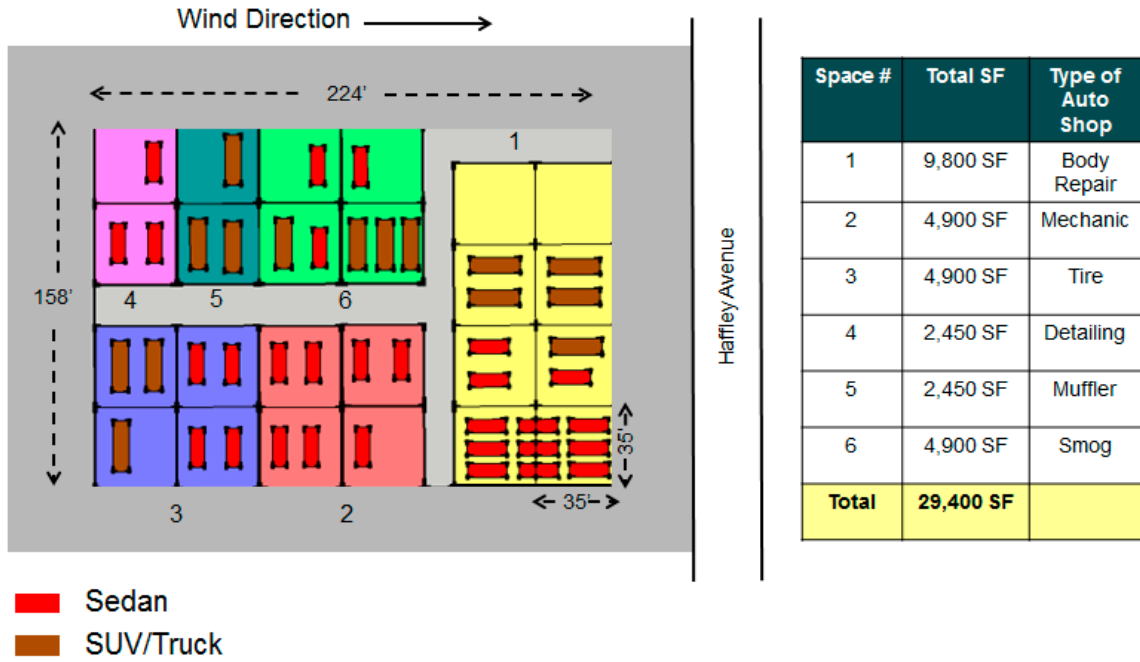


Figure 12: Scheme 1 – No Shared Customer Space



Many auto-related businesses in OTNC currently have lot sizes smaller than 7,500 square feet. It is important to note that under National City’s current zoning code, vehicle, repair, and service shops are required to have a minimum of 7,500 square feet of lot area.⁸⁶ Based on the presented space dimensions for scheme 1, four out of six spaces meet the required 7,500 square feet lot area requirement by right (see Figure 13). However, based on discussion with National City planning staff on November 3rd, 2014, the project can seek a zoning code amendment to allow for spaces that are smaller than 7,500 square feet.

⁸⁶ National City Municipal Code § 18.22.030

Figure 13: Space Breakdown for Scheme 1 – No Shared Customer Space

Space	Direct SF	% of Total Direct SF	Interior Circulation SF	Parking and Setbacks SF	Total SF	Required SF ⁸⁷	Space Surplus/Deficit
<i>Label</i>	A	B	C	D	E=A+C+D	F	G=E-F
1	9,800	33.3%	1,997	13,019	24,816	7,500	17,316
2	4,900	16.7%	999	6,509	12,408	7,500	4,908
3	4,900	16.7%	999	6,509	12,408	7,500	4,908
4	2,450	8.3%	499	3,255	6,204	7,500	(1,296)
5	2,450	8.3%	499	3,255	6,204	7,500	(1,296)
6	4,900	16.7%	999	6,509	12,408	7,500	4,908
Total	29,400	100.0%	5,992	39,056	74,448	45,000	29,448

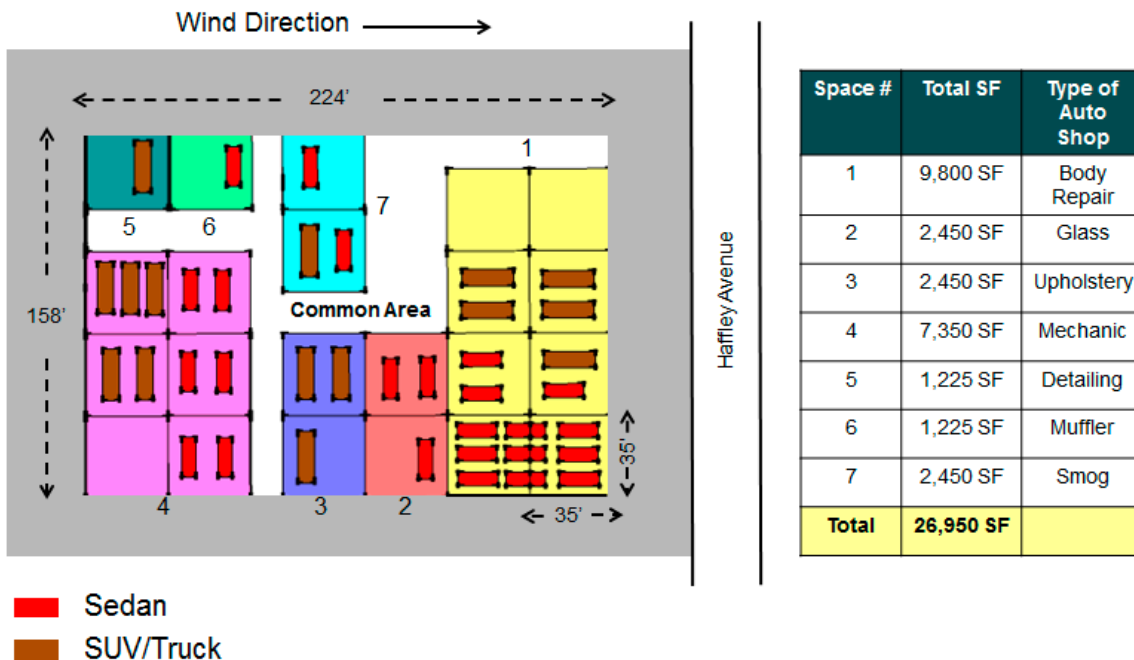
⁸⁷ National City Municipal Code § 18.22.030

Scheme 2: Shared Common Area for Customers

Scheme 2 is characterized by its shared common area between operators. Within this scheme, individual operators would lease or purchase space and share a common area for customers. The common area would include a waiting room, bank of restrooms, and vending machines.

Similar to scheme 1, the overall site for scheme 2 is 74,448 square feet. There are 26,950 square feet of tenant space and 8,442 square feet of common area including circulation. Under this design configuration, there is more variation between space sizes than in scheme 1. Specifically, spaces range from 1,225 square feet to 9,800 square feet. Each work bay is 35 feet wide and 35 feet deep, which allows for the storage of three cars wide (see Figure 14). Like scheme 1, scheme 2 considers business compatibility and places debris producing businesses in front of the site facing Haffley Avenue to prevent disturbances between businesses.

Figure 14: Scheme 2 - Shared Common Area for Customers



As previously noted in scheme 1, National City’s current zoning code, vehicle, repair, or service shops are required to have a minimum of 7,500 square feet of lot area.⁸⁸ Based on the presented space dimensions for scheme 2, two out of seven spaces meet the required 7,500 square feet lot area requirement by right (see Figure 15). Like scheme 1, this scheme can also seek a zoning code amendment to allow for smaller tenant spaces. Based on the type of review and approval process the city decides to pursue for the project, seeking a code amendment can cost up to \$6,577.

⁸⁸ National City Municipal Code § 18.22.030

Figure 15: Space Breakdown for Scheme 2 – Shared Common Area for Customers

Space	Direct SF	% of Total Direct SF	Interior Circulation and Common Area SF	Parking and Setbacks SF	Total SF	Required SF ⁸⁹	Space Surplus/Deficit
<i>Label</i>	<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E=A+C+D</i>	<i>F</i>	<i>G=E-F</i>
1	9,800	36.4%	3,070	14,202	27,072	7,500	19,572
2	2,450	9.1%	767	3,551	6,768	7,500	(732)
3	2,450	9.1%	767	3,551	6,768	7,500	(732)
4	7,350	27.3%	2,302	10,652	20,304	7,500	12,804
5	1,225	4.5%	384	1,775	3,384	7,500	(4,116)
6	1,225	4.5%	384	1,775	3,384	7,500	(4,116)
7	2,450	9.1%	767	3,551	6,768	7,500	(732)
Total	26,950	100.0%	8,442	39,056	74,448	52,500	21,948

The following section of this report provides a development analysis and recommendations for the GIAP. It uses the design assumptions and real estate market data provided in this and the previous section for its analysis.

