



NATIONAL CITY

GREEN INDUSTRIAL AUTO PARK PROJECT





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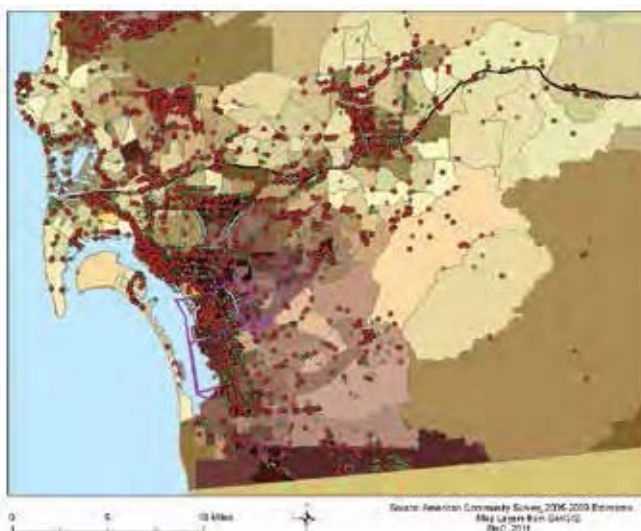
Mission Statement

Environmental Health Coalition is dedicated to environmental and social justice. We believe that justice is achieved when empowered communities act together to make social change. We organize and advocate to protect public health and the environment threatened by toxic pollution. EHC supports efforts that create a just society and foster a healthy and sustainable quality of life.

Environmental Justice is the right of all people and communities to live, work, and play in a clean and safe environment.

Environmental Health Coalition fights environmental racism, which is defined as: policies and activities of governments, corporations, educational institutions or other large organizations with the power to influence many people that, either intentionally or unintentionally, result in people of color and/or low-income people being exposed to greater environmental hazards.

In San Diego County, the relationship between race, income and pollution is quite clear as illustrated by this map that shows the greatest concentrations of people of color and low-income people overlaid with facilities that emit air pollution (red & green dots) and facilities that utilize toxic chemicals or generate hazardous waste.



This publication was developed under the Brownfields Area-Wide Planning Grant awarded by the U.S. Environmental Protection Agency. This document was prepared by Environmental Health Coalition, with the support of Estolano LeSar Perez Advisors LLC, and LeSar Development Consultants. It has not been formally reviewed by the EPA.

ACKNOWLEDGMENTS

This report was made possible through the time and dedication generously provided by the business community, residents, and the City of National City. The Environmental Protection Agency's Brownfields Area-Wide Planning Grant was key in providing the resources to advance a study that reflects the needs of the community.

We thank National City's Chamber of Commerce for their support, the businesses that kindly opened their doors and trusted us with invaluable information. We also thank the Green Industrial Auto Park stakeholder group, comprised of representatives of the City of National City, the National City Chamber of Commerce, Kimball Elementary School, the San Diego Organizing Project, and the Paradise Creek Educational Park, which provided meaningful feedback throughout the project.

It is and continues to be an honor to work with Old Town National City residents who are committed to making their community a healthier place to live and are continuously guiding and expanding the solution toolbox so we have a National City that works for all.

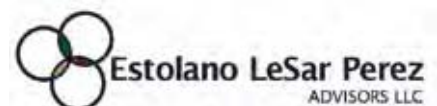


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Executive Summary

PROJECT OVERVIEW

In May of 2013 Environmental Health Coalition (EHC) received a Brownfields Area-Wide Planning Grant from the Environmental Protection Agency. The goal of the project was to develop a community-driven area-wide plan to create a Green Industrial Auto Park (GIAP) on a brownfield site in the City of National City. The GIAP was to be designed so it could be transferable and applicable to sites of the same size or larger. The hope is that the GIAP would serve as an innovative, environmentally sound, and economically viable destination site for auto-repair businesses phasing-out of Old Town National City (OTNC), a low-income residential community confronting health impacts resulting from conflicting land uses.

National City is the second oldest city in San Diego County, and is located five miles south of the City of San Diego. Over the past 50 years, OTNC, a predominantly low-income Latino neighborhood, has evolved from a primarily residential community to an incompatible mixture of industrial uses surrounding homes and schools. The incompatible industrial and residential development has resulted in increased respiratory diseases and greater risk of accidental release of toxic chemicals, negatively impacting the quality of life.

In order to resolve the conflicting land uses, community residents worked alongside National City to develop their neighborhood vision. The vision is reflected in the Westside Specific Plan adopted in 2010, which rezoned the area and called for the phase-out of incompatible uses such as auto body shops through an amortization ordinance adopted in 2006. The amortization ordinance provides the necessary authority for the City to phase-out existing non-conforming businesses in OTNC. Amortization is designed to legally authorize City Council to implement the new specific plan and discontinue legal but non-conforming uses by phasing-out industrial uses situated next to housing, schools, and community centers.

The goal of the GIAP is to serve as a resource to accomplish the appropriate separation of industrial and residential uses in OTNC without causing economic loss. The AWP focused on evaluating and developing a GIAP model and financial plan on the former site of the San Diego Wood Preserving Company (SDWPC), a 1.7 acre or 74,487 square foot industrial brownfield property located at 2010 Haffley Avenue in National City. The site is within a National City heavy industrial area, away from homes and schools.

GIAP's research and design was completed in a way so the information could be transferable and useful for other sites. There are many communities across California and the United States that are grappling with the same challenges of preserving businesses and jobs while trying to address the environmental and health issues stemming from the commingling of industrial and residential uses. It is in both this local and national context that we seek to add to the body of knowledge and the toolbox of solutions that can be utilized and replicated in communities across the United States.

PROJECT TASKS

The EHC Brownfields Area-Wide Planning project completed the following tasks: Involved the community in identifying and meeting its priorities through brownfield site cleanup and reuse.

1. Completed a costs analysis and gap funding study to determine the financial feasibility of the GIAP at the SDWPC or a site of the same size or larger. The analysis was conducted by Estolano LeSar Perez Advisors LLC and LeSar Development Consultants.
2. Convened the GIAP stakeholder group to review research recommendations.
3. Developed a GIAP Plan and next steps.

OUTCOMES OF THE AWP GREEN INDUSTRIAL AUTO PARK PROJECT

Green Industrial Auto Park Development Feasibility Study Highlights

- The total GIAP development **costs are estimated at approximately \$6.5 million** or \$183/SF.
- **Private financing sources of \$2.43 million have been forecast** in a conservative manner and comprise about 41% of the total permanent financing for the project.
- At this time, **public sources to be identified to complete the project comprise about \$3.8 million** or 59% of the project. There are a variety of high probability sources that can be secured to complete the financing plan. For more details on identified funding sources please see page 76 in the appendices section of the GIAP Feasibility Study at the end of this document.

AREA-WIDE PLAN PROJECT AND NEXT STEPS

The community's participation combined with the feasibility study, consultation with National City businesses, city officials, staff, and other experts, and the recent successful implementation of the amortization ordinance have increased our understanding of what it will take to support businesses to transition out of Old Town National City and stay in National City. The following three implementation tracks have been identified for the Plan of Action.

A. Green Industrial Auto Park Feasibility

The GIAP is feasible under the assumption that the site is clean and ready for new construction activity. We have a reasonable financing plan with approximately 40% of the financing from private sources, and 60% to come from public and philanthropic sources.

