# State of the Economy

## Introduction

This chapter uses commute, employment, and wage data to analyze the strengths, challenges, and opportunities facing the warehousing and logistics industry in Fontana and the Inland Empire. Because of the nature of the data and the sector, most analyses are conducted at the regional level, however where data are available, analyses are conducted at the city level. Though the City of Fontana is one actor among many in the region, understanding the state of the industry in the region can help the City become more resilient to the threats facing the primary industry in the region. Additionally, because the industry fuels the local economy and has positive and negative impacts on quality of life of residents, recommendations are made for how the City can strengthen vulnerabilities, improve the quality of life for workers, and reduce impacts on the environment.

## Commute Patterns

This chapter analyzes commute patterns and times for the City of Fontana and the Inland Empire as a region.

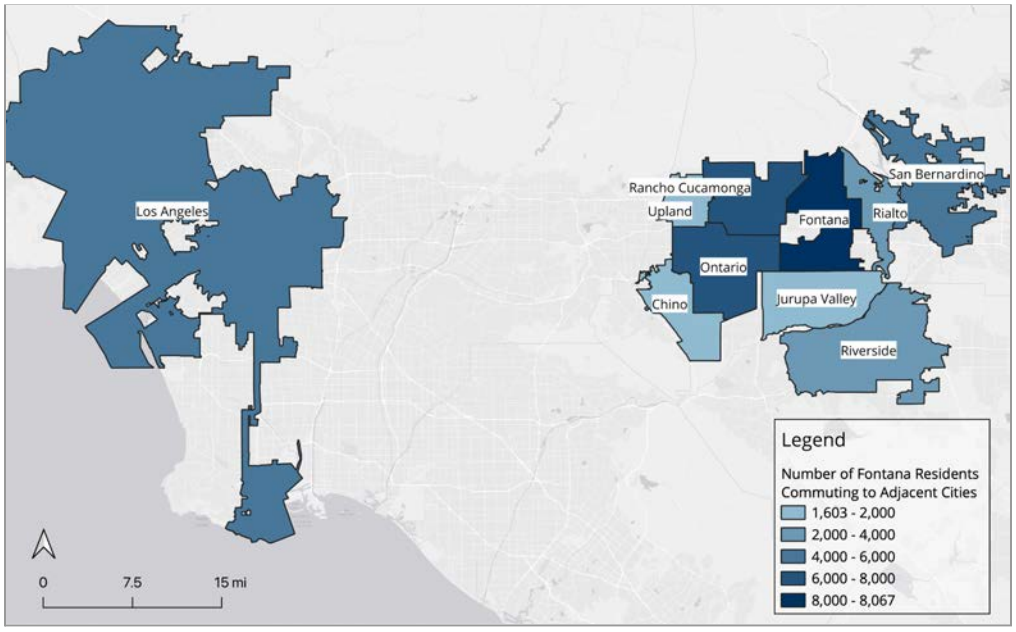
### Longitudinal Employer-Household Dynamics (LEHD) Analysis and LEHD Map

The United States Census Bureau and the U.S. Department of Labor maintains the Longitudinal Employer-Household Dynamics (LEHD) Origin-Destination Employment Statistics (LODES), a longitudinal database detailing labor trends. LODES details employment trends, including home and work location for employees across various industries and wage brackets. This dataset can be used to understand where a jurisdiction's labor market commutes from and where their residents commute to.

Using LODES, we analyzed the commute patterns for the City of Fontana to understand where Fontana residents are commuting for work, and where Fontana workers are commuting from. However, since the city of Fontana is very much integrated into the Inland Empire economy, it is not surprising that many of Fontana's residents commute to neighbouring municipalities and vice versa. Figure 3.01 and 3.02 below shows that the

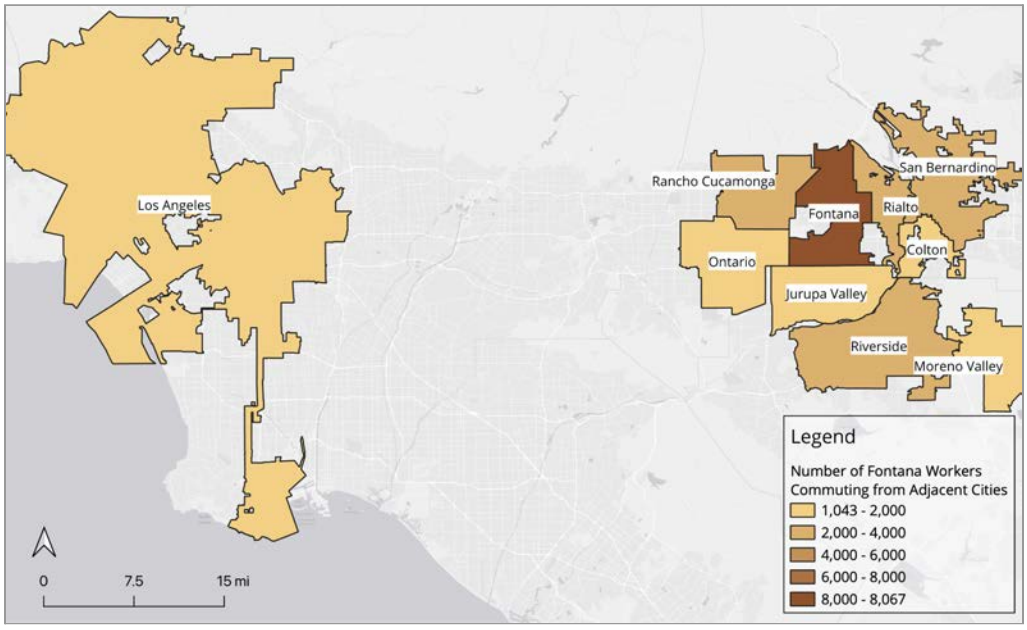
largest proportion of Fontana residents who work outside of the city commute to Ontario, Rancho Cucamonga, Los Angeles, and San Bernardino.

**Figure 3.01: Top Employment Locations for Fontana Residents, 2019**




Source: Author generated from Longitudinal Employer-Household Dynamics, 2019

**Figure 3.02: Top Residential Locations for Fontana Employees, 2019**




Source: Author generated from Longitudinal Employer-Household Dynamics, 2019

Figure 3.03 shows the 2019 commute and employment patterns for Fontana broken down by industry. Fontana is exporting approximately 80,000 workers and importing approximately 51,000 workers. Of the working population in Fontana, 90% work outside of the city. Looking exclusively at jobs in the Trade and Transportation sector, Fontana is exporting 21,138 workers and importing 17,765 workers. Of the Fontana residents who work in the Trade and Transportation sector, approximately 90% work in a different city. Due to the prominence of the Warehousing and Logistics industry in Fontana, many Fontana residents are working in the sector in neighboring cities.

**Figure 3.03: Commute and employment patterns for the City of Fontana**

| | Fontana Residents who Work in Fontana | Fontana Residents who Work Elsewhere | Not Fontana Residents who Work in Fontana |
|---|---|---|---|
| Number of Workers | 8,064 | 78,290 | 50,757 |
| Goods Producing Industry (%) | 10% | 17% | 12% |
| Trade and Transportation (%) | 25% | 27% | 35% |
| All Other Services (%) | 65% | 57% | 53% |

Source: LEHD On the Map, 2019

The top five cities from which other workers are commuting and to which Fontana residents are commuting, by number of commuters, are San Bernardino (approximately miles), Rancho Cucamonga (approximately 10 miles), Riverside (approximately 11 miles), Rialto (approximately 5 miles), and Los Angeles (approximately 50 miles) (Figure 3.01 & Figure 3.02).

***Comparison Cities***

The commute and employment patterns of Moreno Valley (Figure 3.04) and Ontario (Figure 3.05) are included as a comparison to the commute patterns of Fontana, as all three cities are in the Inland Empire and are heavily invested in the Warehousing and Logistics industry. There are limitations of these comparisons due to varying timelines of development, geographic and demographic factors; difference in geographic scales; and access to transportation infrastructure. Care must thus be applied when comparing the numbers between the three cities.

Moreno Valley imports approximately 35,500 jobs and exports 72,000 jobs. Of the working population in Moreno Valley, 86% work outside of the city. Specifically in the Trade and Transportation sector, Moreno Valley is exporting 18,660 workers and importing 16,005 workers. Ontario imports approximately 116,000 workers and exports approximately 64,000. Of the working population in Ontario, 85% work outside of the city. Specifically in the Trade and Transportation sector, Ontario is exporting 46,310 workers and importing 15,402 workers. Of the Moreno Valley and Ontario residents who work in the Trade and Transportation sector, about 86% and 82%, respectively, work in a different city than the one in which they live. Compared to Moreno Valley and Ontario, Fontana is exporting a higher percentage of their working population both generally, and within the Trade and Transportation sector.

