



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: H.B. 239 of the 131st G.A.

Date: June 9, 2015

Status: As Introduced

Sponsor: Rep. Sears

Local Impact Statement Procedure Required: No

Contents: Authorizes the transfer of money from the Adult and Juvenile Correctional Facilities Bond Retirement Fund to any fund administered by DRC or DYS and authorizes the conveyance of state property

State and Local Fiscal Highlights

- The bill specifies the terms of various real estate transactions in which the state is authorized to convey state-owned property to designated parties for a specified amount or by auction to the highest bidder. In total, the bill contains four proposed land conveyances.
- The bill expands the purposes for which the money in the Adult and Juvenile Correctional Facilities Bond Retirement Fund (Fund 7097) may be transferred by the Director of Budget and Management to include any fund created in the state treasury administered by the Department of Rehabilitation and Correction (DRC) or the Department of Youth Services (DYS).
- The bill creates the Community Programs Fund and requires DRC to use the money in the fund for specified community corrections programs and grants.

Detailed Fiscal Analysis

Summary of Land Conveyances

The bill provides for the conveyance of state-owned land to various parties and specifies the terms of these transactions. The table below identifies the section in the bill containing the proposed transaction, the state agency that uses or superintends the property currently, the grantee, a brief property description, the county where the property is located, the financial or other consideration related to the transaction, and, where applicable, the state fund that is to receive the proceeds of the various conveyances. Following the table are more detailed descriptions of each of the proposed transactions.

Summary of Land Conveyances Included in H.B. 239						
Bill Section	Agency	Grantee	Description	County	Consideration	Fund
3	Department of Administrative Services	City of Toledo or other grantee	Michael V. DiSalle Government Center (One Government Center)	Lucas	Price acceptable to the Director of Administrative Services	GRF
4	Department of Mental Health and Addiction Services	Quest Recovery and Prevention Services, Inc.	7.9 acres containing 2 buildings totaling 45,532 square feet	Stark	\$150,000	Mental Health and Addiction Services Trust Fund (Fund 4P90)
5	Department of Rehabilitation and Correction	High bidder of sealed bid auction	North Central Correctional Institution and the North Central Correctional Institution Camp	Marion	Price determined by auction	Adult Juvenile Correctional Facilities Bond Retirement Fund (Fund 7097)
6	Department of Rehabilitation and Correction	High bidder of sealed bid auction	Turtle Creek Community Based Correctional Facility	Warren	Price determined by auction	Adult Juvenile Correctional Facilities Bond Retirement Fund (Fund 7097)

Property and transaction details

Section 3 – Michael V. DiSalle Government Center (One Government Center), Lucas County

The bill authorizes the Governor to execute a deed conveying to the city of Toledo or another grantee the Michael V. DiSalle Government Center (commonly known as One Government Center) in Toledo (Lucas County). The property, currently overseen by the Department of Administrative Services (DAS), consists of a 22-story, 511,000 square foot

office tower and a 339-space parking lot which provides office space and parking for various state, county, and municipal government agencies. Under the bill, the Director of Administrative Services is required to offer the property to the city of Toledo or other grantee through a real estate purchases agreement. Consideration for the conveyance is to be at a price acceptable to the Director. Although the price is not specified in the bill, information provided by DAS appears to indicate that if the city completes the purchase, the price would be \$1.00. Presumably if an alternate buyer completes the purchase the price would be some greater amount reflective of an appraised value. In either case, the bill requires the sale proceeds to be deposited in the state treasury to the credit of the GRF and requires the buyer to pay all costs associated with the conveyance including surveys, title insurance, recording fees, and other costs. The bill provides three years from the bill's effective date to complete the sale.

Section 4 – Department of Mental Health and Addiction Services property, Stark County

The bill authorizes the Governor to execute a deed conveying two buildings totaling 45,532 square feet situated on 7.9 acres at 1660 and 1680 Nave Road in Massillon (Stark County) to Quest Recovery and Prevention Services, Inc. The property, currently overseen by the Ohio Department of Mental Health and Addiction Services (ODMHAS) has been occupied by Quest Recovery since 2005 under a lease agreement for \$1.00 per year. Under the bill, consideration for the conveyance is \$150,000. The bill requires the sale proceeds to be deposited to the credit of the Mental Health and Addiction Services Trust Fund (Fund 4P90). In the event that Quest Recovery does not complete the purchase the bill authorizes the Director of Administrative Services to use any reasonable method of sale considered acceptable by ODMHAS to locate an alternate grantee willing to purchase the real estate. Under these circumstances the bill requires ODMHAS to pay all advertising costs, additional fees, and other costs incident to the sale of the real estate. In either case, the bill requires the purchaser to pay all costs associated with the purchase, closing, and conveyance including costs of appraisal, surveys, title insurance, and recording fees and requires that the purchaser's use and possession of the property be governed by an existing interim lease between DAS and Quest Recovery. The bill provides three years from the bill's effective date to complete the sale.