⁸⁹ National City Municipal Code § 18.22.030

8. Development Analysis and Recommendations

Financial Feasibility Analysis

Our overall conclusion is that it is reasonable to assume that in today's regulatory and economic environment that this project can be constructed. This end of this section provides a development budget and preliminary financing plan to bring the project to fruition.

Financial Feasibility Analysis Process

The financial feasibility for each of the two design scenarios was put through a development analysis. To recap, both had a total of 35,392 square feet of building space but different levels of rentable and non-rental common area space. The key difference in the financial models is the amount of income that can be generated off of the rental income. Because there is a significant financing gap, we focused on the design scheme with less common area. Through analyzing the SDWPC, we found that the project can be developed at a site of its size. The proforma analysis has the following components:

- Executive Summary
- Financing Assumptions
- Loan Amortization Schedules
- Development Budget (By User Group)
- Development Budget (Detailed Line Item Analysis)
- Cash Flow Analysis

Overview of the Development Budget and Financing Assumptions

The development budget constructed and summarized in this section is conservative so as not to underestimate the costs of building the project. We have provided allowances and contingencies for the high cost budget items that will require 3rd party verification in the next stage of budget refinement such as the construction hard costs.

The assumptions in the cash flow analysis regarding rents and expenses have been carefully researched and documented, and the site plan assumptions have been validated through conversations with the National City staff.

The private financing sources of \$2.43 million have been forecast in a conservative manner as well and to date comprise about a little over 40% 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.

- The assumptions on the permanent debt at 6% interest, 60% loan to value, and a 30 year term are reasonable in today's economic climate. Interest rates are lower but this is a unique asset and so we have been cautious.

- The assumption of EB-5 financing at just \$500,000 is cautious. EB-5 investment funds are generally structured as a low-interest, 5 to 8 year loan. Utilization of EB-5 funds is incumbent on showing the creation of a minimum of 10 new jobs. Depending on how this is calculated, and whether it includes construction and permanent jobs, the funding amount could fluctuate upward to \$1,000,000.
- The new market tax credit equity is calculated based on standard industry underwriting guidelines and pricing.

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 complete the financing plan. The public policy and public financing trends are focused on creating sustainable communities including creating economic development strategies. We anticipate that new programs will come to the forefront in the next few years that will fund this type of innovative environmental and economic development project. An exhaustive list of federal, state and regional sources has been provided in Appendix G that can be explored to fill this gap; however, detailed below are some of the best candidates to be pursued.

- Federal
 - U.S. Department of Commerce Economic Development Administration (EDA) – See Funding Source 10 in Appendix G
 - In particular, the Economic Development Assistance Program funds construction, neo-construction and revolving loan funds in economically distressed areas to create jobs, leverage private capital, encourage economic development for increased global competitiveness. EDA favors new ideas and creative approaches to address rapidly evolving economic conditions. In addition to economically distressed communities, an investment priority is projects that promote job creation and economic prosperity through enhancing environmental quality and developing and implementing green products, processes, places, and buildings as part of the green economy. This includes support for energy-efficient green technologies. For example, EDA states specifically that it “might provide funding to a city to support the construction of a publically-owned multi-tenant business and industrial facility to house early-stage businesses.”
- State of California
 - California Infrastructure and Economic Development Bank -- See Funding Source 16 in Appendix G
 - The Infrastructure State Revolving Fund (ISRF) Program provides financing to public agencies and non-profit corporations for a wide variety of infrastructure and economic development projects. ISRF Program funding is available in amounts ranging from \$50,000 to \$25,000,000, with loan terms of up to 30 years. Interest rates are set on a monthly basis. Financing applications are continuously accepted.
 - Affordable Housing and Sustainable Communities (AHSC) – (aka “Cap and Trade”) - See Funding Source 17 in Appendix G

- Approximately 60% of the money being collected is not yet earmarked for specific uses. The first RFPs are coming out in 2015 and although this project would not be eligible in the early funding rounds which are focused on linking housing and transportation, the Cap and Trade program is in its infancy, and economic development strategies have not yet been addressed.
- Regional and Local
 - Community Development Block Grant (CDBG) – Capital Improvement Program – See Funding Source 15 in Appendix G
 - CDBG is a federal funding source administered by local governments. CDBG Grant funds are provided by U.S. Department of Housing and Urban Development (HUD) to cities and counties to improve housing and economic development opportunities in low-income communities. Cities can choose to spend these funds for brownfield site assessment, remediation, agency oversight costs, legal support, and other expenses related to economic development of sites in qualifying census tracts. The CDBG program also funds Capital Improvement Projects, including low-income housing, infrastructure, and public facilities for safety, health or homeless populations.

Development Uses and Sources

Figure 16, below, shows a high level roll up of the total development costs. The total development costs come to \$183/SF. The costs are preliminary estimates and meant to be conservative, meaning there is potential for the budget to go down. The next steps in refining the budget for this 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) in order to better estimate the financing transaction costs. This deeper analysis and refinement of the costs can be done in a subsequent scope of work, and would entail utilizing a third-party cost estimator that would be a sub-consultant to the financial consultant.

Figure 16: Total Development Costs

Development Uses	Total
Acquisition	\$1,116,085
Off-Site Improvements:	\$148,975
Site Work:	\$372,438
New Construction	3,338,745
Architecture	167,694
Green Design Features ⁹⁰	TBD
Survey and Engineering	92,622
Permits and Fees	54,039
Predev and Acquisition Financing	In soft costs
Construction Financing	In soft costs
Permanent Financing	80,000
Legal Fees	In soft costs
Reserves	53,269
Sinking Fund (All Buildings):	TBD
Reports	23,000
Soft Costs	316,100
Developer Costs	450,000
Syndication Costs	275,000
Total Uses:	\$6,487,967

Development Sources	Assumptions	Total
Permanent Amortizing Debt	6% interest; <60% LTV; 30 year term	\$847,917
EB-5 Interest-Only Balloon Debt	3% interest only; 8 year term	\$500,000
New Market Tax Credit Equity	Estimated net payment of 20% of eligible basis; acceptable industry guesstimate; price estimated at \$1.00 per \$1.00 of NMTC credit available.	\$1,089,028
<i>Public Sources</i> to be pursued	We have provided an exhaustive list of federal, state and regional sources that can be explored to fill the gap; high probability sources have been detailed above	\$3,801,022
Total Uses:		\$6,487,967

⁹⁰ The detailed costs of greening the GIAP occurs in the design and development cost refinement phase.

Key Assumptions

In general, key assumptions are embedded in a detailed proforma analysis that will be provided under separate cover, and the key assumptions regarding financing are listed in Figure 15 and in Appendix G: Gap Financing Opportunities.

Key Income Assumptions

- **Rental Income:** As discussed in the Site Opportunities Section, we summarized the estimated land acquisition costs and the market rents on a per square foot basis. This information was included in the proforma analysis.
- We have assumed that based on market information the rent of \$0.75/sf is the rent for the actual rentable square footage. After netting out operating expenses and real estate taxes, this results in a net income per rentable/sf of \$0.25 which doesn't provide sufficient cash flow to service much private debt. At this rent structure, the private amortizing debt is 13% of the total development costs (also expressed as 13% of the capital stack).
- **Operating Expenses:** 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.
- We have assumed industry level asset management fees for the new market tax credit investor and the development owner.
- A 15-year cash flow is attached to this report (See Appendix H).

Gap Funding Options

As previously discussed, gap financing will be required to feasibly implement any of the development options. Appendix G: Gap Funding Opportunities provides an updated overview of gap funding options including information related to award amounts, leverage, eligibility and timing. Research was conducted in October and November 2014 focusing primarily on FY 2015 grants or low-interest loans currently offered by federal, state and county agencies. The availability of these funding sources is subject to change depending upon whether the governing entities approve appropriations for them. Similarly, new programs may emerge each year, so it is advisable to re-check public funding information annually.

Timeline

A reasonably conservative analysis would be to assume that it will take 12 to 36 months to procure all of the needed financing, to get the sources and uses budgets in alignment and to close the transaction and commence construction. Actual construction should take 12 to 18 months depending on the amount of site clean-up and on- and off-site infrastructure work that must be addressed.

Industrial Park Ownership and Management Options

There are three evident ownership options at this point in the preliminary planning this project. Because the project is not financially feasible as a straight market transaction (meaning that it doesn't pencil out financially for a conventional debt and equity financing strategy), the financing structure is likely to dictate the ownership and management structure.

