

Reflections on Real Estate

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Spring 2011

San Joaquin Co. General Plan Revision Enters Next Phase

by Mike Souza

The San Joaquin County General Plan update has entered Phase 5 of a nine phase process, with the release of the Alternatives Report. The Alternatives Report presents four different scenarios depicting how the county will accommodate a growing population over the next 20 years. The Alternatives Report will be discussed at focus groups, community meetings, the Planning Commission and the Board of Supervisors over the next couple of months. At the conclusion of this phase, the Board will select a growth alternative that will form the basis of the new General Plan.

The report forecasts San Joaquin County will go from a current population of 685,000 to just over one million people over the next 20 years, an increase of 338,000. It also forecasts employment will increase from the current 214,000 jobs to 295,000, an increase of 81,000 jobs. To accommodate this growth, the report presents four different alternatives, the Base Case alternative, and alternatives A, B and C.

The Base Case is based upon the policies in the existing general plan. It assumes future growth will occur in urban communities (the seven cities in the county plus Mountain House). New job centers will locate around the Stockton Airport, and additional unin-



corporated land is expected to develop as cities grow outward from their current boundaries.

Alternative A is the distributed growth alternative. As in the Base Case, this alternative would distribute residential growth to the urban communities, but would also accommodate

an additional 5,000 people in the rural community of Farmington, ultimately changing it to an urban community.

Alternative B is an interpretation of the San Joaquin Blueprint. This alternative assumes cities will develop residential product at higher densities, so most new growth occurs in existing city limits or Mountain House. This alternative directs more commercial and industrial growth to cities. This alternative is not consistent with the city general plans, so the County's ability to implement it is limited.

Alternative C would focus new growth in specific locations along Interstate 5 and State Route 99 (i.e., Thornton, New Jerusalem, Chrisman, and Vernalis). This alternative would increase employment growth in the County, and attract additional population growth to those areas.

The report provides an overall constraints analysis for the County, com-

see General Plan page 2

Wind Turbine Installation to Begin

by Mike Souza

Thanks to all of our clients who purchased wind turbine systems over the last few months. Solar Point is processing the installations that received rebate reservations from the California Energy Commission. Installations of pole mount systems should begin in late May, and roof mount systems will follow later this summer.

Due to the high volume of rebate requests for the Dyocore turbines, the

California Energy Commission suspended the rebate program 30 days early. The CEC is going to review the program and the rebate rules, and will be issuing new rules in the next approximately 120 days. Once the new rules are issued, the rebate program will resume for 30 days. As soon as we get the new rules, we will contact everyone who is interested in purchasing turbines to explain how the updated rebate pro-

gram will work.

At this point, we are uncertain if the CEC is going to issue rebates for purchase contracts that were submitted prior to the date of the suspension. If you executed a purchase contract and are waiting for a rebate reservation, we will let you know as soon as the CEC announces how it will proceed.

Capital Gains Taxes

Towards the end of 2010, many people wondered what would happen to capital gain tax rates on January 1, 2011. Some even scrambled to close the sale of property before the end of the year. As it turned out, Congress extended the capital gain rates in mid December; at least for two years. The following is a brief summary of portions of the Tax Relief, Unemployment Insurance Reauthorization and Jobs Creation Act of 2010 (not surprisingly referred to as “the extension of the Bush Era Tax Cuts”) which are likely to impact real estate investors.

Capital Gain and Dividend Rates – Current rates were extended for two-years for all taxpayers with a maximum rate of 15% for both.

Personal Tax Rates – Current rates were extended for two-years for all taxpayers with the top rate remaining at 35%.

Social Security Tax – The employee tax rate of 6.2% on the first \$106,800 of wages drops to 4.2% in 2011.

General Plan continued

compares the four alternatives, and evaluates how each alternative may impact a number of County issues.

County staff and the general plan consultant will be receiving comment on the alternatives through their outreach efforts, and the Board will be making a decision on what alternative to pursue. It is expected the final alternative will be some mixture of

Alternative Minimum Tax – Current exemptions were extended for all taxpayers for two years.

