of any region in the state
- Agriculture employment in the competing Central Valley has the second highest growth rate among California regions at 7%
- Furthermore, the Central Valley saw the greatest increase in total number of jobs with 13,670
- The Inland Empire lost 5,400 jobs, equal to half the total number of jobs gained in the transportation industry from 2004-2010

SORUCE: California Farm Bureau Federation, “Assorted County Crop Information – 2004-2010”; State of California Employment Development Department, “LMI Industrial Employment Data for Assorted Counties 1990-2010,” March 2012

Agriculture production in the Southern Central Valley, which has a similar agriculture industry to the Inland Empire, has increased by 14% since 2004

Agriculture Production Inland Empire & Southern Central Valley (2004-2010)

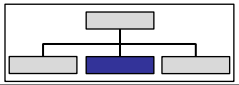


Key Observations

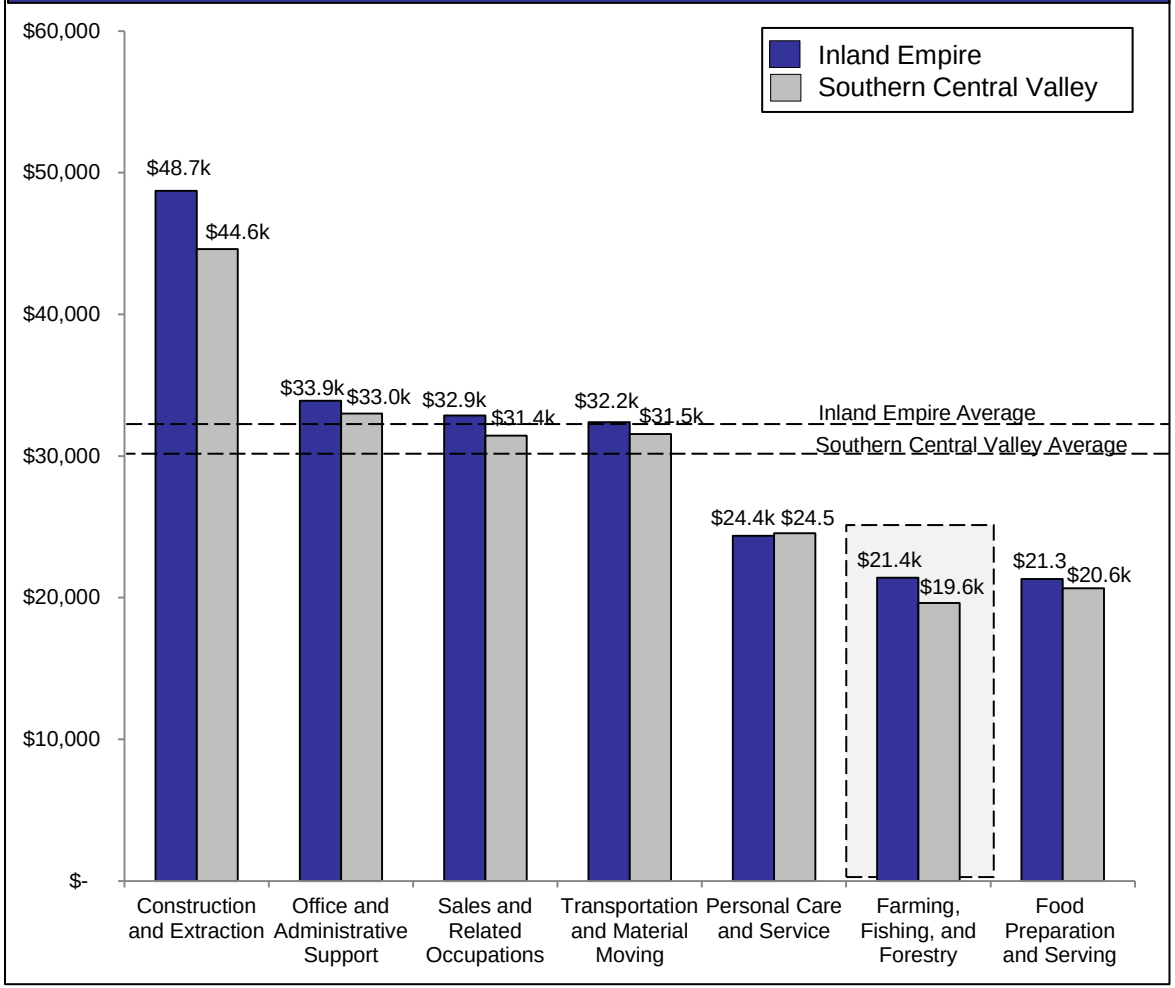
- Agriculture production in the Inland Empire and the Southern Central Valley followed the same statewide trends between 2004-10
- However, while the Southern Central Valley has seen an overall increase in production since 2004, the Inland Empire has seen a significant decline in production
- The Inland Empire went from producing $1.8 billion in agriculture products in 2004 to producing $1.5 billion in agriculture products in 2010
- Whereas, the Southern Central Valley went from producing $ 13.0 in agriculture products in 2004 to producing $17.3 billion in agriculture products in 2010
- The Southern Central Valley has similar agriculture products to the Inland Empire, especially in the dairy industry

SOURCE: California Department of Food and Agriculture, “County Rank by Gross Value of Agricultural Production, 2004–2009;” California Farm Bureau Federation, “Assorted County Crop Information 2010”

Agriculture in the Inland Empire has to compete with local higher-paying industries as well as cheaper agriculture labor from places like the Southern Central Valley



Inland Empire & Southern Central Valley Mean Salary For Selected Sectors 2010



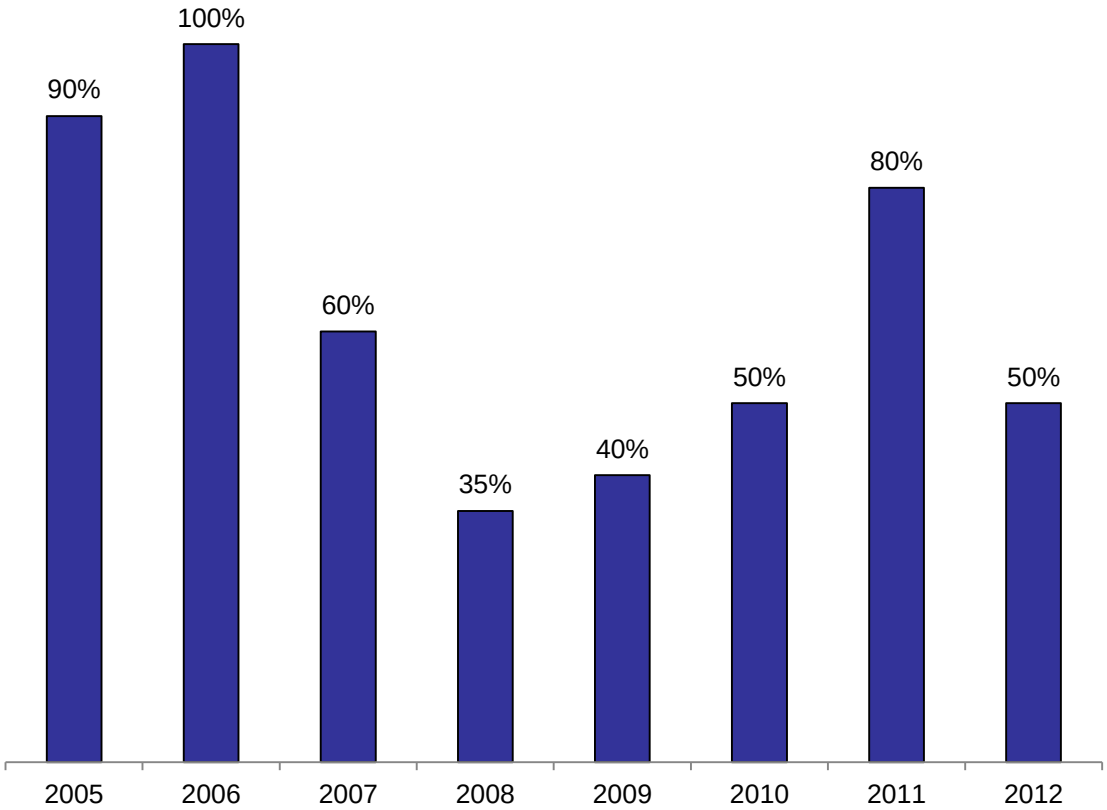
SOURCE: U.S. Department of Labor, "Occupational Employment Statistics, May 2010 Selected Counties, " accessed March 2012 (http://www.bls.gov/oes/current/oes_40140.htm)

Key Observations

- Compared to other skilled and semi-skilled employment, agricultural salaries lag behind most of their counterparts across the region
- While family labor and other non-paid employment does occur in the region, it is increasingly difficult to sustain as the agriculture industry continues to decline and paid employment becomes more readily available in the growing industries
- Agriculture salaries in the Southern Central Valley are the lowest of the skilled and semi-skilled industries, and face competition with these higher payer industries
- However, because the agricultural labor force is cheaper in the Southern Central Valley, farm and ranch owners have an incentive to operate in this area rather than the more labor expensive Inland Empire

The volatile water allocation from the State Water Project has made it difficult for farmers in the Inland Empire to remain competitive

State Water Project Allocations to Inland Empire Water Districts



SOURCE: California Department of Water Resources, Notice to State Water Project Contractors, 2005-2012

Key Observations

- The State Water Project (SWP) was constructed to provide most of California with a stable statewide water resource to augment local sources
- Currently, the Project provides supplemental water to approximately 25 million Californians and about 750,000 acres of irrigated farmland
- Each year, its contracting water agencies make water allocation requests and the state Department of Water Resources plans the initial allocation percentage
- Agriculture is disproportionally affected by reduced allocation. Priority is given to urban areas and human consumption, forcing farmers and ranchers to adapt their own agricultural water usage

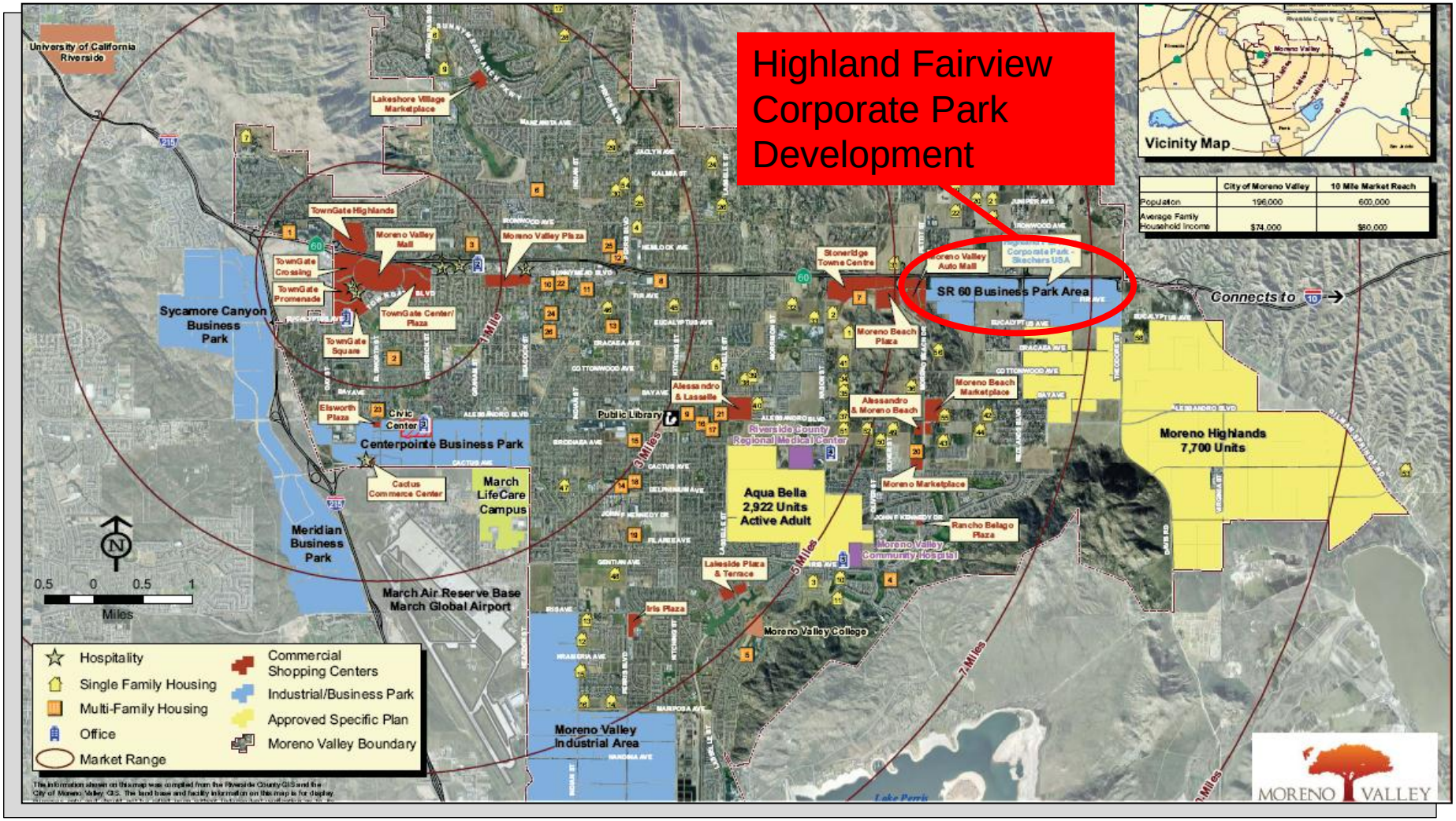
Conclusion

- Though it is small by comparison, the agriculture industry in the Inland Empire region is shrinking at a considerable rate. The decline of the agriculture industry region is occurring despite the fact that there is growth in the region as a whole and within the industry as a whole
- The low price of homes in the Inland Empire are drawing people from Los Angeles and Orange County and transforming the region into a bedroom community
- In addition, the agriculture industry in the region is experiencing competition for labor within the region. Other jobs in the region afford higher wages. This same force that is driving the cost of agriculture labor up in the region is simultaneously working to make other regions more attractive and competitive. For example, the relatively cheaper cost of agriculture labor in the Central Valley provides that region with a relative competitive advantage over the Inland Empire.
- Moreover, volatile water allocations from the State Water Project has made it more difficult for regional farmers to remain competitive
- The agriculture industry in the Inland Empire will become less competitive and continue to decline regardless of whether the World Logistics Center is developed or not

Appendix

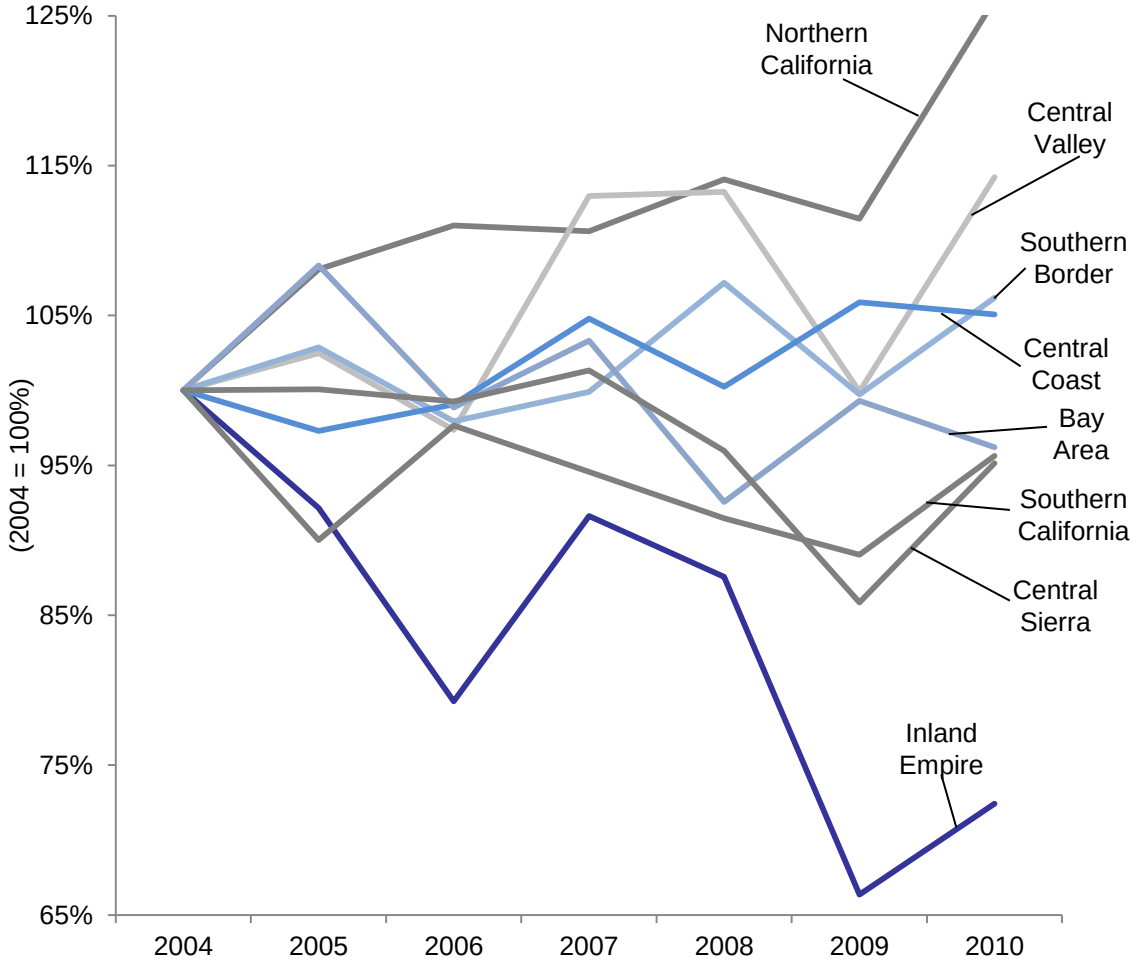
- Appendix A: Map of Highland Fairview Development
- Appendix B: Regional Agriculture Production 2004-10
- Appendix C: Leading agriculture products in Inland Empire 2006-10
- Appendix D: 2004 & 2010 GDP Breakdown
- Appendix E: Dairy Production in Inland Empire
- Appendix F: California Regional Commodities
- Appendix G: Inland Empire Population

