

Reflections on Real Estate

A Triennial Publication from Souza Realty & Development

Spring 2010

John Palmer of SR&D Earns AICP Accreditation

John Palmer, Project Manager with Souza Realty & Development recently became recognized as a certified planner by the American Planning Association's professional institute, the American Institute of Certified Planners (AICP). The AICP accreditation is a prestigious professional certification that is awarded only after fulfillment of strict eligibility requirements based on a combination of direct professional planning experience, level of education, and successful completion of a rigorous examination.

John met the AICP's eligibility requirements with nearly ten years of planning experience while also holding an undergraduate degree (Bachelor of Science) and a graduate degree (Masters in Public Administration). John passed the Comprehensive Planning Examination administered by the AICP in November 2009.

The American Planning Association

(APA) and its professional institute, the AICP, help planners, officials, and citizens better serve their communities by providing research, educational resources, practical advice and tools, and up-to-date information on planning.

The APA is an independent, not-

The AICP was established to advance the quality and integrity of the practice of planning and to help members find new and better solutions for our communities.

for-profit educational organization that provides leadership in the development of vital communities by advocating excellence in community planning, promoting education and citizen empowerment, and providing the tools and support necessary to meet the

challenges of growth and change. The APA is America's leading authority on planning.

The AICP was established to advance the quality and integrity of the practice of planning and to help members find new and better solutions for our communities. It is the only recognized professional institute to offer certification to America's planners. AICP members subscribe to a code of ethics based on a commitment to serve the public interest with integrity. It requires members to remain current in the practice of planning and commit to professional credibility through continuing education.

John sees his AICP accreditation as an achievement that enhances his commitment to the planning field and his ability to provide professional planning consulting services. John's certification

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A Source for Agricultural Financing

by Rich Davidson

I have become acquainted with a local underwriting representative of a Midwest bank that is looking to make agricultural loans in California. This lender is looking for loans in which the agricultural income makes up at least 50% of the payment necessary to service the debt. Unlike a USDA guarantee loan, no bank search is necessary since the underwriting is done by a local bank underwriter.

This local underwriter for the lender states, "they can be aggressive on their

underwriting, going down to almost breakeven on the debt coverage ratio" in certain instances. Further, due to government guarantees, they say they can loan up to 70%+ on the Loan to Value Ratio. They believe this will often result in a higher loan amount for the farmer/owner.

A key factor on the approval is that the borrower needs to be able to show some positive years of income and a positive forecast for the future. Outside income from other sources may

be included in the debt service calculation. For example, additional income can come from investments, another job or retirement income as long as at least 50% of the income to make the payment comes from agricultural sources. Also, both depreciation and living expenses can be added back into taxable income to compute the income.

Minimum loan amount under this program is \$300,000. Higher loan

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Financing continued

amounts can be above \$6 million based on the credit and equity of the borrower. This program is applicable to many large family farms, vineyards and other fruit crops, almonds, poultry, vegetable crops, nurseries, agricultural co-ops and canneries and many other agricultural businesses.

Current interest rates are the lowest they have been in many years. Variable rates can start out at under 3% and can also be structured to move into a fixed rate at the borrower's request. Current fixed rates can start at 4.4% for a three year fixed loan--6.3% fixed for ten years is the best long term rate. Rates are subject to change daily based upon market conditions. Interest rates are typically locked in after the loan is approved and is in closing, but ear-

Palmer continued

as a planner will be a valued benefit to current and future clients who seek professional planning expertise with the assurance of quality and integrity that the AICP designation represents. The recognition of the AICP credential not only provides assurance to clients, but also provides an added layer of credibility for the many public agencies that John works with on a routine basis.

Professional development has always been a key element for the Souza Realty & Development team which includes profes-

sional rate lock mechanisms are available. Of course borrowers and properties are subject to evaluation and therefore rates and equity requirements vary on a case by case basis.

