

# C P Appraisers

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(714) 639-8115

April 9, 2014

Michael Christensen, Superintendent  
ORANGE UNIFIED SCHOOL DISTRICT  
1401 N. Handy Street  
Orange, CA 92867

**Re: School Bond Elections and Home Values**

Dear Michael Christensen,

We have completed the first portion of our study for the proposed school bond election. The study was completed and is consistent with the work product of other similar professionals competing a similar assignment. It included research of past and proposed school bond elections and the analysis of property values. The study included research of school bond elections locally and nationwide. A focus was set on Tustin Unified School District as a competing school district to Orange Unified School District. The study also included the relationship between Academic Performance Index ratings and home values.

The attached report is a summary of our findings as of October 28<sup>th</sup>, 2013. It is of our opinion that school bond elections passed to repair and modernize the district facilities would have positive impacts on property values. Positive results have been noted in the years following the passing of school bond elections. We anticipate that a successful school bond election designed to repair and modernize the school district facilities would increase home values by 6% over a 6-year holding period. The value added to the average home value is estimated to be approximately 38 times greater than the average cost of the bond. The cost of the school bond would be applied to the properties' assessed values during the 6-year holding period.

Sincerely,



John Aust, Ph.D., CCRA, CREA  
State Certified General  
#AG 010074, expires 1/12/2015



Keith E Irish  
State Certified General  
#AG 034764, expires 8/5/2014

**219 E. Chapman Avenue, Orange, California 92866**

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### **ADDENDA**

STATEMENT OF CONTINGENT AND LIMITING CONDITIONS  
BROKER SURVEY

## **INTRODUCTION**

### **PURPOSE AND INTENDED USE**

The client of this assignment is Michael Christensen, Superintendent of the Orange Unified School District. The intended users are the client and the Orange Unified School District. The purpose of the assignment is to ascertain if property values increase when districts improve their school facilities. The intended use is for purposes of a proposed school bond election.

### **COMPETENCY PROVISION**

A specific requirement of FIRREA is "that real estate appraisals utilized in connection with federally related transactions are performed...by individuals whose competency has been demonstrated and whose professional conduct will be subject to effective supervision." This competency provision calls for certain educational courses, minimum hours of experience, and the passage of an examination in order to attain certification.

The appraisers signing this appraisal report are currently certified under the state of California and have attained a level of competency necessary to complete the assignment, using all of the commonly recognized analysis techniques considered normal for a prudent evaluation effort.

### **ENVIRONMENTAL AND STRUCTURAL LIMITING CONDITIONS**

The values estimated were based on the assumption that the properties were not negatively affected by the existence of hazardous substances or detrimental environmental conditions unless otherwise stated in this report. The appraiser is not an expert in the identification of hazardous substances or detrimental environmental conditions.

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## DEFINITION OF MARKET VALUE

### Market Value<sup>1</sup>

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, and knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (i) buyer and seller are typically motivated;
- (ii) both parties are well informed or well advised, and acting in what they consider their own best interests;
- (iii) a reasonable time is allowed for exposure in the open market;
- (iv) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (v) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions\* granted by anyone associated with the sale.

\* Adjustments to the comparable properties must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs that are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third party institutional lender who is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar-for-dollar cost of the financing or concession, but the dollar amount of any adjustments should approximate the market's reaction to the financing or concessions based on the appraiser's judgment.

### "As Is" Market Value<sup>2</sup>

The value of specific ownership rights to an identified parcel of real estate as of the effective date of the appraisal; relates to what physically exists and is legally permissible and excludes all assumptions concerning hypothetical market conditions or possible rezoning.

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<sup>1</sup>This definition of market value is predicated on the Uniform Standards of Professional Appraisal Practice 2010 and fully complies with those requirements mandated by the Office of the Thrift Supervision (OTS), Office of the Comptroller of the Currency (OCC), Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), and the Federal Reserve Board (FRB).

<sup>2</sup> The Dictionary of Real Estate Appraisal, Fourth Edition, Appraisal Institute, 2002

### **EFFECTIVE DATE**

The effective date of this assignment is October 28<sup>th</sup>, 2013.

### **ASSIGNMENT DESCRIPTION**

The client has engaged us to determine if property values increase when school districts improve their school facilities. The Orange Unified School District may be developing a proposal for a school bond election. The monies generated by the school bond would repair and modernize the classrooms, facilities and campus amenities. Such measures are designed to increase student performance and insure safety.

Our assignment is defined as appraisal consulting. We are to determine whether the school bond elections would have positive or negative implications on property values, if any.

### **EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS**

This appraisal consulting assignment was not completed based on any extraordinary assumptions or hypothetical conditions.

## SCOPE OF WORK

This report is intended to comply with the reporting requirements set forth under Standard Rule 5-2(f) of the Uniform Standards of Professional Appraisal Practice. The issue of scope versus complexity is subject to a wide range of interpretation. In the case of this report, we have endeavored to provide enough detail so that the reader can easily comprehend the analysis and judgment used, observing how the final estimate of values were obtained. This report represents the typical standard of reporting detail we have employed in numerous assignments for various clients. While we freely admit that nearly every section of this appraisal report could be expanded and made more comprehensive, it is our opinion that the amount of detail offered is commensurate with its significance to the appraisal.

John Aust and Keith Irish are the appraisers and worked together on the research, analysis and reporting of this appraisal consulting assignment. A study of past and proposed school bond elections in the Orange Unified School District was conducted. Other school districts bond elections and successes were also reviewed. We researched the relationships between academically higher rated schools and property values in Orange County.

Tustin Unified School District passed school bonds in 2002, 2008 and 2012. These elections were studied and property values during this time period were analyzed. Market statistics were researched and analyzed regarding property values in Orange Unified School District (OUSD) and Tustin Unified School District (TUSD) during the timeline from bond proposal to the present.

Data sources included public record and multiple listing services, such as FARES and MLS. Articles and web publications were also researched locally and nationally.

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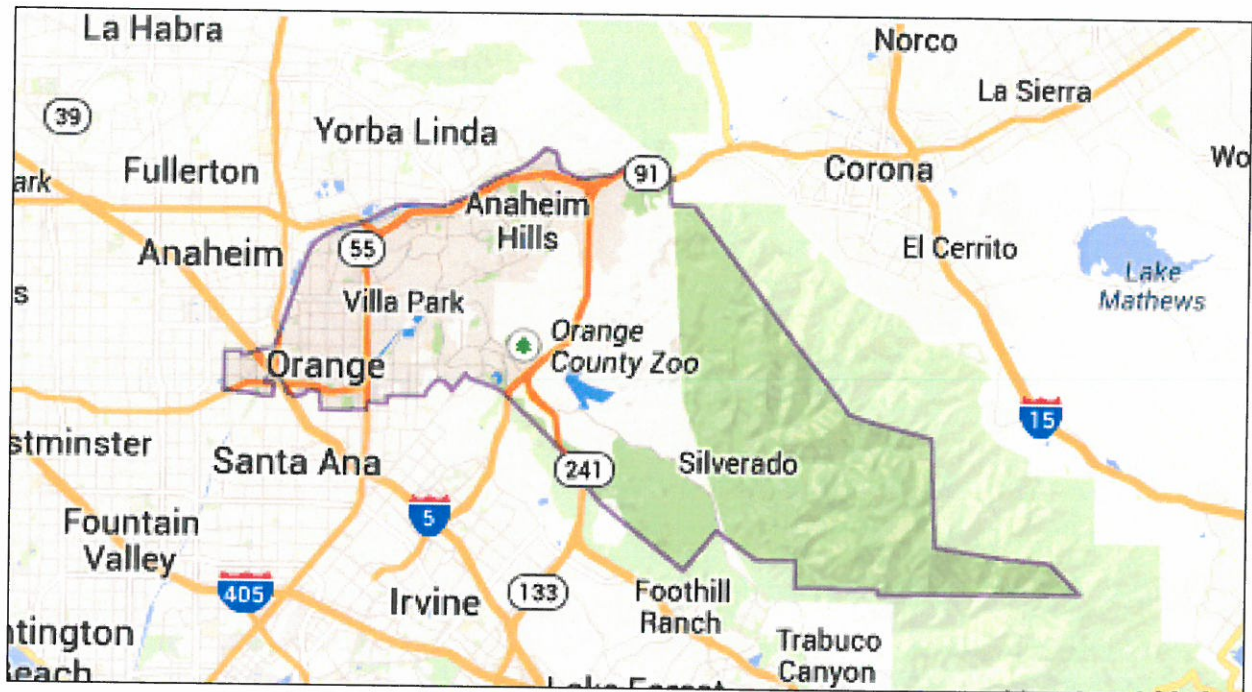
## SCHOOL BOND ELECTIONS AND HOME VALUES