Appendix A: Map of Highland Fairview Development



Appendix B: Regional Agriculture Production 2004-10

Agriculture Production by District (2004-10)*



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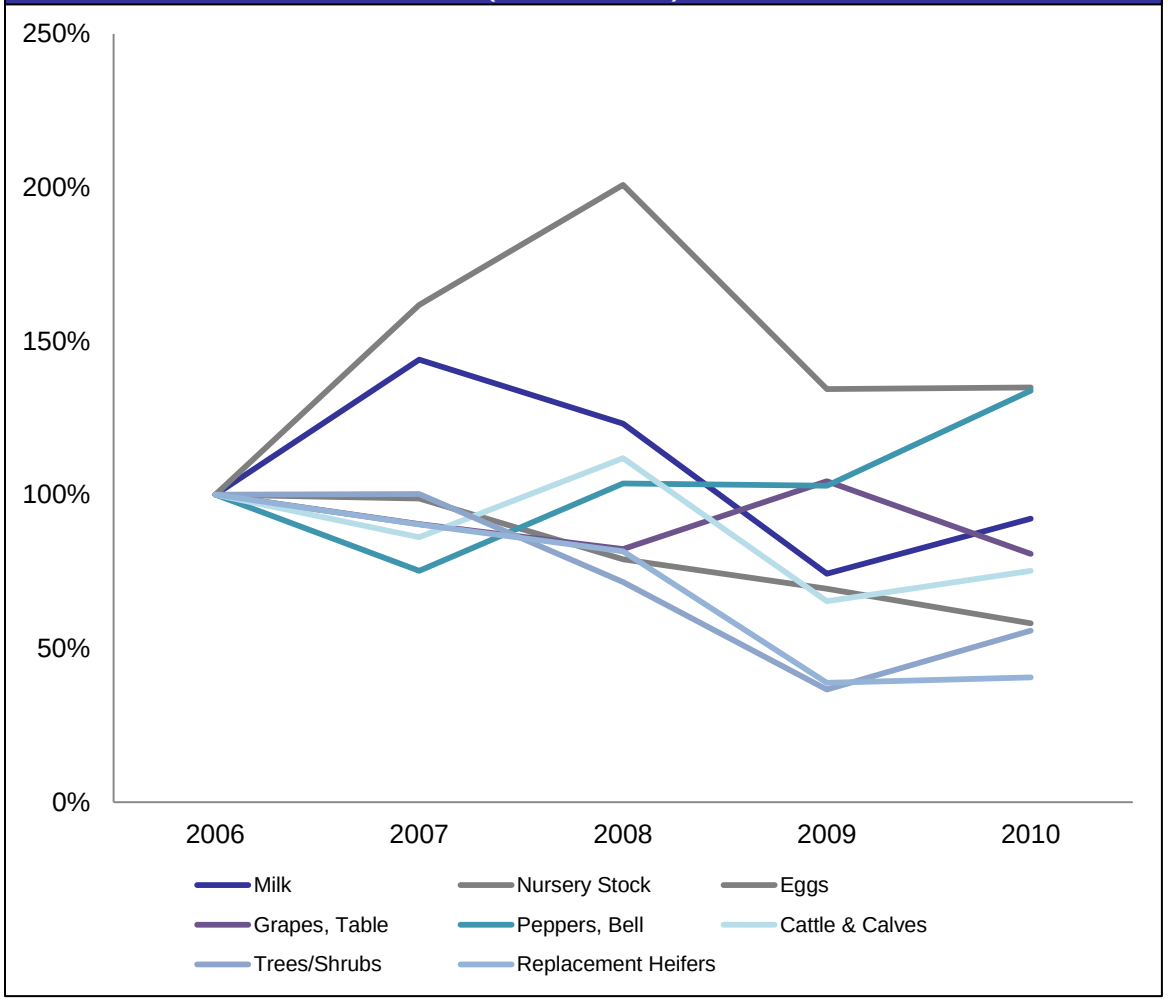
- The decrease in agriculture production in the Inland Empire is 7 times greater than any other district in California
- While other districts have seen a decrease in production (Central Sierra, Southern California, and the Bay Area), none have decreased by more than 4%
- The districts of Northern California, Central Valley, Southern Border, and Central Coast have all seen increases in production

SOURCE: California Department of Food and Agriculture, "County Rank by Gross Value of Agricultural Production, 2004–2009;" California Farm Bureau Federation, "Assorted County Crop Information 2010"

Appendix C: Leading agriculture products in Inland Empire 2006-10

Inland Empire Leading Agricultural Products Value (2006-2011)



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- Milk, nursery stock, eggs, table grapes, bell peppers, cattle and calves, trees/shrubs, and replacement heifers are the top agriculture products in the Inland Empire
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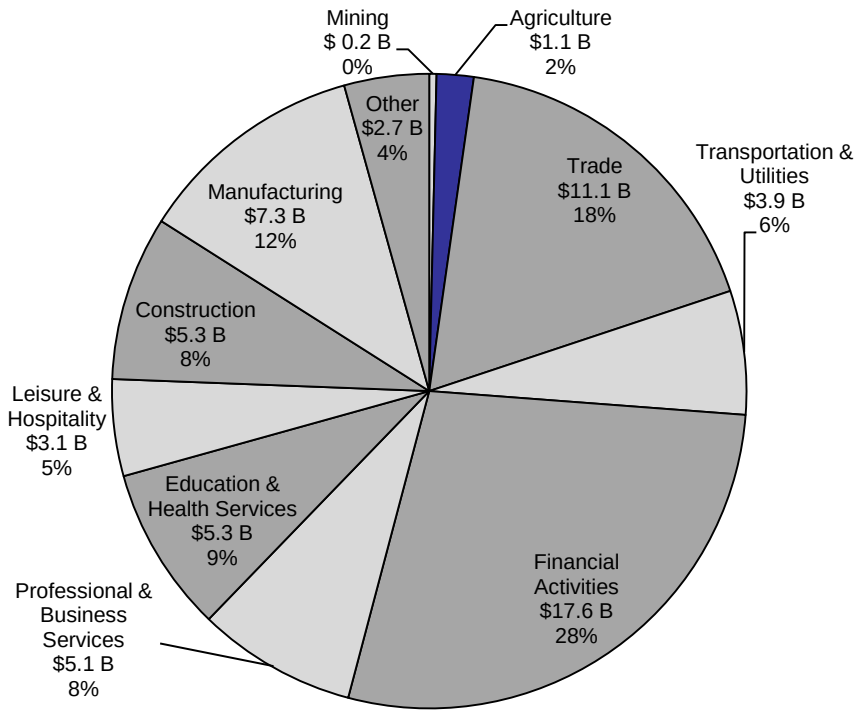
- Replacement heifers and trees/shrubs saw the biggest decreases at 59% and 44% respectively
- Milk production is the largest product in terms of value, but has decreased 8% in value since 2006
- Dairy farmers usually produce milk, replacement heifers, and cattle and calves and as a result constitute a large portion of agriculture production in the Inland Empire

SOURCE: Agricultural Commissioner's Office, Counties of Riverside and San Bernardino, Annual Production Report, Assorted Years

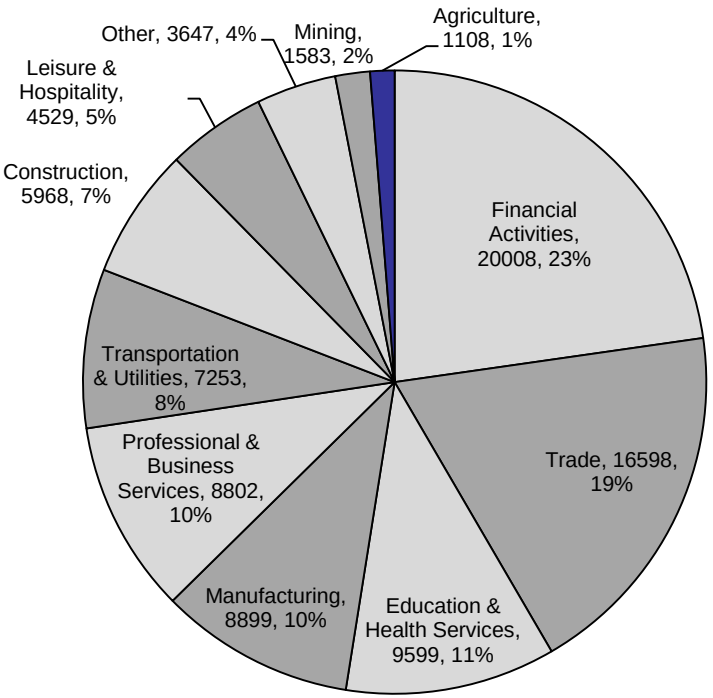
Appendix D: 2004 & 2010 GDP Breakdown

Inland Empire 2004 GDP



- In 2004, agriculture in the Inland Empire totaled $1.1 billion and was 2% of total GDP in the region
- Financial activities, trade, and manufacturing made up over half (58%) of the regional economy
- Mining and agriculture were separated into two sectors, but would normally be one combined sector (mining & natural resources). When combined, the sector still only equates to 2% of GDP and is the smallest sector in the regional economy

Inland Empire 2010 GDP

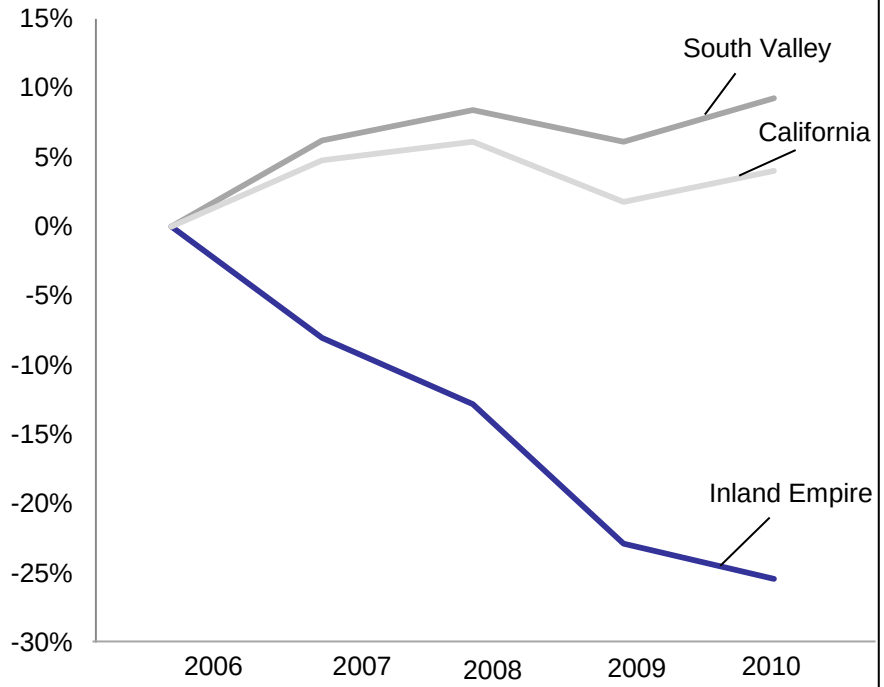


- In 2010, agriculture in the Inland Empire remained at the same dollar value as 2004 ($1.1 billion), but after adjusting for inflation the real dollar value decreased by $50 million to $960 million (2004$)
- Agriculture equated to just 1% of total GDP in the Inland Empire region in 2010
- As in 2004, financial activities, trade, and manufacturing comprised over half of the regional economy

SOURCE: Bureau of Economic Analysis, U.S. Department of Commerce, "Gross Domestic Product by Metropolitan Statistical Area, Riverside-San Bernardino-Ontario 2004 & 2010," accessed March 2012 (http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=2)

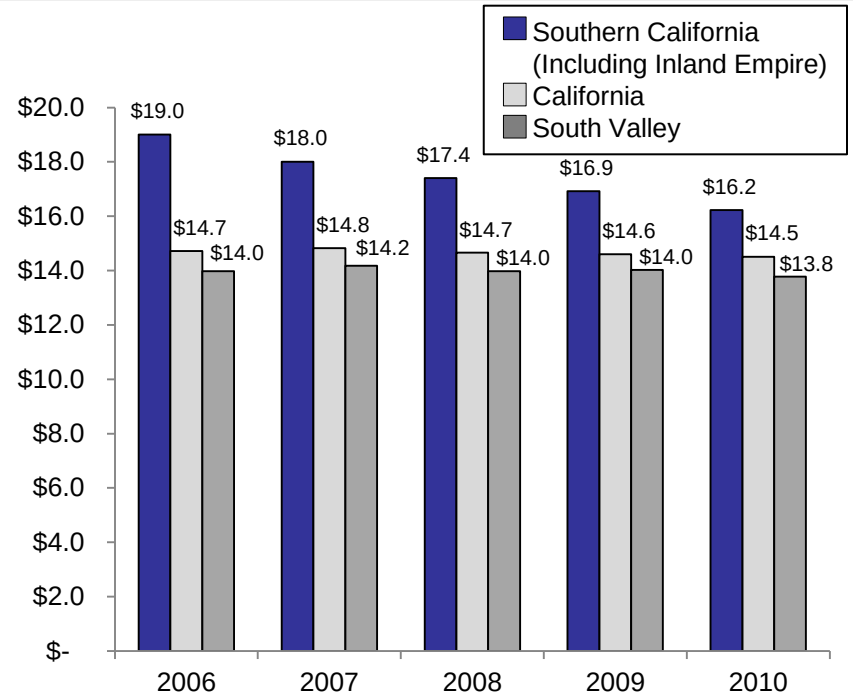
Appendix E: Dairy in Inland Empire

Milk Production Growth Since 2006



- Since 2006, milk production has increased statewide by 4% and by 9% in the South Valley (encompassing Kern, Fresno, Tulare, and Kings counties)
- However, in the Inland Empire milk production has decreased by 25% over the same time period
- The cities of Chino and Ontario have historically been two of the biggest milk producers in the state, but it appears production is now shifting to the Southern Valley

Dairy Hourly Wages For Employees (Real$)



- While slowly decreasing, dairy wages in Southern California have been continually higher than both the state average and the competing South Valley
- Dairy farmers are moving from the labor expensive Inland Empire to the relatively labor cheap South Valley
- Furthermore, with the rapid urban development that is occurring in the Inland Empire, dairy farmers are able to sell their land to developers at much higher prices than they originally paid

SOURCE: California Department of Food & Agriculture, "Dairy - Annual Cost of Production," (2006-2010) accessed March 2012 (http://www.cdfa.ca.gov/dairy/dairycop_annual.html)

Appendix F: California Regional Commodities

Leading Agriculture Commodities by Region (2009)	
Region	Leading Commodities
Northern California	Hay, Alfalfa, Strawberries, Grapes, Cattle & Calves
Central Valley	Milk, Cattle & Calves, Grapes, Almonds, Vegetables
Inland Empire	Milk, Cattle & Calves, Eggs, Grapes, Nursery Stock
Southern Border	Nursery Plants, Flowers, Cattle, Lettuce, Avocados
Southern California	Berries, Nursery, Celery, Lemons, Tomatoes
Central Coast	Berries, Lettuce, Grapes, Broccoli, Vegetables
Bay Area	Grapes, Milk, Nursery, Berries,
Central Sierra	Grapes, Hay, Cattle & Calves, Pasture, Poultry