This is a great time to refinance existing older loans to a lower rate, or to provide financing for the purchase of a farm, vineyard, nursery, etc. Landowners looking to pick up adjacent properties are also candidates for this program.

If you have further interest, please contact Richard Davidson at 650-579-3995 or by email at rdavidson@redcofinance.com. Information necessary to underwrite the loan will include financial statements and tax returns, borrower structure and history, operating income and expenses from the agriculture operation, property address and use of funds explanation.

sionals that specialize in planning, development consulting, land entitlement, and a full range of real estate services including land and commercial brokerage. As a result, Souza Realty & Development offers a dynamic team of professionals with an unsurpassed level of expertise and credentials.



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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 CO.			CONTRA COSTA CO.		
AC.	PRICE		AC.	PRICE	
Kilkare Rd., Sunol	4.91	325,000	8325 Marsh Creek Rd., Clayton	8.10	140,000
Grassland Dr., Castro Valley	8.46	750,000	11245 Byron Hwy, Brentwood	8.80	365,000
B St., Hayward	11.17	10,230,000	24670 Marsh Crk Rd., Brentwood	9.97	450,000
Collier Canyon Rd., Livermore	12.48	140,000	190 Eagle Ln., Brentwood	11.99	750,000
611 E. Vineyard Ave., Livermore	19.79	2,435,000	1723 Hoffman Ln., Byron	12.48	450,000
10536 Crow Cyn Rd., Castro Vly	104.72	1,310,000	317 Rancho de Maria, Martinez	12.50	525,000
CONTRA COSTA CO.			TRACY AREA		
AC.	PRICE		AC.	PRICE	
8010 Camino Tassajara, Pleasanton	5.00	1,850,000	4835 Tranquility Bay, Knightsen	20.38	249,000
2831 Penny Ln., Brentwood	5.05	625,000	Bruns Rd., Byron	30.89	405,000
3121 Morgan Terr. Rd., Clayton	5.07	1,075,000	3730 Kellogg Creek Rd., Byron	35.54	777,000
1080 Finley Rd., Pleasanton	5.17	3,675,000	19835 Patterson Pass Rd.	6.05	385,000
2779 Franklin Canyon, Martinez	5.45	340,000	29700 S. Ahern Rd.	9.49	1,000,000
9671 Deer Valley Rd., Brentwood	5.98	615,000	3701 W. Linne Rd.	29.68	750,000
2500 Concord Ave., Brentwood	6.57	220,000	34200 S. Bevis Rd.	30.64	575,000
1075 Bear Creek Rd., Briones	7.45	850,000	S. Bird Rd.	85.17	979,500



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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By the end of 2010, about half of all commercial real estate mortgages will be underwater, said Elizabeth Warren, chairperson of the TARP Congressional Oversight Panel. "We now have 2,988 banks—mostly midsized, that have these dangerous concentrations in commercial real estate lending." As a result, the economy will face another "very serious problem" that will have to be resolved over the next three years, she said, adding that things are unlikely to return to normalcy in 2010.
CNBC

Governor Announces Green Building Standards Code

Continuing California's efforts to fight climate change and protect the environment, Governor Arnold Schwarzenegger announced the California Building Standards Commission unanimously adopted the first-in-the-nation mandatory Green Building Standards Code (CALGREEN) requiring all new buildings in the state to be more energy efficient and environmentally responsible. Taking effect on January 1, 2011, these comprehensive regulations will achieve major reductions in greenhouse gas emissions, energy consumption and water use to create a greener California.

CALGREEN will require that every new building constructed in California reduce water consumption by 20 percent, divert 50 percent of construction waste from landfills and install low pollutant-emitting materials. It also requires separate water meters for nonresidential buildings' indoor and outdoor water use, with a requirement for moisture-sensing irrigation systems for larger landscape projects and mandatory inspections of energy systems (e.g., heat furnace, air conditioner and mechanical equipment) for nonresidential buildings over 10,000 square feet to ensure that all are working at their maximum capacity and

according to their design efficiencies. The California Air Resources Board estimates that the mandatory provisions will reduce greenhouse gas emissions (CO₂ equivalent) by 3 million metric tons equivalent in 2020.

