

**Monterey County Jail Housing Addition
(AB 900 Project)**

OVERVIEW: The State will provide up to \$36,295,000 in grant funds to build a Monterey County Jail housing addition at 1410 Natividad Road in Salinas. The addition will add 288 new beds. The State is expected to issue lease revenue bonds to finance construction. The lease revenue bonds will be based in large part on Monterey County's entry into several agreements. These agreements contain representations and warranties as to certain facts and conditions relating to the County; certain financial and legal opinions and conclusions concerning the finances, financial obligations of, and actual and potential claims against the County, and statements of intent and ability to perform certain conditions in the agreements.

PROJECT AND REAL PROPERTY AGREEMENTS: The principal agreement will be the Project Delivery And Construction Agreement (PDCA) among the State Public Works Board (PW Board), the Department Of Corrections and Rehabilitation (Corrections Department), the Board Of State and Community Corrections (Corrections Board), and the County of Monterey. This Agreement and other agreements relate to the Jail Project, and how the cost of certain design and construction activities will be eligible for reimbursement under the AB 900 Jail Financing Program.

The proposed jail facility is in Salinas on real property controlled and owned free and clear by the County. County will lease the Site to the Corrections Department pursuant to a Ground Lease. Corrections Department will enter into a Right of Entry for Construction and Operation (Right of Entry) concurrently with the execution of the Ground Lease, authorizing County to construct the Project on the Site (Site and Project, or Facility).

Concurrently with the execution of the PDCA, the Corrections Board and County intend to enter into an agreement relating to compliance with Corrections Board's rules and regulations concerning the AB 900 Jail Financing Program (BSCC Agreement).

Upon completion of jail housing construction, the County will lease the site and facility from the Corrections Department for the purpose of operating the County Jail.

STATE LEASE REVENUE BONDS: The SPW Board intends to issue lease revenue bonds for the Project, subject to certain SPW Board conditions and requirements. After project approval, the SPW Board may provide for an Interim Loan (Interim Loan) for the project. The SPW Board intends to issue and sell its lease revenue bonds to repay the Interim Loan and provide additional financing for the Project, as necessary (Bonds). The agent for sale for all SPW Board bonds is the State Treasurer.

Concurrently with the issuance of the Bonds, the Corrections Department (lessee under the Ground Lease) intends to enter into a Site Lease, as lessor, leasing the Site to the PW Board, as lessee (Site Lease).

Concurrently with the execution of the Site Lease, the PW Board (lessee under the Site Lease) intends to lease the Facility to the Corrections Department, as lessee (Facility Lease). Rental payments under the Facility Lease shall secure the payment of principal of and interest on the Bonds.

Concurrently with the execution of the Facility Lease, the Corrections Department (lessee under the Facility Lease) shall lease the Facility to the County, as sublessee, (the Facility Sublease) for operation and maintenance.

If the PW Board is unable to issue the Bonds to finance the Project and the Interim Loan has been provided, the Corrections Department shall commit a sufficient amount of its annual support appropriation to repay the Interim Loan and any other interim financing costs associated with the Interim Loan.

GENERAL COVENANTS, ACKNOWLEDGEMENTS AND AGREEMENTS OF THE PARTIES:

(a) The PW Board authorizes the request for the Interim Loan and the issuance of the Bonds largely in reliance upon the promise of the Parties to execute, deliver, and perform their respective obligations, under the Site Lease, the Facility Lease, the Facility Sublease, a Tax Agreement and Certificate in connection with the issuance of the Bonds (the Tax Certificate), a Continuing Disclosure Agreement, and related certificates, agreements, or other documents, including an indenture and possibly a supplemental indenture (collectively, the Bond Documents).

(b) The Parties accept and agree to comply with all terms, provisions, conditions, and commitments of the PDCA, the Project Documents and the Bond Documents, including all incorporated documents, and that they will do and perform all acts and things permitted by law to effectuate the issuance of the Bonds.

(c) The County agrees and acknowledges that the Project is subject to approval and oversight by the PW Board and the State Department of Finance (Finance).

AB 900 JAIL FINANCING: County's eligibility for Project financing pursuant to the AB 900 Jail Financing Program is subject to and contingent upon the following approvals, consents, and actions by the PW Board and State Department of Finance:

(a) A PW Board determination that the Site meets the standard requirements for a leased site in connection with the issuance by the PW Board of its lease revenue bonds;

(b) A PW Board determination that the County match has been satisfied and the source of the Cash (hard) Match and any associated security or terms related thereto are compatible with AB 900 Jail Financing Program requirements for the Project;

(c) The PW Board established the scope, cost, and schedule for the Project consistent with the County's initial proposal and the County agrees that the Project shall be constructed and completed in accordance with such Project scope, cost, and schedule established by the PW Board, with any PW Board approved modifications;

(d) The PW Board approved the Ground Lease, the Right of Entry, and the Facility Sublease;

(e) Both the PW Board and Finance have approved the Preliminary Plans for the Project (i.e., a site plan, architectural floor plans, elevations, outline specifications, and a cost estimate, for each utility, site development, conversion, and remodeling project [the drawings being sufficiently descriptive to accurately convey the location, scope, cost, and the nature of the improvement being proposed]);

(f) Finance has approved the Working Drawings for the Project and authorized the Participating County to proceed with soliciting competitive bids for construction of the Project (a complete set of plans and specifications showing and describing all phases of a project, architectural, structural, mechanical, electrical, civil engineering, and landscaping systems to the degree necessary for the purposes of accurate bidding by contractors and for the use of artisans in constructing the project);

(g) The Corrections Department has provided the PW Board the certification required by Section 15820.91 of the California Government Code, which certification the Corrections Department intends to provide upon satisfaction of the required statutory and regulatory conditions;

(h) The PW Board adopts a Resolution authorizing the Interim Loan with its intent to reimburse any such Interim Loan with the proceeds from the Bonds;

(i) A PW Board determination that it will receive the normal and customary Bond opinions and certificates delivered in connection with an issuance of lease revenue bonds by the Board; and

(j) Sale of the Bonds.

COUNTY REPRESENTATIONS AND WARRANTIES:

(a) County is legally empowered to enter into the PDCA and may consummate the transactions contemplated in it and perform its obligations thereunder.

(b) County has taken all actions and has obtained all consents necessary to enter into the PDCA, to be bound by it, to consummate the transactions contemplated and to perform its obligations under it.

(c) The person executing and delivering the PDCA for the County is duly authorized and empowered to do so.

(d) Execution and delivery of the PDCA on behalf of the County will bind and obligate the County to its terms.

(e) There is no litigation or other proceeding pending or threatened against the County that, if determined adversely, would materially and adversely affect the ability of the County to consummate the transactions contemplated by or to perform its obligations under the various project documents.

(f) The execution and delivery of the PDCA, Ground Lease, Right of Entry, BSCC Agreement, and the Facility Sublease, and consummation of the transactions contemplated in those agreements, and compliance with the terms and conditions of those agreements (Project Documents and Conditions) will not conflict with or violate or materially breach or serve as default under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, loan agreement, lease, contract, or other agreement or instrument to which the County is a party or by which it or its properties are otherwise subject or bound. Nor will they result in the creation or imposition of any lien, charge, or encumbrance of any nature whatsoever upon any of the property or assets of the County, which conflict, violation, breach, default, lien, charge, or encumbrance might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Project Documents and Conditions, or the financial condition, assets, properties, or operations of the County.

Rev. 052213