

**BAYVIEW
INCUBATOR FEASIBILITY STUDY
AND
PROPOSAL**



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Bayview Incubator Feasibility Study and Proposal

Overview

This report evaluates the probability of developing an Environmental Incubator serving the Bayview and Hunters Point neighborhoods of San Francisco based on political, financial and operational feasibility.

The incubator would house environmental and environmentally benign for-profit and non-profit businesses. In addition, anchor businesses could include a green grocer and a gym to promote a healthier lifestyle for the community.

EFC9 determined that there is considerable support for the concept of an Environmental Incubator both at the neighborhood level as well as among elected officials, both local and national.

EFC9 conducted a literature review of environmental incubators' financial operations to assess start-up and operational costs. EFC9 then studied potential funding resources. Based on this research, EFC9 concluded that the Environmental Incubator is financially feasible.

Finally, EFC9 conducted a site analysis comparing the relative merits of selecting a site along the Bayview Third Street Corridor versus the former Hunters Point Naval Shipyard. EFC9 concluded that locating the project on the Third Street Corridor is preferable as is rehabilitating a vacant building, rather than building a new facility on a brownfield site.

In order to develop the Environmental Incubator, the proposed project will have to achieve numerous milestones to stay on track and produce measurable results in a timely fashion. EFC9 will begin the process by seeking funding to produce an Incubator Action Plan.

Background

Environment

The Bayview-Hunters Point neighborhood is home to more than 2/3 of San Francisco's pollution sources including freeways, power plants, a sewage treatment plant, Leaky Underground Storage Tanks (LUSTs), and the former naval shipyard. In addition, the Bayview-Hunters Point contains most of San Francisco's brownfield, superfund, and contaminated sites. Although it has less than 4% of the City's population, it has one-third of the city's hazardous waste sites and contains four times as many toxins as any other city neighborhood, according to a 1995 San Francisco Health Department Study.¹

¹ (“(Re)Establishing Identity, The Bayview Hunters Point Arts Center”, Kenneth Wilson Winfield, Jr., January 14, 1999)



In addition, Bayview Hunters Point “... has the lowest quality of air in San Francisco....Heavy auto traffic in the neighborhood further reduces the air quality. Bayview Hunters Point is also right at sea level as a result, when it rains, raw sewage can flood the streets.”²

Because of the neighborhood’s history as a local industrial center, environmental pollution is a significant issue with long-term residents experiencing associated health problems. According to a 1995 San Francisco Department of Public Health study, rates of breast cancer, cervical cancer, leukemia, childhood cancer and respiratory diseases in the Bayview/Hunters Point neighborhood significantly exceeded those in other parts of San Francisco.

Demographics

Bayview-Hunters Point is a mixture of single- family homes, apartments and factories on the southeast side of San Francisco. In a city with the lowest rate of home ownership in the state, Bayview has some of the city’s highest home ownership rates. In 1990, 53% of the homes in the Bayview Hunters Point neighborhood were owner occupied as compared to 35% for San Francisco as a whole. Fifty-six percent of these homes were owned by African Americans.³

As of 2000, about 54% of the Bayview population were African American while the county average was 11%. The percentage of persons under age 10 in the Hunters Point/Bayview area was 19%, 10% higher than the rest of the county. There were more than three persons per household (county average is 2.29 per household).

Bayview-Hunters Point was once the thriving home to the City’s African-American, working-class community, many of whom earned a living at the nearby Hunters Point Naval Shipyard during the 40’s, 50’s and 60’s. Since the Navy stopped operating at Hunters Point Naval Shipyard in 1974, the community has experienced high levels of unemployment and an average household income that is less than the citywide average. Neighborhood unemployment and crime rates exceed the citywide average. In addition, a high percentage of residents live in substandard housing.⁴

The residential population fell from a high of about 50,000 in 1950 to about 27,500 in 1990. Since then, the population has grown to about 34,000, largely among Asian and Hispanic families, changing the character of the neighborhood.

Economy

There is an enormous divide, both physical, cultural, and financial, between the residents of Bayview-Hunters Point and the rest of San Francisco. A schism of distrust and wariness exists that has both maintained the cultural and ethnic identity of the neighborhood while at the same time supported its physical and perceptual isolation. The district has been ignored for decades as the City has focused on other neighborhoods closer to San Francisco’s commercial center. Public transportation access is extremely poor, unemployment is high and for many outside the community, the Bayview is considered one of the most dangerous neighborhoods in the City.

² Daily Frontlines Online, “Jousting for Justice in Bayview Hunters Point, The Story of Proposition F “, By Victor Quebracho, March 2000)

³ "(Re)Establishing Identity, The Bayview Hunters Point Arts Center”, Kenneth Wilson Winfield, Jr., January 14, 1999.

⁴ *Hunters Point Naval Shipyard*, San Francisco Naval Shipyard, Federation of American Scientists, Military Analysis Network, December 1998, http://www.fas.org/man/company/shipyard/hunters_point.htm



The 1990 census reported the unemployment rate was 13.6% in Bayview Hunters Point compared to 6.3% in San Francisco, and that 25% of the families in the Bayview were below the poverty line compared to 10% for the rest of the City. Traditionally, the Bayview unemployment rate is at least double that of the City as a whole.

In 1998, there were over 30,000 jobs in Bayview Hunters Point, however only 25% of the residents worked within the neighborhood.⁵ Most of the neighborhood's residents must travel to other parts of the Bay Area to work, yet there are only 4 bus lines providing service to and from the district.⁶

However, things are changing. MUNI is planning to construct a light rail line that will connect the City's southeastern neighborhoods with the Financial District and Chinatown by 2003. This improved access will make the Bayview more attractive and will increase gentrification and displacement of the neighborhood residents. The eventual development of the Hunters Point Naval Shipyard may further that trend.