Estate Tax – An exclusion amount of \$5 million and a tax rate of 35% for amounts in excess of the exclusion was established for two years; the exclusion will become indexed beginning in 2012.

Gift Tax – Like the Estate Tax, a Gift Tax exclusion amount of \$5 million and a tax rate of 35% for amounts in excess of the exclusion was established for two years, with the exclusion being indexed beginning in 2012.

Other Extensions – The \$1000 child credit; an additional standard deduction for real-estate taxes; extension of 15-year cost recovery for certain leasehold improvements, restaurant buildings and qualified retail improvements (through 2011); and the extension of various energy credits (through 2011).

Although the legislation provides some certainty for two years, we may find ourselves questioning our future rates again in 2012. Since that is also an election year, it may be interesting!

the alternatives presented. You can see the report and the schedule of public meetings at the general plan website: www.sjcgpu.com.

The alternative selected along with the plan policies and mitigations will have lasting impact on the usability and value of your property. If you would like to know how the general plan revision is going to affect your property please give us a call.

Recent Land & Ranch Sales

| ALAMEDA CO. | | | CONTRA COSTA CO. | | |
|---------------------------------|--------|------------|---------------------------------|----------|-----------|
| AC. | PRICE | | AC. | PRICE | |
| Freisman Rd., Livermore | 17.04 | 3,650,000 | 6100 Briones Vly Rd., Brentwood | 20.73 | 455,000 |
| 8875 Dublin Cyn Rd., Castro Vly | 36.85 | 378,000 | 24895 Marsh Crk Rd., Brentwood | 21.14 | 650,000 |
| Valley Ave., Pleasanton | 39.22 | 11,697,500 | 50 La Salle Dr., Moraga | 21.80 | 275,000 |
| Nobel Dr., Fremont | 40.86 | 14,964,000 | Summit Rd., Lafayette | 22.63 | 1,305,000 |
| 27745 Palomares Rd., Castro Vly | 120.90 | 1,025,000 | 3165 Bragdon Way, Clayton | 38.91 | 785,000 |
| 18208 Cull Cyn Rd., Castro Vly | 170.61 | 1,000,000 | Oak Hill Ln., Clayton | 40.00 | 350,000 |
| 12465 Mines Rd., Livermore | 182.01 | 1,300,000 | Holland Tract Rd., Knightsen | 51.14 | 1,989,000 |
| I-580, Tracy | 433.68 | 4,450,000 | 6301 Chadbourne Rd., Brentwood | 80.00 | 385,000 |
| Doolan Canyon Rd., Dublin | 633.60 | 6,400,000 | 30 Storybook Ln., Livermore | 88.45 | 658,500 |
| CONTRA COSTA CO. | | | TRACY AREA | | |
| AC. | PRICE | | AC. | PRICE | |
| 5190 Grizzly Peak Blvd., Orinda | 5.08 | 480,000 | 275 Homestead Rd. | 9.97 | 116,000 |
| 79 Pastor Ln., Knightsen | 10.00 | 550,000 | 27710 S. Lammers Rd. | 10.00 | 389,000 |
| 25484 Marsh Crk Rd., Brentwood | 10.00 | 788,000 | 3780 W. Linne Rd. | 10.00 | 180,000 |
| Marsh Creek Rd., Brentwood | 10.00 | 257,500 | 21309 S. Lammers Rd. | 23.73 | 380,000 |
| 1850 Arabian Ln., Brentwood | 10.48 | 850,000 | 29665 Kasson Rd. | 556.00 | 3,100,000 |
| 2610 Sunset Rd., Knightsen | 11.26 | 525,000 | Corral Hollow Rd. | 3,942.43 | 7,886,000 |
| Byer Rd., Byron | 14.27 | 334,000 | | | |
| 1091 Pereira Rd., Martinez | 16.54 | 1,199,000 | | | |
| Sellers Ave., Oakley | 19.21 | 320,000 | | | |
| 7030 Morgan Terr. Rd., Clayton | 20.49 | 425,000 | | | |