It is well known amongst realtors that buyers consider school districts in their criteria for where they want to buy a house. Recent research and articles support the correlation between higher property values with higher test scores:

- Research by David Figlio of Northwestern University indicated A-rated schools in Gainesville, Florida added about \$10,000 in value over B-rated schools.
- The Charlotte Observer wrote in 2013, "In some expensive areas, such as coastal California, 'homes in the highest-ranking school zones' come with cost differentials ranging from \$300,000 to nearly \$500,000."
- The Brookings Institute reported that home values are on average \$205,000 higher in neighborhoods with high scoring public schools.
- The Journal of Real Estate published a study in 2009 that indicated higher home values in Cuyahoga County, Ohio, correlated with better test scores.
- In August 2013, Realtor.com stated that one out of five buyers would pay 6% to 10% above their budget for location within a top rated school district and 1 out of 10 buyers would pay up to 20%.
- The Cañon City Daily Record indicated that CEOs had turned down positions in Cañon City, Colorado because of the lack of funding and support for better schools.
- John MacKenzie of the University of Delaware conducted a study, Public School Funding and Performance, and concluded that there was a correlation between high test scores and property values and indicated "all residents in a community benefit from strong schools. The direct positive correlation between school taxes and property values is also proved. This positive correlation between local tax per housing unit and property values suggests that most America is under-investing in public education."
- The article "Knowing What Matters: An Expanded Study of School Bond Elections in Michigan, 1998-2006" by Alex J. Bowers, Scott Metzger and Mathew Militello, indicated a community's poverty level, level of education and capacity itself are significant, but other controlling variables can make a difference. "School districts that passed a facilities bond request in Michigan 1998-2006 on average had fewer poor students, a prior local track record of bond passage, and fewer residents with only high school diplomas."
- Neighborhood property values are typically stabilized by strong school districts. The Wall Street Journal in 2010 wrote "In Irvine, Calif., a city that regularly gets national attention for its quality schools, average price per square foot has fallen 18% since its 2006 peak, but prices in the greater metro area surrounding Irvine fell 33%".
- David Figlio of Northwestern University stated that the difference between A-rated schools versus B-rated schools can result in home values varied from as much as \$50,000 on a \$300,000 home.

## OVERVIEW

Orange Unified School District (OUSD) is located in The City of Orange, but also includes areas in surrounding cities. The City of Orange is located within Orange County in Southern California. The school district includes 27 elementary schools and six middle schools. The four high schools are Canyon High School, El Modena High School, Orange High School and Villa Park High School. Orange High School was constructed in 1953, Canyon High School was constructed in 1973, Villa Park constructed in 1964 and El Modena constructed in 1966. Orange High School and El Modena High School are within the City of Orange and the other two are located in the cities of Anaheim and Villa Park.

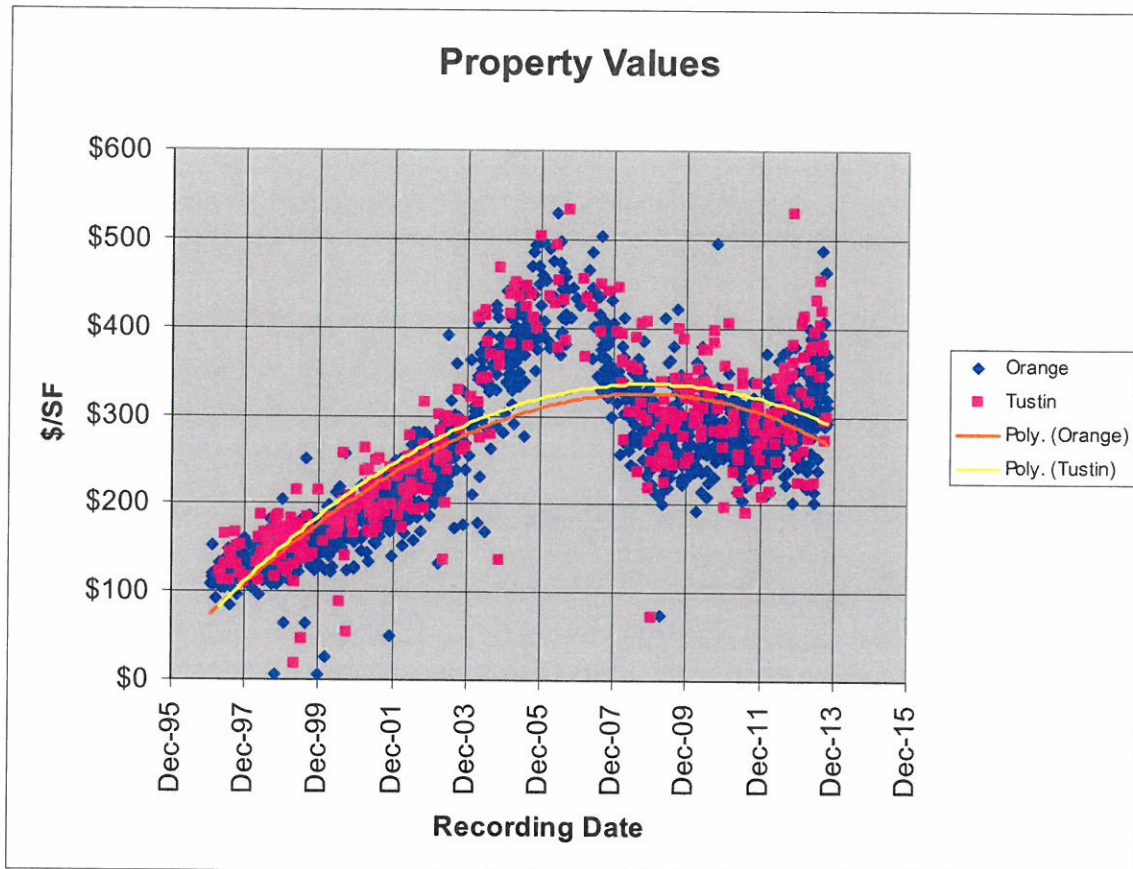


*Map of Orange Unified School District*

The school board is concerned with the age and disrepair of its facilities. The facilities are dated with regard to communications, technologies and mechanical systems. The school board has proposed school bonds in the past and may be proposing a school bond measure to develop funds to repair and modernize the district schools. Local residents would pay property taxes to fund the bond measure. Analysis of other school bond measures indicated property taxes typically are within the range of \$20 to \$60 per \$100,000 of assessed value. School bonds often generate funds within the millions of dollars.