Upon passing state building inspection, California's property owners will have the ability to label their facilities as CALGREEN compliant without using additional costly third-party certification programs.

In 2007, Governor Schwarzenegger directed the California Building Standards Commission (BSC) to work with specified state agencies on the adoption of green building standards for residential, commercial and public building construction for the 2010 code adoption process.

"We are committed to seeing the Governor's vision for developing a green framework in California become a reality," said California State and Consumer Services Agency Acting Secretary Tom Sheehy. "This new standard will set a nationwide example of how to incorporate building smart, resource-efficient and environmentally-responsible buildings into the everyday fabric of our state."

The mandatory code provisions

will now become the baseline of regulated green construction practices in the country's most populous state. The BSC, which developed this initial Green Building Standards Code with extensive discussions with environmentalists, architects, builders, local officials and others, will continue to improve this new code with those interested parties.

In addition to the mandatory regulations, CALGREEN also includes more stringent voluntary provisions to encourage local communities to take further action to green their buildings to reduce greenhouse gas emissions, improve energy efficiency and conserve our natural resources.

Like California's existing building code provisions that regulate all construction projects throughout the state, the mandatory CALGREEN provisions will be inspected and verified by local and state building departments. CALGREEN will use the long-standing, successful enforcement infrastructure that the state has established to enforce its health, safety, fire, energy and structural building codes. Many of the mandatory provisions in the code are already part of the statewide building code, making verification of CALGREEN an easy transition for local building inspectors.

Available Properties



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Interest Rates

By Rich Davidson

For much of the past four months, treasury rates have remained very low. The Federal Reserve has been buying mortgage securities in a \$1.25 trillion program. Fannie Mae and Freddie Mac have spent more than \$150 billion buying delinquent loans from mortgage pools. These actions create more liquidity in the market and allow investors to buy more bonds, in turn keeping rates low.

The government has been trying to keep mortgage rates around 5% in order to attract new buyers for homes. However, during the week of March 22-26, Treasury yields surged. The Federal Reserve is planning on ending its purchase program.

This increase in yields could indicate that investors now are uncertain that the Fed's exit from the market will go as seamless as had been planned. Also, rate volatility is likely to increase without the Fed buying.

If there is a serious sell off in bonds, interest rates could dramatically increase. The market will be looking for a new balance prior to our next newsletter.

ACTIVE REAL ESTATE FINANCING ASSIGNMENTS

1. \$1,000,000 Apartment Refinance, Central Valley
2. \$1,500,000 Note Acquisition

3. \$2,800,000 Construction loan, three homes South Bay

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 March 26, 2010

INDEX	CURRENT RATE	CHANGE FROM 11/20/09	NOTES
Bank Prime	3.25%	None	
1 Yr. Treasury	0.43%	+0.16%	
5 Yr. Treasury	2.59%	+0.39%	
10 Yr. Treasury	3.86%	+0.50%	
30 Yr. Treasury	4.75%	+0.45%	
LIBOR (1 Mo.)	0.23%	-0.01%	
LIBOR (6 Mo.)	0.39%	-0.17%	
LIBOR (1 Yr.)	0.84%	-0.36%	
Freddie Mac 60 day	5.25%	+0.10%	30 year fixed rate
12 Month Treasury Average	0.44%	-0.10%	T average
11th District Cost of Funds	1.83%	+0.56%	Fund Cost
Consumer Price Index	216.74 (Feb)		+3.81 from year ago
Federal Funds Rate	0.25%	None	
Dow Jones Industrial Avg.	10,850		+4.0% YTD
Consumer Confidence Index	46.0 (Feb)		Decline