

Reflections on Real Estate

A Quarterly Publication from Souza Realty & Development

Winter 2000

Growth Has a New Look in Tracy

By Mike Souza

On November 7, the voters of Tracy passed Measure A, an initiative that amends the growth management ordinance, cutting the residential growth rate in half. The impacts of this Measure are not quite known yet, but they promise to be far-reaching and significant.

Measure A cuts the annual limit of building permits and growth management allotments from 1,200 – 1,500 to 600 – 750. The higher number in the range can be used if the average number of units is less than the lower end of the range. For example, the old growth management ordinance calculated the average since its inception in 1987. During the recession, there was an eight year period where the average annual allocation of allotments and building permits was around 400. Once the economy turned, 1,500 allotments were issued per year, and the average peaked this year at around 1,100.

Measure A begins calculating the

average from January 1, 2000. Approximately 1,000 allotments were issued this year, and there will probably be over 1,200 permits issued. This means that in order to maintain the average of 600, a strict interpretation of the Measure would indicate no permits or allotments can be issued next year.

At issue will be the status of projects with approvals prior to the passage of Measure A. Most all approved projects have either development agreements or vesting tentative maps. Development agreements unquestionably protect a project from the initiative, and most agree that projects with vesting tentative maps are also protected. The theory behind vesting tentative maps is that the laws in effect at the time the map is approved are the laws the project will be subjected to. As such, it would appear the projects with vesting tentative maps are insulated from Measure A. The proponents of Measure A have made it clear that they will challenge

the applicability of vesting rights, and the most likely outcome will be a decision by a judge.

Regardless of the applicability of vested rights, how the average is implemented is the pressing question. If the average is truly retroactive to January 1, 2000, and all the projects with vesting rights have a priority (about 3,000 units) and count towards the average, it will be seven or more years before any new projects can come on line in the Tracy City limits.

At the City Council meeting of December 5, City Staff will be reporting on the steps that are necessary to implement Measure A, and on December 19 they will be presenting an implementation plan to the Council, including their interpretation of vesting rights and how the average will be implemented. These two reports are crucial to the future of orderly, well planned growth in Tracy. We will keep you informed of how it goes.

County Land Use Issues

By Jim Gwerder

CONTRA COSTA AIRPORTS

In November, Contra Costa County's Airport Land Use Commission moved one step closer to adopting an Airport Land Use Compatibility Plan (ALUC Plan) for the county's two airports (Buchanan Field in Concord and Byron Airport in southeast Contra Costa County). Two meetings were held in November to take public comment on the draft plan, and the Commission is aiming

for adoption of the plan in January 2001.

The purpose of the ALUC Plan is to promote compatibility between the airports in Contra Costa County and the land uses surrounding them. The compatibility issues fall into two main categories: safety and noise.

Forecasts of airport usage from adopted airport master plans were updated and used as a basis for the draft ALUC Plan.

Once adopted, the ALUC Plan will serve as a tool for use by the Airport Land Use Commission in fulfilling its duty to review airport and adjacent land use development proposals. Additionally, the ALUC Plan sets compatibility criteria applicable to local agencies in their preparation or amendment of land use plans and ordinances and to landowners in

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their design of new development.

The formulation of the new ALUC Plan has been a long time coming, and after many fits and starts, it looks as if Contra Costa County will have a new ALUC Plan to ring in the New Year. This holds a special significance for southeast county, as the County will be initiating a General Plan review of the Byron Airport and its immediate environs upon adoption of the new ALUC Plan.

SAN JOAQUIN COUNTY

In January 2000, the San Joaquin County Board of Supervisors directed the county staff to identify a process to complete a specific plan for the area located between the City of Tracy and the Planned (County) Community of Mountain House. The Specific Plan was to identify viable agricultural land and provide for a "Community Separator" between Tracy and Mountain House.

Then in April of this year, the San Joaquin County Board of Supervisors authorized several activities having to do with the implementation of the San Joaquin County's "General Plan 2010".

The Board directed that the "Basic General Plan Values" listed below be utilized for implementation of the General Plan and that internally consistent implementation measures and strategies be developed for each. Those "Values" are (italics added):

- To preserve agricultural lands and protect natural resources
- *To accommodate future growth in cities and urban rural communities along major surface transportation routes*
- To develop economic development strategies
- To identify and implement urban limit lines

There were thirteen directives to county staff in the April action, including creating an Exclusive Agriculture zone, creating a model Farmland Conversion Ordinance, and initiating discussions with cities to establish new Local Agency Formation Commission Standards and Procedures and Urban Limit Lines.

