Reflections on Real Estate

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Winter 2012

Alameda County Addresses Solar Energy Facilities

by Mike Glazzy

On Thursday, November 29th, the Alameda County Planning Department held a community meeting to discuss proposed amendments to the East County Area Plan regarding the development of Solar Energy Facilities (SEFs) in the East Alameda County area. With proposed solar projects popping up throughout many jurisdictions, government officials are being taken to task to address SEFs by amending their general plans. In conjunction with this, Alameda County is making efforts to support the State of California's fulfillment of the Renewable Portfolio Standard (RPS) which requires utilities to obtain 33% of electricity from renewable energy sources by 2020.

The California RPS was established in 2002 under Senate Bill 1078, accelerated in 2006 under SB 107 and expanded in 2011 under SB 2. The RPS is one of the most ambitious renewable energy standards in the country. The RPS program requires investor-owned utilities and electric service providers (such as PG&E), and community choice aggregators to increase procurement from eligible renewable energy resources to 33% of total procurement by 2020.

The basic requirements of the RPS are fairly straightforward. In addition to the 33% standard by Year 2020, each retail seller is required by law to show progress towards that goal by achieving intermediate RPS targets of 20% renewable sourcing by the 2011-2013 period and 25% sourcing during the 2016 period (Renewables Portfolio Standard, Quarterly Report, 1st and 2nd Quarter 2012, California Public Utilities Commission, 2012). As of this writing, electrical energy purveyors such as PG&E should be approaching the 20% intermediate RPS target on an annual basis.

Even though Alameda County's stated goal of their solar general plan policies is to "maximize the production of solar photovoltaic energy to the extent feasible, while minimizing potential biological, agricultural, visual, and other environmental impacts", the draft policies being proposed seem overly onerous to the development of SEFs. A complete list of the draft policies is available at http://www.acgov.org/cda/planning/landuseprojects/solarpolicies.htm.

The meeting on November 29th was attended by about 25 people, with landowners and representatives of environmental organizations, the county and solar companies in attendance. The county planning department has been holding similar meetings over the last 16-18 months to gather input on the proposed amendments. They plan to take the revised policies and the comments received at the meeting back to the Board of Supervisor's Transportation and Planning Committee early in 2013, possibly in February. If the Transportation and Planning Committee recommends the adoption of the policies, the county will go back to the Planning Commission, as well as the Agricultural Advisory Committee and the Sunol Citizens Advisory Committee, for a recommendation before the county goes before the full Board for adoption.

City of Tracy Identifies Residential Growth Areas

by Mike Souza

In 2000, the voters of the City of Tracy passed Measure A, a growth control initiative. Measure A reduced the number of building allocations and building permits the City could issue in half, from a maximum of 1,500 and an average of 1,200 to a maximum of 750 and an average of 600. It also reset the year for calculating the annual average to 2000.

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City of Tracy continued

When many development projects receive their final discretionary approvals, they are vested. This means the projects are subject to the laws, rules and regulations that were in place when they received their approvals. Approximately 7,000 residential lots were vested when Measure A passed in 2000. These 7,000 lots were allowed to build at the pre-Measure A rate of 1,200 per year, but the units counted against the 600 per year Measure A average. For every year the City issued 1,200 permits after 2000, there had to be a corresponding year of 0 units to get the average to 600. The City did in fact issue 1,200 permits per year from 2000 - 2006, so there had to be no permits issued until 2013 to get the average to the Measure A Limit.

A number of projects planned for Tracy were not vested prior to Measure A, so they had to wait from 2000 – 2013 before they could begin. Since 2000, there have been many attempts by different projects to position themselves to use the 600 annual permits when they become available in 2013. The positioning included competing ballot initiatives, offers of extravagant public improvements in exchange for units, lawsuits, and many, many discussions and arguments.

Throughout the years, the discourse evolved into a new general plan that identified the areas where new development would occur, and more closely aligned the available development areas with the limits imposed by Measure A. Nonetheless, the City Council had to decide which areas would be eligible to use the limited number of permits first.