Tustin Unified School District (TUSD) is a nearby school district. TUSD has successfully passed three school bond elections that were designed to repair and modernize their school facilities and classrooms. These repairs included mechanical systems such as HVAC, electrical, plumbing, and sewer systems. Other monies went for replacement of roofs and renovation of classrooms. Science and technology labs were upgraded. The facilities were rehabilitated and modernized. The first bond election was in 2002. The school district needed additional repairs and another bond was passed in 2008. A bond in 2012 was passed to ensure that district technologies would be upgraded and modernized over the next 30 years as needed.



The City of Orange and The City of Tustin went through a boom and bust market from 2000 to 2013. Property values were increasing drastically from 2002 to 2006. The peak of the market was during the fourth quarter of 2006 and then a drastic recession occurred in 2007 to 2011. This recession was of global proportions. The market showed signs of recovery in 2012 and increases in property values were noted in 2013.

The above graph was developed from public record and reflects property values during this time period. Property values were analyzed on a square foot basis using gross living area. The sample included 3-bedroom homes with approximately 1,250 to 1,750 square feet GLA. Property values in the City of Tustin were relatively higher than properties in the City of Orange. The gap between the two cities increased as Tustin Unified successfully passed three school bond elections.

## FOUR STUDIES

We have conducted four studies to determine the implications of passing a school bond measure. These studies will also offer insight as to why the difference in property values increased as TUSD passed multiple school bond measures. The first study analyzes the history of school bond passed or proposed by OUSD. The second study analyzes other school district school bond elections. The third and fourth studies correlate school performance with property values. The third study compares top-rated schools with property values. The fourth study focuses specifically on OUSD and TUSD.

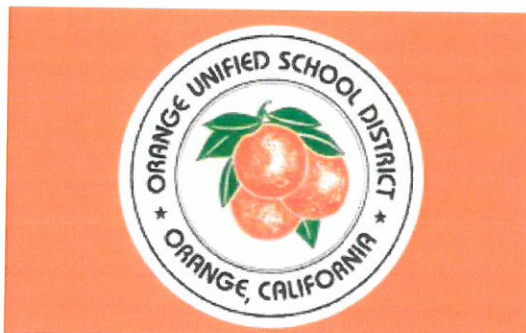
People QuickFacts	Orange	Tustin	California
Population, 2012 estimate	139,419	78,049	38,041,430
Population, 2010 (April 1) estimates base	136,416	75,540	37,253,956
<b>Population, percent change, April 1, 2010 to July 1, 2012</b>	<b>2.20%</b>	<b>3.30%</b>	<b>2.10%</b>
Persons under 5 years, percent, 2010	6.40%	7.60%	6.80%
Persons under 18 years, percent, 2010	23.50%	26.80%	25.00%
Persons 65 years and over, percent, 2010	10.70%	8.50%	11.40%
Mean travel time to work (minutes), workers age 16+, 2007-2011	25.30	22.60	27.00
Homeownership rate, 2007-2011	62.40%	52.60%	56.70%
Housing units in multi-unit structures, percent, 2007-2011	28.00%	47.60%	30.80%
Households, 2007-2011	42,752	24,945	12,433,172
<b>Persons per household, 2007-2011</b>	<b>3.04</b>	<b>2.97</b>	<b>2.91</b>
Per capita money income in the past 12 months (2011 dollars), 2007-2011	\$32,797	\$32,854	\$29,634
<b>Median household income, 2007-2011</b>	<b>\$78,654</b>	<b>\$73,231</b>	<b>\$61,632</b>
Persons below poverty level, percent, 2007-2011	10.20%	10.70%	14.40%
Source U.S. Census Bureau: State and County QuickFacts. Data derived from Population Estimates, American Community Survey, Census of Population and Housing, County Business Patterns, Economic Census, Survey of Business Owners, Building Permits, Census of Governments			
Last Revised: Thursday, 27-Jun-2013 13:55:19 EDT			

The City of Orange has a larger population than the City of Tustin. The population of the City of Tustin increased by approximately 1% more than The City of Orange from April 2010 to July 2012, based on the most current census statistics. Household size is approximately three persons for both cities, common for the state. Household incomes are greater in the City of Orange by 7.4%. The average sale price in 2013 was 18.5% higher in Tustin than in Orange. It was 6.7% higher on a price per square foot gross living area basis. Property values are higher in Tustin, although purchasing power is stronger in Orange based on MLS and census data.

	Average Sale Price	Average GLA	\$/SF
Orange	\$615,330	2,040	\$302
Tustin	\$728,974	2,265	\$322
Difference	18.5%		6.7%

## STUDY 1: PAST AND PROPOSED SCHOOL BOND ELECTIONS IN OUSD

Orange Unified School District (OUSD) has attempted to pass school bond elections in the past 10 years and is planning a new bond proposal. These school bond measures would repair and improve the district facilities. The cost of these repairs and facilities is paid by additional ad valorem taxes. The cost is typically applied to the assessed values of the properties as a temporary property tax.



In November 2004, OUSD developed Measure A, School District Repair and Facility Improvement Bond of 2004, which required a 55% vote to pass. The school bond election was almost successful with a 54.6% vote, but it did not obtain the required percentage of votes to pass. This measure would have raised no less than \$196,000,000 in revenue to repair and improve the school facilities. The bond would not have been used for teacher or administrator salaries or other school operating expenses.

The scope of the measure was fairly large, but consistent with other successful school bond measures. The school bond would support facilities, renovations and construction of the school facilities. Such facilities included new science labs, computer labs, media centers, restrooms and parking. Portable classrooms would be replaced with permanent structures for the high schools. Athletic fields, playgrounds, equipment and underground utilities would be upgraded. The roofs of the building would have been replaced. Hazardous materials would have been removed and access for the disabled would have been improved. The school facilities communications, electrical, heating and ventilation systems would have been upgraded. Classrooms and facilities would have been refurbished and modernized if the measure would have passed.

OUSD Trustees approved the OUSD Strategic Plan in 2006, which called for the placement of a third school bond. This action gained momentum in 2008, but never came into fruition. The housing market and economy was in recession during this time period, but is now in recovery.

The current proposal appears to be similar to the past attempts to repair and modernize the school facilities. The proposed measure has not yet been finalized, but we assume it would cover the same issues that the past proposals attempted to cure. It is our understanding that the proposed school bond cannot be used for teacher or administrator salaries or other school operating expenses.

**STUDY 2: OTHER SCHOOL BOND ELECTIONS AND SUCCESSES**

A study of other school bond elections indicated that the school bond elections OUSD proposed were similar to other school bond elections that were successful. Nineteen successful bond elections were reviewed in Southern California. The measures funded similar facilities for similar problems. The average bond amount was approximately \$100,000,000 and the cost was typically \$27.50 per \$100,000 assessed value.

