

Reflections on Real Estate

A Quarterly Publication from Souza Realty & Development

Winter 2003

Who are the NEW Future Buyers for Ranches & Open Land?

By Jim Gwerder

When looking for land to farm or run cattle the old real estate maxim “Location Location Location” has for years influenced people’s ranch buying decisions. Besides being a capital asset of a ranching operation, the land is primarily an investment which a buyer hopes will appreciate in value due to various factors.

One major factor influencing value over time has been urban growth and government urban planning. Think about the typical case in Anytown USA where property purchased way out in the country is suddenly (25 years later) right next to the city limit. The old Location maxim dictates that this land will be worth more money than a similar property that is still “way out in the country”. Or, consider the situation in Contra Costa County in the early 1990’s when a county-wide Urban Limit Line (urban growth boundary) was enacted: land values (mostly on the outside of the Line) immediately were affected.

Historically, the flow of dollars for farm and ranchlands in the path of urban

growth has been from developers hoping to develop lots or buildings. In the past several years though, a different picture for these well-positioned properties is emerging: the flow of dollars from buyers hoping to preserve the property in its current agricultural state or “return it to nature”. This breed of buyers consists of public and private conservan-

As opposed to planning where urban growth should go, Contra Costa County is planning where “open space” and habitats and species should stay.

cies and trusts cooperatively pooling funds for purchases. These buyers operate locally, regionally, statewide and nationally.

In Contra Costa County, Save Mount Diablo and East Bay Regional Park District have been joined by the Muir Heritage Land Trust and the

Contra Costa County Agricultural Land Trust. Save Mount Diablo has been involved in some 76,000 acres since 1976, most recently purchasing a 62 acre property in Morgan Territory for a reported \$6,200 per acre. East Bay Regional Park District acquired 25,000 acres between 1989 and 2000 for a reported total price of \$176,250,000 (\$6,900 per acre average). Over the past ten years, Muir Heritage Land Trust has participated in about 950 acres of fee-title and easement acquisition. In the few years since its inception, the fledgling Contra Costa County Agricultural Land Trust has provided cash in a cooperative purchase of the 1,000 acre Clayton Ranch (which was ultimately turned over to East Bay Regional Park District on the condition that grazing be allowed to continue), and a 16 acre agricultural easement in the Agricultural Core.

A multitude of players exist at the state and national level. The David and Lucille Packard Foundation recently

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Happy Holidays!
from the staff of SR&D

Buyers continued

announced that its \$175 million Conserving California Landscapes Initiative has preserved from development about 342,000 acres in the state since 1998. At least some of that money wound up in Contra Costa County: for example, Save Mount Diablo received a \$625,000 loan from the Foundation in 1999 to help purchase the 427 acre Silva Property at the end of Finley Road. The property was added to the Mount Diablo State Park.

Last year, the Trust for Public Land brokered the purchase of the 4,000 acre Cowell Ranch near Brentwood, cobbling together \$13 million from The California Coastal Conservancy, California State Parks

Department, California Wildlife Conservation Board, Caltrans Environmental Enhancement Mitigation Program, Contra Costa Flood Control District, and the Bureau of Reclamation. The ranch will become a state park.

In October of this year, escrow closed on the sale of three properties near Oakley totaling about 1,200 acres to the California Department of Water Resources. This was done through CALFED, the consortium of state and federal agencies concerned with Delta issues. According to CALFED documents, the properties were appraised at \$38,000,000 but were sold for \$28,000,000. CALFED funded the

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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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Recent Land Sales

Below are a sampling of land sales that have occurred since our last newsletter. Note that this information has been extracted from the Multiple Listing Service and public records and has not been verified for accuracy. If you have any questions regarding these sales, please contact our office.

