

LOCAL

Cities racing toward new auto malls

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Milpitas will share the Nimitz Freeway car-buying market with neighboring Fremont, but officials in both cities say their dueling auto malls can co-exist on the same six-mile stretch of road.

Three weeks after Fremont approved a superblock of car showrooms, the Milpitas council Tuesday night agreed to let Westwood Companies build a dealership haven at the Interstate 880-Highway 237 interchange.

Milpitas City Manager James Connolly said the two malls could both work — despite state regulations and manufacturer rules that prohibit two dealers selling the same make of car within 10 miles of one another. It might be possible to seek an exception to both, he said.

Still, he is hoping that the three to five dealers are found for the Milpitas mall as soon as possible "so we reduce any problems of Fremont going ahead so fast and so

big that they just shut out" dealers from Milpitas.

"Sure, I guess there is (a race)," Connolly added. "Since this mileage rule is so difficult to pin down, we would feel better if we had the dealers so we don't have to argue it."

But in Fremont, officials were less concerned about the prospect of two malls in the same highway neighborhood.

"I don't see it as a threat. I don't think it ever was a threat," said Fremont City Manager Kent McClain. "It is substantially smaller."

Some city leaders and car dealers were worried last fall about the Milpitas mall when the city faced delays in working out an agreement with Santa Fe for the land that the mall will be built on. Those fears dissipated when the agreement was finally struck.

"I have such high confidence in people like Jim McKeehan (attorney for the Fremont auto dealers) and Bruce Rupp (project

manager for the Fremont mall) that I am sure they have anticipated this and it will be fine," said Mayor Gus Morrison. "The (Fremont) plan is to start moving dirt in April and (they) have two weeks to do that."

Rupp said the 23-dealership mall planned in Fremont will have a substantial competitive edge — in areas such as advertising capabilities — over Milpitas.

"I think, at this point, it is too early to raise a voice of concern" over the Milpitas project, Rupp said.

He characterized negotiations with landowner Santa Fe Pacific Realty as "going well," but much will depend on Fremont's offer to assist dealers in buying the 88 acres for the mall.

"We're moving ahead optimistically and we feel we are still a go," Rupp said.

Milpitas Finance Director Larry Sabo said his city's auto mall would generate \$1 million to \$2 million a year after 12 years in operation. The city's sales tax base is now \$5 million a year.

"In Fremont, you have existing sales tax from car sales. We have none," Sabo said. "This is a tremendous economic boost to the people in this community."

"It will probably be the largest sales tax producer in the city," surpassing high-tech industries and hotels, Connolly said.

Among other uses, sales tax can be put toward new police officers, firefighters and maintenance crews — considered essentials in keeping up with the city's growth.

Sabo said there are other issues, especially the ebbs and flows of the new car market, that will determine whether the two malls can both survive.

Unlike the Fremont site on property owned by Santa Fe Pacific Realty, there are already streets, sewers and utility hookups on the Milpitas property.

Dealers would buy the Milpitas land through the redevelopment agency at \$18 a square foot, and would be subsidized through a 50-50 split of the sales tax generated on the car lots over a 12-year period.



Board, city compromise on H Street