

## Increased Regulatory Pressures, Anti-Warehouse Moratoria Pose Headwinds for Industrial

Attorney and GlobeSt Industrial panelist John Condas says 'further-out' jurisdictions have been 'more pro-business' than land-constrained areas throughout California

By Holly Johnson Amaya | December 07, 2022 at 11:41 AM

A lack of available land to build large industrial and logistics projects, coupled with increased regulatory pressures, is plaguing developers throughout California, according to one legal expert.

John Condas, a partner with Allen Matkins Leck Gamble Mallory & Natsis LLP in Irvine, tells GlobeSt that his clients have been more circumspect in seeking entitlements for new industrial projects given the current interest rate environment, but that "growth should continue, but at a slower pace."

"Our clients who are processing entitlements throughout California, in the prime areas where in the past clients have sought to get approvals and develop large logistics facilities, have had little success in acquiring large properties because there is not available land to build large projects," says Condas, who will be speaking as a panelist at next week's GlobeSt Industrial conference in Scottsdale, Ariz. "Therefore, clients are pursuing one of two strategies: smaller buildings in closer-in areas, or larger buildings in areas further away from the ports. We also are seeing clients buying small already-built assets, with an eye towards redeveloping with truck-related services or outdoor storage."

Condas also notes that many jurisdictions are adopting anti-trucking, anti-warehouse regulations, while others have adopted moratoria to slow expansion of warehouses.

“These anti-growth regulations likely will continue, and will be adopted by other jurisdictions,” he says. “Fortunately for our clients, in further-out jurisdictions, where less development has been occurring, these jurisdictions have been pro-business, looking to new development as a way to generate jobs and increased government revenues.”

In addition, stricter state and regional regulations are taking aim at the sector. For example, Condas says, the California Air Resources Board has adopted stricter diesel engine requirements and now requires the phasing-in of net-zero emissions trucks.

“The number of groups and labor unions which are using the California Environmental Quality Act as a weapon are expanding and being more aggressive,” he says. “These groups require developers to pay money or other consideration, in order for these groups to not attack projects. As a pre-condition to not using CEQA to challenge projects, many more labor unions are requiring developers to engage general contractors which must sign project labor agreements, leading to much more unionization of construction trades. “

Heading into 2023, Condas says he’ll be eyeing the increased regulatory and CEQA pressures developers will face in the new year.

“Developers will have to be smart and proactive to attempt to alleviate these pressures,” he says.

*Check back soon for more insights from John Condas and other Globest Industrial panelists.*