



**House
Legislative
Analysis
Section**

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O-C-T-OIL CONVEYANCE IN TRAVERSE CITY

Senate Bill 282 as passed by the Senate
First Analysis (11-9-89)

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Sponsor: Sen. Mitch Irwin

Senate Committee: State Affairs, Tourism, and Library
Transportation

House Committee: State Affairs

THE APPARENT PROBLEM:

O-C-T Oil, Inc. has been leasing a portion of abandoned C & O railroad property in Traverse City currently under the jurisdiction of the Department of Mental Health (DMH), for use as parking lots. The property, which is about the size of three small city lots, is part of a railroad right-of-way leading to the Traverse City Psychiatric Hospital and is adjacent to property owned by the oil company. Since the DMH has no current use for the property, it has been proposed that the parcel be conveyed to the oil company.

THE CONTENT OF THE BILL:

The bill would authorize the state administrative board to convey to O-C-T Oil, Inc. a portion of abandoned C & O railroad property in Traverse City, Grand Traverse County that is a right-of-way leading to Traverse City Regional Psychiatric Hospital and that currently is under the jurisdiction of the Department of Mental Health. The property would be conveyed for not less than its fair market value which would be determined by an appraisal based on the property's highest and best use, as prepared by the state tax commission. The conveyance would be by quitclaim deed with the state reserving all rights to coal, oil, gas, and other materials, excluding sand, gravel, clay, and other nonmetallic minerals found on, within, or under the conveyed lands. Revenue from the conveyance would be deposited in the state treasury and credited to the general fund.

FISCAL IMPLICATIONS:

According to the Senate Fiscal Agency, the conveyance of this state owned property should result in a one-time increase in revenue to the general fund of approximately \$55,000, assuming the monies received from the conveyance were equal to the current appraised value. (11-8-89)

ARGUMENTS:

For:

The bill would authorize the conveyance to O-C-T Oil, Inc. of abandoned property that was once used by the railroad to bring coal to the hospital powerhouse. The oil company now uses the land for parking purposes, since it was promised the land some years ago. Since the psychiatric hospital was closed October 1, the DMH no longer needs the land.

Against:

The Grand Traverse area contains some of the most valuable real estate in the country. The state should not sell off this land piecemeal when the sale of the whole parcel would probably raise more revenue.

POSITIONS:

The Department of Mental Health supports the bill. (11-8-