The feasibility study recommends the creation of a dedicated nonprofit entity, which can receive funding to build, own, and operate the GIAP; retaining a mix of public and private predevelopment funding sources; refining the budget; and analyzing the potential for a code amendment enabling construction of shops with a smaller footprint.

B. Reduce Costs

San Diego Wood Preserving Company - Closure Plan - September 2015

According to the Department of Toxic Substance Control (DTSC), “the facility is closed and all wood treatment chemicals have been removed. A Closure Plan was submitted to DTSC for review and approval. The Plan proposes excavating some soils, covering the entire site with a concrete cap, conducting groundwater sampling and monitoring, and restricting use of the property to industrial use only. The site is proposed to be used for parking and storage.”

Site Redevelopment Challenges and Solutions

The closure plan of the San Diego Wood Preserving Company site limits future redevelopment of this specific brownfield. It is estimated that remediation for a use beyond parking and storage could cost around \$4 million dollars. The proposed closure plan represents challenges not only for the GIAP development but also for the health and well-being of the residents of Old Town National City.

At this time, the regulators are allowing limited remediation of the site to a level that will significantly limit the use of the area in perpetuity. As a result, EHC has decided to **continue to monitor the closure plan of the San Diego Wood Preserving Company and any future public and private funding opportunities that can facilitate its remediation to a level that would permit more useful redevelopment.**

Alternatively, the feasibility study identified another site as a potential site for housing the businesses phasing-out of OTNC. Caliber Collision Center is an auto repair and auto shop business located AT 2013 Haffley Avenue (see Figure 10 and page 25) and it is currently leasing half of its facility. Since it is an existing facility the development costs would be expected to decrease which might allow funds to be sought to support relocation of the businesses and adoption of best management and pollution prevention practices. **As a next step we will be looking at the Caliber Collision Center as a potential location for the GIAP. We will also identify other potential sites in the same area.**

FUTURE PLANNING NEEDS

Successful Amortization and New Planning Needs

The first two OTNC businesses to be amortized were Jose's Auto Electric and Steve's West Coast Automotive. As of September 2015, they have vacated their respective properties and are no longer operating in the vicinity of Kimball Elementary School. The Westside Specific Plan calls for future uses to conform to Multi-Use Commercial-Residential 2 (MCR-2), which includes residential and commercial Transit Oriented Development uses. Both businesses went through the evaluation process which ranked them as the top businesses of concern due to a long history of violating the city's municipal code and other environmental regulations.

We need to ensure that these sites are clean and follow the authorized land uses. **At this time we will continue to ensure the amortization is implemented, identify mechanisms to support current and future amortized businesses; engage in a process to assess if there is contamination at newly vacated sites; and actively participate in attracting the type of development that benefits the community.**

SUMMARY OF THE GIAP NEXT STEPS

| | SHORT TERM | LONG TERM |
|--|--|--|
| Green Industrial Auto Park Feasibility | <ul style="list-style-type: none"> ▶ Look into the feasibility of a code amendment, since current zoning code requires vehicle, repair, or service shops to have a minimum of 7,500 square feet of lot area and the projected lots can be smaller. | <ul style="list-style-type: none"> ▶ Create a dedicated non-profit. ▶ Secure a mix of public and private predevelopment funding. ▶ Refine the budget for a specific site. |
| Reduce Costs | <ul style="list-style-type: none"> ▶ Assess potential for Caliber Collision to be a receiving site for amortized businesses. ▶ Identify other potential receiving sites in the area. ▶ Monitor SDWPC cleanup activities. ▶ Research private and public funding to support remediation of SDWPC. | <ul style="list-style-type: none"> ▶ Continue to track other potential receiving sites. ▶ Monitor SDWPC. ▶ Research private and public funding to support remediation. |
| Future Planning Needs | <ul style="list-style-type: none"> ▶ Continue to implement amortization. ▶ Identify mechanisms to support current and future amortized businesses in the relocation, and greening of their facilities. ▶ Engage in a process to assess if there is contamination at newly vacated sites. ▶ Actively participate in attracting development that benefits the community. | |

Project Overview

PROJECT DESCRIPTION

In May of 2013 Environmental Health Coalition (EHC) received a Brownfields Area-Wide Planning Grant from the Environmental Protection Agency. The goal of the project was to develop a community-driven area-wide plan to create a Green Industrial Auto Park (GIAP) on a brownfield site. The plan was to be designed so it could be transferable and applicable to sites of the same size or larger. The GIAP in National City would serve as an innovative, environmentally sound, and economically viable destination site for auto-repair businesses phasing-out of Old Town National City (OTNC), a low-income residential community confronting health impacts resulting from conflicting land uses. The goal of the GIAP is to serve as a tool to accomplish the community's goal of appropriate separation of industrial and residential uses without causing economic loss.

OLD TOWN NATIONAL CITY

National City is the second oldest city in San Diego County, and is located five miles south of the City of San Diego. Over the past 50 years, the predominantly low-income Latino neighborhood has evolved from a primarily residential community to an incompatible mixture of industrial uses surrounding homes and schools.

The incompatible industrial and residential development has resulted in increased respiratory diseases and greater risk of accidental release of toxic chemicals. Industrial facilities in the area release approximately 32,000 pounds of toxic air contaminants per year according to 2012 emissions data obtained from the San Diego Air Pollution Control District. Auto body shops contribute at least 6,000 pounds of toxic air contaminants and store 15,000 pounds of organic gases. Not surprisingly, asthma rates are disproportionately high in the neighborhood. Asthma emergency room visit rates in 2012 for children ages



Figure 1: Old Town National City

0-17 were 116 per 10,000 children, compared to a countywide rate of 59 per 10,000 children. The neighborhood currently ranks in the 81st -85th percentile range of the California EPA’s CalEnviroScreen tool, which identifies communities that are disproportionately burdened by multiple sources of pollution and indicators of social disadvantage.¹

In order to resolve the conflicting land uses, community residents worked alongside the city to develop their neighborhood vision. The vision is reflected in the Westside Specific Plan. The Westside Specific Plan, adopted in 2010, rezoned the area and called for the phase-out of incompatible uses such as auto body shops through an amortization ordinance adopted in 2006. The Plan reflects residents’ aspirations for a healthy community. Its guiding principles include the protection of the residential character of the neighborhood; improvement of environmental health conditions for residents in the area; pedestrian safety enhancement; and protection of Paradise Creek, which runs through the community.



