

Reflections on Real Estate

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Winter 2007

FEMA to Update Flood Hazard Maps for San Joaquin County

By John Palmer

As part of the National Flood Insurance Program, the Federal Emergency Management Agency (FEMA) is updating the Flood Insurance Rate Maps that apply to San Joaquin County and all the cities in the county. Flood Insurance Rate Maps (“FIRMs”), also referred to as flood hazard maps, identify the areas at risk of flooding as a result of a 100-year flood event and are used to determine flood

insurance rates for your home and/or business.

The update to the San Joaquin County FIRMs is necessary to replace maps of San Joaquin County that are up to 26 years old and also to provide mapping of some rural areas that were never mapped in detail. The change in water flow, levee conditions and drainage patterns associated with erosion, land use and natural forces have

certainly impacted the flood risk of areas throughout the county. FEMA will inspect and evaluate the current condition of flood protection levees, and by utilizing new digital mapping techniques, FEMA will be able to provide current data on San Joaquin County flood hazards and therefore provide more accurate mapping of those areas

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San Joaquin LAFCO Adopts New Policies

By John Palmer

In September of this year the San Joaquin Local Agency Formation Commission (LAFCO) adopted a new set of “Policies & Procedures” to govern spheres of influences, municipal service reviews, and annexations.

Established by state law in 1963, the LAFCO is responsible for coordinating logical and timely changes in local governmental boundaries, including: annexations and detachments of territory; incorporations of cities; formations of special districts; and consolidations,

mergers, and dissolutions of districts. LAFCO also reviews ways to reorganize, simplify, and streamline governmental structure. LAFCO also has the authority to initiate proposals involving district consolidation, mergers, and reorganizations. In addition, LAFCO is responsible for reviewing out-of-agency service agreements between property owners and service providers.

LAFCO also is charged with developing and updating spheres of influence for each city and special district within

the county. Spheres of influence are planning tools used to provide guidance for individual proposals involving jurisdictional changes, and are intended to encourage efficient provision of community services and prevent duplication of service delivery. Territory must be within a city or district’s sphere in order to be annexed.

The stated mission for San Joaquin LAFCO is: “To encourage the orderly

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Merry Christmas &
Happy New Year!
from the staff of SR&D



LAFCO continued

development and reorganization of Local Governmental Agencies, to preserve agricultural land, and to discourage urban sprawl”.

In discussions with LAFCO staff, it was conveyed that the main goal of the new policies was to establish as set rules and guidelines that would be more consistent with the purpose and mission of LAFCO. Also, it was just a matter of fact that the existing set of governing policies were last updated in the 1970's, and needed to be updated to be consistent with changes in State law that govern LAFCOs.

FEMA continued

subject to flooding as a result of a 100-year flood event.

It is likely that the boundaries of the flood risk zones for San Joaquin County will be redrawn and will change the flood insurance requirements for many properties. If your home or business is placed in a high-risk zone you will be required to purchase flood insurance if you carry a mortgage from a federally regulated lender. There may be an opportunity for newly designated high-risk properties to lock-in lower costs options available through the National Flood Insurance Program (NFIP) “grandfathering” rule.

The adoption of the new set of policies took many months and included several public hearings, workshops, meetings, and discussions with the cities, special districts, and other interested parties including property owners, developers, and other special interest groups (i.e., slow-growth and environmental).

The main controversy of the new “Policies & Procedures” is related to the establishment of time horizons for both spheres of influence and annexations. The new policies require that cities spheres reflect anticipated urbanization within a 30-year

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Preliminary updated FIRMs are anticipated to be available to the public in early 2008. After release of the preliminary maps, FEMA is expected to provide more detailed information about the reasons for specific map changes, which neighborhoods will be affected, and what measures are being taken to continue to improve flood protection and reduce insurance costs in these areas. The preliminary maps will undergo a year-long review and public education period before they become final and effective. The “final” maps are estimated to be officially adopted in early 2009.