**Figure 3.04: Commute and employment patterns for the City of Moreno Valley**

| | Moreno Valley Residents who Work in Moreno Valley | Moreno Valley Residents who Work Elsewhere | Not Moreno Valley Residents who Work in Moreno Valley |
|---|---|---|---|
| Number of Workers | 11,513 | 71,769 | 35,566 |
| Goods Producing Industry (%) | 6% | 17% | 4% |
| Trade and Transportation (%) | 26% | 26% | 45% |
| All Other Services (%) | 68% | 57% | 51% |

Source: LEHD On the Map, 2019

**Figure 3.05: Commute and employment patterns for the City of Ontario**

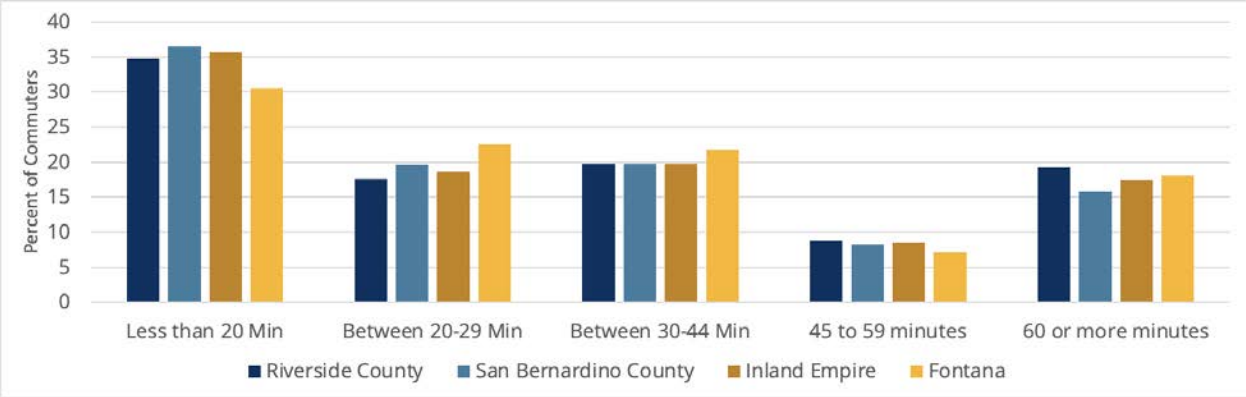
| | Ontario Residents who Work in Ontario | Ontario Residents who Work Elsewhere | Not Ontario Residents who Work in Ontario |
|---|---|---|---|
| Number of Workers | 11,107 | 64,176 | 115,776 |
| Goods Producing Industry (%) | 17% | 17% | 16% |
| Trade and Transportation (%) | 31% | 24% | 40% |
| All Other Services (%) | 52% | 58% | 54% |

Source: LEHD On the Map, 2019

According to the U.S. Census Bureau, the mean travel time to work across the state of

California is 31 minutes, slightly shorter than the reported mean travel time to work for Fontana's residents (34 min). Approximately 18% of Fontana's residents report traveling over an hour to work, which is on par with the region as a whole (Figure 3.06). It is important to note that this data should be taken with a grain of salt due to the method of self-reporting this information on the Census.

**Figure 3.06: Commuter Travel Times to Work Across the Inland Empire, 2019**

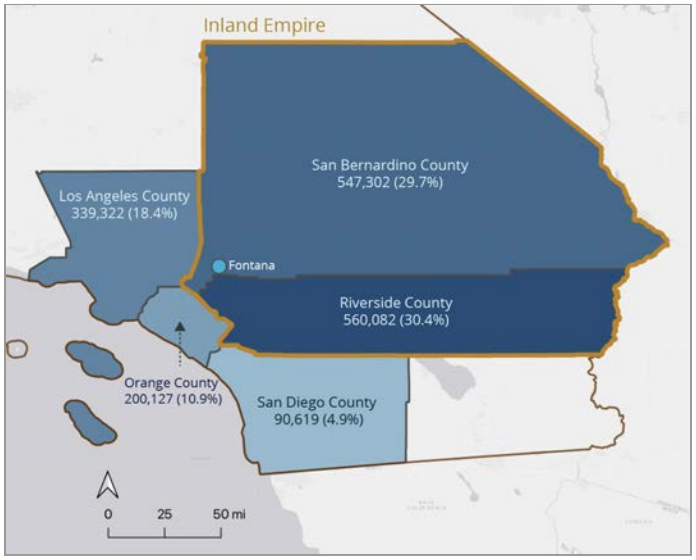



Source: Commute Characteristics by Sex (Table ID S0801) 2019. ACS 5-Year Estimates Subject Tables.

Approximately 60% of Inland Empire residents also work in the Inland Empire, while another 40% commute to a different region for work. The majority of Inland Empire residents who commute travel to adjacent counties in Southern California, including Los Angeles County, Orange County, and San Diego County (Figure 3.07). Similarly almost three quarters (73%) of jobs in the Inland Empire are also held by Inland Empire residents. Other significant sources of workers include Los Angeles County, Orange County, and San Diego County (Figure 3.08).

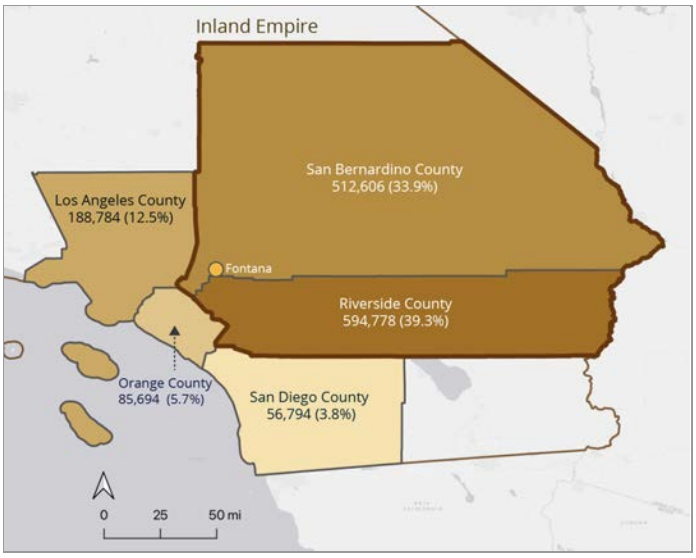
Although these counties are adjacent to the Inland Empire, commutes can be lengthy due to Southern California's large geographic scale, traffic congestion, and a heavy reliance on automobile travel. Addressing the gap between residents and jobs in the Inland Empire may increase the share of residents who are able to live and work in the Inland Empire, and have positive environmental impacts by reducing emissions related to commute time and distance. Reducing commute-related congestion may also have positive economic impacts by enabling the more efficient movement of goods, which, as detailed below, is critical to the future growth of the Inland Empire's economy.

**Figure 3.07: Employment Location for Inland Empire Residents, 2019**




Source: Author generated from Longitudinal Employer-Household Dynamics, 2019

**Figure 3.08: Residential Location for Inland Empire Employees, 2019**




Source: Author generated from Longitudinal Employer-Household Dynamics, 2019

## Industry Cluster Analysis

This section analyzes employment data for the region. Consistent with the literature, we find that the sole existing industry cluster of the region is the Warehousing and Logistics Industry. This section presents the current industry's employment data, earnings across occupations in the industry, and forecasts projected growth of the industry at the regional scale.

## Industry Analysis

### NAICS Analysis

Developed by oversight from the United State Census Bureau's Office of Management and Budget, the North American Industry Classification System (NAICS) is the standard for collecting and analyzing data related to the U.S. business economy. NAICS uses a six-digit hierarchical coding system to aggregate sub-economic industries into 20 aggregated industry sectors (Blakely and Leigh 2013). Two-digit NAICS codes, for example, provide information on the most aggregated industry sectors, while three-digit codes provide more granular data within each of the 20 aggregated industry sectors. Industries become increasingly specialized and specific as one adds digits to the NAICS codes.

The team used NAICS data for the Inland Empire, defined as San Bernardino and Riverside Counties, to assess the top 20 sub-economic sectors (three-digit NAICS codes) by employment. Using this data, the team developed location quotients and an assessment of 'industry strength' for each of these industries. As defined by Malizia et al., "A *location quotient* measures the proportion of employment, earnings, or output in one regional sector compared to that sector's proportion in a reference region, usually the nation" (Malizia et al. 2020). The location quotients displayed in Figure 3.09 below compare the concentration industries in the Inland Empire relative to the concentration of the same industry across the state of California. To determine industry strength, the team assessed industries on values calculated for local competitiveness/differential shift, industry mix/proportional shift, and job growth.

