

Evaluation of the Feasibility of Relocating the Utah State Prison



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LECG
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October 2005

INTRODUCTION

Abstract: The estimated cost to relocate the prison functions from the Draper site and construct comparable prison facilities at another location exceeds the anticipated proceeds from the sale of the real estate by an estimated \$372 million.

This conclusion is based on:

- *market research analysis of alternative uses of the prison site;*
- *an appraisal of future land-use scenarios;*
- *consideration of full or partial relocation options; and*
- *cost estimates for construction, operation and transition related to each scenario.*

This study was commissioned by the State of Utah to determine the feasibility of relocating the main Utah State Prison from its present location to an alternative site within the state. The prison is located in Draper City at the southern end of Salt Lake County, which is the heart of the Wasatch Front – the most urbanized area of the state. Over the past several decades, growth in the Draper area – and all of southern Salt Lake County – has resulted in urban encroachment around the prison. There has been a great deal of speculation regarding the value of the prison property if put into alternative uses and whether this would be sufficient to offset the costs of building a new facility on a different site. The test of feasibility is a product of the value of the real estate that could be sold after relocation, the impact of relocation on local communities and the estimated cost of rebuilding equivalent facilities. These factors provide the framework for the following report and serve as the basis for the report's findings.

This report summarizes extensive research and analysis performed during third quarter 2005 by a team of real estate, construction and prison planning experts. The complete research and analysis are in Appendices A through E. The reader is referred to the appendices for more detail regarding any specific area of analysis discussed in this document.

Scenarios Evaluated

The report addresses the feasibility of relocating all prison functions from Draper to another location in the state. It also addresses the feasibility of relocating a portion of the prison functions to another location in the state. In the case of a full relocation, a complete, new state-of-the-art facility would be constructed and all prison functions relocated. The scenario for a full relocation assumes moving the prison at its present capacity of approximately 4,000 beds. This allows a clear "apples to apples" comparison. (It would be more economical to assume relocation of the prison with approximately 4,000 beds and the potential to expand to 6,000 beds in the future. This scenario is fully outlined and priced in Appendix A.) Following construction and relocation, the current buildings, structures and improvements would be demolished and the site prepared for marketing as a development site. In the case of a partial relocation, the male medium-security and the minimum-security pre-release functions would be moved to a new facility. Following relocation, the present medium-security facility would

Wikstrom Economic & Planning Consultants, Inc. is a Salt Lake City based economic, planning and real estate advisory services firm. Carter Goble Associates, Inc. provides planning services for correctional facilities worldwide. LECG is an international economics and finance consultancy firm dealing in litigation support. LECG recently acquired J. Phillip Cook and Associates, a Salt Lake City appraisal firm. DMJM is an international construction and engineering firm. DMJM is currently designing the expansion of the Gunnison Prison for the Utah State Department of Corrections.

be remodeled to accommodate the women's facility, the substance-abuse-intensive-treatment and the forensic-mental-health in-patient diagnostics, treatment and management facilities. Following the remodel and relocation, the now-empty facilities on the north-east side of the site would be demolished, leaving a reduced prison operation on the southwest. The 483 empty acres would then be prepared for sale as a development site.

EXECUTIVE SUMMARY

The analysis is summarized in Tables EX-1 and EX-2. These include all elements of the study and are grouped by potential revenues/benefits and estimated costs related to relocation. All estimates are based on 2005 present-value dollars and are based on the consultant's experience with Utah construction costs, real estate market values and trends and the prison planning and construction industry.

The information in the tables indicates that the substantial costs of relocating the Draper facilities — about \$461 million — are not recoverable through the sale of the roughly 670 acres of land that the State of Utah could dispose of upon the prison's closure and relocation. The additional benefits of returning the land to private development and “back onto the tax

rolls” will not be sufficient to close the gap.

Appraised value ranges from \$51 million to \$93 million. This range exists because the consultant team approached the appraisal question from a number of perspectives. First, because the owner is a public agency with a very low cost of capital, the team has taken two approaches: the *market value* essentially assumes the state sells to a private developer and uses costs of capital available to the private sector; the *investment value* assumes the public sector (the state) is the investor and uses the state's more beneficial cost of capital.

In addition, two different development scenarios have been used. The first assumes that the land is sold as residential land which is its current highest and best use. The second takes a longer-term view that is more reflective of the desires of Draper City for a mixed-use employment center on the site.

