

AIR CRE TOWN HALL

UNLOCK THE FUTURE OF WAREHOUSING: AB 98 COMPLIANCE AND 21ST CENTURY WAREHOUSE STANDARDS



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TOPICS

What is AB 98?

What is a 21st Century Warehouse?

How to Build & Who Can Support?

Financing the Future

Benefits of a 21st Century Warehouse

Q&A

SPEAKER



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Founder & CEO

Green Econome

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AIR CRE Town Hall
**AB 98 COMPLIANCE AND 21ST CENTURY
WAREHOUSE STANDARDS**

AIR CRE

January 22, 2025



PALISADES FIRE

- Newer, fire-resistant roofing
- Cleared dry organic fuel
- Moved patio furniture away from house
- Took video documentation of each room before evacuating for insurance



WHAT IS AB 98? OVERVIEW



AB 98 OVERVIEW

SUMMARY

AB 98 is a California bill that initiates regulations for the development and expansion of **logistics facilities** across California's high-warehouse concentration regions.

The purpose of this bill is to ensure that logistics use developments are sited in locations that minimize adverse impacts on residential communities and enhance transportation efficiency.

AB 98 OVERVIEW

KEY TERMS

LOGISTICS USE FACILITIES

Buildings used primarily to handle goods for distribution.

21st CENTURY WAREHOUSE

Logistics facility that complies with or exceeds the most recent building efficiency standards of Title 24 and Cal Green energy codes.

*Details to follow

SENSITIVE RECEPTORS

Housing, schools, daycare, publicly owned parks & recreational facilities, and hospitals.

Communities & locations vulnerable to environmental impacts.

WAREHOUSE CONCENTRATION REGION

Concentrated areas heavily impacted by logistics facility activities.

(i.e. San Bernardino and Riverside counties)

MICROGRID-READY SWITCHGEAR

A switchgear system that connects onsite self-generation equipment (solar PV, battery, other generation), and can island generation resources and loads for power delivery during grid interruption.

AB 98 OVERVIEW

WHO'S IMPACTED?

- Newly proposed logistics facilities in CA with a loading bay within 900 ft. of a **sensitive receptor** OR re-zoning as industrial.
- Logistics facilities expanding by 20% or more.

WAREHOUSE DEVELOPERS

- Design to/above energy code
- Increased development costs

FACILITY OPERATORS

- Enforce operation standards
- Logistical challenges and higher operating costs

NEARBY COMMUNITIES

- Reduce negative impact from logistics
- 2-to-1 replacement of affordable housing (if permitted and pre-existing)

AB 98 OVERVIEW

TIMELINE

January 1, 2026

- **Begin enforcing statewide warehouse design and build standards for any proposed new or expanded logistics use developments**

January 1, 2028

- **County/City must update its circulation element: including specific travel routes for the commercial transport of goods**
- **Zero-emission forklifts**



**WHAT IS A
21ST CENTURY WAREHOUSE?**

21ST CENTURY WAREHOUSE

AB 98 excludes certain requirements based on building type.

DIFFERENCES BETWEEN TIER 1 21st CENTURY WAREHOUSES		
Requirement	TIER 1 Subdivision (a)	TIER 1 Subdivision (g)
Complies with part 6 & 11 of Title 24	X	X
At least 1% of roof area is sky lights or LED equivalent	X	X
Provides conduits and electrical hookups for cold storage (no idling)	X	X
High-efficiency HVAC	X	X
Microgrid-ready		X
Advanced smart metering ready		X
Min. 50% of passenger vehicle parking spaces have infrastructure for future EV charging station		X
Min. 10% of passenger vehicle parking spaces have EV charging stations		X
Forklifts zero emission by 2030	X	
Forklifts zero emission by 2028		X
Equipment using small off-road engines must be zero emission	X	X

