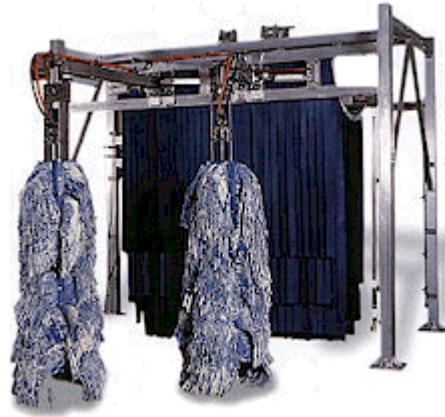


**GAS
STATION
And
CAR WASH
LOAN PROGRAMS**



**Shawn Rabban
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310-714-5616**

Check list for Car Wash and Gas Station loan request
310-714-5616

Please fill out the requested information as soon as possible

Business Name _____ **Date** _____

Property address: _____

Type of business: _____ **Carwash** _____ **Gas Station** _____ **C-market** _____ **Oil change**

Gas Station Brand name _____ **Retail Shop** _____ **Fast food** _____ **Gift shop**

_____ **Detail** _____ **Rental income** _____ **Etc**

1. Is your business located at **signalized corner**? _____

2. What is the size of **land**? _____

3. How is the visibility from the **freeway** and **street**? _____

4. What is the **traffic** count per day? _____

__10,000 __15,000 __20,000 __25,000 __30,000 __35,000 __40,000

5. How many other gas stations are located in the same **intersection**? _____

6. What is the **brand name** of another gas station? _____

__Shell __Chevron __Exxon/Mobil __Arco __Unical/76 __Independent __Valero

7. What is the result of the **environmental report**? _____

8. Who is going to be responsible to pay for fixing the **contamination** problem? _____

9. How old are the **underground tanks**? _____

10. How old are the **gas pumps**? _____ Is it updated with a new **code**? _____

11. How is the condition of the **building, canopy, and ceiling**? _____

12. What is the size of the **mechanic** shop? _____ and monthly sales volume _____

Property address: _____

13. What is the size of the **market** and **cash register** area? _____
14. What is the age and condition of the **freezer, equipment, and shelves**? _____
15. How much is average C- **market sales** volumes? _____ and profit margin _____
18. Is there any income from the **detail** shop? _____
19. What is the **gas volume** per month? _____ profit margin per gallon _____
20. How much is monthly expenses? _____ and monthly net income _____
21. How many **gas station** or **car wash** do you own and operate? _____
22. How much fee do you pay for an underground **storage tank** fee to state fund? _____
23. **South coast air** quality has given you any notice to update your gas pumps? _____
24. Is the subject property under ongoing **remediation phase**? _____
25. Who is doing quarterly **groundwater** sampling and preparing quarterly status reports? _____
26. One of the lender requirements is to have an **indemnification letter** from the responsible party.
27. The future buyer of the site should obtain an indemnification letter/ a letter that should state the compliance of contaminated soil/groundwater cleanup by the responsible party. If an indemnification letter is not available; the future buyer should obtain a letter of commitment (proof of UST Cleanup Fund reimbursement) from the responsible party
28. Is project **closure** granted by the regulatory agency? _____
29. How many **underground tanks** existed? _____
30. What is the capacity of each **underground** tank? _____
31. When is the **installation date** of each tank? _____
32. The tanks are _____ **single-walled** _____ **double walled** _____ **fiberglass** tanks with automatic leak Detection system
33. Groundwater **monitoring wells** were observed on the subject site? _____
34. Emergency Response Notification System _____
35. Comprehensive Environmental Response, Compensation and Liability Act. _____

Property address: _____

36. Hazardous Waste Information System _____

37. Permitted Underground Storage Tanks-state water quality control board _____

38. LUST leaking Underground Storage Tanks- California State _____

39. New business _____ new construction _____

40. Existing Business _____ Remodel recently _____ Year built _____

41. _____ Phase 1 report _____ Phase 11 report _____ Phase 111 report ready

42. What is the value? _____ Down payment _____ Loan Amount _____

43. Loan Program _____ Monthly payment _____ Amortization _____

44. Interest Rate _____ Loan to value _____ Purchase _____

45. Refinance _____ Cash out _____ Existing Loan _____

46. Lenders name _____ Experience operator _____

Type of business: _____ **Carwash** _____ **Gas Station** _____ **C-market** _____ **Oil change**

