

## **Proposed Warehouse SCAQMD Indirect Source Rule (ISR)**

### **What is the Indirect Source Rule (ISR)?:**

The ISR is a new proposed air quality rule which will regulate and tax over 3000 warehouses resulting in higher retail prices of consumer products and goods throughout Southern California. Proponents claim that it will improve air quality but have not presented data or facts to support this goal.

### **Background:**

By statute, the South Coast Air Quality Management District (SCAQMD) has jurisdiction over air emissions from **stationary** sources (i.e. warehouses) in our region. However, SCAQMD is now attempting to regulate **mobile** sources (trucks) with an Indirect Source Rule (ISR) even though the California Air Resources Board has jurisdiction over mobile sources. This rule will require warehouse owners and operators to either reduce truck emissions (i.e. by using electric trucks) or pay substantial fees to SCAQMD. The rule would impose additional, permanent costs on warehouses of approximately \$.90 per square foot, totaling close to \$1 billion annually. The rule is scheduled for SCAQMD Board approval on May 7, 2021.

### **Proposed ISR Rule Highlights:**

- Applies to 3,000 warehouses of 100,000 square feet and larger in SoCal
- Warehouse operators must track all actual truck trips by size/emissions type - No current system is available to perform this mandatory tracking
- Includes costly Warehouse Occupant Reporting Requirements
- Includes costly Warehouse Occupant Annual Reporting and Mitigation
- Initial mitigation fee estimated to be approximately \$1/sf to start; may be increased without limitation
- Stringency (economic impact on warehouses) of the Rule can be increased at any time by the SCAQMD Board
- Additional fee (tax) will be charged to cover the cost of administering this rule.
- The ISR has no set date when it will end. The burden and cost of the rule will last for decades.
- To comply, warehouses owners and/or tenants must either.
  1. Pay for and take "mitigating" measures including but not limited to:
    - Buy or use zero emission or near zero emission trucks (if available)
    - Install additional solar panels beyond the current solar panel requirements
    - Install additional EV charging or hydrogen fuel stations beyond the current requirements
  2. Pay a fee or tax even if infeasible to comply

Most warehouses will end up paying the fee (tax) because it will not be feasible or possible to comply with the regulation mandates. If this is the case, then the ISR regulation did nothing to improve air quality and only increased costs to business/consumers.

### **Warehouse Owner Requirements:**

If the rule is adopted, by September 1, 2021, the warehouse owner must notify the SCAQMD of the warehouse size, amount of square footage that can be used for warehouse purposes, contact information of the warehouse occupant and duration of the lease.

### **Warehouse Operator (Tenant) Requirements:**

- **Site reports due July 1 of year of initial requirement date. Must report:**
  1. # of truck trips in past 12 months and anticipated # truck trips in next 12 months by class (2b-7 straight trucks vs. 8 tractors)
  2. If applicable, fleet data (# trucks, VMT, dwell time, owned vs. leased)
  3. Info on alternative fuel stations, solar and yard trucks
  
- **Warehouse Operator must report annually thereafter the following:**
  1. Report actual/anticipated truck trips
  2. Remit WAIRE points
  3. Unknown administrative recordkeeping/audit requirements.
  
- **Warehouse occupant may elect to pay mitigation fee/tax**
  1. The staff proposes up to \$0.90/sq. ft. on an annual basis. Compliance burden/mitigation fee/tax varies depending on truck trip generation intensity.

### **Join the ISR Coalition**

The proposed ISR will negatively impact the warehouse industry and all associated jobs in Southern California. It will raise consumer retail prices with no environmental benefit. This ISR must be defeated and your active engagement and support is needed. There is an organized coalition effort spearheaded by NAIOP SoCal and NAIOP Inland Empire, and other major organizations and companies. Please contact Tim Jemal, CEO, NAIOP SoCal, [tjemal@naiopsocal.org](mailto:tjemal@naiopsocal.org), 714-550-0309 to join this important effort and get further information.