	School District	County	Year	Measure	Amount	Purpose	Tax per \$100,000	
1	Tustin Unified	Orange	2002	G	\$80,000,000	Repair & Upgrade	\$42.92	
2	Tustin Unified	Orange	2008	L	\$95,000,000	Repair & Upgrade	\$24.00	
3	Tustin Unified	Orange	2012	S	\$135,000,000	Continue Modernization Over 30 Years	\$19.00	
4	La Habra City (Elementary/Middle)	Orange	2012	O	\$31,000,000	Repair & Upgrade	\$26.44	
5	Garden Grove Unified	Orange	2010	A	\$250,000,000	Repair & Upgrade	\$31.35	
6	Anaheim City (Elementary)	Orange	2010	G	\$169,300,000	Repair & Upgrade	\$53.82	
7	Magnolia (Elementary)	Orange	2010	I	\$16,300,000	Repair & Upgrade	\$24.93	
8	Placentia-Yorba Linda	Orange	2008	A	\$200,000,000	Repair & Upgrade	\$62.03	
9	Cajon Valley Union (Elementary/Middle)	San Diego	2008	D	\$156,500,000	Repair & Upgrade	\$28.21	
10	Menifee (Elementary/Middle)	Riverside	2008	B	\$31,460,000	Repair & Upgrade	\$19.90	
11	Rancho Santa Fe (Elementary/Middle)	San Diego	2008	E	\$34,000,000	Repair & Upgrade	\$35.00	
12	Redlands	San Bernardino	2002	R	\$60,000,000	Repair & Upgrade	\$19.50	
13	Redlands	San Bernardino	2008	J	\$65,500,000	Repair & Upgrade	\$42.89	
14	Redondo Beach	Los Angeles	2000	E	\$52,000,000	Repair & Upgrade	\$21.55	
15			2008	C	\$145,000,000	Repair & Upgrade	\$29.82	
16			2012	Q	\$63,000,000	Repair & Upgrade	\$24.00	
17	San Gabriel	Los Angeles	2002	S	\$46,045,000	Repair & Upgrade	\$24.00	
18	San Gabriel	Los Angeles	2008	C	\$145,000,000	Repair & Upgrade	\$60.00	
19	Upland	San Bernardino	2008	K	\$103,000,000	Repair & Upgrade	\$48.40	
Average- All							\$98,847,632	\$30.11
Median - All							\$80,000,000	\$24.00
Average – School Districts with High Schools							\$110,734,231	\$31.32
Median – School Districts with High Schools							\$95,000,000	\$24.00

The above school bond elections would repair and upgrade the school facilities, except for TUSD Measure S in 2012, which was for continuation of modernization of school facilities over 30 years. The measures were for district facilities and were not to be used for teacher or administrator salaries or other operating expenses. Many of these school bonds also required Independent Citizen Oversight Committees with annual audits.

**Examples of the repairs and upgrades of these bonds were as follows:**

- Health & Safety Repairs
- Hazardous Material Abatement
- Disabled Access Facilities
- Repair or replace HVAC, electrical, plumbing, sewer, roofs, etc.
- Repair and renovate classrooms, restrooms, school buildings
- Upgrade technology
- Improve science & computer labs
- Library facilities
- Modernize facilities for advanced course requirements for college and university admission
- Improve lighting and windows
- Rehabilitate outdated classrooms and facilities
- Improve safety & security
- Improve traffic circulation
- Improve student access to computers and technology
- Increase building efficiency to lower operating costs; Energy/Water Efficiency
- New construction of classrooms and facilities
- Solar panels
- Replace temporary classrooms and portable facilities
- Expansions of schools and new construction of schools
- New pool and gymnasium facilities
- Improve schools to insure they would be eligible for state grants
- Relieve Overcrowding
- Upgrade athletic facilities

## RECENT SUCCESSFUL SCHOOL BOND ELECTIONS WITHIN TUSD

Tustin Unified School District (TUSD) is a neighboring school district to OUSD and has successfully passed three recent school bond elections. These school bond elections were for repairs and upgrades, as well as continued modernization of the school facilities. Measure G was passed in 2002 and raised \$80,000,000 to repair and renovate twenty of the oldest schools within the district. Measure L was passed in 2008 and raised \$95,000,000 to finish what Measure G did not address. Then in 2012, Measure S was passed and raised \$135,000,000 to insure the schools would continue to be modernized with technology upgrades over the course of the next thirty years. Measure S specifically indicated its goal was to attract and retain qualified teachers.

**Measure G** in 2002 delivered \$80,000,000 over five years with \$15,000,000 spent in 2003, \$32,500,000 spent in 2005 and \$32,500,000 spent in 2007. The bond was sold at a 4.31% interest rate. The measure provided for health and safety repairs, upgrades, the removal of hazardous materials, and accessibility facilities for the disabled. Electrical, plumbing and sewer systems were repaired or replaced. Roofs and HVAC systems were repaired or replaced. Classrooms, restrooms and other school buildings were repaired and renovated. Technology was upgraded and adequate science labs were provided.

**Measure L** in 2008 delivered \$95,000,000 to the district to complete the repairs and upgrades needed for the other schools in the district. The property tax was \$24 per \$100,000 of property value. Similar repairs and upgrades were completed for the rest of the district facilities. Libraries, laboratories and technologies were upgraded. The measure included modernization of the facilities to meet advanced course requirements for college and university admission. Roofs, plumbing, lighting, electrical and HVAC systems were repaired. The measure rehabilitated outdated classrooms and facilities. In addition it improved health, safety and security.

Two specific quotes of the measure were:

*“Ten of Tustin schools score top rating of 10 in statewide testing – all others are above average when compared to schools with similar populations”*

*“Quality schools contribute to a quality community. Resale values of homes in our community are directly affected by the quality of our neighborhood schools. Good schools protect property values.”*

**Measure S** in 2012 was the final measure passed. It is unique in that it was to ensure continued modernization of the schools. Most school bond elections we reviewed indicated they were to repair, renovate and/or expand district facilities. TUSD had already accomplished this with Measure G and Measure L. Measure S raised \$135,000,000 to fund technology facilities over the course of thirty years into the future. This measure was passed to attract and retain qualified teachers by modernizing classrooms, labs, instructional technology, communication networks and equipment. TUSD wanted to make sure the schools would not become functionally obsolete in the future. The measure specifically indicated it was designed to protect high school student achievement and protect the quality of education.

