

The Economic Impact on Barrio Logan of Expenditures by San Diego Shipbuilders and Ship Repairers



NATIONAL UNIVERSITY SYSTEM
INSTITUTE FOR POLICY RESEARCH

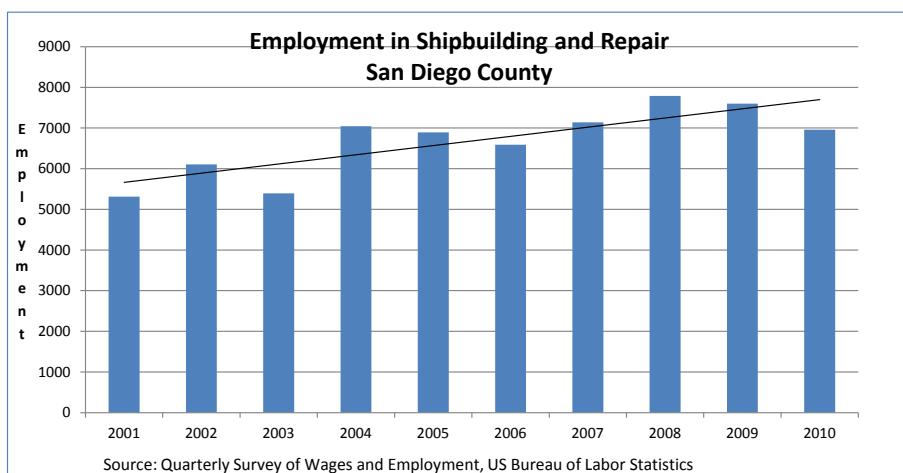
KEY FINDINGS

- During 2010 and 2011 eighty-one (81) separate companies located in Barrio Logan did business with the region's two largest shipbuilders.
- The two shipyards had contracts with these firms cumulatively valued at \$145 million over the course of a 12 month period.
- It is estimated that this spending directly supported 738 jobs at Barrio Logan businesses. In addition, this spending supported an additional 700 jobs throughout San Diego County.
- More than 2/3 of these businesses are located north of 32nd Street.
- Under the proposed “Land Use Alternative 1” up to 30 of these firms could be found to have non-conforming use.
- Under the proposed “Revised Land Use Alternative 2” the number of firms which could be found to be non-conforming decreases to 22.
- Collectively the 81 companies doing business with the shipyard occupy approximately 40 acres.

INTRODUCTION

Barrio Logan, one of San Diego's oldest neighborhoods, has seen a significant amount of change in the past decade. The Mercado project is now moving forward and companies like Woodbury University School of Architecture and Ryan Brothers Coffee have opened facilities. There have been new residential projects such as the La Entrada and Los Vientos Apartments and increasing investment interest spilling over from San Diego's downtown redevelopment.

Barrio Logan is also home to some of San Diego's most successful manufacturers. The region's three largest shipyards, NASSCO/General Dynamics, BAE Systems – San Diego Ship Repair, and Continental Maritime of San Diego call Barrio Logan home. In 2011, shipbuilders and repairs employed 6,800 San Diegans countywide and paid a median wage of \$61,692. Indeed, there are more than 100 small manufacturing and heavy commercial firms in Barrio Logan, scores of which serve as subcontractors and suppliers to the maritime industry.¹ The neighborhood is, in many respects, the heart of San Diego's "working waterfront" and home to thousands of middle-wage, blue collar manufacturing jobs.



¹. United States Department of Defense, Quadrennial Defense Review, February 2010.

The community is also home to an estimated 4,300 San Diegans, many with roots to the community that span several generations and many decades.² These residents have created one of the region's most culturally vibrant communities and have demonstrated countless times a deep commitment to their community.

It is this issue – Barrio Logan's identity as BOTH a residential and industrial community that has long defined the policy choices and dilemmas. The latest chapter in trying to balance these identities began in 2008 when the City of San Diego started to update the community plan for Barrio Logan. Many residents and community organizations pressed for zoning changes that would better separate residential and industrial uses, trying to reserve the areas along Harbor Drive and south of 32nd Street for manufacturing and zone the remaining areas for residential and small scale commercial development. In this way, it was argued, the update could improve the community, reduce the impact of industrial uses, and avoid gentrification and dislocation.

