

Reflections on Real Estate

A Quarterly Publication from Souza Realty & Development

Fall 2005

East County Draft Habitat Plan Released

By Jim Gwerder

The East Contra Costa County HCP/NCCP is a thirty year plan that deals with habitat and species conservation and recovery within about 175,000 acres of land from the San Joaquin County line to Clayton. (For a more detailed summary, please see the Summer 2005 edition of *Reflections on Real Estate*).

Contra Costa County landowners have been following and participating in the process. The document is extremely comprehensive (complicated), representing the urge to learn from and not repeat mistakes made in other HCP's that have been approved, but not necessarily done what they were supposed to do.

The Federal Register notice of availability of the draft environmental impact statement/report was published on September 2, kicking off a 90 day comment period ending December 1, 2005.

PROS AND CONS OF THE DRAFT EAST CONTRA COSTA HCP/NCCP

1. CON: Contra Costa County landowners did not ask for this.

PRO: Contra Costa County landowners had input into this process which was an offshoot and recommendation of the 1996-1999 Biodiversity Study (ultimate recommendation being a program that would streamline the development process and fairly compensate landowners).

2. CON: Dovetails nicely with United

subdivision applications.

3. CON: Program will result in more government ownership of land.

PRO: Current development/mitigation practices probably result in more government acreage owned via fee simple or conservation easement.

Currently, Contra Costa County developers are allowed to mitigate

developments outside of the county, usually requiring 2 to 3 times as much acreage as would have been required if the mitigation occurred in the county.

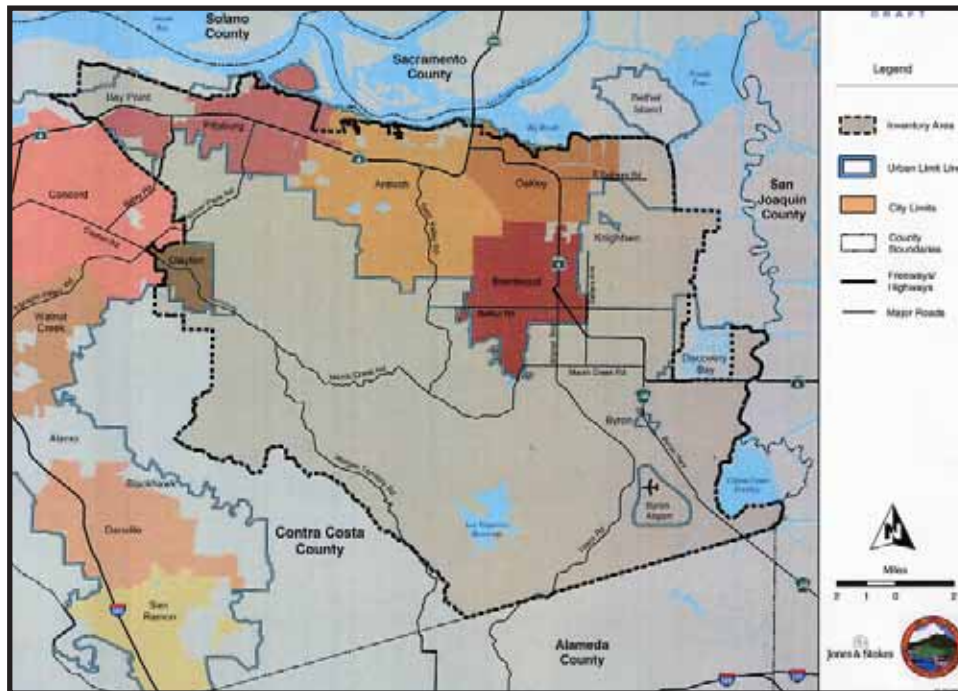
Contra Costa County landowners have fought for, and retained the requirement in the HCP/NCCP that all mitigation purchases will be in Contra Costa County for development that would receive a

permit under the HCP/NCCP.

4. CON: "Friendly condemnation" is not an option (allowing for longer reinvestment period for tax deferral purposes).

PRO: No land or easements acquired through eminent domain will be credited toward the HCP/NCCP.

see HCP page 2



Areas of eastern Contra Costa County encompassed by the HCP/NCCP

Nations Agenda 21 "corridors" and "core areas" concepts.

PRO: HCP gives landowners better chance of fair compensation for "corridor" and "core area" type policies that are already being implemented through County's General Plan and deference to state and federal wildlife agencies requirements in development and

HCP continued

Property and easements can only be purchased from willing sellers.

5. CON: The HCP/NCCP has the potential to be a 300 pound gorilla in the real estate marketplace.

PRO: Contra Costa County landowners have worked diligently to provide the most recent and relevant market data so that HCP consultants and all involved have a realistic idea of 1) property values and 2) the true cost of the program.

We have also supported an oversight committee with some real estate expertise, and a "truing" process that evaluates land values periodically, with scheduled fee increases that are based on consumer price index and home prices. These are included in the draft HCP/NCCP.

