

SFA

BILL ANALYSIS

Senate Fiscal Agency



Lansing, Michigan 48909



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House Bill 4240 (Substitute H-1 as reported)
House Bill 4241 (as reported without amendment)
Sponsor: Representative Sharon Gire
House Committee: State Affairs
Senate Committee: Finance

Date Completed: 12-5-89

RATIONALE

In 1983, a sewer line collapsed on 15 Mile Road in the City of Fraser, Macomb County. Under the Emergency Preparedness Act (Public Act 390 of 1976), the State, in conjunction with the City of Detroit, purchased three parcels of land, consisting of 18.5 acres, to store heavy equipment and crushed interceptor supplies. The purchase price of one section of the property, consisting of two of the parcels, was \$243,000, with the city paying 50.5% of that amount and the State 49.5%; the purchase price of the third parcel was \$113,000, with the city paying 37%. Reportedly, it was agreed at the time that the properties would be sold for fair market value when the sewer project was completed, and that the proceeds of the sale would be divided between the city and the State in proportion to their contributions toward the purchase price.

Detroit's Water and Sewerage Department has completed the sewer project and the land can now be sold. Some feel, however, that selling the property would not be consistent with past land transfer policy, under which State land that is to be used for a public purpose is conveyed to the local government, rather than sold to the highest bidder or for fair market value. Since the first section of this property would be used for public purposes (partly for a recycling station, and partly for a public park), it has been suggested that the State convey it to the City of Fraser. It also has been suggested that the other section of property be conveyed to Macomb Community College.

CONTENT

The bills would authorize the State Administrative Board to convey to the City of Fraser in Macomb County two parcels of State land now under the jurisdiction of the Department of Management and Budget, and to convey a third parcel to Macomb Community College. The properties would each be conveyed by quitclaim deed, with the State's reserving all coal, oil, gas, and other mineral rights.

House Bill 4240 (H-1) would convey to the City of Fraser, for the consideration of \$1, two parcels of land in the city, containing 6.107 acres and 7.107 acres, respectively. The conveyances would have to require that the property be used only for public purposes, and that a park located on one of the parcels be open to all residents of the State on the same terms, fees, and conditions. Upon termination of public use, or if the property were used for any other purpose, title to the property would revert to the State, which would assume no liability for any improvements made.

House Bill 4241 would convey to Macomb Community College, for the consideration of \$1, a parcel of land at the corner of 15 Mile and Hayes Road in Clinton Township, Macomb County. The conveyance would reserve a nonexclusive easement over the property's easterly 62 feet for the installation of underground utility lines and for vehicle and pedestrian use, and would be subject to all easements, restrictions, or encumbrances of records.

The bill contains language to require that the fair market value of the property, based on "its highest and best use", be determined by a State Tax Commission appraisal, and that 37% of the revenue received under the bill be appropriated to the City of Detroit. This language was part of the bill as introduced, and referred to a provision in the bill that would have allowed conveyance of the property "to the highest bidder". The bill was amended by the House, however, to allow conveyance of the property to Macomb Community College for \$1, instead of to the highest bidder.

FISCAL IMPACT

The bills would have an indeterminate fiscal impact on State and local government. The bills would transfer property currently under the jurisdiction of the State. The indirect fiscal impact is measured by the difference between the fair market value of the property and the \$1 selling price.

BACKGROUND

As originally introduced, the bills would have required the property to be sold for fair market value, reportedly, \$300,000 total for two of the parcels and \$150,000 for the third parcel. The proceeds of both sales would have been split with the City of Detroit. As passed by the House, however, the bills provide for conveyances of the property to the City of Fraser and to Macomb Community College for \$1 each. A \$250,000 grant has been appropriated to the City of Detroit in the fiscal year 1989-90 General Government budget Act (Senate Bill 223). Reportedly, the city has agreed that this would compensate it for its interest in the property.

ARGUMENTS

Supporting Argument

The transfer of the property would address the City of Fraser's need for land for a recycling station and a public park and Macomb Community College's need for property to expand its facilities. The conveyances also would be consistent with past land transfer policy under which land that is to be used for a public purpose be conveyed to local government.

Opposing Argument

When the State and the City of Detroit purchased the property in 1983, they entered into an agreement under which the property would be sold for fair market value and each would receive a part of the sales price in proportion to their contribution. By conveying the property instead of offering it for sale, the bill would breach the State's part of that contract.

Response: The agreement was an understanding, not a formal contract, and specified that the proceeds of the sale of the property would be divided if the property were sold for fair market value. Since the property is proposed to be used for public purposes, however, State policy requires that it be conveyed for \$1. In any case, the City of Detroit raised its user fees after the purchase and recouped some of the costs of the purchase. In addition, a \$250,000 grant has been appropriated to the city in the fiscal year 1989-90 General Government budget Act.

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