Gas Station Brand name _____ **Retail** _____ **Detail** _____ **Gift shop**

Comments _____

This information prepared by _____ Tel _____

Date _____

Signature _____

1. You can check out the www.yellowpages.com to find out how many gas stations are there in your area.
2. Check out www.census.gov.com to find out about area demographics and census bureaus.
3. You need to make sure the soil is not contaminated because if there is any leakage of gasoline that needs to be fixed, you may have to pay in excess of \$350,000 in order to replace the underground tanks and change the soil as well.
4. If you are planning to buy a gas station with land, check with city zoning department if the property is suitable for gas station and car wash.

As you know gas stations are located at any corner of a city. Find out who are your competition. How new is their gas station facility? What kind of services do they provide?

Gasoline consumption is on the rise everyday, heavy population growth, and more cars eventually translate to more gasoline will be sold in the next two decades.

Keep in mind that many customers like to buy gasoline from stations that is clean, modern with ample lights and security. And if you are offering different types of services such as ATM, wine and beer, car wash, mechanic shop, ice cream machine, and fast food, you will have an edge over local competition.

I know a lot of gas station investors who are very wealthy and own many different types of gas station brands. Statistics show that 25% of all new businesses will be around in the next four years.

Most gas station owners had no experience when they started the business. While no special experience is required, however, educational background in business and finance is very helpful.

LOCATION

LOCATION

LOCATION

Location is the most important factor in your future success. Let's try to buy a gas station that is very close to your residence. Because you need to manage your business very carefully and closely, choose a busy corner location that has maximum traffic exposure, and is very close to a major freeway or located on the major street. With easy access, check the surrounding neighborhood and business. Most of your customers will be local business owners, homeowners, merchants, and people who work in the same area.

Everybody will be your potential customers, the different types of services you can offer, and many more. You will be able to make it shortly. Traffic pattern and number of cars passing by play a very important factor in determining your future success.

If you are planning to buy a gas station make sure it will be close to a motel, hotel, shopping center, airport, church, college, school, movie theater, or bowling alley, because their businesses will increase traffic.

CARWASH
info

CAR WASH

According to the 2000 U.S. Census, **138** million registered automobiles drive the roads of America today. Counting buses and large trucks, there are **230** million vehicles in all.

Research shows that **52%** of American car' owners wash their cars less than once a month- **15%** never wash their cars.

An estimated **37** million cars even smell because of interior garbage, according to a consumer survey conducted by the (ICA).

The total vehicle miles traveled increased from 1.525 billion miles in 1981 to 2.500 billion miles in 1998, a 65% increase. To a large extent, this is the result of a sharp increase in the number of vehicles in operation over the past 20 years. The number of registered vehicles increased from **140** million in 1981 to **205** million in 1998, **46% jump**.

GAS STATION



Demand for Gasoline

Consumer demand has been the driving force behind the steady growth in gasoline consumption throughout the 1990s. Consumer expenditure on gasoline has increased to \$126.5 billion from 1996 to 1998.

The top five brands of gasoline companies controlled **48,000 gas station** outlets, which represented just **48%** of the total. Chevron controlled **35%** of California's gasoline market in 1998, and the two next largest suppliers controlled another **47%**.

Independent station owners must buy gasoline at the best possible price in a local market. United States gasoline stations are among the most productive in the world. Retailers in the U.S. typically employ fewer people and sell a greater number of gallons of gasoline compared to retailers in Japan.

ENVIRONMENTAL ISSUES

Gasoline usage has important environmental implications and thus the sale of gasoline is heavily regulated. In 1988, EPA issued regulations setting minimum standards for new tanks and requiring owners of existing tank to upgrade, replace, or close them by December 22, 1998. Meeting the UST deadline is very costly for gasoline stations; at **\$130,000** to **\$155,000** per tank for cleanup. Where there is groundwater contamination, the cost can escalate up to \$750,000.