If your home or business is located

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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 & 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.

ALAMEDA COUNTY			CONTRA COSTA COUNTY		
	ACRES	PRICE		ACRES	PRICE
Kilkare Rd., Sunol	5.33	1,195,000	16100 Marsh Creek Rd., Clayton	8.92	315,000
Mines Rd., Livermore	40.00	149,000	60 Hampton Rd., Martinez	9.46	569,500
Sheridan Rd., Sunol	100.28	3,300,000	1595 Chestnut St., Brentwood	9.63	685,000
17515 Kelso Rd., Byron	146.89	1,250,000	Byron Hot Springs Rd., Byron	10.03	525,000
Greenville Rd., Livermore	167.07	5,195,000	7001 Holland Tract Rd., Knightsen	11.54	500,000
12565 Foothill Rd., Sunol	1,476.00	6,635,000	Springhill Ln., Lafayette	14.88	950,000
			Monticello Rd., Lafayette	15.52	2,000,000
TRACY AREA			SANTA CLARA COUNTY		
	ACRES	PRICE		ACRES	PRICE
17424 W. Corral Hollow Rd.	5.76	99,950	San Antonio Rd.	80.00	74,000
37600 S. Koster Rd.	6.36	579,000			
S. Mission Ct.	11.29	1,458,000			
10 W. Lorenzen Rd.	71.60	675,000			
19298 S. Alder Ave.	97.67	1,125,000			
8074 W. Delta Ave.	98.08	1,700,000			
18550 W. Corral Hollow Rd.	240.00	200,000			
11937 S. Wing Levee Rd.	361.27	2,200,000			

U.S. construction spending declined 0.8 percent in October to \$1.158.3 billion, down from \$1.164.9 billion in September, according to the latest data from the U.S. Dept. of Commerce. Residential construction fell 2.0 percent in October to \$503.7 billion, down from \$514.2 billion in September, and 16.2 percent below spending for the same period a year ago.

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LAFCO continued

timeframe with planning increments of 5-10 years. Future annexations will have to be consistent with the established planning increments. The establishment of time horizons is a significant change from previous LAFCO policies which did not have time requirements.

Several cities including Tracy and Stockton have recently updated general plans including spheres of in-

fluence that were established consistent with the old LAFCO policies. These cities will need to revise and potentially change their adopted spheres to comply with the new set of LAFCO "Policies & Guidelines". This could have significant impacts on landowners with property currently within a city's sphere of influence that may be removed due to the implementation of the 30-year time horizon.

The adopted set of San Joaquin LAFCO "Policies & Procedures" can

be obtained in its entirety from www.co.san-joaquin.ca.us/lafco. For Tracy area landowners, the Tracy City Council will be discussing the implementation of the "Policies & Procedures" at their regularly scheduled meeting to be held January 15, 2008.

(Source: San Joaquin Local Agency Formation Commission)

FEMA continued

in an area proposed to change from a low to high-risk flood zone, you can obtain insurance prior to the adoption of the final maps and will receive a lower insurance rate. More specifically, the NFIP has "grandfathering" rules to recognize policy holders who complied with the flood map in place at the time of construction or who maintain continuous flood insurance coverage. This rule allows such policy holders to maintain a lower premium rating for their building even if their property changes to a high-risk designation when the flood boundary is re-drawn. Property owners who do not currently have

flood insurance, but believe they will be required by the adoption of the "final" update FIRMs in 2009 to purchase flood insurance, can benefit by the above NFIP grandfathering rule by locking in a lower insurance rate before the final maps are issued. It is recommended that you should contact your insurance agent once the preliminary maps are released in early 2008.