There are three ownership structures that may prove workable:

- 1) **Rental Structure:** Project to be 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 to autobody shop condominium ownership structure after exit of the new market tax credit partner. This is a seven year investment structure. 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.

Industrial Park Management: Management will likely be done by the owner/developer who will either hire a property management company, or will own and 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.

9. Conclusions and Recommendations

Conclusions

Much work has been done through this feasibility study to move the green industrial autobody park concept forward. From the autobody shop community, we have learned more about how they view co-location. We know the development capacity and approximate value of the receiver site once the remediation work has been completed.

Through analyzing the SDWPC, we found that the project can be developed at the site in today's regulatory and economic environment. We have a high level development budget that will need further refinement based on third-party cost estimator consultation. We have a concept design plan that now needs to be reviewed and moved forward by an architectural firm with knowledge of this product type.

We have a reasonable financing plan with approximately 40% of the financing coming 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. Further, preliminary research has been completed on the sources, and they have been mapped on a 24 month rolling matrix.

Recommendations

This report provides a detailed analysis of how we can create a solution in National City that seeks to both preserve locally-owned, small auto-repair businesses and provide for the environmental and health needs of a low-income residential community. The analysis preliminarily confirms the GIAP economic feasibility in today's regulatory and economic environment. It provides a site analysis, development budget and preliminary financing plan to bring the project to fruition.

Following review and acceptance of this report and its findings, we recommend the following:

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, the community residents and their advocates, and local stakeholders such as the Chamber of Commerce. Establishing an ownership entity, specifically a nonprofit, will be critical in receiving seed money, government and philanthropic grants for predevelopment expenditures. A nonprofit can solicit and receive funding to build, own and operate this project until such time that ownership might be 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 \$183/SF. The costs are preliminary estimates and meant to be conservative, meaning there is potential for the budget to go down. The next steps in refining the budget for this 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) to get closer to transaction costs. 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. The next step should be to speak with the City Planning Department to determine if a code amendment is feasible.

10. Appendices

Appendix A: Interview List

Appendix B: Sample Regulations

Appendix C: Discussion of Economic and Regulatory Changes Since 2008

Appendix D: Stakeholder Group Meetings

Appendix E: Boston Public Health Commission – Safe Shops Tool Box for Auto Shops

Appendix F: Site Designs from 2008 Study

Appendix G: Gap Funding Options

Appendix H: Cash Flow Analysis

Appendix A: Interview List

1. **Greenwald's Autobody and Frame Works**
1814 Roosevelt Avenue, National City, CA 91950
Interview Date: June 3, 2014, October 22, 2014

2. **Glenn's Body Shop**
2855 A Avenue, National City, CA 91950
Interview Date: June 4, 2014, October 22, 2014

3. **Los Turbos Transmission**
1411 Coolidge Avenue, National City, CA 91950
Interview Date: June 9, 2014

4. **Dante's Modular Performance**
1635 Coolidge Avenue, National City, CA 91950
Interview Date: June 17, 2014, October 22, 2014

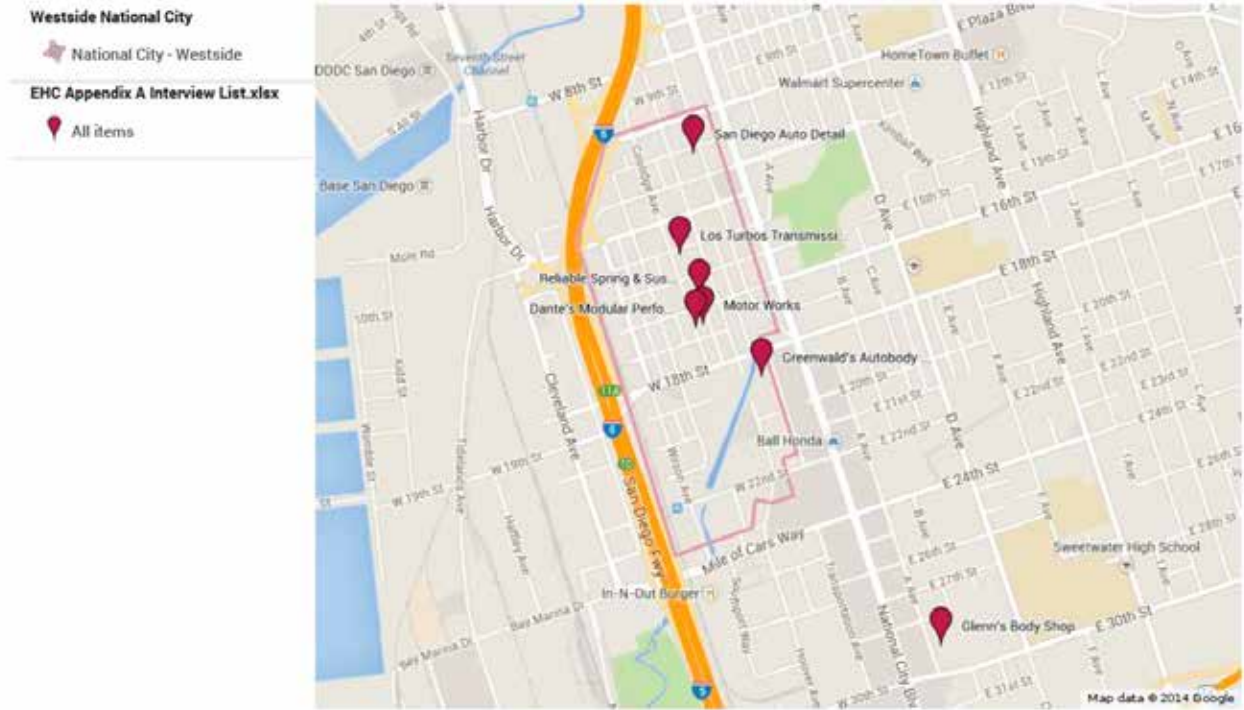
5. **Motor Works**
1625 Coolidge Avenue, National City, CA 91950
Interview Date: June 17, 2014, October 22, 2014

6. **Reliable Spring & Suspension**
225 W. 16th Street, National City, CA 91950
Interview Date: June 17, 2014

7. **Dr. Auto Tech**
600 Pacific Hwy, Hermosa Beach, CA, 90254
Interview Date: June 26, 2014

8. **San Diego Auto Detail**
110 W. 11th Street, National City, CA, 91950
Interview Date: October 20, 2014

EHC Interview List (National City)



Appendix B: Sample Regulations

Federal and State

- US EPA General Industrial Storm Water Permit is required for facilities that conduct vehicle maintenance, such as automotive repair shops. The requirements for permitting are determined by SIC code for an industrial facility. The permit is required by the US EPA, but can be acquired from state and regional water protection agencies. If a site requires a permit, it will also be required to develop and implement a Storm Water Pollution Prevention Plan (SWPPP).⁹¹
- Hazardous materials at an auto repair facility are regulated if they exceed:
 - 55 gallons for liquids
 - 500 pounds for solids
 - 200 cubic feet for gases⁹²
- Hazardous waste requirements vary based on the volume of waste generated by a facility. If less than 100 Kg (total) per month of waste is generated then a facility is a Conditionally-Exempt Small Quantity Generator.⁹³
- In 2008, the US EPA adopted a rule pertinent to Collision Repair related businesses. The autobody rule outlines the required procedures, training, equipment, and structures for the coating and painting of cars.⁹⁴ Adopted in 2008, this rule specifically relates to Paint Stripping and surface area coating operations for area sources of hazardous air pollutants. The EPA shares information on this rule with other resources under its Collision Repair Campaign, indicating that there is growing concern around the environmental impacts of the auto repair shops.
- 6H ruling – Toxic Air Contaminants are a point of concern for air pollution related to the auto repair industry. Currently, San Diego County does not have a stronger, local ruling as this is a newly introduced regulation.

