

Jail receives city Certification of Occupancy

KINGMAN – The new Mohave County Adult Detention Facility is nearing substantial completion and has received a Certificate of Occupancy from the City of Kingman, according to county officials.

The certificate was received on August 19. The facility will be completed in November.

The \$72 million, design-build, privatized, lease-to-own jail project will establish a benchmark for environmentally responsible, energy-efficient jail design in Arizona. The Mohave County Board of Supervisors knew early on they would have one shot at this fundamental piece of public infrastructure and it needed to be done right.

The project is the culmination of a long, disciplined process. Initially, Mohave County Sheriff's Office and County Administration staff visited five Arizona detention facilities (Yavapai and Pima counties' facilities and three Maricopa County facilities). Staff then put together performance specifications for the Mohave County project.

The facility encompasses 266,000 square feet and is made up of over 800 precast concrete panels which soundly form the floors and exterior walls. The facility consists of a six-floor adult complex, a separate two-floor juvenile complex, and three single story buildings for booking, processing, food, medical, dental, laundry, video visitation, video arraignment and administration. It will open with an initial detention bed count of 688 beds, with all infrastructure elements complete and in position for future rapid expansion to 848 and then to 1,100 beds.

As in the county's 2005 construction of the Administration Building and the recently completed Development Services Building, long-term administrative business goals were followed by being "proactive in preserving and protecting natural resources," that included planning for air quality, water quality and responsible energy consumption. Once again, the county is building green. The jail facility contains several LEED (Leadership in Environmental and Energy Design)-equivalent features to help protect the local environment and reduce energy costs.

Utilization of an alternative financing method for the design-build project was decided upon by the Board of Supervisors. A nonprofit entity, the Mohave Correctional Facility Finance Corporation, was formed to facilitate the development as 'Owner.' A 12-year lease agreement was then executed by the Board for the use of the facility by the Mohave County Sheriff's Office. The lease was then assigned to a trustee who issued Certificates of Participation (COPs) to secure financing for the project. COPs provide investors with the right to a pro-rata share of revenues generated by the county's annual lease payments. The lease payments are subject to annual appropriation by the Board. The interest portion of the COP is exempt from federal and state income tax, which significantly reduces the cost of debt. During the 12-year lease term, Mohave County is simply the 'tenant' in the facility. Ownership of the jail facility will be assumed by Mohave County after the lease expires and all COP payments have been made.

The national economic downturn worked to the county's benefit in the financing of the new jail project. The initial financing proposal was a 15-year transaction. On behalf of the Mohave County Jail Finance Corporation (Owner), Hutchison, Shockey Erley & Co. was going to sell about \$55,540,000 in COPs to fund the project. Staff worked with them to scale that back to close to \$46 million in COPs partly because of what staff saved in the value engineering process and partly from some things staff negotiated with the financing team. When the Federal Reserve started cutting interest rates, it had a tremendous impact on short-term yield interest rates by bringing those significantly lower. The longer term rates, 13-, 14- and 15-year, were still up over 5 percent. The Owner went to a 12-year term which cut the rates and three years of interest from the transaction. By doing that, a cost-avoidance of close to \$6 million in payback costs was realized. The finance corporation insured the bonds up to AAA, which provided a wider bond purchase and the best possible payback costs on the facility.

This form of financing, offers the opportunity for tax-free bond investment. The county doesn't incur any debt. There is no debt on the balance sheet. What it adds is a lease obligation. The county makes its lease payments and, at the end of the 12 years, the facility will be paid for.

One recent newspaper article pointed out that the county has been paying lease payments since 2008 on a facility that isn't in use yet. By paying down the debt since day one, Mohave County has saved money. Had the county not started paying immediately, interest would have compounded on an unpaid principal and the cost would have been millions more.

The design-build-financing method utilized by Mohave County is the same as the State of Arizona and other counties have used on several large construction projects.

As a result of the Board of Supervisors' foresight, Mohave County will have a good final product which will last many years. The county has followed the directives of the federal government while utilizing processes that have saved capital funds. By taking the time to do long-term planning and making sure the project is done right, the Board of Supervisors has made sure the Mohave County Adult Detention Facility will serve Mohave County as it grows well into the future.