Figure 3.09 shows the top 20 industry sectors (three-digit NAICS codes) by employment across the Inland Empire. These 20 sectors represent 887,147 workers or 72% of the total workforce of the Inland Empire. The 'Food Services and Drinking Places' industry is the largest industry in the Inland Empire by employment, employing 140,000 people and 11% of the region's total workforce. This industry is a competitive industry and has also grown in employment by 39% in the ten years between 2009 and 2019. The most locally competitive and growing industry within the Inland is the 'Warehousing and Storage' industry with a location quotient of 5.1, significantly higher than any other industry in the region. This is unsurprising given the increase in e-commerce in recent years and the location of the Inland Empire in relation to the Ports of Los Angeles and Long Beach, major highways, and rail lines.

**Figure 3.09: Top 20 Economic Sectors (NAICS 3-Digit Codes) by Employment in the Inland Empire, 2019**

| NAICS 3 Digit Code | NAICS Description | 2019 Employment | Percent of Regional Employment | Employment Growth (2009-2019) | Location Quotient (LQ) | Industry Strength |
|---|---|---|---|---|---|---|
| 722 | Food services and drinking places | 139,641 | 11% | 39% | 1.14 | Competitive |
| 561 | Administrative and support services | 79,192 | 6% | 10% | 0.6 | Opportunity |
| 621 | Ambulatory health care services | 78,558 | 6% | 50% | 1.14 | Competitive |
| 238 | Specialty trade contractors | 71,390 | 6% | 41% | 1.58 | Competitive |
| 622 | Hospitals | 56,220 | 5% | 27% | 1.29 | Stable |
| 493 | Warehousing and storage | 54,757 | 4% | 150% | 5.1 | Competitive |
| 423 | Merchant wholesalers, durable goods | 43,099 | 3% | 28% | 1.16 | Stable |
| 541 | Professional, scientific, and technical services | 40,104 | 3% | 19% | 0.4 | Stable |
| 445 | Food and beverage stores | 35,421 | 3% | 4% | 1.24 | At Risk |
| 452 | General merchandise stores | 32,991 | 3% | 1% | 1.6 | At Risk |
| 623 | Nursing and residential care facilities | 28,044 | 2% | 30% | 1.12 | Competitive |
| 424 | Merchant wholesalers, nondurable goods | 27,928 | 2% | 30% | 1.06 | Stable |
| 721 | Accommodation | 27,615 | 2% | 23% | 1.26 | Opportunity |
| 484 | Truck transportation | 27,265 | 2% | 27% | 2.76 | Stable |
| 713 | Amusement, gambling, and recreation industries | 26,534 | 2% | 2% | 1.27 | At Risk |
| 441 | Motor vehicle and parts dealers | 26,003 | 2% | 35% | 1.61 | Stable |
| 624 | Social assistance | 25,333 | 2% | 47% | 0.9 | Competitive |
| 448 | Clothing and clothing accessories stores | 24,177 | 2% | 26% | 1.33 | Stable |
| 611 | Educational services | 24,170 | 2% | 26% | 0.68 | Opportunity |
| 492 | Couriers and messengers | 18,705 | 2% | 1242% | 2.26 | Competitive |

Source: US Census County Business Patterns (2009 - 2019)

**Note:** Within the 'Industry Strength' column, industries were identified as 'competitive' if their differential shift, proportional shift, and job growth were positive. An industry was identified as 'opportunity' if the proportional shift and job growth were positive and differential shift was negative. An industry was identified as 'stable' if the

differential shift and job growth were positive and the proportional shift was negative. An industry was identified as 'at risk' if the job growth was positive and the proportional shift and differential shift were negative.

**Figure 3.10: Employment in NAICS Industry Clusters in the City of Fontana, 2019**

| NAICS Industry Cluster | Number of Employees | Share |
|---|---|---|
| Health Care and Social Assistance | 11,127 | 19% |
| Transportation and Warehousing | 9,245 | 16% |
| Retail Trade | 6,967 | 12% |
| Administration & Support, Waste Management and Remediation | 4,760 | 8% |
| Educational Services | 4,673 | 8% |
| Accommodation and Food Services | 4,665 | 8% |
| Manufacturing | 4,402 | 8% |
| Wholesale Trade | 4,367 | 8% |
| Construction | 2,267 | 4% |
| Public Administration | 1,389 | 2% |
| Other Services (excluding Public Administration) | 1,376 | 2% |
| Professional, Scientific, and Technical Services | 857 | 2% |
| Real Estate and Rental and Leasing | 623 | 1% |
| Finance and Insurance | 491 | 1% |
| Utilities | 411 | 1% |
| Arts, Entertainment, and Recreation | 324 | 1% |
| Information | 113 | 0% |
| Management of Companies and Enterprises | 90 | 0% |
| Agriculture, Forestry, Fishing and Hunting | 26 | 0% |
| Mining, Quarrying, and Oil and Gas Extraction | 0 | 0% |

Source: U.S. Census Bureau, On The Map Tool, 2019

While NAICS three-digit data are unavailable at the city scale, the U.S. Census Bureau's On The Map tool provides a quantification of total employment by NAICS industry clusters, as shown in Figure 3.10. Location quotient and industry strength were not calculated due to unavailability of data at the city scale. As shown, the 'Health Care and Social Assistance' industry cluster employs the largest share of employees of any industry cluster in Fontana (19%). The 'Transportation and Warehousing' industry cluster also employs a decent portion of Fontana's total workforce (16%). With more detailed NAICS data for the City of

Fontana, it would be incredibly valuable to assess industry growth and competitiveness of the top industry sectors.

**Wage Analysis for the Transportation and Material Moving Industry**

Through the State of California's Employment Development Department, the Occupational Employment and Wage Statistics (OEWS) program releases estimates of the number of employees and wages paid in over 800 occupations. The team utilized this data to perform a wage analysis for the Transportation and Material Moving Occupation group in the Riverside-San Bernardino-Ontario MSA. While it is critical to note that there are likely employees working in this industry that are *not captured* within the 'Transportation and Material Moving' occupational title (e.g. Management, financial operations, and engineering positions), Figure 3.11 provides a snapshot of wages in this strong and growing industry.

The Riverside - San Bernardino - Ontario MSA has a total estimated employment of approximately 1.5 million people, and the Transportation and Material Moving Occupation employs a significant portion of the workforce (15% or 223,180 people). The mean hourly wage within this occupation is $19.67 ($40,914/year). While some occupations within this group provide promising jobs, many occupations fall below the living wage for the region. The annual living wage for one adult with zero children in San Bernardino County is $36,965 ($18.48/hour), as calculated by the Economic Policy Institute (Economic Policy Institute 2021). Approximately 142,000 employees (64%) of the workers in the Transportation and Material Moving Occupation group make below a living wage. With additional time, it would be valuable to do a longitudinal analysis both within this occupation classification and across all occupations to determine how the percentage of workers making below the living wage has changed over time. As will be discussed in more detail in the Labor & Coalition Building chapter of this report, this wage data does not include temporary employment, a common practice employed in the region.

Our analysis affirms claims that Transportation and Material Moving Occupations are growing in the region. However, there is a low density of jobs per square foot. Most importantly, with such a high percentage of employees making less than the living wage, it feels clear that they are not quality employment opportunities.

This report only provides detailed occupation and wage statistics for one Occupation: Transportation and Material Moving. Basic information on the 21 other occupation groupings in the OEWS dataset can be found on OEWS datasets. With additional time and

resources, it would be valuable to identify occupations which may align with the top industries in the region (see Figure 3.09).