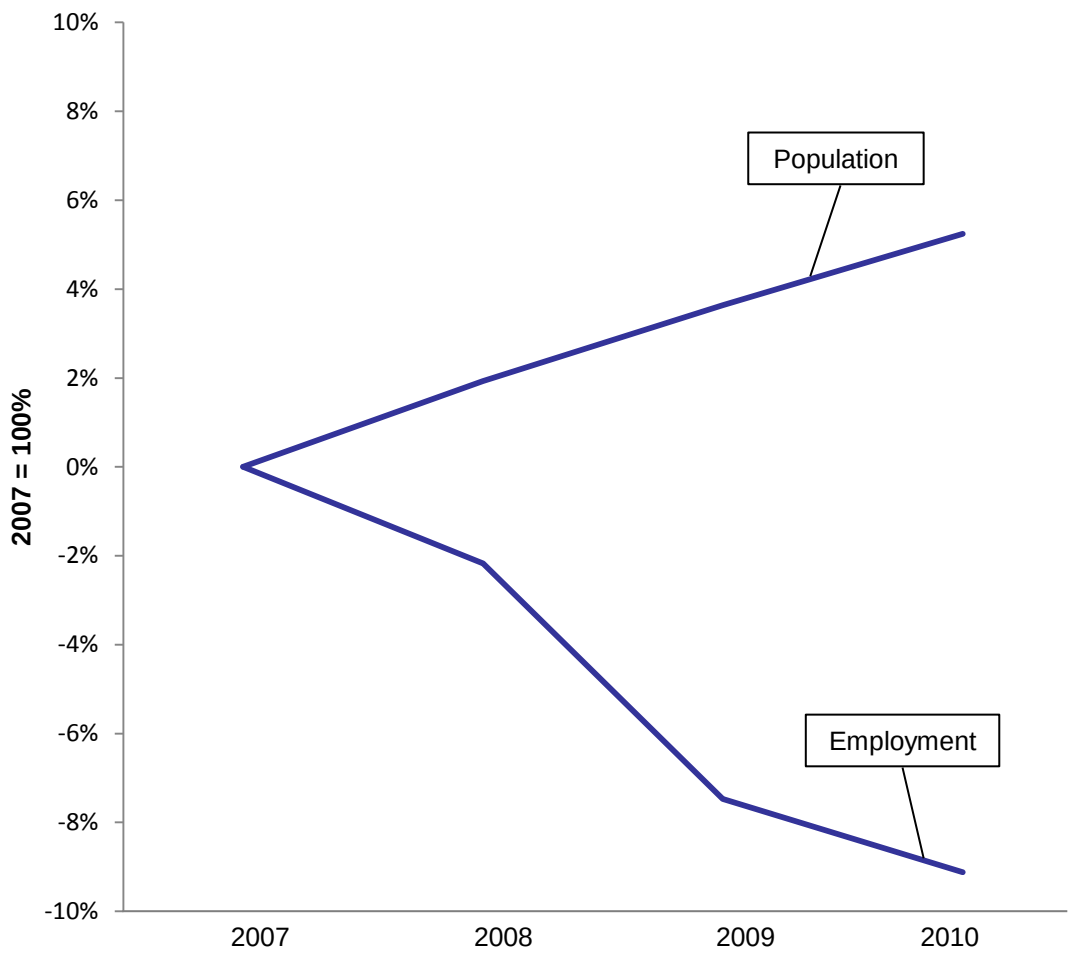
SOURCE: Analysis by Andrew Chang & Company based off California Department of Food and Agriculture, "County Rank by Gross Value of Agricultural Production, 2008–2009," California Agricultural Resource Directory 2010-2011

Key Observations

- The diary industry (milk, cattle and calves, and replacement heifers) is the leading agriculture industry in the Inland Empire producing $441 million in diary production in 2010
- The region in which the Inland Empire has the most competition in the dairy industry is the Central Valley
- The counties of Kings and Tulare, within the Central Valley, are major producers of both milk and cattle and calves. The two counties combined to produce $1.6 billion in milk production and $545.7 million in cattle and calve production in 2010

Appendix G: Although the population is increasing in the Inland Empire, employment has been declining since 2007

Population and Employment in Inland Empire (2007-2010)



Key Observations

- While the population of the Inland Empire has increase by 5% since 2007, employment in the area has decrease by 9% over the same time period
- One possible explanation as to why the population is increasing while employment is decreasing, is the fact that while people are moving to the Inland Empire, their jobs remain in Los Angeles and Orange County
- Another explanation could be that the region is just following the statewide employment trend which has been on the decline since 2007

SOURCE: California Department of Finance, "California County Population Estimates and Components of Change by Year 2000-2010;" State of California Employment Development Department, "LMI for Riverside-San Bernardino-Ontario MSA, California" accessed March 2012 (http://www.calmis.ca.gov/htmlfile/msa/rivsbern.htm

Agricultural Resources Assessment

for the

World Logistics Center Specific Plan Draft Environmental Impact Report

May 2012

Prepared by

PARSONS BRINCKERHOFF

Orange, California 92869

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EXECUTIVE SUMMARY

The purpose of this assessment is to analyze the potential agricultural impacts of the World Logistics Center Specific Plan project on agricultural resources within the project site and in the immediate vicinity. The proposed project will develop 3,814 acres for urban uses within the City of Moreno Valley. To evaluate the potential agricultural impacts associated with the implementation of the Specific Plan, impacts were analyzed in accordance with the California Environmental Quality Act (CEQA) and the California Land Evaluation and Site Assessment Model (LESA). This assessment also includes information about crop suitability in the project area and local and state regulations regarding agricultural lands.

1. INTRODUCTION

1.1. Location

The World Logistics Center Specific Plan is situated in northwestern Riverside County, in Rancho Belago within the eastern portion of the City of Moreno Valley. The proposed Specific Plan is located south of State Route 60 (SR-60), between Redlands Boulevard and Gilman Springs Road (the easterly City limit), extending to the southerly City Limit. The major roadways that currently provide access to the project area are SR-60, Redlands Boulevard, Alessandro Boulevard, Gilman Springs Road and Theodore Street. Redlands Boulevard and Theodore Street are north-south collector roadways that intersect with SR-60. Alessandro Boulevard is an east-west thoroughfare that runs through Moreno Valley from Interstate-215 on the west to Gilman Springs Road on the east. Gilman Springs Road runs in a northwesterly-southeasterly direction connecting SR-60 to the Hemet-San Jacinto area and beyond.

There is little development adjacent to the east and south boundaries of the project area. The area easterly of the project is commonly referred to as the Badlands, a rugged area that separates the City of Moreno Valley from San Timoteo Canyon, and the City of Beaumont. The area south of the proposed project is the San Jacinto Wildlife Area (SJWA) (which includes the Upland Game Hunting Area), and the Lake Perris State Recreation Area. These lands are state-owned and access to these areas is restricted. Highland Fairview Corporate Park (HFCP), located north and west of the project area between Redlands Boulevard and Theodore Street, is currently under development and the first phase was completed in late 2011. The area north of SR-60 is largely undeveloped with clusters of low density residential development within the Moreno Valley city limits. Lying to the west of the proposed project is the more developed portion of the City of Moreno Valley. Near the southwest boundary of the proposed project is an existing residential neighborhood at the intersection of Redlands Boulevard and Alessandro Boulevard; a small market and a Post Office are also located near this intersection.

1.2. Project Description

The entitlements necessary for the proposed project includes a General Plan Amendment, adoption of the World Logistics Center Specific Plan, a Zone Change, and annexation of an 85-acre parcel along Gilman Springs Road. The City of Moreno Valley is the Lead Agency for the proposed project. In addition, the project will require other associated actions and approvals by other public entities in order to construct and operate the proposed project.

General Plan Amendment

The General Plan Amendment proposes a revision to the City General Plan land use designations for the project area as set forth in the proposed Specific Plan. The General Plan Amendment will also involve[KB2] amendments to several other elements as applicable, including (but not limited to) the Community Development Element, the Parks, Recreation and Open Space Element, the Circulation

Element, the Safety Element, the Environmental Safety Element, and the Conservation Element to make them consistent with the Specific Plan if it is approved. [KB3]

Specific Plan

The proposed project includes a Specific Plan to implement the new General Plan Amendment and to set forth comprehensive land use regulations governing the proposed project. The World Logistics Center Specific Plan is a master plan for the development of approximately 41.6 million square feet of modern high-cube logistics warehouse distribution facilities defined as Logistics Development.

The Specific Plan establishes the master plan of development for the project area, including development standards and use regulations, a master plan for circulation and infrastructure, architectural, landscape and design guidelines and sustainability goals, all of which will be applicable to all development within the project area.

Within the Specific Plan the primary land use category will be Logistics Development, this use will provide for high-cube logistics warehouse space consisting of buildings of 500,000 square feet or greater, with ceiling heights of 25 feet or greater. Warehousing and logistics activities consistent with the storage and processing of manufactured goods and materials prior to their distribution to other facilities and retail outlets will be permitted within this category. Ancillary office and maintenance space will be permitted, along with the outdoor storage of trucks, trailers, and shipping containers.

Table **1** depicts the land area associated with the proposed Logistics Development, Public Utility, and Open Space Uses within he proposed project. Figure 2 depicts the proposed Land Use Plan.

Table 1– The World Logistics Center Specific Plan Land Use Summary [KB4]

2. Land Use	3. Acreage
Logistics Development	2,710
Public Utility	19
Open Space	
CDFG Open Space	1,085
Total	**3,814**

Change of Zone

All but 22 acres of the existing Moreno Highlands Specific Plan are included within the boundary of the World Logistics Center Specific Plan.

The Change of Zone will establish the World Logistics Center Specific Plan which will replace most of the Moreno Highlands Specific Plan and re-zone several other properties. The new Specific Plan will become the regulatory land use document for the entire project area.

Development Agreement

The project will include a Development Agreement between the property owner, Highland Fairview, (or related entities) and the City of Moreno Valley in order to provide certainty for the future development of the project for those parcels owned by Highland Fairview

Tentative Parcel Map

The Tentative Parcel Map (for financing purposes only) proposes the subdivision of a portion of the project site into large parcels for purposes of financial transactions or further subdivision of the land prior to development.

Annexation

The project includes the annexation by the City of a triangular-shaped 85-acre parcel located on the north side of Alessandro Boulevard at Gilman Springs Road. This parcel is already with the City's Sphere of Influence. The proposed project includes pre-annexation General Plan land use designations and zoning for this parcel, and the EIR will be the environmental documentation used by the Local Agency Formation Commission to complete the annexation process. The County's land use designation currently applicable to this parcel is W-2-2½. The W-2 area allows single-family residential and light agriculture (the suffix indicates minimum parcel size in acres) and the City's current General Plan land use designation for the site is Business Park (BP). This project proposes to incorporate this property into the World Logistics Center Specific Plan.

Figure 1 – The World Logistics Center Specific Plan Vicinity Map[KB5]

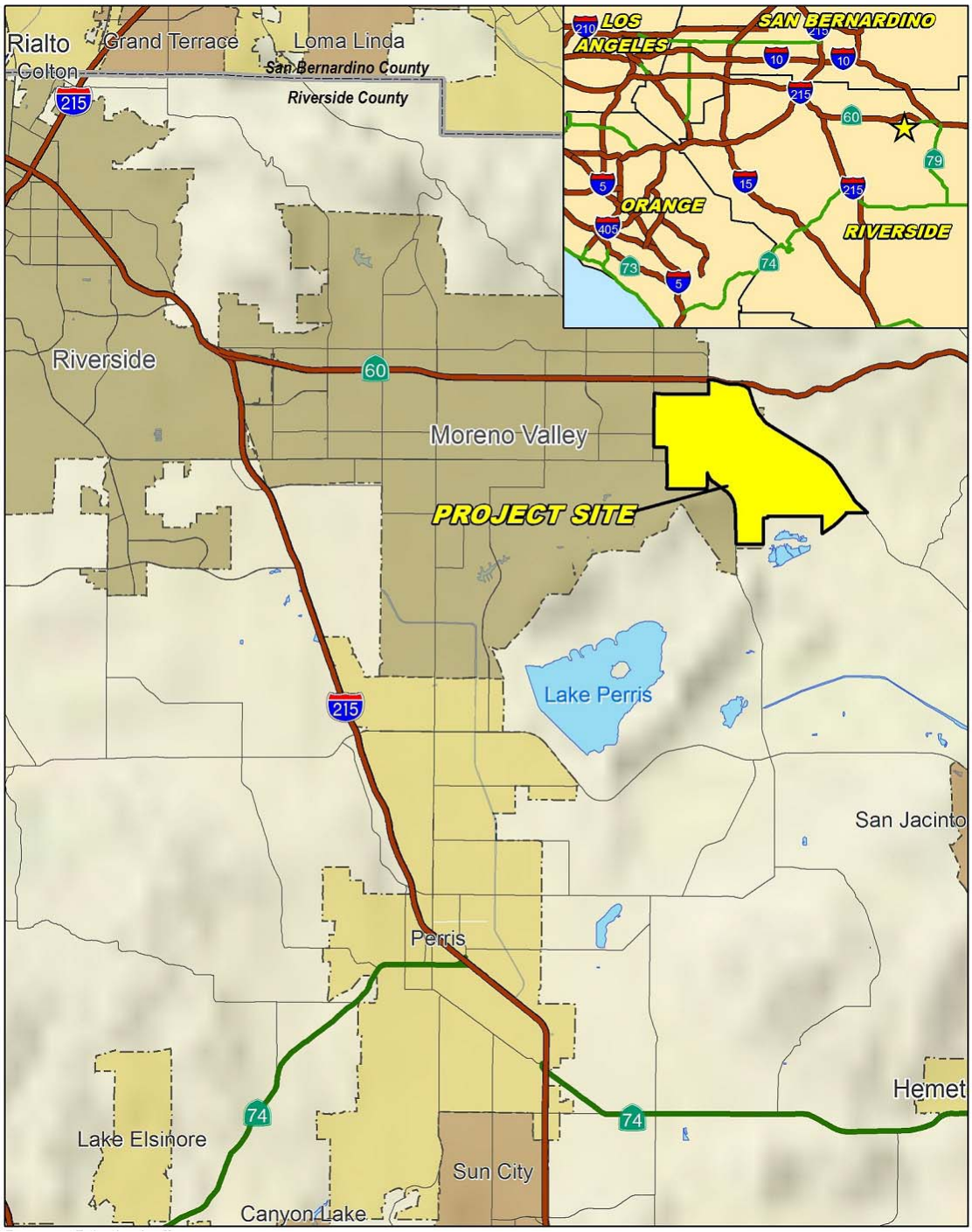
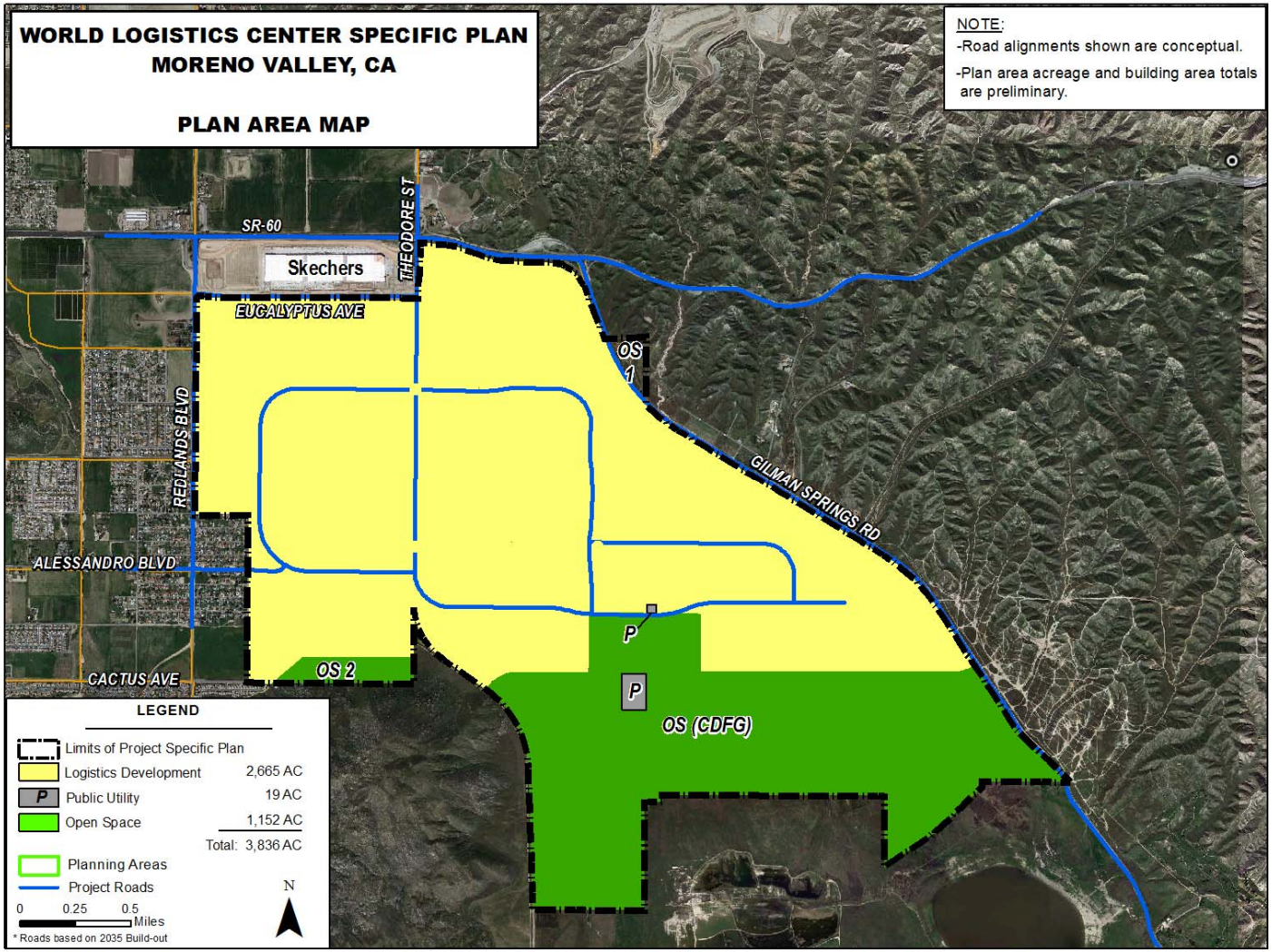


Figure 2 – The World Logistics Center Specific Plan Planning Map[KB6]



February 7, 2012

1.3. **Methods**

This report assesses potential agricultural impacts related to the development of the project site from an undeveloped area to a master planned logistics park. Project-related agricultural impacts were assessed using the following methods:

1. California Land Evaluation and Site Assessment (LESA) Model
2. Evaluation of direct impacts to California Department of Conservation (CDC) Important Farmlands and U.S. Natural Resources Conservation Service (NRCS) Prime Farmlands soils within the state
3. Assessment of indirect impacts to and from the proposed project
4. Evaluation of cumulative impacts, including effects from the potential loss of regional (countywide) agricultural production and resources, as well as the combined effects of the project and identified projects within the cumulative study area

Information for this report was gathered from official sources cited throughout the report and in the references section.