Figure 2: Westside Specific Plan

1 <http://oehha.ca.gov/ej/ces2.html>

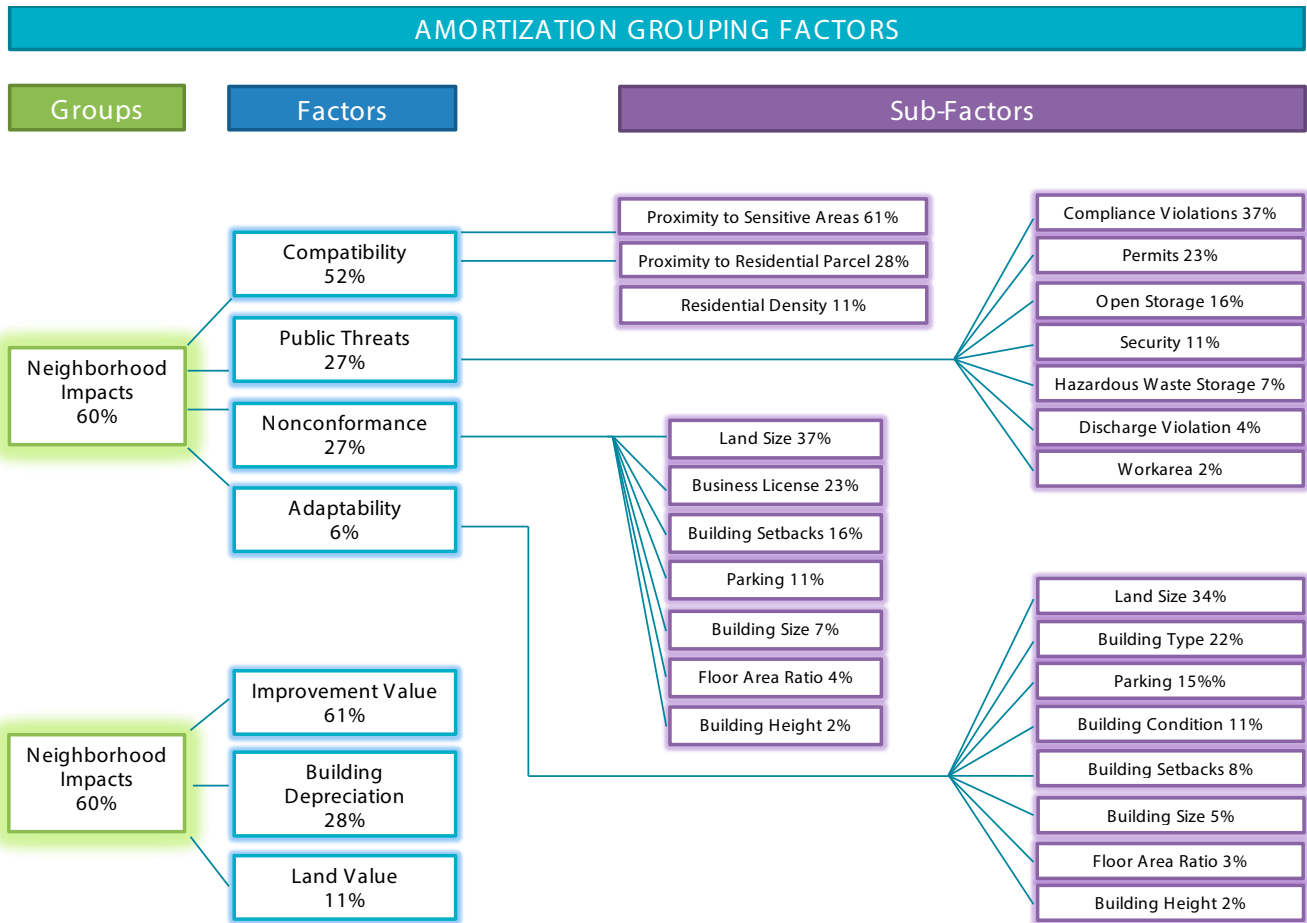


Figure 3: Ranking Formula

AMORTIZATION

The 2006 adoption of the amortization ordinance provides the opportunity for the City to phase-out existing non-conforming businesses in OTNC. Amortization is designed to legally authorize City Council to implement the new specific plan and discontinue legal but non-conforming uses by phasing-out industrial uses situated next to housing, schools, and community centers.

The ranking process developed by Vita Nuova, with funding provided to the City of National City by the EPA, created a methodology to identify the order in which businesses should go through the amortization process. The process is designed to recommend action for non-conforming uses using a multi-step process. Properties with non-conforming uses are identified and ranked based on a consistent set of criteria (See Figure 3), which results in an amortization recommendation for each property based on the order of its ranking. The ranking process is designed to rank multiple similar non-conforming uses in relationship to one another. The ranking process was approved by National City’s City Council and has been successfully implemented for the first amortization round. In the summer of 2015 two amortized businesses phased-out and are no longer operating in the vicinity of Kimball Elementary School.

The successful implementation of amortization is a victory for OTNC residents, as well as an opportunity to actively engage the community in transforming those two, now vacant, parcels into areas that conform to the 2010 community plan and support overall community health.

REDUCE POLLUTION AND RETAIN JOBS!

In order to **retain the services and jobs provided** by auto-related businesses, the City of National City commissioned a feasibility study for a Green Industrial Park in 2008. The *Industrial Park Feasibility Study*² assessed the feasibility of locating repair facilities and small businesses away from a mixed use zone (residential/commercial) environment to a heavy industrial use area. The economics of the feasibility study were developed in the context of redevelopment funding. Since the study was completed numerous conditions have changed, such as the termination of the Redevelopment Agency in National City as a result of changes in state law.

An updated feasibility study was needed to identify funding mechanisms for the development of a **Green Industrial Auto Park** under existing conditions. The 2013 US Environmental Protection Agency Brownfields Area-Wide Planning grant to EHC supported the development of a new feasibility study. The study provided recommendations to make the GIAP feasible given the current funding options. The outcome of the project is a **community-driven plan** to replace a brownfield site with a state-of-the-art green industrial auto park composed of businesses from the Old Town neighborhood.

SAN DIEGO WOOD PRESERVING COMPANY (SDWPC)



Figure 4: San Diego Wood Preserving Company Location

The AWP focused on developing a GIAP at the former SDWPC site, a 1.7 acre or 74,487 square foot industrial brownfield property located at 2010 Haffley Avenue in National City. The site is within a heavy industrial area, away from homes and schools. It should be noted that while the AWP focus was a specific site, the findings can be used as a basis for evaluating other sites.

According to an environmental site assessment report produced by E2 ManageTech for the City of National City in 2012, the SDWPC site was originally tidelands until sometime between 1944 and

² Economic & Planning Systems, Inc. Industrial Park Feasibility Study prepared for the National City Redevelopment Agency. June 2008.

1954 when fill material was imported to build the harbor to the west of the site. The site was vacant until the SDWPC wood-treatment facility opened in 1978. SDWPC services included treating lumber for lumber companies and power poles for utility companies such as SDG&E and Pacific Bell (now owned by AT&T). The facility was classified as a small quantity generator of hazardous waste.³

Site History

The selected site is listed on the California DTSC data site Envirostor. Following is an abbreviated version of the Envirostor summary of San Diego Wood Preserving:

“San Diego Wood Preserving Company (SDWP) conducted wood treating operations at the facility from 1978 to 2006. The facility is located on a 1.71 acre property in an industrial area of National City, and is situated west of Interstate 5, and approximately 1,200 feet east of San Diego Bay. The entire facility is paved and wood treatment processing occurred within the central portion of the facility. After the wood treatment chemicals are applied, treated woods are placed on a concrete area (drip pad) to equilibrate and dry. Some of the chemicals used for wood treatment at the facility were creosote, pentachlorophenol, ammonium-zinc-copper-arsenate, copper-chromium arsenate and borates. SDWP is a generator of hazardous waste and some of the hazardous wastes generated at the facility include metal sludge, tank bottom waste, organic solids, inorganic solid waste, and oil and mixed oil.

In May 2006, SDWP submitted a Closure Plan to the San Diego Department of Environmental Health, Certified Unified program Agency (CUPA). In November 2006, the CUPA referred the closure activity to DTSC since the closure of drip pad is regulated under section 66264.575, title 22 of the California Code of Regulations, and under DTSC oversight. On February 15, 2007, DTSC conducted an inspection and met Mr. Gerald Baker, co-owner of the Facility, and Mr. Jay Jones, consultant. [...] During the inspection, DTSC determined that further investigation will be required based on the review of the Soil and Groundwater Investigation Report, and the observed corrosions, cracks and stains on the cement floor. Mr. Baker indicated that they are considering leaving the contamination in place due to the high costs of soil offsite disposal which would exceed the value of the property.

