

# Marina Auto Mall Memo

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From: John Pico

Here are my thoughts on Marina Auto Mall versus Mission Boulevard. The bottom line is that Mission Boulevard is a dying street and the faster you can get out of there, the better.

Hayward's heyday was back in the 1970s and 1980s and it has been a declining area ever since. When Hank Torian, Art Bridges, Don Lucas and the rest of the old gang went there in the late 1960s and early 1970s, there was no Marina Auto Mall and there was no Fremont Auto Mall. All but two of the dealerships in Fremont were on Fremont Avenue and they were the two "auto centers" between Oakland and San Jose.

Today, Hayward auto row is in decline and Marina and Fremont Auto Malls are thriving. Lucas was glad to get out of the Honda store on Mission Boulevard; AutoNation could not get out of the Nissan store, so they are going to close it and Nissan will keep it closed; and Bud Allan had his Hayward Chevrolet store listed with National Business Brokers for a year and nobody would even make an offer.

Chrysler Jeep is dead. (Dealerships are like dinosaurs, you put a bullet in their brain and they walk five miles before the drop. Said Barzegar has a couple of more miles left, but don't be deceived by the fact his lights are still on. He will go away.)

Knezevich, once the bright star of Ford, ended up the year with a loss in both his Ford and Lincoln-Mercury dealerships.

The good news is that you got sued for an ADA violation and it forced you to take a hard look at your store and the street and see just how lousy the area really is.

Anyway one looks at it, Marina Boulevard is growing and Mission Boulevard is dying.

Marina and Fremont both advertise heavily and have giant reader boards on the Nimitz Freeway (I-880). The daily traffic count at Auto Mall Parkway and 880 runs 144,000 Southbound and 164,000 northbound. At Marina Boulevard and 880, the count runs 244,000 Southbound and 240,000 northbound. At Teagarden and Marina (where Ford, Nissan, Pontiac and Buick are located, the traffic is so heavy that last month (January 2006) they had to install traffic light cameras to help control the drivers.

The dealerships on Marina are new, vibrant and on the rise. When Tim Paulus got the Ford store it had a decade history of selling about 30 new cars a month. After he moved it to Marina Boulevard, have averaged almost 200 new cars per month. (Tim is Bob Knezevich's closest competitor and it would be a good guess that Bob Knezevich will never reach his glory years of the 1990s again - at least on Mission Boulevard he won't.)

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It speaks volumes that the two guys that were in the hunt for Hayward Dodge were two of Dodge's top dealers who remembered Hayward Dodge in the good old days. It's kind of like racing, the car is good and the driver is good, but the track is bad.

Marina would not only give you a better location, but it would give you a better facility and a better piece of property (larger). It is the future.

How do you get there?

You first became a Chrysler dealer in 1972 and, for the past 34 years you have supported the product and the franchise through bankruptcy and through good times. If Iacocca needed someone to go to Congress, you stepped up and went; if he needed a donation, you made it; if the zone manager needed vehicles sold because of the bank the factory accumulated throughout the year, you took extra vehicles.

I think we need to bring them (the factory) into the loop and work something out that would benefit both of you. Right now you own a building on Capitol Expressway that Chrysler sold you and that will shortly be worthless when your lease expires because you do not own the land. At the same time, you are leasing a building on Mission Boulevard that will cost over a million dollars to bring into compliance with the American with Disabilities Act (ADA) and you are fodder for any lawyer that wants to make you a target. (After this last suit, you can be sure that you have a big X on your back already.)

The ideal situation would be to get your money back for the building on Capitol; sell Dodge on Capitol to Normandin, so that he can make an Alpha; get out of the building on Mission; build a new facility on Marina; pick-up Chrysler Jeep to put with Dodge on Marina; and concentrate on selling vehicles.

As you go up Mission Boulevard from south to north, the dealership three doors up from you is closing (Nissan) and the dealership is going away; the dealership two doors up from you closed and the facility is for sale; the dealership next door (Chevrolet) to you has been for sale for a year and couldn't get an offer; the dealership on the other side of you (Ford) hasn't been black in two years and the Arco station next to him is making a killing. (Hmmm. Gas Station? Nope, let's stick to selling cars.)