1.4. **Crop History**

Historically, the most abundant and important crop in the region was irrigated citrus fruit. The unique climate and soil in the area produced good quality and profitable citrus. However, over the past 30 years, the high cost of land and irrigation water in the Riverside and Los Angeles basins gradually moved the agricultural production of citrus to Central California (AIS2008).

In the City of Moreno Valley, open space that is primarily devoted to agriculture encompasses only a minor portion of the total land area in the City. Over the years, the area devoted to agricultural production has decreased over time because of urban development replacing agricultural lands. According to the City of Moreno Valley's General Plan EIR, agricultural land in the City is generally leased to farm operators and there are few farms within the city that are owner-operated. There are four major types of agriculture are being produced in Moreno valley: grazing, fruit orchards, dry grain farming, potato and fruit crop farming and poultry production.

Dry Land Crops

Historically, dry land agricultural production, such as oats, barley and wheat, have been very important to the economy in California. Today, dry land crop production has moved to other parts of the United States due to better climate and lower land costs than in California. The risk of loss

with dry land crops is very high in drought years and an abundance of the crop needs to be produced before any farming operations can break even.

Irrigated Crops

The cost of irrigation water makes the production of irrigated crops economically infeasible in the Moreno Valley area. The cost of drinking water is over $600 per acre foot and the cost of agricultural water is $53 per acre foot in the winter and $90 per acre foot in the summer, so the cost of water alone can exceed the revenues generated by most types of irrigated crops. Commonly, in a low-rainfall area like Moreno Valley, a crop requires three acre feet of water per year and the profit from a majority of crops in California ranges from $0 to $500 per acre year. Even the lower price of recycled water does not eliminate the financial constraint to the long-term agricultural profitability and viability of irrigated crops (AIS 2008).[KB7] In addition, imported water from EMWD may be interrupted (EMWD 2011) and so it is less reliable than agricultural water derived from local groundwater sources.

4. EXISTING CONDITIONS

2.1. General Setting

Existing Conditions

The land area within the Specific Plan is largely undeveloped, and the site has been used sporadically for dry farming for decades, since the area was first settled in the early 1900's. Dry farming is based on crop production without irrigation on lands with low levels of annual rainfall. In the 1920s several farm buildings and related houses were constructed, and in the 1940s a stock farm operated on a portion of the site which was later expanded into a commercial horse farm and training facility that operated until the mid-1990s. Currently, the project area is comprised of mostly undeveloped lands with few paved roadways, a few residential structures and utility facilities. There are seven existing single-family residential homes within the project area. In addition, several structures associated with oil and natural gas conveyance are located within the project area and includes several high-pressure natural gas pipelines and MWD.

Topography

The project area is located at the northern section of the San Jacinto and Moreno Valleys, northeast of Mt. Russell, and southwest of The Badlands. The San Jacinto Wildlife Area is located south of the project boundaries and Lake Perris State Recreation Area. The project area slopes north to south, with an elevation range from approximately 1,800 feet above mean sea level to 1,440 feet above mean seal level at the most southerly boundary. The southwestern corner of the project site drains to the western side of Mt. Russell and the eastern portion of the project site flows on the east side of Mt. Russell (MBA 2011). The runoff onsite generally flows to the south. The southwestern corner of the project site drains to the western side of Mount Russell. The eastern portion of the project site flows on the east side of Mount Russell.

2.2. **Crop Suitability**

2.2.1. Weather

The City of Moreno Valley is located in a semi-arid region of western Riverside County, southerly of the San Bernardino Mountains and San Gabriel Mountains and westerly of the San Jacinto Mountains. The average high temperature is 76 degrees and an average low of 49 degrees. The average rainfall in the region is 9.93 inches. Nearly 70% of the average annual precipitation occurs between the months of December to March.

Winters in Moreno Valley are generally mild with highs in the middle 60s and lows dipping into the upper 30s to lower 40s. Occasionally there are warm spells with highs jumping into the upper 70s and low 80s due to warm winds that descend the mountains from the north and the east. But there are also cold spells in winter when high temperatures reach only into the 50s and night time temperatures can reach the freezing point. The summers in Moreno Valley are sunny, with very warm to hot days and clear mild nights. The hottest months of July and August have average daily temperatures in the middle 90s during the day and with nights in the lower and middle 60's.

With the annual rainfall at 9.93 inches, the number of crops that can be grown without irrigation is very limited, especially given the intense heat in the summer months. Other climatic factors that affect agricultural production include spring frost and Santa Ana winds. Frost is a risk factor in most major citrus growing areas of California. The risk in Moreno Valley is considered about average (severe frost every 10 years). Between the months of October through March, Santa Ana Winds blow through Moreno Valley and the surrounding region. These strong, gusty winds

blow from the north and northeast and occur between five to ten times a season (typically between October through April), and present a significant risk to agricultural crops.

2.2.2. Water supply

The City of Moreno Valley lies within two primary watersheds, the Santa Ana River and the San Jacinto watersheds. There are a few small ponds and lakes scattered throughout the City.

Groundwater Basins

Portions of the project area lie on the Perris North Groundwater Basin and the San Jacinto Groundwater Basin. Groundwater depth ranges from approximately 100 feet to 150 feet below the ground surface. The California State Department of Water Resources has estimated the groundwater basins in the vicinity of Moreno Valley have the capacity to store approximately one million acre-feet of water. It is estimated that the Perris North Groundwater Basin and the San Jacinto Groundwater basin store approximately 620,000 acre-feet of water. Agricultural lands have historically used the ground water basins as a water source. Other sources of water supply include the Santa Ana River, Lake Perris and the Railroad Canyon Reservoir (CDC 2006).

Irrigation Water

Historically, the lack of reliable irrigation water has been a major obstacle to intensive agricultural development in Moreno Valley. The problem continues today and it is compounded by urban growth in the greater Los Angeles Basin and an increasing demand for urban water delivered from the Metropolitan Water District (MWD). Western Riverside County is served by the Eastern Municipal Water District (EMWD), which was formed in 1950 to secure additional water for the growing region. The major sources of water for EMWD are: 49% imported from the MWD via the State Water Project; 16% local groundwater wells and desalters; and 35% recycled water. The water is demand is 55% residential; 9% landscape; 7% commercial; 4% wholesale; 2% agriculture and 23% recycled.

The cost of potable water from EMWD is delivered on a tiered basis, with a minimum cost of over $600 per acre foot; which makes it one of the most expensive agricultural waters in California. The price of water can also fluctuate annually due to adjustments by the Board of Directors (MBA 2008).

Recycled Water

An alternative source of water that is available for irrigation is recycled water. EMWD has been treating wastewater (sewer) within its service area since the 1960's and in 1991 received funding through the U.S Bureau of Reclamation to develop a recycled water backbone transmission system, which greatly expanded the ability to deliver recycled water to a growing customer base. EMWD plans to continue extending the distribution infrastructure for recycled water. In 2011, EMWD delivered 28,926 acre feet of recycled water to local governments and agriculture. The delivery of recycled water is subject to pipelines already being in place, and can be negotiated for agricultural use. Assuming the pipelines are already present in the area, the cost of recycled water varies from $38 per acre foot to over $250 per acre foot. If additional pipelines are needed, as they would be to serve the entire project site, the cost would increase to well over $100 per acre foot. These increased costs for water could exceed expected revenues from irrigated crops. In addition, it is also important to note that there are strict regulations regarding the use of recycled water to food crops (EMWD 2011) which might limits its use on the WLCSP project site. [KB8]

2.2.3. Soils

Soils within the project site and vicinity have been mapped by the U.S. Department of Agriculture Natural Resources Conservation Service (formerly the U.S. Soil Conservation Service [SCS] 1973). The Project Site includes 10 distinct soil series and 21 individual soil types as shown in **Error! Reference source not found.** . A soil series is a group of soils with similar profiles; these profiles include similar thickness, arrangement and other distinct characteristics.

The project area is dominated by the San Emigidio loam (SgA and SgC) and the San Emigdio fine sandy loam (SeC2). These soils are characterized as, very deep and well drained soils that form dominantly on alluvial fans. The soils have slopes of 0 to 15 percent and elevation range from 600 to 1,800 feet. The soils can be used for dry land grain and pasture, irrigated citrus, walnuts, alfalfa, apricots, and truck crops. They are also suitable for home sites and other non-agricultural uses (AIS 2008). The San Emigdio fine sandy loam (SeC2) and the San Emigdio loam (SgA and SgC) are primarily Class II soils. These soils and topography are suitable for irrigated crops, but in a dry land environment, the soils only have average water holding capacity and in a drought year, would yield a minimal or failed crop (AIS2008).

Figure 3 - Project Area Soil Map

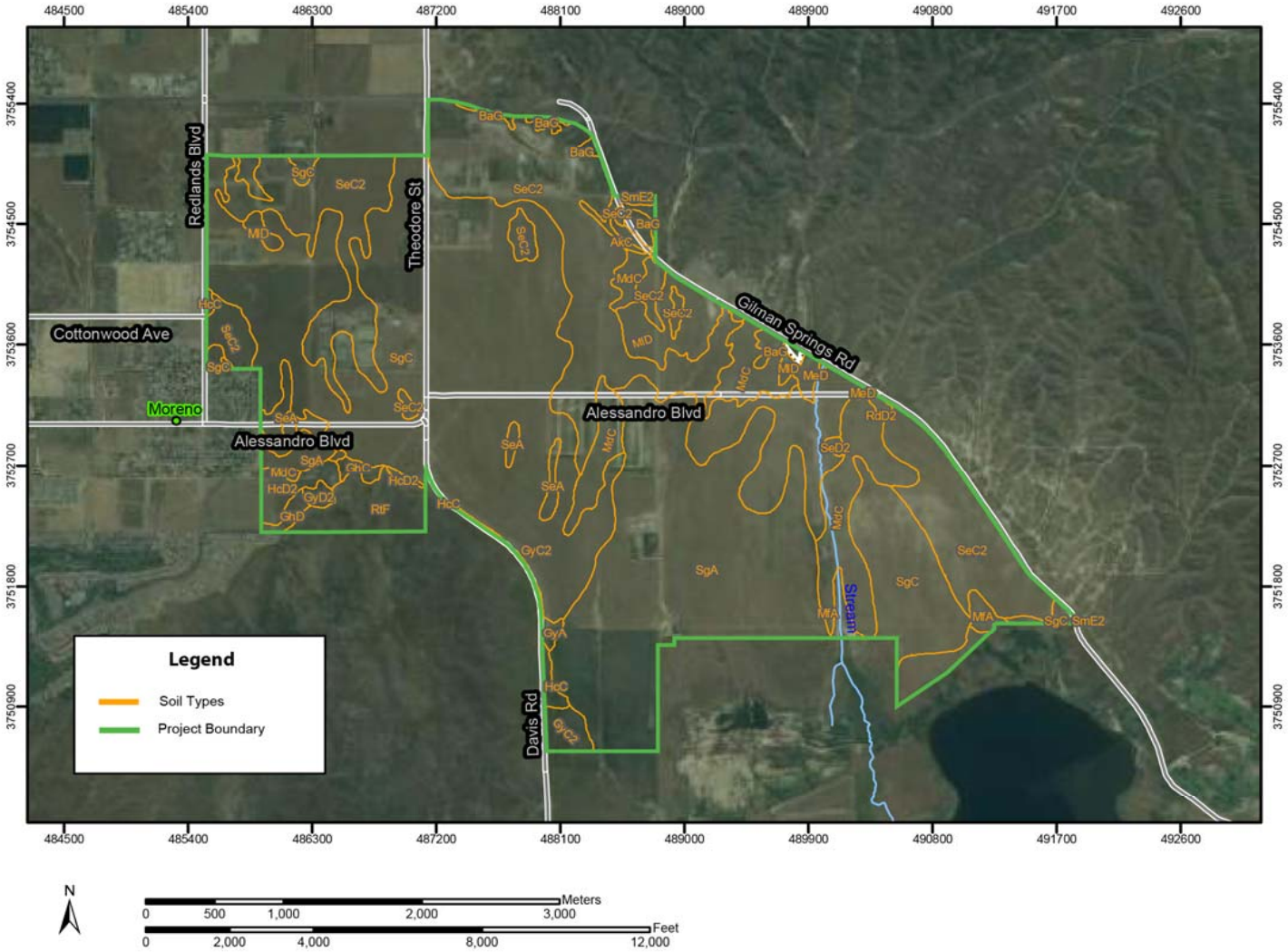


Table 2 – Project Area Soil Legend

Project Area			
Soil Symbol	**Soil Name**	**Acres in Project Area**	**Percent of Project Area**
AkC	Arbuckle loam, 2 to 8 percent slopes	5.5	0.1%
BaG	Badland	27.5	0.7%
GhC	Gorgonio loamy sand, 0 to 8 percent slopes	9.1	0.2%
GhD	Gorgonio loamy sand, 8 to 15 percent slopes	9.8	0.3%
GyA	Greenfield sandy loam, 0 to 2 percent slopes	6.7	0.2%
GyC2	Greenfield sandy loam, 2 to 8 percent slopes, eroded	27.6	0.7%
GyD2	Greenfield sandy loam, 8 to 15 percent slopes, eroded	8.0	0.2%
HcC	Hanford coarse sandy loam, 2 to 8 percent slopes	12.5	0.3%
HcD2	Hanford coarse sandy loam, 8 to 15 percent slopes, erod ed	36.0	0.9%
MdC	Metz loamy sand, 2 to 8 percent slopes	246.1	6.4%
MeD	Metz loamy sand, channeled, 0 to 15 percent slopes	2.5	0.1%
MfA	Metz loamy fine sand, 0 to 2 percent slopes	29.0	0.8%
MID	Metz gravelly sandy loam, 2 to 15 percent slopes	106.8	2.8%
RdD2	Ramona sandy loam, moderately deep, 8 to 15 percent slo pes, eroded	4.2	0.1%
RtF	Rockland	77.1	2.0%
SeA	San Emigdio fine sandy loam, 0 to 2 percent slopes	43.3	1.1%
SeC2	San Emigdio fine sandy loam, 2 to 8 percent slopes, ero ded	1,027.5	26.7%
SeD2	San Emigdio fine sandy loam, 8 to 15 percent slopes, er oded	3.5	0.1%
SgA	San Emigdio loam, 0 to 2 percent slopes	772.0	20.0%
SgC	San Emigdio loam, 2 to 8 percent slopes	1,384.7	36.0%
SmE2	San Timoteo loam, 8 to 25 percent slopes, eroded	11.5	0.3%
Totals for Project Area		**3,851.0**	**100.0%**

Source: USDA Natural Resources Conservation (NRCS), 2012

Smaller amounts of soils in the project area include Arbuckle loam (AkC), Badland (BaG), Gorgonio loamy sand (GhC, GhD), Greenfield sandy loam (GyA, GyC2, GyD2), Hanford coarse sandy loam (HcC and HcD2), Metz loamy sand (MdC and MeD), Metz loamy fine sand (MfA), Metz gravelly sandy loam (MID), Ramona sandy loam (RdD2), Rockland (RtF), San Emigdio fine sandy loam (SeA and SeD2) and San Timoteo loam (SmE2). The composition of soils within the project area is shown in .