6. CON: All this mitigation and preservation are a huge cost to society and thus impede affordable housing.

PRO: In the current system of development/mitigation, varying amounts of time and money are expended on acquisition, legal work, biological work, maintenance, negotiation of mitigation requirements, etc. These costs are ultimately reflected in the sales prices of homes, but are never quantified in such a way that the buyers and general public see it. The HCP/NCCP brings these costs into the light.

7. CON: The HCP/NCCP could "cloud"

properties identified in the preserve system.

PRO: It can be argued that property in the preserve area are already "clouded" (see #2 above). The HCP/NCCP directs that dollars be funneled into the "clouded" area for fee simple and conservation easement acquisitions over at least some of those acres.

8. CON: HCP/NCCP goes beyond the life of the county general plan.

PRO: HCP/NCCP accounts for a "maximum permit area", which is somewhat undefined acreage outside of current general plan urban designations and the urban limit line.

9. CON: Not all land is scheduled to be acquired, could potentially leave properties "landlocked" by conservation easements or mitigation properties.

PRO: Developments outside of the county may still purchase mitigation property in the preserve area of the HCP/NCCP. HCP/NCCP does not dictate allowed uses on private, ag zoned properties in the preserve area.

10. CON: "One stop shopping" (wetlands and terrestrial habitat take permits) not achieved in HCP/NCCP.

PRO: Wetlands agencies and HCP staff are working towards a regional permit type situation that, if successful, would rely on the conditions prescribed in the HCP/NCCP and shorten processing time.

see HCP page 3



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 & Ranch 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	
2989 Briones Valley Rd., Brentwood	5.18	550,000	Crow Canyon Rd., Castro Valley	3.75	280,000
Camino Tassajara, Pleasanton	6.66	795,000	Little Valley Rd., Sunol	5.54	690,000
Taylor Rd., Bethel Island	8.68	400,000	19600 Mines Rd., Livermore	39.39	540,000
2100 Bartels Dr., Knightsen	9.58	595,000	4760 Collier Canyon Rd., Livermore	60.69	845,000
2300 Bartels Dr., Knightsen	9.67	575,000	Mines Rd., Livermore	95.89	335,000
Tule Ln., Knightsen	9.71	595,000	11450 Cull Canyon Rd., Castro Valley	100.00	1,150,000
Fischer Ave., Knightsen	9.98	760,000	S. Flynn Rd., Livermore	100.90	875,000
1950 Arabian Ln., Brentwood	10.49	1,650,000	S. Flynn Rd., Livermore	112.00	950,000
2250 Hoffman Ln., Byron	12.27	1,010,000	Palomares Rd., Castro Valley	135.00	2,300,000
6150 Byron Hot Springs Rd., Byron	13.67	990,000	Tesla Rd., Livermore	142.39	568,000
1190 Bear Creek Rd., Martinez	20.00	750,000			
Collier Canyon Rd., Danville	80.07	1,675,000	TRACY AREA		
Byron Hot Springs Rd., Byron	200.00	2,075,000	Lehman Rd.	13.54	650,000
14031 Vasco Rd., Byron	232.41	1,181,450	26900 S. Hansen Rd.	50.69	520,000
			Durham Ferry Rd.	84.00	710,000
SANTA CLARA COUNTY			Greenwood Rd.	98.00	950,000
ACRES	PRICE		666 Homestead Rd.	206.63	1,900,996
55305 Mines Rd.	23.50	235,000			

The median home price in California will increase 10 percent to \$575,500 in 2006 compared with a projected median of \$523,150 this year, while sales for 2006 are projected to reach 630,610 units, falling 2 percent compared with 2005. The double-digit gain in the median price of a home will be fueled by the continuing shortage of housing across much of the state.

California Association of Realtors website (car.org)

Staff Notes

Anthony F. Souza, CRE, has been designated a "Fellow" (FRICS) of the London-based Royal Institution of Chartered Surveyors (RICS), the largest professional body for property, land, construction and related environmental issues worldwide.

Through a unique agreement with the U.S.-based Counselors of Real Estate organization, The Royal Institution of Chartered Surveyors invites only select members through its "Eminent Practitioner" route. With his FRICS designation, Tony joins an elite corps of individuals who represent only a fraction of one percent of the 110,000 global membership of RICS.

Tony says of the honor, "Real estate is a global industry now and being a member of this international network is an exciting opportunity."

Tony is currently serving as the Vice Chairman-Elect of the Board of Directors of The Counselors of Real Estate and will become the organization's Chairman of the Board in 2007.

Specializing in planning and entitlement of raw land for urban and suburban development, Tony oversees all operations at Souza Realty & Development of Tracy, California. As a real estate consultant, he is engaged in litigation support analyzing impacts of condemnation activities on property and providing testimony as an expert witness in condemnation cases and other legal proceedings.

James A. Gwerder has been invited to be a panelist at the Third Annual Northern California Conservation Planning Partners Workshop in Vacaville on November 17, 2005. Conservation organizations from Placer, Sacramento, Yolo, Solano, Contra Costa, and Santa Clara Counties have been organizing this conference each year and have typically attracted about 150 participants. This year, the organizers have asked for a presentation and panel discussion on the East Contra Costa Habitat Conservation Plan because it is the first of these plans to reach the formal draft stage. Jim has been representing the interests of Contra Costa County landowners since the conception of the ECCHCP about three years ago.