I have the plot map for the land and the blueprints for the dealership on Marina. I'll share them with you when I see you this weekend. Anyway, I have more to share and we have a lot to talk about. I look forward to visiting.

In the interim, if you have any question or comments, please feel free to call.

Best Regards,

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*John*

This month marks a full year since I wrote the attached report for you and you passed it on to Chrysler. During the past year I have written several other memos and I have flown to California for three meetings (one here and two in Irvine) and a number of calls with you the factory (March 3, September 8 and November 21) with the end result being that your position in Hayward keeps eroding and you still have no direction with respect to a new facility.

At present there is one piece of property left in the Marina auto mall and, if Chrysler does not tie it up soon, it will be gone and the subject of your future there will be moot.

With respect to Mission Boulevard, Hayward, your next-door neighbor to the north (Hayward Ford) watched new retail sales decrease 22.76% from 1,942 in 2005, to 1,500 in 2006. It also had a record month in November with a \$345,000 loss.

At the same time, your next-door neighbor to the south (Hayward Chevrolet) dropped from 748 new retail in 2005 to 651 new retail in 2006 for a 12.97% decrease. In the interim, there still isn't anyone who will bid on Hayward's Chevrolet store and the owner still cannot get it profitable.

On the other hand, even with its own 4.52% decrease in new retail sales (819 in 2005 versus 782 in 2006), the Chevrolet store on Marina Boulevard outsold Hayward and was profitable.

It should also be noted that in 2006 the Ford store on Marina Boulevard fought a huge battle with the union and still managed to retail 1,153 new vehicles. That fact brings up the issue that while Hayward dealerships are unionized, the Honda, Pontiac-GMC, and Chevrolet stores on Marina Boulevard are all union free stores, resulting in higher profit for the dealer. In addition, Ford took care of the union last year and Nissan and Hyundai-Kia will be taking care of it this year. As a result, it would be reasonable to predict that a new Chrysler store on Marina Boulevard would be non-union.

Another fact that has come to light since my memo of February 2006 is the fact that the facility you are in was misrepresented as being fit for business, when in fact it was ADA deficient; and

All of the facts I outlined in my February 2006 memo still hold true and the fact that you were able to increase Hayward Dodge's sales 59.63% (from 654 in 2005 to 1,044 in 2006), speaks more to your ability to sell cars and your willingness to lose money, than it does to the location.

Based on the demographics, the traffic, the surrounding business and the performance of the existing competitive dealerships on Marina Boulevard (see 2006 memo), if you were there you would have sold double the vehicles. Furthermore, if Chrysler had made you an Alpha dealer with Heavy Duty Truck, you could have tripled your sales.

Currently, of all the Chrysler, Dodge and Jeep stores in the entire Bay Area (including the Alphas), your single-point Dodge stores ranked 2<sup>nd</sup> and 3<sup>rd</sup> in new retail vehicle sales volume, behind only the Alpha store in Sunnyvale. Therefore, based upon your current performance, in your current locations, the projections for you at a Marina Boulevard location are conservative.

In my opinion, here's what needs to be done:

1. Chrysler has to decide whether it wants to be represented with Ford, Chevrolet, Honda, etc. on the new auto row at Marina Boulevard, in San Leandro or not;
2. If it does, it needs to have Bob Behler at Realty immediately look into the possibility of securing the last available auto site there, or the opportunity may be lost;
3. If it does not, it needs to build a new building on Mission Boulevard for any number of reasons, the most urgent of which is the lawsuit that was filed against Hayward Dodge for the building being non-compliant with the American with Disabilities Act (ADA).

I appreciate all the work Charlie Polce has done, but Charlie does not have the authority to do the things I mention above.

Consequently, I would suggest Charlie contact someone in Detroit and get a commitment to get the ball rolling by investigating the property on Marina Boulevard and opening discussions regarding the option to purchase either that property, or if you do not more, the Mission Street property.

As always, should you have any questions, comments or suggestions, please do not hesitate to call.

Best Regards,

*John Pico*