

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)?
Lease Agreement for the property located at 1700 East Saint Andrews Place, Santa Ana.
- a) Why is this property being considered for lease, license, sale or other conveyance? **This is a relocation and expansion for Probation from its 1001 S. Grand Avenue Santa Ana offices, which offices must be vacated by June 30, 2024.**
- b) How and who identified this property as a potential conveyance? **Probation and CEO Real Estate worked with Jones Lang LaSalle in the identification and lease negotiation of this property.**
- c) What factors are key in recommending this property for conveyance? **Probation is in need of additional office space and must vacate its current facility at 1001 S. Grand Ave. in Santa Ana on or before June 30, 2024.**
- d) How does the proposed conveyance fit into the County's/District's strategic or general plan? **The proposed conveyance is a great location for Probation to serve the public in Santa Ana.**
- e) What are the short and long term anticipated uses of the property? **The initial Lease Term will expire May 31, 2039 with two (2) five (5) year options to extend.**
- f) Are there any limitations on the use of the property in the conveyance documents? **The County will use the property for the Central Youth Reporting Center and the accounting and training service functions consistent with services provided by Probation or any other lawful purpose.**
2. What analysis has been performed as to whether to convey the proposed real property interest?
Costar, comparable available properties within close proximity and recent lease comparables were used to determine 1700 East Saint Andrews Place as an optimal location.
- a) Have there been any internally or externally prepared reports regarding this property conveyance?
Yes, Costar property searches were performed.
- b) Who performed the analysis? **Our partnering RE brokerage, Jones Lang LaSalle.**
- c) Provide details about the analysis and cost/benefit comparison. **1700 East Saint Andrews Place was determined to be the best option for Probation.**
3. How was the conveyance price, or lease/license rent, determined? **Fair market value.**
- a) Who performed the appraisal or market study and what certifications do they possess? **Our partnering RE brokerage, Jones Lang LaSalle.**
- b) How does the price/rent compare with comparable properties? **The rent is consistent with similar Santa Ana properties.**
- 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. **County is responsible for utilities and janitorial.**
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? **N/A**
- b) Include estimates of the costs. **N/A**

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- c) What entity will be responsible for the costs? **N/A**
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? **County may terminate the lease at any time after the 120th month with at least 12 months written notice and a cancellation fee equal to free rent plus unamortized tenant improvements and brokerage commissions at 8%.**
- b) Are there penalties to terminate the sale/easement, lease/license? **Yes, see above.**
6. What entity will be responsible for the payment(s)? **Probation.**
- a) How will the funds received be used or applied? **Monthly rental payments.**
- b) What fund number will the funds from the conveyance ultimately be deposited into? **N/A.**
- 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.)
- 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.
- Clause 12 – Right to Expand and Right to First Refusal**
 - Clause 13 – Construction**
 - Clause 16 – Alterations and Surrender**
 - Clause 17 – County Requested Alterations**
 - Clause 19 – Repair and Maintenance Services**
 - Clause 20 – Utilities**
 - Clause 31 – Debt Limit**
 - Clause 32 – County Property**
 - Clause 34 – Signage**
 - Clause 37 – Successors in Interest**
 - Clause 55 – Destruction of or Damage to Premises**
 - Clause 58 – Right to Purchase**
 - Clause 59 – Right of First Offer to Purchase the Building**
 - Clause 62 – Counterparts**
 - Clause 63 – Reservation of Rights**
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)? **Lease with an option to purchase.**

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.*

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*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.