HCP continued

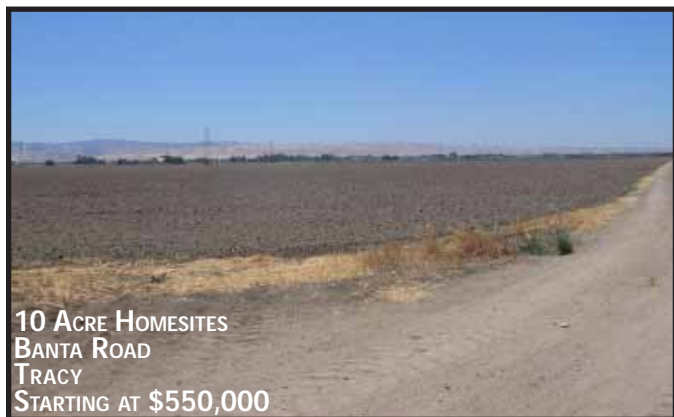
11. CON: "Neighboring Land Assurances" are meant to deal with concerns of agricultural landowners adjacent or near preserves (that populations of listed species in the preserves may expand and colonize or use their lands, potentially restricting their land use activities). The program as described is not automatic, but requires the landowner to "sign up". The assurances would only be provided within 1 mile of the preserve, even though many species are thought to travel multiple miles. Once signed up, the landowner's property would have to be evaluated by a biologist to determine if there are already species present on

their property. The reason for this, is that the HCP's "assurance" is to provide to the neighboring lands incidental take coverage of species *authorized for take* by the HCP's permits should any such lands support increased use or become inhabited by a covered species *after* establishment of a preserve parcel within one mile. In other words, the neighboring lands would receive incidental take coverage for the *new* species that show up after the preserve parcel is acquired, but not for the species that *may already be there*. So, let's say you've signed up for the neighboring landowner program and had a biological survey that identifies species "x" as being on your land.

Three years later, you accidentally run over a member of species "x" with your tractor, and the preserve manager happens to look over the fence and see it. How do you go about explaining or even understanding whether that particular member of species "x" was there when you signed up for the program?

PRO: According to the draft document, if the property owner signs up for the program they will receive some incidental take coverage. If not enrolled in the program there will be no incidental take coverage (as is currently the situation). A legal opinion would be welcome on this one.

Properties For Sale



RETURN SERVICE REQUESTED

Interest Rates

By Rich Davidson

As you can see by the above interest rates, short term interest rates have continued to increase. The Federal Reserve continues to increase its discount rate, the rate the Fed charges member banks on overnight borrowings. This makes short term borrowing, such as construction financing, more expensive. This is starting to slow down certain types of short term borrowings according to banking sources. The Fed has now raised the Federal Funds rate by a quarter percent (¼%) at each of its past

11 policy meetings. The Fed continues to be concerned about inflation.

Longer term rates as exhibited by treasury rates of 5, 10 and 30 years, trended upward as well, as have long-term home mortgage rates. However, the long term rates have still not risen as dramatically as the short term rates.

This is due in part to the continued instability in the Euro and the strong foreign demand for treasuries. The dollar has increased again in value against the Euro and Yen as comments from Federal Reserve officials suggest that the Fed will continue raising interest rates despite the recent damage from the hurricanes. Rising rates support the dollar since they attract global investors who seek better

returns.

I have added a new statistic to the analysis above—The Conference Board's consumer-confidence index. The ratio fell sharply in September to 86.6, down from 105.5 in August. That marked the largest decline in confidence since October 1990.

RECENT LOAN CLOSINGS

- \$5,450,000 debt and equity construction loan for residential development in Oakland.
- \$4,000,000 equity for condominium conversions in Seattle, WA.
- \$1,820,000 refinance of existing shopping center in East Bay.
- \$1,400,000 equity for condominium construction in Berkeley, CA

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 September 28, 2005			
INDEX	CURRENT RATE	CHANGE FROM 6/2/05	NOTES
Bank Prime	6.75%	+0.75%	Last change: 9/20/05
1 Yr. Treasury	4.00%	+0.64%	
5 Yr. Treasury	4.12%	+0.48%	
10 Yr. Treasury	4.29%	+0.41%	
30 Yr. Treasury	4.56%	+0.34%	
LIBOR (1 Mo.)	3.84%	+0.69%	
LIBOR (6 Mo.)	4.18%	+0.66%	
LIBOR (1 Yr.)	4.37%	+0.67%	
6-Month CD	4.15%	+0.68%	
Freddie Mac 60 day	5.75%	+0.42%	30 year fixed rate
12 Month Treasury Average	3.019%	+0.515%	T average
11 th District Cost of Funds	2.757%	+0.242%	Fund Cost
Consumer Price Index	196.4 (Aug.)		Up 3.6% from year ago
Federal Funds Rate	3.75%	+0.75%	
Consumer Confidence Index	86.6 (Sept.)		Down from 105.5 in Aug