Finally, the team was asked to review the potential of moving only a *portion* of the Draper prison functions to another location, selling the excess real estate and thereby maintaining some operations at Draper while realizing the benefits of releasing certain areas of the Draper campus for private use. This is referred to in the Tables as the “Partial Relocation” option.

Table EX-1: Executive Summary Feasibility Summary – Full Relocation

	Highest and Best Use		Mixed Use	
	Market	Investment	Market	Investment
Appraised Value	\$72,000,000	\$93,000,000	\$51,000,000	\$77,000,000
Plus Value of Water Shares	\$1,800,000	\$1,800,000	\$1,800,000	\$1,800,000
Plus Benefit to Draper	\$13,600,000	\$13,600,000	\$13,600,000	\$13,600,000
Subtotal	\$87,400,000	\$108,400,000	\$66,400,000	\$92,400,000
Costs				
Construction	\$421,800,000	\$421,800,000	\$421,800,000	\$421,800,000
Demolition	\$6,600,000	\$6,600,000	\$6,600,000	\$6,600,000
Transition	\$900,000	\$900,000	\$900,000	\$900,000
Operating				
Transportation	\$10,700,000	\$10,700,000	\$10,700,000	\$10,700,000
Staff Relocation	\$330,000	\$330,000	\$330,000	\$330,000
Recruitment/Training	\$11,200,000	\$11,200,000	\$11,200,000	\$11,200,000
Site Acquisition	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Repayment of ESCO Debt	\$7,500,000	\$7,500,000	\$7,500,000	\$7,500,000
Cost Subtotal	\$461,030,000	\$461,030,000	\$461,030,000	\$461,030,000
Net (Cost) Gain to State	(\$373,630,000)	(\$352,630,000)	(\$394,630,000)	(\$368,630,000)
Average (Cost) Gain to State (rounded)				(\$372,000,000)

Note: Moderate cost estimates from the ranges provided in Appendix E were used to minimize the number of iterations of this summary. The costs could vary from \$5 million less to \$54 million more than the “moderate” estimate. In the full report, the site and operating costs vary by site, but averages are used in this executive summary.

Under none of the approaches or the full or partial relocation options does the proposal generate sufficient revenues to cover the costs of moving all or a portion of the prison functions.

The study also evaluates the fiscal impacts to Draper City of having the full or partial prison property returned to private use. Under the mixed-use development scenario, the city would realize nearly \$1 million annually (after the project was fully built out) in net tax revenues if the prison were totally relocated. Under the partial relocation option, Draper is projected to receive about \$245,000 in annual net revenues.

Should the state decide to move the prison, a preliminary evaluation of alternative sites identified areas in Box Elder, Juab and Tooele Counties that would provide reasonable alternatives for a full replacement of the Draper facilities. Partial relocation of prison functions could be reasonably accommodated in areas of Iron and Carbon Counties. The full-relocation sites could also be considered. These areas would require additional study.

There are additional costs related to the relocation of the prison that have been identified in the analysis. New facility designs can have the potential to provide staffing efficiencies over older facility designs that result in operating cost savings. The consultants examined this potential, but found that significant staff reductions are not likely as the UDOC staffing at the Draper complex is extremely efficient as is. Other operational

costs such as transportation costs, staff recruitment and training, staff relocation and transition costs are addressed in detail in the study.

Expenses related to retirement of debt for the energy system have been taken into account. Costs for replacement of unrelated facilities (Surplus Property, Forestry/Fire and Juvenile Justice Services) have not been provided for in the analysis.