Gentrification is already happening. As reported by the Bay Guardian, "A pale wave is flooding into Bayview-Hunters Point...Frantic prospective buyers and renters lured by the area's low price tags on real estate are swarming into the enormous, sunny-but-impoverished expanse that stretches from Bayshore Boulevard to 3Com Park, in the city's southeastern corner....Working-class African Americans whose families have been in the area for two or three generations generally can't afford to buy their own homes in the area anymore, and rental property...is equally beyond their means."⁷ In addition, many of the new residents in the Bayview are Asian American resulting in Asian-black tension.⁸

EFC9 Bayview/Hunters Point Charrette

On April 4, 2000, EFC9 held a charrette in the Bayview to focus on the question: how can we attract sustainable redevelopment and green industries to the brownfield and superfund sites of the Bayview-Hunters Point neighborhood?

Participants were a diverse group including representatives from local, state and national government, neighborhood and other community based organizations, local, regional and national non-profit organizations, private foundations, businesses and the financial sector.

The charrette discussion was lively and informative. In phase I of the charrette, the participants explored the issues; during phase II they discussed solutions and recommendations. Based on the charrette results, EFC9 identified ten possible "next steps". After reviewing these, EFC9 determined that it was best qualified to work with residents and local community groups to

⁵ "(Re)Establishing Identity, The Bayview Hunters Point Arts Center", Kenneth Wilson Winfield, Jr., January 14, 1999.

⁶ Daily Frontlines Online, "Jousting for Justice in Bayview Hunters Point, The Story of Proposition F", By Victor Quebracho,, March 2000.

⁷ "Black Exodus, African Americans are fleeing Bayview-Hunters Point to escape high housing costs. By Hank Hyena -- special to the SF Bay Guardian, <http://www.sfbayrevolution.org/library/bayview.html>

⁸ (http://www.asianweek.com/2001_04_20/feature_sf.html, Asian Week Archives, April 20-26, 2001, "In San Francisco" By Neela Banerjee)



develop a Bayview-Hunters Point Environmental Incubator that would support both for-profit and non-profit organizations in the Third Street area.

Environmental Incubator

The Bayview-Hunter's Point Environmental Incubator would house environmental and environmentally benign for-profit and non-profit businesses. In addition, anchor businesses could include a green grocer and a gym to promote a healthier lifestyle for the community.

The goals of the Incubator would be to:

1. Maximize sustainable job/income opportunities for neighborhood residents;
2. Facilitate economic development that promotes environmental quality;
3. Facilitate economic development that promotes energy efficiency; and
4. Provide an implementation strategy to maximize job/income opportunities for the community.

While located in the Bayview neighborhood, the incubator would serve both the Bayview and Potrero Hill communities. The purpose of the incubator is to provide long-term sustainable jobs to ensure a local long-term environmentally sustainable economy. A local sustainable economy is one in which:

- hazardous and toxic waste is minimized,
- brownfields are redeveloped (not abandoned) as appropriate to the neighborhood,
- natural resource and energy conservation is encouraged,
- residents work where they live, thereby reducing their transportation impact on the local and regional environment, and
- environmentally benign jobs providing a living wage are a priority so residents can afford to make sustainable choices for their neighborhood.

By creating a sustainable economy, resources are channeled back into the community – both financial and environmental – to allow for an improved quality of life.

Why Small Business Incubation?

Business incubators, which provide space, shared facilities and comprehensive support to companies in their start-up stages, help entrepreneurs through the often-debilitating phases of starting a new business.⁹ Between 3.5 and 4 million new small businesses emerge each year in the United States, and according to the Small Business Administration, four out of five of these new businesses fail within the first five years. However, the National Business Incubator Association estimates that 80 percent of firms cultivated in an incubator continue to operate after the same time period has elapsed.¹⁰ Several studies evaluating the impact of business incubators have found higher success rates for incubated firms than they did for most new businesses. In addition, most firms stayed in the community after graduation, which means that the benefits of a

⁹ NBIA. *Business Incubation: Building Companies, Jobs & Wealth*. National Business Incubator Association, 1997.

¹⁰ Goldfisher, Alistair. "Incubators Hatch Business Chicks." *The Business Journal*. August 5-11, 1996.



successful incubator remain local.¹¹ In addition, the EDA has found that the re-use of vacant industrial buildings has a tremendously favorable psychological effect on a community.¹²

Proposed Incubator Services The incubator tenants/members will pay a monthly fee that will cover the cost of office rent, utilities, a shared receptionist and telephone answering service, access to a conference room, photocopying and other document preparation equipment. The facility will be wired for individual telephone lines and possibly high-speed internet connection. Members will pay for their own telephone and internet usage. Members will also enjoy the following services, free of charge:

- Show boards/ mentoring programs
- Affiliation programs,
- Business networking opportunities

The Incubator operator will negotiate with local professionals to offer services to incubator clients at a subsidized fee. These will include:

- Marketing assistance
- Assistance with negotiating specialized equipment leases
- Assistance with access to commercial loans, loan funds and loan guarantee programs
- Legal services
- Intellectual property management
- Staffing and recruitment
- International trade assistance
- Business practice training programs and seminars
- Bookkeeping services.

Where possible the Incubator managers will use the business support service available in the City and County of San Francisco.

