

# Reflections on Real Estate

A Publication by Souza Realty & Development

Winter 2013

## Tracy Plans Infrastructure for Projected Growth

by Mike Souza

The City of Tracy is about to complete a three year process to plan and finance the infrastructure necessary to accommodate projected growth through 2035. This is a vital step in implementing the 2010 General Plan and preparing for the wave of job growth that is just starting to hit Tracy.

In 2010, the City began the process of preparing Citywide Master Plans for traffic, water, recycled water, wastewater, storm drainage, public safety, public facilities, and parks to serve new developments, analyzing 19 different planning areas covering 8,600 acres. The Citywide Master Plans were completed at the end of 2012 and subsequently adopted by the City Council. As projects move from the general plan stage to the specific plan stage, more becomes known about how the Master Plans will

be implemented, and they are updated accordingly.

After adoption of the Master Plans, AB1600 Development Impact Fee studies were completed. These studies determine the equitable share that new development must pay in order for the City to build the infrastructure to serve them. This includes major projects such as phased wastewater treatment plant expansion, new main trunk sewer lines, a city-wide recycled water system, new water storage tanks, distribution lines and water supply sources, as well as new police, fire and park facilities. These projects are outlined in each of the studies along with the method for allocating these costs to the various land uses.

City Staff conducted a very inclusive process and worked with the develop-

ment community to keep new fees in a reasonable, competitive range. A number of decisions were made by the City in an effort to keep fees reasonable, including:

- The unit costs were adjusted for various infrastructure items after input received from the development community indicating some of the unit costs were too high given current market conditions;
- It was assumed that \$274 million would be received from grants, regional traffic impact fees and Measure K to offset traffic costs;
- Project soft costs were reduced from 45% to 40%;
- Park fees were adjusted to a more reasonable and competitive level.

*see Tracy Infrastructure page 2*

## Executive Suites are the Solution to Office Needs

by Lisa Cox

Executive suites, also known as business centers, are individual office rentals with shared common space and services. A normal services package includes one or more fully furnished approximately 100 square foot offices through a common lobby with access to conference rooms, copy facilities, and a break room. A variety of services are also available including phone system and service, reception services including call greeting and announcing, T-1 internet access, black and white and color copies, secretarial services and a concierge service.

One might ask the benefits in leasing an executive suite over traditional office space. The number one answer is the cost. In our research we have concluded that a tenant would save over \$4,000 per month leasing an executive suite in lieu of traditional office space. Other benefits include ease of setup with minimal setup costs, one monthly bill for all services including rent, utilities, janitorial, phone equipment, and other selected services, and reception and administrative support whenever it is needed, but charged only on an as-needed basis.

At West Park Executive Suites we are leasing 26 offices in a prime location with ample parking, at the corner of 10th Street and Tracy Boulevard in Tracy. At the suites you will find a professional receptionist to greet your clients and answer your business calls. Each office is fully furnished and equipped for phone lines, fax lines, POS machines, T-1 internet access and cable TV. The kitchen is stocked with complimentary snacks, drinks, coffee and tea for tenants and their clients. There are

*see Executive Suites page 2*

## Tracy Infrastructure continued

The fees apply to those developments that are not currently within a finance plan. The facilities funded through the fee program are generally considered to be backbone infrastructure.

The Master Plans and fees determine fair share costs for build out of the needed infrastructure. The next step will be for each new development to determine which of those facilities are needed to serve that particular development and how they are going to finance their fair share. Some of the larger items, like the next phase of

expansion of the sewer treatment plant, will require the City to work with a number of different developments to raise the funds needed to construct the expansion. In the case of the sewer plant expansion, the City is currently working to finance \$25 million from ratepayers and developers, to build the next expansion.

The City has done a great job in putting these plans together and keeping costs and fees reasonable. This work is a vitally important step in the City being prepared to respond to market demands for new job generating, retail and residential land uses.

## Executive Suites continued

two conference rooms available for use with television, VCR, DVD, conference phones and catering available upon request. Tenants will also have a personal mailbox, access to our administrative support staff, copy machine, and postage discounts.

West Park Executive Suites also offers Business Solutions also know as Virtual Office. These plans are for customers who don't necessarily need permanent office space but who require office space on an as needed basis. Virtual Office also includes a business mailbox with a prestigious business address and receptionist service to answer your business

calls and have them transferred accordingly. These clients will also have access to conference rooms, kitchen services, work room and our administrative staff.

