

Reflections on Real Estate

A Quarterly Publication from Souza Realty & Development

Summer 2008

New Industrial Space in Tracy

By Mike Glazzy

A new 25,000 sq. ft. industrial building is soon to be completed at the Ice House Industrial Park on MacArthur Drive in Tracy.

The building will feature ten 2,520 sq. ft. suites suitable for an array of uses such as automotive, office, indoor recreation, equipment sales, distribution, light manufacturing, and warehousing. Multiple suites can be combined to accommodate various sized tenants.

Upon completion, the metal building will have a stucco facade and excellent exposure along MacArthur Drive south of Eleventh Street, just east of

Downtown Tracy.

Each suite will feature high bay



warehouse lighting, 20' clear height, one 12' by 12' office, one restroom, and

one 14' roll-up door. Ample parking is provided to satisfy the demands of higher intensity uses.

This new building is Phase II of construction at the Ice House Industrial Park. Phase I included the redevelopment of approximately 46,000 sq. ft. of former cold storage warehouse space built in 1950's and 60's.

The future Phase III will include the construction of another 25,000 sq. ft. building similar to the current Phase II.

For more information about available space at these facilities, please

contact our office or see our website at souzard.com.

Overview of the Tax Changes in the 2008 Farm Act

Thomson Reuters

The recently enacted "Heartland, Habitat, Harvest, and Horticulture Act of 2008" (the 2008 Farm Act) contains a package of tax changes including specialized tax breaks for the farming industry (along with a crackdown on farm losses) and new and modified credits related to the production of certain fuels, among other things. Here's a summary of the key tax provisions in the 2008 Farm Act:

- Conservation reserve payments made after 2007 are not subject to self-employment tax if received by an indi-

vidual who is getting Social Security retirement or disability payments.

- The favorable tax treatment of capital gain property donated for qualified conservation is extended for two years (through 2009).
- A new deduction is allowed for endangered species recovery expenses incurred after 2008.
- There is a one-year cut in the tax rate for a corporation's qualified timber gain. For tax years ending after May 22, 2008 and beginning on or before May 22, 2009, a 15%

alternative tax applies on the portion of a corporation's taxable income that consists of qualified timber gain (or, if less, the net capital gain) for a tax year. In addition the rules for REITs (real estate investment trusts) holding timber property are liberalized temporarily.

- A new tax credit is created for the development of cellulosic biofuels, which are biofuels produced from agricultural waste, wood chips,

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switch grass and other non-food feedstocks. This credit, available for fuel produced after 2008 and through 2012, is a nonrefundable income tax credit for each gallon of qualified cellulosic fuel production of the producer for the tax year. The amount of the credit per gallon is \$1.01, except for cellulosic biofuel that is alcohol. For cellulosic biofuel that is alcohol, the \$1.01 credit amount is reduced by (1) the credit amount applicable for such alcohol under the alcohol mixture credit in effect at the

time cellulosic biofuel is produced, and (2) in the case of cellulosic biofuel that is ethanol, the credit amount for small ethanol producers as in effect at the time the cellulosic biofuel fuel is produced.

- The 51¢ per-gallon incentive for ethanol is reduced to 45¢ per gallon for calendar year 2009 and thereafter. This reduction is subject to an exception geared to ethanol production.
- A new tax credit is created for agricultural chemicals security. The new law provides retailers of agricultural products and chemicals and manufacturers, formulators, or distributors of certain pesticides a business tax credit for 30%

A new tax credit is created for agricultural chemicals security. The new law provides retailers of agricultural products and chemicals and manufacturers, formulators, or distributors of certain pesticides a business tax credit for 30% of costs for the protection of such chemicals or pesticides.

of costs for the protection of such chemicals or pesticides. Such protection costs include employee security training and background checks, installation of security equipment, and computer network safeguards. The credit has a \$2 million annual limit and a per facility limitation of \$100,000 (reduced by credits received for the five prior tax years). This credit is effective for expenses paid or incurred after May 22, 2008, and before Jan. 1, 2013.

