



OFFICE OF ECONOMIC DEVELOPMENT
CITY OF JACKSONVILLE
NORTHWEST JACKSONVILLE ECONOMIC DEVELOPMENT FUND

REQUEST FOR FUNDING ASSISTANCE

August 5, 2019

Applicant Contact Information: AA Auto Parts, Inc.
6641 W. Beaver Street
Jacksonville, FL 32254

Project Background: AA Auto Parts, Inc. is a Florida, Sub Chapter S Corporation created in 2011 engaged in the sale of used auto parts and ferrous and non-ferrous metal recycling. Since 2008 the principals of the company began assembling their project site. The site comprises 14.45 upland acres on the north side of West Beaver Street just west of Lane Avenue. Initially the company operated as a buyer and seller of used auto parts. In 2010 they purchased a car crusher and began recycling ferrous metals for sale to the commercial marketplace. The primary sources of the recycled ferrous metal are automobiles and small trucks. AA Auto Parts purchases discarded and or wrecked automobiles and small trucks, crushes them and sells the crushed vehicles to CMC Steel Florida, formerly Gerdau Ameristeel a major purchaser of ferrous metal. CMC Steel Florida then shreds the crushed vehicles, melts the shredded metal and manufactures rebar and steel cable used in the construction industry.

Project Description: In 2014 AA Auto Parts began to evaluate an expansion of their operations to incorporate a commercial metal shredding operation enabling them to increase production. After an extensive amount of research they identified an Italian manufacturer of metal shredding systems, Ing Bonfiglioi located in Bologna, Italy and they purchased a Drake Model 16 Hammers Shredder system in 2015. This system also sorts and separates the shred generating a higher value derivative known as zorba. Zorba is a collective term for shredded and pretreated non-ferrous scrap metals, including aluminum, aluminum alloys, brass, copper, lead, zinc, stainless steel and electrical cable. The cost to purchase and deliver the shredder system was \$2.5 million. The cost to install and complete the necessary site improvements is \$2.65 million. Total cost of the metal shredding system installed and ready to operate is \$5.15 million.

AA Auto Parts, Inc. Sources and Uses of Funds Summary

| Sources | | Uses | |
|-------------------------------|---------------------|---------------------------------|---------------------|
| 1 st Mortgage | \$ 3,113,850 | Shredder | \$ 2,525,500 |
| 2 nd SBA Debenture | \$ 1,441,000 | New Construction | \$ 876,647 |
| NW BIG Grant | \$ 100,000 | Site Improvements | \$ 1,174,253 |
| NW SBDI Loan | \$ 150,000 | Construction Interest & Fees | \$ 228,450 |
| Equity For Loan* | \$ 350,000 | Pre-Paid Expenses | \$ 350,000 |
| Total | \$ 5,154,850 | Total | \$ 5,154,850 |

To install the shredder on the 14.45 acre project site required rezoning from Industrial Light (IL) to a Planned Unit Development (PUD) District. The scope of improvements necessary to prepare the site, assemble and install the shredder system dramatically exceeded the original \$150,000 cost estimate. Ordinance 2015-684-E rezoning the site was enacted on March 22, 2016. The cost of the site improvements to meet the requirements of the regulatory agencies was estimated to be \$1.6 million. Subsequently the construction cost has been value engineered and reduced to \$1.17 million.

With the financial assistance from the Northwest Economic Development Fund totaling \$250,000 the lenders have agreed to restructure and refinance the project to include the required site improvements. The additional steps the lenders required to support the request for additional financing included obtaining an independent 3rd party market feasibility study and an updated real estate appraisal of the project site to estimate the completion value of the property as if all site improvements have been completed.

A market feasibility study was completed by the Strategic Performance Group LLC, Ft. Myers (Estero), FL in May 2019 with a favorable recommendation to proceed with the project. An updated "Upon Completion" real estate appraisal was completed for the primary lender by CBRE Group, Inc. Valuation Advisory Services Group on May 14, 2019 indicating an "As IS" land value of \$1,170,000 and "Upon Completion" value of \$3,290,000. Based upon the additional information provided by the market feasibility analysis and the updated real estate appraisal and including a \$250,000 Northwest Economic Development Fund Business Infrastructure Grant/Loan the lenders 121 Financial Credit Union and Florida First Capital Finance Corporation secured by a SBA 504 Loan Guarantee has agreed to restructure their loans up to \$4.55 million.

Employment Goals: The project will result in the creation of not less than 5 new full-time jobs at an average wage of \$26,000, plus benefits. The jobs to be created include equipment operators, shredder operators and a dismantler. Job creation can increase if more than one shift is utilized. AA Auto Parts, Inc. currently employs 5 full-time persons and those positions will be retained.

City Assistance: To assist AA Auto Parts, Inc. the following assistance from the Northwest Economic Development Fund is recommended:

- Northwest Business Infrastructure Grant (BIG) in the amount of \$100,000 to offset a portion of the site improvement costs associated with the storm water construction, curb and guttering 1,550 linear feet and sidewalk improvements along W. Beaver Street. The construction cost for these infrastructure improvements is \$242,800.
- Northwest Small Business Development Initiative (SBDI) Loan totaling \$150,000 to finance a portion of the remaining cost of the site improvements costing \$931,453 to install the metal shredding system on the project site. The interest rate for the NW SBDI loan is 3% per annum the loan term is 10 years and loan amortization is 20 years, to comply with the Small Business Administration 504 Program Guidelines for subordinate financing. The SBA 504 loan term proposed is 25 years.
- Overall the Northwest Fund Assistance proposed of \$250,000 represents 9.5% of the remaining \$2.6 million of remaining project cost.
- The project has a positive ROI of 1.94:1, for the City of Jacksonville.

Security/Guarantees for City Obligation: Security interest in the real and tangible personal property located at 6641 W. Beaver Street subordinate to the 1st Mortgage and Lien interests of 121 Financial Credit Union and 2nd Mortgage and Lien interests of U. S. Small Business Administration c/o Florida First Capital Finance Corporation, Corporate Guaranty of AA Auto Parts, Inc. and Personal Guarantees of Efraim and Bernie Estrada the Principals of AA Auto Parts, Inc.

Project Implementation Timeline: The infrastructure work and installation of the metal shredder system to be completed within 180 days after the Economic Development Agreement (EDA) is executed by the parties.

Clawback Provisions: In the event of sale or transfer of the property by the Applicant within five years of grant disbursement, the City is to be reimbursed upon a declining scale of 20% per year, the remaining loan balance shall become due and payable upon the date of sale or transfer of the property to any one or entity not related to the Estrada family.

Job Requirement: In the event the Company fails to create 5 new FTE jobs at an average wage of no less than \$26,000 within 18 months of the date of disbursement of the BIG Grant, the Company will repay the City \$20,000 per job below the 5 person New Job creation target.

Public Purpose: The project supports the following public purpose objectives:

- Leverages 12:1 new private capital investment within Census Tract 118, a Level II Distress Area within the Northwest Jacksonville; and
- Stimulates \$3 million of new private capital investment within the target area; and
- Supports the creation of 5 new full-time permanent jobs within the first 18 months after the machinery and equipment is installed and operating; and
- Supports the expansion of an existing NW Jacksonville small business; and
- Expands the metal recycling efforts within the North Florida Region; and
- The shredded recycled metal generated by the facility can be exported out of NE Florida to an available international marketplace through the Port of Jacksonville; and
- Serves as a supporting business to the only operating steel mill in the State of Florida.