Previous National University System Institute for Policy Research (NUSIPR) work involving the Barrio Logan Community Plan Update reported on the number of manufacturing and heavy commercial firms in the neighborhood and the likely demand for industrial and commercial space in Barrio Logan.³ We found that in 2008 there were 200 firms that could be classified as either manufacturing or heavy commercial located throughout Barrio Logan (including the Tideland Trust area administered by the Port of San Diego) employing more than 7,700 workers. Three dozen, including the major shipyards, met the definition of "Maritime Trade" used by the World Trade Center: San Diego (WTC), employing more than 6,000 workers.

That report also concluded that the demand for new commercial space in the community was likely to be lower by several orders of magnitude than what the City's consultants had forecasted. This was largely because of the high cost of construction and underlying land values. To make new construction profitable, rents in these buildings would have to

². San Diego Association of Governments, 2010 Population and Housing Estimates. www.sandag.org. Last accessed November 14, 2011.

³. "Barrio Logan: An Analysis of Future Land Use Demand and Economic Impact of Current Industrial Uses", National University System Institute for Policy Research. March 2010.

approach the level found in downtown or Mission Valley, areas that already had a glut of unused commercial space. While we felt there were some opportunities for neighborhood commercial space, it seemed far more likely that Barrio Logan would be better off in respect to economic development by leveraging its unique niche as an industrial location adjacent to San Diego's working waterfront and in close proximity to the region's central business district.⁴

Events since 2010 have only seemed to confirm that skepticism. Vacancy rates in downtown San Diego remain high and rents low. Not surprisingly, only a modest amount of interest has been expressed by developers in building multi-tenant office space in Barrio Logan.

In contrast, there remain opportunities for additional industrial development. Shipbuilding and repair have remained bright spots during the economic downturn. Recent announcements from the Department of Defense and other federal entities make clear that in the coming decades the United States military is likely to increase its emphasis on the West Coast. While the Army and Marines are targeted for reductions, there seems to be recognition by federal policymakers that the Navy, especially in the Pacific, will remain a critical element in protecting the national interests of the United States. This analysis conservatively assumes that there will be no change from 2010 in the activities at the shipyards. We should note that all three major shipyards have expressed their belief that, with the planned increase in the number of Navy ships that will be based in San Diego, their business will increase and that, in turn, their contracting with Barrio Logan companies is likely to go up.⁵

⁴. Ibid, pg. 3.

⁵. Correspondence with Barrio Logan Smart Growth Coalition

SHIP BUILDER AND SUBCONSTRATOR RELATIONSHIPS IN BARRIO LOGAN

One issue that the 2010 study did not examine in great detail was the specific contractor/sub-contractor relationships between firms. While we classified businesses as maritime and non-maritime based upon their business activities, we did not examine whether they presently engage in business with *San Diego* shipbuilders and ship repairers. We also took as given the fairly narrow definition used by the San Diego World Trade Center, potentially missing key relationships with heavy commercial firms or manufacturers that provide products to both maritime and non-maritime companies.

1. EMPLOYMENT

NUSIPR began by requesting data from the three major ship yards for lists of the vendors they did any business with over the preceding 12 months that had mailing addresses in the 92113 zip code. That request was made in the late fall of 2011. We were able to obtain the names of the vendors, their businesses addresses, and the aggregate value of contracts.

We next put the data into a GIS-based database that allowed us to screen out firms that were located in the 92113 zip code but outside of the Barrio Logan Planning Area. We also screened out companies located on the tidelands in Barrio Logan, since the update to the Barrio Logan Community Plan does not directly impact those firms. Additional work included confirmation through phone calls and a direct on-site census to determine which firms were still in business. In several cases we directly spoke with principals to confirm that they did business in 2010/2011 with San Diego shipyards. In our initial screen, we eliminated several firms which did business with the shipyards at locations which have been or are in the process of being redeveloped.

