PERALTA/FAIRFIELD RESIDENTIAL LEASE
Frequently Asked Questions
(FAQs)

1. **Will the District have to borrow money to participate in the development of the project?**
   A. No, the District will not borrow or contribute any money toward the project. The Lease Agreement requires that the Lessee (Fairfield Residential - FR) pay all development and construction costs.

2. **Will the District have to pay any portion of the property taxes?**
   A. No, the District will not pay or issue a credit against the revenue to the Lessee for any property or possessory interest taxes. FR is required to pay all taxes. This includes the tax on the improvements (buildings) and the underlying land.

3. **How many units are in the proposed development?**
   A. The original FR proposal was for 380 units. However, the plan has been modified down to 340 units. The ultimate size of the development will be determined through the City's review and approval process.

4. **How much money is the District expected to receive from the lease? Is that amount dependent upon how many units are approved?**
   A. The revenue received by the District directly correlates to the number of units constructed. Once the units are constructed and occupied, the revenue that the District will receive is $900,000 per year, based on 340 units. If the approval results in fewer units, the rent is proportionally reduced, but never less than $600,000 per year. Additionally, the District receives 5% of all rent 12 months after the complex reaches 90% occupancy or 18 months after the first apartment unit is occupied if occupancy is not at 90% by that time. Based on 340 units with an average rent of $25,000 per year, the percentage rent will be $425,000 annually. The percentage rent component will increase over time with inflation.

5. **How much revenue does the District realize from the current lease?**
   A. Currently, the District receives $200,000 per year.

6. **How will the District use this additional revenue?**
   A. According to state law, funds generated from the lease of property may be used for any purpose, as the Board sees fit. However, the OUSD Board of Education took action on March 14, 2013 to restrict all revenue received from leased property to be used only for capital improvements (major facility repairs) and **not** for general operating purposes (salary, benefits, etc.).

7. **The District does not have any experience managing apartments. How can they provide management oversight to this project and assure the community that the required rent is being paid to the District?**
   A. The District will not be involved in the day-to-day management of the project as that is also part of the Lessee's responsibilities. The lease requires that FR provide annual statements from an independent CPA concerning the rent received on the project. If so desired, the District may hire its own CPA and audit the books of FR at any time.

8. **The term of the lease is 99 years. Can the District sell the property before the expiration of the lease?**
   A. Yes, the District can sell the property at any time. There are no restrictions or first rights for FR to purchase the property included in the lease.

9. **Will there be open space/parks in the proposed development? If so, how large will it be?**
   A. There is open space included in the most recent conceptual site plan presented to the community by FR. The area is approximately five acres, but the final determination will be negotiated with the City.

10. **Where will the residents park their cars?**
    A. Establishment of adequate parking will be addressed in the project's design and verified by the City.

11. **How many students will 340 units generate?**
    A. The average student generation factor for apartments in our District is .161/apartment. This equates to approximately 55 students – 39 elementary, 5 middle and 11 high school students. Actual generation rates for specific projects vary based on the type of unit (luxury units generate fewer students than low income units) and the number of bed rooms.

12. **Where will the children attend school?**
   A. The current attendance boundaries for the site are Taft Elementary, Cerro Villa Middle and Villa Park High Schools. Students who reside within the boundaries of a school have a right to attend those schools. In the event of a school being at capacity, students on open enrollment transfers can be returned to their home schools. In addition, any new development, including this one, will be required to pay the applicable developer fees, which go toward accommodating new students.

13. **Will school boundaries change due to increased student population?**
   A. No, there is no plan to adjust school boundaries.

14. **Will the Peralta Site be needed for a school in the future due to increased population?**
   A. In the best estimate of the District's demographer, there will not be a need for the Peralta Site to become a school in the foreseeable future. As a point of interest, the Peralta Jr. High School has been closed longer than it was open.

15. **Will the District lose its tax exempt status due to the commercial nature of the project?**
   A. No, the District's tax exempt status is not in jeopardy due to the commercial nature of the Lessee's business or the structure of the lease.

16. **Will the District be liable should somebody get hurt during the term of the lease?**
   A. The District is fully indemnified by the Lessee in the event of an injury or lawsuit concerning their operation of project.

17. **It's been mentioned that the District could issue around $20 million in bonds against the revenue generated from the rental income. What is the interest rate with this type of borrowing and what would the money be used for?**
   A. The District may borrow against the revenue generated from the lease, but that decision has not been made and most likely will not be considered until the project is occupied and revenue has stabilized. The District has a very favorable credit rating and similar districts are currently borrowing at 4.5% for 25 years.

18. **What assurance <u>does</u> the District have that the buildings will be maintained over 99 years?**
   A. The lease requires that FR maintain the buildings at the standard for luxury apartments in Orange County and that a Capital Reserve Fund of 1.5% of the rent be established for the "cost of additions, replacements, renovations or significant upgrades."