**Figure 3.11: All Transportation and Material Moving Occupation Employment and Wage Statistics, 2021 - First Quarter**

| SOC | Occupational Title | Mean Hourly Wage | Mean Annual Wage | Job Type |
|---|---|---|---|---|
| **53-0000** | **Transportation and Material Moving Occupations** | **$19.67** | **$40,914** | **Above Living Wage** |
| 53-7021 | Crane and Tower Operators | $37.62 | $78,257 | Above Living Wage |
| 53-6051 | Transportation Inspectors | $33.69 | $70,064 | Above Living Wage |
| 53-1047 | First-Line Supervisors of Transportation and Material-Moving Workers, Except Aircraft Cargo Handling Supervisors* | $29.73 | $61,819 | Above Living Wage |
| 53-3032 | Heavy and Tractor-Trailer Truck Drivers | $26.32 | $54,748 | Above Living Wage |
| 53-7081 | Refuse and Recyclable Material Collectors | $26.26 | $54,624 | Above Living Wage |
| 53-3099 | Motor Vehicle Operators, All Other | $25.56 | $53,153 | Above Living Wage |
| 53-4013 | Rail Yard Engineers, Dinkey Operators, and Hostlers | $23.55 | $51,053 | Above Living Wage |
| 53-3033 | Light Truck Drivers | $22.97 | $47,780 | Above Living Wage |
| 53-3052 | Bus Drivers, Transit and Intercity | $22.44 | $46,678 | Above Living Wage |
| 53-3058 | Passenger Vehicle Drivers, Except Bus Drivers, Transit and Intercity* | $19.97 | $41,542 | Above Living Wage |
| 53-7011 | Conveyor Operators and Tenders | $19.88 | $41,347 | Above Living Wage |
| 53-7051 | Industrial Truck and Tractor Operators | $19.52 | $40,585 | Above Living Wage |
| 53-3031 | Driver/Sales Workers | $18.25 | $37,960 | Below Living Wage |
| 53-7062 | Laborers and Freight, Stock, and Material Movers, Hand | $17.56 | $36,519 | Below Living Wage |
| 53-7063 | Machine Feeders and Offbearers | $17.03 | $35,439 | Below Living Wage |
| 53-7065 | Stockers and Order Fillers | $16.92 | $35,202 | Below Living Wage |
| 53-6031 | Automotive and Watercraft Service Attendants | $16.81 | $34,955 | Below Living Wage |
| 53-7199 | Material Moving Workers, All Other | $16.64 | $34,625 | Below Living Wage |
| 53-7061 | Cleaners of Vehicles and Equipment | $15.73 | $32,711 | Below Living Wage |
| 53-6021 | Parking Attendants | $15.01 | $31,208 | Below Living Wage |
| 53-7064 | Packers and Packagers, Hand | $13.68 | $30,529 | Below Living Wage |

Source: OEWS Employment and Wage Statistics Data Tables, Employment Development Department for the State of California. Geographic Area: Riverside-San Bernardino-Ontario MSA. 2021 1st Quarter. https://www.labormarketinfo.edd.ca.gov/data/oes-employment-and-wages.html#OES

**Note:** Only data identified to be in the 'Transportation and Materials Moving' occupation group by the Occupational Employment and Wage Statistics (OEWS) program is included in this figure. There are undoubtedly additional occupations which operate within the Warehousing and Logistics industry which are present in other occupation groupings.

**Note:** Occupations highlighted in light orange fall below the living hourly wage for a household size of one for San Bernardino county which was calculated using the Economic Policy Institute's Family budget calculator (https://www.epi.org/resources/budget/).

**Projected Employment Growth**

The State of California's Employment Development Department provides projected industry and employment growth for major industries in various regions over the short-term (2 year) and long-term (10 year). Projections are based on anticipated industry growth, changes in technology, as well as other factors. In this analysis, the team used 2018-2028 employment projects; however, because these projections are based on historical data, they do not take into account the impacts of COVID-19. COVID-19 is likely to have caused structural changes in the economy that are not reflected in the data in Figure 3.12 below.

As noted in the industry analysis earlier in this report, Warehousing and Logistics is currently the only real cluster and, based on the literature and data, what the region currently specializes in. Due to the relative availability of land, the history of industry in the region, and connection to multimodal transportation, Fontana and the Inland Empire more generally have become a hub for warehousing and logistics in the United States. The industries included in this cluster (Figure 3.12) are those associated with warehousing and logistics and goods movement. Road construction was included as a supporting industry. Figure 3.12 shows the industries (4-digit NAICS codes) that make up the Warehousing and Logistics cluster with their location quotients, job growth, 2019 employment, and projected 2028 employment growth with a weighted average across industries.

While the unprecedented rise in e-commerce during the COVID-19 pandemic may lead to higher employment projections than what is indicated for the warehousing and logistics cluster shown in Figure 3.12, it is important to consider what pressures this cluster might face in the coming years. As the Brookings Institute notes, historically, technological disruption has caused minor economic disturbances in Fontana and the Inland Empire. However, with technological breakthroughs in recent years, automation now poses a threat across all industries, including warehousing and logistics. The report also notes that

Fontana and the region as a whole may be susceptible to reduced trade with Asia, new infrastructure which could disrupt trade routes and trade volumes at the Ports of Los Angeles and Long Beach, and increasing labor costs which, historically, was one critical advantage the Inland Empire had over other regions. These trends are putting increasing pressure to invest in automation, especially within the manufacturing and logistics industry cluster (Shearer, Shah, and Gootman 2019).

**Figure 3.12: Warehousing and Logistics Cluster Projected Employment Growth, 2018-2028**

| Code | Industry | LQ | % Growth (2009-19) | Projected % Growth in Employment (2018-28) |
|---|---|---|---|---|
| 4931 | Warehousing and Storage | 5.08 | 150% | 52% |
| 4922 | Local Messengers and Local Delivery | 0.64 | 55% | 40% |
| 4921 | Couriers and Express Delivery Services | 2.48 | 1399% | 39% |
| 4842 | Specialized Freight Trucking | 1.77 | -21% | 24% |
| 4841 | General Freight Trucking | 3.21 | 50% | 28% |
| 4812 | Nonscheduled Air Transportation | 0.32 | 47% | 39% |
| 4811 | Scheduled Air Transportation | 0.18 | 113% | 39% |
| 2373 | Highway, Street, and Bridge Construction | 2.12 | 12% | 11% |
| 2371 | Utility System Construction | 2.02 | 40% | 11% |

**Source:** NAICS 2009-2019 & State of California Employment Development Department 2018-2028.

It is also important to consider the quality of economic growth that will be generated by the continued growth of the warehousing industry in Fontana. Figure 3.13 shows the projected growth for occupations tied to warehousing and transportation in Riverside and San Bernardino and the prevailing wage for these occupations. While growth is projected in occupations that earn a higher wage, particularly in heavy truck drivers and supervisory roles, much of the job growth is expected to occur in occupations that pay below the living wage in the Inland Empire (Figure 14). Furthermore, many of these occupations are not unionized which creates barriers to improving working conditions, raising pay and benefits, and empowering workers to advocate for themselves in the workplace. While these trends may make Fontana a desirable location for warehousing in the short-run, in the long-run

the trend toward low-wage work with few pathways for advancement will undermine the city's prosperity and further entrench existing economic and social inequities.

**Figure 3.13: Projected Growth for Occupations in the Warehousing and Transportation Industries**

| SOC | Occupational Title | Mean Hourly Wage (2020) | Projected Growth Rate (2018 - 2028) | Added Jobs (2018-2028) | Job Type |
|---|---|---|---|---|---|
| 53-6051 | Transportation Inspectors | $33.69 | 11% | 30 | Above Living Wage |
| 53-1047 | First-Line Supervisors of Transportation and Material-Moving Workers, Except Aircraft Cargo Handling Supervisors* | $29.73 | 28% | 2,040 | Above Living Wage |
| 53-3032 | Heavy and Tractor-Trailer Truck Drivers | $26.32 | 24% | 6,380 | Above Living Wage |
| 53-7081 | Refuse and Recyclable Material Collectors | $26.26 | 7% | 1 | Above Living Wage |
| 53-3099 | Motor Vehicle Operators, All Other | $25.56 | -6% | -20 | Above Living Wage |
| 53-4013 | Rail Yard Engineers, Dinkey Operators, and Hostlers | $23.55 | 17% | 20 | Above Living Wage |
| 53-3033 | Light Truck Drivers | $22.97 | 25% | 3,910 | Above Living Wage |
| 53-7051 | Industrial Truck and Tractor Operators | $19.52 | 30% | 4,930 | Above Living Wage |
| 53-7062 | Laborers and Freight, Stock, and Material Movers, Hand | $17.56 | 31% | 20,050 | Below Living Wage |
| 53-7063 | Machine Feeders and Offbearers | $17.03 | 46% | 1,220 | Below Living Wage |
| 53-7065* | Stockers and Order Fillers | $16.92 | 14% | 4,940 | Below Living Wage |
| 53-6031 | Automotive and Watercraft Service Attendants | $16.81 | 4% | 40 | Below Living Wage |
| 53-7199 | Material Moving Workers, All Other | $16.64 | 10% | 130 | Below Living Wage |
| 53-7061 | Cleaners of Vehicles and Equipment | $15.73 | 6% | 390 | Below Living Wage |
| 53-6021 | Parking Attendants | $15.01 | 0% | 0 | Below Living Wage |
| 53-7064 | Packers and Packagers, Hand | $13.68 | 7% | 810 | Below Living Wage |

**Source:** 2018-2028, Employment Development Department for the State of California. Geographic Area: Riverside County (part of Riverside-San Bernardino-Ontario MSA). 2021 1st Quarter.
https://www.labormarketinfo.edd.ca.gov/data/oes-employment-and-wages.html#OES
*Classification code was 43-5081 prior to 2018

To increase long-term economic vitality of Fontana and the Inland Empire, it will be valuable to diversify Fontana's economic base, invest in educational opportunities to up-train workers, focus on the development of promising, middle-class jobs, and provide workers with the skills needed to support new, seed industry clusters. While this employment projection data are valuable for the warehousing and logistics cluster, it would

be valuable for the County of San Bernardino and City of Fontana to utilize this employment and industry data to develop a quantitative understanding of other industries in the region which may provide promise for wage growth, growth in jobs, economic resilience, and against the threats of automation. While technological innovation and change will likely displace jobs in the warehousing industry as well as in other industries, "such innovation bring[s] new occupations to life, generate[s] demands for new forms of expertise, and create[s] opportunities for rewarding work" (Autor, Mindell, and Reynolds 2020).