The April staff report contained hints that the County Board was interested in more than preserving farmland in the unincorporated

areas of the county. For instance, the staff report states that "San Joaquin County needs to anticipate future development interest to increase as a result of the current and forecasted robust economy; reduced growth potential in the Bay Area caused by both a reduction in available land and increased development costs; and *additional ballot box growth control measures.*" Also, "The window of opportunity for the County to prepare itself for this growth *and to provide necessary infrastructure, utilities, and services* is limited. As time progresses the window of opportunity will narrow ...".

Since April, San Joaquin County staff has presented the directives to the cities and various groups in the county. A stakeholder group was formed to hammer out the concept of a community separator between Stockton and Lodi.

Also since April, the Sierra Club's ballot box measure passed in neighboring Alameda County, and TRAQC's ballot box measure passed in Tracy. In addition, the Tracy area lost its representation on the Board of Supervisors with the unfortunate passing of Supervisor Robert Cabral.

On November 14, the County Board of Supervisors considered a staff proposal regarding the unincorporated area west of and adjacent to the City of Tracy. Two options were presented: 1) Do a specific plan for the 1,600 acre area between I-205 and I-580, which would delineate development on four separate land use proposals, of which 1,300 acres would be considered for commercial/industrial purposes in "Business Parks", or 2) Do a specific plan for those 1,300 acres plus another 8,400 acres north of I-205 (between Tracy and Mountain House). Ostensibly, the 8,400 acre portion of the plan would fulfill the Board's direction in January.

Amidst protests from local Tracy residents involved in community planning efforts, the Supervisors decided to move forward with a plan and associated environmental studies on the entire 10,000 acre area. Specifically, staff will be allowed to accept applications for a General Plan Amendment, a Specific Plan, and an Environmental Impact Report from the development interests. Staff will then return to the Board with proposed agreements for the preparation of the Environmental Impact Report and the Specific Plan.



Reflections on Real Estate is published quarterly by Souza Realty & Development. SR&D is a family-run real estate firm specializing in development, development consulting, land and commercial brokerage, and land valuation.

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SITE PLAN



FUTURE TENANTS

- Allstate Insurance
- Eaton Optometric Group
- Prudential California Realty
- Willson & Company

PROPERTY FEATURES

- Project Size: 35,000 ± SF
- Phase I: 27,000 ± SF (Available Fall 2001)
- Phase II: 8,000 ± SF (Available 2002)
- Single & Two-Story Professional Office Buildings divided into condominium units ranging in size from 1,000 ± SF to 10,000 ± SF
- GHC (General Highway Commercial) Zoning
- Lot Size 2.7 acres
- Parking Ratio of 4.72 spaces per 1,000 SF; 185 spaces provided
- Wood frame construction with stucco façade
- Raised foundation
- Great exposure and access from Eleventh Street & Tracy Boulevard
- For sale @\$200 per SF
- For lease @\$2.00 per SF NNN

Interest Rates

By Rich Davidson

As you can see from our interest rate table, short-term rates, as well as long-term rates, have decreased during the last three-month period, as they had in our last newsletter. The Federal Reserve continues to maintain the status quo.

The author moderated a panel for the Bay Area Mortgage Association recently, entitled "Equity Investing in the New Millennium". The key points discussed at the dinner meeting were:

1. Institutional equity sources like to have their money outstanding for no more than 2-3 years, so they have a relatively short time frame.
2. Rates of return depend on the level of risk, but typically these investors seek returns that are in the 20-30 percent per year range.
3. They can collateralize their invest-

ment with a second trust deed, or with a partnership interest where the first trust deed lender does not allow secondary financing.

4. The high rents in the Bay Area are making it difficult for these financial partners to make investments in Northern California. Markets in Southern California and in other locations are more attractive because the rents are lower.
5. Typical exit strategy is from the sale of the property.
6. Equity sources are using the Internet on smaller transactions.

RECENT LOAN CLOSINGS

1. \$1,400,000 fixed rate permanent loan on shopping center in Central Valley.
2. \$500,000 letter of credit to assist client with an equity investor.

ACTIVE REAL ESTATE CONSULTING ASSIGNMENTS

1. \$3,400,000 construction loan on self-storage facility in Central Valley.
2. \$8,790,000 construction loan on to be built assisted living project in Oakland.
3. \$3,300,000 permanent financing on apartments in Seattle.

KEY INTEREST RATES & INDICES - 11/28/00		
INDEX	CURRENT RATE	CHANGE FROM PREVIOUS NEWSLETTER
Bank Prime	9.50%	Unchanged (last increase 5/17/00)
1 Yr. Treasury	5.80%	-0.25%
5 Yr. Treasury	5.57%	-0.34%
10 Yr. Treasury	5.59%	-0.24%
30 Yr. Treasury	5.67%	-0.22%
LIBOR (1 mo.)	6.62%	Unchanged
LIBOR (6 mo.)	6.70%	-0.07%
LIBOR (1 Yr.)	6.67%	-0.17%



Happy Holidays!
from the staff of SR&D



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