ENVIRONMENTAL HEALTH AND SOCIAL COSTS

Environmental, health, and social costs present the largest portion of the externalized price Americans pay for their gasoline reliance. These expenses total some of one billion dollars every year.

STATISTICAL INFORMATION

Nearly nine million more vehicles in California by **2020**, says Energy Commission.

Sacramento - by the year 2020, California is expected to be home to 45 million people and more than **32 million** motor vehicles.

California, who used **14 billion gallons** of gasoline a year in **2000**, will consume as much as **19.6 billion** gallons a year by **2020**. Diesel demand will rise from 2.6 billion gallons a year in 2000, to 4.2 billion gallons a year in 2020.

California will continue to be a major market for automobiles. In 2000 alone, Californians purchased **1,130,000** new cars and **970,000 new trucks**.

According to the 2000 U.S. census, **138 million** registered automobiles drive the roads of America today. Counting buses and large trucks, there are **230 million vehicles** in all.

Research shows that 50% of American car owners wash their cars less than once a month and 15% never wash their cars.

HOW IMPORTANT IS TRAFFIC COUNT?

In the **2000** survey, there was an average capture rate **1%** reported by the respondents.

This means that, on average **1%** of every **10,000** cars passing the site will turn in for a car wash or gas station.

UNDERSTANDING CAPTURE RATES

Taken at face value, this implies that high volumes of car wash depend only on **high traffic counts**.

Numerous factors enter the equation, including competition, pricing, and quality of service. The task becomes one of studying these variables and how they relate to one another, especially capture rate.

LOCAL TRAFFIC or COMMUTERS?

One way to gain a better understanding of the relationship between traffic and capture rate is by asking the question: Why are people driving by in their cars anyway? Do they have places to go (elsewhere) or do they have things to do (around here)?

As carwash feasibility analysts, we try to categorize this passing population into those two camps. People with “places to go” represent commuter traffic. People with “things to do” represent local traffic.

OTHER TRAFFIC CHARACTERISTICS

Another assessment that should be made is the **average speed of the passing traffic**.

Car traveling on streets with speed limits over **40 miles** per hour tends to fall into the places to go (commuter) category, and the capture rate expectations should be adjusted **downward**.

Proximity to freeway or highway on/off ramps does not necessarily improve the situation because a high percentage of the traffic will be on the way to other places – that is, commuters. A **25,000** or **35,000** daily traffic count by a site that is one or two miles from a highway is often better than one with similar counts but located only a half-block from a highway, because the traffic artery serves more as a commuter conduit.

WHAT IS A GOOD SITE?

In the site selection process for a proposed carwash, care should be taken to assess its **visibility** to **passing traffic**. Obviously, a **deep-lot configuration** is inferior to a lot that has greater frontage along the main traffic artery.

A corner is even more important because it provides access and exposure to two traffic arteries, which increases accessibility. When a **signalized intersection** is at hand, motorists can sit at a stoplight and observe the activity, thereby developing an impulse to take advantage of the service.

CURB APPEAL

Another much more subjective variable can play a part in influencing the capture rate **upward** or **downward**. It is one we call **“curb appeal”**. Retail shopping center developers are very familiar with this terminology, and they have come to highly regard this visual aspect as playing a major role in attracting consumers.

For example, once a shopping center is **10 or 20 years old**, the addition of a new façade with canopies, neon lights, new signage, and attractive planters can virtually turn a failing center into one that is quite successful. Consumers are heavily attracted to modern facilities in any retail category, and carwashes are no exception.

TUNING YOUR MARKETING STRATEGY

The operator of an existing carwash won't be able to change any of the traffic characteristics at his location. But by categorizing the traffic into two components, **local** or **commuter**, a more effective marketing strategy, specially targeted toward the appropriate market segment, can be designed to increase the capture rate.

For example, in locations where local traffic prevails and there is another good **retail support**, **cross-couponing** with other merchants is one potential. Asking patrons for their **ZIP code** and then targeting those neighborhoods with **direct mail** or **flyers** should be considered. There are good computer hardware and software systems available for this.

The marketing task, however, is more challenging where most of the passing cars represent commuter traffic. Some effective promotional techniques we have observed include **large signs** offering free commuter mugs for a week or two.