On July 17, 2007, DTSC signed an Oversight Agreement with San Diego Wood Preserving Company to oversee the closure of the Drip Pads. [...] In August 2007, [...] the Facility informed DTSC that equipment and left over chemicals will be shipped to a sister company located in Mexico. The Facility requested for an extension on the submittal of the revised closure until all equipment and chemicals are transferred to Mexico. On April 18, 2008, DTSC had a telephone conference with Mt. Ton and Mr. Wactor inquiring about the status of the closure. We indicated that DTSC is currently waiting for the revised Closure Plan from the Facility.”

3 E2 ManageTech, Phase I Environmental Site Assessment, May 23, 2012.

Catalyst Site

EHC chose SDWPC as our high priority catalyst site based on a variety of factors.

- The community has had long experience with toxic impacts from industries west of the freeway. During the 1980s and 1990s, Kimball Elementary School, along with homes and businesses in the area, at least on two occasions were evacuated to avoid toxic smoke from industrial fires. A tank explosion and fire at SDWPC in 1991 resulted in school evacuations. Final cleanup of SDWPC would improve the area and provide an appropriate location for the auto body shops currently located in the residential area of Westside.
- At 1.71 acres, the site is large enough to host an industrial park for small auto body and paint shops. It is currently not in use for any purpose, making it ideal for redevelopment for another industrial use.

PROJECT TASKS

The Area-Wide Planning Project completed the following tasks:

1. Involved the community in identifying its priorities and ways to meet those priorities through brownfield site cleanup and reuse.

The project closely involved key stakeholders, residents and business owners in planning for the reuse of the brownfield site. A stakeholder committee was created which included local partners – Kimball Elementary School, the National City Chamber of Commerce, City of National City, Paradise Creek Educational Park, San Diego Organizing Project, and community residents.

2. Completed a feasibility study to determine the costs and funding opportunities of the Green Industrial Auto Park at the SDWPC or an alternative site.

The project conducted a feasibility study, which examined the possibility of developing a GIAP in National City that would serve as an innovative, environmentally sound, and economically viable destination site for auto-repair businesses phasing-out of Old Town National City (OTNC). EHC retained Estolano LeSar Perez Advisors LLC and LeSar Development Consultants to conduct the study. While the study was specific to the conditions in National City, the analysis is applicable to the development of an industrial park in other locations.

3. Convened the community to review research recommendations.

Through a series of workshops, the community reviewed and provided feedback on the feasibility study.

4. Developed a GIAP Plan and next steps.

This report constitutes the proposed business schematics, financial cost and ways to finance the project, and next steps.

The Community at the Forefront of the Solution

COMMUNITY ENGAGEMENT

This project was developed with the active participation of the OTNC community. The project focused on gathering perspectives from community residents and business owners so that all parties affected had the opportunity to share their thoughts on the idea of creating a GIAP.

Stakeholder Group Formation and Meetings

In order to produce a report that responds to both resident and auto shop needs, we convened a Stakeholder Group composed of the following:

- Community residents, including Environmental Health Coalition's (EHC) Community Action Team (CAT)
- Auto-related business owners
- National City Chamber of Commerce
- National City planners
- Kimball Elementary School
- Representatives from local nonprofits, including the San Diego Organizing Project and Paradise Creek Educational Park



Figure 5: Stakeholder Group Meeting #1

an overview of two possible design scenarios, and discussed ownership structures. Stakeholders had a discussion on critical project components such as financing and attracting tenants. The stakeholders

Stakeholder Group Meeting # 1 - May 28, 2014

The consultants convened the group for the purpose of introducing the project. Topics discussed were the project's scope, group responsibilities, and a brief overview of "best practices" in industrial parks and auto body shops.

Stakeholder Group Meeting # 2 - October 7, 2014

At the meeting, stakeholders were provided with an outline of the real estate development process,

agreed that more data validation on what business owners view as feasible monthly rent or mortgage payments was needed. The meeting concluded with stakeholders agreeing to help the consultant group gather more financial information from business owners.

Site Visits – May & June 2014

Extensive outreach was conducted to auto-related businesses in OTNC. Several businesses in OTNC were visited and provided with an overview of the project, as well as received an invitation to join the stakeholder group. It became clear that the businesses wanted to participate but were not able to join the stakeholder group meetings. Therefore, we conducted in-depth follow up interviews. The interviews sought to gather more information about the needs and concerns of those who would be affected or might benefit from the development of a GIAP.



Figure 6: Industry Tour

Industry Tour - July 15, 2014

A tour was conducted in order to familiarize community members with the auto repair industry. The tour consisted of visits to two auto-related businesses – a machine shop and an autobody shop – located in OTNC. For many stakeholder group members, the tour provided the first opportunity to directly interact with and ask questions of the auto shop representatives. Stakeholders came away with a better understanding of the industry and its needs in National City. The tour concluded with a visit to the SDWPC site.

Stakeholder Group Meeting # 3 - April 22, 2015

The group met to review the Feasibility Study for the Green Industrial Auto Park (GIAP) and prepared a PowerPoint presentation to be delivered to the National City City Council.

Study Presentation to National City Council - May 19, 2015

The Consultants, EHC, and the stakeholders presented the GIAP Feasibility Study to the National City City Council. The council responded positively and instructed city staff to review it, prepare recommendations, identify funding sources for construction of the park, and review and report on code enforcement.

Regular Monthly Meetings

EHC conducted monthly meetings of community residents on our National City Community Action Team (CAT) to maintain their involvement and update them about the EPA BF AWP project.

RESEARCH

Interviews

The consultants conducted numerous in-depth interviews with proprietors of auto-related shops in OTNC. Questions addressed issues of location (how it affects a proprietor's business mix), operations, "green" practices, and participants' thoughts on the overall industry.