Community Support

There is strong community support for the Environmental Incubator concept since it furthers the goal of developing local living-wage jobs for residents. San Francisco Supervisor Sopenia Maxwell, the elected representative from the Bayview-Hunter's Point District and the city's only female and African-American board member, endorsed the project concept. She noted that the Incubator would lay the groundwork for improved economic development in the neighborhood, since "as these businesses grow, they will move out of the incubator building and into the neighborhood. As a result, the proposed Environmental Incubator will provide local environmentally sustainable jobs and services for the community to help ensure a long-term local environmentally sustainable community."

To help move the Incubator project along, Supervisor Maxwell sent a letter to U.S. Representative Nancy Pelosi encouraging her to "work with me to make this project a reality".

¹¹ Markley, Deborah, M. and Kevin T. McNamara. "Economic and Fiscal Impacts of a Business Incubator." *Economic Development Quarterly*. Vol. 9, No. 3, August, 1995.

¹² Ibid.



Congresswoman Pelosi is aware of the issues facing Bayview-Hunters Point residents. As she stated in a March 23, 2001, press release, “Bayview-Hunters Point is an example in San Francisco where indiscriminate polluting has occurred through the years. As a result of the disproportionate burden of industrial pollution that is lower income community of color has borne, Bayview Hunters Point has higher than normal rates of childhood asthma and cancer.”

There are a host of local public participation efforts/stakeholder meetings held to address a variety of local development issues including development of Hunter Point, MUNI, and the San Francisco General Plan, that have, among other things, tried to identify the community’s priorities. One issue that consistently shows up at the top is community investment, which facilitates job creation and access to other employment opportunities. The Environmental Incubator would help meet this objective. Studies show that small businesses account for the highest growth in high skilled jobs and offer communities a high level of job stability. In addition, restoring abandoned buildings and brownfield sites to useful life will strengthen the neighborhood’s local economic base; the Incubator would assist in this effort by rehabilitating an abandoned building or by building on a brownfield site.

While EFC9 has found general support for the Incubator concept, we anticipate considerable debate over who will operate it and who the tenants will be. For this reason, it will be important to involve all stakeholders early in the planning process.

Financial Feasibility

To determine the Incubator’s financial feasibility, EFC9 researched the likelihood that the Incubator could become financially self-sufficient and what the start-up and operating costs would be as well as possible funding sources.

According to reports on incubator start-up and operational costs, most incubators are not self-supporting for the first 3-5 years of existence. Incubators, being a mechanism for business or economic development, are usually not self-funding in their early years. Even privately sponsored incubators are subsidized and the owners realize their returns when they commercialize the products or services of their incubators. For a publicly funded incubator, the economic gain is realized by the number and quality of new jobs created, the increased local tax base the equity investment that is attracted into the community. Successful incubators also add to the appeal of the location to would-be entrepreneurs.

EFC9 projects that the incubator would require approximately \$400,000 in funding per year for the first three years of operations. Funding sources would include public and private entities as well as rent and subsidies.

Because San Francisco has a strong economy, EFC9 anticipates that there will be considerable interest in the incubator and that it will experience on average 90% occupancy once it is operating.

EFC9 also studied potential funding resources. Possible funding sources include:



Public

- US Economic Development Administration
- US Small Business Administration
- US Environmental Protection Agency Brownfields Program
- US Department of Commerce
- US Department of Defense
- California Trade and Commerce Agency
- California Environmental Redevelopment Fund,
- Federal Congressional Support (line item)
- State Congressional and Executive Support (line item)
- City and County of San Francisco

Private

- Bank of America
- The Chapman Company
- Community Bank of the Bay
- Pacific Gas and Electric
- Hewlett-Packard
- Wells Fargo
- San Francisco Foundation
- Other Foundations
- Other Business Sponsorship
- Tenant Rent and Fees.

Another possible funding opportunity is to work with venture philanthropists to set up a community development venture capital fund to help subsidize incubator tenants who will create quality jobs for low-income residents.

As a brownfield redevelopment project, the Environmental Incubator would be eligible for revenue bond financing for environmental mitigation from the California Infrastructure and Economic Development Bank. Other sources include the California Environmental Redevelopment Fund (CERF), a project of the Development Fund, whose goal is to increase private-sector financing for the cleanup of environmentally contaminated lands.

Many jurisdictions are exploring ways to help prospective re-users overcome the difficulties that contamination can bring to the redevelopment process through setting up finance programs to ease the cost of terms of borrowing, augmenting private funds or filling funding gaps that the private sector will not bridge. Possibilities include:

- Tax increment financing typically used for economic revitalization efforts in economically distressed or abandoned areas, the typical brownfield location;
- tax abatements;
- CDBG float to finance short-term low interest construction financing for projects which create jobs;
- general obligation bonds.

Based on the extensive availability of potential funding sources and the anticipated level of tenant interest, EFC9 believes that the Environmental Incubator is financially feasible.



Site Analysis

There are two primary locations that EFC9 considered for the incubator—the Hunters Point Shipyard and Third Street, the Bayview-Hunters Point community's retail center.

Hunters Point Naval Shipyard

Hunters Point is on a long promontory in the southeastern portion of San Francisco, extending eastward into San Francisco Bay. The facility is bounded on the north and east by the bay, and on the south and west by the Bayview-Hunters Point district of San Francisco. Between 70 and 80 percent of Hunters Point lies on relatively flat lowlands constructed by placing fill materials along the bay margin. The remaining land is on a moderately to steeply sloping ridge. Most of the lowlands are covered by asphalt paving and dilapidated military structures. The open areas are either sparsely vegetated or bare soil.