Free coffee and doughnuts or a **free newspaper** or Wall Street Journal can be good temporary advertising campaigns. An espresso bar and shoeshine stand are helpful to the working crowd. When daytime hours permit, opening at 7 a.m. and closing at 7 or 8 p.m. will allow working commuters to avail themselves of a wash on the way to or from the job.

Many car washes have been very successful giving out **punch cards** promoting every fifth or sixth wash as a freebie instead of the more normal 10th wash.

No matter where the location, the passing traffic should become a matter of careful study. The visibility, visual impression, width/depth, width/depth ratio of the site, and the important sub-components of commuter versus local traffic are all items that merit serious consideration. Those who understand these variables will come to the fruits of higher **capture rates** when choosing a site or marketing an existing facility.

A traffic count is the average number of cars that travel on a given piece of roadway in a day. A good traffic count – though just one factor in predicting the success of a particular piece of property – is one of the basic elements of site selection.

Industry experts caution there is no magic number or special formula, such that if you have 25,000 cars going by you'll X number of dollars, or if you have less than **15,000** you're going to go broke.

You will capture – that is draw in as customers – less than **1 percent** of the cars that drive by your wash. But the capture rate is a function of other things beside the number of cars going by a location.

The traffic count also has to be evaluated in the context of **ingress** and **egress** to the proposed location.

HOW TO CHOOSE A FRANCHISE COMPANY?

There are many different brands of gas stations throughout the United States.

Pay attention to the following checklist:

- How much is the cost of a training program?
- How much is the royalty fee?
- How they can help you with finances and marketing?
- Do they have any financial aid assistance?
- How reputable is the franchise's financial position?
- Consult with other gas station owners to hear their opinions about different franchise gasoline companies.
- Take a look at the gas station franchiser's website.
- Gas pumps are updated and functional.



LEGAL STRUCTURE

If you are buying a gas station or car wash business and property together, it is recommended that you form a limited liability company (LLC) for the property and also to form an S Corporation for your daily business operation. Before you do anything consult your accountant and legal consul.

COMPETITION

You should always evaluate all of your competition up to a 4-mile radius. You want to know what they do.



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California Department of Real Estate, Real Estate Broker”

Business fact sheet

A business plan is both a management tool and a guide to the operations of a business and a means to explain your business. The following is an outline for preparing a plan for your business.

Property Address _____

Applicant name _____ Tel _____

Applicant name _____ Tel _____

A) Business Description

1- Name and Descriptions of Business

2- Legal structure (___ Sole Proprietorship, ___ Partnership, ___ Corporation, ___ etc):

2A- Names of individuals with 20% or more ownership along with position /title:

3- Management qualifications and experience:

4- Date the Business was originally established:

4A- When was the business purchased or established by the current owner?

5- Location and business description:

6- Business operating days and hours:

7- Number of employees (_____ full-time _____ part time, _____ manager, _____ cashier):

8- If there were fluctuations of sales or income during the last three years, please explain the reasons:

9- **B)Product/Service**

Product line description and service rendered:

10-Customer Base: _____ repeated business, _____ advertising, _____ flyers, _____ Coupon
_____ Local traffic _____ Commuter traffic

11-Top three names of customers and percentage of total sales volumes from each:
_____ local, _____ neighbors, _____ tourist , _____ freeway exit , _____ repeated business

12-Sales terms offered to customers: _____ 30days, _____ 60days, _____ 90days, _____ 120days
How do you get paid?
_____ as job progress, _____ different segment, _____ cash, _____ credit card, _____ COD

13- Top three names of suppliers and percentage of total purchasing volume of each:

14-Purchasing terms offered by suppliers:

_____ Weekly _____ Bi-weekly, _____ monthly, _____ 60days, _____ 90days, _____ 120days

15-Names, locations, and phone numbers of three major competitors in the immediate area

C) Marketing

16-Pricing policy / Gross & Net profit margins percentage:

_____ 20%profit margin, _____ 25%profit margin, _____ 30%profit margin _____ 35%profir margin

17-Marketing plan (advertising, cold calls, flyers, brochure, coupons, promotion, website, etc)

18-Future expansion plans:

____ moving to new location, ____ hiring more employee, ____ adding new product line
____ more advertising, ____ opening new branch, ____ remodeling,

D) Source of Down payment

19- Breakdown of a source of down payments (sale of business, saving, checking, retirement account)

E) Personal Information

20-Are the loan applicant(s) Untied State Citizens? _____

if not , please provide the date of immigration to the U.S. alien registration number, and indicate type of Visa.