Industry Specific Publications

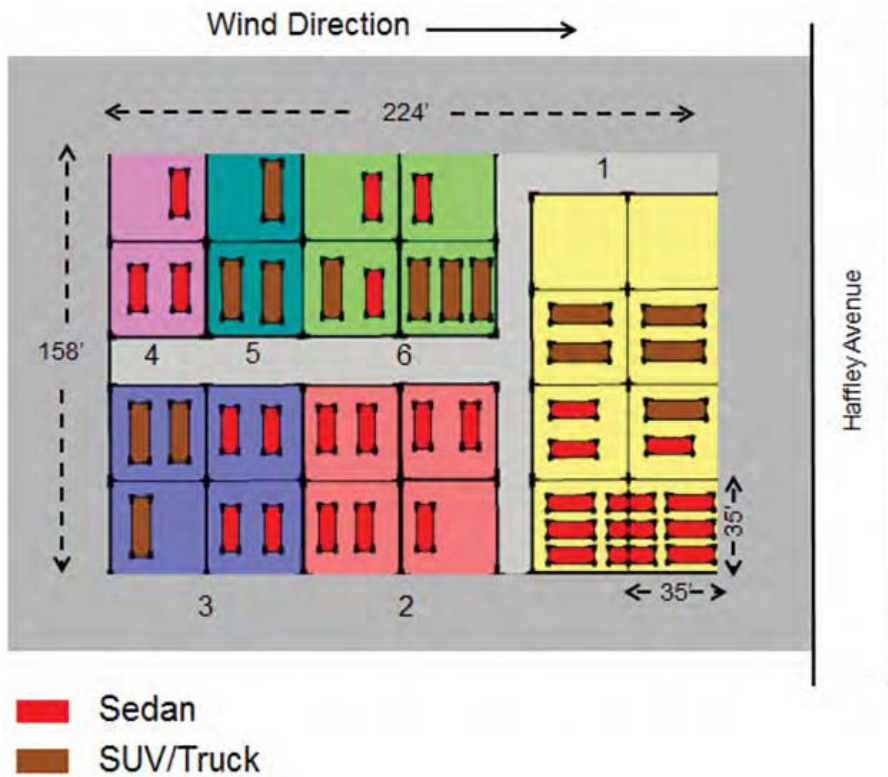
Trade publications such as FenderBender and BodyShop Business provided an overview of issues relevant to the autobody collision repair industry, as well as industry-specific facts and statistics, which helped inform the GIAP analysis. The consultant team also reviewed I-CAR publications, an industry specific organization that provides educational materials for the industry. IBIS World Market Reports provided market research data and a clear picture of global industry trends, suppliers, and supply chains for car body shops and related businesses in the United States. This data helped inform the industry trends research.

Outcomes

GREEN INDUSTRIAL AUTO PARK DEVELOPMENT COSTS, OWNERSHIP STRUCTURES, AND FINANCING

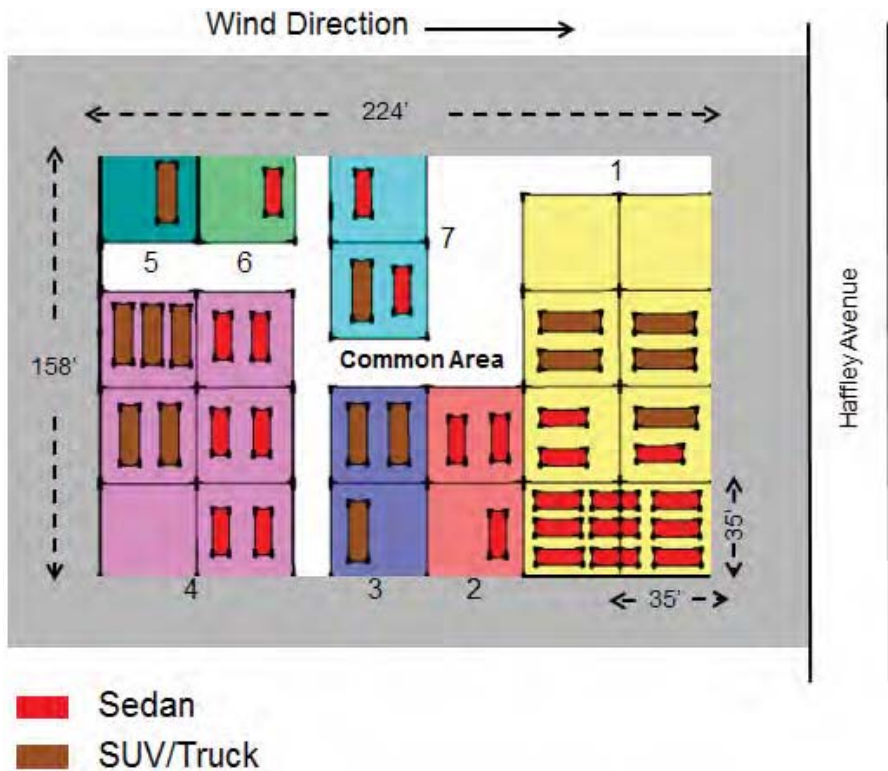
The feasibility study estimates the total GIAP development costs at approximately \$6.5 million or \$183/SF. The costs are preliminary estimates and are meant to be conservative, ensuring there is potential for the budget to be reduced. The analysis of the SDWPC concluded that the project can be developed at a site of its size.

- ▶ Based on local area sale comparisons, the fair market value for 2010 Haffley Avenue, a 1.7 acre or 74,487 square foot industrial brownfield property, is approximately \$1,042,818 or \$14 per square foot of land. This is under the assumption that the site is clean, free of equipment, and ready for new construction activity.
- ▶ The amount of income that can be generated from rental income supports some private, amortizing debt. As a result, the costs estimates are based on a Scheme 1, which has less common area and therefore potentially can increase the amount of rental income to be generated. Scheme 2 has shared common areas for customers, which reduces the amount of income that can be generated (see Scheme 2 below). The selected scheme, Scheme 1, is a traditional industrial multi-tenant design standard in which operators own or lease their own spaces and do not share any customer space or common area between businesses. The recommended scheme would accommodate a total of 6 businesses averaging 4,900 square feet with a range of business space sizes of 2,450 square feet to 9,800 square feet.
- ▶ Based on market information, the rent of \$0.75/sf is the achievable rent for the projected rentable square footage.
- ▶ The study proposes to utilize the industry high level estimate for operating expenses at \$0.25/sf/month. We have assumed real estate taxes on top of this at 1.025% of value.



| Space # | Total SF | Type of Auto Shop |
|--------------|------------------|-------------------|
| 1 | 9,800 SF | Body Repair |
| 2 | 4,900 SF | Mechanic |
| 3 | 4,900 SF | Tire |
| 4 | 2,450 SF | Detailing |
| 5 | 2,450 SF | Muffler |
| 6 | 4,900 SF | Smog |
| Total | 29,400 SF | |

Scheme 1: No Shared Customer Space



| Space # | Total SF | Type of Auto Shop |
|--------------|------------------|-------------------|
| 1 | 9,800 SF | Body Repair |
| 2 | 2,450 SF | Glass |
| 3 | 2,450 SF | Upholstery |
| 4 | 7,350 SF | Mechanic |
| 5 | 1,225 SF | Detailing |
| 6 | 1,225 SF | Muffler |
| 7 | 2,450 SF | Smog |
| Total | 26,950 SF | |

Scheme 2: Shared Common Area For Customers

The financing structure is likely to dictate the ownership and management structure since the project will not rely on a conventional debt and equity financing strategy. Three ownership structures may prove workable:

1. Rental Structure

Project owned by the development entity for the long term, with the auto body spaces provided as rental spaces to tenants. The development entity will likely be a for-profit, but the city and/or a non-profit may need to be part of the transaction in order to secure some of the financing sources that may be available.

2. Private Party Ownership

As outlined above, but with an option to convert after seven years to an auto body shop condominium ownership structure after exit of the new market tax credit partner. The current development owner could then opt to sell the whole complex or sell off business condominiums to the current or new owners. Such a structure should be planned for during the development planning phase and should be factored into the financial structuring of the transaction.

3. Business condominium ownership from the onset

Although it doesn't seem feasible at this time, further exploration of developing the project as business condominiums can be undertaken as more work is done on identifying project financing sources.

Private financing sources of \$2.43 million have been forecast as a conservative estimate and comprise about 41% of the total permanent financing for the project. Private financing sources could increase substantially depending on a variety of factors including persistence of the low-interest rate borrowing environment and calculation of the number of jobs to be generated by the development of the project.

At this time, public sources to be identified to complete the project comprise about \$3.8 million or 59% of the project. There are a variety of high probability sources that can be secured to complete the financing plan. The public policy and public financing trends are focused on creating sustainable communities including creating economic development projects.

