

**Q&A's Regarding the District's Walnut Site,  
The Gregory Palm Farm, and Jones Victorian Estate**

Orange Unified School District offers the following answers to some common questions regarding the District's "Walnut Site," consisting of approximately 9.77 acres of land located adjacent to Santiago Middle School on N. Rancho Santiago Blvd., in Orange, California 92869.

**1) Who currently is using the Walnut Site?**

There are currently two entities using the Walnut Site: Gregory Palm Farm and Jones Victorian Estate. The Gregory Palm Farm is using the Walnut Site pursuant to a lease. The Jones Victorian Estate is using the Walnut Site without authorization from the District.

**Gregory Palm Farm**

Most of the Walnut Site is currently vacant. However, the District is leasing a portion of the Walnut Site to Gregory Palm Farm owned by Burl Gregory ("Gregory"). The lease between the District and Gregory (the "Palm Lease") is set to end on March 15, 2016. Gregory has requested an extension to the Palm Farm Lease. The District, however, has been endeavoring to sell the Walnut Site pursuant to the surplus property procedure set forth in the Education Code. Accordingly, the District must allow the Palm Lease to end so that the Walnut Site can be sold without any encumbrance.

**Jones Victorian Estate**

The District understands that the request for the extension of the Palm Lease was prompted in part because the Jones Victorian Estate wedding business has apparently been using a portion of the Walnut Site for parking for the past twenty years and they wanted to continue this use. The Jones Victorian Estate is owned by Gregory's wife, Michelle Gregory. The Jones Victorian Estate wedding business is not authorized under the Palm Lease to use the Walnut Site for parking purposes. Moreover, the Jones Victorian Estate provides no compensation of any sort to the District for this unauthorized use of District owned property.

Although, the District was not willing to extend the Palm Farm Lease due to its continued desire to sell the Walnut Site, the District was willing to discuss a one-year license arrangement that would allow the Jones Victorian Estate wedding business to use a portion the Walnut Site for parking and which could have included the possibility for the license to extend beyond the one-year term if both parties agreed. The District was willing to accept an easement over the Gregory's property in lieu of payment for use by Jones Victorian Estate. However, Burl and Michelle Gregory have indicated they are not interested in discussing a license arrangement. Thus, while the District can sympathize with the Gregory's desire to use the Walnut Site for its wedding business, without a contract to allow the Jones Victorian Estate wedding business to use District Property for parking, the District cannot allow the use by Jones Victorian Estate to continue.

**2) Is the District planning to sell the Walnut Site?**

Yes, the California Education Code creates a process whereby school districts assess their real property, identify any real property that is not needed by the school district as surplus, and then dispose of the surplus property through a bid process. The bid process allows all interested parties to submit a bid to the District who then awards a purchase and sale agreement to the highest bidder.

This surplus property procedure allows school districts to make sure their real property is either used for school district needs or disposed of in a way that obtains the most money possible to be used for school district purposes. The Walnut Site was identified as surplus property. Therefore, the District plans to sell it in accordance with the Education Code in order to obtain funds necessary to meet District needs.

**3) I heard the District accepted an offer to buy the Walnut Site. Why is this agreement no longer valid?**

The District went through the surplus property procedures discussed above and conducted a public auction for the sale of the Walnut Site on September 10, 2014. Shopoff Realty Investments (“Shopoff”) submitted the highest written bid at Twenty Million Dollars (\$20,000,000). The District and Shopoff then entered into a Purchase and Sale Agreement in which Shopoff agreed to buy the Property for the bid price. The Purchase and Sale Agreement granted Shopoff a period of time, known as the Due Diligence Period, to review the Walnut Site in order to decide if it wanted to complete the purchase. If Shopoff decided, for any reason, that it did not want to purchase the Walnut Property during this period, it could cancel the purchase. This is what happened: Shopoff sent a letter to the District on August 17, 2015 terminating the Purchase and Sale Agreement. Accordingly, the District has not been under contract with Shopoff for the sale of the Walnut Site since August 17, 2015, the date Shopoff sent a letter terminating the Purchase and Sale Agreement.

