

THE CLAREMONT COLLEGES

Frequently Asked Questions – CST (Claremont School of Theology) Litigation Facts

November 1, 2021

History

1. What is the history of the land transaction between Claremont School of Theology (CST) and The Claremont Colleges (TCC)?

CST purchased the land from TCC, at a negotiated price, to begin operations in Claremont in 1957. As part of the parties' original agreement, TCC is entitled to repurchase the property according to an agreed purchase-price formula if CST ever desired to sell or transfer the property or left Claremont.

2. Was CST “surprised” by TCC’s repurchase right?

No. CST agreed to the repurchase right in 1957, that right was documented in their 1957 agreement, and that right has been recorded in the property's chain of title ever since. In addition, CST periodically acknowledged and affirmed TCC's repurchase right over the years, including in 2001 and 2006.

Property Use

3. Does TCC have a role in the future use of the property?

Yes. When TCC provided the land to CST in 1957, the agreement required the property to be forever used and maintained in a manner consistent with the higher education mission of The Claremont Colleges. Now that CST has chosen to sell or transfer the property and to use the Claremont campus for something other than its primary location, TCC is entitled to purchase the property according to the purchase price formula. It is important to TCC that control over the use of the property remain with TCC as was always contemplated in the 1957 agreement.

4. What is TCC’s plan for future use of the property?

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TCC's plan for the property is simple: To use and maintain the property in a manner that is supportive of the higher education mission of The Claremont Colleges and consistent with local zoning and land use designations.

5. Does TCC have specific plans for the use of the property?

TCC envisions several potential uses consistent with the higher education mission of TCC including: additional student housing for several institutions caused by increased enrollment due to student deferrals and limited study abroad opportunities resulting from the pandemic; additional office and classroom spaces as institutions renovate or replace aging facilities; and new TCC initiatives and academic programs.

6. What is the current status of operations on the property?

CST entered into a sale/lease agreement with Yalong to operate and develop the property. CST claims Yalong's start of onsite operations has been delayed; however, it remains unclear what operations are occurring on the property. In addition, CST and/or Yalong have entered into, or attempted to enter into, lease or occupancy agreements with other parties. CST has refused to identify those parties or provide TCC with any information regarding their use of the property.

7. Who is the new developer/operator/tenant on the CST campus?

On December 26, 2018, CST entered into a sale/lease agreement with Yalong, whose operations are primarily in China. We believe Yalong has operated on the property, but its operations and plans have not been clarified with the City of Claremont. Yalong has paid CST more than \$10 million dollars for the property to date. In addition, as noted above, CST and/or Yalong have entered into, or attempted to enter into, lease or occupancy agreements with other parties.

8. What is Yalong's experience with operating programs of this nature?

Yalong does not have any known experience operating an educational institution of collegiate or post-graduate grade, and Yalong is not an accredited educational institution of the college or graduate level.

9. Does Yalong have a business license to operate on the CST property?

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No, the City of Claremont has repeatedly requested information about Yalong's plans, but Yalong has not, to our knowledge, provided that information.

10. Are any other third parties currently using the property?

Despite the court rulings, CST continues to allow third parties to operate on CST's former campus property. TCC has independently learned that several of those third parties, including Western University of Health Sciences, have filed for business licenses to operate on that property. Western University has produced a copy of its agreement with CST to TCC. That agreement purports to give Western University the exclusive right to use parts of CST's former campus property, starting on August 1, 2021. It appears Western University entered into that agreement, despite having knowledge of TCC's position in the pending litigation. TCC has informed Western University that it intends to seek an injunction prohibiting Western University from using the property and has expressed TCC's sincere regret that CST chose to draw Western University into the pending litigation.

11. What is the current zoning of the property?

Institutional Educational, consistent with the entirety of The Claremont Colleges

12. Why would CST present an appraisal for the property for a zoning type not approved by the City?

Zoning laws control the ways in which land can be developed and the purposes for which it may be used. The City of Claremont designates zoning. The property's Institutional Education designation only permits educational uses without obtaining an additional discretionary entitlement (called a conditional use permit) from the City. Historically, land zoned for high-density residential and commercial usage has a higher value than land zoned for use by educational institutions. CST's purported appraisal assumed entitlements for high-density residential usage, valued the existing dilapidated student housing as if it were market rate apartments in good condition, and double counted property in reaching a value. CST's appraisal was erroneous and TCC explained that to them. Further, the deed to the land and agreements between TCC and CST restrict the use of the property to educational purposes of the collegiate level or above. TCC would never repurchase the CST property to turn it into a strip mall or other commercial development. It is highly

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unlikely the City of Claremont or the community would support any such zoning change or conditional use permit.