Last fall, the City Council adopted a new set of Growth Management Guidelines which identified which development areas would be eligible to receive permits starting in 2013. Those areas include in-fill projects and projects that were in the city limits prior to Measure A, but were not vested including Tracy Hills and four small projects. It also includes one project outside of city limits that was just concluding its approval process when Measure A was passed, South Schulte which is now known as Ellis.

The market for new homes in southern San Joaquin County has been consistently strengthening for the last eight to nine months. With building permits becoming available in Tracy starting next year, and the market for new homes showing signs of improvement, there should be some smaller projects putting new residential product in to the Tracy market by the fall of 2013. Tracy Hills and Ellis will most likely be adding homes in 2014.

Reflections on Real Estate is a publication 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

ALAMEDA CO.	AC.	PRICE
31924 Palomares Rd., Castro Vly	10.27	190,000
17800 Mines Rd., Livermore	14.99	175,000
550 Greenville Rd., Livermore	16.50	5,290,000
Freisman Rd., Livermore	35.53	5,100,000
3526 Welch Creek Rd., Sunol	46.42	934,500
19066 Mines Rd., Livermore	101.82	547,600
5550 Niles Canyon Rd., Sunol	696.02	3,332,500
Palomares Rd., Sunol	1,367.86	6,235,425

CONTRA COSTA CO.	AC.	PRICE
1663 Bartels Dr., Knightsen	10.00	575,000
2235 Sunset Rd., Brentwood	10.00	730,000
1119 Via Media, Lafayette	10.79	510,000
Byron Hot Springs Rd., Byron	12.50	375,000
1901 Hunsaker Cyn Rd., Lafayette	13.50	2,000,000
Holland Tract, Knightsen	16.18	60,000
6921 Johnston Rd., Danville	19.43	1,099,000
Oak Rd., Orinda	23.82	2,400,000
7220 Johnston Rd., Danville	32.72	1,700,000
2426 Chestnut St., Brentwood	37.55	835,000
6715 Bethel Isl. Rd., Bethel Island	40.74	375,000
5696 Alhambra Vly Rd., Martinez	43.41	350,000
3777 Bixler Rd., Byron	48.56	1,150,000

CONTRA COSTA CO.	AC.	PRICE
Byron Hwy, Byron	51.00	830,000
Byron Hwy, Brentwood	52.90	1,250,000
Morgan Territory Rd., Livermore	105.00	495,000

STANISLAUS CO.	AC.	PRICE
Del Puerto Canyon Rd., Patterson	40.99	105,000
Interstate 5, Newman	123.82	200,000

TRACY AREA	AC.	PRICE
24184 S. Cabe Rd.	6.69	119,000
24866 S. Banta Rd.	10.00	780,000
3830 W. Linne Rd.	10.00	830,000
4930 Durham Ferry Rd	35.55	640,000
31305 Kasson Rd.	40.03	250,000
29999 S. Chrisman Rd.	49.52	850,000
32994 S. Hwy 33	49.58	645,000
6200 W. Grant Line Rd.	57.24	1,227,500
10685 S. Wing Levee Rd.	77.50	595,000
1700 W. Undine Rd.	98.52	707,554
32900 S. Bird Rd.	162.72	2,000,000
14320 W. Schulte Rd.	173.48	2,125,000
29592 S. Corral Hollow Rd.	191.50	3,337,000
29353 Kasson Rd.	208.31	1,168,000

About 53% of all San Joaquin Co. homes sold in Q3 2012 were foreclosure sales, a 17% decrease from Q3 2011. Statewide foreclosure-related sales decreased 12% on a year-over-year basis, but those sales still accounted for 36% of all residential sales, the second-highest percentage of any state. Foreclosure-related sales accounted for 54% of all residential sales in Modesto, the highest percentage of any of the nation's 100 largest metropolitan statistical areas in terms of population.