### STUDY 3: HIGHER RATED SCHOOLS & PROPERTY VALUES

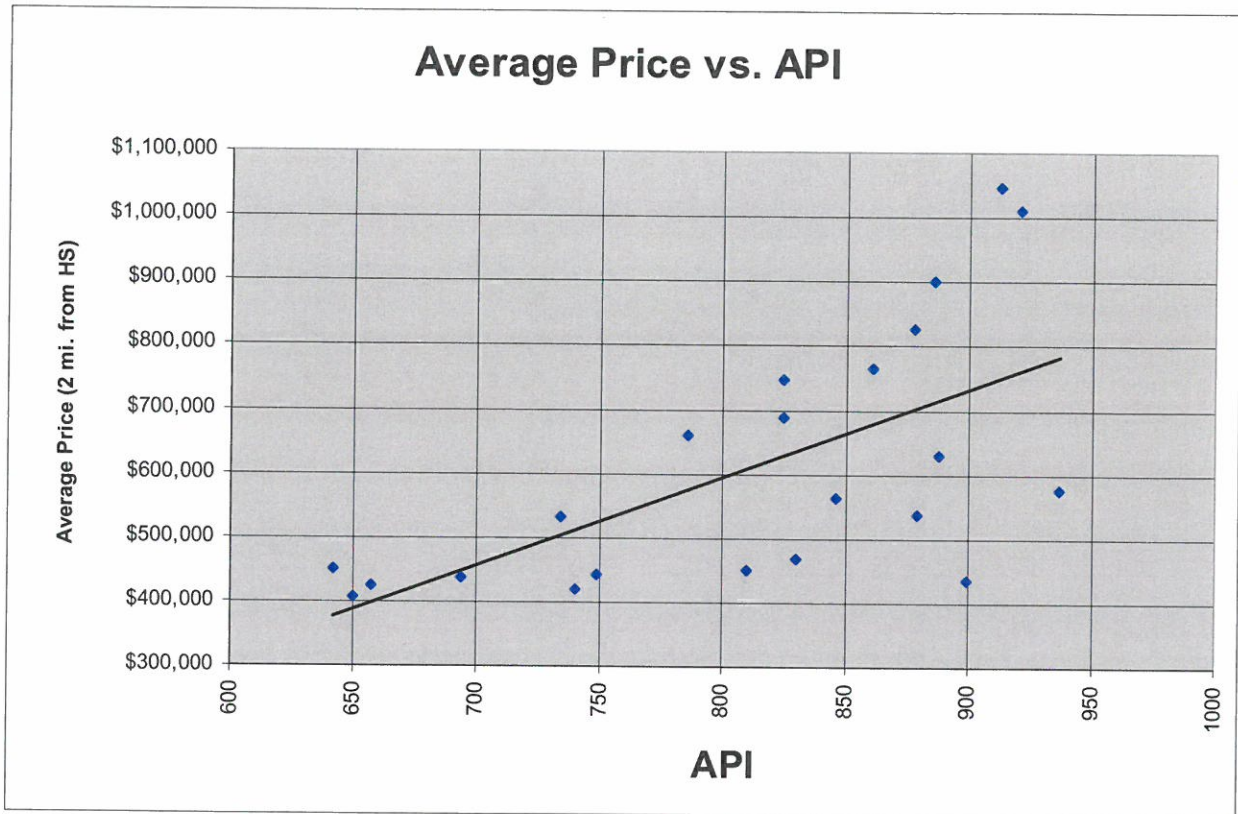
The State of California Department of Education rates academic performance using the Academic Performance Index (API). The API is an integer ranging from 200 to 1000, which are based on the results of statewide assessments. The API reflects the performance level of a school, local education agencies, or student group based on result of statewide assessments. State assessment results used are California Standard Tests, California Modified Assessments, California Alternate Performance Assessments and California High School Exit Examinations. The assessment results are compared annually for each school and are designed to promote improvement. The target API for the state is 800 for each school.

Twenty-two high schools were selected within OUSD and surrounding school districts. All four high schools within OUSD were selected. The other eighteen high schools were gathered from a random sample of surrounding districts. The API for each high school was indicated by the 2012-2013 Accountability Progress Report. The average home price was indicated by data retrieved from the local multiple listing service (MLS). The search criteria included all standard sales of single-family residences within a 2-mile radius of the individual high schools with closing dates in 2013.

	High School	Address	City	School District	API	Average Home Price
1	Troy	2200 Dorothy Lane	Fullerton	Fullerton Joint Union	937	\$576,319
2	Northwood	4515 Portola Pkwy	Irvine	Irvine Unified	921	\$1,010,296
3	University	4771 Campus Dr	Irvine	Irvine Unified	913	\$1,045,737
4	Katella	2200 E Wagner	Anaheim	Anaheim Union High	899	\$435,708
5	Sunny Hills	1801 Warburton	Fullerton	Fullerton Joint Union	888	\$630,463
6	Arnold O. Beckman	3588 Bryan Avenue	Irvine	Tustin Unified	886	\$901,591
7	La Quinta	10372 McFadden	Westminster	Garden Grove Unified	879	\$538,728
8	Foothill	19251 Dodge	Tustin	Tustin Unified	878	\$826,367
9	Canyon	2005 Imperial Hwy	Anaheim	Orange Unified	861	\$764,495
10	Valencia	500 Bradford	Placentia	Placentia-Yorba Linda	846	\$562,497
11	Bolsa Grande	9401 Westminster	Westminster	Garden Grove Unified	830	\$468,595
12	El Modena	3920 E Spring	Orange	Orange Unified	825	\$688,698
13	Villa Park	18042 Taft Ave	Villa Park	Orange Unified	825	\$747,966
14	Garden Grove	11271 Stanford	Garden Grove	Garden Grove Unified	810	\$450,766
15	Tustin	1171 El Camino Real	Tustin	Tustin Unified	786	\$660,554
16	Santiago	12342 Trask	Garden Grove	Garden Grove Unified	749	\$442,141
17	Anaheim	811 W Lincoln	Anaheim	Anaheim Union High	740	\$421,247
18	Orange	525 N Shaffer	Orange	Orange Unified	734	\$533,567
19	Magnolia	2450 W Ball	Anaheim	Anaheim Union High	694	\$437,848
20	Santa Ana	520 W Walnut	Santa Ana	Santa Ana Unified	658	\$424,050
21	Century	1401 S Grand	Santa Ana	Santa Ana Unified	650	\$408,044
22	Saddleback	2802 S Flower	Santa Ana	Santa Ana Unified	642	\$451,864

**SUMMARY OF STUDY 3**

The correlation between API scores and homes values was strong. The average value increased as API increased. The data of the previous chart was placed on a graph and indicated a strong trend that higher values and higher rated schools correlated.



In addition, the data was placed into groups of API (600, 700, 800, and 900). The mean of the average home sale prices of these groups was calculated. The results indicated values increase as API increases:

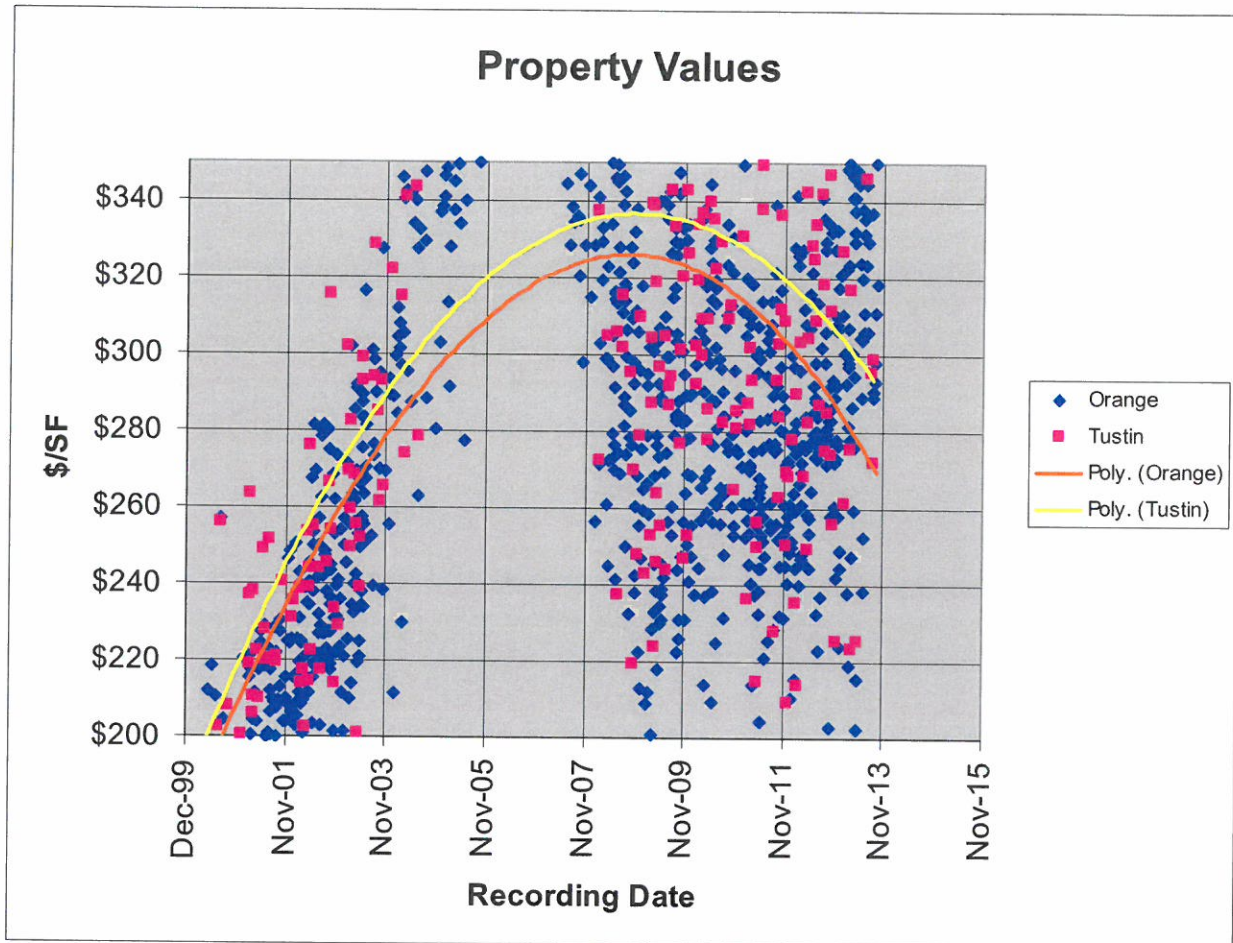
API	Average Price
900's	\$877,451
800's	\$637,807
700's	\$514,377
600's	\$430,452