County

- Certified Unified Program Agency (CUPA) – offers a single point of contact for hazardous material management. San Diego County has a CUPA that was established in 1996, combining the work of six agencies.⁹⁵
- In San Diego, the CUPA is the Department of Environmental Health’s Hazardous Materials Division. The powers of a CUPA are exercised through this body.
- Municipal Separate Storm Sewer System (MS4) Permit: issued by a regional board, this permit allows for specific pollutants to be discharged into the storm drain systems that connect to local streams, coastal lagoons, and the Ocean. The Regional Board for San Diego includes San Diego, Orange, and Riverside Counties.⁹⁶ In 2013 there was a transition from

⁹¹ <http://www.waterresources.sacounty.net/stormwater/documents/industrial-BMP-manual.pdf>

⁹² Margarita Mogollon, San Diego Department of Environmental Health, presentation on Vehicle Service and Repair Overview and Introduction

⁹³ Margarita Mogollon, San Diego Department of Environmental Health, presentation on Vehicle Service and Repair Overview and Introduction

⁹⁴ [http://yosemite.epa.gov/R10/AIRPAGE.NSF/2e05db8cf25423a288257544006c527a/e449c80643ff22fe8825753f00008132/\\$FILE/Summary%20of%20AutoBody.pdf](http://yosemite.epa.gov/R10/AIRPAGE.NSF/2e05db8cf25423a288257544006c527a/e449c80643ff22fe8825753f00008132/$FILE/Summary%20of%20AutoBody.pdf)

⁹⁵ http://www.sdcountry.ca.gov/deh/hazmat/hmd_cupa.html

⁹⁶ http://www.waterboards.ca.gov/sandiego/water_issues/programs/stormwater/faq.shtml

paper submission of compliance paperwork to the CUPA to a new online system. Facilities that keep or use hazardous materials on site are required to provide business information via California Environmental Reporting System (CERS), an online portal to report on environmental compliance. The forms that facilities are required to report on include:

- Unified Program Facility Permit
- Hazardous Materials Business Plan (HMBP)
- Hazardous Waste
- Hazardous Waste Onsite Treatment
- Hazardous Waste Tank Closures
- Remote Waste Consolidation
- Recyclable Materials Reports
- Underground Storage Tanks (UST)
- Aboveground petroleum storage over 1,320 gallons (APSA/SPCC)⁹⁷
- A Unified Program Facility Permit is required from the County if hazardous materials over a set quantity are stored on-site at any time during the year. However, if any quantity of hazardous waste is produced, then the permit is required for the facility.⁹⁸
- Common onsite Hazardous Waste Violations
- VOCs (volatile organic compounds) are of main concern at the localized level
- Key Air Quality pollution prevention statutes and regulations include Rule 67.6.1; Rule 67.17; and Rule 67.20.1.⁹⁹
 - 67.6.1: Cold Solvent Cleaning and Stripping Operations
 - 67.17: Open Containers
 - 67.20.1: Motor Vehicle Coating Operations

City

- All businesses in National City are required to implement BMPs under the Jurisdictional Urban Runoff Management Program (JURMP).¹⁰⁰
- National City provides a Resource Sheet for Auto Repair Shops on BMPs for urban runoff¹⁰¹
- National City developed a guideline for designing Autobody Shops¹⁰²
- In terms of hazardous materials, National City code defers to San Diego County's ordinances. In addition to adopting select ordinances related to disclosure, storage, and disposal, the County is also the enforcing agency relied upon by National City.¹⁰³
- For the protection of storm water quality and the management of pollutant discharge, facilities conducting certain types of activity are required to implement additional structural BMPs. These additional requirements are outlined under the industrial category.¹⁰⁴
- 18.30.060 of the Specific Use Regulations: Autobody and paint shops have restricted hours of operation based on their location (adjoining a residential building or not). Additionally, auto shop operations must take place entirely within a building.

⁹⁷ http://www.sdcounty.ca.gov/deh/hazmat/hmd_automotive.html

⁹⁸ Margarita Mogollon, San Diego Department of Environmental Health, presentation on Vehicle Service and Repair Overview and Introduction

⁹⁹ Eric Luther, San Diego Air Pollution Control District, presentation of Motor Vehicle Service Repair Compliance Workshop

¹⁰⁰ <http://www.nationalcityca.gov/Modules/ShowDocument.aspx?documentid=4723>

¹⁰¹ <https://www.casqa.org/sites/default/files/BMPHandbooks/SC-22.pdf>

¹⁰² <http://www.nationalcityca.gov/index.aspx?page=167>

¹⁰³ https://library.municode.com/HTML/16516/level3/SUHITA_TIT9HESA_CH9.4oDIHAMAREHAWAESADCEUNPRAGHAMAINREPL.html

¹⁰⁴ National City Municipal Code, 14.22 https://library.municode.com/HTML/16516/level3/SUHITA_TIT14WASE_CH14.22STWAMADICO.html

Appendix C: Discussion of Economic and Regulatory Changes Since 2008

The Great Recession of 2007-2009 and the dissolution of redevelopment agencies (RDAs) in 2011 fundamentally altered the financial and regulatory environment in which municipalities undertake development project such as the GIAP. Combined, these two events significantly reduced the funding sources and policy tools available to clean-up and provide gap financing for the redevelopment of contaminated properties.

The dissolution of redevelopment agencies eliminated one of the most powerful and effective tools available to California municipalities for financing projects such as the GIAP. In National City, as in other municipalities across the country, the Great Recession pushed the City to the limit of its financial capacity, greatly diminishing its ability and willingness to issue new bonds backed by the general fund. With the dissolution of RDAs, cities lost the ability to capture a substantial share of property taxes for redevelopment projects (\$5.5 billion in 2011¹⁰⁵). In response, legislators have explored various policy options for restocking the local financing toolbox. One option, which enhanced an existing mechanism called an infrastructure financing district (IFD) to act more like the old redevelopment system, was enacted in September 2014¹⁰⁶. However, at time of publication of this study, it is too soon to assess the effectiveness of IFDs as a replacement tax increment funding vehicle.

In addition to the loss of traditional financing mechanisms, the dissolution of redevelopment agencies also called into question RDAs' authority to expedite the cleanup of contaminated properties. Enacted in 1990, the Polanco Redevelopment Act provided RDAs with tools to facilitate and, if necessary, order the cleanup of hazardous substances in the area of a redevelopment project. With RDAs dissolved, the authority of redevelopment successor agencies or local governments to use the Polanco Act to cleanup and acquire contaminated properties and force property owners to bear the remediation costs¹⁰⁷ was unclear. The California Legislature passed Assembly Bill 440¹⁰⁸ in late 2013 to clear up this legal limbo. The bill largely transfers the authority granted to RDAs under the Polanco Act to local governments and housing authorities¹⁰⁹ and accounts for some differences between RDAs and local agencies. However, as with IFDs, it is too soon to evaluate the effectiveness of AB 440.

¹⁰⁵ Schulman, M. "California Without Redevelopment Monies: The Ethical Issues." *Santa Clara University*. Markkula Center for Applied Ethics. N.d. Web. 23 July 2014. <http://www.scu.edu/ethics/practicing/focusareas/government_ethics/roundtable/redevelopment.html>

¹⁰⁶ [SB 628](#) (Beal, D-San Jose), [AB 229](#) (Pérez, D-Los Angeles), [AB 2292](#) (Bonta, D-Oakland), [SB 614](#) (Wolk, D-Davis)

¹⁰⁷ <http://www.brownandwinters.com/articles/law-reporter-sept2003.php>

¹⁰⁸ http://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201320140AB440

¹⁰⁹ <http://www.paulhastings.com/docs/default-source/PDFs/stay-current---the-polanco-act's-second-act-assembly-bill-440.pdf>

Appendix D: Stakeholder Group Meetings

Meeting #1, May 28, 2014

2727 Hoover Ave #202, National City, CA 91950

6:00pm – 8:00pm

The purpose of the meeting was to build the stakeholder group by introducing the GIAP project to community residents, autobody shop owners, businesses, civic leaders, and interested parties. The consultants and EHC provided the group with an overview of the project and the roles and responsibilities of the stakeholder group. The group was also given the opportunity to raise questions and/or concerns, which revolved around four key concepts:

1. Concerns over the cost of relocating autobody shops on the amortization list and opportunities for providing relocation assistance to businesses with limited resources.
2. Concerns over the merging of compliant and non-compliant autobody shops. From a business perspective, non-compliant shops can offer services at a lower cost, which may draw more business than compliant shops, as they must increase their costs to perform greener, more sustainable activities. Therefore, the GIAP would need to ensure that businesses are in compliance.
3. Concern over the size of the 1.7 acre site selected for this GIAP study and its capacity to hold a large number of autobody shops in the area.
4. The importance implementing a training component of placing multiple autobody shops in one location and building a new culture of sustainability in autobody shops.

Industry Tour, July 15, 2014

5:30pm-8:00pm

Motor Works: 41 E. 18th Street, National City, CA 91950

Greenwald's Autobody and Frameworks: 1814 Roosevelt Avenue, National City, CA 91950

San Diego Wood Preserving Company (SDWPC): 2010 Haffley Avenue, National City, CA, 91950

The purpose of the industry tour was to provide community residents and stakeholders with the opportunity to connect with owners of automotive shops and understand the challenges and opportunities present in the industry. The group visited Motor Works (a shop that focuses on car engine work) and Greenwald's Autobody and Frameworks (a shop that focuses on collision repairs). Finally, the stakeholder group visited the SDWPC—the proposed receiver site for the developing a GIAP in the City—to give the stakeholder group an opportunity to better understand where the GIAP would be located and what the site size and layout might look like.