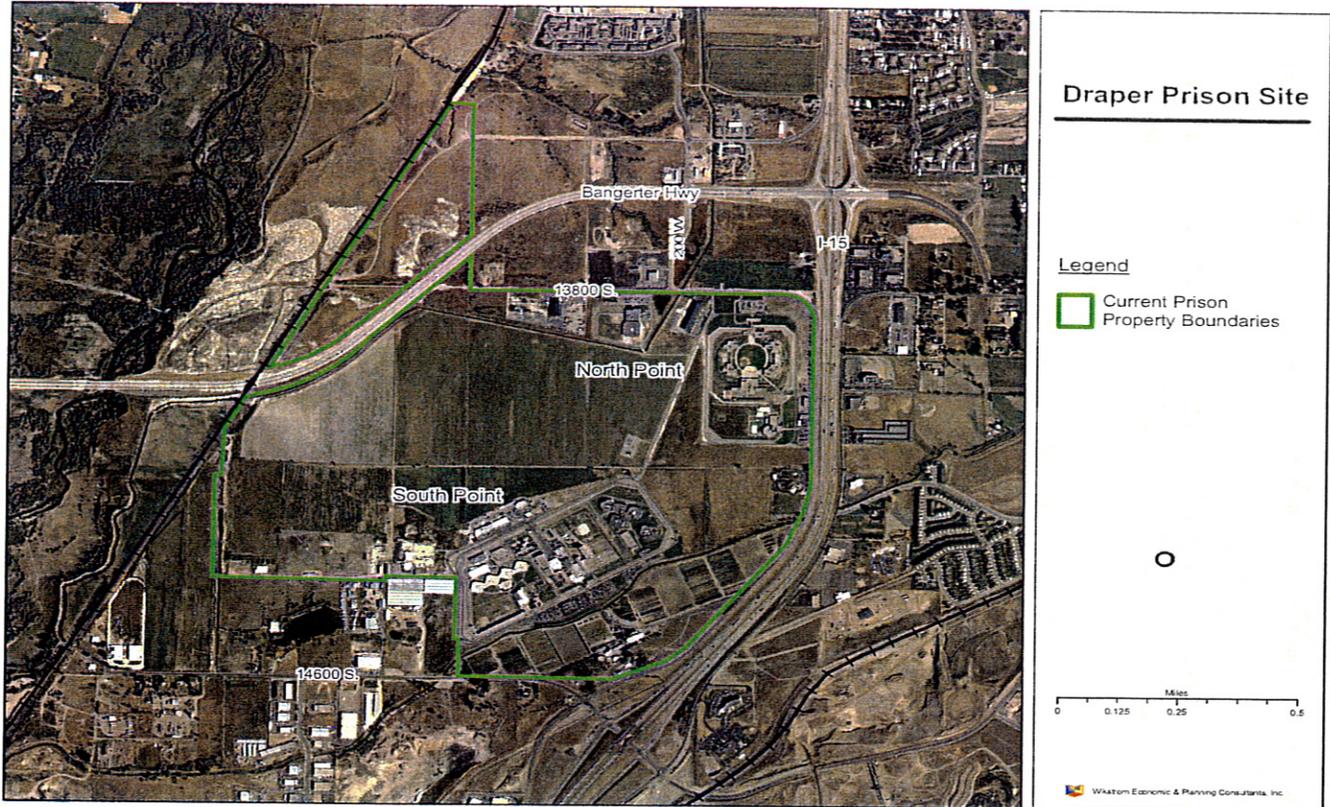


While the value of the prison property does not support full or partial relocation of the Draper prison functions, the unused portion should not be left idle or simply sold as surplus property. The remaining property is a valuable asset of the state that the consultants recommend be the subject of a strategic planning effort to map its long-term use. This analysis has determined that Department of Corrections facility requirements on the Draper site including future growth will likely never need more than about 300 to 350 of the roughly 670 acres, but these needs will require further refinement now that the feasibility of relocation of the prison has been addressed. The future Department of Corrections needs and remaining land should be jointly planned for long-term state use – for state facilities or other uses such as a technology center as envisioned in the Governor’s economic development planning.

Table EX-2: Feasibility Summary – Partial Relocation/Mixed-Use Scenario

	Investment Value	Market Value
Appraised Value	\$49,000,000	\$34,000,000
Plus Benefit to Draper (20-year NPV)	\$3,500,000	\$3,500,000
Subtotal	\$52,500,000	\$37,500,000
Costs		
Construction	\$128,000,000	\$128,000,000
Demolition	\$1,700,000	\$1,700,000
Transition	\$730,000	\$730,000
Operating		
Staff Relocation	\$100,000	\$100,000
Recruitment/Training	\$4,700,000	\$4,700,000
Site Acquisition	\$680,000	\$680,000
Cost Subtotal	\$135,910,000	\$135,910,000
Net (Cost) Gain to State	(\$83,410,000)	(\$98,410,000)
Average (Cost) Gain to State (rounded)		(\$91,000,000)

Figure 1: Aerial view of Draper facility



Full Study Available
Visit the Utah State website at <http://www.utah.gov>

Opportunities for Public Comment

OPEN HOUSE
Wednesday, November 30, 2005
6:00 p.m. to 8:00 p.m.
Draper Elementary School
1080 East 12660 South
Draper, Utah

COMMENTS CAN BE SUBMITTED BY E-MAIL TO
PrisonStudyComments@utah.gov
through December 7