The following study (Study 4) will offer an explanation for the correlation.



## STUDY 4: PROPERTY VALUES IN OUSD AND TUSD

A case study of OUSD and TUSD indicated that school election bonds increased home values. Increases in property values were noted as TUSD successfully passed three school bonds from 2002 to 2012. The difference between Orange and Tustin property values increased as these school bonds were passed in TUSD. OUSD attempted to pass similar measures, but were not able to achieve the required votes.

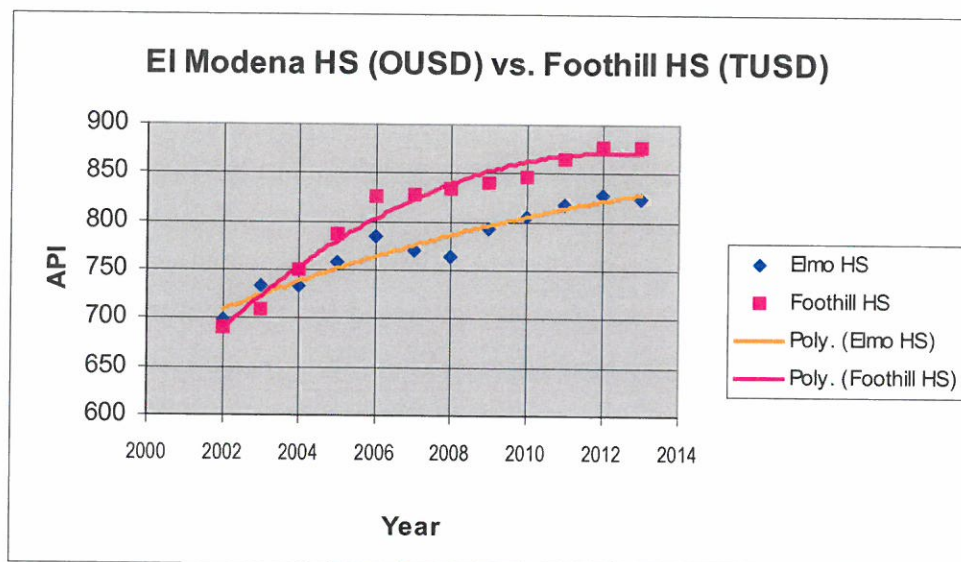


The above graph was developed from public records. Property values were analyzed on a square foot basis using gross living area. The sample included 3-bedroom homes with 1,250 to 1,750 square feet GLA.

Property values increased from 2002 to 2006. The market went into recession during the fourth quarter of 2006. The first TUSD school bond was passed in 2002 before a housing market boom and the 2008 school bond passed after the peak and during the recession. The market showed signs of recovery in 2012 when the third TUSD bond was passed. The above graph indicates that there is an increase in the delta between values in Orange versus Tustin.

### HISTORY OF API INDEXES

API increased for both school districts, OUSD and TUSD. El Modena High School (OUSD) and Foothill High School (TUSD) were compared during the time period of TUSD passing three school bonds. Both high schools indicated an increase of API from 2002 to 2006. El Modena High School API scores decreased from 2006 to 2008 and then increased afterwards. Foothill High School API scores stabilized from 2006 to 2008 and then steadily continued to increase. El Modena High School had lower API scores throughout the timeline. El Modena High School appears to have been less stable, as API scores increased and decreased over the time period. Foothill High School was more stable, as API scores increased or stabilized over the time period. El Modena High School had a decrease in 2013, whereas Foothill High School remained stable. The analysis indicated that the school bonds passed during this time period protected API scores of TUSD.



Year	El Modena HS	Change	Foothill HS	Change
2013	825	-0.48%	878	0.11%
2012	829	1.34%	877	1.27%
2011	818	1.61%	866	2.36%
2010	805	1.39%	846	0.59%
2009	794	3.93%	841	0.84%
2008	764	-0.78%	834	0.60%
2007	770	-1.79%	829	0.24%
2006	784	3.29%	827	5.08%
2005	759	3.55%	787	4.79%
2004	733	0.00%	751	6.07%
2003	733	5.01%	708	2.61%
2002	698		690	

### VALUE VERSUS COST ANALYSIS

A value versus cost analysis was conducted. Single-family homes with three bedrooms were analyzed on a square foot basis of gross living area. Sales were selected within the jurisdictions of two high schools. El Modena High School is located within OUSD and Foothill High School is within TUSD. The average value per square foot was analyzed for each city on an annual basis. The change between each year was calculated for 1997 to 2013.

Year	El Modena High School		Foothill High School	
	\$/SF	Change	\$/SF	Change
1998	\$155		\$162	
1999	\$166	7.2%	\$173	6.9%
2000	\$186	12.1%	\$190	9.7%
2001	\$201	7.9%	\$220	16.1%
2002	\$231	15.0%	\$245	11.1%
2003	\$276	19.7%	\$287	17.4%
2004	\$358	29.6%	\$382	33.0%
2005	\$415	15.8%	\$428	11.9%
2006	\$438	5.6%	\$457	6.8%
2007	\$413	-5.5%	\$407	-11.0%
2008	\$324	-21.6%	\$358	-12.1%
2009	\$279	-14.0%	\$307	-14.2%
2010	\$294	5.5%	\$343	11.7%
2011	\$271	-7.8%	\$299	-12.7%
2012	\$282	4.1%	\$306	2.2%
2013	\$329	16.5%	\$349	13.9%

The average value per square foot before and after the bond elections was analyzed. The change between the time periods was calculated and the difference between these changes per city was calculated. Change was calculated from 2002 to 2008 and from 2002 to 2012.

El Modena High School			Foothill High School			Difference
Time Period	\$/SF	Change	Time Period	\$/SF	Change	
2002	231		2002	245		
2008	324	40%	2008	358	46%	5.9%
2012	282	22%	2012	306	25%	2.8%
<b>MEAN</b>						<b>4.3%</b>

TUSD passed school bonds in the years 2002, 2008 and 2012. The difference between the rate of change in home values between El Modena and Foothill was 6% from the first bond to the second bond. The difference in the rate of change was 3% from the first bond to the third bond. The mean of the two time periods was 4.3%. The analysis indicated the bulk of the increase in home values was with the first school bond election. OUSD would be passing its first school bond election. The analysis indicated that school bond elections, which improved school facilities increased value by at least 6% for the first school bond election.