21ST CENTURY WAREHOUSE

AB 98 IMPACTS ON PROPERTIES

Building Type	Tier 1 sub (a)	Tier 1 sub (g)	Orient loading bay away from SR	Loading bay 300 ft from SR Property Line	Loading bay 500 ft from SR Property Line	Separate entrance for heavy-duty trucks	Locate truck entry, exit, internal circulation away from SR	Include buffering and screening for light/noise	Complies with requirements in part 6 and 11 of Title 24	Provides conduits at loading bay for cold storage	High efficiency HVAC
Type A		X	X	X		X	X	X	X	X	X
Type B >250k sq ft		X	X		X	X	X	X	X	X	X
Type B <250k sq ft	X		X		X	X	X	X	X	X	X
Type C >250k sq ft		X	X		X	X	X	X	X	X	X
Type C <250k sq ft	X		X		X	X	X	X	X	X	X
Type D			X			X	X	X	X	X	X

KEY TERMS

TYPE A: Any new or expanded logistics development greater than 250k sq ft with loading bay within 900 ft of a sensitive receptor on a site zoned for industrial use

TYPE B: Any new or expanded logistics development on land not zoned for industrial use, with loading bay within 900 ft of a sensitive receptor

TYPE C: Any new or expanded logistics development on land not zoned for industrial use, located in a warehouse concentration region

TYPE D: Any new or expanded logistics development less than 250k sq ft with loading bay within 900 ft of a sensitive receptor on land zoned for industrial use

