

Council OKs \$5 million for auto-mall deal

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FREMONT — A consultant who convinced the City Council that auto dealers might take their business elsewhere precipitated the council's startling Tuesday night decision to give the dealers the \$5 million they want to open the mall in Fremont.

"You have to stop thinking of your competition as Union City and Milpitas," said James Salter, executive vice president of Guardian Builders Inc., who is developing auto malls in Petaluma, Vacaville and Merced.

Bay Area car buyers, accustomed to commuting, will visit auto malls as far

south as Seaside and as far north as Vacaville to get a good deal, Salter said.

"The bottom line is for us to be competitive, we've got to compete with Vacaville, where people can drive and spend the whole day shopping," he said.

So persuasive was Salter that the council majority — which until now has been hostile to the auto dealers' request for \$5 million — flip-flopped; they ordered City Manager Kent McClain to forge a \$5 million deal with the auto franchise owners that will kick back some of the sales tax generated by the move.

"I think what happened is the auto-mall consultant presented us with a lot of infor-

mation we hadn't heard before," Mayor Gus Morrison said.

Not only that, but Salter has the council interested in dealers' plans to expand the mall.

With the city's financial help, as many as 30 dealers rather than the presently planned 23 may enter the proposed complex, which could make Fremont's the largest auto mall in northern California, Salter said.

A "super auto mall" would draw people from farther away, but they won't buy cars in Fremont if the price auto dealers must pay for land is excessive, driving up the

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price of the cars they sell, Salter said.

Morrison, who earlier said he didn't want to hand over a \$5 million check, said the possibility of expanding the auto mall and including dealers who might currently be unable to afford to move into the mall made him change his mind.

"The concept of making sure it's possible for all the dealers to move to make it a stronger mall — that's important," Morrison said.

The mall is planned on 88 acres in southwest Fremont near Durham Road currently owned by Santa Fe Pacific Realty, which will have to approve any agreement.

Santa Fe is offering the land at \$6.91 per

acre. Although that is well below what auto dealers will pay for land in Milpitas, where the city is kicking in \$8 for every \$10 the auto dealers pay, it isn't as low as land prices ringing the Bay Area.

Councilman John Dutra, who before the meeting had opposed helping out the auto dealers financially, also changed his mind Tuesday.

"The mechanism for promoting this I thought was fair," Dutra said. "The weakest dealer is paying less in sales tax but receiving the same benefit."

Auto dealers located in Centerville who plan to move to the 88-acre auto mall bring in about \$2.18 million annually in sales tax, said Finance Director Dave Millican. When the auto mall is complete in 1992, those

dealers who move will bring in about \$3.48 million annually in sales tax, Millican said.

The City Council authorized McClain to develop a plan that will dedicate a part of the estimated increase in sales tax from automobiles to public improvements. Sales taxes the auto dealers already pay will remain untouched.

Under any proposal McClain takes to the council, the money would have to go toward public improvements such as freeway overpasses or city streets.

Councilman Gary Mello, who was ready to accept a seven-point proposal the dealers had offered after talks with city staff broke down, called the subsidy a "public/private partnership."

But the dealers' plan had too many legal obstructions, McClain told the Council.

"We simply cannot turn sales tax over to a private person — that's illegal," McClain warned.

With Milpitas already reviewing site plans for its auto mall, and Union City thinking about hiring a consultant to determine whether one could be built within its borders, the urgency of moving forward on Fremont's mall prompted concern on the council and among members of the community.

McClain said he would work on an agreement with auto dealers so that a plan could get back to the council "immediately if not sooner."