

Reflections on Real Estate

A Triennial Publication from Souza Realty & Development

Summer 2010

Climate Change Laws Now Part of Life in California

by John Palmer

Although the concept of global warming remains controversial and the science behind climate change continues to be questioned, don't hold your breath thinking it will all go away! It certainly will not. The issue of climate change and the effort to reduce greenhouse gas emissions in California is here to stay, required by law. In fact, good or bad, California is leading the way.

Attorney General Jerry Brown's lawsuit backed assertion that green house emissions must be analyzed and mitigated under the California Environmental Quality Act (CEQA), has successfully added an additional layer to the land entitlement process. As individual land projects are considered by local jurisdictions, they will now have to analyze greenhouse gas (GHG) emissions in environmental impact reports (EIR).

This means that added to the list of items typically analyzed to prepare an EIR which generally include traffic and circulation, land use, noise, biological

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resources, agriculture, historic/cultural resources, hazardous materials, geology and soils, public services, and aesthetics, a project proponent now is required to quantify GHG emissions and demon-

strate either through project design and/or mitigation a reduction in GHG emissions to comply with adopted laws.

The City of Stockton's effort to create a "climate action plan" as a comprehensive way to address GHG emission reduction city wide as a requirement of the attorney general's lawsuit on the city's general plan last year, is costing Stockton an estimated \$800,000. There are also several other cities in the area working on climate action plans including the City of Tracy.

Our state's effort to regulate GHG emissions is required by Assembly Bill (AB) 32 and Senate Bill (SB) 375. AB 32, passed in 2006, established overall GHG emission reduction targets and a policy framework for California. The AB 32 target is to cut GHG emissions

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Meet Michael Souza of SR&D

by Mike Glazzy

Since graduating from Santa Clara University in 1987, Michael Souza has been part of the family real estate firm Souza Realty & Development. As Vice President of Development, Souza has been involved with all aspects of the business including brokerage, land entitlement, consulting, build-to-suit projects, and of course, development.

During his career, Souza has been very active in the Tracy community, having served on the boards of numerous organizations including the Central Valley Association of REALTORS, REALTORS Land Institute, Sutter

Tracy Community Hospital, the Boys and Girls Clubs of Tracy, the Tracy Arts Leadership Alliance, Tracy Sunrise Rotary, Tracy Learning Center and the Tracy Chamber of Commerce among others. He has earned the prestigious ALC (Accredited Land Consultant) and CRE (Counselor of Real Estate) designations making him part of an international group of recognized professionals who provide expert, objective real estate advice on real property and land-related matters.

To what do you attribute your rise up

the real estate development ladder at such a relatively young age?

A good education and an excellent professional mentor. My father has always known just how much rope to give me so I can learn and improve myself professionally, but not hang myself. Well, at least most of the time.

What have been your biggest accomplishments in your career?

The Presidio Project, which created the Tracy Sports Complex. The

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Climate Change continued

to a 1990 level by year 2020. SB 375, adopted in 2008, established GHG targets and funding incentives for metropolitan planning organizations (e.g. SJCOG) and focuses on land use.

Supporters of AB 32 and SB 375 are encouraged by a “sustainable communities strategy” that will not only help curb GHG emissions blamed for global warming, but will also provide for better air quality and improve people’s mobility through land use planning measures that will reduce reliance on motor vehicles.

A recent study by the Urban Land Institute contends that the laws may eventually save the average California household more than \$6,000 a year in auto costs and utility bills.

Critics of the laws claim that California has once again added more regulations and costs that neighboring states (e.g. Oregon, Nevada, and Arizona) don’t require and put California at a distinct disadvantage in attracting and retaining business. California already has environmental review laws (e.g. CEQA) and energy conservation requirements (e.g. Title 24) that are not required in neighboring states. The addition of AB 32 and SB 375 are viewed as another example of the unfriendly business environment that will only serve to harm the state’s economic recovery.

Real estate developers are concerned with added costs to implement AB 32

and SB 375, and concerned that the laws force higher density, urban type development with no regard to the housing market and the desires of how people want to live. There’s already a November ballot measure (Prop. 23) proposed that will block implementation of the AB 32 GHG reduction target until California sees economic recovery measured by a drop in the state’s unemployment rate.

At a local level it remains unclear how individual cities will actually or eventually implement GHG reduction targets. Cities like Stockton and Tracy are leading the way by adopting comprehensive citywide climate action plans, but there are still quite a few cities that have not yet addressed a plan to reduce GHG emissions to comply with state law either at the citywide level or at a project specific level.

