

BOARD MEETING DATE: February 6, 2026

AGENDA NO. 7

PROPOSAL: Recognize Revenue from 2016 Settlement Agreement for World Logistics Center

SYNOPSIS: Under a 2016 Settlement Agreement, the developer of the multi-warehouse World Logistics Center, Highland Fairview, agreed to pay an Air Quality Improvement Fee of \$0.64 per square foot of each building constructed at the time a Certificate of Occupancy is issued. The first building under this agreement is expected to receive this certificate in the first Quarter of 2026 and more buildings are anticipated in the future. The agreement recognizes the South Coast AQMD may use the fee for any purpose that will improve air quality in the South Coast Air Basin.

COMMITTEE: Administrative, January 16, 2026; Reviewed

RECOMMENDED ACTIONS:

1. Recognize revenue, upon receipt, based on \$0.64 per square foot of each building constructed from Highland Fairview into the Air Quality Investment Fund (27); and
2. Authorize the Executive Officer to accept the Air Quality Improvement Fee to be used to improve air quality in the South Coast Air Basin.

Wayne Nastri
Executive Officer

BB:SR:MK

Background

Highland Fairview is the real estate developer of a multi-warehouse project called World Logistics Center located in city of Moreno Valley in Riverside County that has planned for 40,600,000 square feet of logistics facilities. In August 2015, Moreno Valley certified an Environmental Impact Report (EIR) and, thereafter, granted a number of land use approvals for the project. In September 2015, the South Coast AQMD file a lawsuit in the Riverside Superior Court related to the EIR's compliance with the California Environmental Quality Act, followed by another lawsuit in February

2016 on the validity of initiatives adopted by Moreno Valley in November 2015 in response to the initial lawsuits questioning the validity of the land use approvals. In September 2016, there was a judgment in favor of Moreno Valley and Highland Fairview while the South Coast AQMD maintained the air quality mitigation measures set forth in the EIR were inadequate. In October 2016, Moreno Valley, Highland Fairview, and South Coast AQMD signed a Settlement Agreement that included an Air Quality Improvement Fee of \$0.64 per square foot of each warehouse building constructed in the World Logistics Center at the time of issuance of a Certificate of Occupancy. In accordance with the Settlement Agreement, the funds collected may be used for any purpose that will improve the air quality in the South Coast Air Basin. On October 25, 2016, the presiding judge approved the Agreement as part of a stipulated judgment entered in County of Riverside California Superior Court Case No. RIC 1511213. World Logistics Center's first building is anticipated to receive a Certificate of Occupancy in the first Quarter of 2026. More buildings are anticipated in the future but the exact number of buildings, the ultimate square footage, and timing for issuance of certificates of occupancy with corresponding receipt of payments are not known at this time.

Proposal

Staff recommends recognizing the revenue, upon receipt, based on \$0.64 per square foot of each building constructed from Highland Fairview into the Air Quality Investment Fund (27) and to authorize the Executive Officer to accept the Air Quality Improvement Fee to be used to implement projects to improve air quality in the South Coast Air Basin. This action is to only establish the fund to accept the Air Quality Improvement Fee, and does not include at this time the selection, implementation, or funding of air quality improvement projects. Staff will present options through a public process for use of the fees received which may include incentive funding, emission reductions projects or programs, and technology demonstration projects.

Benefits to South Coast AQMD

Per the Agreement, the use of the fees will be used to benefit air quality. The air quality benefits will be specific to the types of projects and programs that are implemented.

Resource Impacts

Existing staff resources will be used to accept the Certificate of Occupancy, calculate the fee, invoice Highland Fairview, and process the fees collected. At the time of any future project selection for use of funds, appropriate recovery of administrative costs would be included based on the staff resourcing estimates specific to the types of projects and approach that are used to select and implement the various air quality projects.