Our conference rooms are available to the public and are a perfect place for any person or company looking for a professional location to hold a meeting, class, luncheon or conference call.

Whether it be a standard office, a Virtual Office, or a conference room on an as-needed basis, West Park Executive Suites has the solution to your business needs. Please check out our website [www.WestParkExecutiveSuites.com](http://www.WestParkExecutiveSuites.com) or give us a call at (209) 229-7979.



*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	CONTRA COSTA CO.	AC.	PRICE
W. Grant Line Rd., Livermore	10.88	555,000	179 Crestview Dr., Orinda	20.46	1,800,000
19100 Crest Ave., Castro Valley	11.70	300,000	3600 Byer Rd., Byron	28.37	1,300,000
34355 Palomares Rd., Castro Vly	17.46	2,140,000	140 Paulanella Pl., San Ramon	29.64	1,900,000
Greenville Rd., Livermore	20.01	950,000	Marsh Creek Rd., Byron	31.10	525,000
51 Vallecitos Rd., Livermore	21.39	2,200,000	2017 Walnut Blvd., Brentwood	34.39	1,130,000
5385 East Ave., Livermore	22.12	1,470,000	S. Lucille Ln., Lafayette	34.59	450,000
25050 Mines Rd., Livermore	40.00	205,000	Camino Diablo, Byron	40.60	888,000
CONTRA COSTA CO.	AC.	PRICE	CONTRA COSTA CO.	AC.	PRICE
446 Legacy Dr., Alamo	3.19	885,000	Carquinez Scenic Dr., Crockett	41.19	1,900,000
3302 Springhill Rd., Lafayette	3.49	730,000	Collier Canyon Rd., Livermore	254.23	3,086,000
813 La Gonda Way, Danville	3.79	1,820,000	SANTA CLARA CO.	AC.	PRICE
1571 Hunsaker Cyn Rd., Lafayette	4.04	630,000	14500 Del Puerto Cyn Rd.	160.00	110,000
86 Oakridge Ct., Danville	4.21	535,000	TRACY AREA	AC.	PRICE
2665 Taylor Rd., Bethel Island	6.02	105,000	31513 S. Tracy Blvd.	10.58	300,000
109 Camelia Ln., Lafayette	8.65	550,000	18540 S. Tracy Blvd.	34.06	430,000
Payne Ave., Brentwood	9.44	220,000	12501 Platit Rd.	36.85	480,000
2100 Bartels Dr., Knightsen	9.56	230,000	25400 S. Chrisman Rd.	54.82	240,000
2650 Tule Ln., Knightsen	10.00	810,000	3390 Hwy 132	68.70	265,000
1950 Tule Ln., Knightsen	10.98	580,000	28002 S. Bird Rd.	68.93	2,000,000
1175 Garcia Ranch Rd., Briones	12.42	1,000,000	24080 S. Bird Rd.	174.62	1,575,000
11200 Marsh Creek Rd., Clayton	19.10	700,000	Kasson Rd.	254.40	2,162,500
			Tracy Blvd.	361.09	3,481,000

Total commercial real estate construction spending in the Bay Area for 2013 is projected to be \$6.3 billion to \$6.7 billion. That would be the largest amount documented by McGraw Hill Construction, whose records are based on building-permit data and go back to 1967. The current record was set in 2000, when Bay Area construction activity reached \$6 billion.

*Contra Costa Times*

## Available Properties



**±3,600 SQ. FT. SUITABLE FOR OFFICE, RETAIL OR A RESTAURANT**  
**2179 W. GRANT LINE ROAD, TRACY**  
**\$1.25/SQ. FT. NNN**  
**HIGH VISIBILITY WITH GREAT PROXIMITY TO INTERSTATE 205**



**±344 ACRES OF RANCH LAND FOR SALE**  
**MORGAN TERRITORY ROAD, LIVERMORE**  
**\$2,400,000**  
**SUITABLE FOR AG, MITIGATION OR PRESERVATION; IN WILLIAMSON ACT**



**±158 ACRES OF RANCH LAND FOR SALE**  
**16980 TESLA ROAD, LIVERMORE**  
**\$495,000**  
**ACROSS THE STREET FROM CARNEGIE SVRA; IN WILLIAMSON ACT**



**2,520 - 7,600 SQ. FT. LIGHT INDUSTRIAL SUITES**  
**MACARTHUR DRIVE, TRACY**  
**\$0.60-0.70/SQ. FT. NNN**  
**SUITABLE FOR AUTOMOTIVE, DISTRIBUTION & MORE**

## New 1031 Law - Effective January 1, 2014

**E**ffective January 1, 2014, all taxpayers – resident or non-resident – who sell California property in a 1031 exchange and purchase replacement property located outside of California will be required to report this annually to the California Franchise Tax Board.