The Hunters Point Naval Shipyard is San Francisco's only Federal Superfund Site and its most contaminated property. It is a 638 acres of waterfront property that ceased active operations in 1974, when it was placed on industrial reserve. The dock employed 17,000 at its peak during World War II and it was the West Coast's largest working naval dry dock and maintenance facility until 1974.

From 1974 until 1986, the Navy leased most of the shipyard to a commercial ship repair company. During this period, the ship repair company sub-leased some of the Shipyard buildings to many small businesses. Allegations of improper waste disposal practices were reported and the company has been accused by the city and county of dumping hazardous waste in various areas on site. In 1991 the facility was officially deactivated in 1991 and closed in 1994.

In fiscal year 1991, the House Armed Services Committee defense authorization report required the Secretary of the Navy to enter into a lease with the City of San Francisco for not less than 260 acres of the Hunters Point Naval Shipyard for the economic benefit of the region. The intent is to sell the land, parcel by parcel, after they are remediated, though the Navy and developers still differ over which parcels should take top priority. This is a 30-year development plan.

Today, a community of craftspeople, manufacturers and distributors work cooperatively at the Shipyard, including a collaborative of hundreds of artists called "The Point."

In October, 1994, the US Navy was sued by a coalition of environmentalist, sports fishing, and public interest groups who alleged that toxic discharges (including polychlorinated biphenyls (PCBs), acids, bases, organic solvents, paints, waste oils, and vinyl chlorides) from Hunters Point Naval Shipyard are contaminating San Francisco Bay and jeopardizing sealife and subsistence fisherman.

Cleanup of the Hunter's Point shipyard has been plagued with problems. There was a toxic landfill fire in 2000 and activists recently filed a notice of intent to sue three contractors — IT Corp., ITSI and Tetra Tech — in the San Francisco Superior Court about non-reporting of radioactive materials. All of this has slowed development efforts.

A revitalized Hunters Point Shipyard can be a boon to the Bayview Hunters Point community or its undoing. As a public asset and San Francisco's last major tract of developable land, the Shipyard has the potential to benefit to the surrounding community or to displace it.



According to an analysis by the Community First Coalition for Hunters Point Shipyard, to preserve the neighborhood, development must:

- Allocate jobs to Hunters Point residents and financially support the training and education programs that will prepare both long time residents and youth for those jobs.
- Provide for programs and mechanisms to allow Bayview-Hunters Point residents and organizations to participate in the development's ownership.

Third Street

The Bayview-Hunters Point commercial core, located on Third Street between Thomas and Kirkwood Streets, is economically stagnant. The commercial core is characterized by scattered retail uses, poor façade maintenance and vacant storefronts (over 16 vacancies in the nine block commercial core as of September 1997) reflecting the economic difficulties that have beset Bayview-Hunters Point since the closure of the Naval Shipyard in 1974. In addition, truck traffic, uneven topography, the wide street width and the narrow sidewalks discourage foot traffic and the associated shopping, as does the neighborhood's reputation. The Bayview-Hunters Point community has long been underserved by public transportation and local residents have long felt the need for improved public transportation to connect them to the rest of the city and other job opportunities.

In November 1992, the San Francisco Municipal Railway (MUNI) began to study how to improve public transportation in the Bayview-Hunters Point neighborhood. After research and neighborhood input, MUNI decided to develop a light rail line running along the Third Street corridor with stations every 2-3 block. The Third Street Light Rail Project will connect the City's southeastern neighborhoods with the Financial District and Chinatown. It will pass through four federally designated Empowerment Zones (Visitacion Valley, Bayview-Hunters Point, South of Market and Chinatown and traverse three existing redevelopment areas (India Basin, Rincon Point/South Beach, and Yerba Buena) and three proposed redevelopment areas (Bayview-Hunters Point, Mission Bay and Transbay).

Construction is scheduled to proceed in two phases. Phase 1, to be operational in mid-2003, will consist of a 5.4 mile surface extension with 19 planned stations, running down the median of the existing six-lane arterial, and connecting on King Street with the existing E-Line MUNI Metro. Phase 2, with an undetermined start and end date, is a 1.7 mile subway extension with one surface station and four underground stations. Projected 2015 ridership is 71,000 passengers per day for the surface line, and 21,000 passengers per day for the subway.

Local businesses on Third Street are concerned about surviving the light rail construction.

Besides the Third Street project, MUNI also decided to relocate the Metro East Rail Yard facility to the Hunters Point Shipyard from the current planned site at King and 16th to increase job opportunities and employment set-asides. Another proposal being considered is to connect community transit to the future BART (Bay Area Rapid Transit) extension to the airport to ensure access to current and future employment opportunities at and around the airport.

These plans, developed with participation of Hunters Point-Bayview residents, have the potential to considerably change the character of the neighborhood. Improved access to the rest of San Francisco as well as Bayview-Hunters Point's relatively less expensive housing stock are



increasing demand for housing and prompting long-term residents to sell their homes and move out of San Francisco. Given San Francisco's small size and built-out character, the eastern portion of the city represents the largest area of developable land. About 65 percent of the City's job growth and over 50 percent of the residential growth are projected to be located in the light rail corridor.

When surveyed about where they expect to see future growth in San Francisco, most of the newly elected supervisors pointed to "smart growth" along transit corridors such as Third Street and within the Bayview. Jake McGoldrick, District 1 Richmond, said "...growth...is likely to take place in Districts 10 (Bayview) and 11, which have not had the type of development experienced by the remainder of the city, where costs of development are lower and benefits higher, and where there will be a consensus that the city should support such development. There also is likely to be 'smart growth' along transit corridors which increases density while also improving the mass transit system to support such density." This was echoed by Mark Leno Supervisor of District 8, Castro, Noe Valley and by Supervisor Sophie Maxwell of District 10: Bayview-Hunter's Point, Portola/Silver Terrace, Visitacion Valley, and Potrero Hill.¹³

Site Analysis Conclusion

As noted above, the Hunters Point Naval Shipyard, while a potentially attractive site, is nowhere near being cleaned up or developed. Locating the Incubator at the Shipyard has the potential of delaying the project considerably.