For cities like Stockton and Tracy, the adoption of a city climate action plan provides assurance to project proponents and landowners that these cities have provided a path for project approval and CEQA review. This on one hand can be viewed as a significant advantage for Stockton and Tracy as developers and users look for a city that is poised and ready for quick entitlement. On the other hand, the GHG emission reduction measures of a city’s climate action plan cannot be so punitive and cost prohibitive as to prevent development and chase a developer or user to a neighboring city that may be getting away with less stringent requirements.



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 CO. | AC. | PRICE | CONTRA COSTA CO. | AC. | PRICE |
|---------------------------------|--------|-----------|---------------------------------|--------|-----------|
| 41794 Vargas Rd., Fremont | 14.18 | 1,350,000 | 5959 Camino Tassajara, Danville | 10.00 | 3,000,000 |
| 1500 Lund Ranch Rd., Pleasanton | 193.86 | 1,500,000 | 11650 Byron Hwy, Brentwood | 10.16 | 250,000 |
| CONTRA COSTA CO. | AC. | PRICE | 870 Camino Diablo, Brentwood | 10.20 | 250,000 |
| Lawrence Rd., Danville | 3.19 | 262,500 | Happy Valley Rd., Lafayette | 12.64 | 900,000 |
| Lawrence Rd., Danville | 3.97 | 310,000 | 7191 Johnston Rd., Danville | 20.97 | 3,000,000 |
| 9050 Deer Valley Rd., Brentwood | 5.00 | 1,350,000 | Deer Valley Rd., Antioch | 103.42 | 500,000 |
| 3315 Hillside Ter., Lafayette | 5.11 | 790,000 | Armstrong Rd., Byron | 157.00 | 1,036,200 |
| 1619 Bixler Rd., Brentwood | 5.16 | 600,000 | 14031 Vasco Rd., Byron | 232.41 | 2,745,395 |
| 1086 Bollinger Cyn Rd., Moraga | 6.18 | 849,000 | Marsh Creek Rd., Clayton | 460.64 | 2,763,840 |
| 411 Meadow View Ln., Clayton | 6.27 | 1,090,000 | TRACY AREA | AC. | PRICE |
| 3255 Aspara Dr., Clayton | 6.83 | 435,000 | 2533 S. Lammers Rd. | 5.33 | 385,000 |
| 5433 Old School Rd., Pleasanton | 6.89 | 910,000 | SANTA CLARA CO. | AC. | PRICE |
| 13560 Byron Hwy, Byron | 8.37 | 310,000 | 47805 Mines Rd. | 60.00 | 135,000 |
| 275 Rancho de Maria, Martinez | 9.79 | 1,550,000 | Mines Rd. | 339.29 | 848,500 |

Builder confidence in the market for newly built, single-family homes declined from 14 points in July to 13 in August, its lowest level since March 2009, according to the National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index (HMI). The component gauging home sales expectations for the next six months decreased three points to 18 in August compared with July.

California Association of REALTORS®

Mike Souza continued

Presidio group, a development company from San Francisco, had acquired the Lourance Ranch property on 11th Street and had asked me to help them entitle the project. They wanted to make the project unique, so I suggested they offer some land on 11th Street for a sports park. We went on to negotiate an agreement with the City of Tracy that included the construction of the 27 acre Tracy Sports Complex. It is very rewarding to take my kids to play soccer there, knowing that it was my idea that we carried to execution that created this great community amenity.

Another project I am very proud of is West Park Professional Center at 11th Street and Tracy Boulevard. As a kid, we went to the A&W on the property, and I always thought that corner needed to be developed. I set my mind to buying it,

and it took about three years for me to convince the owner to sell it to us. The property had been in their family a long time and they wanted to make sure there would be a nice development on it. We ended up developing four office buildings on the property, and I think the project turned out very nice.

What made you return to your roots in Tracy after college?

I came back to work in the family business. I never really had any other plans.

What are the most challenging aspects of your job?

Generally, dealing with the unending regulations and approval processes we face every day. More specifically lately, dealing with the challenging real estate market.

What do you see as the biggest challenges the City of Tracy faces today?

Tracy needs more jobs, so we can get our families off the highways. I believe the only way we are going to get companies to locate in Tracy is by having a community that is well educated, is well amenitized, and has lots of choices when it comes to consumer goods and housing types. Tracy needs to focus on building these attributes, because that is what is going to bring jobs to town.

What do you enjoy the most about working in real estate development?

Looking at a piece of property with a vision, and seeing it through to the implementation of that vision.

What is something most people don't know about you?

