



FOR IMMEDIATE RELEASE

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ADOC / CORECIVIC LEASE AGREEMENT – FACT SHEET

BASIC OVERVIEW

- The Alabama Department of Corrections (ADOC) has entered into binding lease agreements to lease two correctional facilities as part of Governor Ivey’s Alabama Prison Program, the cornerstone of a multi-faceted strategy to address the ADOC’s long-standing challenges.
 - The binding leases are subject to the terms and conditions set forth in the respective agreements.
- The ADOC will staff and maintain full operational control of the facilities – these are **not** private prisons.
- CoreCivic will construct, own, and maintain the facilities.
 - The Elmore County Facility (formerly “Facility Two”) will specialize in the inmate population’s medical and mental health needs and will be located on Rifle Range Road in Tallassee.
 - Construction is expected to begin within 90 days of achieving financial close with CoreCivic.
 - The Escambia County Facility (formerly “Facility Three”) will be located on Bell Fork Road near Atmore, Alabama.
 - Construction of this facility will be staggered to ensure sufficient labor and supply chain availability to support both projects, but is anticipated to begin later this year or early 2022.
 - The two facilities will provide approximately 7,000 beds.
- The term of each lease agreement is 30 years.
 - Pursuant to State law, the lease agreements are subject to annual appropriations, but will not be renegotiated every year.

- Options to extend the State’s occupancy beyond the 30-year term are included, should that be in the State’s best interest.
 - Five years prior to the end of the lease term, the ADOC will notify CoreCivic of its decision to either terminate the lease or extend the lease for an additional five years.
 - This decision will be made after a thorough independent inspection of the facility infrastructure by a third-party expert.
- Current State Law prevents ADOC from owning the facilities.
- Construction of the two facilities is anticipated to be completed in fiscal year 2025. As is common practice, the construction schedule will allow some flexibility to account for typical potential construction delays.
- Once ready for occupancy, the ADOC will begin to transition its inmate population into these facilities.
 - Development of this transition plan will soon be underway and informed by many factors, including the recommendations of the Alabama Prison Repurposing Commission.
- CoreCivic bears all responsibility for meeting strict and robust preventative and lifecycle maintenance requirements, which will be monitored closely and provide for well-maintained facilities.
 - The lease agreement provides for a detailed plan to address maintenance and repairs to ensure that standards are met throughout the lease term.
 - This process includes, but is not limited to, regular meetings between ADOC and CoreCivic, as well as a thorough review conducted by an independent maintenance inspector every five years.
 - To protect the State’s interests, monetary penalties may be assessed should CoreCivic fail to meet its maintenance obligations.
- The lease agreements are publicly accessible. The agreements are designed to protect the State’s interests over the 30-year term.
 - Trade secrets and security-related information – including facility layout and design – cannot and will not be disclosed in accordance with State law.

FINANCIAL PHASE OVERVIEW

- The Alabama Prison Program has now entered the Financial Phase with CoreCivic.
 - During this next phase, CoreCivic will secure the best possible interest rate(s) with its lending partner(s).

- This is an expected step in a large commercial transaction of this nature.
- As is common in a project of this size, the parties will continue to engage in confidential negotiations during the Financial Phase designed to refine the scope and price of the project. The Lease allows for flexibility to ensure the best value to the State.
- Additional financial terms will become available upon achieving financial close with CoreCivic.
 - As with any transaction that requires financing, precise lease payments that could be affected by interest rate fluctuations cannot be accurately shared until financing agreements are finalized.
- The State's obligation to make lease payments will begin when the facilities are constructed and ready for occupancy.
 - No lease payments will be made during the Construction Phase.
- The State will not raise taxes or incur debt to pay for the leases.
- The total cost of all lease payments (encompassing rent, annual preventative maintenance, and lifecycle maintenance) for the Alabama Prison Program are subject to an overall affordability limit of \$88.6 million as indexed to fiscal year 2022.
 - The affordability limit as indexed to fiscal year 2025, the anticipated time of occupancy and therefore first lease payment, is approximately \$94 million.
 - Indexing is a standard tool used in financial projections to account for inflation (the value of a dollar today vs. the value of a dollar in the future).
 - The affordability limit is indexed at a conservative rate (based on historical Consumer Price Index [CPI] averages) from fiscal year 2022 dollars to dollar equivalents in future fiscal years.
- The base cost of rent for the facilities will remain flat (fixed price) for the 30-year term (representing approximately 80% of the total lease payment).
- The annual preventative maintenance and lifecycle replacement costs will be indexed annually (slight increases year over year) to account for the inflation of labor and material costs (representing approximately 20% of the total lease payment).
 - Outsourcing preventative maintenance and lifecycle replacement costs provides maximum flexibility to the State and transfers this risk to private sector.

- As costs increase year over year because of inflation, so do the cost-efficiencies created by the Alabama Prison Program. These cost-efficiencies generated through this procurement model are also indexed and are expected to outpace the annual cost of the lease.
 - This provides for an anticipated net-zero transaction beginning with the first lease payment, with greater savings expected in later fiscal years.
 - These cost-efficiencies are realized through streamlined staffing, modern facility design, and other efficiencies.
 - As a result, the ADOC does not expect the need to request additional appropriations for the lease payments.

- There are extreme potential circumstances – such as a large natural disaster – accounted for in the lease that could increase the annual lease payment. This is not expected; however, these costs would be amortized to reduce impact.

RISK OF DELAY OVERVIEW

- The ADOC's current infrastructure is failing – it is not a matter of if, but when these facilities no longer can safely be operated.
 - Currently, the ADOC's existing facilities are failing at a rate of one facility every two years, which negatively impacts ongoing litigation and negotiations, prison capacity, and costs.

- The exorbitantly high deferred maintenance costs, which currently are in excess of \$1 billion, will continue to rise – potentially doubling every five years.
 - Due to decades of neglect and budgetary constraints, the existing ADOC facilities are structurally failing. At this point, it is simply unfeasible from a budgetary and timing perspective to repair each of them.

- If the State delayed signing leases or chose to pursue an alternate delivery method at this point in the process, it could sow great doubt within the construction and finance markets, making it unlikely for key players to participate in the future.
 - This puts any future prison construction at significant risk.

- If the Alabama Prison Program is delayed and we do not address this issue soon, it is almost certain that the Courts will.
 - A delay could have serious consequences for our ongoing negotiations and work towards resolutions. The Alabama Prison Program is the foundational key to ADOC's multifaceted strategy to address its longstanding challenges, including staffing, capacity, violence, health care, and ADA compliance.

- A mass prison release of incarcerated individuals is more likely if the Alabama Prison Program does not move forward now.
 - The State of California was required by federal courts to release thousands of inmates – if action is not taken soon, our State could suffer the same fate, increasing public safety risk to our communities.

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