CONTRA COSTA COUNTY			ALAMEDA COUNTY		
ACRES	PRICE		ACRES	PRICE	
5.00	350,000	7895 Camino Tassajara, Pleasanton	17.06	300,000	20124 W. Grant Line Rd., Tracy
5.23	280,000	Marsh Creek Rd., Brentwood	80.00	440,000	Mines Rd., Livermore
7.00	730,000	Alhambra Valley Rd., Martinez	109.66	1,325,000	2010 Manning Rd., Livermore
9.01	365,000	Sunset Rd., Brentwood			
9.42	400,000	Concord Ave., Brentwood	TRACY AREA		
9.98	385,000	Sunset Rd., Brentwood	ACRES	PRICE	
10.02	225,000	Camino Diablo, Byron	19.56	275,000	3 Vernalis Rd.
10.42	585,000	11660 Byron Hwy, Brentwood	40.96	380,000	5 Durham Ferry Rd.
11.66	400,000	Finley Rd., Danville	41.71	100,000	16770 W. Corral Hollow Rd.
17.70	550,000	Finley Rd., Danville	42.40	510,000	16211 W. Bethany Rd.
25.00	87,500	Bradford Island, Oakley	42.46	375,000	2 Durham Ferry Rd.
25.00	647,500	Monticello Rd., Lafayette	114.20	3,822,500	23347 Mountain House Pkwy
271.91	1,200,000	Marsh Creek Rd., Brentwood	635.00	465,000	19300 W. Corral Hollow Rd.
			1,197.02	5,746,000	10251 W. Sugar Rd.

POPULATION & GROWTH OF SAN JOAQUIN COUNTY

City	Population 1990	Population 1999	Population 2000	Annualized Growth	Projected Pop. 2010
Escalon	4,437	5,750	5,963	2.20%	9,109
Lathrop	6,841	9,550	10,445	3.70%	17,886
Lodi	51,874	57,200	56,999	0.99%	71,014
Manteca	40,773	48,250	49,258	2.30%	84,362
Ripon	7,455	10,050	10,146	3.50%	13,717
Stockton	210,943	244,900	243,771	1.95%	325,528
Tracy	33,558	50,600	56,929	4.21%	96,270
Unincorporated	124,747	130,900	130,087	0.29%	222,852
Total-San Joaquin County	480,628	557,100	563,598	1.92%	840,738

Source: San Joaquin Partnership website sjpnet.org

Buyers continued

majority of the purchase, with the State Coastal Conservancy contributing \$5,000,000. The land will be restored to a tidal marsh with a variety of habitat types while serving the local community with shoreline access and other opportunities.

As discussed earlier in this article, many conservation purchases in the area have been in response to land use plans that allow for some amount of development. Contra Costa County is currently engaged in land use planning from a different angle: as opposed to planning where urban growth should go, they are planning where "open space" and habitats and species should stay. Unlike similar efforts in the past, both of these new planning activities are programmed with funding for purchases

of property from willing buyers.

The Open Space Protection and Enhancement Funding Measure for Contra Costa County calls for almost \$130,000,000 in property purchases to be funded by a benefit assessment district. This will require a vote of property owners to implement, and all indications are that ballots will be going out next year. Rather than target specific acreages for acquisition, the draft measure allocates portions of money for acquisitions in several key areas of the county. These areas are divided into "flagship projects", regional priorities, and community priorities.

The East Contra Costa County Habitat Conservation Plan/Natural Communities Conservation Plan is also being formulated. Economic analyses performed so far indicate land acquisition costs ranging from \$133,000,000

to \$175,000,000 for fee title and conservation easements on 23,000 to 31,000 acres of land. There will also be substantial costs for management of the land and the cost of administering of the plan. The funding sources will need to be positively identified in order for the plan to be acceptable to the federal and state wildlife agencies. There will be about one year more of plan formulation before going to the wildlife agencies for their approval.

If approved and implemented, the Open Space Protection and Enhancement Funding Measure and the East Contra Costa County Habitat Conservation Plan/Natural Communities Conservation Plan will add to the stable of buyers for ranches.