Meeting #2, October 7, 2014

2727 Hoover Ave #202, National City, CA 91950

6:00pm – 8:00pm

The purpose of the meeting was to provide the stakeholder group with a shared understanding on the real estate development process as it relates to executing the financial feasibility study. The group was also given the opportunity to raise questions and/or concerns, which revolved around three key concepts:

1. Validating tenant space size and tenant mix, including shared resources/amenities for shared customer space.
2. Concerns over ownership structures and determining appropriate rent and mortgage payment rates for local business owners.
3. The availability of gap financing opportunities, particularly subsidies and resources that can help economically fragile businesses.

**Appendix E: Boston Public Health Commission – Safe Shops Tool Box for Auto
Shops**

Appendix F: Site Designs from 2008 Study

Figure 3
Scheme 1A Exploded View

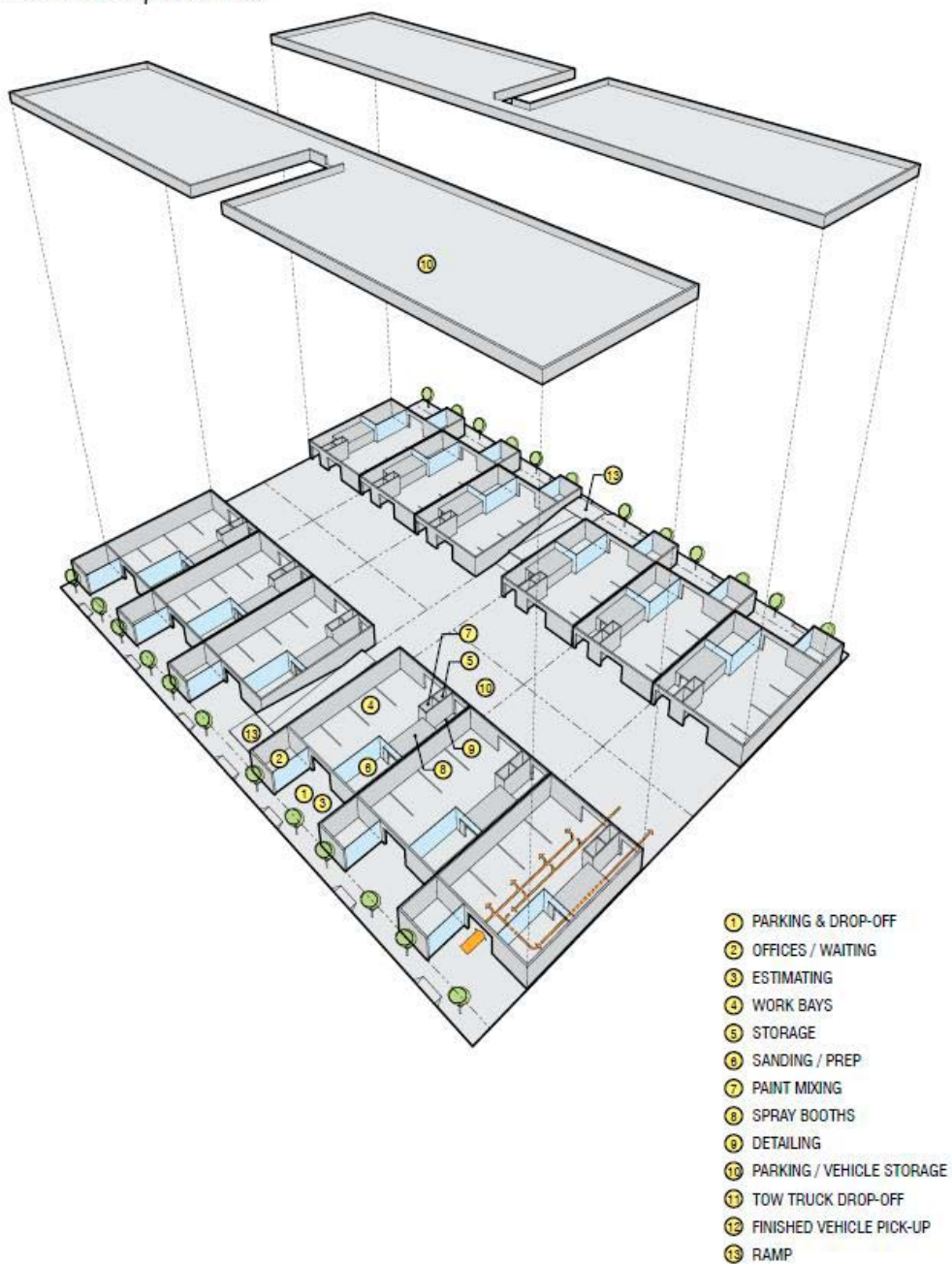


Figure 7
Scheme 1B Exploded View

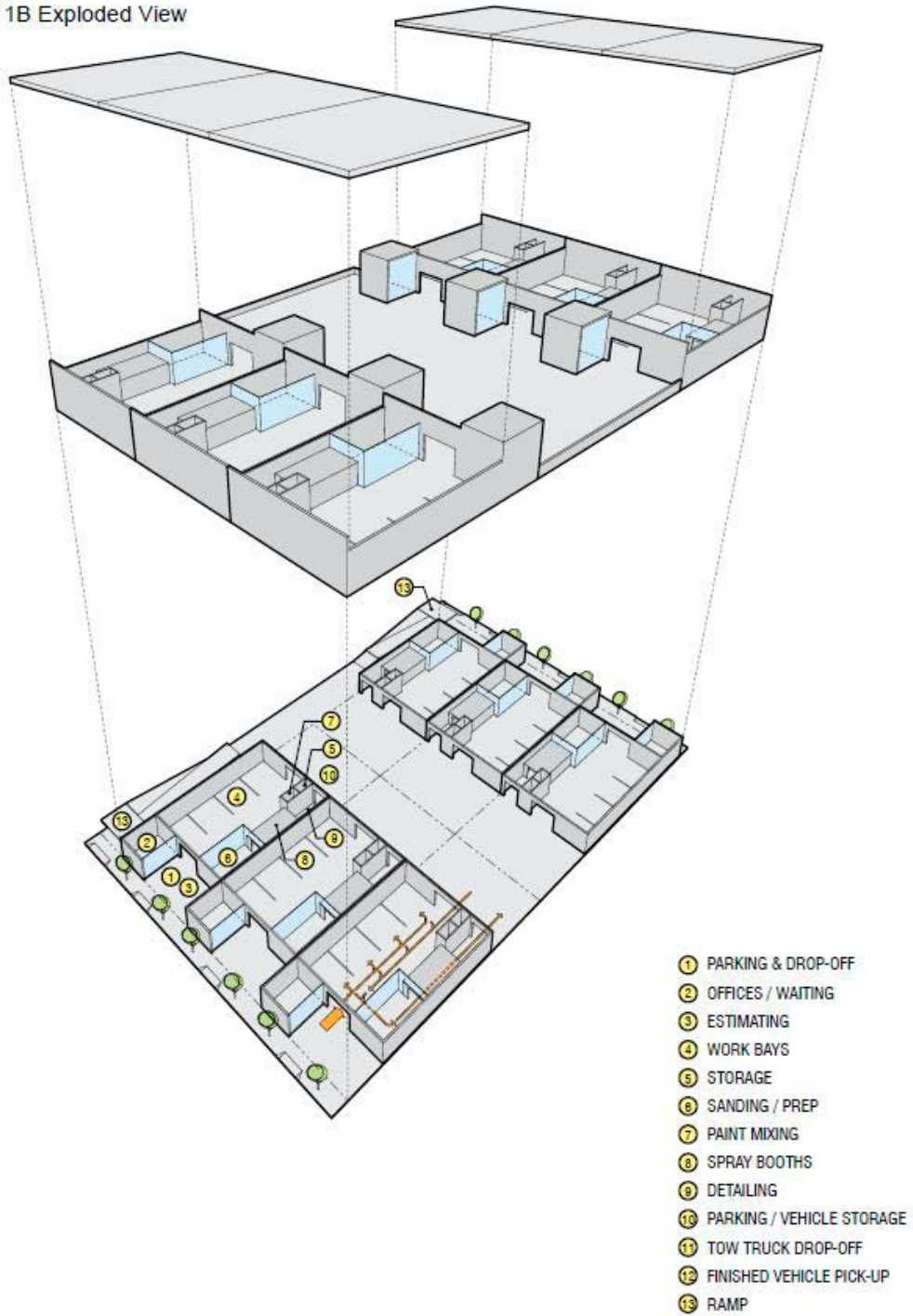


Figure 10
Scheme 2A Exploded View

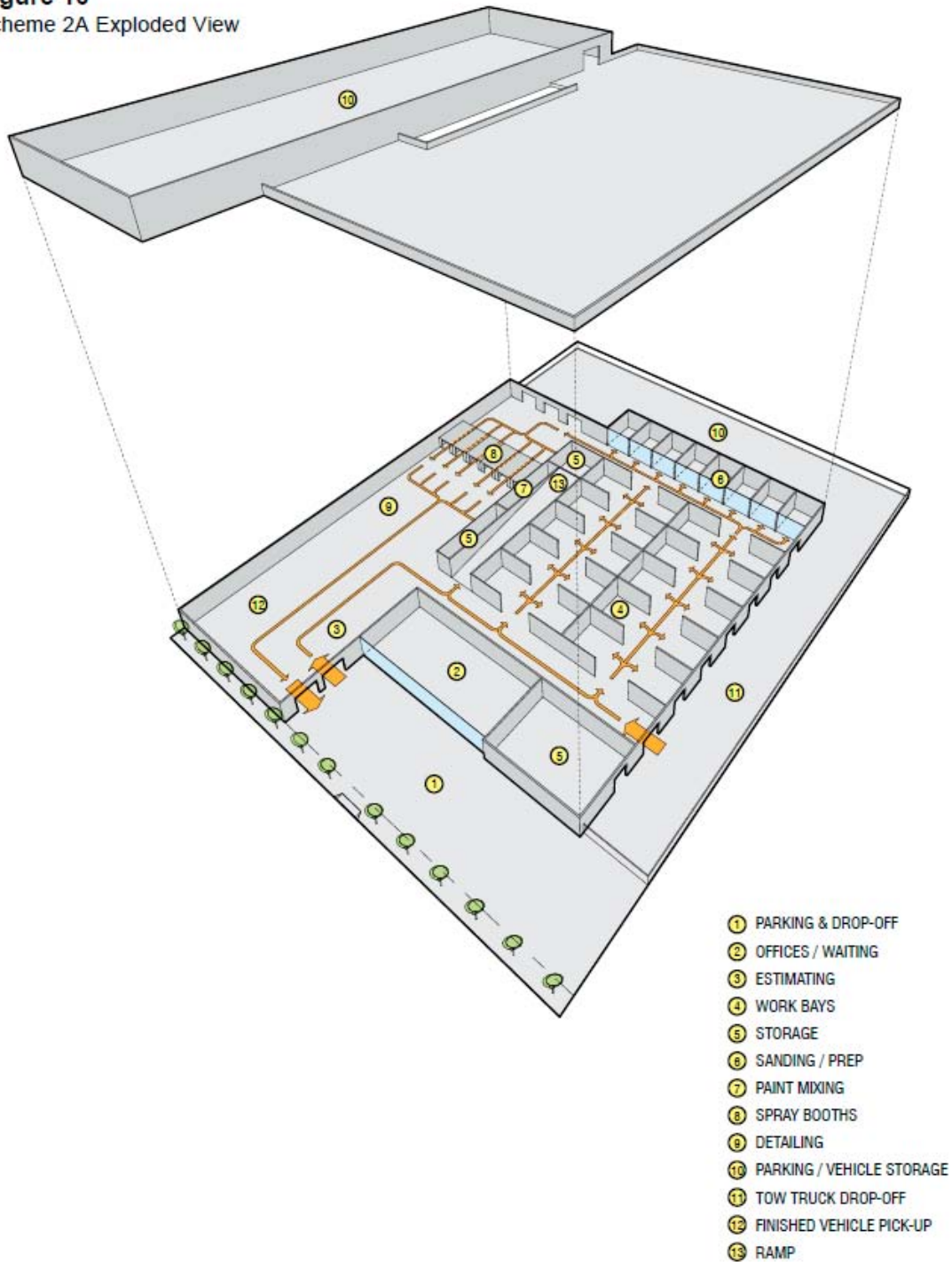
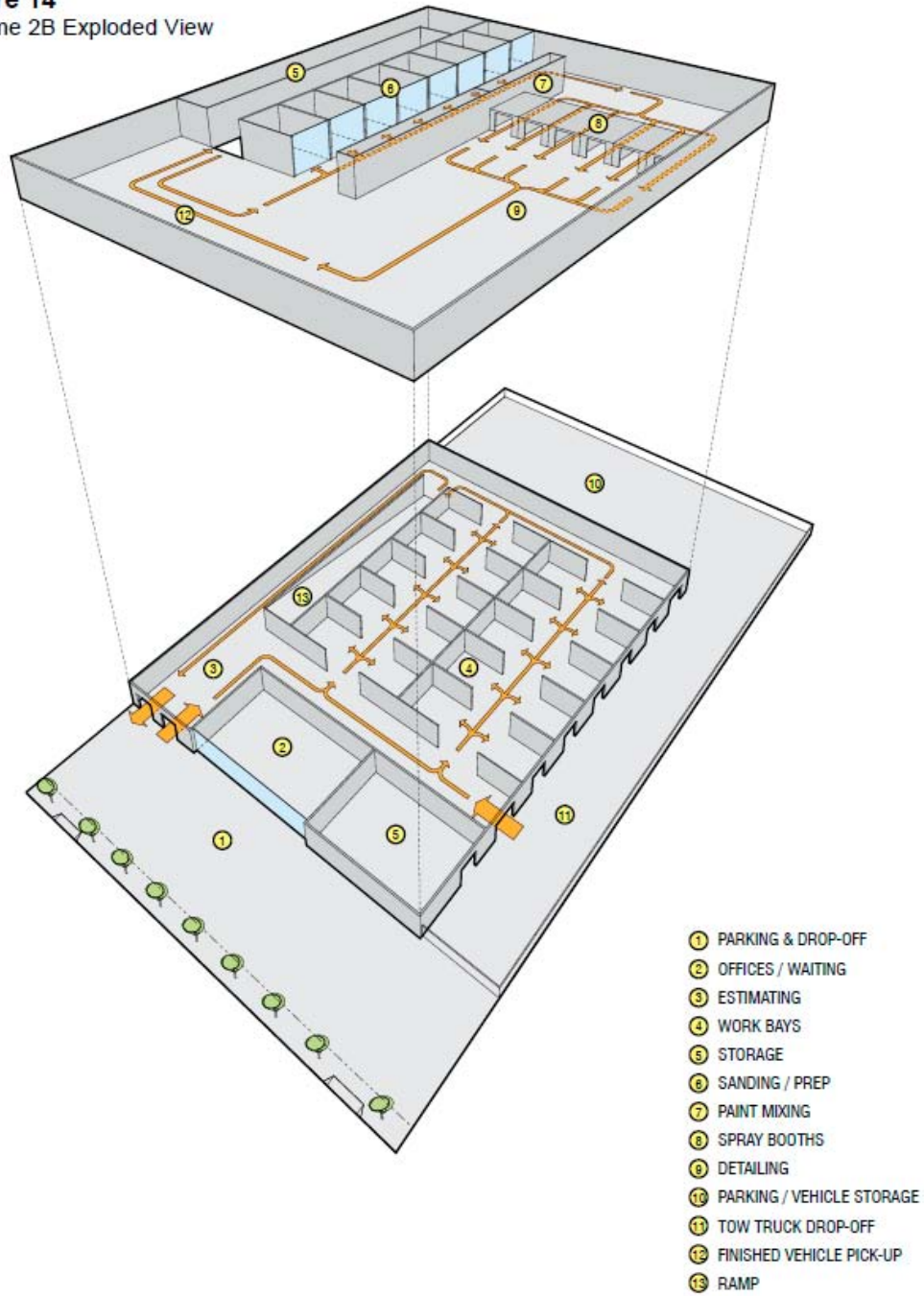


Figure 14
Scheme 2B Exploded View



Appendix G: Gap Funding Opportunities

(Information collected in October and November 2014)

As noted in the 2008 National City Harbor District Park Feasibility Study, public investment of funds will be required to supplement private investment to realize the development of the Harbor District Industrial Park. To provide an updated overview of gap funding options, research was conducted in October 2014 focusing primarily on FY 2015 grants or low-interest loans currently offered by federal, state and county agencies. The availability of these funding sources is subject to change depending upon whether the governing entities approve appropriations for them. Similarly, new programs may emerge each year, so it is advisable to re-check public funding information annually.

The resources research and presented in this appendix are presented by the potential funding opportunity categories below. A chart of gap funding opportunities was created for each category describing available programs, funding type (grant or loan) and amount, timing factors and contact information. The table below summarizes these categories and their location in this document.