All told we identified 81 unique firms which are located in Barrio Logan but located outside Port tidelands which provided approximately \$145 million in services to

This list also does not include any firms which may do business in Barrio Logan but which receive accounts payable from the shipyards at a non-Barrio Logan address.

We next identified the kind of business activity these firms were engaged in. In this step we initially used Dunn and Bradstreet and ReferenceUSA. These databases collect information on several million businesses and provide industry information at a fine level of detail. We augmented these databases with Internet searches as well as direct outreach. Our final dataset contains specific industry information for 62 of 81 firms.

In the next step we used IMPLAN (IMpact analysis for PLANning) to estimate how the \$145 million in spending translates into direct, indirect, and induced employment. Models like IMPLAN are based upon the observed economic relationships between firms and how when the level of economic activity at one business changes (such as when \$145 million is spent at Barrio Logan subcontractors) it affects employment at other firms. IMPLAN also allows for an estimation of how the wages paid by the original business and those it buys from circulate through the greater economy, stimulating “induced” economic activity.

Due to propriety and trade secret restrictions we did not have access to how much the shipyards spent with individual firms, only their aggregate spending levels for the firms identified. We calculated direct employment figures in 32 different scenarios which varied as to the distribution of contracts. For example, in one scenario we examined the employment impacts if the vast majority of \$145 million was spent with wholesalers and other heavy commercial companies. In another, we saw what level of employment would be generated if most of the money was spent with small machine shops.

The median number of direct jobs estimated in these different scenarios was 738 direct jobs. The mean value from the scenarios was 762 direct jobs.⁶

⁶. The mean value for direct jobs created across the 32 scenarios was 684.

This is not the extent of the economic impact of the Barrio Logan subcontracts. These firms doing business with the shipyards in turn procure goods and services through the region and their employees spend wages at other San Diego businesses. IMPLAN can be used to estimate the *regional* economic impact of this spending. Using the same methodology employed to calculate direct impacts, we estimate that the \$145 million in spending among Barrio Logan subcontractors supports an additional 295 indirect jobs (those required to provide goods and services through the supply chain to meet the \$145 million in demand) and 405 induced jobs (jobs supported by the spending of wages associated with this economic impact).

In total, the spending by San Diego shipyards at Barrio Logan businesses support a total of 1,438 jobs throughout San Diego County and a minimum of 738 jobs in Barrio Logan itself.

**TABLE 2
Employment Impacts of Shipyards Subcontracting with Barrio Logan Businesses**

Direct Employment	Indirect Employment	Induced Employment	TOTAL
738	295	405	1,438

2. IMPACT OF PROPOSED COMMUNITY PLANS

In the next phase of the project, the 81 firms were classified into the five neighborhood classifications currently employed in the Barrio Logan Community Plan Update as depicted in Figure 2-3 of the October 2011 Draft Plan.

TABLE 1
Barrio Logan Shipyard Sub-Contractors by Neighborhood

Neighborhood⁷	Shipyard Subcontractors
Prime Industrial Area	25
Community Village Area	27
Historic Core Area	15
Boston Avenue and Main Street Area	9
Transition Area	5
TOTAL	81

Out of the 81 firms doing business with the big shipyards, **25** of them are located in areas designated in both of the alternatives as Prime Industrial or Heavy Industrial and are located on parcels where an IH-1-1 zone is being considered. In all likelihood these firms would be considered conforming if these plans are adopted.

27 shipyard subcontractors are located in the Community Village Area in the northern part of Barrio Logan – an area planners have hoped to see develop with residential uses and community serving infrastructure like Perkins Elementary School. Neither “Land Use Alternative 1” or “Land Use Revised Alternative 2” in the draft of the Barrio Logan Community Plan propose zoning that would allow new industrial uses in this neighborhood, potentially impacting many of these businesses. Others could be restricted since the zoning contemplated for that neighborhood is not that accepting of medium sized commercial establishments focusing on the maritime industry.