13. Did CST ever have a legal right to sell the property to whoever they chose?

No, as specified in the 1957 agreement, TCC has always had a repurchase right. The Court of Appeal affirmed that TCC has a valid and enforceable repurchase right and concluded that TCC's repurchase right was triggered no later than when CST entered into a sale/lease agreement with the Yalong Investment Group, LLC.

14. What is the basis for CST's claim the appraised market value of the property is over \$40M?

CST's inflated value is based on their [Offering Memorandum](#) which includes several flawed assumptions: 1) the condition of the student housing is overstated and far inferior to market rate apartment projects assumed in the CST appraisal, 2) the student housing is severely under parked resulting in a devaluation of the land, 3) the appraisal assumes market rate rents for the apartments when student housing does not garner market rate rents and does not deduct for vacancy or market issues and 4) the appraisal assumes a change in land use requiring City Council approval; under the current Zoning/General Development Plan a developer/buyer would require a Conditional Use Permit from the City of Claremont to place nearly 500 non-student multifamily dwelling units on the property. Standard appraisal practice is for highest and best use determinations be made subject to the current zoning of the property. The current zoning of the property is Institutional Educational, which allows only for educational uses without additional discretionary action, which is unlikely to be granted by the City.

Litigation

15. Why did CST bring legal action against TCC?

In 2016, following several offers from TCC to purchase portions of the property (at values substantially higher than required under the 1957 agreement) and renovate the housing units on the CST campus for CST's benefit, CST sued TCC in an attempt to avoid TCC's right to repurchase the property. The California Court of Appeal has ruled in TCC's favor.

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16. Is TCC responsible for the financial and litigation predicament CST finds itself in today?

No. As with any higher education institution, financial responsibility rests with the administration and board of trustees. In this case, CST's board of trustees and administration made a series of decisions to spend down its endowment. The lawsuits are an attempt to improve CST's financial position in violation of CST's longstanding promises and legal commitments.

17. What is the current status of litigation between CST and TCC?

In January 2021 and again in June 2021, the Court of Appeal ruled in TCC's favor. The Court of Appeal held that TCC has a valid and enforceable repurchase right and concluded that TCC's repurchase right was triggered when CST entered into a sale/lease agreement with the Yalong Investment Group, LLC. (Court Rulings available [here](#))

The Court of Appeal has sent the case back to the trial court to implement its rulings. TCC contends that, based on the Court of Appeal's rulings, CST must sell the property to TCC at the formula price outlined in the 1957 agreement. That aspect of the litigation is ongoing.

TCC claims a right to own and control CST's former campus property based on the Court of Appeal's rulings. TCC strongly objects to any use of the property by Yalong or any other parties, and TCC has moved for a preliminary injunction asking the court to prohibit such unauthorized uses of the property pending the completion of the pending litigation.

18. CST representatives are accusing TCC of aggressive tactics "tantamount to bullying" CST; what is TCC's response to this allegation?

TCC stands by both its actions and statements. CST filed this litigation. TCC's response was necessitated by that filing. TCC is a steward of both the ideals at the center of The Claremont College's educational mission, and the Scripps family's legacy. The Scripps family clearly stated its intention that the property should only be used for institutions of higher learning. When CST made it clear that it had no intention of upholding the 1957 agreement, TCC was duty bound to protect the

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property entrusted by the Scripps family for the benefit of our students, faculty and staff, as well as the community.

19. Have the resources expended in these litigations by each party been unequal?

No. Each party has been represented by outside counsel with comparable legal resources.

20. What is the Claremont III litigation?

Given CST's unsuccessful Claremont I & II lawsuits against TCC, CST filed a third lawsuit against TCC, falsely claiming that, notwithstanding the Court of Appeal's clear rulings, TCC's repurchase right is somehow invalid. TCC has informed CST that these claims lack merit and told CST that it intends to pursue all available legal remedies, up to and including a claim against CST for malicious prosecution.

CST Plans

21. Has CST left Claremont?

CST announced its departure from Claremont for Salem, Oregon in a "farewell" letter from Rev. Dr. Kah-Jin Jeffrey Kuan, published in the Claremont Courier on May 22, 2020. CST explained its departure by saying it was intended to reduce overhead and provide for more efficient operations.

During the week of September 6, 2021, CST posted a video online, followed up by a letter in the Courier disclaiming that announcement and asserted that CST intends to remain operating in Claremont. CST did not say to what extent.

22. Are CST's financial issues more extensive than the issue of resolving the property dispute?

Yes, one of CST's accreditors, the Western Association of Schools and Colleges (WASC), has noted CST's "deteriorating financial position," its "lack of cash flow," and expressed "concern" about its "financial stability and sustainability." The December 2019 WASC Update Report for CST is available [here](#) and the February 2020 Action Letter is available [here](#).

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