The Third Street Corridor is easily accessible to local residents and has the possibility of generating jobs for them before the Third Street Light Rail Project is constructed. By providing job opportunities to local residents, the Environmental Incubator project has the potential of helping preserve the neighborhood by enabling residents to afford to live in the neighborhood even after the light rail is operational.

The incubator could be located in a currently vacant building or on a brownfield. If the Incubator is a new construction, this gives the project the potential of using green building materials and techniques and providing on-site construction training. However, new construction is more expensive and time consuming than rehabilitating an existing building. Unless special funding for new construction on a brownfield site can be secured, EFC9 recommends that the Incubator be located in a rehabilitated vacant building.

Based on this analysis, EFC9 determined that Third Street would be preferable to the former Naval Air station as the location of the Environmental Incubator.

Future Action

In order to develop the Environmental Incubator, the proposed project will have to achieve numerous milestones to stay on track and produce measurable results in a timely fashion. Major milestones would include:

- Community Outreach to help determine tenant mix

¹³ Supervisors weigh in on San Francisco development issues, by Amanda Bishop, San Francisco Business Times, February 9, 2001.



Bayview Incubator Feasibility Study and Proposal

- Detailed Site Analysis to determine the best incubator location
- Incubator Organization and Management Structure
- Marketing Plan and Sales Strategy
- Securing a Building
- Space Development Plan
- Operating Plan, including Incubator Services Plan
- Tenant Selection Procedure
- Incubator Implementation Financing Plan

As a result, and as part of this study, EFC9 has prepared the following proposal to pursue an Incubator Action Plan that will be the first step towards making the Bayview Environmental Incubator a reality. The proposal will be submitted to numerous foundations throughout California and the Bay Area, starting with the San Francisco Foundation.



BAYVIEW ENVIRONMENTAL INCUBATOR ACTION PLAN

Project Overview

The Environmental Finance Center, Region IX (EFC9) is requesting \$35,000 to prepare an Environmental Incubator Action Plan for the Bayview/Hunters Point neighborhood of San Francisco. EFC9 will use this Action Plan to secure the additional support and funding necessary to launch the Bayview Environmental Incubator.

To accomplish this project, EFC9 is partnering with Dr. Samuel I Doctors, Professor, California State University Hayward (CSUH) and CEO of the Alameda Center for Environmental Technology. The proposed incubator would house environmental and environmentally benign for-profit and non-profit businesses.

The purpose of the incubator is to provide long-term sustainable jobs to ensure a local long-term environmentally sustainable economy. A local sustainable economy is one in which:

- Hazardous and toxic waste is minimized,
- Brownfields are redeveloped (not abandoned) as appropriate to the neighborhood,
- Natural resource and energy conservation is encouraged,
- Residents work where they live, thereby reducing their transportation impact on the local and regional environment, and
- Environmentally benign jobs providing a living wage are a priority so residents can afford to make sustainable choices for their neighborhood.

By creating a sustainable economy, resources are channeled back into the community – both financial and environmental – to allow for an improved quality of life.

As part of the Incubator Action Plan, EFC9 will review existing planning and land use documents to identify potential sites within the Bayview community, including the Third Street Corridor and Hunters Point shipyards. EFC9 will interview numerous community stakeholders and hold informal meetings to solicit community input on the appropriate tenant mix and possible incubator locations.

Additional tasks will include identifying potential funding opportunities, opening a dialogue with potential anchor tenants, and preparing a report detailing the "next steps" necessary to successfully locate an environmental incubator in the Bayview community. Major milestones will include the following.

1. Review Existing Planning Documents
2. Interview Community Stakeholders/Hold Informal Meetings
3. Identify Funding Opportunities
4. Identify and Contact Potential Anchor Tenants
5. Prepare Incubator Action Plan

EFC 9 will rely on feedback from community members to refine and enhance the final products. Other participants will include San Francisco District 10 Supervisor Sophie Maxwell and US House of Representatives Member Nancy Pelosi who support the Bayview Environmental



Incubator concept, as well as representatives from the San Francisco Mayor's Office and the San Francisco Redevelopment Agency.

The Action Plan will be the first step towards making the Bayview Environmental Incubator a reality.

Needs, Problems, and Opportunities

The Bayview Neighborhood –Environment

Bayview/Hunters Point first drew Gold Rush settlers who were seeking land for farms or were pursuing water-related livelihoods. According to historic zoning rules, the 1850's relegated slaughterhouses, meat packing plants, tanneries, fertilizer companies, soap and tallow works to this section of the City. In the following century, the installation of Hunters Point Naval Shipyard, and the accompanying steel production and other port terminal activities, turned Bayview into a regional industrial center.

Because of the Bayview's history and continued preponderance of industrial uses, environmental pollution is a significant problem in the area, which has as many as 60 documented releases of hazardous materials. The Bayview-Hunters Point neighborhood is home to more than 2/3 of San Francisco's pollution sources including freeways, power plants, a sewage treatment plant, leaky underground storage tanks and the former naval shipyard.