The termination of redevelopment agencies in California created the need to identify other subsidy forms for project implementation. The replacement of that tool with a variety of new and emerging financing and local taxation tools, such as Improvements in Infrastructure Financing (IIFs), provide opportunities to create local financing.

The geographic area in which the GIAP receiver site is located has a vacancy or availability rate of 5% or less, which is considered a good developer and operator market.

Industrial park management will likely be done by the owner/developer, who will either hire a property management company or will directly operate the project. It is possible that the owner will be an auto body shop operator who occupies a part of the premises and rents out the remainder to tenants.

BUSINESS ENVIRONMENT AND NEEDS

Research and interviews conducted with OTNC business owners helped us understand the needs of the auto-related industry, as well as site and design needs for the GIAP. The following are some of the main takeaways.

- ▶ Auto-repair in National City is an important component of the local economy. It provides support services to motor vehicle and parts dealers, which are the largest tax generators in National City.
- ▶ Insurance companies dictate many of the changes occurring in the auto repair industry, which affects the profitability of small, independent body shops.
- ▶ The recent recession greatly affected auto shops as consumers chose to forego having paintwork and small repairs done; however, that has changed as the economy began to improve.
- ▶ In terms of site design, the GIAP should promote business mix compatibility by placing non-competing auto-related businesses at the GIAP site.
- ▶ The customer base of the business owners interviewed covered a range depending on business type, and even within business type. For example, one auto body shop relied heavily on referrals from insurance companies (up to 80% of business); another shop had a significant share of referrals from dealerships on National City's Mile of Cars Way (e.g., 40% of business). For the GIAP, business operators indicated a willingness to co-locate as long as they did not share customer bases with other businesses in the GIAP.
- ▶ Most businesses agreed that locating the GIAP at the SDWPC site or a nearby area west of the I-5 would be appropriate since they relied almost exclusively on referrals from insurance companies and major dealerships on Mile of Cars Way and very little on referrals from individual customers.
- ▶ Interviewed businesses believe increased city enforcement of auto-related businesses would result in "huge improvements" for the community.
- ▶ A few interviewees suggested it would be important to have a "relocation package" (in addition to development of a GIAP on the selected receiver site). Such packages could include: sourcing of financial assistance for relocation from various state, federal, and philanthropic programs; buy-out assistance for property owners; expedited permit processing or temporary easing of local regulatory



Figure 7: OTNC Business Owner

requirements by the City; incentives for sender sites to allow “Moved To” signage; and other features. Some of these features, such as expedited permit processing or temporary relief from code, could be applied to the GIAP.

BEST PRACTICES - CASE STUDY FINDINGS

Although there are only a handful of examples to look to for guidance, there is a pressing national need to identify innovative solutions that preserve businesses and jobs while addressing the environmental and health issues stemming from the commingling of industrial and residential uses.

The following case studies provide inspiration that the GIAP can bring needed solutions for local auto-repair businesses while migrating them to an appropriately zoned location and reduce their environmental impacts.

- ▶ San Francisco’s Selecta Auto Body Shop in Bernal Heights serves as **a model for other auto body shops interested in “green” site design and sustainable practices**. The auto body shop is a green, state-of-the-art collision repair facility that aims to use as much modern equipment as possible to achieve its sustainability goals.
- ▶ A select group of Iron Triangle businesses in New York City joined forces and moved from their location in an industrial area of Queens to establish the Sunrise Cooperative (the Co-op). **The Co-op, collectively owned by over 50 business owners, was able to lease a 144,000-square-foot building set on a 4.9-acre site in the Hunts Point neighborhood**. Since the site is located in a Federal Empowerment Zone, the Co-op was offered many financial incentives to occupy the building.⁴ The Co-op is expected to function as a business incubator in Hunts Point and demonstrates the significance of business co-location.
- ▶ **Training and outreach for auto-related shops are keys to improving environmental and occupational health**. The Boston Public Health Commission Safe Shops Project reduced the occupational and environmental health hazards generated by over 400 auto-related shops within the city of Boston, Massachusetts, through trainings and outreach. The Safe Shops Project developed trusting relationships within the auto shop community, resulting in changes to purchasing policies, implementation, and pollution prevention strategies.

4 <http://www.nydailynews.com/new-york/queens/willets-bizzes-leave-article-1.1431283>

BROWNFIELD CONDITIONS

San Diego Wood Preserving Company owned and operated the wood-treatment facility until it formally ceased operations in 2007. The site is currently owned by Mr. Gerald Baker, owner and former operator of SDWPC. The California Department of Toxic Substances Control (DTSC) is the lead regulatory agency directing the cleanup requirements. Since 2007, the site has been unoccupied, though many SDWPC operational features and facilities are still present, including a wood-preserving process facility of approximately 3,000 square feet. Former SDWPC operations have been removed from the site.⁵



Figure 8: Aerial View of the San Diego Wood Preserving (Source: Google Earth)

Current Uses of Adjacent Properties

The uses adjacent to the properties as of May 2015 are presented in Figure 10 below. Based on the current uses of adjacent properties, it appears that developing the GIAP would be compatible with the area's neighboring uses. While Caliber Collision, an autobody repair shop, is located directly across the street from the site, there is no significant competition from other auto-related businesses. Based on our interviews, a competition-free site is preferred by tenants.

⁵ E2 ManageTech, Phase I Environmental Site Assessment, May 23, 2012.

| DIRECTIONS FROM SITE | ADDRESS | TENANT COMPANY | NOTES |
|----------------------|---------------------|-------------------|--------------------------------------|
| North | 1010 W. 19th Street | Q.E.D. Systems | Engineering/IT Services Firm |
| South | 2100 Haffley Avenue | Univar | Chemical Distribution Company |
| East | 2013 Haffley Avenue | Caliber Collision | Autobody Repair |
| West | | | Railroad Tracks and Tidelands Avenue |

Figure 9: Current Uses of Adjacent Properties



Figure 10: Current Uses of Adjacent Properties (Source: Google Earth)

Closure Plan - September 2015

According to DTSC “the facility is closed and all wood treatment chemicals have been removed. A Closure Plan was submitted to DTSC for review and approval. The Plan proposes excavating some soils, covering the entire site with a concrete cap, conducting groundwater sampling and monitoring, and restricting use of the property to industrial use only. The site is proposed to be used for parking and storage.”

At this time the closure plan is being reviewed by DTSC and the results should be available for public comment before the end of 2015. Once the closure plan is approved by DTSC, a land use covenant will be issued in perpetuity. Since the site will be covered with a concrete cap, DTSC will be responsible for conducting annual inspections and reporting on the condition of the site. The containment cap limits the use of the site to parking and storage unless the property owner, a developer, or any other party, assumes responsibility for removing the cap and remediating the site to a level where it can be utilized for other purposes.

Site Redevelopment Challenges

The closure plan of the SDWPC site limits future redevelopment of the brownfield. It is estimated that remediation for a use beyond parking and storage could cost about \$4 million. The proposed closure plan represents challenges for the development of the GIAP at the site.

Brownfields Area-Wide Plan Project and Next Steps

The community's participation combined with the feasibility study, consultation with National City businesses, city officials, staff, and other experts, and the recent successful implementation of the amortization ordinance have increased our understanding of what it will take to support businesses to transition out of Old Town National City and stay in National City. The following three implementation tracks have been identified for the Plan of Action.