21- If the loan applicant's credit report reflects any derogatory information, please describe the nature and reasons for the information.

_____ Late payment _____ Collection Account _____ Jugdement _____ Tax lien
_____ Bankruptcy _____ Low Fico Score _____ Foreclosure _____

22- What is the sales price breakdown?

purchase price _____ inventory _____ goodwill _____ not to compete _____
Furniture _____ fixture _____ Equipments _____ computer _____

23- Is the seller willing to carry part of the purchase price? Yes _____ No _____
How much is seller carry back? _____ interest rate _____ how long _____

Comments: _____

This information prepared by _____, Tel _____

Date _____,

Signature _____

SBA 7a business loan for small business up to \$2,000,000

Business category

Pharmacy, Supermarket, Liquor Store, Dry Cleaner, Coin Laundry, Gas Station, Franchise Business, Automotive Center, Vending Machine, Manufacturer, Beauty Salons, Health, Medical & Dental, Legal Services.

Loan Amount: Up to \$5,000,000

Term: Up to 10 year

Rate: Wall Street Prime Rate plus a margin

Down Payment: 25% contribution by buyer

LTV: Up to 65% financing for qualifying transactions

Fee: Standard one-time SBA guarantee fee

Recourse: Personal guarantee by all principals

Prepayment penalty: None

DCR: 1.25x

Collateral: On all business and personal assets until the loan is secured 100%

100% must be occupied by the owner

All financing is subject to credit approval, other restrictions may apply. **SBA** loan qualification requires owners to be U.S. citizens or permanent resident.

Pre-approval: Will be determined upon receiving of appropriate documents:

There year business and personal tax returns, including personal financial Statements, loan application, escrow instruction.

All transactions are subject to submission of a formal application, underwriting, and written approval. This is not an offer or commitment. The information furnished here is preliminary. **Rates and Terms are subject to change without notice. Certain restrictions apply.** Actual rates and terms will depend upon specific loan characteristics.

A 7(a) guaranteed loan is a lender-approved and funded loan by participant participant-qualified lender, guaranteed by **SBA**, and subject to regulations, policies, procedures, and eligibility requirements. Even though commonly called an **SBA** loan, it is actually a lender's loan with an **SBA** guarantee.

How SBA loan program operate

What is an SBA Loan?

The U.S. Small Business Administration, an agency of the Federal Government, provides **loan guarantees** to banks and other lenders. These guarantees reduce the amount of risk to the lender and thereby increase the amount of money available to small business.

What interest rate is used?

Most SBA loans are a variable rate based on the Wall Street Journal **Prime Rate** Plus a margin that depends upon the size and type of the loan, as well as the borrower's credit standing. The interest rate for each loan is determined at the time it is approved by the lender.

Some SBA financing arrangements, such as the "504" program are made up of different interest rates.

Can SBA financing be used to purchase land?

Yes. If the property will be used for business purposes, now or shortly.

Can SBA financing be used for construction?

Yes. As long as the business will occupy at least **67%** of the total building size. This construction loan will be interest only during the construction period and will convert to a permanent 25-year, fully amortized loan at the end of construction.

Who can qualify for an SBA Loan?

A business must be independently owned and operated for profit. It must not be dominant in its field, and must meet certain criteria in terms of size, number of employees, and annual sales. Loans cannot be made to speculative businesses, media businesses, or businesses engaged in gambling activities.

How does the SBA program work?

Lender provides the actual loan to the borrower. The SBA guarantees a portion of the loan (between 50%_85% depending on the program) acting much like a co-signer. This helps lenders be more comfortable with a loan that they might otherwise not approve, such as a loan

For a start-up, or a borrower that has less collateral than a bank requires.

What kind of property can I purchase?