**Figure 3.14: Distribution of Job Growth between 2018 and 2020 For Jobs Above and Below the Living Wage**

| Job Type | Added Jobs (2018 -2020) | Percent of Added Jobs |
|---|---|---|
| Above Living Wage | 17,291 | 38.53% |
| Below Living Wage | 27,580 | 61.47% |

**Source:** Author's calculations based on Figure 3.14

**Note:** This table includes all occupations which *had* a wage forecast. It does not include occupations which did *not* have a wage forecast in the dataset.

## Benefits and Challenges of the Logistics Industry

A study by the Economic Policy Institute has shown that new warehouses in a county grow warehousing jobs there by about 30 percent, yet the growth is 'likely offset by job losses in other industries' or is small enough to be undetectable in the data. Thus the net effect would simply be a shift of jobs from other industries towards the warehousing and storage industry within the county, without a net growth in jobs overall, especially if the labor supply is limited (Jones and Zipperer 2018). Indeed, the share of warehousing jobs within the Inland Empire grew from 12.7% in 2018, to 13.3% in 2019 and 15.3% in 2020; the growth in the job share is especially pronounced given the job losses due to COVID (Downey 2021).

The jobs that the warehousing industry brings to a region, too, are not particularly high paying. In fact, in the past decade, four of the six Californian counties where Amazon established fulfillment centers saw a fall in their average wages (Sheehan 2018). These positions tend also to be precarious and further entrench vulnerable populations in a cycle of low wage, low skilled work (see Chapter 4 for more details).

Logistics firms pick their location based on the inherent advantages a locale offers, and state and local taxes only represent on average less than 2 percent of business costs. Hence the dreams of local governments who offer regulatory and tax incentives to warehousing companies in the hope of job creation may never be realized. In general, 'reducing public services to provide tax cuts does not actually spur economic growth and job creation', and may instead prove to be but a windfall for the companies benefited (Jones and Zipperer 2018).

Lastly, the large amount of land tied up with the logistics and warehousing industry, together with the environmental degradations wrought by the industry, could decrease the attractiveness of Fontana and the Inland Empire to entrepreneurs and the associated high-paying jobs (Downey 2021).

## City Finances and the Warehousing Industry

In the California context, the creation of Prop 13 and other regulations have made property taxes comparatively scarcer, pushing municipal governments to seek more innovative ways to financially support public services and capital, including various debt financing schemes and the fiscalization of land (namely using land as a source of revenue via development fees, taxes, and other means, and making land use decisions that could reduce government service costs) (Chapple 2018). Currently, Fontana is able to extract development fees whenever a new warehouse is built or a substantial modification is made to an existing warehouse.[1] While relying on development fees for funding is arguably better than plunging a municipality into debt, the question still remains whether the pros of building more warehouses outweigh the externalities arising from the freight industry or the opportunity cost of not using the land on which warehouses sit for other purposes.

### Sales Tax

Sales tax revenue is one of the city revenue streams. In addition to the state-wide sales tax, the County of San Bernardino has an additional 0.25% sales tax. Under the current Bradley-Burns sales tax law, the municipality where the place of sale ("situs") is located (which can often be the fulfillment center where goods are shipped from) can receive part of the sales tax revenue for each transaction. However, this law is vulnerable to changes in state tax policy, and the situs is highly dependent on the internal ownership structure for large retailers (League of California Cities 2021). In 2021, an effort spearheaded by a neighbouring municipality sought to change California state tax law to redirect revenue

[1] Interviews with City staff and leaders

from the municipality where the fulfillment center is located, to the municipality where the buyer is located. While such a change (or a variation where the sales tax revenue is shared between both the municipality with the fulfillment center and the one where the buyer is) might engender a more equitable distribution of sales tax benefits, since externalities arising from truck use is not confined to the area immediately surrounding fulfillment centers, it could also have enormous fiscal implications for a city whose economy is heavily reliant on its warehousing industry.

According to the City of Fontana FY 2020-2021 Operation Budget, the following firms are the top twenty-five sales tax producers. The firms are organized by sector. Besides the auto dealerships, most firms included in the list support the Warehousing and Logistics industry.

- Warehousing and Logistics
    - American Hotel Registry
    - HSN, LLC
- Gas and Transportation
    - Arco AM/PM
    - Chevron
    - Fontana Truck Stop
    - Rush Truck Center
    - Shell
- Material Production
    - Brown Strauss Steel
    - Thompson Bldg Materials
- Commercial and Distribution Centers
    - Costco
    - Home Depot
    - Lowes
    - Ross
    - Stater Bros
    - Target
    - Walmart
- Auto Dealerships
    - Fontana Mazda
    - Fontana Motors Direct
    - Fontana Nissan
    - Pacific Auto Center
    - Rock Honda

- Rotolo Chevrolet
- Sunrise Ford
- Utility Trailer Sales
- Valley Kia

## Impact Fees

Impact fees are charges on new development that typically are used to help fund the expansion of municipal services that will support the new development. The City of Fontana charges development impact fees that vary by land use. Specific fees can be found on the City's Website. There are additional fees charged per square foot of development by the Fontana Unified School District (Fontana Unified School District n.d.). The County of San Bernardino charges separate fees for development outside of the city jurisdiction but within the Fontana Sphere of Influence.

**Figure 3.15: Cost of Development Fees for a 205,949 Square Foot Warehouse**

| Fee | Cost |
|---|---|
| San Bernardino County Fontana Sphere of Influence | $319,221 |
| Fontana City limits | $809,738 |
| Fontana Unified School District | $135,926 |
| Fontana with discretionary zoning change | $875,283 |

Source: Author calculated.

Outside of the traditional development impact fees, the City of Fontana charges discretionary square-footage-based fees to developers for spot zoning changes to industrial uses at warehouse sites. **While it is unclear how decisions are made with regards to how these funds are used, our team recommends that the City create a process for allocating these funds to mitigate impacts of the development of these warehouses and invest in placemaking in the city.** Additionally, when creating this process, the City should better document the legal nexus for requesting these funds, per Nollan v. California Coastal Commission 483 U.S. 825. Figure 3.15, for example, details the cost of development of a 205,949 square-foot warehouse depending on the location of the development and the fees exacted.

### Fiscalization of Land Use

The fiscalization of land creates incentives for municipalities to favor commercial uses over residential and industrial uses. This may lead to municipalities over-zoning for commercial uses and under-zoning for residential and industrial uses, thus discouraging compact development in urban form (Chapple 2018; Lewis 2001). The resultant sprawl would work against Fontana's desire to promote active transportation and make the formation of compact live-work communities more difficult. Though creating a live-work community would improve congestion and mitigate Greenhouse Gas emissions, a short commute within the region to neighboring cities is unlikely to benefit Fontana economically. Chapple (2018) also suggests that a more compact development pattern could bring fiscal benefits, such as reducing the need to chase sales tax base, thus breaking the cycle of fiscalization of land use.

Even if the city of Fontana is benefiting financially from fees and taxes from warehouse developments, most of the new warehouses are located in the southwest portion of the city, where a higher percentage (51%) of the residents are renters as compared to the rest of Fontana (refer back to Figure 3.09). Thus the impact of the conversion of land for warehouse use in this area within Fontana falls disproportionately on renters, who cannot reap the financial benefits of a rise in home value, and may instead be displaced as rents rise.

## Rootedness of the logistics and warehousing industry in the Inland Empire

### Inherent attractiveness of the Inland Empire

The Inland Empire is attractive to the logistics industry, being situated amidst a well-developed freeway network, the Ports of Los Angeles and Long Beach, and a number of airports (including Ontario and San Bernardino International Airports). Beyond these locational advantages, other factors, such as "abundant cheap land", a large and readily available workforce, a strong infrastructure network of major ports, railways, and highways, and proximity to customers (including other businesses in the supply chain and end users), also work together to draw logistics companies to the region. Regional leaders have recognized the importance of these factors since the mid 20th century, and thus encouraged the growth of the logistics sector in the Inland Empire. As a result, the combined region of the Inland Empire, Los Angeles County, and Orange County dominates

the warehousing market within the wider Southern California-Las Vegas-Phoenix region (De Lara 2018; Harris 2018; Industrial Economics, Incorporated and CALSTART 2020).