I have a huge vegetable garden and love to spend time in it.

What's your favorite leisure activity?

Being with my family and hunting.

SR&D Leads Way in Land Sales to Public Agencies

Since 2004, Souza Realty & Development has been heavily involved in transactions from private individuals to public agencies including the East Bay Regional Park District, the East Contra Costa County Habitat Conservancy (ECCCHC), and the Contra Costa Water District.

As shown in the chart to the right,

these transactions of approximately 7,000 acres amount to over \$25 million in value.

Broker Jim Gwerder has been instrumental in SR&D's relationship with these public agencies through his years of involvement in the Contra Costa County Citizens Land Alliance and in the formation of the ECCCHC.

If you think your property would be an attractive acquisition for a public agency, please give us a call.

| COUNTY | APPROX. ACRES |
|--------------|---------------|
| Contra Costa | 3,000 |
| Alameda | 160 |
| San Joaquin | 4,000 |
| TOTAL | 7,160 |

Treasury Rates Remain Very Low

By Rich Davidson

For the past five months, treasury rates have remained very low, declining even further from the low rates earlier this year. I remember writing in the last newsletter that there was a fear that rates could start spiking upward, but just the opposite has happened. This is the result of continuing worries about the strength of the economic recovery. These low rates are allowing corporations to borrow at record low rates. This is making real estate lending by the life insurance companies attractive again. They can place their money at higher rates of return

on real estate than they can on investment grade bond purchases.

I am very pleased to announce that I have joined the Barry S. Slatt Mortgage Company. My new contact information is below. One of the oldest mortgage banking firms on the west coast, the Barry S. Slatt Mortgage Co. has been serving the marketplace since 1971. We provide commercial mortgage banking services nationwide through our four California offices—San Francisco, Los Angeles, Sacramento and Newport Beach. We service over \$2 billion in

loans in the US for our life insurance company correspondent lenders, banks and Wall Street lenders. Our life insurance company correspondents are not open to the marketplace and allow us to offer unique loan products with great pricing. These lenders have a primary focus on long term income property lending. Several of them also do construction lending. This group of lenders had 2009 production in excess of \$4 billion and is looking to increase

see Interest Rates page 4

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Interest Rates continued

that in 2010-2011.

1. American Fidelity Assurance Company
2. Aviva Capital Management
3. Eagle Realty Group-Western Southern Financial Group
4. Lafayette Life
5. One America/AUL
6. Protective Life Insurance
7. Southern Farm Bureau
8. StanCorp Mortgage Investors
9. Symetra Life Insurance
10. Thrivent Financial for Lutherans
11. Woodmen of the World
12. In addition, we correspond for Greystone Financial

Our web site is www.slatt.com and a listing of recent real estate closings is featured on the "Transactions" tab. These include a wide variety of retail, office/R+D, Industrial and Multi-family properties from \$2 million to \$30 million. We also have the ability to make small loans in the \$500,000 to \$2 million range. In addition to my existing

relationships, the Barry S. Slatt Mortgage Co. represents a variety of lending sources, including institutional lenders, construction lenders, banks, private lenders and equity sources. This is a wonderful financing platform for you to explore. I look forward to working with you in the future. Please feel free to call me about any of your financing needs.

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| KEY INTEREST RATES & INDICES | | | |
|---|---------------------|----------------------------|---------------------|
| <i>August 31, 2010</i> | | | |
| INDEX | CURRENT RATE | CHANGE FROM 3/26/10 | NOTES |
| Bank Prime | 3.25% | None | |
| 1 Yr. Treasury | 0.25% | -0.18% | |
| 5 Yr. Treasury | 1.33% | -1.26% | |
| 10 Yr. Treasury | 2.47% | -1.39% | |
| 30 Yr. Treasury | 3.52% | -1.23% | |
| LIBOR (1 Mo.) | 0.31% | +0.08% | |
| LIBOR (6 Mo.) | 0.67% | +0.28% | |
| LIBOR (1 Yr.) | 1.04% | +0.20% | |
| Freddie Mac 60 day | 4.49% | -0.76% | 30 year fixed rate |
| 12 Month Treasury Average | 0.37% | -0.07% | T average |
| 11th District Cost of Funds | 1.80% | -0.03% | Fund Cost |
| Consumer Price Index | 218.01 (Jul) | | +2.66 from year ago |
| Federal Funds Rate | 0.25% | None | |
| Dow Jones Industrial Avg. | 10,014 | | -4.0% YTD |
| Consumer Confidence Index | 53.5 (Aug) | | Improved |