Attachment C

Real Property Acquisition Questionnaire* for ASR

(*Applies to property purchase, or acquisition lease, license or easement)

Instructions:

- This questionnaire was developed with input from Auditor Controller, Internal Auditor and CEO Real Estate to assure that 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 acquisition (fee, lease, license, easement)?

140 S. State College Blvd., Brea, CA 92821

a) Why is this property being considered for acquisition? HCA's lease at their current North Regional Children and Youth Behavioral Health (CYBH) Clinic is set to expire on March 31, 2018. The landlord at this site has been unwilling and/or unable to fulfill the terms of a Letter of Intent for the renewal, causing the County to seek an alternate location.

b) How and who identified this property for a potential acquisition? CEO/Real Estate and Health Care Agency agreed this is the best site option at this time.

c) What factors are key in recommending this property for acquisition? Price, location and program service requirements are the key factors for recommending this site.

d) How does the proposed acquisition fit into the County's/District's strategic or general plan? Providing a convenient North Orange County location for HCA's clients to access the County's services.

e) What are the short and long term anticipated uses of the property? The Health Care Agency will use the site to provide clinical services for emotionally and/or mentally disordered children and adolescents which includes: assessment, therapy, case management, medication monitoring, crisis intervention and collateral services to youth and their families.

f) Are there any limitations on the use of the property for its intended purposes? no

2. What analysis has been performed as to whether to acquire the proposed real property interest? CEO/Real Estate Services and HCA collaborated to determine that this location was the best option to meet HCA program and client needs.

a) Have there been any internally or externally prepared reports regarding this property acquisition? A market rate analysis and lease cost comparison was completed.

b) Who performed the analysis? Jones Lang La Salle (JLL)

c) Provide details about the analysis and cost/benefit comparison. This site was determined to be the best relocation option for this program, based upon the price, location and program service requirements. The landlord will provide the County with "turnkey" tenant improvements, saving HCA an estimated $730,350, and will provide the County with a moving/FF&E Allowance of $194,760, for use by HCA at their discretion.

3. How was the acquisition price, or lease/license rent, determined? CEO/Real Estate and JLL negotiated with the landlord for the optimal full service gross lease rate.

a) Who performed the appraisal or market study and what certifications do they possess? CEO/Real Estate and JLL, utilizing market data obtained through CoStar.

b) How does the price/rent compare with comparable properties? The rental rate is at current market for the North Orange County area.

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

d) What are the specific maintenance requirements and other costs within the agreement and who is responsible? The Lessor is responsible for all interior and exterior maintenance.

e) Provide an estimate of the costs to the County/District if applicable. The County is not responsible for maintenance costs.

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4. What additional post-acquisition remodeling or upgrade costs will be needed for the property to meet its intended use? None
   a) Will any of the upgrades be required to meet County, ADA, or other standards and requirements? N/A
   b) Include estimates of the costs. N/A
   c) What department will be responsible for the costs? N/A

5. Can the County terminate the purchase/easement, lease/license? Yes

6. What would be necessary to terminate the agreement, and when can it be terminated? Yes, at any time after the eighty-fourth month, with at least one hundred eighty days' notice.

   a) Are there penalties to terminate the purchase/easement, or lease/license? Yes, in an amount consistent with the Termination Fee Schedule shown in the Lease as Exhibit G.

7. What department will be responsible for the acquisition payments? Health Care Agency
   a) Are the acquisition costs budgeted in the department's budget? yes
   b) What fund number will the funds for the acquisition ultimately be drawn from? 100-042 County General/Health Care Agency
   c) Will any restricted funds be used for the acquisition? (Check with the Auditor Controller's General Accounting Unit and Counsel if you have questions about whether restricted funds are involved.) No
   d) If restricted funds will be used, has County Counsel advised that this is an allowable use of the proposed restricted funds? N/A

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

Clause 4 (1.3 NA) – allows for 45 parking spaces, of which ten spaces will be marked "County Visitors Only" parking spaces.
Clause 13 (2.2 NA) – the landlord wanted specific additional language to create clarity and lessen probability of landlord/tenant issues under this Construction clause. Under the agreed tenant improvements, the landlord is creating a separate entrance for the County to their suite. The landlord needed confirmation that should there be an issue with the separate entrance, due to applicable laws or if the work is in excess of a commercially reasonable amount, that the parties shall work together to redesign the County improvements to accommodate an entrance to the Premises off the main lobby of the building.
Clause 23 (3.2 SA) - landlord wanted slight modification to the standard insurance to create clarity and lessen probability of landlord/tenant issues.
Clause 61 – added a clause which requires the County to maintain and provide evidence of self insurance.

9. If this is a lease, is it a straight lease, an operating lease, a lease with an option to purchase, or a capital lease (see details below)? Operating lease

   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 that 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 the County by the end of the term.
   ii) Lease contains an option 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 .