## Elasticity of warehouse locations to costs and subsidies

The aforementioned structural advantages, long recognized and identified by the regional government, cities, and industry stakeholders, allow local jurisdictions the confidence to not offer subsidies to logistics companies in order to draw or keep companies within their communities. Stakeholders know that the logistics sector cannot easily relocate, unlike manufacturing jobs (De Lara 2018; Harris 2018). Moreover, Lewis (2001) argues that any incentives local governments give to compete for retailers would ultimately end up being a net transfer of local public resources to these private companies, since these incentives do not change the 'broad locational characteristics of the industry' and retailers are unlikely to relocate out of the market area (Lewis 2001). This argument can be similarly applied to the warehousing and logistics industry in the Inland Empire.

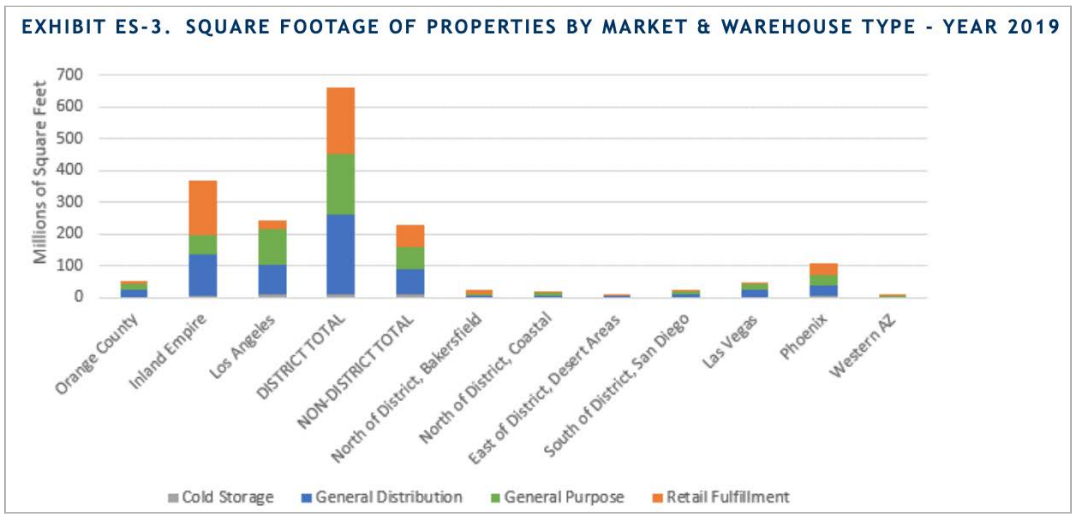
When interviewed, logistics industry stakeholders indicate that their locational choices are driven by the overall costs of operating a warehouse, rather than by any single factor. Factors that affect locational decisions include transportation costs, labor costs and availability, real estate costs, and regulatory burdens. Even if labor and real estate costs are lower further inland from the Inland Empire, the transportation cost to move goods from the ports to these inland locations would offset a lot of these cost savings. The lower labor availability and distance from customers also makes these inland locations less attractive to logistics companies (Industrial Economics, Incorporated and CALSTART 2020).

Since margins are thin in the logistics sector, additional regulatory costs could have a relatively large impact on profits. Even so, CALSTART finds that a regulatory cost increase of $2 per square foot of warehouse space would only cause 6 warehouses in the entire South Coast Air Quality Management District to relocate outside the region, representing only 0.2% of the warehouses in the region (Industrial Economics, Incorporated and CALSTART 2020).

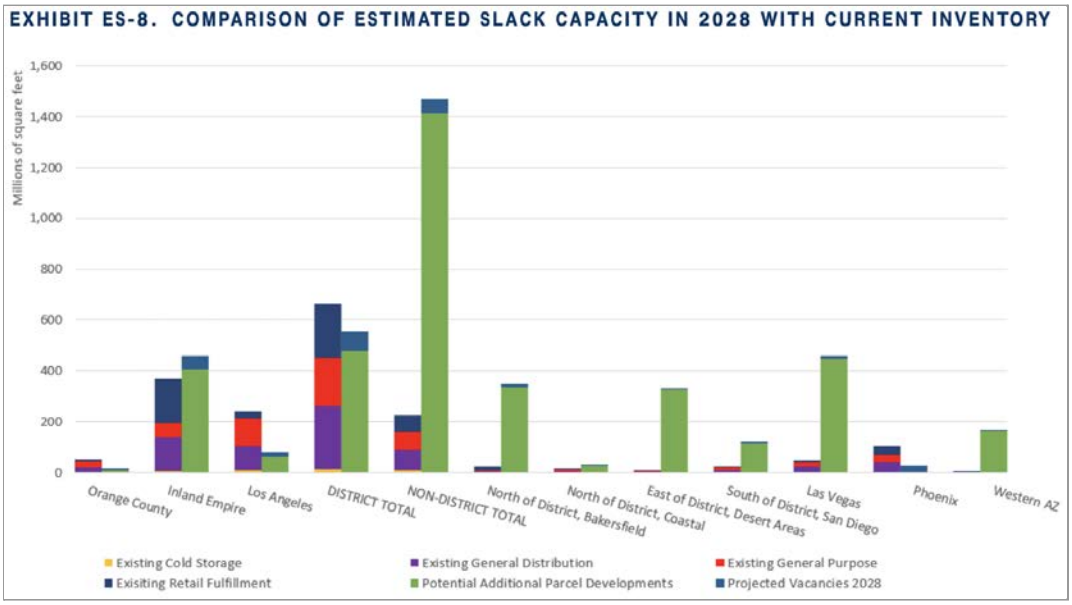
Even if firms were to relocate, Figures 3.16 and 3.17 shows that the current warehousing capacity in the regions further inland (such as the Central Valley, Nevada, or Arizona) is far below that of the Inland Empire and Los Angeles. Only with about a decade of developing and building warehouse space would these other regions have a warehouse inventory that comes close to matching the current amount in the Inland Empire. The long time frame required to develop a warehousing industry in other regions would give the Inland Empire

ample time to respond to the potential loss of logistics jobs, or to work with surrounding regions and states on imposing more stringent environmental regulations and standardizing them across regions (see Recommendation 3.1).

**Figures 3.16 and 3.17: Potential Warehouse Square Footage Available in the Inland Empire and Surrounding Regions in the Medium-Term and Long-Term (10 years)**




Source: IEc and CALSTART, 2020
"District" refers to the entire SCAQMD district




Source: IEc and CALSTART, 2020
"District" refers to the entire SCAQMD district

## Examples of municipalities successfully negotiating with logistics companies

As a specific example, Amazon is known to negotiate for "tax abatements, credits, exemptions, and infrastructure assistance [from state and local governments …] in the name of regional economic development" and job creation. Through encouraging inter-city competitions for its facilities, Amazon tries threatening local governments into offering these large economic incentives. Localities in California have thus far (up to at least 2018) avoided making such concessions to Amazon. In fact, the neighboring City of San Bernardino turned down Amazon's request for a sales tax remittance deal in return for locating a facility there in 2012, yet Amazon still built its facility in the city without the deal (Harris 2018; Jones and Zipperer 2018). Eastvale, also in the Inland Empire, did not offer Amazon any incentives either, and the sales tax revenue the city gains from Amazon is enough to cover its operating budget (Waddell and Singh 2021).

# 'Strengths, Weaknesses, Opportunities, Threats & Challenges' Analysis of Fontana

A SWOT or SWOC analysis is a valuable tool in economic development which can identify a region's 'competitive advantages—those indigenous assets that make the region special or competitive in the national and global economies—juxtaposed against those internal or external factors that can keep a region from realizing its potential' (U.S. Economic Development Administration 2021). By articulating strengths, weaknesses, opportunities, and threats or challenges, a city can target resources and develop strategies to deter threats, capitalize and strengthen opportunities, and continue to grow its strengths. The literature considers strengths and weaknesses internal factors which help or hinder goal achievement, while opportunities, threats, and challenges are considered external factors which may influence a strategy (Trapenberg and Deakin 2017). The SWOT&C analysis (Figure 3.18) below was created by our team after conducting the detailed economic analysis above and provides information on what we believe to be the assets the region can utilize to continue to improve its economic resilience.