- Qualifying mutual ditch, reservoir, or irrigation company stock may be eligible for Code Sec. 1031 treatment. This

provision is effective for exchanges after May 22, 2008.

- For property placed in service after 2008 and before 2014, all racehorses are classified as three-year property for depreciation purposes, regard-

less of their age.

- Temporary assistance to victims of the 2007 Kansas tornado disaster is provided, including increased ability to deduct personal losses, increased business expense deductions, and help for affected businesses that continued to pay their employees after the disaster struck.
- The amount of farming losses (other than those arising because of fire, storm

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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.

SANTA CLARA CO.			CONTRA COSTA CO.		
AC.	PRICE		AC.	PRICE	
44500 San Antonio Valley Rd.	12.24	240,000	5590 Alhambra Vly Rd., Martinez	9.27	1,000,000
50505 Mines Rd.	160.00	350,000	830 Camino Diablo, Byron	10.01	700,500
			12271 Marsh Creek Rd., Clayton	17.00	320,000
TRACY AREA			AC.	PRICE	
627 W. Vernalis Rd.	52.22	1,475,000	3232 Deer Hill Rd., Lafayette	20.75	2,350,000
31201 S. Chrisman Rd.	79.51	2,000,000	950 Mariposa Cir., Clayton	20.75	750,000
			Bruns Rd., Byron	23.18	575,000
			19 Hoffman Ln., Byron	43.79	1,511,000

The percentage of households that could afford to buy an entry-level home in California stood at 44 percent in the first quarter of 2008, compared with 26 percent for the same period a year ago. Home sales increased 2.5 percent in April in California compared with the same period a year ago, while the median price of an existing home fell 32 percent.

California Association of Realtors®

Farm Act continued

losses, etc.) that a taxpayer may use to reduce other non-farming business income is limited for certain taxpayers. For tax years beginning after 2009, the farming loss of a non-C corporation taxpayer for any tax year in which any applicable subsidies are received will be limited to the greater of (1) \$300,000 (\$150,000 in the case of a married person filing a

separate return), or (2) the taxpayer's total net farm income for the prior five tax years. Applicable subsidies are (a) any direct or counter-cyclical payments under title I of the Heartland, Habitat, Harvest, and Horticulture Act of 2008 (or any payment elected in lieu of any such payment), or (b) any Commodity Credit Corporation (CCC) loan. Total net farm income is an aggregation of all income and loss from farming businesses for the prior five tax years.

- For tax years beginning after 2007, the farm optional method and nonfarm optional method for computing net earnings from self-employment are modified so that electing taxpayers may pay

more in optional self-employment taxes and thus become eligible for Social Security benefits.

- The CCC is required to always provide IRS and the farmer with information returns showing the amount of market gain the farmer realizes when he or she repays a CCC market assistance loan.
- For large corporations (those with assets of at least \$1 billion), estimated tax payments due in July, August, and September of 2012 are increased by 7.75% of the payment otherwise due, and the next required payment is reduced accordingly.

Please keep in mind that this is only a summary of the tax changes in the new law. If you would like to discuss any of these provisions in greater detail, contact your tax advisor.

Available Properties

**±71 ACRES
CUMMINGS SKYWAY
CONTRA COSTA COUNTY
\$1,900,000**



**±5,525 SQ. FT. INDUSTRIAL FACILITY W/YARD
5491 F STREET
TRACY, CA
\$0.50/SQ. FT. IG**



**±460 ACRES
MARSH CREEK ROAD
CONTRA COSTA COUNTY
\$4,000,000**



Other properties currently available:

RANCH PROPERTIES

Address	Ac.	Price	Price/Ac.
Byron Highway, Byron	43.70	300,000	6,865
24300 S. Banta Rd., Tracy	51.36	1,540,000	29,984
18775 S. Tom Paine Rd., Tracy	52.92	875,000	16,534
Cummings Skyway, Martinez	71.46	1,900,000	26,588
18137 S. Tom Paine Rd., Tracy	78.68	1,220,000	15,506
5208 W. Lovely Rd., Tracy	78.83	1,970,000	24,990
Morgan Territory Rd., Livermore	103.53	1,545,000	14,923
Marsh Creek Rd., Clayton	460.64	4,000,000	8,684
Palomares Rd., Sunol	1,368.00	8,900,000	6,506

OFFICE PROPERTIES

Address	Sq. Ft.	Rent	Price
632 W. 11th St., Tracy	2,235 SF	1.85/SF NNN	690,000
421 W. 11th St. Tracy	2,360 SF	1.90/SF NNN	
346 W. Grant Line Rd., Tracy	2,727 SF	1.00/SF NNN	
652 W. 11th St., Tracy	2,743 SF	1.85/SF NNN	775,000
West Park Executive Suites	1-2 offices	800-1,800/mo.	

INDUSTRIAL PROPERTIES

Address	Sq. Ft.	Rent
S. MacArthur Dr., Tracy	2,500-25,000 SF	0.60-0.65/SF NNN
S. MacArthur Dr., Tracy	4,380-13,140 SF	0.65/SF NNN
5491 F. St., Tracy	5,525 SF	0.50/SF IG

RETAIL PROPERTIES

Address	Sq. Ft.	Rent
348 W. Grant Line Rd., Tracy	1,385	1.85/SF NNN
336 W. Grant Line Rd., Tracy	2,800	1.75/SF NNN
340 W. Grant Line Rd., Tracy	8,988	1.25/SF NNN

For further information please visit our website at souzard.com

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Interest Rates

By Rich Davidson

On April 30th, the Federal Reserve lowered interest rates again, this time by ¼%. The good news continues as those construction loan rates tied to prime went down again. However, longer term rates are on the rise with significant recent increases. With inflation continuing, the consensus is that further rate cuts are unlikely. In fact, there is concern that the Fed will raise interest rates later this year, and that may be pushing market rates higher.

Construction loans continue to be difficult for developers to obtain. Lenders continue to be conservative, lowering loan amounts with borrowers required to put in more cash equity into projects.

There is also a continuing decline in

consumer confidence. In our last newsletter, according to the Consumer Confidence Survey, the Confidence Index was at a five year low. It has declined further since then in April and May. The main worries of the financial

more bad debt to be written off. The stock market, as reflected by the Dow Jones Industrial Average, is off almost 9% for the year.

RECENT LOAN CLOSINGS

1. \$3,000,000 1st Trust Deed Office Condominium Refinance, Peninsula
2. \$1,837,500 1st Trust Deed Land Acquisition Loan, San Francisco, CA
3. \$2,400,000 1st Trust Deed office condominium refinancing, Fairfield, CA
4. \$3,842,000 1st Trust Deed commercial condominium construction loan, San Francisco, 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

June 12, 2008

INDEX	CURRENT RATE	CHANGE FROM 3/24/08	NOTES
Bank Prime	5.00%	-0.25%	
1 Yr. Treasury	2.62%	+0.94%	
5 Yr. Treasury	3.68%	+1.04%	
10 Yr. Treasury	4.23%	+0.67%	
30 Yr. Treasury	4.77%	+0.44%	
LIBOR (1 Mo.)	2.46%	-0.14%	
LIBOR (6 Mo.)	2.91%	+0.37%	
LIBOR (1 Yr.)	3.16%	+0.77%	
Freddie Mac 60 day	6.32%	+0.60%	30 year fixed rate
12 Month Treasury Average	3.290%	-0.786%	T average
11th District Cost of Funds	3.111%	-0.859%	Fund Cost
Consumer Price Index	214.82 (Apr)		+3.9% from year ago
Federal Funds Rate	2.00%	-0.25%	
Dow Jones Industrial Avg.	12,084		-8.9% YTD
Consumer Confidence Index	57.2 (May)		Decline in confidence

world today are the decline in housing prices, economic growth, inflation and the question of whether there is still