Green Industrial Auto Park Feasibility

The GIAP feasibility analysis preliminarily confirms it is economically feasible in today's regulatory and economic environment. This is under the assumption that the site is clean, free of equipment, and ready for new construction activity. We have a reasonable financing plan with approximately 40% of the financing from private sources, and 60% to come from public and philanthropic sources. We have identified a wide variety of federal, state and regional resources that can be further explored to fill the gap.

We recommend the following next steps to further development of the GIAP at a site of the SDWPC size (1.71 acres) or larger:

1. Create a dedicated nonprofit entity with a board composed of the stakeholder partners, inclusive of representatives of the National City government, the auto-repair businesses, community residents and advocacy and trade organizations. Establishing an ownership entity, specifically a nonprofit, will be critical to receiving seed money and government and philanthropic grants for predevelopment expenditures. A nonprofit can solicit and receive funding to build, own and operate this project until ownership is transferred to the auto-repair business occupants.
2. Secure a mix of public and private predevelopment funding sources to further initial project planning and feasibility.
3. The total development costs come to approximately \$6.5 million or \$183/SF. The costs are preliminary estimates and meant to be conservative, meaning there is potential for the budget to be reduced. The next steps in refining the budget for a particular site would be to meet with a third-party construction cost estimator to get better estimates on the hard costs, and to further develop the financing plan (both construction and permanent sources). This deeper analysis and refinement would entail utilizing a third-party cost estimator that would be a sub-consultant to the financial consultant.
4. Current zoning code requires vehicle, repair, or service shops to have a minimum of 7,500 square feet of lot area. An analysis of the potential for a code amendment enabling construction of shops with a smaller footprint should be conducted.

Reduce Costs

The feasibility study provided a set of recommendations based on the assumption that the brownfield site would be clean. It will be challenging to remediate the SDWPC site to a level that would allow for the development of an industrial facility like the GIAP. It is estimated that the remediation costs could be around \$4 million. The property owner has already submitted a proposed closure plan to DTSC to cap the site and limit its use to parking and storage.

At this time, the regulators are allowing limited remediation of the site to a level that will significantly limit the use of the area in perpetuity. As a result, EHC has decided to **continue to monitor the closure plan of the San Diego Wood Preserving Company and any future public and private funding opportunities that can facilitate its remediation to a level that would permit more useful redevelopment.**

Alternatively, the feasibility study identified another site as a potential site for housing the businesses phasing-out of OTNC. Caliber Collision Center is an auto repair and auto shop business located on 2013 Haffley Avenue (see Figure 10 and page 25) and it is currently leasing half of its facility. Since it is an existing facility, the development costs would be expected to decrease, which might allow funds to be sought to support relocation of the businesses and adoption of best management and pollution prevention practices. **As a next step we will be looking at the Caliber Collision Center as a potential location for the Green Industrial Auto Park. We will also identify other potential sites in the same area.**

SUCCESSFUL AMORTIZATION AND NEW PLANNING NEEDS

The successful implementation of the first round of amortization is a community victory and also a call to action to ensure that incoming uses support overall community health.



Figure 10: Vacant Property - Previously Jose's Auto Electric

The first two businesses to be amortized were Jose's Auto Electric and Steve's West Coast Automotive. As of September 2015, they have phased-out and no longer operate in the vicinity of Kimball Elementary School. The Westside Specific Plan calls for future uses to conform to Multi-Use Commercial-Residential 2 (MCR-2), which includes residential and commercial Transit Oriented Development uses. Both businesses went through the evaluation process which ranked them as the top businesses of concern due to a long history of violating the city's code and environmental regulations.

We need to ensure that these sites are clean and follow the authorized land uses. **At this time we need to identify mechanisms to support current and future amortized businesses; engage in a process to assess if there is contamination at newly vacated sites; and actively participate in attracting the type of development that benefits the community.**

SUMMARY OF THE GIAP NEXT STEPS

| | SHORT TERM | LONG TERM |
|--|--|---|
| Green Industrial Auto Park Feasibility | <ul style="list-style-type: none"> ▶▶ Look into the feasibility of a code amendment, since current zoning code requires vehicle, repair, or service shops to have a minimum of 7,500 square feet of lot area and the projected lots can be smaller. | <ul style="list-style-type: none"> ▶▶ Create a dedicated non-profit. ▶▶ Secure a mix of public and private predevelopment funding. ▶▶ Refine the budget for a specific site. |
| Reduce Costs | <ul style="list-style-type: none"> ▶▶ Assess potential for Caliber Collision to be a receiving site for amortized businesses. ▶▶ Identify other potential receiving sites in the area. ▶▶ Monitor SDWPC cleanup activities. ▶▶ Research private and public funding to support remediation of SDWPC. | <ul style="list-style-type: none"> ▶▶ Continue to track other potential receiving sites. ▶▶ Monitor SDWPC. ▶▶ Research private and public funding to support remediation. |
| Future Planning Needs | <ul style="list-style-type: none"> ▶▶ Continue to implement amortization. ▶▶ Identify mechanisms to support current and future amortized businesses in the relocation, and greening of their facilities. ▶▶ Engage in a process to assess if there is contamination at newly vacated sites. ▶▶ Actively participate in attracting development that benefits the community. | |

Appendices

Appendix A: Green Industrial Auto Park Feasibility Study - p. 30

Appendix B: Spanish Executive Summary - Green Industrial Auto Park Feasibility Study - p. 150

Appendix A:

GREEN INDUSTRIAL AUTO PARK FEASIBILITY STUDY





Green Industrial Auto Park Feasibility Study



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Acknowledgments

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We thank National City's Chamber of Commerce for their support. We also thank all the businesses that kindly opened their doors and trusted us with invaluable information. The GIAP stakeholder group comprised of representatives from National City, National City Chamber of Commerce, Kimball Elementary, San Diego Organizing Project and Paradise Creek, provided meaningful feedback throughout the project.

It was an honor to work with Old Town National City residents who are committed to making their community a healthier place to live and are continuously guiding and expanding the solution toolbox so we have a National City that works for all.

Thank you,



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1. Executive Summary

Project Description

This report examines the feasibility of developing a Green Industrial Auto Park (GIAP) in National City that would serve as an innovative, environmentally sound, and economically viable destination site for auto-repair businesses phasing out of Old Town National City (OTNC), a low-income residential community confronting health impacts resulting from conflicting land uses. The goal of the GIAP is to ultimately bring an appropriate separation of industrial and residential uses without causing economic loss.

National City is the second oldest city in San Diego County, and is located five miles south of the City of San Diego. Over the past 50 years, the predominantly low-income Latino neighborhood has evolved from a primarily residential neighborhood to an **incompatible mixture of industrial uses surrounding homes and schools**. The incompatible industrial and residential development has resulted in increased respiratory diseases and greater risk of accidental releases of toxic chemicals. Industrial facilities in the area release approximately 32,000 pounds of toxic air contaminants per year according to emissions data obtained from the San Diego Air Pollution Control District. Autobody shops contribute at least 6,000 pounds of toxic air contaminants and store 15,000 pounds of organic gases. Not surprisingly, asthma rates are disproportionately high in the neighborhood. Asthma emergency room visit rates in 2012 for children ages 0-17 were 116 per 10,000 children, compared to a countywide rate of 59 per 10,000 children.