**Figure 3.18: SWOT&C Analysis for Fontana**

| Strengths | Weaknesses | Opportunities | Threats & Challenges |
|---|---|---|---|
| Land availability | Land limitations | Educational institutions | Automation |
| Proximity to ports | Instability of development impact fees & spot rezoning fees | Environmental regulations | Supply chain disruptions |
| Highway network density | Lack of economic diversification | Unionization | Long term threats of warehouse relocation |
| Lower cost of living | Labor shortages | Spot zoning fees | Workforce retention |
| Proximity to market | Data collection, management, and dissemination | Locational advantages | Congestion |
| Educational Institutions | Auto dependency for freight and passenger movement | Coalition building | Vulnerability to global, political, economic, and social forces |
| History of labor unions | Air quality due to pollution | Grants and funding | Lack of headquarters |
| Civic buildings | Quality of life impacts | Data collection and management | Lack of coordination within the region |
| Access to open spaces | Shortage of "good" and "promising" jobs | New federal funding sources | Race to the bottom between local jurisdictions |
| Chamber of commerce | Displacement due to expulsive zoning & warehouse development | New federal funding sources | |
| Community, faith, and social groups | Lack of unionization | Developing multimodal freight transportation | |
| | Racial disparities in income & opportunity | | |

## Strengths

- *Land Availability:* Fontana and many of its neighboring cities have attracted industry and economic activity through its abundance of large parcels of affordable,

developable land. This availability of land has also kept rental rates for distribution centers lower than in Los Angeles County adjacent to the Ports.

- *Proximity to Ports:* Located approximately 70 miles inland from the Ports of Los Angeles and Long Beach, logistics companies can make numerous round trips from the Ports to Fontana each day using freight trucks.
- *Highway Network Density:* Uniquely positioned between I-10 and I-15, Fontana is ideally positioned for automotive transportation access for commuters, residents, and logistics companies.
- *Lower Cost of Living:* With a lower comparative cost of living than many communities closer to Greater Los Angeles, Fontana has been able to attract families and workers which both stay in the city to work and commute to adjacent cities.
- *Proximity to Market:* With a sizable consumer market in California's densely populated coastal cities, logistics companies have been attracted to regions adjacent to these markets in order to fulfill one- and two-day delivery expectations.
- *Educational Institutions:* Within a strong school district, trade schools, and close proximity to educational institutions like University of California, Riverside and California State University, San Bernardino, Fontana can continue to grow its educational attainment levels and attract graduates from nearby institutions.
- *History of Labor Unions:* The City of Fontana can use its history of strong labor unions during the Kaiser Steel Mill era to collectively negotiate and advocate for the continuous betterment of workplaces and working conditions.
- *Civic Buildings:* The City of Fontana has an abundance of well maintained civic buildings and spaces (e.g. Libraries, parks, and pools) that are attractive to workers and residents alike.
- *Access to Open Space:* Fontana's abundance of parks and proximity to the San Gabriel Mountains makes it attractive for people seeking to be near outdoor amenities.
- *Chamber of Commerce:* Fontana's strong Chamber of Commerce allows the city to make collective development decisions.
- *Community, Faith, and Social Groups:* Fontana's abundant and strong community and social groups allow residents to develop collective voice and allow for coalition building.

### Weaknesses

- *Land limitations*: Land within the city limits available for the development of warehouses is limited.
- *Instability of development impact fees and spot rezoning fees:* Because land available for the development of warehouses within the city limits is limited, funds from

impact fees and from spot rezoning fees are limited. Development impact fees and spot rezoning fees are not a sustainable revenue stream.

- *Lack of economic diversification:* The City of Fontana has heavily invested in the warehousing and logistics industry and as a result has overlooked investing in other industries and diversifying the economy. This lack of economic diversity means that the success of the local economy is dependent on one industry's success.
- *Labor shortages:* There are currently labor shortages in the Inland Empire which affects the industry of warehousing and logistics. Many firms are unable to fill vacant positions, and there is a shortage of truckers (Ngo and Swanson 2021).
- *Data collection, management, and dissemination:* While the city does have an open data portal, there is very limited data available on it.
- *Auto dependency for freight and passenger movement:* Because of its placement in the Inland Empire and the auto-centricity of the region, the City of Fontana is very dependent on vehicular movement. 90% of Fontana residents commute to work by car, and although freight travels through the city by rail, because there is no freight pooling station, goods coming into and out of the city are primarily transported by trucks.
- *Air quality due to pollution:* Because of its geographic location and the high auto-dependency of the city and region, the Inland Empire has poor air quality. In addition to the negative health outcomes associated with air pollution like higher rates of asthma, the effects of COVID-19 are exacerbated (Ober 2021). Census tracts in the South-West of Fontana see some of the highest rates of air pollution in the state (Bonta 2021).
- *Quality of life impacts:* Living among warehouses negatively impacts residents' quality of life. Trucks servicing warehouses cause noise pollution, congestion, and more severe collisions, creating less safe roads (Chen et al. 2020).
- *Shortage of "good" and "promising" jobs:* The Brookings Institute reports the the Inland Empire has a shortage of "good and promising" jobs; "'good jobs' refer to those that provide middle-class wages and benefits and 'Promising jobs' are entry level jobs that provide career pathways to good jobs" (Shearer, Shah, and Gootman 2019).
- *Displacement due to expulsive zoning and warehouse development:* When land is rezoned from residential to industrial use called "expulsive zoning," it can displace residents who currently live there (Bonta 2021).
- *Lack of unionization:* While there are many unions present in the region, because workers in the warehousing and logistics industry specifically are not unionized, they cannot collectively bargain for better working conditions and livable wages.

- *Racial disparities in income and opportunity:* The region and the city have a shortage of "good and promising jobs," which disproportionately affects racial minorities. Of members of the workforce with the same educational attainment, Black men and women are less likely to hold good and promising jobs than non-Hispanic residents of other races (Shearer, Shah, and Gootman 2019).

## Opportunities

- *Educational Institutions:* Fontana is home to a community college and close to regional campuses including UC Riverside and California State University, San Bernardino that can anchor a diversified economy by partnering with public and private actors to offer workforce development programs
- *Environmental Regulations:* There is an opportunity to introduce new environmental regulations that improve the quality of life for Fontana residents by reducing pollution and congestion from logistics and warehousing
- *Unionization:* Unionization provides a pathway for collective bargaining contributing to better working conditions, higher wages, and better benefits, improving the quality of low wage work
- *Spot Zoning Fees:* Fees on rezoning land to industrial use generate discretionary income for the city. The City can create a process for allocating these funds to mitigate impacts of the development of these warehouses and invest in placemaking in the city. Additionally, when creating this process, the City should better document the legal nexus for requesting these funds
- *Locational Advantages:* Fontana has locational advantages including access to highways, airports, and proximity to the ports of LA and Long Beach that make it particularly attractive for warehousing. SCAQMD has found that increasing warehouse operating costs by up to $2 per square foot is unlikely to lead to warehouse displacement in the short- to medium- term and that as a result there is room for additional warehouse regulation (IEc and CALSTART 2020)
- *Coalition Building:* Building coalitions with environmental justice and community advocates is critical to correct past trends of unequal growth and building a just and inclusive future
- *Grants and Funding:* There are opportunities to pursue grants at the regional and state levels to fund truck electrification and other green infrastructure projects
- *Data collection and management:* There is an opportunity for the city to implement data sharing requirements to improve the city's knowledge of warehousing activity

- *New Federal Funding Sources:* While details are currently unclear, Build Back Better will likely expand federal funding for infrastructure projects including goods movement and clean energy projects
- *Developing Multimodal Freight Transportation:* Currently Fontana relies on automotive modes to transport freight between ports, warehouses, and customers. There is an opportunity to advocate for funding multimodal freight transportation to reduce impacts from trucks that include congestion and pollution

### Threats & Challenges

- *Automation:* With recent technological breakthroughs are increasing many industries' vulnerability to automation, and the logistics industry, where up to 75% of its jobs could be robotized, is particularly more vulnerable than other economic sectors. Occupations less vulnerable to automation include those which use skills including inductive reasoning and complex-problem solving. Fontana can prepare for automation by moving up the value chain within the logistics industry (Shearer, Shah, and Gootman 2019) .
- *Supply Chain Disruptions:* Fontana may be vulnerable to global supply chain disruptions caused by forces outside of their control with an economy based solely in the warehousing and logistics industry.
- *Long-Term Threats of Warehouse Relocation:* Increased costs of operating distribution centers in the state of California may lead companies to relocate to adjacent states.
- *Workforce Retention:* Low quality, low-paying jobs in warehouses can exacerbate labor shortages and may make it difficult to retain workers in the industry
- *Congestion:* High rates of auto dependency in passenger and goods movement creates congestion which reduces the efficiency of trucking and logistics activity
- *Vulnerability to Global, Political, Economic, and Social Forces:* The level of goods movement activity is largely determined by global macroeconomic conditions, and can also be influenced by unforeseen events such as natural disasters, global pandemics, and political activity like trade policy
- *Lack of Headquarters:* The largest local employers are not headquartered in Fontana, exposing Fontana to greater risk that employers may choose to relocate
- *Lack of Coordination Within the Region:* Without coordination and communication between cities and key stakeholders across the Inland Empire, Fontana may be vulnerable to competing local employment incentives.
- *Race to the Bottom Between Local Jurisdictions:* Competition within the region for warehouses may lead to municipalities competing for warehouses on the basis of cost, depressing wages and local tax revenue

# Recommendations

The following is a list of recommendations to support economic development related to the above analyses. While many of the recommendations are actions the city can take to make their economy more resilient, sustainable, equitable, and encourage the development of "good" and "promising" jobs, some of the recommendations target regional or state actors or require collective action. The recommendations are organized by geographic scale, starting with local recommendations and expanding to regional and state.