⁷. Draft Barrio Logan Community Plan, October 2011, Figure 2-3, page 20.
(<http://www.sandiego.gov/planning/barriologanupdate/pdf/blcpufull050311.pdf>)

We identified another 15 businesses in the “Historic Core” neighborhood between South Evans Street and 28th Street. 10 of these are engaged in light manufacturing or “heavy commercial” activities. Under Alternative 1 they would be located in a CN-1-3 zone whereas under “Revised Alternative 2” these businesses would be located in the proposed CC-6-4 zone (“Maritime Oriented Commercial”).

We next compared the uses and building type of these vendors against the proposed zoning maps and regulations currently being proposed as part of the Barrio Logan update.

We initially identified 37 firms that seemed to have some zoning issues. Subsequent investigation during May and June of 2012 found that seven of these firms had relocated, changed ownership or were no longer operating at the location identified in our survey of the shipyards. We removed these from all datasets and recalibrated all results. The figures throughout the report reflect this final refinement.

After performing this last step, we found a total of 30 businesses located at 27 separate addresses that would have some issues if Alternative 1 was adopted. Either their current use seems clearly non-conforming under the proposed zoning (21 firms) or the city would need to make a discretionary determination (9 firms) on its status.⁸ Under Alternative 2 (revised), 15 firms would likely remain non-conforming, 8 would likely be deemed conforming uses, and 7 would require some discretionary determination as to their status under the proposed zoning ordinance.

It is important to note that the City of San Diego has long held that businesses or property owners engaged in “previously conforming uses” do not face extraordinary difficulties.⁹ As the City has said many times, this is meant to be a 30 year update to the community

⁸. There are three main issues that create uncertainty in applying the proposed language and matrixes in the City’s zoning code. First, the City of San Diego’s land use code does not draw firm and easily applied distinctions between uses that are commercial in nature and those which have either extensive warehousing. Second, the code draws imprecise distinctions between commercial activities that have an associated on-premise repair operations and light manufacturing uses. Third, as of the writing of this report the City’s municipal code did not have a definition of “maritime oriented use.”

⁹. In particular see “Barrio Logan Community Plan Update: Handout on Previously Conforming Uses”, City of San Diego.

plan, impacting businesses and property owners only over the course of several years and largely at the point at which structures are nearly the end of their useful life.

Many of the stakeholders we interviewed believed otherwise. They view shifts in zoning as direct and immediate challenges to their ability to continue to operate. Many are sympathetic to the problems associated with the proximate location of residential and industrial uses but they also believe that the City has underappreciated the degree to which changes in zoning will negatively impact their enterprises.

To shed further light on this issue, Robin Madaffer of the law firm Schwartz Heidel Sullivan, LLP was asked to outline some of the constraints and limitations that businesses in this situation would face. Her full memo can be found in Appendix A. In summary, businesses that face new zoning changes that render them a previously conforming use or deem their structure a previously conforming premise would face, according to Ms. Madaffer, substantially limited development rights, restrictions on their ability to expand and the potential loss of equity value in their properties. Specifically, the analysis identified the following constraints on businesses which are in new zones which would not permit new business engaged in similar activities:

1. An inability to retain their previous use if their structure is destroyed or damaged to a substantial degree.
2. A prohibition on ANY expansion of industrial firms which are in close proximity to residential uses. This is due to San Diego Municipal Code 127.0109 (b), which presumes that “expansion of industrial uses in residential zones are detrimental to public health, safety and welfare.”
3. The loss of rights if their structure is unoccupied for more than 24 months, due to the City’s policy of removing the previously conforming use status from structures that are not occupied by a tenant for 24 consecutive months. This problem is particularly troublesome due to the current fragile economic outlook.
4. The onerous burden of proving the existence of its previously conforming use, which would require the property owner to obtain historical documents that are not always readily available and may involve significant time and money.
5. A requirement to go through a public hearing to obtain permission to make significant structural improvements, alterations or maintenance. Observing past experience in the City, this process would likely last several months and require the impacted business owner to spend several thousand dollars preparing for the hearing.

