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The Santa Barbara County Economy in 2007: latest labor market and new development news

by Mark Schniepp

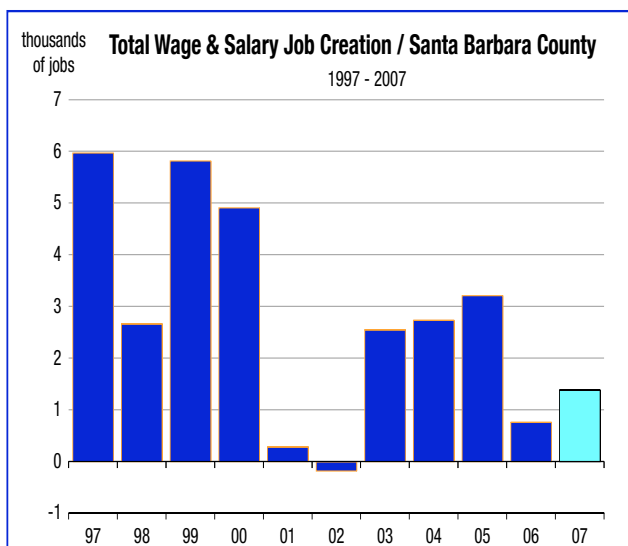
The labor market in Santa Barbara County is still expanding though just barely. Other sectors are showing more vibrancy: Commercial real estate remains red hot, incomes are rising, consumers are spending, and more residential development (mostly in the north) is being planned for the future.

To date, we're not observing much calamity in the rest of the economy due to the weakness in the housing sector. It's hard to detect any impacts at this time. However, two issues remain on the front burner: (1) how long can we expect the current malaise in the residential market to persist, and (2) will the slowdown in real estate ultimately spill over and impact the rest of the economy, pulling it into recession?

The short answers to those questions are: (1) 2007 and 2008, and (2) not this year and likely not in 2008.

Where are jobs being created, or lost?

Last year we saw workforce consolidations at Devereux, Mentor, Raytheon, Countrywide, and Verizon in the South Coast, and principally at Vandenberg AFB and the Federal Prison in Lompoc. There was no material job creation in the South, and none in Lompoc.



The Santa Maria Valley is experiencing all of the employment growth in Santa Barbara County. The school districts are expanding, the workforce has increased at Marian Medical Center, United Parcel, and C&D Aerospace. More than 1,000 jobs were created in the Valley economy during 2006.

Since 2000, the healthcare sector has grown by 1,300 jobs. As the population grows older, in particular, the number of people aged 65 and older increases, more jobs in healthcare and personal services will be in demand. Ditto the leisure and hospitality sector, which has increased by nearly 1,000 jobs since 2003.

New Commercial Development

The largest non-residential project currently underway in the county is the Cottage Hospital renovation. Lompoc Hospital is also under construction with the addition of an admin building and patient center. The A Street Business Center in Santa Maria was under construction during 2006. Twenty-one of the 34 industrial buildings will be completed by March. Only a few other industrial projects in the Santa Maria valley are currently being built.

Commercial projects likely to begin in 2007 include the Orcutt Marketplace, a 316,000 square foot shopping center, the Miramar Hotel in Montecito, a 200,000 square foot expansion of Marian Medical Center, and the 163-room Roemer Court Hotel in Santa Maria.

New Residential Development

A number of large projects are currently underway including Harvest Glen, La Vigna, and Siena in Santa Maria. Providence Landing continues in Lompoc and Briar Creek is now under construction. The 169 units Skytt Mesa project in Solvang started home construction in December. St. Vincent's Mercy Housing (170 units) is the only sizable development currently underway in the South Coast. It is nearly completed.

However, the Sumida Gardens 200 apartment unit project and the 264 unit Village at Los Carneros could break ground before the year ends. Both projects are located in Goleta. Also due to start in 2007 is the county's largest project: Rice Ranch in Orcutt, and the 476

unit Burton Ranch project in Lompoc. More residential building is expected to be underway in the county by the end of 2007 or the beginning of 2008.

Residential and Commercial Projects Expected to Begin This Year - Santa Barbara County			
Name	Location	Units/Square Feet	Type
Rice Ranch	Orcutt	725	Single family homes
Burton Ranch	Lompoc	476	Single family and multi family homes
Mattei's Landing	Santa Maria	375	Manufactured homes
River Terrace	Lompoc	308	62 Single family, 246 Condos
Village at Los Carneros	Goleta	275	Multi family homes
Sumida Gardens	Goleta	200	Apartments
St. Francis Residential	Santa Barbara	115	Condominium units
Orcutt Marketplace	Orcutt	316,000	Retail center, offices, condos
Miramar Hotel	Santa Barbara	250,000	Complete hotel renovation
Marian Medical Center	Santa Maria	216,000	Hospital expansion, 223 beds
Roemer Court Hotels	Santa Maria	91,683	163-room hotel

Mortgage Interest and Taxes

Don't forget deductions related to your mortgage when preparing your taxes. Loan interest deductions can reduce your taxable income. Not only can your mortgage interest be deducted, but you may also be able to deduct points you paid to obtain your loan.

According to John Bostwick, CPA, at Walpole & Company, deductible home mortgage interest is generally limited to the amount correlated to aggregate acquisition debt of up to \$1,000,000, and aggregate home equity line debt of \$100,000. Please consult your tax advisor regarding aggregate indebtedness limitations.

Points, which include origination fees and loan fees paid to buy down the interest rate, are deductible when they were incurred in order to buy your primary residence. Points may also be deductible in the year incurred if

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they were paid in order to build or improve your primary residence and were not rolled into the total loan amount.

On the other hand, points are generally not deductible in the year in which they were paid if you refinanced your primary residence simply to reduce your rate of interest, or acquired a second home, for example. Instead, most points paid in these situations are amortized over the life of the loan. The IRS views these points as repayment of existing debt. If you refinance a second time, any fees not yet deducted from the first refinance can then be deducted.

If you meet with a tax preparer, it is useful to bring your settlement sheets from your refinance, sale or purchase of real estate.



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