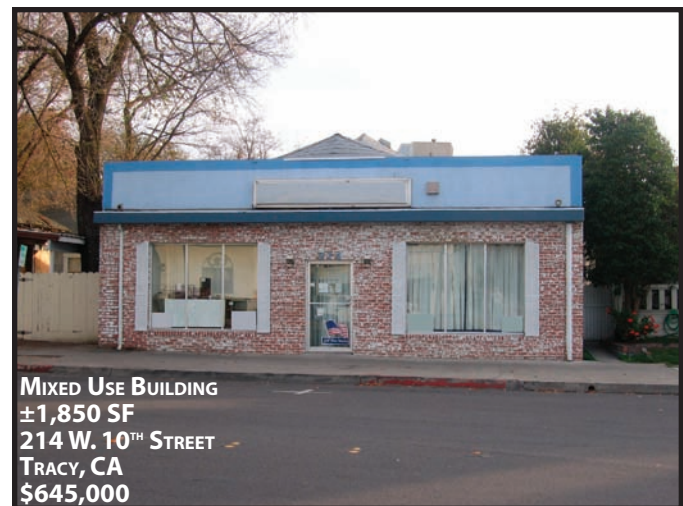
The benefit of updated, more accurate flood hazard maps will help homeowners, business owners, and public agencies and officials make more informed decisions related to flood risks to protect lives and property. The new FIRMs will help determine where and

how new structures and developments should be built to minimize flood risk.

For more information about the flood hazard remapping process and upcoming public meetings visit www.sjgove.org/pubworks/ and for more information related to flood insurance visit www.floodsmart.gov.

(Sources: The San Joaquin County Flood Control & Water Conservation District Technical Advisory Committee and FEMA)

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Interest Rates

By Rich Davidson

On December 11, the Federal Reserve lowered the discount rate, the rate the Fed charges banks for direct loans to banks; as well as the federal funds rate, the rate banks charge each other for overnight loans, by 25 basis points. The reduction in the fed funds rate to 4.50% was the second reduction in this rate since mid September. However unlike the last rate reduction, this was not the news the stock market wanted to hear, as the Dow Jones Industrial Average decreased by 294 points, or 2.1%. Apparently, the market was looking for a 50 basis point reduction.

It is interesting to note the across the board interest rate declines in both short term and long term index rates. However, with the disintermediation in the permanent take out market, commercial real estate loan spreads have increased, off setting the decline in the

base rate. Also interesting is the dramatic decline in consumer confidence. According to the Consumer Confidence Survey, consumers are concerned about the volatile financial markets and increasing prices. Since much of the

KEY INTEREST RATES & INDICES <i>December 11, 2007</i>			
INDEX	CURRENT RATE	CHANGE FROM 6/13/07	NOTES
Bank Prime	7.5%	-0.25%	
1 Yr. Treasury	3.09%	-0.99%	
5 Yr. Treasury	3.32%	-0.87%	
10 Yr. Treasury	3.98%	-0.52%	
30 Yr. Treasury	4.47%	-0.30%	
LIBOR (1 Mo.)	5.20%	-0.30%	
LIBOR (6 Mo.)	4.96%	-0.46%	
LIBOR (1 Yr.)	4.55%	-0.56%	
Freddie Mac 60 day	5.88%	-0.39%	30 year fixed rate
12 Month Treasury Average	4.662%	-0.27%	T average
11 th District Cost of Funds	4.233%	+0.044%	Fund Cost
Consumer Price Index	208.9 (Oct.)		Up 3.5% from year ago
Federal Funds Rate	4.50%	-0.25%	
Dow Jones Industrial Avg.	13,433		+7.8% YTD
Consumer Confidence Index	87.3 (Nov.)		-17.7 from August

economy runs on expectations, this is a worrisome trend. The big question is whether or not this consumer pull back

will lead the economy into a recession.

RECENT LOAN CLOSINGS

1. \$300,000 increase in mezzanine equity loan to provide additional interest reserve for condominium construction financing.
2. \$2,000,000 permanent fixed rate loan to facilitate a split of two commercial real estate condominiums and pay off the construction loan.

ACTIVE REAL ESTATE CONSULTING ASSIGNMENTS

1. \$3,800,000 acquisition and construction loan for conversion of vacant industrial buildings into office condominiums.

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.