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BILL ANALYSIS

Senate Fiscal Agency

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Senate Bill 734 (Substitute S-1 as passed by the Senate)

Sponsor: Senator Vern Ehlers

Committee: Local Government and Veterans

Date Completed: 2-12-90

**RATIONALE**

The U.S. Veterans' Administration (VA) has been leasing space from St. Mary's Hospital, in Grand Rapids, for the operation of a veterans' outpatient clinic. In recent years, the Veterans' Administration has been researching the possibility of building an outpatient clinic because the VA's operations have outgrown their present location. One possibility that had been explored was for the VA to set up a cooperative venture with the State Department of Public Health (DPH) for a "sole source pilot project" whereby the DPH would have built a clinic near the State Veterans Administration Home, in Grand Rapids, with the VA leasing it from the DPH. No agreement was reached at the Federal level, however, and the proposal was scuttled. The DPH subsequently submitted a bid on a project to build the clinic, but withdrew from the bidding process when it was determined that a leasing agreement between the State and the VA, as proposed in the plan, would not have been beneficial to the State. In the end, the VA entered into an agreement with a private developer, VA Ventures of Indiana, which would build a clinic and lease it to the VA. A site in northwest Grand Rapids was selected for construction and purchased by the developer. Objections to the site surfaced, however, when the developer requested a change in zoning. Some people, including members of various veterans' groups, reportedly felt that the site was an inappropriate location for the clinic since it was not situated near public transportation, was far from the downtown area, and was inconvenient for most

of the veterans who would use the clinic--many of whom are disabled and retired. As a result, the city rejected the proposed zoning change. Officials from DPH then met with city officials and the developer. A consensus was reached that the VA clinic should be located at a site near the State's veterans' facility since many of the veterans who are served at that facility, which is a nursing home that provides basic nursing, skilled nursing, and a residential setting, would be using the services of the Federal clinic. A conveyance of the State land to the City of Grand Rapids has been proposed to enable the city and the developer to carry out their agreement, under which the city would exchange the DPH property for the developer's parcel in northwest Grand Rapids, so that plans can proceed for the construction of the VA outpatient clinic.

**CONTENT**

The bill would provide for the conveyance from the State to the City of Grand Rapids of property located at the State Veterans Administration Home for the construction of a veterans' affairs outpatient clinic operated by the Federal government.

The State Administrative Board, on behalf of the State, could convey the property, now under the jurisdiction of the Department of Public Health, to Grand Rapids for \$1. Revenue derived from the conveyance would have to be

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deposited with the State Treasurer and credited to the General Fund.

The bill provides that, unless the clinic was completed by January 1, 1995, the property would revert to the State, with the State assuming no liability for any improvements made by the city or by any other person or entity. The conveyance would have to provide that if the facility were constructed but used for a purpose other than a veterans' affairs outpatient facility, or were constructed and used as a veterans' outpatient facility for a period of time but subsequently used for another purpose, the State would have a first option to purchase the facility for fair market value. If the conveyance resulted in a net revenue gain to the city, "because of the less than fair market conveyance price of the property", the city would be required to spend that revenue "for purposes for which the State expends funds".

The conveyance would have to provide easements for access by the State and city, to the State veterans' home and to the veterans' affairs outpatient clinic, and for easements for access to and maintenance of a watermain and for a storm sewer line.

The conveyance would have to be by quitclaim deed approved by the Attorney General and would have to reserve to the State all rights to coal, oil, gas, and other mineral rights found on or under the property conveyed.

### **FISCAL IMPACT**

The bill would have an indeterminate and indirect fiscal impact on State and local government. The indirect impact would be measured by the difference between the fair market value of the property and the State's \$1 selling price. According to the Department of Management and Budget, the market value of the property has not been determined.

### **ARGUMENTS**

#### **Supporting Argument**

With the conveyance of the State property near the State Veterans Administration Home, the VA would be able to proceed with plans for construction of a veterans' affairs outpatient clinic. Given the proximity of the proposed

Federal facility to the State's veterans' facility, services could be provided more conveniently and comprehensively to the veterans of West Michigan.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.