RealtyTrac

Available Properties

±9.36 Acre Winery with Residence For Sale
29181 S. Lehman Road, Tracy
$1,800,000
Located within the Tracy Hills Viticultural Area

2,520 - 7,600 Sq. Ft. Light Industrial Suites
MacArthur Drive, Tracy
$0.60-0.70/Sq. Ft. NNN
Suitable for Automotive, Distribution & More

±160 Acres of Farmland For Sale
Patterson Pass Road, Alameda County
Suitable for Agricultural Uses, Project Mitigation, Open Space Preservation and Wildlife and Habitat Conservation

Byron Airport Update

By Mike Glazzy

GENERAL PLAN AMENDMENT STUDY

Contra Costa County's Byron Airport Master Plan, approved in 2005, identified a diversity of aviation and aviation-related land uses for the long term build-out of the airport. To fully implement the Airport Master Plan, the County's Department of Conservation and Development together with Byron Airport staff will undertake a General Plan Amendment (GPA) process to provide consistency with and allow for the range of contemplated land uses. The GPA will require an environmental analysis of the proposed changes before the amendment can be considered for approval.

The GPA and environmental processes could take up to 24 months to complete, depending on findings during the environmental review component. The projected project cost of $90,000 to $250,000 is contingent on the elements identified during the environmental review.

The Mariposa Energy Project Community Benefit Fund which was established to enhance and support the Byron Airport will provide project funds.

Interest Rates

By Rich Davidson

MARKET UPDATE: 2013 LENDER PROJECTIONS

Long term rates continue at their record low levels with ten year treasury rates at 1.77% as of this writing and standard 30 year fixed rate home loans at 3.62%.

Our correspondent life insurance companies remain quite active, and are best suited to fixed rate deals for ten years and longer; though it is not uncommon for these lenders to fix a rate for 15-20 years. Our correspondent CMBS lenders remain very active and are competing with the life insurance companies again. Our banks are also

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We are converting our newsletter to an electronic-only format. Please send an email to mglazzy@souzard.com or call (209) 835-8330 to continue receiving it by email. Thank you!

Interest Rates continued

very competitive in situations where prepayment flexibility is important. The chart below is our market update with lender projections.

Barry Slatt Mortgage represents several prestigious lenders on an exclusive correspondent basis, in addition to our wide breadth of other lending resources.

Lender	2012 Allocation	2013 Projection
StanCorp Mortgage Investors	$1,200,000,000	$1,300,000,000
Symetra Life Insurance Company	$850,000,000	$850,000,000
Thrivent Financial for Lutherans	$700,000,000	TBD
Woodmen of the World	$300,000,000	$300,000,000
Aviva Capital Management	$1,000,000,000	$1,000,000,000
American Fidelity	$50,000,000	$50-60,000,000
Protective Life	$600,000,000	$700,000,000
American United Life	$275,000,000	$300,000,000
Morgan Stanley (CMBS)	$4,200,000,000	Unlimited
JP Morgan (CMBS)	$9,000,000,000	Unlimited
EverBank	$250,000,000	$450,000,000
Western and Southern	$400,000,000	Unlimited

RECENT PRESS RELEASE

"In a challenging Northern California deal, Barry Slatt Mortgage banker Rich Davidson has arranged a $6.5 MM mortgage for the Sand Hill Property Company on a 14,500 sq. ft. newly constructed Walgreens Drugstore property located in San Jose. One of our correspondent lenders, EverBank, provided the 10-year permanent loan, which was used to pay off a construction loan that Barry Slatt Mortgage affiliate 3MD Financial provided last year.

This loan presented a number of significant challenges. Walgreens was terminating a lease on a nearby building and moving into the new location. Subsequently timing on the construction was important, as was the timing on the takeout funding in order to realize savings on interest and loan fees.

The borrower was seeking a long term fixed rate to take advantage of the historically low interest rates, but also required flexibility in the ability to prepay the loan in the event of an all cash sale. Most lenders offering long term fixed rates do so with either defeasance or yield maintenance prepayment penalties. EverBank was able to provide an assumable loan with a specific declining prepayment penalty that starts at 5% in year one, and declines to 1% in year five.

EverBank further accommodated the borrower with a very creative pre and post- closing loan structure that allowed the borrower to satisfy several lending conditions after the loan closed."

I look forward to speaking with you regarding any of your real estate financing needs.

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