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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Souza Realty & Development
105 East Tenth Street
Tracy, CA 95376-4003
Tel: (209) 835-8330
Fax: (209) 832-8355
www.souzard.com

A stabilization trend is taking place in commercial real estate sectors, but in most markets rent will remain soft except for multifamily rentals. Average apartment rent is projected to grow 3.4 percent this year and another 4.2 percent in 2012. From the first quarter of this year to the first quarter of 2012, vacancy rates are expected to decline 0.5 percentage point in the office sector, 1.3 points in industrial real estate, 0.1 point in the retail sector and 0.9 percentage point in the multifamily rental market.

National Association of Realtors®

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±68.20 ACRES OF IRRIGATED FARMLAND FOR SALE
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±161 ACRES FOR SALE/DIVISIBLE TO TWO ±80 ACRE LOTS
PATTERSON PASS ROAD, ALAMEDA COUNTY
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BYRON HIGHWAY, BYRON
\$1,090,000
CURRENTLY PLANTED IN ALFALFA



±6.5 ACRES FOR SALE OR LEASE
SHERIDAN ROAD @ I-680, SUNOL
FOR SALE @\$1,200,000 OR FOR LEASE @\$10,000/MONTH
±1,200' OF FRONTAGE & EXCELLENT EXPOSURE ALONG I-680



±6,500 SQ. FT. STANDALONE BUILDING FOR LEASE
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Interest Rates

By Rich Davidson

For the past four months, short term rates continued to remain at historic lows, while longer term rates continued to increase. However, longer term rates are still below where they were one year ago. For example, on April 8, 2010, the 10 year treasury rate was 3.91%, while a year later, the rate stood at 3.59%.

Consumer confidence also continues to increase, along with the Dow Jones Industrial Average and Gold prices. Gold has had a steady increase in its value against the dollar, and has now increased 28% during the last 12 months.

Commercial mortgage backed securities loans hit a record delinquency rate in March according to the Wall Street Journal. 9.42% of all such loans have missed one or more payments based upon statistics provided by loan research service firm Trepp LLC. Numerous borrowers have been unable to pay off

their loans as they come due as the values of many properties are significantly lower than when the loans were made.

Barry Slatt Mortgage has a number of our life insurance company lenders interested in making loans on single credit tenant buildings.

RECENT BARRY SLATT LOAN CLOSINGS

- \$3,530,000; Walgreens; Kansas
- \$3,300,000; Office; California
- \$2,675,000; CVS; Texas
- \$4,400,000; Walgreens; California

Richard E. Davidson, Director
Barry S. Slatt Mortgage Company
Tel 650-342-6755 x 214
rdavidson@slatt.com

KEY INTEREST RATES & INDICES April 8, 2011

| INDEX | CURRENT RATE | CHANGE FROM 12/1/10 | NOTES |
|-----------------------------|--------------|---------------------|----------------------|
| Bank Prime | 3.25% | None | |
| 1 Yr. Treasury | 0.27% | -0.01% | |
| 5 Yr. Treasury | 2.31% | +0.67% | |
| 10 Yr. Treasury | 3.59% | +0.62% | |
| 30 Yr. Treasury | 4.63% | +0.39% | |
| LIBOR (1 Mo.) | 0.24% | -0.01% | |
| LIBOR (6 Mo.) | 0.46% | +0.01% | |
| LIBOR (1 Yr.) | 0.78% | +0.02% | |
| Freddie Mac 60 day | 5.01% | +0.37% | 30 year fixed rate |
| 12 Month Treasury Average | 0.30% | -0.03% | T average |
| 11th District Cost of Funds | 1.47% | -0.19% | Fund Cost |
| Consumer Price Index | 221.31 (Feb) | 218.71 (Oct) | +4.568 from year ago |
| Federal Funds Rate | 0.25% | None | |
| Dow Jones Industrial Avg. | 12,380 | 11,256 | +6.9% YTD Change |
| Consumer Confidence Index | 63.4 (Mar) | 54.1 (Nov) | Improved |