Category	Page
Federal Financing Programs	74
Tax Credits	79
Brownfields assessments and remediation	82
Land Reuse Planning, Pollution Prevention and Community Involvement	89
Workforce and Job Training (environmental)	96
Economic and Community Development (including transit oriented development and sustainable communities infrastructure)	98
Environmental Projects Research and Evaluation	107

Federal Financing Programs

Federal financing programs that can be used and considered for the GIAP are the following:

- U.S. Small Business Administration (varies based on credit) – these funds, via the banks that provide them, may be able to be used for part of the development financing, but more likely will be useful to the autobody shop businesses to help them with the costs of equipment purchases when they move.
- EB-5 Financing (\$500,000 - \$1,000,000 generally structured as a low-interest loan. Individual investments are possible but not recommended for this transaction.¹¹⁰

Both sources of financing are made available through specific financing entities such as banks with SBA lending programs and Regional Centers that are the intermediaries between the EB-5 investors and the investment opportunities.

Tax Credits

- New Market Tax Credits –“The New Markets Tax Credit Program (NMTC Program) was established by Congress in 2000 to spur new or increased investments into operating businesses and real estate projects located in low-income communities. The NMTC Program attracts investment capital to low-income communities by permitting individual and corporate investors to receive a tax credit against their Federal income tax return in exchange for making equity investments in specialized financial institutions called Community Development Entities (CDEs). The credit totals 39 percent of the original investment amount and is claimed over a period of seven years (five percent for each of the first three years, and six percent for each of the remaining four years). The investment in the CDE cannot be redeemed before the end of the seven-year period.”¹¹¹

Brownfields Assessments and Remediation

The primary sources of funding for pre-remediation activities (inventory, assessments, feasibility studies, work plan development based on alternative cleanup strategies and costs, cleanup of the contaminated site) are the U.S. Environmental Protection Agency, CalEPA and the State of California Department of Toxic Substances Control (DTSC). These are summarized below:

- U.S. EPA: Targeted Brownfields Assessment (TBA), which funds consultants directly; Brownfields Assessments and Revolving Loan Fund (RLF) for cities; Brownfields Cleanup Grants (\$400,000 to \$600,000)
- State: CalReUSE (forgivable loans); DTSC Targeted Site Investigation (TSI), Brownfield Cleanup Revolving Loan Fund (loans and subgrants); CalEPA/State Water Resources Control

¹¹⁰ The most recent information available on investment structures is from 2012. For a brief description of the Loan Model versus the Equity Model, see this article: <http://juliaparklaweb5.blogspot.com/2012/01/loan-model-vs-equity-model-eb-5.html>

¹¹¹ US Department of the Treasury, Community Development Financial Institutions Fund. http://www.cdfifund.gov/what_we_do/programs_id.asp?programID=5

Board Orphan Site Cleanup Fund and Underground Storage Tank Cleanup grants (dollar amount varies on loans/ reimbursement grants)

Except for RLF and TBA funds, which are continuously open for applicants depending on available funds, the timing to submit requests for funding for assessments typically occurs in spring or summer annually. Cleanup grant applications require completion of assessments and a work plan to be considered “project ready” for funding. Assessments usually take 4 to 6 months per site to complete. Multiple sites (clusters) may be studied under one grant.

Total funding identified for assessments: \$200,000 to \$400,000 (est.)

Total funding identified for cleanup: \$400,000 to \$1 million (est.)

Land Reuse Planning, Pollution Prevention and Community Involvement

The key providers of grants for large-scale projects requiring community involvement in land reuse visioning, planning and acceptance of development strategies are:

- U.S. EPA: Brownfields Area-Wide Planning Program (\$200,000); Source Reduction Assistance Grant (\$10,000 to \$147,000); Water Quality and Infrastructure Improvements (Pollution Prevention and Water Conservation -- varies
- U.S. Department of Commerce Economic Development Administration (EDA): Planning and Technical Assistance Program (\$70,000); Regional Innovation Grants (\$3 million)
- Caltrans: Sustainable Communities Planning Grant (\$300,000)
- SANDAG: Transnet Smart Growth Incentive Funds (\$400,000)
- San Diego Foundation: Environmental Programs grants (\$25,000)
- Smart Growth Funders Network: Partners for Places grant (\$75,000)

These funding opportunities require a large-scale project/area-wide approach. Some encourage the formation of a consortium involving at least one public agency (city) partner and often a philanthropic partner, as well as nonprofit organizations, businesses, and community residents. Larger grants represent funding for multi-year projects (2 years).

Total funding identified for collective land use planning/community involvement: \$4,292,000.

Pollution prevention: millions of dollars in no-interest loans and grants.

Workforce and job training (environmental)

The U.S. EPA offers an Environmental Workforce Development and Job Training Grant annually that will provide up to \$200,000 per year over 3 years. The purpose of the grant is for areas with a large number of brownfields to create environmental skills training (water and soil testing, monitoring, HAZMAT safety, waste removal and handling) and job opportunities for local residents (30 to 60 trainees per year). Performance requires a partnership with a certified environmental training organization. Technical skills training programs may also be funded under U.S. Department of Labor grants (e.g., DOLETA), in partnership with the San Diego Workforce Partnership, and State Employment Training Agency (ETA). (These are not included on the Funding Opportunities Chart.)

Economic and community development capital grants and loans (transit oriented development and sustainable communities infrastructure)

Capital grants and low-interest loans (via bonds) are available from these entities:

- Economic Development Administration (EDA): Economic Development Assistance Program (Up to \$3 million)
- HUD Community Development Block Grants (Varies; up to \$2 million)
- SANDAG Transit Smart Growth Incentive Capital Grants (\$2 million)
- California infrastructure and Economic Development Bank (I-Bank) – (\$50,000 to \$25 million as loans)

- Strategic Resources Council – Housing and Community Development Affordable Housing and Sustainable Communities Grants and Loans for infrastructure (amounts vary; anticipate up to \$3 million per city project awarded)

Total funding identified for economic development capital projects: \$35,000,000.

Environmental Projects Research and Evaluation

- Pew Charitable Trusts, Robert Wood Johnson and The California Endowment: Health Impact Assessments (\$75,000)
- San Diego Foundation -- Environmental Programs (\$25,000)

FEDERAL FINANCING PROGRAMS

Funding Opportunity 1	
Type:	Federal
Categories:	Federal Financing Programs
Entity:	U.S. Small Business Administration
Name:	7(a) Loan Program
Applicability:	<p>SBA funding can provide additional resources for GIAP tenants.</p> <p>SBA generally does not specify what businesses are eligible. Rather, the agency outlines what businesses are not eligible. However, there are some universally applicable requirements. To be eligible for assistance, businesses must:</p> <ul style="list-style-type: none"> • Operate for profit • Be small, as defined by SBA • Be engaged in, or propose to do business in, the United States or its possessions • Have reasonable invested equity • Use alternative financial resources, including personal assets, before seeking financial assistance • Be able to demonstrate a need for the loan proceeds • Use the funds for a sound business purpose • Not be delinquent on any existing debt obligations to the U.S. government
Action Steps:	Explore interested tenants and eligibility.
Description:	<p>SBA's Role</p> <p>SBA provides a number of financial assistance programs for small businesses that have been specifically designed to meet key financing needs, including debt financing, surety bonds, and equity financing.</p> <p>Guaranteed Loan Programs (Debt Financing)</p> <p>SBA does not make direct loans to small businesses. Rather, SBA sets the guidelines for loans, which are then made by its partners (lenders, community development organizations, and microlending institutions). The SBA guarantees that these loans will be repaid, thus eliminating some of the risk to the lending partners. So when a business applies for an SBA loan, it is actually applying for a commercial loan, structured according to SBA requirements with an SBA guaranty. SBA-guaranteed loans may not be made to a small business if the borrower has access to other financing on reasonable terms.</p> <p>SBA loan guaranty requirements and practices can change as the Government alters its fiscal policy and priorities to meet current economic conditions. Therefore, you can't rely on past policy when seeking assistance in today's market.</p>
Award Amount:	Up to \$5,000,000
Required Leverage:	--

	Businesses must meet SBA size standards (\$7.5 million or less in annual receipts) and use the funds for a sound business purpose.
Non-Eligible	Financial businesses primarily engaged in lending, government owned entities, etc. See http://www.sba.gov/content/7a-loan-program-eligibility
Deadline:	Open – subject to funding availability
Timing:	Open
Website:	<p>http://www.sba.gov/category/navigation-structure/loans-grants/small-business-loans</p> <p>Contact: http://www.sba.gov/about-sba/what_we_do/contact_sba</p> <p>Juliane Talley Lead Business Development Specialist 619-727-4870 Juliane.Talley@sba.gov</p> <p>Maria Hughes Lender Relations Specialist 619-727-4871 Maria.Hughes@sba.gov</p>