6. A reduction in property value and marketability due to the limitations placed on previously conforming uses and thus a higher level of difficulty in obtaining financing for said property.

We should note that our analysis has other limitations. Provisions of the land use designations for Barrio Logan are still being developed. In other instances, the City's land use code provides significant discretion to regulators. For example, in determining whether a firm does or does not meet the definition of being engaged in "research and development," there is wide discretion accorded to land use regulators to determine whether the firm is actually engaged in the development of "new processes" or not.

3. PHYSICAL SPACE USED BY THE SUBCONTRACTORS

The data we gathered also allows for the determination of the acreage occupied by the Shipyard contractors. As sources, we used property tax records and SANGIS's "Parcel Shape File" to determine the size of the parcels occupied by the Barrio Logan shipyard subcontractors.

From these datasets, we determined that the 81 subcontractors located in Barrio Logan but outside the area designated "Port Industrial" currently occupy 40.1 acres. They are spread throughout the community, with the majority of the acreage (22.9) located *north* of 32nd Street and outside of the "Transitional Area" along Harbor Drive.

TABLE 4
Acreage Occupied by Barrio Logan Shipyard Sub-Contractors by Neighborhood

Sub Area	Firms	Acreage
Boston Avenue and Main Street Area	9	2.8
Community Village Area	27	12.0
Historic Core Area	15	8.1
Prime Industrial Area	25	16.4
Transition Area	5	0.8
TOTAL	81	40.1

One of the underlying premises of some of the stakeholders in the Barrio Logan planning process seems to be that the "inventory" of land with zoning that allows for industrial uses in either Alternative 1 or Revised Alternative 2 is sufficiently large enough so that businesses that might choose to leave areas which have been rezoned for residential or community serving commercial activities will be able to find nearby alternatives. As a contribution to that dialogue, the city's Planning Department created a matrix.¹⁰ For example, in 2003 the city determined there were 121.64 acres zoned for industrial use. If Alternative 1 were to be adopted, the amount of land zoned for industrial use would,

¹⁰ . "Barrio Logan Community Plan Update: Future Land Uses by Alternative"

according to the City, shrink to 60.49 acres. If Revised Alternative 2 is ultimately adopted, the inventory of industrial land would be 64.62 acres.

There are important unstated qualifiers to these numbers. NUSIPR undertook examination of aerial photography and interviewed various business owners and found that at least 1/3 of the acreage identified by the city as zoned for industrial use is presently occupied by businesses and enterprises that are not likely to relocate in the foreseeable future. Moreover, in some cases, while providing important services to the region, they provide only minimal employment opportunities in Barrio Logan and only indirectly service the maritime industry.

TABLE 5
Medium term acreage available for Industrial uses

Industrial acreage identified in City's analysis in Revised Alternative 2	64.62
Fuel tank farm located west of Harbor and bounded by Sampson and Schley Street	- 6.71
A-Z Recycling (I-5 and 32 St)	- 3.89
BAE Machine Shop at Belt and Sampson	- 1.87
Northrup/Continental Maritime facilities in City jurisdiction and outside Port Tidelands(Cesar Chavez Parkway and Sampson and west of the trolley tracks)	- 3.75
YARA Industries	- 5.30
Pacific Ship Repair	- 5.46
TOTAL	42.92

Consider the gasoline and fuel tanks along East Harbor Drive south of Sampson. While important to the working waterfront and the overall distribution of petroleum products in the region, the tank farms themselves provide only minimal employment opportunities. Given the capital investments involved and the difficulty in finding alternative sites, they are likely to remain in their present location into the foreseeable future. Thus while it is true that the 6.71 acres where the tank farms are located are zoned for industrial uses, policymakers should discount the prospects that such land will be a significant generator of direct employment in the foreseeable future or this property would be available for Barrio Logan maritime contractors seeking to relocate from property rezoned in the update process.

Additionally, there is the issue of space available in the Maritime-Oriented Commercial zone proposed for Revised Alternative 2. According to the city, this zone was created specifically for the location of maritime oriented firms. However, more than 8 acres of this area is currently taken up by existing shipyard parking. Given very limited parking options on the Tidelands themselves, the parcels between Harbor, Main, 26th and Sampson are not likely to be available in the foreseeable future for new or relocating maritime businesses. .