**SUMMARY OF VALUE VERSUS COST ANALYSIS**

School bond elections would add 6% to value within the school district. DataQuick indicated that the current median home value in Orange is \$555,000. A holding period of six years was appropriate based on timing of the first to second school bond elections in TUSD. Analysis of other school bond elections indicated that property taxes would be within the range of \$20 to \$60 per \$100,000 assessed value. The analysis indicated a most probable tax rate would be \$40 per \$100,000 assessed value. Assessed values are typically 35% less than market values due to Prop 13. The cost would be \$866 during the holding period.

<b>Median Home Value in 2013 within City of Orange</b>	<b>\$555,000</b>
Adjustment	35%
Assessed Value	\$360,750
÷	\$100,000
Rate	3.6075
Tax per \$100,000	\$40
<b>Annual Property Tax</b>	<b>\$144</b>
Holding Period	6
<b>Total Cost Over Holding Period</b>	<b>\$866</b>

The gain in value over the 6-year holding period would be 6% of value:

Median Home Value in 2013 within City of Orange	\$555,000
Major facilities in schools increase values by:	6.0%
<b>Gross Value added:</b>	<b>\$33,300</b>

The value added is at least 38 times greater than the cost.

Average Value Added Over Time Period	\$33,300
Total Average Cost to Tax Payer	\$866
<b>Multiplier</b>	<b>38</b>

**The analysis indicated that school bond elections that improve district facilities have positive influences on home values. In addition, the return on the investment of the average taxpayer would be significantly greater than the costs.**

**ANOTHER MODEL: AVERAGE PRICE RATHER THAN MEDIAN PRICE**

The previous model was based on the median home value indicated by DQNews. The average home price was higher and was based on MLS data. The result does not change between the two models. The following indicates that the result is same using the average price:

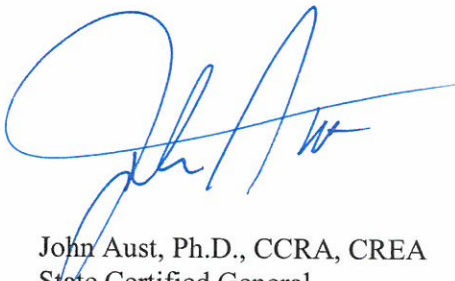
<b>Average Home Value in 2013 within City of Orange</b>	<b>\$615,000</b>
Adjustment	35%
Assessed Value	\$399,750
÷	\$100,000
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Rate	3.9975
Tax per \$100,000	\$40
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<b>Annual Property Tax</b>	<b>\$160</b>
Holding Period	6
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<b>Total Cost Over Holding Period</b>	<b>\$959</b>
Median Home Value in 2013 within City of Orange	\$615,000
Major improvements in schools increase values by:	6.0%
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<b>Value added:</b>	<b>\$36,900</b>
Average Value Added Over Time Period	\$36,900
Total Average Cost to Tax Payer	\$959
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<b>Multiplier</b>	<b>38</b>

**Both models result in 38.**

**APPRAISER'S APPRAISAL CONSULTING RECOMMENDATION AND CONCLUSIONS**

The purpose of the assignment was to ascertain if property values increase when districts improve their school facilities. Our analysis indicated that successful school bond elections increase home values. The value added is approximately 6% of the median sale price over a 6-year holding period. The value added is approximately 38 times the cost to fund the measure. The cost would be the property taxes added to the homeowner's property values.

Based on the preceding analysis, it is our opinion that a passed school bond election in Orange would increase the value of the homes.



John Aust, Ph.D., CCRA, CREA  
State Certified General  
#AG 010074, expires 1/12/2015

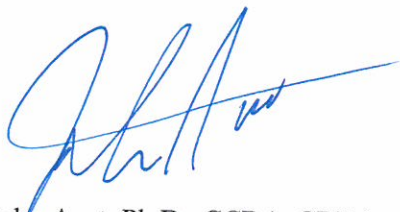


Keith E Irish  
State Certified General  
#AG 034764, expires 8/5/2014

## CERTIFICATE OF APPRAISAL

I certify that, to the best of my knowledge and belief, . . .

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- the report analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.
- the use of this report is subject to the requirements of the Appraisal Institute relating to review by duly authorized representatives.
- as of the date of the report, Keith Irish has completed the requirements of the continuing education program of the Appraisal Institute for an associate member.
- no one provided significant real property appraisal assistance to the persons signing this certification.



John Aust, Ph.D., CCRA, CREA  
State Certified General  
#AG 010074, expires 1/12/2015



Keith E Irish  
State Certified General  
#AG 034764, expires 8/5/2014

## STATEMENT OF CONTINGENT AND LIMITING CONDITIONS

(Unless Otherwise Stated)

- Acceptance of, and/or use of, this appraisal report by the client or any third party constitutes acceptance of the following conditions. The liability of CP Appraisers (The Appraiser), its employees, and subcontractors is limited to the client only and to the fee actually received by appraiser. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraiser is in no way to be responsible for any costs incurred to discover or correct any deficiencies of any type present in the property: physically, financially, and/or legally. The client agrees that, in the case of lawsuit (brought by lender, partner, or part owner in any form of ownership, tenant, or any other party), any and all awards or settlements of any type in such suit, regardless of outcome, client will hold appraiser completely harmless in any such action.
  
- Possession of this report or any copy thereof does not carry with it the right of publication, nor may it be used for other than its intended use; the physical report(s) remains the property of the appraiser for the use of the client, the fee being for the analytical services only.
  
- This appraisal is to be used only in its entirety, and no part is to be used without the whole report. All conclusions and opinions concerning the analysis as set forth in the report were prepared by the appraiser(s) whose signature(s) appears on the appraisal report, unless indicated as "Review Appraiser." No change of any item in the report shall be made by anyone other than the appraiser and/or officer of the firm. The appraiser and firm shall have no responsibility if any such unauthorized change is made.
  
- No responsibility is assumed for accuracy of information furnished by others, the client, his designee, or public records. I am not liable for such information or the work of possible subcontractors. Be advised that some of the people associated with our firm and possibly signing the report are independent contractors. The comparable data relied upon in this report has been confirmed with one or more parties familiar with the transaction or from affidavit or other source thought reasonable; all are considered appropriate for inclusion to the best of our factual judgment and knowledge. An impractical and uneconomic expenditure of time would be required in attempting to furnish unimpeachable verification in all instances, particularly as to engineering and market-related information. It is suggested that the client consider independent verification as a prerequisite to any transaction involving sale, lease, or other significant commitment of funds or subject property.
  
- The contract for appraisal, consultation, or analytical service is fulfilled and the total fee is payable upon completion of the report. The appraiser(s) or those assisting in preparation of the report will not be asked or required to give testimony in court or hearing because of having made the appraisal, in full or in part, nor engage in post-appraisal consultation with client or third parties except under separate and special arrangement and at additional fee. If testimony or deposition is required because of any subpoena, the client shall be responsible for any additional time, fees, and charges regardless of issuing party.
  
- The sketches and maps in this report are included to assist the reader in visualizing the property and are not necessarily to scale. Various photos, if any, are included for the same purpose as of the date of the photos. Site plans are not surveys unless shown from separate surveyor.