In addition, the Bayview-Hunters Point contains most of San Francisco's brownfield, superfund, and contaminated sites. "Although it has less than 4% of the City's population, it has one-third of the city's hazardous waste sites and contains four times as many toxins as any other city neighborhood," according to a 1995 Health Department Study.¹⁴ "Bayview Hunters Point has the highest concentration of air polluting industries compared to other San Francisco zip codes," according to David Farley, Ph.D. in *Distribution of Toxic Air Contaminant Emissions in San Francisco*.

As a result, environmental pollution is a significant issue, with long-term residents experiencing associated health problems. According to a 1995 San Francisco Department of Public Health study, rates of breast cancer, cervical cancer, leukemia, childhood cancer and respiratory diseases in the Bayview/Hunters Point neighborhood significantly exceeded those in other parts of San Francisco.

The Bayview Neighborhood – People

Today, the Bayview Hunters Point population is about 34,000 where African Americans comprise about 55 percent of the population (down from 73 percent in 1980) and Asians account for approximately 26 percent of the population (up from eight percent in 1980).

Bayview-Hunters Point is a mixture of single- family homes, apartments and factories on the southeast side of San Francisco. In a city with the lowest rate of home ownership in the state, Bayview has some of the city's highest home ownership rates. In 1990, 53% of the homes in the

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Bayview Hunters Point neighborhood were owner occupied as compared to 35% for San Francisco as a whole and 56% were owned by African Americans.¹⁵

There is an enormous divide, both physical, cultural, and financial, between the residents of Bayview-Hunters Point and the rest of San Francisco. A schism of distrust and wariness exists that has both maintained the cultural and ethnic identity of the neighborhood while at the same time supported its physical and perceptual isolation. The district has been ignored for decades as the City has focused on other neighborhoods closer to San Francisco's commercial center. Public transportation access is extremely poor, unemployment is high and for many outside the community, the Bayview is considered one of the most dangerous neighborhoods in the City.

The Bayview Neighborhood - Economy

Bayview-Hunters Point was once the thriving home to the City's African-American, working-class community, many of whom earned a living at the nearby Hunters Point Naval Shipyard during the 40's, 50's and 60's. Since the Shipyard closed, the community has experienced high levels of unemployment. Recent economic cycles have affected area residents disproportionately: unemployment rates are often more than twice citywide rates and incomes are far below citywide mediums, with 40 percent of households in the Bayview having annual incomes below \$15,000.

In addition, Bayview residents hold only five percent of the more than 31,400 jobs located in the Bayview today while 60 percent are held by persons living outside of San Francisco. The greatest concentration of these jobs is clustered in the wholesale trade, manufacturing and services sectors and these jobs are expected to increase by 10,000 or 30 percent by 2015. Commercial property values are depressed to 1980s values and the Bayview experiences an estimated \$74 million annual retail leakage due to lack of available services to area residents and workers.

The Bayview-Hunters Point commercial core, located on Third Street between Thomas and Kirkwood Streets, is economically stagnant. The commercial core is characterized by scattered retail uses, poor façade maintenance and vacant storefronts. In addition, truck traffic, uneven topography, the wide street width and the narrow sidewalks discourage foot traffic and the associated shopping.

Overall, the community contains as many as 634 vacant parcels and 160 vacant buildings. Nearly 25 percent of the area buildings are in deteriorated or dilapidated condition or show signs of deferred maintenance. Poor access to the area is a major concern for business and residents. Finally, the negative image of the Third Street corridor, with vacant parcels and buildings, has an impact on the outside perception of the community overall.

The Bayview Neighborhood - The Future

The Bayview is changing. MUNI is planning to construct a light rail line along Third Street that will connect Bayview with the Financial District and Chinatown. In addition to the Third Street project, MUNI plans to relocate the Metro East Rail Yard facility to the Hunters Point Shipyard and is considering connecting the community to the future BART extension to San Francisco airport, ensuring access to current and future employment opportunities at and around SFO.

¹⁵ *ibid.* Winfield.



Improved access to greater San Francisco as well as Bayview-Hunters Point's relatively less expensive housing stock are increasing demand for housing and prompting long-term residents to sell their homes and move out of the community. Given San Francisco's small size and built-out character, the eastern portion of the city represents the largest area of developable land. In fact, most of San Francisco's supervisors expect to see future growth in San Francisco along transit corridors such as Third Street and within the Bayview.¹⁶

San Francisco's largest redevelopment project, Mission Bay, is pushing against the boundaries of the Bayview and the neighborhood as a whole is seen as one of the last affordable communities in the City. Plans for the Hunters Point shipyards, already underway, will alter the face of the community forever. A polluted environment and a poor local economy help convince long-term residents that they could do better elsewhere. As a result, the combined forces of redevelopment, environment and poverty have the potential to permanently change the cultural and ethnic character of the neighborhood – unless an atmosphere is created that sustains the current population.

EFC9 Bayview/Hunters Point Charrette

On April 4, 2000, EFC9 held a charrette in the Bayview to focus on the question: how can we attract sustainable redevelopment and green industries to the brownfield and superfund sites of the Bayview-Hunters Point neighborhood?

Participants were a diverse group including representatives from local, state and national government, neighborhood and other community based organizations, local, regional and national non-profit organizations, private foundations, businesses and the financial sector.

The charrette discussion was lively and informative and resulted in ten possible “next steps” to achieve our goal. After reviewing these, EFC9 determined that it was best qualified to work with residents and local community groups to develop a Bayview-Hunters Point Environmental Incubator that would support both for-profit and non-profit organizations in the Bayview community.

The goals of the Incubator are to improve the environmental, economic and cultural sustainability by:

- Maximizing sustainable job and income opportunities for neighborhood residents;
- Promoting a living-wage so incubator employees can live where they work;
- Facilitating economic development that promotes environmental quality; and
- Facilitate economic development that promotes energy efficiency.