2.2.4. Important Farmland Map Categories

The California Department of Conservation (CDC) is responsible for the Farmland Mapping and Monitoring Program (FMMP), which produces maps and statistical data to be used to analyze impacts to agricultural resources in California. The maps are updated every two years using aerial photographs, computer mapping systems, public review and field reconnaissance. The maps divide lands into the eight categories below:

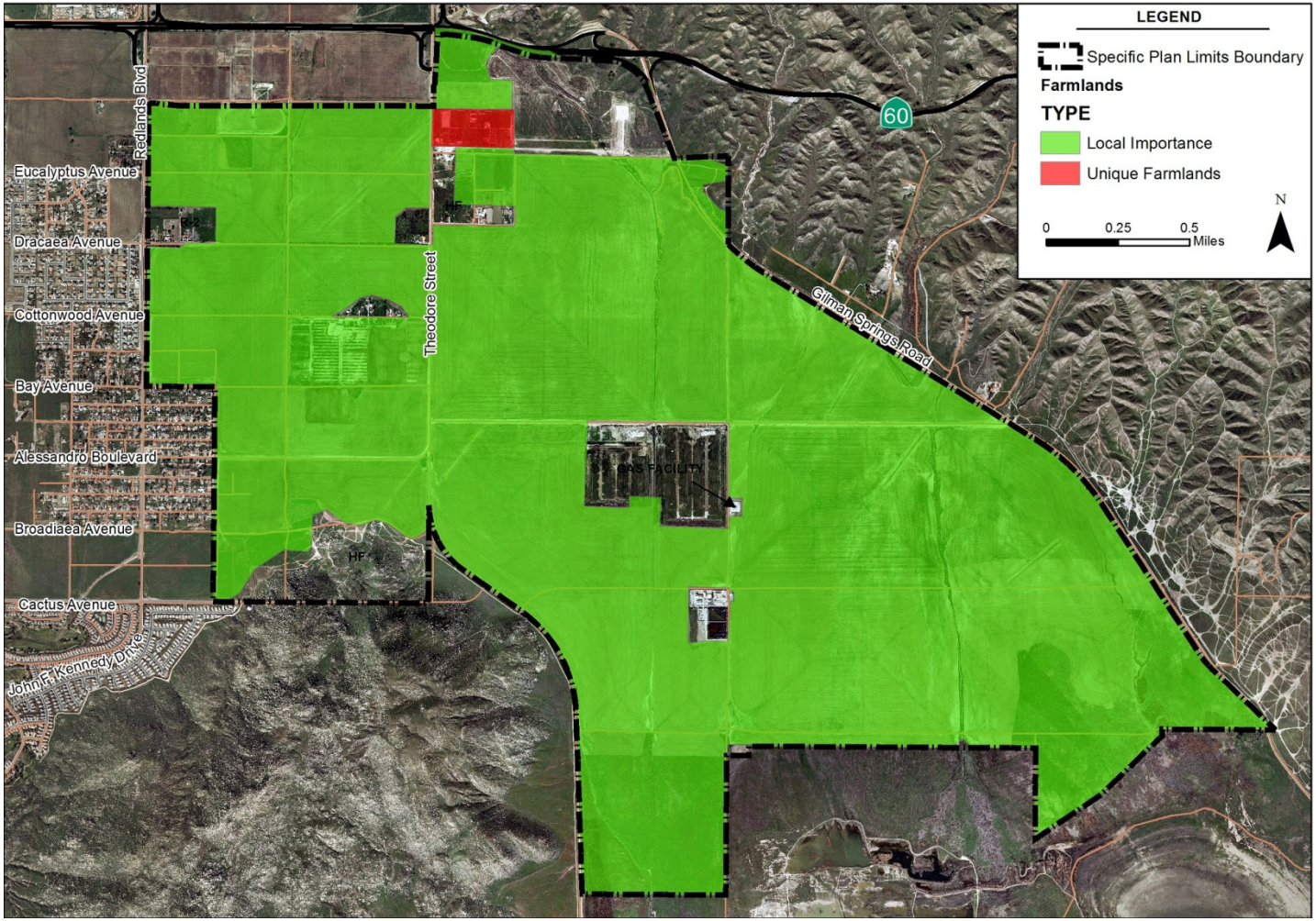
Table 3 – Farmland Categories

Farmland Category	Description
Prime Farmland (P)	Farmland with the best combination of physical and chemical features able to sustain long-term production of agricultural crops. This land has the soil quality, growing season, and moisture supply needed to produce sustained high yields. Land must have been used for production of irrigated crops at some time during the two update cycles prior to the mapping date.
Farmland of Statewide Importance (S)	Farmland similar to Prime Farmland but with minor shortcomings, such as greater slopes or less ability to store soil moisture. Land must have been used for production of irrigated crops at some time during the two update cycles prior to the mapping date.
Unique Farmland (U)	Farmland of lesser quality soils used for the production of the State's leading agricultural crops. This land is usually irrigated, but may include non-irrigated orchards or vineyards as found in some climatic zones in California. Land must have been used for crops within the two update cycles prior to the mapping date.
Farmland of Local Importance (L)	Land of importance to the local agricultural economy as determined by each county's Board of Supervisors and a local advisory committee. Also lands that are currently irrigated pasture, but have the potential to be cultivated for row/field crop use. **In Riverside County, this includes lands with soils that would be classified as Prime Farmland and/or Statewide Importance but lack available irrigation water. Also includes dairy land, pasture, milking facilities, and hay and manure storage areas if accompanied with permanent pasture or hay land (CMV 2008).
Grazing Land (G)	Land on which the existing vegetation is suited to the grazing of livestock. This category was developed in cooperation with the California Cattlemen's Association, University of California Cooperative Extension, and other groups interested in the extent of grazing activities. The minimum mapping unit for Grazing Land is 40 acres.
Urban and Built Up Land (U)	Land occupied by structures with a building density of at least 1 unit to 1.5 acres, or approximately 6 structures to a 10-acre parcel.
Other (X)	Land that does not meet the criteria of any other category.
Water (W)	Water areas with an extent of at least 40 acres.
Source: USDA-NRCS, 2001	

Based on the FMMP maps (CDC 2012), the project site contains approximately 25 acres designated as Unique Farmland, and approximately 3,374acres designated as Farmland of Local Importance. No Prime

Farmland is designated on the project site. Figure **4** illustrates the farmland designations in the project area[KB9].

Figure 4 – World Logistics Center Specific Plan Farmlands Map



2.3. California Agricultural Land Evaluation and Site Assessment

The Land Evaluation and Site Assessment (LESA) model is a point-based approach that is generally used for rating the relative value of agricultural resources (CDC, 1997), using two scoring thresholds: a land evaluation (LE) and a site assessment (SA).

The LE factors used in the LESA Model to determine whether a project would have significant impacts on agricultural resources are:

- Land Capability Classification Rating
- Storie Index Rating

The SA factors that are used measure social, economic, and geographic attributes that contribute to the overall value of the agricultural lands. These factors are:

- Project Sizing Rating
- Water Resources Availability Rating
- Surrounding Agricultural Land Rating
- Surrounding Protected Resource Land Rating

For a proposed project, each of these factors are calculated and then weighted and summed up to a final score. According to the LESA Model, a total score of 0 to 39 points is considered significant: 40 to 59 points is considered significant only if the LE and SA sub-scores are each greater than or equal to 20 points; 60 to 79 points is considered significant unless either LE or SA sub-scores are each less than 20 points; and scores totaling 80 or more is considered significant.

2.4. Williamson Act

According to the California Department of Conservation, the California Land Conservation Act of 1965 – commonly referred to as the Williamson Act – enables local governments to enter into contracts with private landowners for the purpose of restricting specific parcels of land to agricultural or related open space use. In return, landowners receive property tax assessments which are much lower than normal because they are based upon farming and open spaces uses as opposed to full market value. Landowners enter into a contract to retain the land for agricultural uses for at least 10 years. Once a "Notice of Nonrenewal" is filed, it is ten years until the contract expires. In the past, when the City of Moreno Valley's first General Plan was adopted, there were hundreds of acres of agricultural lands under the Williamson Act. However, there is no land within the City, or the project area, that is under the Williamson Act contract.

2.5. **Local Plans and Policies**

Moreno Valley General Plan

The City of Moreno Valley's General Plan policies support agriculture as an interim use; however no land in the city is designated for agricultural production or preservation. To support the interim use of land for agricultural purposes, the City identifies agricultural crops that are allowed in all of its zoning categories. In addition, the City's General Plan, Parks, Recreation and Open Space Element contain the following objective:

- Objective 4.1: Retain agricultural open space as long as agricultural activities can be economically conducted, and are desired by agricultural interests (with some agriculture retained in long-term use), and provide for an orderly transition of agricultural lands to other urban and rural uses.

To support this objective of the General Plan, the City identifies policies to encourage grazing and crop production as a compatible part of a rural residential environment. Additionally, where practical, the City desires to incorporate existing groves into the design of proposed development projects, which will allow the City to maintain the agricultural character of the area as well as provide a buffer between different types of land uses (CMV 2006).

5. PROJECT IMPACTS

3.1. Thresholds of Significance

California Environmental Quality Act

According to the CEQA Guidelines' Appendix G, Environmental Checklist, to determine whether impacts to agricultural resources are significant environmental effects, the following questions are analyzed and evaluated:

Would the project:

a) Convert Prime Farmland, Unique Farmland, or Farmland of Statewide Importance, as shown on the maps prepared pursuant to the Farmland Mapping and Monitoring Program of the California Resources Agency, to non-agricultural use?
b) Conflict with existing zoning for agricultural use, or a Williamson Act contract?
c) Conflict with existing zoning for, or cause rezoning of, forest land (as defined in Public Resources Code section 12220(g)), timberland (as defined by Public Resources Code section 4526), or timberland zoned Timberland Production (as defined by Government Code section 51104(g))?
d) Result in the loss of forest land or conversion of forest land to non-forest use?
e) Involve other changes in the existing environment, which, due to their location or nature, could result in conversion of Farmland, to non-agricultural use or conversion of forest land to non-forest use?

Land Evaluation and Site Assessment

The LESA system is a point-based approach that uses a Land Evaluation (LE) scoring threshold and a Site Assessment (SA) scoring threshold to rate the value of agricultural land resources. Table 4 below describes the scoring thresholds.

Table 4 - California LESA Model Scoring Thresholds

Total LESA Score	Scoring Decision
0 to 39 points	Not considered significant
40 to 59 points	Considered significant only if LE and SA sub-scores are each greater than or equal to 20 points
60 to 79 points	Considered significant unless either LE or SA subscore is less than 20 points
80 to 100 points	Considered significant
Source: CDC 1997	

3.2. **Direct Agriculture Impacts**

Conversion of On-site Important Farmland and Prime Farmlands Soils

Based on the most current available CDC data, the project site contains approximately 25 acres designated as Unique Farmland and approximately 3,374 acres designated as Farmland of Local Importance (CDC 2012). There are no areas designated as Farmland of Statewide Importance within the project site. The proposed Project will convert 25 acres of Unique Farmland to logistics developments; therefore the impact will be significant. Although Unique Farmland will be converted to non-agricultural uses, the area is already zoned for non-agricultural use within the City General Plan. According to the Moreno Valley General Plan Final Program EIR, the conversion of farmland [KB10](i.e., land being farmed, whether or not it is designated by the State as some type of important farmland) to non-agricultural uses is considered a significant but unavoidable impact.[KB11] The General Plan policies support agriculture as an interim use; however no land in the project site is designated for agricultural production or preservation. The City General Plan supports the conversion of agricultural lands into non-agricultural uses to accommodate the growing population and urban development. Even though the conservation of agricultural lands is a General Plan policy, there will be significant but unavoidable impacts from the conversion of farmlands to non-agricultural uses from implementation of the proposed project.

Conflict with Existing Agricultural Zoning and/or Williamson Act Contracts

As discussed above in Section 2.4, no Williamson Act contract lands or agricultural preserves are located within the Project site. The site is planned and zoned for development and the surrounding lands are similarly designated. Accordingly, no associated impacts would occur from implementation of the proposed project.

Conflict with Existing Zoning for Forest Land or Timberland

According to the California Department of Forestry and Fire Protection, there are no areas designated as forest land or timberland in the project site. Therefore, no impacts will occur.

Loss of Forest Land or Conversion of Forest Land to Non-Forest Use

As discussed above, there are no areas in the project site designated as forest land. Therefore, no impacts will occur.

Changes to Existing Environment and Conversion of Farmland to Non-Agricultural Uses

Changes to the existing environment could have an effect on increasing development pressure and accelerating the loss of the remainder of the existing agricultural land on site (inholdings) in the

surrounding area. A decrease in farmland has an effect on agricultural production costs, like transportation and labor. Agricultural activities can often be incompatible with urban and suburban neighbors, because of factors [KB12]such as dust, odors, pesticides and machinery noise (Moreno Valley FEIR, 2006). However, historically, the project site and the adjacent lands have been used for dry land farming, and there are still 7 rural residences on the project site, some of which conduct agricultural activities. Areas to the east and to the south of the project site are designated as rural residential and there are existing residential homes to west of the project site. Additionally, the City's General Plan has already designated the surrounding area and the project site for urban uses (e.g., Moreno Highlands Specific Plan) [KB13]The City's General Plan concludes that conversion of agricultural land (i.e., land that supports agricultural activities, not necessarily land that is designated as prime or has some other state farmland designation) is a significant environmental impact of development. Loss of agricultural land on the Highland Fairview Corporate Park (i.e., Skechers) was determined to be significant based on that General Plan policy guidance.

LESA Evaluation

To analyze agricultural impacts, the LESA model is based on land evaluation and site assessment factors as described below:

Land Evaluation

The land evaluation (LE) component of the LESA model is comprised of two factors to assess soil suitability: the Land Capability Classification (LCC) and the Storie Index. The LCC rates the suitability of soils for most kinds of crops, while the Storie Index rates the relative degree of suitability for intensive agriculture (CDC, 1997). The calculations for this report rely solely on the LCC rating system, which is allowed under the LESA Model (CDC 1997). To rate soil suitability without the Storie Index, the LCC rating is weighted more heavily and accounts for 50 percent of the total LESA calculation.

Site Assessment

The site assessment (SA) component of the LESA Model is evaluated using four separate factors. These include: (1) Project Size; (2) Water Resources Availability; (3) Surrounding Agricultural Land; and (4) Surrounding Protected Resource Land. Each factor is described in more detail in Appendix A.

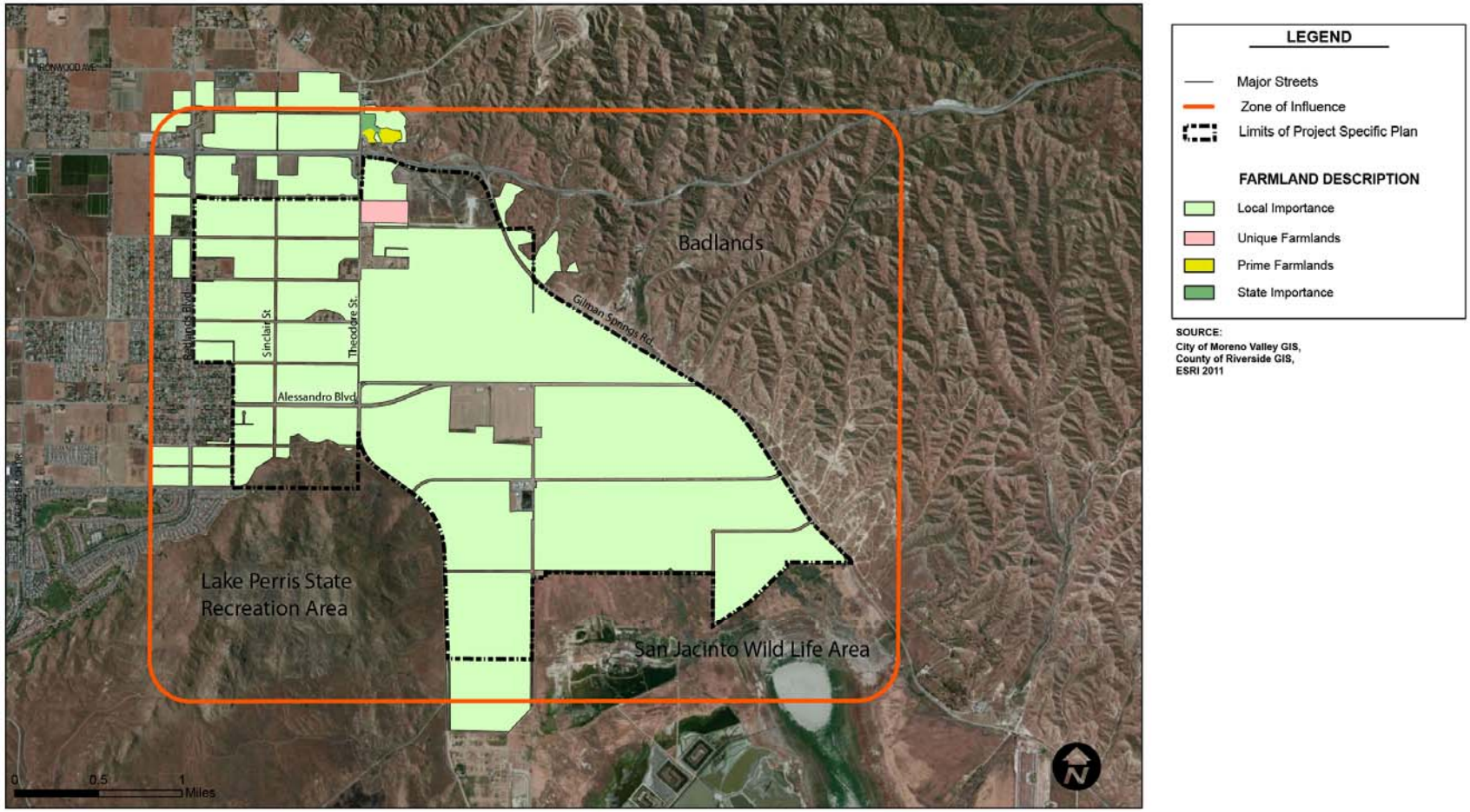
Final LESA Score

A single LESA score is generated after the LE and SA components have been scored and weighted. Scores are based on a scale of a maximum 100 points. A step by step guide to the LESA model analysis and worksheets can be found in Appendix A. In calculating the final score, it was discovered that the project area comprised of primarily Class II (soils with moderate limitations on agricultural uses) soils which significantly increased the LCC and therefore the LE component of the score. The LCC is the single most important factor in the final score, and weighted even more so because the storie index was not included in the calculations.