-- No responsibility is assumed for matters legal in character or nature, nor of any architectural, structural, mechanical, or engineering nature. No opinion is rendered as to the title, which is presumed to be good and merchantable. The property is appraised as if free and clear, unless otherwise stated in particular parts of the report. The legal description is assumed to be correct as used in this report as furnished by the client, his designee, or as derived by the appraiser.

-- Please note that no advice is given regarding mechanical equipment or structural integrity or adequacy; nor soils and potential for settlement, drainage, and such (seek assistance from qualified architect and/or engineer); nor matters concerning liens, title status, and legal marketability (seek legal assistance); and such. The intended user should inspect the property before any disbursement of funds; further, it is likely that the lender or owner may wish to require mechanical or structural inspections by a qualified and licensed contractor, civil or structural engineer, architect, or other expert.

-- The appraiser has inspected as far as possible, by observation, the land and the facilities; however, it was not possible to personally observe conditions beneath the soil or hidden structural or other components. The appraisal is based on there being no hidden, unapparent, or apparent conditions which would render it more or less valuable. I have not critically inspected mechanical components within the facilities unless specifically stated and considered in the report. All mechanical components are assumed to be in operable condition and status standard for properties of the subject type. No judgment may be made by us as to adequacy of insulation, type of insulation, or energy efficiency of the facilities or equipment which is assumed standard for subject age and type. The value estimate considers there being no such conditions that would cause a loss of value. The land or the soil of the area being appraised is assumed to be firm. The appraiser(s) does not warrant against this condition or occurrence of problems arising from soil conditions.

-- Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

-- If the appraiser has not been supplied with a termite inspection, survey, or occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranties are made concerning obtaining the above-mentioned items.

-- The appraiser assumes no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for flood hazard insurance.

-- The appraisal is based on the premise that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in the report; further, that all applicable zoning, building, use regulations, and restrictions of all types have been complied with unless otherwise stated in the report; further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal, and/or private entity or organization have been or can be obtained or renewed for any use considered in the value estimate.

-- The distribution of the total valuation in this report between land and facilities applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.

-- No environmental or impact studies, special market study or analysis, highest and best use analysis study, or feasibility study has been requested or made unless otherwise specified in an agreement for services or in the report.

-- The market value estimated, and the costs used, are as of the date of the estimate of value. All dollar amounts are based on the purchasing power and price of the dollar as of the date of the value estimate.

-- Furnishings and equipment or personal property or business operations, except as specifically indicated and typically considered as a part of real estate, have been disregarded with only the real estate being considered in the value estimate unless otherwise stated. In some property types, business and real estate interests and values are combined.

-- Facilities proposed, if any, on or off-site, as well as any repairs required, are considered, for purposes of this appraisal, to be completed in a good and workmanlike manner according to information submitted and/or considered by the appraisers. In cases of proposed construction, the appraisal is subject to change upon inspection of property after construction is completed. This estimate of market value is as of the date shown, as proposed, as if completed, and operating at levels shown and projected.

-- The estimated market value, which is defined in the report, is subject to change with market conditions over time; value is highly related to exposure, time, promotional effort, terms, motivation, and conditions surrounding the offering. The value estimate considers the productivity and relative attractiveness of the property physically and economically in the marketplace.

-- In cases of appraisals involving the capitalization of income benefits, the estimate of market value or investment value or value in use is a reflection of such benefits and the appraiser's interpretation of income and yields and other factors derived from general and specific client and market information. Such estimates are based on income as of the appraisal date along with any reasonable expectations of change in that income over the succeeding 12 months to the extent estimable on the appraisal date; they are, however, subject to change or outcomes other than anticipated due to the dynamic nature of the real estate market.

- The "estimate of market value" in the appraisal report is not based in whole or in part upon the race, color, or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.
  
- The appraisal report and value estimate are subject to change if physical, legal, or taxing entity or financing is different than that envisioned in this report. Values are based on present property tax laws and do not anticipate future changes in property tax laws.
  
- It is assumed that the property, which is the subject of this report, will be under prudent and competent ownership and management, neither inefficient nor super-efficient.
  
- The fee for this appraisal or study is for the service rendered and not for the time spent on the physical report or the physical report itself.
  
- Unless otherwise noted herein, the review appraiser has supervised and directed all of the research effort, has taken a major role in the analysis of the data produced by this research, but has not personally performed the research and has not necessarily inspected the subject or market comparable properties.
  
- The appraiser(s) reserves the right to alter statements, analyses, conclusions, or any value estimates in the appraisal if there becomes known to us facts pertinent to the appraisal process which were unknown to us when the report was finished.

# C P Appraisers

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(714) 639-8115

## Broker Survey

We conducted a broker survey in addition to our report to the Orange Unified School District, School Bond Elections and Home Values. Local brokers within the cities of Orange and Tustin were contacted via phone or email. The following questions were asked and the results are presented on a chart:

### Broker Survey - Questions

**C P Appraisers is conducting a broker survey and we would appreciate your input as a market participant.**

1. Have you sold real estate in the City of Orange? If so, how many years?
2. Have you sold real estate in the City of Tustin? If so, how many years?
3. Are buyers concerned about the quality of the schools when purchasing a home?
4. Do buyers seek better school districts?
5. Do above average school districts increase property values?
6. If a city passed a school bond measure to repair and modernize their facilities, would this increase the home values within that district?
7. Do you think the facilities of the OUSD are adequate or do they need to be repaired and modernized?
8. Would you anticipate an increase in the median home value for the district if the OUSD repaired and modernized their facilities? If so, by how much (%)?

**219 E. Chapman Avenue, Orange, California 92866**

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## Broker Survey – Results

The results of the survey are as follows. The mean of the results for Question 8 was 7%.

Agent	Question 1	Question 2	Question 3	Question 4	Question 5	Question 6	Question 7	Question 8
1	25+ Years	25+ Years	Yes	Yes	Yes	Not Sure	Repair & Modernize	5.00%
2	26 Years	Yes	Yes	Yes	Yes	Yes	Not Sure	12.50%
3	15 Years	15 Years	Yes	Yes	Yes	Yes	Not Sure	Yes, Not Sure on %
4	25+ Years	25+ Years	Yes	Yes	Yes	Yes	Repair & Modernize	10.00%
5	21 Years	21 Years	Yes	Yes	Yes	Yes	Repair & Modernize	Not Sure
6	5 Years	5 Years	Yes	Yes	Yes	Not Sure	Repair & Modernize	Neural or positive influence
7	30+ Years	30+ Years	Yes	Yes	Yes	No	Repair & Modernize	Yes, but more is required
8	24 Years	24 Years	Yes	Yes	Yes	No	Not Sure	Not Sure
9	7 Years	7 Years	Yes	Yes	Yes	Yes	Repair & Modernize	9.00%
10	2 Years	5 Years	Yes	Yes	Yes	Partial	Not Sure	5.00%
11	47 Years	47 Years	Yes	Yes	Yes	Not Sure	Repair & Modernize	5.00%
12	29 Years	29 Years	Yes	Yes	Yes	Yes	Repair & Modernize	5.00%
13	17 Years	17 Years	Yes	Yes	Yes	Not Sure	Not Sure	0.00%
14	4 Years	4 Years	Yes	Yes	Yes	No	Not Sure	0.00%
15	25 Years	25 Years	Yes	No	Yes	Yes	Not Sure	Not Sure
16	24 Years	24 Years	Yes	Yes	Yes	Yes	Repair & Modernize	15.00%
<b>MEAN</b>								<b>7%</b>

This broker survey was conducted after our report and was considered additional support.

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