Tier 1 Sub (a) /(g): Previous slide



Constructing a 21st Century Warehouse







BUILDING THE TEAM

BUILDING A 21ST CENTURY WAREHOUSE | DESIGN BUILD TEAM

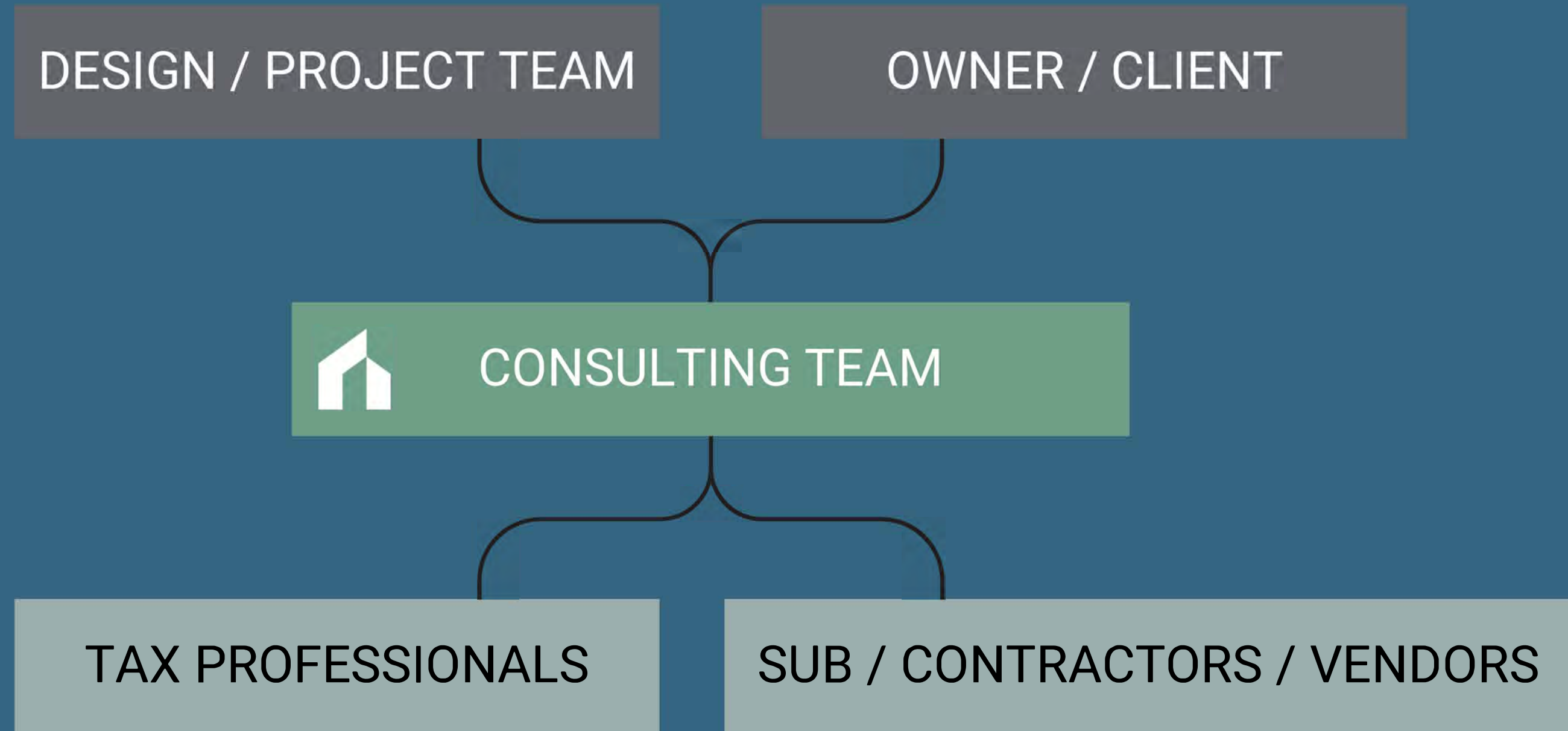
MEASURE

STAGE

TEAM

 Skylights or Equivalent LED	Design	Architect
 High-Efficiency HVAC	Design	MEP Engineer
 Electric Vehicle Charging	Design/Construction	Utility/EV Vendor /Green Econome
 Solar PV & Battery Storage	Design/Construction	Solar contractor /Green Econome
 Zero-Emission Lifts and Light Duty Vehicles	Operational	Vendor/Manager
 Efficiency incentives and tax benefit management	Design - Construction	Green Econome

BUILDING A 21ST CENTURY WAREHOUSE | ASSEMBLING THE TEAM



A blurred photograph of a warehouse aisle. The perspective is looking down a long, straight aisle between high industrial shelving units. The shelves are filled with various items, likely boxes or materials, and are supported by metal beams. The lighting is warm and somewhat dim, creating a bokeh effect in the background. The floor is a light-colored, polished concrete. The overall atmosphere is industrial and organized.

**FINANCING THE FUTURE
INCENTIVES & TAX BENEFITS**

OPPORTUNITIES TO BENEFIT FROM AB 98

Utility Incentives and Tax Deductions provide capital

Reducing Upfront Costs

Use tax deductions and credits to reduce the cost of developing an AB 98 compliant property.

Increasing Cash Flow

Warehouses will use less energy, will create higher NOI, which will increase the value of the property.

Avoiding Future Costs

Ensuring compliance now, will avoid penalties and fees for non-compliance in the coming years.

PAYING FOR AB 98

Offsetting Costs of Compliance with the Inflation Reduction Act

179D TAX UPDATES FOR CRE EFFICIENCY IMPROVEMENTS TO NEW OR EXISTING BUILDINGS:

- Incentive went from \$1.80/Sq. Ft. to [up to] \$5.00/Sq. Ft.
- REITs can use deductions to calculate earnings and profits

Tax-exempt owners can allocate deductions to project team

SWEET SPOT:

- If a project started before 2023,
- was under continuous construction,
- and completed after 2023,
- prevailing bonus rates may apply

INVESTMENT TAX CREDIT (ITC): SOLAR PV, STORAGE AND NEW TECH:

- **30%** | 2022, **26%** | 2023, **22%** | 2024
- For qualifying equipment in-service during or after 2022 (retroactive to January 2022)

BENEFITS OF A 21ST CENTURY WAREHOUSE

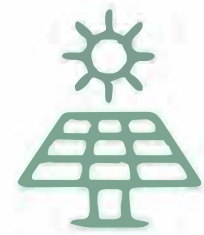




Building a 21st Century Warehouse is too costly.

