

LAW OFFICES
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Of Counsel
JAMES W. MCKEEHAN

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May 3, 1989

DiGiulio Pontiac, GMC, Inc.
Attention: RICH DIGIULIO
4411 Peralta Boulevard
Fremont, California 94536

Tasha Incorporated
Attention: HANK TORIAN
4074 Eggers Drive, #G
Fremont, California 94536

Moran Properties
Attention: JIM MORAN
4343 Peralta Boulevard
Fremont, California 94536

Don Signer Buick, Inc.
Attention: DON SIGNER
38623 Fremont Boulevard
Fremont, California 94536

Fremont Ford
Attention: DEE BARNES
39700 Balentine Drive
Newark, California 94560

RE: Auto Mall

Gentlemen:

Enclosed is a copy of a letter that the new Assistant Manager, Roger Anderman, sent to Bruce Rupp and Bruce Rupp's response to same. I am sure we will be meeting on this soon.

In the interim, if you should have any questions, please do not hesitate to call.

Sincerely,

MCKEEHAN, BERNARD & WOOD


By
JAMES W. MCKEEHAN

JWM/ymf
cc: George Avanesian
Bruce Rupp
Jim Salter



City of Fremont

Assistant City Manager
39700 Civic Center Drive
P.O. Box 5006
Fremont, California 94537

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April 25, 1989

Jim Perry
Santa Fe Pacific Realty Corporation
201 Mission Street
San Francisco CA 94105

Fremont Auto Dealers
c/o Bruce Rupp
565 Country Isle
Alameda CA 94501

Dear Jim and Bruce:

As you know, the Fremont City Council has expressed interest in considering some means of financially assisting the approved auto mall project in order to help assure its economic feasibility. We have proposed a Local Improvement District (benefit assessment district) as the simplest, most straightforward and most politically acceptable vehicle for such assistance. This approach has been endorsed by Bill Jones, representing Santa Fe Pacific Realty Corporation, and Jim McKeehan, representing the auto dealers.

Our concept was that tax exempt assessment bond financing would be used for the public improvements which the developer must build to serve the auto mall. This would reduce the total cost of the improvements and the savings would be passed on to the auto dealers as a reduction in the land price. It was suggested to us by both parties that the LID be structured to include as many improvements and costs as possible and that the full amount of the assessments be levied against the auto mall property. Santa Fe Pacific would then further reduce its land price by the total amount of the assessment bonds.

The City agreed to prepare an analysis of the concept described above and we have now completed a preliminary analysis with the assistance of our financial consultants, Kelling, Northcross & Nobriga, Inc.

In the attached memorandum from Kelling, Northcross & Nobriga you will see the City and Santa Fe Pacific estimate that approximately \$2.85 million in construction costs and \$1.5 million in fees could be included in an LID whose assessments would be levied against the auto mall site. After adding other costs, it is estimated that the LID bond issue would be approximately \$5.39 million. Compared to the best available conventional financing (assumed to be prime + 1% or prime + 2%), Kelling, Northcross & Nobriga estimates total annual savings in the range of \$3.3 million to \$4.3 million, with present values of approximately \$1.2 million to \$1.4 million.



We are able to use these numbers to illustrate the original concept, assuming a total land price of approximately \$26,488,000 (88 acres at \$6.91 per square foot):

Current land price	\$26,488,000 ±
Less savings due to LID financing	- 1,418,000 ±
Less LID bonds	- 5,390,000 ±
New land price	<u>\$19,680,000 ±</u>

The benefits of this approach are as follows:

- The actual land price is reduced by approximately 5.4% (\$1,418,000) directly as a result of tax-exempt LID financing.
- By substituting LID financing for \$5.39 million of land cost, the dealers can, in effect, finance the purchase of a portion of the total site at tax-exempt interest rates over a 25-year period.
- For the LID-financed portion, interest is capitalized for one year and principal is deferred for two years. There are no payments at all for one year and then only an interest payment is due in the second year. This reduces the financial burden on the dealers who also will be building and financing their private improvements during the coming year.
- The mechanics and procedures for an LID are already in place and familiar to the City of Fremont and many of the other participants, so implementation of the proposal can be expedited.

It is important to note that all of the numbers in this letter and the attachments are estimates and are subject to refinement and changing market conditions, but they do serve to illustrate the important points.

Obviously, the above will only work with complete agreement between Santa Fe Pacific Realty and the auto dealers. The City is pleased to offer its ability to form an LID as a means of helping the auto mall project and the City is prepared to move rapidly to put an LID in place. However, the extent to which an LID benefits the auto dealers is a matter for negotiations between Santa Fe Pacific Realty and the auto dealers. Please let me know how the City can assist or facilitate this process.

Sincerely,



ROGER C. ANDERMAN
Assistant City Manager

Enclosures

cc: City Manager
Finance Director
Public Works Director
City Attorney
Jim McKeehan
Bill Jones