**4) I heard Shopoff still wants to buy the Property. Why doesn't the District allow it to do so?**

In September 2015, Shopoff asked the District to “reinstate” the Purchase and Sale Agreement with revised terms including a reduction of the purchase price from \$20,000,000 to \$16,500,000. The Board was not willing to consider reinstatement of the Purchase and Sale Agreement with price reduction requested by Shopoff. More recently, Shopoff again proposed that the Purchase and Sale Agreement be reinstated but with a further reduction in the purchase price to \$16,000,000 with the potential for the price to be reduced even further to \$15,000,000 under certain conditions. Shopoff’s proposal was presented to the Board. However, the Board was not willing to consider reinstatement of the Purchase and Sale Agreement with the requested price reduction. In addition, the District has concerns about the risk of potential legal challenges related to reinstating the Purchase and Sale Agreement at a lower price instead of re-bidding the property.

When selling surplus property, the District has a duty to obtain the best possible price and terms to benefit the District and its students. The District has notified Shopoff that its proposal would not be considered, but invited Shopoff to submit another bid if the District holds a future bid hearing.

**5) Is the District kicking the Palm Tree Farm off the Walnut Site?**

The Palm Lease grants the District the right to terminate the Lease for any reason after one hundred eighty (180) days' notice to the Palm Farm. This 180-day termination period was part of the Palm Lease as negotiated by Gregory and the District in 1993. This "termination right" has been part of the Palm Lease from the beginning. There was nothing sneaky or unfair about the District's decision: Gregory was aware that the District could terminate the Palm Tree Lease for any reason, at any time, in accordance with the Palm Lease terms.

**6) Is the District also kicking Jones Victorian Estate off of the Walnut Site?**

The Jones Victorian Estate never had permission from the District to use the Walnut Site. The District has learned that Jones Victorian Estate has been using the Walnut Site without authorization from the District or compensation of any kind. However, the District was willing to discuss a one-year license arrangement that would allow the Jones Victorian Estate wedding business to use a portion of the Walnut Site for parking, which could have included the possibility for the license to extend beyond the one-year term if both parties agreed. The District was willing to accept an easement over the Gregory's property in lieu of payment for use by Jones Victorian Estate. However, Jones Victorian Estate has indicated it will not discuss a license arrangement.

**7) I heard Shopoff had an agreement that would allow the Palm Tree Farm and Jones Victorian Estate to continue using the Walnut Site, but the District caused the deal to fall part. Is this true?**

The District was not involved in any discussions between Shopoff and Gregory regarding the Walnut Site. In order to sell the Property, the District sent a notice of termination to Gregory to end the Palm Lease so the Walnut Site would be vacated by the time the purchaser acquired the property. However, after entering into the Purchase and Sale Agreement with Shopoff, Shopoff asked the District to rescind the termination of the Palm Lease which the District agreed to do. After Shopoff terminated the Purchase and Sale Agreement, the District reissued the 180-day notice of termination to the Palm Farm terminating the Palm Lease so the District could pursue another sale.

**8) Can the owners of the Jones Victorian Estate block access to the Walnut Site and make it unusable and unsellable?**

No. The Walnut Site has an access point which was indicated in the bid documents provided to parties interested in the Walnut Site. Shopoff may have wanted another access point for its planned development. However, the District believes the Walnut Site can be developed with a single access point. Development decisions by Shopoff are outside of the District's control.

**9) Why doesn't the District allow the Palm Tree Farm to stay on the Walnut Site?**

The District's Board of Education has concluded that the Walnut Site is surplus property and, therefore, it is in the District's best interest to sell the Walnut Site for the best available price. Although the District is sympathetic to the Palm Tree Farm, the District must obtain the most revenue possible from the Walnut Site to help the District meet its educational needs. Encumbrances, such as a lease, have the potential to negatively affect the success of completing a property sale so it is important to remove encumbrances prior to selling property. Accordingly, the District must allow the Palm Lease to end so that the Walnut Site can be sold without any encumbrance.

**10) Why doesn't the District enter into an agreement with Jones Victorian Estate to allow it to use the Walnut Site for parking?**

The District has offered to discuss a license arrangement with Jones Victorian Estate to allow it to use the Walnut Site. The District was willing to accept an easement over the Gregory's property in lieu of payment for use by Jones Victorian Estate. However, Jones Victorian Estate has indicated it will not discuss a license arrangement.