BENEFITS OF A 21ST CENTURY WAREHOUSE

Sustainability & Efficiency



LOWER OPERATIONAL COSTS = HIGHER MARKET VALUE

Efficient buildings reduce waste, cost less to operate, and increase NOI



INCREASE BUILDING RESILIENCY

Sustainable infrastructure ensures operational stability



FUTUREPROOFING

Build today for tomorrow's challenges



POSITIVE SOCIAL IMPACT

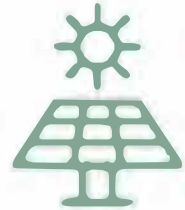
Minimize adverse impacts on residential communities and enhance transportation efficiency.



CA has too many policies.
I'm moving my warehouse
out of state.

BENEFITS OF A 21ST CENTURY WAREHOUSE

Competitive Advantage



LOWER OPERATIONAL COSTS = HIGHER MARKET VALUE

Efficient buildings reduce waste, cost less to operate, and increase NOI.



STRONGER INVESTORS

Resilient properties are lower-risk and higher-value assets.



STICKY TENANTS

Optimized warehouses meet the ESG needs of top tier tenants.



FINANCIAL BENEFITS

Leverage efficiency incentives and tax credits.
Maximize ROI and save on costs in the long run.

ADDITIONAL BENEFITS

- ✓ 21st Century Warehouse elements are predominantly included in the 2025 Title 24 Energy Code.
- ✓ EV Infrastructure and self-generation can be sources of income. (SaaS enabled).
- ✓ Utilize energy-aligned clauses in leasing which help navigate the split incentive of CapEx and NNN leases.

RESOURCES

AB 98 BILL TEXT

Assembly Bill No. 98
CHAPTER 931

An act to add Section 65302.02 to, and to add Chapter 2.8 (commencing with Section 65098) to Division 1 of Title 7 of, the Government Code, and to add Sections 40458.5 and 40522.7 to the Health and Safety Code, relating to land use.

[Approved by Governor September 29, 2024. Filed with Secretary of State September 29, 2024.]

LEGISLATIVE COUNSEL'S DIGEST

AB 98, Juan Carrillo. Planning and zoning: logistics use: truck routes.

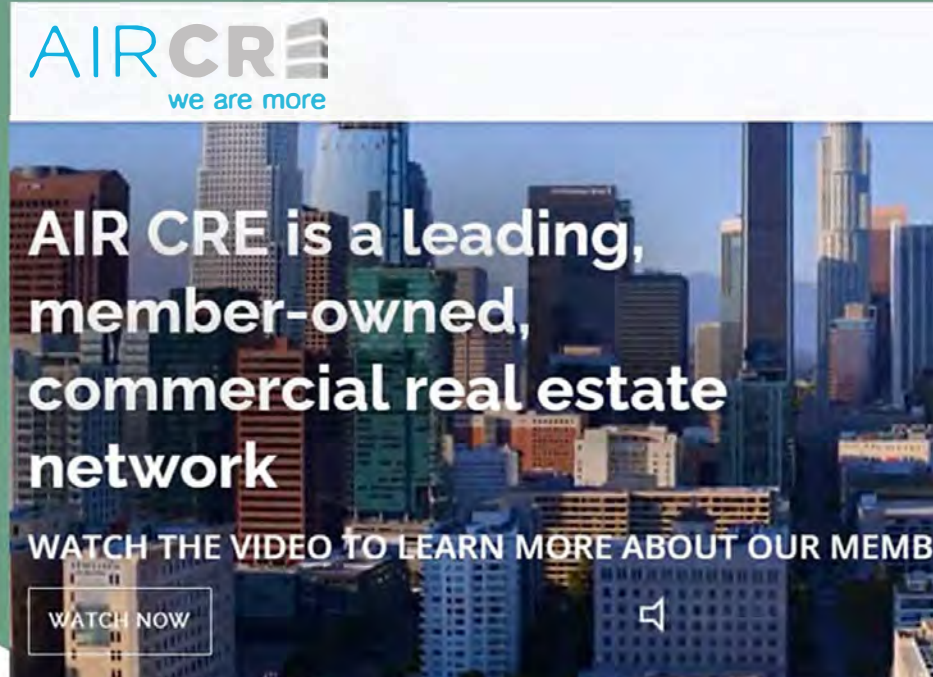
(1) Existing law, the Planning and Zoning Law, sets forth various requirements relating to the review of development project permit applications and the issuance of development permits for specified classes of development projects.

