Real Property Conveyance Questionnaire* for ASR
(*Applies to sale, lease, license, or easement of County or District owned assets)

Instructions:
- This questionnaire was developed with input from Auditor Controller, Internal Auditor and CEO Real Estate to assure County leadership is fully informed.
- Insert the complete answer after each question below.
- When completed, save and include as an Attachment to your ASR.
- In the body of the ASR focus on the considerations relevant to the decision.
- If you need assistance, please contact CEO Real Estate.

1. What property interest is being considered for conveyance (e.g. fee, lease, license, easement)? License

a) Why is this property being considered for lease, license, sale or other conveyance? License to correct environmental problems caused by Raytheon Company (Licensee).

b) How and who identified this property as a potential conveyance? Orange County Flood Control District (District) worked out a license agreement with Licensee to correct past problems identified by the Department of Toxic Substances Control (DTSC).

c) What factors are key in recommending this property for conveyance? This is a requirement from the DTSC.

d) How does the proposed conveyance fit into the County's/District's strategic or general plan? This conveyance will help the general public or people in the area polluted by Licensee.

e) What are the short and long term anticipated uses of the property? The 19-year license agreement will have Licensee clean the affected area.

f) Are there any limitations on the use of the property in the conveyance documents? Yes, licensee has specific tasks to complete the agreement.

2. What analysis has been performed as to whether to convey the proposed real property interest? District analyzed the costs and fees associated with this project. It was negotiated with Licensee and agreed upon.

a) Have there been any internally or externally prepared reports regarding this property conveyance? A Corrective measures implementation work plan has been shared with District about the steps Licensee will take to clean the affected area.

b) Who performed the analysis? Hargis and Associates

c) Provide details about the analysis and cost/benefit comparison.

3. How was the conveyance price, or lease/license rent, determined? $14,460 per year with a $200 increase per year.

a) Who performed the appraisal or market study and what certifications do they possess? Rich Edmond, MAI

b) How does the price/rent compare with comparable properties? The rent is comparable to properties of similar use.

c) Does the setting of the price/rent follow industry standards and best practices? Yes

e) What are the specific maintenance requirements and other costs within the agreement and who is responsible? • Prevent unacceptable exposure to groundwater containing COCs; • Establish containment areas within the regional groundwater system to control future residual COC migration from former source areas; and • Contain COCs in groundwater to protect current and future uses of groundwater with a short-term goal of not exceeding drinking water MCLs at point(s) of compliance and a long-term goal of attaining drinking water MCLs in groundwater to the extent practical.

4. What additional post-conveyance remodeling or upgrade costs will be needed for the property to meet its intended use? N/A

a) Will any of the upgrades be required to meet County, ADA, or other standards and requirements?

b) Include estimates of the costs.
c) What entity will be responsible for the costs?

5. Can the County terminate the sale/easement, lease/license? Yes
   a) What would be necessary to terminate the agreement and when can it be terminated? 180-day notice by either party to terminate the license.
   b) Are there penalties to terminate the sale/easement, lease/license? No

6. What entity will be responsible for the payment(s)? Licensee
   a) How will the funds received be used or applied? Funds will be applied to the Orange County Flood Control District
   b) What fund number will the funds from the conveyance ultimately be deposited into? Flood Fund 400
   c) If restricted funds might be created or supplemented, check with the Auditor Controller's General Accounting Unit and Counsel if you have questions about whether restricted funds are involved.) N/A
   d) If restricted funds might be created or supplemented, has County Counsel advised that the destination fund for the payment(s) is properly restricted? N/A

7. Does the proposed sale/easement, lease/license agreement comply with the CEO Real Estate standard language? Yes
   a) List any modified clauses and reasons for modification.

SECURITY DEPOSIT (PMC9.1 N) – Allowed Licensee to use a Letter of Credit as the security deposit.

INDEMNIFICATION (SRLic-3.7 N) – District shall provide Licensee with prompt written notice of any claim for which indemnification is sought.

8. If this is a lease, is it a straight lease, an operating agreement, a lease with an option to purchase, or a capital lease (see details below)? License Agreement

   Capital Lease Determination: At the inception of any *potential* capital lease, it is important to contact the Auditor-Controller's Capital Asset Unit for further guidance to ensure proper classification and accounting for the lease occurs. There are specialized accounting rules and required forms for capital leases. See further details in the County's Accounting Manual, Policy No. FA-1: *Accounting for Lease Purchases (Capital Leases)*, located on the intranet. For accounting purposes only, a capital lease exists if ANY one (1) of the following four (4) criteria is met:

   i) Lease transfers ownership to another party by the end of the term.
   ii) Lease contains an option for the other party to purchase the property by the end of the term for a price lower than the expected fair market value of the property? (For example $1 or $1,000, and based on this option price, for accounting purposes only, the ultimate purchase of the property is deemed reasonably assured at the inception of the lease.)
   iii) Lease term is equal to 75% or more of the remaining estimated useful life of the leased property.*
   iv) Present value of the minimum lease payments is equal to 90% or more of the fair value of the property at the inception of the lease.*

   *Criteria iii) and iv) don't apply if the lease term begins in the last 25% of a property's estimated useful life.

   To validate whether a lease is a capital lease for accounting purposes, please contact the Auditor-Controller's Capital Asset Unit at capitalassets@ac.ocgov.com .