When a project size is scored, if the area is larger than 80 acres then the project receives a score of 100 out of 100. , This project received a maximum score of 100 because it is based on 158.3 acres of soils in LCC Class I and Class II . . The LESA water resource availability scoring table asks a series of questions regarding restrictions to the project area during drought years and non-drought years to determine the score. During non-drought years irrigation production is feasible but there are physical and economic restrictions. Also, during drought years irrigation production is not feasible. Therefore the water resource availability rating was determined to be 30. [KB14] The surrounding agricultural land rating was determined by utilizing Geographic Information Systems (GIS) to calculate the "Zone of Influence" (ZOI) around the project area (Figure **5**). The agricultural land within the zone of influence was calculated to be 16% of ZOI which is a score of 0. Also, the surrounding protected land resource in the ZOI was determined to be 48% which translates into a score of 30 under the rating system. [KB15]

The final LESA score for this project is 63.5. According to the threshold, the proposed project has a total project score between 60 to 79 points and both the LE and SA sub-scores are greater than 20 points (the LE is 43 and the SA score is 20.5). Based upon the LESA Model significance thresholds, the proposed project will have a significant impact on agricultural resources. The LESA score of 63.5 places the project area in a category defined as "considered significant impact". While the impact is significant, the LESA model does not place a higher value on water resource availability and cost, which is an important factor of economic vitality and profitability of agriculture in Moreno Valley. In addition, in the zone of influence, a large portion of the area is considered protected resource land. The Lake Perris Recreation Park comprises about 50 percent of the project area's zone of influence which also affected the final SA score. More detailed information about the LESA model analysis and worksheets can be found in Appendix A. [KB16]

Figure 5– Agricultural Lands and Protected Resources in the Zone of Influence



3.3. **Indirect Impacts**

The surrounding area is currently not being used for agricultural development and the project site is currently zoned for development, therefore impacts will be less than significant.

3.4. **Cumulative Impacts**

The cumulative loss of 25 acres of Unique Farmland would be significant and unavoidable relative to the WLCSP project. Although the project area is already designated for non-agricultural uses and the City General Plan policies support the conversion of agricultural lands into urban uses, it concludes those losses represent a significant environmental impact. The rising cost of land and irrigated water also provides a financial constraint to the profitability and vitality of agricultural production. However, the loss of agricultural land on the WLCSP site, plus the gradual loss of agricultural land in surrounding communities and in western Riverside County as a whole constitutes a cumulatively considerable environmental impact under CEQA.[KB17]

6. Preparers

This technical report was prepared by Parsons Brinckerhoff for the project applicant, Highland Fairview. The Environmental Project Manager is Debra Meier, AICP and the task manager is Stephanie Oslick, MS, AICP.

Julie Leung, Environmental Planner. MURP, Master of Urban & Regional Panning (2009), California State Polytechnic University, Pomona and B.A., Psychology/Anthropology Minor (2006), University of California, Los Angeles.

Jessica C. Wilkinson, AICP, Senior Planner. MURP, Master of Urban & Regional Planning (2006) and B.S., Political Science/Public Administration Option (1997), California State Polytechnic University, Pomona.

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Appendix A: LESA Model Worksheets

The USDA Land Capability Classification (LCC)

The LCC indicates the suitability of soil for most types of crops. Groupings are made according to limitations of the soils when used to grow crops and the risk of damage to soils when they are used in agriculture. Soils are rated from Class I to Class VIII, with the soils with the fewest limitations receiving the highest rating (Class I). Specific subclasses are also utilized to further characterize soils (CDC 1997).

Table1– Numeric Conversions of Land Capability Classification Units

Land Capability Classification	LCC Point Rating
I	100
IIe	90
IIs, w	80
IIIe	70
IIIs, w	60
IVe	50
IVs, w	40
V	30
VI	20
VII	10
VIII	0

Project Size Rating

The Project Size Rating is based on the LCC acreage figures tabulated under the Land Evaluation portion and identifying acreage figures for three separate groupings of soil classes within the project site and then determining which grouping generates the highest Project Size Score. This score is a function of the quality of the soil in the project area and vicinity for potential agricultural production.

Table 2– Project Size Scoring

LCC Class I or II soils		LCC Class III soils		LCC Class IV or lower	
Acres	Score	Acres	Score	Acres	Score
>80	100	>160	100	>320	100
60-79	90	120-159	90	240-319	80
40-59	80	80-119	80	160-239	60
20-39	50	60-79	70	100-159	40
10-19	30	40-59	60	40-99	20
<10	0	20-39	30	<40	0
		10-19	10		
		<10	0		

Water Resource Availability Rating

The Water Resources Availability Rating is based upon identifying the various water sources that may supply a given property and then determining whether different restrictions in supply are likely to take place in years that are characterized as being periods of drought and non-drought (CDC 1997).

Water is currently supplied to the project site (via wells); however water availability is expected to be restricted during non-drought years and typically unavailable during drought years. Indeed, the majority of agricultural use in the project area was dryland farming. Based on Table 3, it was determined that irrigated production is feasible during non-drought years, but there would be physical and economic restrictions to agricultural production and unavailable during drought years (MBA 2008).

Table3–Water Resource Availability Scoring

	Non-Drought Years			Drought Years			
	Restrictions			Restrictions			
Option	Irrigated Production Feasible?	Physical Restriction?	Economic Restrictions?	Irrigated Production Feasible?	Physical Restriction?	Economic Restrictions?	Water Resource Score
1	YES	NO	NO	YES	NO	NO	100
2	YES	NO	NO	YES	NO	YES	95
3	YES	NO	YES	YES	NO	YES	90
4	YES	NO	NO	YES	YES	NO	85
5	YES	NO	NO	YES	YES	YES	80
6	YES	YES	NO	YES	YES	NO	75
7	YES	YES	YES	YES	YES	YES	65
8	YES	NO	NO	NO	-- --	-- --	50
9	YES	NO	YES	NO	-- --	-- --	45
10	YES	YES	NO	NO	-- --	-- --	35
11	YES	YES	YES	NO	-- --	-- --	30
12	Irrigated production not feasible, but rainfall adequate for dryland production in both drought and non-drought years						25
13	Irrigated production not feasible, but rainfall adequate for dryland production in non-drought years (but not in drought years)						20
14	Neither irrigated nor dryland production feasible						0

Surrounding Agricultural Land Rating

Determination of this rating is based upon identifying the project's Zone of Influence (ZOI), which is defined as that land near a given project that is likely to influence, and be influenced by, the agricultural land use of the subject project site. The ZOI is determined by creating the smallest rectangle that will completely contain the project site, then creating a second rectangle that extends 0.25 mile beyond the first rectangle and including each parcel that is completely or partially within the 0.25 mile buffer.

For this report, Geographic Information Systems (GIS) was utilized to calculate the ZOI. The percentage of total land within this area (minus the project site) that is under agricultural production is then determined. The total acreage of the project's ZOI is approximately 3,599 acres (excluding the project site). Approximately 558 acres in the ZOI are currently under agricultural production. This results in a score of zero.

Table4– Surrounding Agricultural Land Rating

Percent of Project's Zone of Influence in Agricultural Use	Surrounding Agricultural Land Score
90-100%	100
80-89	90
75-79	80
70-74	70
65-69	60
60-64	50
55-59	40
50-54	30
45-49	20
40-44	10
<40	0

Surrounding Protected Resource Land Rating

This rating is scored in a similar manner to the surrounding agricultural land rating. Protected Resource Lands are those with long-term restrictions that are compatible with or supportive of agricultural uses of land and include the following:

- Williamson Act contracted lands;
- Publicly owned lands maintained as park, forest, or watershed resources; and
- Lands with agricultural, wildlife habitat, open space or other natural resource easements that restrict the conversion of such lands to urban industrial uses.

There is approximately 1,747 acres, about 48%, in the ZOI considered protected resource land (Lake Perris State recreation Area); therefore the score results in 20.

Table 5– Surrounding Protected Resource Land Rating

Percent of Project's Zone Defined as Protected	Surrounding Protected Resource Land Score
90-100%	100
80-89	90
75-79	80
70-74	70
65-69	60
60-64	50
55-59	40
50-54	30
45-49	20
40-44	10
<40	0

Final LESA Score

A single LESA score is then generated for a given project after all the Land Evaluation and Site Assessment factors have been scored and weighted. Scores are based on a scale of a maximum 100 points.

Table 4 - California LESA Model Scoring Thresholds

Total LESA Score	Scoring Decision
0 to 39 points	Not considered significant
40 to 59 points	Considered significant only if LE and SA sub-scores are each greater than or equal to 20 points
60 to 79 points	Considered significant unless either LE or SA subscore is less than 20 points
80 to 100 points	Considered significant
Source: CDC 1997	

LESA Worksheets

Table7 - Land Evaluation Worksheet: Land Capability Classification (LCC)

Soil Map Unit	Project Acres	Proportion of Project Area	LCC (Irrigated)	LCC Rating	LCC Score
AkC	5.5	0.001	2e	90	0.09
BaG	27.5	0.007	8	0	0
GhC	9.1	0.002	3s	60	0.12
GhD	9.8	0.003	4s	40	0.12
GyA	6.7	0.002	1	100	0.2
GyC2	27.6	0.007	2e	90	0.63
GyD2	8.0	0.002	3e	70	0.14
HcC	12.5	0.003	2e	90	0.27
HcD2	36.0	0.009	3e	70	0.63
MdC	246.1	0.064	3s	60	3.84
MeD	2.5	0.001	7w	10	0.01
MfA	29	0.008	3s	60	0.48
MID	106.8	0.028	3s	60	1.68
RdD2	4.2	0.001	4e	50	0.05
RtF	77.1	0.020	8	0	0
SeA	43.3	0.011	1	100	1.1
SeC2	1027.5	0.267	2e	90	24.03
SeD2	3.5	0.001	3e	70	0.07
SgA	772.0	0.200	1	100	20
SgC	1384.7	0.360	2e	90	32.4
SmE2	11.5	0.003	4e	50	0.15
Totals	3850.9	1.00	***LCC Total***		86.01

Table 8-Site Assessment Worksheet

Soils	LCC Class I-II	LCC Class III	LCC Class IV-VIII
AkC	5.5		
BaG			27.5
GhC		9.1	
GhD			9.8
GyA	6.7		
GyC2	27.6		
GyD2		8.0	
HcC	12.5		
HcD2		36.0	
MdC		246.1	
MeD			2.5
MfA		29.0	
MID		106.8	
RdD2			4.2
RtF			77.1
SeA	43.3		
SeC2	1027.5		
SeD2		3.5	
SgA	772.0		
SgC	1384.7		
SmE2			11.5
Total Acres	3279.8	438.5	132.6
Project Size Scores	100	100	40

Table 9– Water Resource Availability Worksheet

Project Portion	Water Source	Proportion of Project Area	Water Availability Score	Weighted Availability Score
1	Irrigated	1.0	30	30
2				
3				
4				
5				
	Totals:	1.0	**Total Water Resource Score**	30

Table 10– Surrounding Agricultural Land Rating Worksheet

Zone of Influence in Agricultural Use		
Total Acres	**Acres in Agriculture**	**Percentage in Agriculture**
3,599	558	16%

Table 11– Surrounding Protected Resource Land Rating Worksheet

Zone of Influence in Protected Resource Land		
Total Acres	**Acres of Protected Resource Land**	**Percentage Protected Resource Land**
3,599	1747	48%

Table 12 - Final LESA Score Worksheet

Factor Name	Factor Scores	Factor Weight	Weighted Factor Scores
Land Evaluation			
Land Capability Classification	86.01	0.50	43.01
Storie Index	--	--	--
Site Assessment			
Project Size	100	0.15	15
Water Resource Availability	30	0.15	4.5
Surrounding Agricultural Lands	0	0.15	0
Protected Resource Lands	20	0.05	1
		SA Subtotal	20.5
		Final LESA Score	63.51

CBRE CONSULTING

CBRE
CB RICHARD ELLIS

355 South Grand Avenue, Suite 1200
Los Angeles, CA 90071-1549

T 213 613 3750
F 213 613 3780
www.cbre.com

March 18, 2009

Matt Englhard
Regional Development Officer
First Industrial Realty Trust, Inc.
114 Pacifica, Suite 220
Irvine, CA 92618

Re: Economic Viability of Agriculture in the East Inland Empire

Dear Mr. Englhard:

Per your request CBRE Consulting has examined the economic and market trends affecting agriculture operations throughout California, with particular attention to the specific challenges relative to the communities of Perris and Sun City in eastern Riverside County area of the Inland Empire.

Founded in 1978 as Sedway Group, CBRE Consulting is a nationally recognized full-service real estate and urban economics consulting firm with offices in Los Angeles and San Francisco. CBRE brings a multi-disciplined approach to property evaluation of all major land use types. CBRE specializes in real estate market analysis, economic development studies for residential, commercial and industrial projects throughout California and the western United States.

BACKGROUND

The Inland Empire once held the largest concentration of dairies and supporting agriculture (e.g., alfalfa farming) in the world. This region is now facing tremendous urbanization and development pressures. The agricultural land is continually declining in the Inland Empire. According to the State of California, Department of Conservation, Riverside County lost 50,000 acres of farmland from 1990 through 2002. San Bernardino County lost 47,000 acres in prime farmland over the same period.

For this analysis, CBRE performed an extensive internet/literature search relative to the economics of agricultural and dairy farming to understand the economic and other challenges to continued agriculture uses in the Inland Empire. CBRE also gathered relevant demographic, real estate and other economic data to illustrate historic and projected land use trends near Perris and the eastern Inland Empire.

There are many factors which demonstrate the infeasibility of agriculture production in Eastern Inland Empire, resulting in many dairy operators and supporting agricultural operations moving to Kern County.

- Urbanization in the Inland Empire, resulting in dramatically increasing land prices,
- Higher water and labor costs;
- Environmental regulation (insects, odors, ground water contamination and solid waste removal) and,
- Competition from Kern County and the Central Valley with lower land costs and reduced regulations

1. **Increasing Land Values**
   Due to competing land uses, land prices have increased dramatically in the area in excess of $250,000 per acre. It has become more profitable for farmers to sell their land for a premium and relocate to a different area. The adoption of various General Plans in the Inland Empire emphasizing significant residential and commercial development have also encouraged the farmers to sell their land and relocate.

2. **Conflicts between Urban Neighbors and Dairy Farms**
   The proximity of agriculture and urban development in the Inland Empire region bring with it many conflicts. There is an increase in the land use incompatibility with nuisance complaints from the urban neighbors regarding flies, farm odors, early morning noise, and also water and air pollution. The farmers also face pressures due to increased water and land-use restrictions.

3. **Increasingly Stringent Environmental Regulations**
   The Region 8 Water Board, which encompasses Perris, was among the first to develop environmental regulations to control dairy operations, with increasing restrictions imposed in 1994, 1999 and 2004, as the proximity of urban neighborhoods, contamination of ground water and air pollution started raised more concerns.