CONCLUSION

There is ample evidence that there are strong relationships between the major Barrio Logan shipyards located along San Diego Bay and the small industrial and heavy commercial firms located *throughout* Barrio Logan to the east of Harbor Drive. 81 separate firms were identified from vendor records as having some sort of subcontractor relationship with the shipyards. The \$145 million spent supports more than 740 jobs in the neighborhood and, indirectly, 700-plus workers at firms located throughout San Diego County. They occupy 40 acres spread throughout the community planning area.

Moreover, the research illustrates the central challenge, that these firms are not geographically concentrated. Indeed, less than one-third are located in the neighborhood

south of 32nd Street, the area currently envisioned in the community planning process as the one where most industrial firms will be located. As mentioned above, much of the land zoned for industrial or maritime commercial north of 32nd is already occupied by users unlikely to repurpose their properties in the foreseeable future.

APPENDIX A

Memo from on Previously Conforming Uses from Schwartz Heidel Sullivan, LLP



MEMORANDUM

Date: February 21, 2012

From: Robin Madaffer, Partner

Re: Addendum to Economic Impact Study -
Impact of Previously Conforming Rights

We have been asked to provide an addendum to the Economic Impact Study prepared by W. Erik Bruvold, President, National University System Institute for Policy Research, to address the probable legal and financial impacts of previously conforming¹ rights on property owners in the Barrio Logan community. As explained in more detail below, we conclude that previously conforming status will likely have significant legal and financial consequences for property owners in that they will be subject to additional development regulations and processes, expansion will be prohibited, their property values will be diminished, and the ability to obtain financing may be limited.

I. Background

Generally, zoning ordinances establish the regulatory scheme for the use and development of land within the local jurisdiction as required by the local jurisdiction's general plan. They also establish discrete zones that allow appropriate uses and forbid other uses that may impair development and stability of the area. The general purpose of zoning ordinances is to achieve conformity in the uses permitted and to eventually phase out or terminate all previously conforming uses.

With the concept of a comprehensive zoning plan as the backdrop, "the rights of users of property as those rights existed at the time of the adoption of a zoning ordinance are well recognized and have always been protected." *Edmunds v. County of Los Angeles* (1953) 40 Cal. 2d 642, 651. Inherent in the protection of the rights of these users of property is the recognition that the use existed lawfully before the zoning ordinance became effective and continues following the effective date of the ordinance.

Thus, courts have defined a previously conforming use as "a lawful use existing on the effective date of the zoning restriction and continuing since that time in nonconformance to the ordinance." *City of Los Angeles v. Gage* (1954) 127 Cal. App. 2d 442, 453. And while a property owner may acquire a vested right to continue the existing use, the right vests only after and to the extent that the use is lawfully established under the prior law.

¹ The City of San Diego refers to "nonconforming uses" as "previously conforming uses" but both terms have the same meaning. For clarity, we will use the term "previously conforming" throughout this memorandum.

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Once a lawful use of property is established, it may continue in nonconformance with the zoning regulation subject to certain restrictions. Generally, extending, increasing or enlarging a previously conforming use is prohibited. Additionally, certain circumstances may terminate previously conforming use status entirely. Each jurisdiction has its own specific regulations with respect to continuing and terminating previously conforming uses.

II. City of San Diego Previously Conforming Use Regulations

The City of San Diego (“City”) has enacted ordinances which codify the general principles discussed above. San Diego Municipal Code (“SDMC”) Ch. 12, Art. 7, Div. 1. The SDMC distinguishes between previously conforming uses and previously conforming premises, which includes structural envelope and density. The SDMC applies separate regulations and review processes depending on whether the nonconformity relates to structural envelopes, density, or uses.