Staff Notes

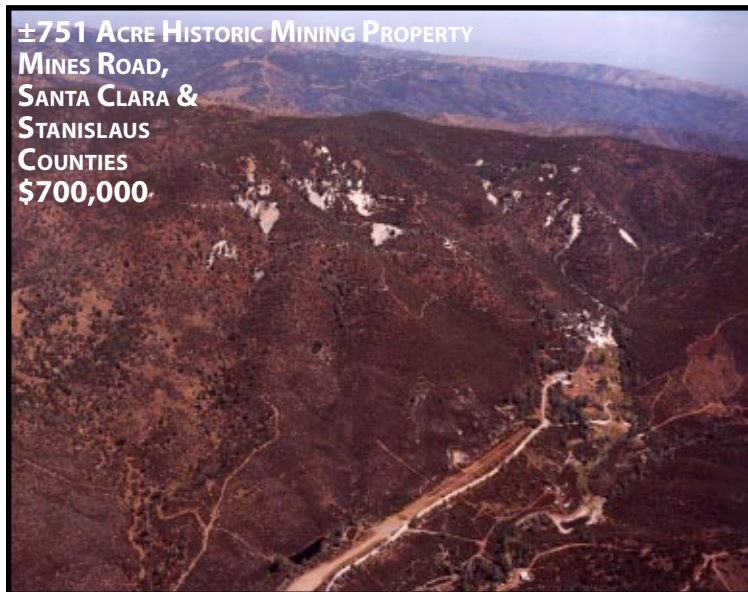
It is with great pride and pleasure that we announce to friends and clients that Mike Souza, after meeting the necessary requirements and careful peer review, has been awarded the designation of *Counselor of Real Estate* (CRE) by The Counselors of Real

Estate, an affiliate of the National Association of Realtors. As defined by the Counselors of Real Estate, a real estate counselor is an advisor who brings a broad range of real estate experience and technical competency to assignments for clients. While objective in

analysis, the counselor directs his efforts toward the clients' best interests through evaluation of options, advocacy of the client's interest and/or development of appropriate strategies. We congratulate Mike on this prestigious designation.

Property For Sale

±751 ACRE HISTORIC MINING PROPERTY
MINES ROAD,
SANTA CLARA &
STANISLAUS
COUNTIES
\$700,000



RETURN SERVICE REQUESTED

Interest Rates

By Rich Davidson

According to the Wall Street Journal, the bond market is betting that an interest-rate increase by the Federal Reserve could come sooner than expected, due to stronger economic data. This is reflected in how the 2.055% yield on the two-year Treasury note, which moves inversely to the price, has moved to more than one percentage point above the Fed's 1% short-term interest rate target.

RECENT LOAN CLOSINGS

1. \$3,800,000 permanent loan for an apartment complex in the Mid Peninsula.
2. \$1,400,000 15 year fixed rate for retail center in Truckee.
3. \$2,100,000 15 year fixed rate for office building in San Francisco.
4. \$1,000,000 land acquisition loan

5. \$7,450,000 construction loan for a residential condominium development in the South Bay.
6. \$1,600,000 loan secured by partnership interest profits from a condominium conversion.

ACTIVE REAL ESTATE CONSULTING ASSIGNMENTS

1. \$6,000,000 residential jumbo loan

2. \$7,325,000 construction loan for a condominium development in San Francisco.

If I can be of any assistance with your real estate financing needs, please do not hesitate to call me at (650) 579-3995. My email address is rdavidson@redcofinance.com.

KEY INTEREST RATES & INDICES

December 4, 2003

INDEX	CURRENT RATE	CHANGE FROM 8/5/03	NOTES
Bank Prime	4.00%	0.00%	
1 Yr. Treasury	1.40%	+0.14%	
5 Yr. Treasury	3.40%	+0.15%	
10 Yr. Treasury	4.37%	-0.05%	
30 Yr. Treasury	5.16%	-0.22%	
LIBOR (1 Mo.)	1.17%	+0.06%	
LIBOR (6 Mo.)	1.28%	+0.08%	
LIBOR (1 Yr.)	1.63%	+0.23%	
6-Month CD	1.21%	+0.06%	
Freddie Mac 60 day	5.75%	-0.34%	30 year fixed rate
12 Month Treasury Average	1.256%	-0.123%	
11 th District Cost of Funds	1.909%	-0.204%	
Consumer Price Index	185.0 (Oct)		Up 2.0% from a year ago