By providing environmentally sound job opportunities and training to local residents, the Environmental Incubator project has the potential to help preserve the current neighborhood identity.

¹⁶ "Supervisors weigh in on San Francisco development issues", by Amanda Bishop, *San Francisco Business Times*, February 9, 2001



Compatibility with Neighborhood Priorities

Numerous local public participation efforts and stakeholder meetings addressing a variety of local development issues including development of Hunter Point, MUNI, and the San Francisco General Plan have, among other things, have tried to identify the community's priorities. One issue that consistently rose to the top is community investment that facilitates job creation and access to new employment opportunities. The Environmental Incubator would help meet this objective.

Studies show that small businesses account for the highest growth in high skilled jobs and offer communities a high level of job stability. In addition, restoring abandoned buildings and brownfield sites to useful life will strengthen the neighborhood's local economic base; the Incubator would assist in this effort by rehabilitating an abandoned building or by building on a brownfield site.

Based on cost and funding availability the Incubator Action Plan will assess the viability of either constructing or rehabilitating a building under "green building" guidelines. In addition, EFC9 will evaluate the likelihood of securing special funding for new construction on a brownfield site versus funding to rehabilitate a vacant building.

Why Small Business Incubation?

Business incubators, which provide space, shared facilities and comprehensive support to companies in their start-up stages, help entrepreneurs through the often-debilitating phases of starting a new business.¹⁷ Between 3.5 and 4 million new small businesses emerge each year in the United States, and according to the Small Business Administration, four out of five of these new businesses fail within the first five years. However, the National Business Incubator Association estimates that 80 percent of firms cultivated in an incubator continue to operate after the same time period has elapsed.¹⁸ Several studies evaluating the impact of business incubators have found higher success rates for incubated firms than they did for most new businesses. Most firms stayed in the community after graduation, which means that the benefits of a successful incubator remain local.¹⁹ In addition, the EDA has found that the re-use of vacant industrial buildings has a tremendously favorable psychological effect on a community.²⁰

Incubators provide hands-on management assistance, access to financing, and orchestrated exposure to critical business or technical support services. They also offer entrepreneurial firms shared office services, access to equipment, flexible leases and expandable space – all under one roof. An incubation program's main goal is to produce successful graduates – business that are financially viable and freestanding when they leave the incubator (approximately 2 - 2 1/2 years).

¹⁷ NBIA. *Business Incubation: Building Companies, Jobs & Wealth*. National Business Incubator Association, 1997.

¹⁸ Goldfisher, Alistair. "Incubators Hatch Business Chicks." *The Business Journal*. August 5-11, 1996.

¹⁹ Markley, Deborah, M. and Kevin T. McNamara. "Economic and Fiscal Impacts of a Business Incubator." *Economic Development Quarterly*. Vol. 9, No. 3, August, 1995.

²⁰ Ibid.



Incubators and Economic Development

A study conducted in October 1997 by Mundie and Associates found that small business accounted for all of the employment growth in the United States between 1991 and 1995. The study concluded the following.

- Business incubators can assist local economic development efforts by helping the community reduce the costs of establishing and operating a business.
- Contributions of business incubators are at the local level.
- Incubated firms are likely to survive and add jobs.
- Jobs in incubators cover a diverse range of occupations and compensation rates.
- Incubators that have purposes (i.e., environmental, internet) in addition to fostering the growth of individual small business are better able leverage private investment.
- Business incubators can have additional beneficial spin-off effects that may not have been part of the original plan.

Proposal Tasks

As stated above, in order to successfully develop a Bayview Incubator Action Plan, EFC9 will complete the following five major tasks.

1. Review Existing Documents
2. Interview Community Stakeholders/Hold Informal Meetings
3. Identify Funding Opportunities
4. Identify and Contact Potential Anchor Tenants
5. Prepare Incubator Action Plan

Review Existing Documents

EFC9 staff will review existing planning and land use documents to identify potential incubator sites. A land use map of vacant buildings and sites will be prepared based on San Francisco Redevelopment Agency, US EPA, local community documentation and a drive-by survey. Sites will be judged primarily by ownership, capacity (an incubator will require at least 20,000 to 30,000 square feet), and renovation/clean-up requirements.

Interview Community Stakeholders/Hold informal Meetings

Community stakeholders will be interviewed, and informal meetings will be conducted to solicit community input on the appropriate tenant mix and possible incubator locations. Initial stakeholders could include the following participants from EFC9's Bayview Charrette (as described above).

- Uprising Community Plus
- Southeast Alliance for Environmental Justice
- Environmental Justice Resource Center
- Neighborhood Jobs Initiative
- Bayview/Hunters Point Coalition for the Environment
- Health Environment and Resource Center
- Bayview Project Area Committee



- Bayview/Hunters Point Health & Environment
- Assessment Task Force

Identify Funding Opportunities

Based on a potential incubator site, EFC9 will identify the financial needs for building construction/improvement/rehabilitation and cash flow through the first year of operations. Based on those needs, EFC9 will identify private and public funding sources available for incubator development. Potential sources include the following.

- US Economic Development Administration
- US Small Business Administration
- US Environmental Protection Agency Brownfields Program
- US Department of Commerce
- US Department of Defense
- California Trade and Commerce Agency
- California Environmental Redevelopment Fund,
- Federal Congressional Support (line item)
- State Congressional and Executive Support (line item)
- City and County of San Francisco

Private

- Bank of America
- The Chapman Company
- Community Bank of the Bay
- Pacific Gas and Electric
- Hewlett-Packard
- Wells Fargo
- San Francisco Foundation
- Other Foundations
- Other Business Sponsorship
- Tenant Rent and Fees.