Funding Opportunity 2	
Type:	Federal
Categories:	Federal Financing Programs
Entity:	U.S. Citizenship and Immigration Services (USCIS)
Name:	EB-5 Immigrant Investor
Applicability:	The EB-5 program is a potential source for gap funding, after other funding sources are in place.
Action Steps:	Explore viability and interested investors.
Description:	<p>Under federal law, 10,000 immigrant visas per year are available to qualified individuals seeking permanent resident status on the basis of their engagement in a new commercial enterprise. This visa program is popularly called the EB-5 visa program.</p> <p>Permanent resident status based on EB-5 eligibility might be available to investors who have invested – or are actively in the process of investing – at least \$1,000,000 into a new commercial enterprise that they have established. A new commercial enterprise includes: the creation of an original business, the purchase of an existing business and restructuring or reorganizing the business to the extent that a new commercial enterprise results, or expanding upon an existing business. An applicant seeking status as an immigrant investor must demonstrate that his/her investment will benefit the United States economy and create full-time employment for no fewer than ten qualified individuals, or maintain the number of existing employees in a “troubled business.”</p> <p>If the investment in a new commercial enterprise is made in a Targeted Employment Area (TEA), the required investment is decreased to the \$500,000 investment level. A TEA is either a “high unemployment area” in an urban setting (being part of a metropolitan statistical area) that has experienced an unemployment rate of at least 150 percent of the national average rate or a “rural area.”</p> <p>Applicants to the EB-5 visa program must demonstrate that they meet all requirements of the program prior to filing with the U.S. Citizenship and Immigration Service (USCIS). If it is determined that the investment criteria is met and properly documented, an investor may be granted conditional permanent residence status for a period of two years. At the end of the conditional period a permanent green card may be issued. An investor may apply for U.S. citizenship five years after the initial grant of conditional permanent residence.</p>
Award Amount:	<p>\$500,000 - \$1,000,000+</p> <p>The award amount is based on the number of jobs the project creates. \$500,000 (must create 10 new direct full-time jobs) \$1,000,000 (must create 20 jobs, at least 10 must be direct full-time)</p>
Required Leverage:	Project must show solid financials, returns, and diverse funding streams (i.e., the project cannot be solely funded with EB-5 dollars).

Eligibility:	Commercial enterprise engaged in for-profit activities
Non-Eligible	Non-profit entities or individuals.
Deadline:	Open – subject to funding availability
Timing:	
Website:	<p>http://www.business.ca.gov/International/EB5Program.aspx</p> <p>http://www.uscis.gov/working-united-states/permanent-workers/employment-based-immigration-fifth-preference-eb-5/eb-5-immigrant-investor-process</p> <p>http://www.sdregional.com/</p> <p>Contact: EB5info@gov.ca.gov</p> <p>Brenda Doyle, Principal San Diego Regional Investment Center bdoyle@sdregional.com</p>

TAX CREDITS

Funding Opportunity 3	
Type:	Federal
Categories:	Tax Credits
Entity:	Organizations with allocations of New Market Tax Credits are certified as a Community Development Entity (CDE). They have applied for and received funds from Community Development Financial Institutions Fund (CDFI) of the U.S. Department of the Treasury (DOT). A CDE is a “domestic corporation or partnership that is an intermediary vehicle for the provision of loans, investments, or financial counseling in Low-Income Communities (LICs).” Organizations with allocations that can provide investments in National City will be identified.
Name:	New Market Tax Credits (NMTC)
Applicability:	Directly applicable; NMTC equity investments are focused on non-residential development in qualified areas.
Action Steps:	Explore viability with other sources under exploration; identify interested investors.
Description:	The NMTC Program is an economic development tool that attracts investment capital to low-income communities by permitting individual and corporate investors to receive a tax credit against their Federal income tax return in exchange for making equity investments in specialized financial institutions called Community Development Entities (CDEs).
Award Amount:	Since the NMTC Program's inception, the CDFI Fund has made 836 awards allocating a total of \$40 billion in tax credit authority to CDEs through a competitive application process. This \$40 billion includes \$3 billion in Recovery Act Awards and \$1 billion of special allocation authority to be used for the recovery and redevelopment of the Gulf Opportunity Zone.
Required Leverage:	New Market Tax Credits total 39 percent of the original investment amount and are claimed over a period of seven years (five percent for each of the first three years and six percent for each of the remaining four years). The investment in the CDE cannot be redeemed before the end of the seven-year period.
Eligibility:	<p>Eligibility is based on projects being Qualified Active Low Income Community Businesses (QALICBs). Qualified means the business is a corporation “engaged in the active conduct of a qualified business that is not part of the excluded businesses list.” To be active, a business must be profit motivated with revenues in the last three years or nonprofit and providing services within the last three years. Low income communities are census tracts where the poverty rate is over 20% in the community or area median income is less than 80% of statewide or metropolitan area median income.</p> <p>Novogradac Consulting provides an interactive tool to assist in determining low income community program eligibility located here: http://www.novoco.com/new_markets/resources/map2_popup.php</p> <p>For mixed use projects, the owner would have to split ownership of commercial uses from residential uses or the nonresidential revenue needs to be 20% or greater of the total project gross revenue.</p>

	<p>For QALICBs:</p> <ul style="list-style-type: none"> • NMTC's should be less than 20% of the total capital stack • Total capital costs of \$8 million or greater (including the land cost) • 100% commercial is preferred but mixed use is accepted
Non-Eligible	Areas that do not meet the QALICB threshold requirements.
Deadline:	Not really applicable to an end recipient of NMTC investment.
Timing:	<p>On June 5, 2014 the Treasury announced \$3.5 billion in NMTCs.</p> <p>For CDEs, the relevant timeline is as follows</p> <ul style="list-style-type: none"> • Release of NOAA and Application Materials: August 5, 2014 • Submission of CDE Certification Application: August 22, 2014 • Online Submission of Allocation Application: October 1, 2014 • Submission of Subsidiary CDE Certification Application: October 1, 2014 • Online Submission of Application Attachments: October 3, 2014 • Prior Allocatees' Issuance of Qualified Equity Investments: January 30, 2015 • 2014 NMTC Program Awards Announced: Spring 2015 <p>For the end recipient of funding, this means that more NMTCs will be available in 2015.</p>
Website:	<p>Watch: http://www.civicsd.com/economic-development/rfps-a-rfq/rfps-a-rfq.html</p> <p><u>Contact Information:</u> Michael Lengyel Civic San Diego 619-533-7158</p>

**BROWNFIELDS
ASSESSMENTS AND
REMEDICATION**

Funding Opportunity 4	
Type:	Federal
Categories:	Brownfield Assessment
Entity:	U.S. Environmental Protection Agency (EPA)
Name:	Targeted Brownfields Assessments (TBA) Program
Applicability:	The TBA program can provide additional resources for assessments of a complex site or multiple sites in an area using pre-approved environmental services consultants.
Action Steps:	Contact the Region 9 Brownfields office to discuss the potential need and scope for a TBA grant if additional or multiple Phase 1 or Phase 2 studies are required.
Description:	The TBA program is designed to help municipalities minimize the uncertainties associated with brownfields that have redevelopment potential. TBAs supplement and work with other efforts under EPA's Brownfield Program to promote the cleanup and redevelopment of brownfields. Assistance is available through two sources: directly from EPA through the EPA Regional Brownfield Office (Region 9) and from state response program offices receiving funding under Subtitle C of the law. The program can fund Phase 1 and 2 studies and remediation feasibility studies.
Award Amount:	Varies – funding is often provided directly to consultants pre-selected by EPA for local site assessments.
Required Leverage:	None required.
Eligibility:	States; municipalities (primary)
Non-Eligible	Nonprofits or other entities may be the beneficiaries of technical assistance from EPA Regional or funded state or municipal agencies.
Deadline:	Open – subject to funding availability
Timing:	NOFAs are usually released in the fall of each year.
Website:	<p>www.epa.gov/brownfields/grant_info/tba.htm</p> <p>Contact for Information:</p> <p>Noemi Emeric-Ford, Lead Brownfields Coordinator, Region 9 (213) 244-1821 Email: emeric-ford.noemi@epa.gov</p> <p>Nicole Moutoux, Brownfields and Site Assessment Section Chief (415) 972-3012 Moutoux.Nicole@epa.gov U.S. EPA Region 9 Mail Code SFD-6-1 75 Hawthorne Street San Francisco, CA 94105</p>