You can purchase any kind of property as long as it is for business use. It can be commercial, industrial, retail shop, office, medical, warehouse, single purpose (such as gas station, car wash, motel, restaurant, etc). However, the business has to occupy 51% of the property if purchased and 67% of the property if constructed.

What is the loan-to-value ratio?

The SBA requires a 10% down payment on a real estate loan. In essence, the SBA is making a business loan secured by real estate rather than a classic real estate loan. Therefore, the emphasis is on business cash flow, earning, balance sheet and management capabilities, not Loan to Value.

“Rentable Property” defined

Total square footage of buildings used for business operations.

Building is comprised of 3 elements:

Vertical, Common areas, Usable square footage

Excludes all outside areas



Cross- Collateralization

SBA must be in first position in purchasing money

SBA Credit Criteria

Principal’s Character **Repayment Ability** **Equity Policy** **Collateral Policy** **Working Capital**

Indemnification Agreements

Contaminated properties: The loan may be disbursed if the seller has financial resources to cover the cost of remediation and the seller shall sign an indemnification agreement protecting SBA

General Size Standards

Retail: Less than \$6 million in gross sales average over the last three years.

Wholesale: No more than 100 employees on average over the last 12 months.

Manufacturing: No more than 500 employees on average over the last 12 months.

Ineligible Business

Gambling Activities Promoting Religion Prior Loss to the Government Loan Packagers
Providing Sexual Material Agriculture Fishing Mines

Why should you use the 7A SBA loan program?

Business that cannot access conventional financing

Typically undercapitalized.

Lacking in experience/ track record

Specialized collateral

Marginal historic cash flow

Goals of the 504 SBA program is to provide an incentive financing program

- Stimulate private sector investment in long-term
- Increase productivity
- Create new jobs
- Provide affordable long-term financing for business expansion

Advantages of a 504 SBA loan program

- Low down payment
- Fixed interest rate second mortgage loan
- Long term financing
- Collateral is usually limited to project assets
- Excellent loan-to-value
- US. Government as a subordinate lender



504 Credit criteria

Repayment ability

“The overall strength of the borrower, including its track record and cash flow, will generally be more important than the value of the project collateral...”

Second collateral

If the above conditions are not met, SBA must consider these alternatives:

- . Pledge of additional collateral including personal residence or other real property
- . Borrower to inject more equity than statutorily required minimum
- . If the borrower is unable or willing to provide additional collateral, the loan may be declined

SBA requires lenders to show that the desired credit is unavailable from non-federal sources without SBA assistance

Must I guarantee the loan?

Yes. All owners of 20% or more of the business must take full financial responsibility for the loan. In some instances, the personal assets of the owners must be securing the loan.

SBA 7A guaranteed loan programs

SBA-guaranteed loan programs are for loans that are not bankable without an SBA guarantee

Annual Debt Service

The total amount required to make all periodic loan payments (principal & interest) in one year

Assumption of Mortgage

Assuming liability for an existing mortgage when acquiring a property

Blanket Mortgage

A mortgage loan which is secured by two or more properties

Capitalization Rate

- 1). To determine the cap rate, you should divide the Net Operating Income (NOI) by price or value
- 2). To determine the price or value from a desired cap rate: divide the NOI by the cap rate.

Debt Coverage Ratio:

The relationship between a property's Net Operating Income (NOI) and Annual Debt Services (ADS), [NOI divided by ADS]. This ratio is often used by lenders as a criterion for income property mortgage loans.

Net Operating Income

Gross income less operating expenses, but before deducting debt services and income taxes

Valuation of collateral

Lender is responsible for the proper valuation of collateral. The following are general SBA guidelines:

Appraisals. A recent appraisal prepared by a qualified appraiser must indicate the fair market value of the collateral. If an appraisal is not available, the lender must identify an alternative form of valuation (such as net book value, property tax assessment, internal valuation, etc.)

Valuation of collateral. Generally, lender should calculate the net realizable value of collateral by applying the following liquidation percentages the fair market value

Real Property: Commercial RE **75%**, Residential RE **80%**, Unimproved land **50%**

Business Asset (net of depreciation): Machinery Equipment **50%**, Furniture & Fixture **10%**,

Account Receivable/ Inventory **10%**, Leasehold Improvement **5%**

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