Identify and Contact Potential Anchor Tenants

After consultation with community stakeholders, EFC9 will open a dialogue with potential anchor tenants. Tenants could include both non-profit and for-profit organizations. Environmental firms and organizations as well as non-polluting and sustainable businesses would be welcome in the incubator. The incubator staff would review potential tenants for financial as well as environmental well being. Firms that originated from within the neighborhood would receive priority, as would those organizations that provide a living wage.

Examples of potential tenants include business that:

- Promote or develop alternative energy sources,
- Develop innovative environmental technologies or services,
- Provide opportunities for residents in environmentally benign services, such as import/export,
- Promote a healthier lifestyle such as a green grocer or a gym.



Prepare Incubator Action Plan

For the final product, EFC9 will prepare an Incubator Action Plan detailing the "next steps" necessary to successfully locate an environmental incubator in the Bayview community. EFC9 will use this Action Plan to secure the additional support and funding necessary to launch the Bayview Environmental Incubator.

Key Personnel

Environmental Finance Center Region IX

Environmental Finance Center, Region IX (EFC 9) works for greener communities through cleaner business. Since 1994, EFC9 has achieved its mission through hands-on assistance for business, government, consumers and local communities. We are a non-profit program established by a grant agreement by USEPA and the California State University, Hayward (CSUH). Core support for the Center is provided by US EPA's Environmental Finance Program in the Office of the Chief Financial Officer at EPA headquarters in Washington, DC. EFC9 provides services to the Bay Area, California, Nevada, Arizona and Hawaii.

Sarah Diefendorf, Executive Director, EFC9

Sarah Diefendorf is the Executive Director of the EFC9. Throughout her career, Ms Diefendorf has worked on a variety of projects from fiscal impact analyses and transportation planning to electric vehicle program and environmental incubator feasibility studies. She has 15 years experience in environmental and economic planning and research and has prepared and directed analyses for a variety of non-profit organizations and private consulting firms in the Bay Area. Much of her current work focuses on promoting pollution prevention and the environmental industry.

Prior to this position, she was a senior associate for the Alameda Center for Environmental Technologies, an environmental small business incubator in the San Francisco Bay Area. She holds an MS in Environmental Geography from Cambridge University and is currently pursuing her Doctorate from Cambridge as well. The focus of her dissertation is The Environmental Industry and Environmental Small Business Incubators in California.

Susan Blachman, Associate Director, EFC9

Susan Blachman has over 20 years experience working in the environmental field. At EFC9 she has overseen projects associated with pollution prevention in the dry cleaning industry. In addition, Ms. Blachman has been helping the State Department of Toxic Substance Control organize pollution prevention in vehicle maintenance training sessions for CA Department of Corrections vocational education instructors. While with EFC9, Ms. Blachman organized seven Environmental Business Opportunities Conferences throughout US EPA Region IX as well as a charrette studying the environmental technology transfer process and one on attracting environmentally benign and green development to the Bayview/Hunters Point Neighborhood in San Francisco.



Ms. Blachman is a member of the Bay Area Hazardous Waste Reduction Committee and is serving as the recording secretary. She also regularly attends meetings of the Bay Area Pollution Prevention Group. Ms. Blachman has a master's in Public Policy from the University of California, Berkeley and a Bachelor of Arts in economics from the University of California, Santa Cruz.

Patricia Mitchell, Project Coordinator, EFC9

Ms Mitchell has been the Project Coordinator for EFC9's Bayview projects since 1999. A resident of the Bayview and native of San Francisco, she has been integral to the Center's success in the Neighborhood. Ms Mitchell organized and coordinated the 2000 EFC9 Hunters Point/Bayview Charrette and has been advising the Finance Center on possible approaches to securing an incubator site in the Bayview.

She is also Vice President of the San Francisco League of Women Voters and has been directing their Target Neighborhood Voter Service program in the Bayview community.

Professor Samuel I Doctors, CSUH

Samuel I. Doctors is a Professor of Business Administration at California State University, Hayward (CSUH) and is the Chief Executive Officer of the Alameda Center for Environmental Technologies (ACET) and a Member of its Board of Directors. ACET is a California non-profit 501 (c) (3) corporation

incorporated in 1994. ACET's major function is to operate an environmental incubator located at the former Alameda Naval Air Station in the former Navy Materials Laboratory Building.

Prof. Doctors is the author and co-author of nine books, twenty-nine major government reports and more than forty published articles. He has held prior teaching positions at Harvard and Northwestern Universities, the University of Pittsburgh and the University of California, Berkeley. Prior to his academic career, Professor Doctors spent seven years as a systems engineer with General Motors, Westinghouse and Honeywell Corporations.

Professor Doctors has served on a number of government and private sector advisory boards including-the President's Commission on Minority Business Enterprise, the Economic Development Committee of the Pittsburgh Chamber of Commerce and the U.S. Department of Education's Commission on Minority Business Education and Training. He has acted as a consultant to such organizations as the National Science Foundation and the Mutual Banker's Association. He has recently been appointed as a member of U.S. EPA's National Advisory Council on Environmental Policy and Technology (NACEPT). He has also served as Chair of the Board of the San Francisco Community Recyclers, a non-profit buy-back recycling organization in San Francisco for a period of two years.

He received his Doctorate in Business Administration (DBA) from the Harvard Business School (1969) with Business & Government as his major field of concentration. He also holds a Doctorate in Jurisprudence (JD) from the Harvard Law School (1967) with a concentration in 'public law.'