This bill, beginning January 1, 2026, would prescribe various statewide warehouse design and build standards for any proposed new or expanded logistics use developments, as specified, including, among other things, standards for building design and location, parking, truck loading bays, landscaping buffers, entry gates, and signage. The bill would except from those design and build standards certain existing logistics use developments, proposed expansions of a logistics use development, and property currently in a local entitlement process to become a logistics use, under prescribed conditions. The bill would require a facility operator, prior to the issuance of a certificate of occupancy, to establish and submit for approval by a city, county, or city and county a truck routing plan to and from the state highway system based on the latest truck route map of the city, county, or city and

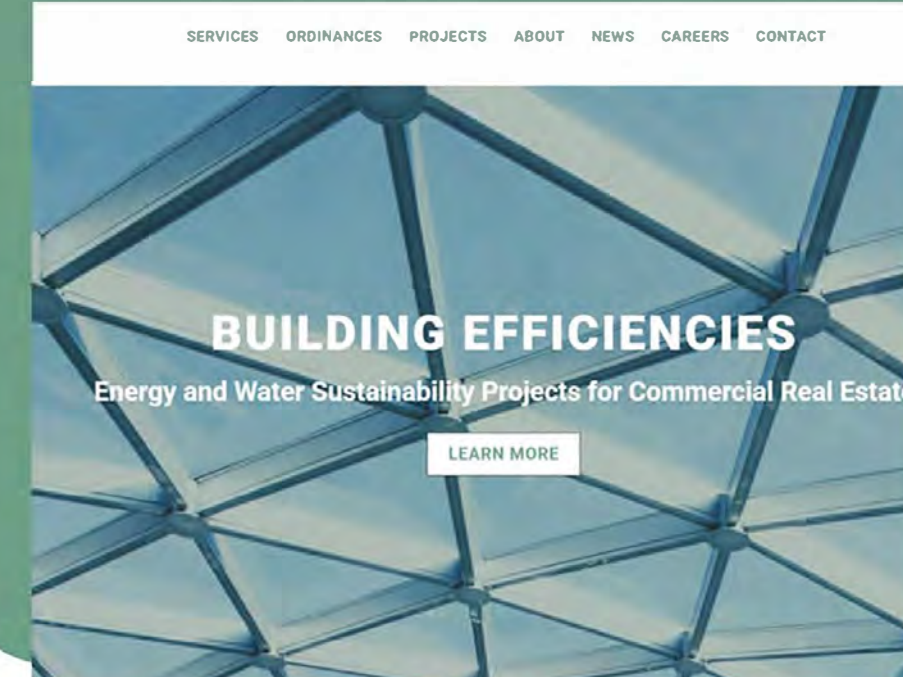
2025 CA TITLE 24 SUMMARY



AIR CRE



GREEN ECONOMY



BUILDING A 21ST CENTURY WAREHOUSE | CONSULTING TEAM



- As a consulting firm we work with design teams on efficiency standards, energy models, and resources.
- As an efficiency project construction firm, we can source and vet sub-contractors, materials, and manage projects.
- As a consultant we can manage incentives and source vetted tax specialists and engineers.

SOLUTIONS WE WORK WITH

LED Lighting Installation

High-Efficiency HVAC Systems

Electric Vehicle Charging

Solar PV & Battery Storage

Efficiency Incentives and Tax Benefits of the Inflation Reduction Act (IRA)

THANK YOU

CONTACT FOR QUESTIONS OR
CONSULTATION



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