**Recommendation 3.1: Regulate the warehousing and logistics industry**

*Scale: National, State, Local.* The City of Fontana and other municipalities in the region should not shy away from imposing more stringent regulations on the warehousing and logistics industry. The Inland Empire is inherently attractive to the logistics industry due to its location and infrastructure network. This, together with the difficulty and time required to set up a new logistics cluster elsewhere, means that warehousing companies are unlikely to leave the Inland Empire in large numbers. Any shift of warehousing jobs to nearby municipalities would just mean a slightly longer commute for affected workers, and is unlikely to have a large impact on the city's economy. Additionally, most blue-collar jobs offered by the warehousing industry are neither high-paying nor high-skilled. Hence, as the city and the region slowly shifts its job balance, the threat of job losses in the warehousing industry is reduced. Environmental and labor regulations for the warehousing and logistics industry are ultimately needed to protect the health and wellbeing of the residents and workers of Fontana, so enacting them sooner rather than later will give Fontana a head start and lead the region in adapting its economy to diversify beyond the logistics industry.

**Recommendation 3.1a: Direct development impact fees and warehouse mitigation fees towards community benefits**

*Scale: Local.* Development Impact Fees can be used to help create a sense of place in the City by using revenue to help build and maintain parks and other recreational facilities, to calm traffic and create safer roads, and fund community centers and other local amenities.

**Recommendation 3.1b: Require warehouse and distribution centers to sign community benefits agreements (CBAs) and project labor agreements (PLAs)**

*Scale: Local.* Through this requirement, the warehousing and logistics industry can better support workers, residents, and environmental sustainability. The City of Fontana can turn to Riverside County as a model for how to develop community

benefits agreements. Riverside County currently utilizes this funding stream to support pollution mitigation and offset programs (Becerra 2021). [2]

**Recommendation 3.1c: Become a more hospitable environment to union formation**

*Scale: National, State, Local.* By strengthening the presence and power of unions in and around Fontana, the region can develop and sustain coalitions which support a path forward for economic development which supports "worker rights, skill investment, and wages and benefits." As opposed to employers seeking a competitive advantage through lower wages "and shifting costs and risks onto workers," unions play a critical role in establishing a "framework of rules and organizational structures to regulate economic development in a way that closes off the low road and builds the high road" to economic development (Greer, Byrd, and Fleron 2018).

**Recommendation 3.1d: Work together with neighboring municipalities in the Inland Empire on warehousing and logistics regulations**

*Scale: Regional.* Instead of competing with each other for firms to locate within their jurisdictions, municipalities in the Inland Empire should work together to impose a region-wide minimum level of regulation for the warehousing and logistics industry, and ensure that no undue incentives are acceded to warehousing and logistics companies by individual cities. This would help prevent competition amongst local jurisdictions as municipalities try to attract warehouses with various incentives. With such agreements in place, cities in the Inland Empire can rely on the inherent locational benefits of the Inland Empire to the warehousing and logistics industry to keep the industry in place, and not worry about individual companies relocating to a neighboring jurisdiction for a better 'deal'.

**Recommendation 3.2: Documentation of discretionary fund processes**

*Scale: Local.* The City should better document the legal nexus for requesting these funds, per Nollan v. California Coastal Commission 483 U.S. 825. In addition, the city should develop and document a process for publically allocating how these funds are spent.

**Recommendation 3.3: Direct discretionary funds to programs to mitigate impacts of warehouse construction and operations**

[2] Please see Chapter 4: Labor & Coalition Building for additional discussion of recommendations 4.1b.

*Scale: Local.* The City should create a process for allocating these funds to mitigate impacts of the development of these warehouses and invest in placemaking in the city. The City should consider directing these funds to initiatives which, for example, capture air quality data, mitigate pollution through electric vehicle infrastructure, and provide additional green and recreational spaces. The fund can also be used to help the city build capacity to enforce laws that are not currently being enforced (see Recommendation 3.6).

**Recommendation 3.4: Build collaborative relationships between educational institutions and employers**

*Scale: Local.* The City should facilitate a collaborative relationship between educational institutions and local and regional employers.

**Recommendation 3.5 Avoid excessive rezoning of land to industrial uses**

*Scale: Local.* As discussed in the section on the Fiscalization of Land Use, excessive conversion of residential land into a single non-residential use discourages compact development. This is especially apparent in Fontana's rezoning of large areas for warehousing uses given the sheer size and floor area required of these building. The resultant sprawl would work against Fontana's active transportation initiatives and make the formation of compact live-work communities more difficult. Traffic congestion and accidents may also increase with the increased truck traffic going through the city's street network (Chen et al. 2020). The proximity of some of these new warehousing lots to residences and schools could also be a concern in terms of air pollution generated by trucks serving the new site.

**Recommendation 3.6 Enforce City rules and regulations on warehouses**

*Scale: Local.* The city should ensure that it has enough enforcement and monitoring capability for all of its rules and regulations. Without such enforcement of its laws, an unfair advantage is given to the companies that choose to ignore city regulations and do business in a cost-cutting manner that hurts the city and its residents. In the longer run, the investment taken to ensure that companies are compliant should pay for itself, leading to a better cityscape for beautification rules, better city finances for development and other fees, and better health for residents for environmental regulations. The discretionary fund can also be used to help the city build up its enforcement and monitoring capabilities.

**Recommendation 3.7: Promote "just growth" in warehousing and transportation cluster**

*Scale: Regional.* Currently, the Warehousing and Transportation cluster is the city and region's primary economic cluster and what the region specializes in. Thus, our team recommends strategically growing this industry cluster by encouraging unionization of the workforce to eliminate the jobs paying below a living wage and move up the value chain by participating in the production of innovative technology to advance the sustainability and efficiency of this industry, in turn, creating more "good" and "promising" jobs. By following strategies of high road economic development, Fontana will maintain its strategic advantage in this industry despite threats of automation and environmental regulation, foster equitable and environmentally just growth. This strategy could also help retain college educated individuals who leave the region upon graduating.

**Recommendation 3.8: Develop an Advanced Green Manufacturing Industry Cluster**

*Scale: Regional.* With a long history in manufacturing, the Inland Empire already has a competitive advantage in this industry. To enable Fontana and the Inland Empire to become a global leader in Advanced Green Manufacturing, the region should expand "advanced manufacturing in the region by strengthening the competitiveness of existing firms and ecosystems" (Inland Economic Growth & Opportunity 2019). With CARB's new headquarters in nearby Riverside, Fontana is strategically located to take advantage of the scientific, technological, and policy expertise CARB provides to innovate in this space. The development of this cluster will drive wage growth, improve competitiveness for the City and region's business, reduce air pollution and congestion, and create wealth-building opportunities (IEGO 2020).

**Recommendation 3.9: Reform sales and property taxes**

> **Recommendation 3.9a: Conduct research on sales and property tax policy reform**
>
> *Scale: Regional, State.* Fontana, in collaboration with other municipalities, should push for regional governments and the state to conduct more research into reforms for sales and property tax policy, so as to ensure a more equitable distribution of resources based on costs and externalities generated by local industries. Two ideas are listed below as potential starting points.

**Recommendation 3.9b: Work with regional partners to share sales tax revenue regionally**

*Scale: Regional, State.* As suggested by Chapman (1998) and Chapple (2018), sharing sales tax and other tax revenues on a regional basis would discourage municipalities from land conversion for fiscal reasons, since the fiscal benefits would be shared with other municipalities within the region. Such schemes are reasonable given the regional nature of the labor market (Chapple 2018). However, care must be taken to not implement tax sharing in an inequitable manner, such as transferring resources from communities near warehouses and along truck routes, to wealthy suburbs far away from environmental harms. Moreover, implementing a regional sharing scheme for sales tax could be politically difficult, as it could be seen as an erosion of local control (Lewis 2001).

**Recommendation 3.9c: Work with regional and state partners to reform property tax policy, including alternative ways to allocate property tax revenue**

*Scale: Regional, State.* Even under the property tax limits in California under Proposition 13, fiscalization of land use could be curtailed by reforms to return more property tax to municipalities, reallocate property taxes on a regional basis, or allow for more local control on property tax (Chapple 2018; Lewis 2001), by reducing the financial incentives that commercial properties can bring to a municipality.

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