Section 5 – North Central Correctional Institution and the North Central Correction Institution Camp, Marion County

The bill authorizes the Governor to execute a deed conveying the North Central Correctional Institution and the North Central Correctional Institution Camp in Marion (Marion County). The bill requires the Director of Administrative Services to offer the property for sale through a sealed bid auction or public auction. Under the bill, the highest bidder from each auction bidding a price acceptable to the Directors of Administrative Services and Rehabilitation and Correction is required to pay 10% of the purchase price within five business days of being notified that the bid has been accepted

and pay the balance of the purchase price within 60 days of such notice. In the event that the high bidder fails to complete the conditions of the sale, the bidder would forfeit the 10% payment. Under these circumstances, the Director of Administrative Services would be permitted to accept the next highest acceptable bid, or if no bids are acceptable, to repeat the sealed bid auction.

If the property is conveyed, the bill requires the real estate purchase agreement to include an agreement for the sale to the purchaser of the state's right, title, and interest in the facility, and authorization for the transfer of any supplies, equipment, furnishings, fixtures, or other assets of the state located at the facility considered necessary by the directors of Rehabilitation and Correction and Administrative Services for the continued operation and management of the facility. The bill also requires the terms of the real estate purchase agreement to include a binding commitment that irrevocably grants the state a right to repurchase the facility upon certain triggering events specified in the bill. Additionally, the bill requires the real estate purchase agreement be subject to the existing operation and management contract between the Management and Training Corporation and the Department of Administrative Services.

The bill requires the Department of Rehabilitation and Correction (DRC) to pay all advertising costs incident to the sale and requires the purchaser to pay all costs associated with the conveyance including title evidence, title insurance, transfer costs and fees, recording fees, and other costs. The bill requires proceeds of the sale to be deposited to the credit of the Adult Juvenile Correctional Facilities Bond Retirement Fund (Fund 7097) to be used to redeem or defease bonds in accordance with section 5120.092 of the Revised Code and provides that any remaining moneys subsequent to bond redemption or defeasance be transferred to the GRF. The bill authorizes the sale for three years after the bill's effective date.

Section 6 – Turtle Creek Community Based Correctional Facility, Warren County

The bill authorizes the Governor to execute a deed conveying approximately 5.5 acres improved with the Turtle Creek Community Based Correctional Facility in Lebanon (Warren County). The bill requires the Director of Administrative Services to offer the property for sale through a sealed bid auction or public auction. Under the bill, the highest bidder from each auction bidding a price acceptable to the directors of Administrative Services and Rehabilitation and Correction is required to pay 10% of the purchase price within five business days of being notified that the bid has been accepted and pay the balance of the purchase price within 60 days of such notice. In the event that the high bidder fails to complete the conditions of the sale, the bidder would forfeit the 10% payment. Under these circumstances, the Director of Administrative Services would be permitted to accept the next highest acceptable bid, or if no bids are acceptable, to repeat the sealed bid auction.

If the property is conveyed, the bill requires the real estate purchase agreement to include an agreement for the sale to the purchaser of the state's right, title, and interest in the facility, and authorization for the transfer of any supplies, equipment, furnishings, fixtures, or other assets of the state located at the facility considered necessary by the directors of Rehabilitation and Correction and Administrative Services for the continued operation and management of the facility. The bill also requires that if the current operation and management contract between DRC and Talbert House, Inc. is terminated, the purchaser of the halfway house facility may enter into an agreement with the Talbert House, Inc. to purchase their equipment, supplies, furnishings, and consumables.

Under the bill, DRC is required to pay all advertising costs incident to the sale and the purchaser is required to pay all costs associated with the conveyance including title evidence, title insurance, transfer costs and fees, recording fees, and other costs. The bill requires proceeds of the sale to be deposited to the credit of the Adult Juvenile Correctional Facilities Bond Retirement Fund (Fund 7097) and authorizes the sale for three years after the bill's effective date.

Adult and Juvenile Correctional Facilities Bond Retirement Fund

The bill expands the purposes for which the money in the Adult and Juvenile Correctional Facilities Bond Retirement Fund (Fund 7097) may be transferred by the Director of Budget and Management to include any fund created in the state treasury administered by DRC or the Department of Youth Services.¹ The fund was created, effective June 30, 2011, to receive the proceeds derived from the sale of state adult and juvenile correctional facilities.

In FY 2012, \$72.8 million was deposited into the fund from the sale of the Lake Erie Correctional Institution to the Corrections Corporation of America (CCA) and subsequently transferred out. Since that transfer, the fund's remaining cash balance has been accruing interest. As of June 4, 2015, the fund's available cash balance was \$81,079.

Community Programs Fund

The bill creates the Community Programs Fund and requires DRC to use the money in the fund for specified community corrections programs and grants.² The source of the money to be deposited into the fund is not specified. The fund also retains investment income from money in the fund.

¹ The bill also repeals a provision in current law requiring the fund be abolished upon the completion of any such transfer.

² Specific purposes include: (1) halfway, re-entry center, community residential center, transitional control, community-based correctional facility, and community nonresidential programs, and (2) probation improvement/incentive grants.