In June of this year, the Legislature passed Assembly Bill 92 (AB 92) which added California Revenue and Taxation Code Sections 18032 and 24953 creating the new annual filing requirement.

With this new law, the Franchise Tax Board (FTB) will be able to track California sourced gain from 1031 exchanges.

Generally, taxes deferred in a 1031 exchange are due at a future date when

the newly acquired replacement property is sold. However, if the replacement property is located out of state, there is no tracking mechanism and the State of California loses that tax revenue.

Essentially, the new “1031 Information Return” must be filed annually until the deferred gain is recognized – i.e. the property is sold without another 1031 exchange.

For taxpayers who are already required to file a California tax return, the new “1031 Information Return” will be filed as an attachment to the taxpayer’s California tax return.

For taxpayers who are not already required to file a California return, the new “1031 Information Return” will be due on the same date that a Cali-

fornia return would be due if they were required to file a California return.

The new filing requirement applies to all individuals, limited and general partnerships, estates, trusts, limited liability companies, limited liability partnerships, and all franchise or income tax paying corporations regardless of their residency status or commercial domicile.

The Franchise Tax Board will be establishing guidelines, procedures, and standards for implementing the new law.

The new California 1031 information return is currently being developed by the Franchise Tax Board. For more information on the new filing requirement please visit [https://www.ftb.ca.gov/professionals/taxnews/2013/November/November\\_2013.pdf](https://www.ftb.ca.gov/professionals/taxnews/2013/November/November_2013.pdf)

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

## Interest Rates

By Rich Davidson

As I mentioned in our last newsletter, 10 year treasury rates hit a low for 2013 on May 1st at 1.66%. As the year has moved along and the Fed has indicated they will be cutting back on their purchases of mortgage backed securities known as Quantitative Easing (QE), 10 year treasury rates have risen. During the last six months they have increased 123 basis points to 2.89%, while short term rates have remained near their lows. This week, when the Federal Reserve actually announced that they will be cutting back on their bond purchases to \$75 billion a month, the stock market, as measured by the Dow Jones Industrial Average, surged 293 points to a new record high of 16,168.

All of our lenders continue to show active interest in making new loans and there is still a lot of liquidity in the lending market. Our correspondent life insurance companies remain quite active and are best suited to fixed rate deals for

10 years and longer. Current 10 year rates for them are at spreads from 140 to 240 over. Our correspondent CMBS lenders remain very active and are providing interest only loans again for up to the entire 10 year term. Banks are also very aggressive.

### RECENT CLOSINGS

- \$10,400,000 CMBS Loan on Of-

- \$7,400,000 Bank Loan on Mixed Portfolio in Sacramento

Please call or email if I can be of any assistance or answer any questions.

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KEY INTEREST RATES & INDICES			
December 18, 2013			
INDEX	CURRENT RATE	4 MONTH CHANGE	NOTES
Bank Prime	3.25%	None	
1 Yr. Treasury	0.13%	+0.02%	
5 Yr. Treasury	1.55%	+0.19%	
10 Yr. Treasury	2.89%	+0.32%	
30 Yr. Treasury	3.90%	+0.27%	
LIBOR (1 Mo.)	0.17%	-0.02%	
LIBOR (6 Mo.)	0.35%	-0.05%	
LIBOR (1 Yr.)	0.58%	-0.09%	
Freddie Mac 60 day	4.57%	+0.11%	30 year fixed rate
12 Month Treasury Average	0.13%	-0.02%	T average
11th District Cost of Funds	0.96%	+0.01%	Fund Cost
Consumer Price Index	233.060(Nov)	+2.23	52 weeks
Federal Funds Rate	0.25%	None	
Dow Jones Industrial Avg.	16,168	15,426	+22% YTD
Consumer Confidence Index	70.4 (Nov)		Decreased
Gold \$/oz	\$1,236	\$1,313	-26% YTD