In order to **resolve the conflicting land uses**, community residents developed their neighborhood vision alongside the City. The vision is reflected in the Westside Specific Plan. The Westside Specific Plan, adopted in 2010, rezoned the area and calls for the phase-out of incompatible uses such as auto body shops through an amortization ordinance adopted in 2006. The Plan reflects residents' aspirations for a healthy community. Its guiding principles include the protection of the residential character of the neighborhood; improvement of environmental health conditions for residents in the area; pedestrian safety enhancement; and protection of Paradise Creek.

The 2006 Amortization Ordinance provides the opportunity for the City to phase out existing non-conforming businesses in OTNC. This study's objectives are to understand the needs of auto-related businesses and to develop a conceptual and financing plan for the implementation of the GIAP. The GIAP would seek to accommodate auto-related businesses operating in OTNC that are compelled to relocate.

We conducted a site-specific analysis focused on developing the GIAP at the former San Diego Wood Preserving Company (SDWPC), a 1.7 acre brownfield property located in National City. The site can accommodate 6 to 7 businesses based on an average square footage of 4,900 square feet and a range of sites from 2,450 square feet to 9,800 square feet. The GIAP will also incorporate green and sustainable features to minimize or mitigate water and energy use, reduce stormwater runoff, recycle waste products, and reduce air emissions. These design concepts are rooted in both the regulatory requirements as well as in the best practices drawn from case studies.

Findings of this report are based on National City's 2008 Industrial Park Feasibility Study, the current economic environment, in-person interviews with local auto-related businesses, governmental sources, and industry specific publications. All sources were carefully evaluated for veracity and informed the analysis and recommendations.

The last seven years have brought many changes to the overall context in which we have re-evaluated the feasibility of creating a GIAP in National City. What has not changed is the need to separate the auto businesses from families in the Westside neighborhood. The adverse conditions affecting residents' health and safety continue on a daily basis. Extreme conditions such as the fire at E & S Auto Works in March 2014 remind us of the imminent danger that threatens the lives of the residents and workers.

There are many communities across California and the United States that are grappling with the same challenges of preserving businesses and jobs while trying to address the environmental and health issues stemming from the commingling of industrial and residential uses. It is in both this local and national context that we seek to add to the body of knowledge and the toolbox of solutions that can be utilized and replicated in communities across the United States.

Findings

Development Costs, Financing, and Ownership Structures

Based on our proforma, the total GIAP development costs are estimated at approximately \$6.5 million or \$183/SF. The costs are preliminary estimates and meant to be conservative, meaning there is potential for the budget to go down. Through analyzing the SDWPC, we found that the project can be developed at a site of its size.

- Based on local area sale comparables we estimate that the fair market value for 2010 Haffley Avenue, a 1.7 acre or 74,487 square foot industrial brownfield property, is approximately \$1,042,818 or \$14 per square foot of land. This is under the assumption that the site is clean, free of equipment, and ready for new construction activity.
- The amount of income that can be generated off the rental income supports some private, amortizing debt. As a result, the proforma is based on the scheme with less common area (Scheme 1) to increase the amount of rental income that can be generated. Scheme 1 is a traditional industrial multi-tenant design standard in which each operator owns or leases their own space and does not share any customer space or common area between businesses. The recommended scheme would accommodate a total of 6 businesses averaging 4,900 square feet with a range of business space sizes of 2,450 square feet to 9,800 square feet.
- We have assumed that based on market information the rent of \$0.75/sf is the achievable rent for the projected rentable square footage.
- We have utilized the industry high level estimate for operating expenses at \$0.25/sf/month. We have assumed real estate taxes on top of this at 1.025% of value.

The financing structure is likely to dictate the ownership and management structure since the project will not rely on a conventional debt and equity financing strategy. Three ownership structures may prove workable:

- 1) **Rental Structure:** Project owned by the development entity for the long-term, with the autobody spaces being provided as rental spaces to tenants. The development entity will likely be a for-profit, but the City and/or a non-profit may need to be part of the transaction to secure some of the financing sources that may be available.
- 2) **Private Party Ownership:** As outlined above but with an option to convert after seven years to an autobody shop condominium ownership structure after exit of the new market tax credit partner. The current development owner could then opt to sell the whole complex or sell off business condominiums to the current or new owners. Such a structure should be planned for during the development planning phase and should be factored into the financial structuring of the transaction.
- 3) **Business condominium ownership from the onset:** Although it doesn't seem feasible at this time, further exploration of developing the project as business condominiums can be undertaken as more work is done on the project financing sources.

The private financing sources of \$2.43 million have been forecast in a conservative manner and comprise about 41% of the total permanent financing for the project. Depending on a variety of factors including persistence of the low-interest rate borrowing environment and calculation of number of jobs to be generated by the development of this project, the private financing sources could increase substantially.

At this time, the public sources to be identified to complete the project comprise about \$3.8 million or 59% of the project. There are a variety of high probability sources that can be secured to complete the financing plan. The public policy and public financing trends are focused on creating sustainable communities including creating economic development projects.

The termination of redevelopment agencies in California created the need to identify other subsidy forms for project implementation. The replacement of that tool with a variety of new and emerging financing and local taxation tools, specifically the creation of the Cap and Trade funding mechanism at the state level and improvements in infrastructure financing districts (IFDs), provide opportunities to create local financing.

The geographic area in which the GIAP receiver site is located has vacancy or availability rate of 5% or less, which is considered a good developer and operator market.

Industrial park management will likely be done by the owner/developer who will either hire a property management company, or will directly operate the project. It is possible that the owner will be an autobody shop operator who occupies a part of the premises and rents out the remainder to tenants.

Business Environment and Needs

Research and interviews conducted with OTNC business owners helped us understand the needs of the auto-related industry, as well as site and design needs for the GIAP. The following are some of the main takeaways:

- Auto-repair in National City is an important component of the local economy. It provides support services to motor vehicle and parts dealers, which are the largest tax generators in National City.
- Insurance companies dictate many of the changes occurring in the auto repair industry, which affects the profitability of small, independent body shops.
- The recent recession greatly affected auto shops as consumers chose to forego having paintwork and small repairs done; however, that has changed as the economy began to improve.
- In terms of site design, the GIAP should promote business mix compatibility by placing non-competing auto-related businesses at the GIAP site.
- The customer base of the business owners interviewed ranged depending on business type, and even within business type. For example, one autobody shop relied heavily on referrals from insurance companies (up to 80% of business); another shop had a significant share of referrals from dealerships on the Mile of Cars (e.g., 40% of business). For the GIAP, business stated that they are willing to co-locate if their customer bases were not similar to the Green Industrial Auto Park businesses.
- Most businesses agreed that locating the GIAP at the SDWPC site or a nearby area west of the I-5 would be appropriate since they relied almost exclusively on referrals from insurance companies and major dealerships on the Mile of Cars and very little on referrals from individual customers.
- Finally, interviewed businesses believe increased City enforcement of auto-related businesses would result in “huge improvements” for the community.

Regulatory Environment

Current regulation on the auto-related industry promotes and guides businesses in the adoption of environmentally sound business practices.

- New incentives to support the auto repair industry to modernize their operations and facilities have become available. Some of them include changes in practices related to the use, storage, and disposal of hazardous waste to mitigate the negative impacts on environmental and human health.
- Regulatory updates at the federal, state and local level are providing clear mandates and guidance for the local auto-repair businesses. Implementation of the new regulations is anticipated to reduce environmental and health impacts on communities.