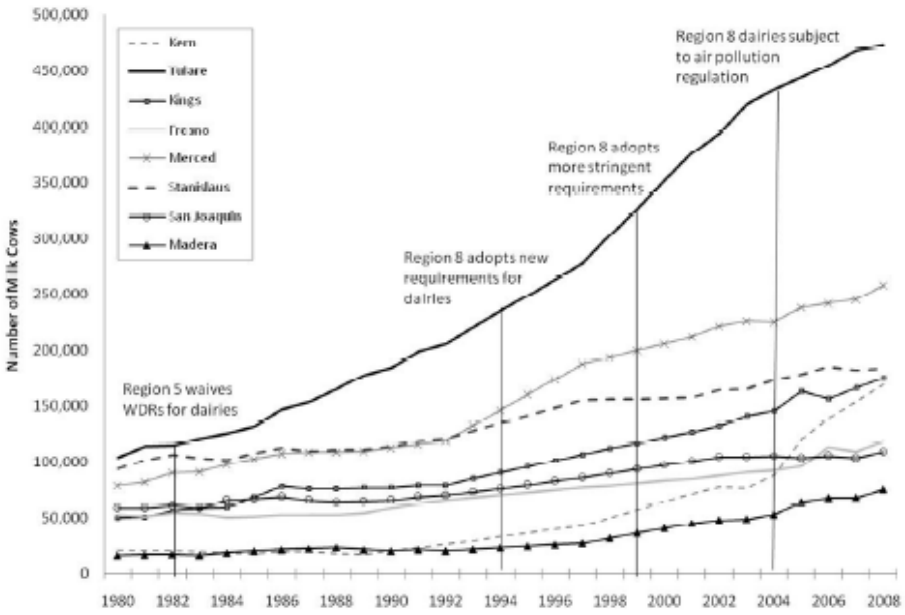
4. **Competition from Central Valley**
   The dairy farmers in the Inland Empire face stiff competition from the farmers in the Central Valley because of high operating costs, including high feed costs and the cost of manure disposal.

   A study published in Agriculture and Resource Economics Review in 2008 demonstrated the effect of environmental regulations over time and the growth in dairy industries, attributed to the cheap land and relatively weak regulations in the Central Valley.

   According to CDFA, milk production has declined by approximately 45 percent in Riverside County between 2002 and 2007, while production increased by 88 percent in Kern County.

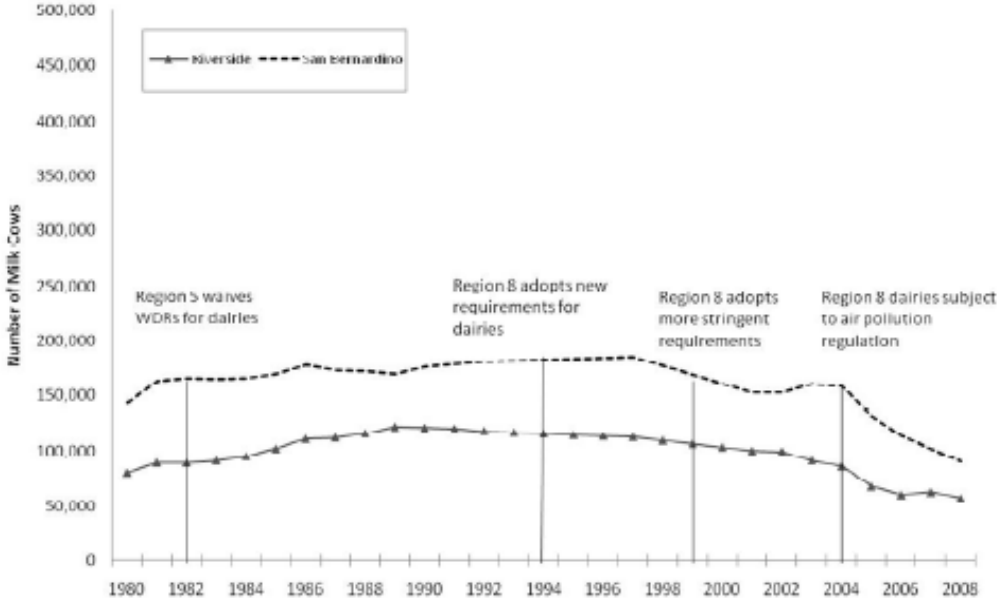
   Figures 1 and 2 on the following page show trends in the number of milk cows in the Central Valley (Region 5) as compared to the loss in Region 8 from 1980 to 2008.

Figure: 1
Milk Cows in Counties of Region 5 Central Valley



Source: Steeringer and Hogle, 2008

Figure: 2
Milk Cows in Region 8 – Inland Empire



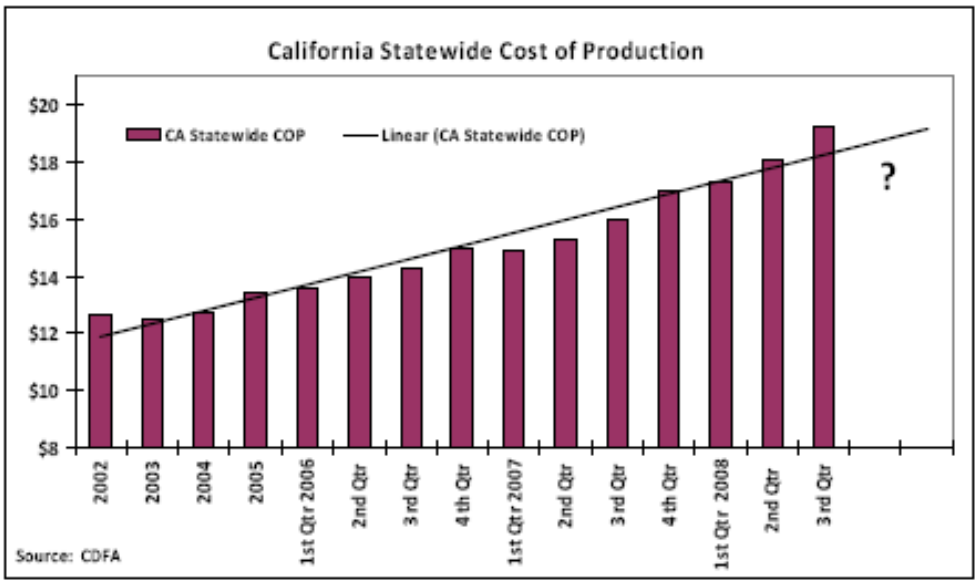
Source: Steeringer and Hogle, 2008

The Central Valley farmers also face few development pressures as compared to the Inland Empire and they benefit from diverse farm economy. For example, the farmers use dairy waste to fertilize their own crops or of the neighbors. They also use agricultural waste from neighboring farms as feed. This reduces their waste disposal and feed costs.

5. Operating Costs

According to the CDFA, production costs in dairy industry have risen by 50 percent since 2002 in California, putting more pressure on dairy farmers to cut other costs. Figure 3 below shows the growth in cost of production per CWT from 2002 to 3rd quarter 2008.

Figure 3
Cost of Production in the California Dairy Industry



Source: California Department of Food and Agriculture, 2008

Labor Costs

There is a shortage of labor in the dairy industry. Many agricultural workers are looking for higher paying jobs in non-agricultural industries according to the CDFA, which makes it difficult for the dairy farmers to compete for labor and leads to increased labor costs.

The issue of immigration and compliance also leads to labor problems. As shown in Figure 4 there is significant difference in labor costs in the different milk-producing regions of California. In the chart, South Valley represents the counties of the Central Valley composed of Fresno, Kings, Tulare and Kern County. Overall labor costs are 25 percent higher in the Southern California region as compared to the statewide average.

Figure 4 – Labor Costs, 2007

Labor Costs	North Coast	North Valley	South Valley	Southern California	2007 State Average
Per Hired Milker					
Hourly Cash Wage	$8.77	$10.29	$9.82	$12.38	$10.02
Hourly Perquisites (1)	1.84	2.24	0.95	1.49	1.40
Hourly Wage (2)	12.53	14.60	12.67	16.52	13.40
Per Hired Labor					
Hourly Cash Wage	8.87	10.88	11.36	13.79	11.18
Hourly Perquisites (1)	1.58	2.49	1.44	1.52	1.86
Hourly Wage (2)	12.40	15.56	14.94	18.18	15.21
Per All Hired					
Hourly Cash Wage	8.81	10.55	10.37	12.89	10.47
Hourly Wage (2)	12.48	15.03	13.48	17.12	14.10

(1) Includes Fair Market Value For Housing Supplied By Employer, Health Insurance, Meat, Etc.
(2) Includes Cash Wages, Perquisites, and Employment Taxes Paid by Employer

Source: *Cost of production, 2007, California Department of Food and Agriculture (CDFA)*

Water and Feed Costs

Increasing cost of water is another reason for the conversion of agricultural land into other uses. Dairying itself does not need as much water, but increasing cost and lower supply of water affects the feed supply for dairy. Dairy producers rely on alfalfa produced in the state as the source for their feed supply. If production of alfalfa is curtailed, the dairy farmers will incur high costs in getting the feed from outside the area.

Waste Disposal Costs

The livestock at dairy farms produce significant tonnage of manure every year. With nearby farmland, encroached by urbanization, the cost of waste disposal increases, as distances to where the waste can be disposed increases, as well as the frequency of disposal that is required. As a result many farmers need to hire professional corral cleaners, which increases costs by up to $50,000 a year.

Commercial/Industrial and Residential Development Trends

With historic growth in commercial/industrial/residential demand throughout southern California over the past 50 years, there has been a consistent growth in residential and commercial/industrial development activity on former agricultural lands throughout Orange County, Los Angeles County and more recently into Riverside and San Bernardino County. Since 1990, the Inland Empire has seen population growth of over 1.5 million people, and it is projected to add another 75,000 people each year over the coming decade. In the City of Perris, there have been almost 4,500 new housing units built since 2000, with median housing prices more than tripling by 2007, and still nearly doubling after the dramatic 2008 market declines.

Industrial development in the East Inland Empire region has seen similar growth with inventory increasing by 60 percent, or 92 million square feet since 2000. In Perris the growth has been nearly 100 percent, with 5 million square feet built in past eight years.

As a result of these trends, average land prices in the Inland Empire have increased to over $250,000 per acre, which compares to Kern County land values of less than $50,000 per acre

See Appendix Exhibits A-1 through A-6 for detailed trends in Perris/Inland Empire population, employment, residential building permits, home prices, industrial markets and land prices. Exhibit A-7 illustrates land sales in Kern County over the past three years.

Conclusion

Agriculture is being been significantly impacted by numerous economic, political and regulatory factors. As a result over 100,000 acres of farmland has been taken out of service since 1990 and is being redeveloped for residential, commercial and industrial uses. With lower land costs and less regulation, dairy operators and supporting agricultural uses such as dry farming and alfalfa production have been steadily moving out of the Inland Empire towards Central Valley, Barstow and Kern County.

Continued agricultural operations are not financially feasible in the Perris/eastern Riverside County region. Agricultural operations of all types will continue to decline as a result of the economic forces at work impacting land owners. Agricultural operator's business decisions to cease production will continue to occur regardless of land use decisions made by local agencies. In other words, land designated for agricultural use has little impact on the continued declining agricultural trends in Perris/eastern Riverside County.

Respectfully submitted,

Thomas R. Jirovsky
Senior Managing Director

Attachment

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Exhibit A-1:

POPULATION, HOUSEHOLD & EMPLOYMENT TRENDS

City of Perris and Inland Empire Region, 1990 - 2029

	1990	2000	2009	2014	2019	2024	2029	
City of Perris								
Population	22,202	36,189	54,592	62,440	69,956	77,175	83,601	
Households	6,848	9,652	14,160	16,300	18,032	19,808	21,616	
Employment (1)	--	11,715	17,332	19,042	20,108	22,194	24,810	
Inland Empire								
Population	2,588,793	3,254,821	4,170,780	4,505,315	4,950,365	5,373,155	5,774,903	
Households	866,804	1,034,812	1,297,214	1,445,415	1,626,549	1,807,342	1,988,035	
Employment (1)	--	1,121,464	1,450,397	1,665,604	1,881,342	2,099,942	2,321,648	
Growth - #		**1990-00**	**2000-09**	**2009-14**	**2014-19**	**2019-24**	**2024-29**	**2009-29 Total**
City of Perris								
Population		13,987	18,403	7,848	7,516	7,219	6,426	29,009
Households		2,804	4,508	2,140	1,732	1,776	1,808	7,456
Employment (1)		--	5,617	1,710	1,066	2,086	2,616	7,478
Inland Empire								
Population		666,028	915,959	334,535	445,050	422,791	401,748	1,604,123
Households		168,008	262,402	148,201	181,134	180,793	180,693	690,821
Employment (1)		--	328,933	215,207	215,738	218,600	221,706	871,251
Growth - % CAGR		**1990-00**	**2000-09**	**2009-14**	**2014-19**	**2019-24**	**2024-29**	**2009-29**
City of Perris								
Population		5.0%	4.7%	2.7%	2.3%	2.0%	1.6%	2.2%
Households		3.5%	4.4%	2.9%	2.0%	1.9%	1.8%	2.1%
Employment (1)		--	4.4%	1.9%	1.1%	2.0%	2.3%	1.8%
Inland Empire								
Population		2.3%	2.8%	1.6%	1.9%	1.7%	1.5%	1.6%
Households		1.8%	2.5%	2.2%	2.4%	2.1%	1.9%	2.2%
Employment (1)		--	2.9%	2.8%	2.5%	2.2%	2.0%	2.4%

Sources: Southern California Association of Governments (SCAG); Claritas; and CBRE Consulting

(1) Daytime employment data available from the year 2000.

(2) Projections based on forecast growth rates in population, households and employment according to SCAG.

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Exhibit A-2:

RESIDENT EMPLOYMENT TRENDS BY INDUSTRY & OCCUPATION

US Census, 1990 and 2000

	City of Perris, California					Inland Empire Region, CA				
	1990		2000		Change	1990		2000		Change
	#	%	#	%	('90-'00)	#	%	#	%	('90-'00)
RESIDENT EMPLOYMENT BY INDUSTRY										
Agriculture, forestry, and fisheries	**389**	***5.0%***	**97**	***0.8%***	**-75.1%**	**36,314**	***3.4%***	**18,997**	***1.5%***	**-47.7%**
Construction	965	*12.4%*	1,352	*11.3%*	40.1%	109,894	*10.2%*	105,268	*8.3%*	-4.2%
Manufacturing	1,668	*21.4%*	2,233	*18.7%*	33.9%	161,282	*14.9%*	157,003	*12.4%*	-2.7%
Transportation, Communication & Utilities	484	*6.2%*	634	*5.3%*	31.0%	79,357	*7.4%*	78,459	*6.2%*	-1.1%
Wholesale trade	242	*3.1%*	474	*4.0%*	95.9%	44,018	*4.1%*	48,574	*3.8%*	10.4%
Retail trade	1,274	*16.3%*	1,563	*13.1%*	22.7%	191,714	*17.8%*	160,926	*12.7%*	-16.1%
Finance, insurance, and real estate	400	*5.1%*	408	*3.4%*	2.0%	68,174	*6.3%*	71,208	*5.6%*	4.5%
Services	2,019	*25.9%*	4,653	*39.0%*	130.5%	333,481	*30.9%*	557,909	*44.1%*	67.3%
Public administration	357	*4.6%*	520	*4.4%*	45.7%	55,394	*5.1%*	65,784	*5.2%*	18.8%
RESIDENT EMPLOYMENT BY OCCUPATION										
Managerial & professional specialty	1,357	*17.4%*	2,110	*17.7%*	55.5%	253,002	*23.4%*	353,835	*28.0%*	39.9%
Technical, sales, & administrative support	2,042	*26.2%*	2,967	*24.9%*	45.3%	338,842	*31.4%*	343,542	*27.2%*	1.4%
Service occupations, excl. Farming	2,327	*29.8%*	2,071	*17.4%*	-11.0%	297,318	*27.5%*	210,174	*16.6%*	-29.3%
Farming, forestry, & fishing	**345**	***4.4%***	**52**	***0.4%***	**-84.9%**	**31,593**	***2.9%***	**12,539**	***1.0%***	**-60.3%**
Operators, fabricators, & laborers	1,727	*22.1%*	4,734	*39.7%*	174.1%	158,873	*14.7%*	344,038	*27.2%*	116.5%

Sources: US Census 1990 and 2000; and, CBRE Consulting

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Exhibit A-3:

RESIDENTIAL BUILDING PERMIT TRENDS

City of Perris and Inland Empire, 10-Year Trends

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Total
CITY OF PERRIS											
Number of Units											
Single Family	186	9	145	492	1,269	1,573	1,746	812	599	107	6,938
2-4 Units	4	8	0	0	0	0	0	0	0	0	12
Over 5 Units	76	62	0	186	0	0	0	0	96	0	420
Total	**266**	**79**	**145**	**678**	**1,269**	**1,573**	**1,746**	**812**	**695**	**107**	**7,370**
INLAND EMPIRE											
Number of Units											
Single Family	18,776	18,824	23,588	29,876	35,965	43,029	43,911	33,001	15,807	5,723	268,500
2-4 Units	154	169	335	323	719	1,085	971	943	717	218	5,634
Over 5 Units	1,730	2,198	3,486	2,103	5,568	7,206	3,887	3,609	3,346	2,667	35,800
Total	**20,660**	**21,191**	**27,409**	**32,302**	**42,252**	**51,320**	**48,769**	**37,553**	**19,870**	**8,608**	**309,934**

Source: US Census Bureau; and CBRE Consulting

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Exhibit A-4:

SINGLE FAMILY DETACHED AND CONDOMINIUM RESALES AND MEDIAN PRICES

1999 - 2008 YTD

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	CAGR (1) 1999-2008
CITY OF PERRIS											
Single Family Detached											
Number of Sales	1,042	970	919	976	1,069	1,166	1,657	1,466	638	1,670	5.4%
Median Price	$81,246	$94,597	$116,899	$133,884	$170,564	$241,973	$326,336	$372,010	$348,354	$183,635	9.5%
Median Price per Sq. Ft.	$62	$72	$87	$101	$126	$178	$224	$240	$207	$96	5.1%
Condominium											
Number of Sales	0	0	0	0	1	0	0	0	0	6	n.a.
Median Price	$0	$0	$0	$0	$140	$0	$0	$0	$0	$138	n.a.
INLAND EMPIRE (2)											
Single Family Detached											
Number of Sales	53,616	53,280	53,402	60,923	66,117	71,107	77,105	57,655	34,418	53,947	0.1%
Median Price	$114,093	$127,093	$147,072	$169,301	$209,463	$279,000	$351,000	$384,000	$371,000	$231,000	8.2%
Median Price per Sq. Ft.	$80	$89	$100	$114	$139	$183	$225	$243	$219	$125	5.0%
Condominium											
Number of Sales	7,907	8,241	7,523	9,135	9,556	10,125	9,208	6,234	4,526	4,095	-7.1%
Median Price	$110,654	$125,616	$134,856	$156,656	$185,689	$246,000	$305,000	$324,000	$309,000	$220,000	7.9%

Source: DataQuick; and CBRE Consulting

(1) CAGR is the Compounded annual growth rate.

