

Attachment B

GA1254-141
HCA/BH/ Children & Youth Services
21632 Wesley Drive
Laguna Beach, CA 92651

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)?

Lease Agreement for property located at 21632 Wesley Drive, Laguna Beach, California 92651.

- a) Why is this property being considered for acquisition? Since September 25, 1984, the Health Care Agency's (HCA) Children and Youth Behavioral Health (CYBH) program has occupied 3,800 square feet at 21632 Wesley Drive in Laguna Beach (Existing Premises). The Existing Premises continues to provide excellent access to services for South Orange County clients from surrounding Laguna Beach, Newport Beach, Laguna Niguel and Dana Point cities, with ease of accessibility thereby decreasing barriers to client services. The site is within the desired geographical area with ample parking and access to public transportation and bus routes for clients.
- b) How and who identified this property for a potential acquisition? This is an existing lease location. Health Care Agency and CEO/Real Estate agreed this is the best site option at this time.
- c) What factors are key in recommending this property for acquisition? Program service requirements, cost and location 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? This site provides a convenient location for children and youth service clients to access services, near major traffic arterials for ease of access and decreases barriers to services. The space plan will maximum program efficiency of staff and services to the community.
- e) What are the short and long term anticipated uses of the property? Health Care Agency will use the site for general administrative and office purposes to provide Children and Youth Behavioral Health (CYBH) services.
- f) Are there any limitations on the use of the property for its intended purposes? County shall use the Premises for general office purposes or any other lawful purpose.

2. What analysis has been performed as to whether to acquire the proposed real property interest?

Health Care Agency and CEO/Real Estate collaborated to determine that this location best fits program and client needs.

- a) Have there been any internally or externally prepared reports regarding this property acquisition? A market analysis and lease cost comparison has been completed.
- b) Who performed the analysis? CEO Real Estate on behalf of County of Orange
- c) Provide details about the analysis and cost/benefit comparison. This site was determined to continue to be the best site for the Health Care Agency based on price, location and program service requirements for the region.

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

- a) Who performed the appraisal or market study and what certifications do they possess? CEO Real Estate, utilizing market data obtained through Costar.
- b) How does the price/rent compare with comparable properties? The rental rate is at a fixed rate with 2% annual rental increases, below market for the Orange County area.

Attachment B

GA1254-141
HCA/BH/ Children & Youth Services
21632 Wesley Drive
Laguna Beach, CA 92651

- 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? Provide an estimate of the costs to the County/District if applicable. Lessor shall be responsible for and pay, prior to the delinquency date, all charges for utilities supplied to the Premises except telephone, which shall be the obligation of County. Should Lessor fail to provide, or pay for (prior to delinquency date), utility service to the Premises, County may provide such service and deduct the cost thereof, including overhead, from any Rent payable. Lessor shall be responsible for any other costs, taxes, and/or assessments.
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
- a) What would be necessary to terminate the agreement, and when can it be terminated? County shall have the option to terminate this Lease at any time during the Term upon giving Lessor written notice at least ninety (90) days prior to said termination date.
 - b) Are there penalties to terminate the purchase/easement, or lease/license? None
6. 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? 2600
 - 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
7. 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 7. OPTION TO EXTEND TERM (1.6 N) Provided there is no current County Default under this Lease (as further defined in Clause 28 DEFAULTS AND REMEDIES), either at the time of the exercise of the Option or upon commencement of the Extension Term, County shall have the option to extend the term (the "Option") of this Lease for one (1) five (5) year period ("Extension Term"). To exercise the Option, County shall prepare and deliver a written notice to Lessor exercising its Option no sooner than twelve (12) months and no later than nine (9) months prior to November 30, 2025. The Parties agree that Rent during the Extension Term shall be per the schedule in Clause 10 (RENT ADJUSTMENT). Said notice shall be executed by the Chief Real Estate Officer and shall memorialize the Extension Term under the same terms and conditions of this Lease.

CLAUSE 9. RENT (1.8 N) County agrees to pay to Lessor as rent for the Premises the sum of five thousand four hundred (\$5,400.00) dollars per month commencing on December 1, 2020, and adjusted annually pursuant to the Rent Adjustment schedule in Clause 10 (RENT ADJUSTMENT) below. To obtain rent payments and payment of any amounts hereunder Lessor (or Lessor's designee) shall submit to County's HCA/Facilities Service Manager, in a form acceptable to said HCA/Facilities Service Manager, a written claim for said rent payments. Payment shall be due and payable within twenty (20) days after the later of the following: A. The first day of the month following the month earned; or B. Receipt of Lessor's written claim by the HCA/Facilities Service Manager.

Attachment B

GA1254-141
HCA/BH/ Children & Youth Services
21632 Wesley Drive
Laguna Beach, CA 92651

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)? Operating 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 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 .