III. Previously Conforming Status Will Substantially Limit Development Rights for Property Owners in the Barrio Logan Community

Although previously conforming uses and premises are protected as vested property rights and may be continued, previously conforming status can have several practical impacts on the property. First, there are inherent practical difficulties in establishing that the use of the property was lawful prior to the enactment of the new ordinance. In the City, previously conforming uses and premises must be established in compliance with all permit requirements and must have been lawful until the new ordinance was enacted. SDMC § 127.0102(a). Under these regulations, properties that have unresolved code enforcement issues or are otherwise not in compliance with every single SDMC provision are not eligible for previously conforming status.

Additionally, the City requires the property owner to provide it “with sufficient documentation to establish the existence of the” previously conforming use or premises. SDMC § 127.0102(b). This places an onerous burden on property owners to obtain documents that are likely historical and may not be readily available. The time and money required to establish that a use as previously conforming will likely be significant and should not be overlooked.

Previously conforming properties are also impacted by additional development permit requirements. For example, maintenance, repair or alteration that exceeds 50 percent of the market value of the nonconforming use or density requires a Neighborhood Development Permit. SDMC Table 127-01C. A Neighborhood Development Permit requires public notice and staff must make specific findings. SDMC, Diagram 112-05A. Staff’s decision is appealable to the Planning Commission. This process could take several months and cost the property owner thousands of dollars and may subject the property owner to a public hearing where there may be public opposition.

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Further, a previously conforming structure that is damaged or destroyed to a substantial degree generally loses its previously conforming rights and must be rebuilt in compliance with current ordinances. In the City, reconstruction following a fire, natural disaster or act of the public enemy for nonresidential structures where the cost of reconstruction exceeds 50 percent of the market value also requires a Neighborhood Development Permit. *Id.* Again, this process could take several months and cost the property owner thousands of dollars. These restrictions limit the useful life and development potential of the property.

Finally, previously conforming uses that have been discontinued for a period of time have limited rights under the SDMC. A previously conforming use that has been discontinued for a period of two or more consecutive years may not be reinstated, unless the property owner has obtained a Neighborhood Use Permit (“NUP”). SDMC § 127.0108(b). A NUP requires public notice and requires staff to make specific findings and is appealable to the Planning Commission. Further, discontinuance of the use for a period of two or more years creates a presumption in favor of abandonment which the property owner must overcome with evidence. *Id.*

IV. Industrial Uses in the Barrio Logan Community Will Be Precluded From Any Expansion of Their Use

Previously conforming uses are subject to significant restrictions on whether or how they may be expanded or otherwise altered. In the City of San Diego, expansion of a previously conforming use greater than 20 percent of the existing floor area of the structure is not permitted at all. However, in some circumstances, an increase in floor area of a previously conforming use that is less than or equal to 20 percent of the existing structure is permitted with a NUP. *Id.*

When making the findings for a NUP for the proposed expansion of a previously conforming Industrial Use in a Residential zone, staff must make specific findings. SDMC § 127.0109(b) clearly indicates that there is a conclusive presumption that the expansion of industrial uses in residential zones are detrimental to public health, safety and welfare. This is particularly troublesome for property owners in the Barrio Logan community since the majority of properties are currently zoned Industrial and will be zone Residential under the Barrio Logan Community Plan Update. Under these circumstances, industrial uses in the Barrio Logan Community will be precluded from any expansion because they cannot overcome this conclusive presumption.

V. Previously Conforming Status Will Diminish Property Values & Hinder Financing for Property Owners in the Barrio Logan Community.

Previously conforming status can also have significant monetary impacts. The ability to obtain financing may be impaired because lenders may not accept a previously conforming property as security due to the development restrictions and the risk that nonconforming rights may be lost. Additionally, previously conforming status will reduce the marketability and the value of the property compared to its conforming status because the development rights are so limited. The importance of this issue in the current economic climate is obvious.

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VI. Conclusion

As we have described, although previously conforming rights are technically protected property rights under the law, there are several practical, legal, and financial limitations for previously conforming properties. Property owners in the Barrio Logan Community will be subjected to additional development regulations and review processes and public scrutiny, and may be forced to spend a considerable amount of time and resources defending their previously conforming status.