(2) Counties of Riverside and San Bernardino.

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Exhibit A-5:

INDUSTRIAL MARKET TRENDS (Including Manufacturing, Warehouse/Distribution and Flex/R&D Space)

All Industrial Space, 2000 - 2008

	SUPPLY				DEMAND				LEASE RATE
Annual Trend by Market Area	Inventory Bldgs.	Inventory GLA (SF)	Vacancy Rate % (1)	SF Delivered	Availability Rate % (1)	Total Deals	Total SF Leased	SF Net Absorption	($/SF/Yr.) (1,2)
CITY OF PERRIS SUB-MARKET									
2000	141	5,373,641	0.6%	38,110	0.6%	1	1,272,500	51,860	$4.88
2001	146	7,076,631	1.7%	1,702,990	1.6%	1	20,350	1,606,362	5.64
2002	146	7,076,631	2.1%	0	1.4%	2	115,960	5,509	4.68
2003	147	7,125,503	2.2%	48,872	2.2%	2	65,303	28,429	5.11
2004	150	7,381,220	1.0%	255,717	0.7%	0	17,800	367,551	n.a.
2005	153	7,595,862	0.9%	214,642	0.9%	2	2,500	165,460	n.a.
2006	157	7,663,213	1.3%	67,351	1.3%	3	3,458	4,173	5.72
2007	175	9,666,032	8.8%	2,002,819	8.7%	5	1,760,642	1,768,468	7.08
2008	206	10,458,307	11.1%	792,275	11.1%	13	38,674	(339,813)	6.74
Total				**5,122,776**		29	3,297,187	3,657,999	
INLAND EMPIRE - EAST MARKET									
2000	5,002	150,133,588	3.9%	6,630,360	3.6%	312	10,892,596	7,668,578	$6.50
2001	5,076	157,202,306	3.9%	7,068,718	3.1%	355	7,684,689	6,501,787	4.68
2002	5,182	161,820,506	4.3%	4,582,653	3.8%	404	6,636,531	2,394,637	4.57
2003	5,269	167,822,636	5.0%	6,098,659	4.3%	387	9,055,454	5,240,209	4.59
2004	5,470	176,211,830	4.6%	8,389,194	3.1%	500	8,017,923	9,626,436	4.98
2005	5,725	188,313,075	4.6%	12,120,753	3.6%	470	7,611,452	8,938,859	5.01
2006	6,055	208,029,558	7.5%	19,691,663	5.7%	545	13,195,412	13,006,436	5.90
2007	6,291	226,876,355	8.4%	18,563,797	7.5%	624	17,026,809	16,405,909	6.28
2008	6,541	242,869,862	13.0%	15,234,949	12.0%	996	12,632,717	1,932,294	5.71
Total				**98,380,746**		4,593	92,753,583	71,715,145	

Sources: Costar Group Inc., 2008; and, CBRE Consulting

(1) The sub-market is defined as a 5-mile radius from the City Hall and includes the entire City of Perris.

(2) Inland Empire East market, which comprises the City of Perris per Costar definition, also includes the Coachella Valley, Corona, East San Bernardino, Riverside, South Riverside and Outlying San Bernardino sub-markets.

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Exhibit A-6:

LAND SALES IN THE CITY OF PERRIS SUB-MARKET

5+ Acres' Land Sales, 2006 - 2009

	Property Location		Property Characteristics					Sales Characteristics		
#	Address	Property Name	Land Improvements	Type	Zoning	Acres	Land SF	Sale Date	Sale Price	$/ Acre
1	Lukens Ln			Commercial	M3	36.7	1,599,087	9/21/2007	$500,000	$13,620
2	Nuevo Rd @ I-215	Nuevo & A St.		Commercial		6.0	261,360	7/27/2007	1,833,000	305,500
3	Dawson Rd @ San Jacinto			Commercial	RR	14.4	628,570	6/13/2007	1,734,000	120,166
4	Ethanac Rd @ McPherson r	5.0 Acres		Commercial	Commercial Commuity	5.0	217,800	5/17/2007	1,250,000	250,000
5	Nuevo Rd @ I-215	Nuevo & A St.		Commercial		6.0	261,360	5/10/2007	653,400	108,900
6	Morgan St	Hold For Development Site	Raw land	Commercial	CC, Perris	6.2	268,329	2/7/2007	1,895,000	307,631
7	9.24 acres Nuevo Rd	Vacant Land	None	Commercial	LI	9.2	402,494	1/24/2007	1,600,000	173,160
8	Old Nuevo Rd @ Perris Blvd		None	Commercial	C1	7.8	341,510	1/2/2007	4,960,000	632,654
9	23040 Rider St			Commercial		7.3	318,423	12/7/2006	875,000	119,699
10	Palomar Rd @ McLaughlin Rd			Commercial		18.2	794,098	11/15/2006	1,700,000	93,253
11	23641 Placentia Ave	Zoned Acreage	Not Available	Commercial	RR	9.5	412,077	9/5/2006	900,000	95,138
12	Redlands Ave	Sp Zoned Acreage	Raw land	Commercial	SP, Perris	20.7	901,774	8/25/2006	3,500,000	169,067
13	Citrus Ave	CC Zoned Acreage	Raw land	Commercial	CC, Perris	38.4	1,670,765	6/29/2006	7,087,000	184,771
14	Cajalco Rd	Acreage	Raw land	Commercial	N/Av, Riverside Co.	13.3	580,219	6/14/2006	2,800,000	210,210
15	23772 Water St	Indacochea Sheep Farm	Not Available	Commercial	N/Av	9.7	420,354	6/6/2006	1,650,000	170,984
16	28067 State Highway 74	Rr Zoned Acreage	Raw land	Commercial	RR, Riverside Co.	5.2	227,383	5/23/2006	1,275,000	244,253
17	Markham St	Unknown Site	Raw land	Commercial	A102, Riverside	9.7	422,967	3/3/2006	1,150,000	118,435
								Commercial Average:		**$158,336**
								Commercial Median:		**$170,984**
18	Mountain Ave	Future Cemex Location		Industrial	GI	5.0	218,235	12/5/2008	1,819,837	363,242
19	355 W Markham St	22.25 acres		Industrial	RA	22.4	977,050	5/20/2008	5,446,960	242,843
20	24390 Nuevo Rd		None	Industrial	IP	6.0	261,360	11/8/2007	1,090,000	181,667
21	Rider St @ Redlands Ave	17.1 Acres		Industrial	M1, RA	17.1	744,876	6/26/2007	3,550,000	207,602
22	Webster Ave @ Morgan St	6.0-Acres Vacant Land		Industrial		6.0	261,360	3/9/2007	1,895,000	315,833
23	24345 Citrus Ave	First Park Nuevo Rd Phase I	None	Industrial	M-H	16.2	707,414	3/9/2007	6,366,730	392,040
24	23121 Cajalco Rd	6.91 ac		Industrial	MSC	6.9	300,999	11/20/2006	2,521,500	364,907
25	Mountain Ave	Finished Land Parcels		Industrial	GI	19.2	838,094	10/4/2006	4,350,000	226,092
26	Cajalco Expy @ 215 Freew	10.42 Acre Industrial Park Site		Industrial	M-SC, Riverside	10.4	453,895	9/13/2006	2,500,000	239,923
27	24475 Markham St	Planned Industrial Development Site	Previously developed lot	Industrial	LI, Perris	9.1	396,901	7/18/2006	2,778,000	304,886
28	Ramona Expy	Planned Industrial Development Site	Raw land	Industrial	LI, Perris	9.2	399,880	7/12/2006	1,999,500	217,811
29	Indian Ave	Planned Industrial Development Site	Raw land	Industrial	MSC, Perris	8.4	366,661	6/30/2006	2,099,500	249,424
30	Perry St	Planned Unit Development Site	Raw land	Industrial	LI, Perris	9.1	396,901	6/30/2006	1,954,000	214,452
31	4244 Perry St	Planned Industrial Development Site	Raw land	Industrial	LI, Perris	18.2	793,798	6/30/2006	5,562,000	305,217
32	24392 Nance St	Auto Salvage Yard Site	Raw land	Industrial	GI, Perris	9.1	395,960	6/14/2006	2,079,000	228,713
33	Perry St	Planned Unit Development Site	Raw land	Industrial	LI, Perris	8.8	384,634	6/9/2006	2,308,000	261,382
34	Markham St	Planned Unit Development Site	Raw land	Industrial	LI, Perris	9.1	396,901	5/31/2006	2,600,000	285,351
35	Harvill Ave	M-Sc Zoned Acreage	Raw land	Industrial	L1	20.8	903,870	5/9/2006	3,358,500	161,855
36	Mapes Rd	Gi Zoned Acreage	Raw land	Industrial	GI, Perris	5.9	258,746	5/8/2006	1,113,000	187,374
37	Rider St	Planned Industrial Development Site	Raw land	Industrial	LI, Perris	16.3	709,592	3/15/2006	3,550,000	217,925
								Industrial Average:		**$252,529**
								Industrial Median:		**241,383**

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Exhibit A-6: ….. Continued…..

LAND SALES IN THE CITY OF PERRIS SUB-MARKET

5+ Acres' Land Sales, 2006 - 2009

	Property Location		Property Characteristics					Sales Characteristics		
#	Address	Property Name	Land Improvements	Type	Zoning	Acres	Land SF	Sale Date	Sale Price	$/ Acre
38	Barnett Rd @ McLughlin Road			Residential	RR	42.3	1,842,587	11/14/2006	4,600,000	108,747
39	Evans Rd			Residential		12.8	558,874	9/27/2006	885,000	68,979
40	Evans Rd	R6000 Zoned Acreage	Raw land	Residential	R6000	12.8	558,874	8/25/2006	885,500	69,018
41	Nuevo Rd	A1 Zoned Acreage	Not Available	Residential	CC & R14	29.8	1,298,523	5/24/2006	2,700,000	90,574
42	Dockery Ln	Residential Zoned Acreage	Raw land	Residential	N/Av, Perris	6.0	259,617	4/19/2006	1,050,000	176,175
43	Dockery Ln	Residential Zoned Acreage	Raw land	Residential	N/Av, Perris	9.7	420,789	4/19/2006	1,750,000	181,160
								Residential Average:		**$104,687**
								Residential Median:		**99,660**
								All Land Sales Average:		**$186,228**
								All Land Sales Median:		**210,210**

Sources: Costar Group Inc., 2009; and, CBRE Consulting

(1) The sub-market is defined as a 5-mile radius from the City Hall and includes the entire City of Perris.

(2) The above is not an exhaustive list of sales. Only those sales greater than 5 and up to 50 acres in size with complete sale price information as reported by the Costar Group are presented.

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Exhibit A-7:

LAND SALES IN KERN COUNTY

Commercial, Industrial and Residential Land Sales, 2006 - 2008

	Property Location		Property Characteristics				Sales Characteristics		
#	Address in City of Chino	City	Property Name/ Land Imp.	Zoning	Acres	Land SF	Sale Date	Sale Price	$/ Acre
1	SE Elmo Hwy @ Elmo Hwy & Browning Rd	Mc Farland	Falcon Heights		135.0	5,880,600	11/15/2007	$2,142,000	$15,867
2	Pacheco Rd	Bakersfield	Vacant Land 67.57 Acres	M-3, Bakersfield	67.6	2,943,349	10/10/2008	2,500,000	36,999
3	1234 Willow Springs Rd	Mojave			40.0	1,742,400	12/19/2008	128,000	3,200
4	Scofield Rd	Wasco	Wasco Valley Rose - vacant land		40.0	1,742,400	9/29/2006	1,999,582	49,990
5	Mojave Tropical Rd	Rosamond			40.0	1,742,400	6/7/2007	335,000	8,375
6	NW Hanawalt Ave @ Hanawalt & Mast Ave	Mc Farland	Sierra Springs		38.2	1,665,655	11/15/2007	599,000	15,665
7	16701 Brimhall Rd	Bakersfield		E-1 RS, Bakersfield	35.0	1,524,164	12/7/2007	2,000,000	57,159
8	17174 Highway 14	Mojave		M-2	34.4	1,496,286	2/22/2008	550,000	16,012
9	4057-4061 Industrial Pky	Lebec	Tejon Industrial Complex - Bldg. U.C.		23.8	1,034,550	7/1/2008	2,500,000	105,263
10	College Heights Blvd @ Kendall Avenue	Ridgecrest	Villas at College Heights		22.7	988,812	3/22/2007	2,300,000	101,322
11	Stockdale Hwy @ Heath	Bakersfield		Commercial	20.0	871,200	5/1/2007	3,600,000	180,000
12	Archibald Ave	Maricopa	Parcel 4		20.0	871,200	4/20/2007	165,000	8,250
13	Johnson Rd @ Driver	Bakersfield		A-1	20.0	871,200	9/11/2007	1,000,000	50,000
14	Wheeler Ridge Rd @ Creekside Dr.	Arvin	Wheeler Ridge Site		19.5	847,242	11/17/2008	379,990	19,537
15	132 White Ln	Bakersfield	3 Buildings apx 2,555 SF	Light Industrial	15.5	673,002	11/28/2007	1,300,000	84,142
16	Avenue A & 120th W	Rosamond	no zoning restrictions		14.5	631,620	1/24/2007	125,000	8,621
17	Henry Rd	Taft		M-2	14.3	620,730	2/5/2008	505,000	35,439
18	NWC McCutchen & Gosford Rd	Bakersfield		C2	10.0	435,600	6/15/2007	2,275,000	227,500
19	Compagnoni St	Bakersfield			10.0	435,600	9/21/2007	650,000	65,000
20	Mercedes Blvd	California City	10 Acres	R2.5	10.0	435,600	5/4/2007	25,000	2,500
21	Redrock Randsburg Rd	North Edwards	Vacant Land-10 Acres		10.0	435,600	5/26/2006	20,000	2,000
22	Eucalyptus Dr (2 Properties)	Bakersfield	Multi-Property Sale		9.6	418,176	11/9/2007	980,000	102,083
23	5901 Mills Rd	Bakersfield	Mills Road Land		8.8	381,150	9/12/2007	820,000	93,714
24	S China Lake Blvd @ Bowmen Ave.	Ridgecrest	NEC of S. China Lake @ Bowman	GC, Ridgecrest	6.9	302,306	7/3/2008	1,500,000	216,139
25	1245 Kern St	Taft			6.4	279,655	8/31/2007	200,000	31,153
26	N Norma St @ West Ward Avenue	Ridgecrest		R-2	6.0	259,618	10/4/2006	420,000	70,470
27	W Day Ave @ Airport Drive	Bakersfield			5.8	250,470	10/4/2007	1,300,000	226,087
				Land Sales Avg.:					**$44,347**
				Land Sales Median:					**$49,990**

Sources: Costar Group Inc., 2008; and, CBRE Consulting

- The above is not an exhaustive list of sales. Only those sales greater than 5 acres in size with complete sale price information, as reported by the Costar Group, are presented.