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BILL ANALYSIS

Senate Fiscal Agency

Lansing, Michigan 48909

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House Bill 4241 (Substitute S-1 as reported)

Sponsor: Representative Sharon Gire

House Committee: State Affairs

First Senate Committee: Finance

Second Senate Committee: State Affairs, Tourism, and Transportation

Date Completed: 3-6-90

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 was suggested that the State convey it to the City of Fraser. (Public Act 243 of 1989, House Bill 4240, authorized this conveyance.) It also has been suggested that the other section of

property be conveyed to Macomb Community College.

In another matter, some have suggested that a vacant 10-acre parcel under the jurisdiction of the Department of Natural Resources (DNR) be conveyed to Shelby Township, for use as a neighborhood park near a residential subdivision.

CONTENT

The bill would authorize the State Administrative Board to convey to Macomb Community College a parcel of land, currently under the jurisdiction of the Department of Management and Budget, 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 provides that the conveyance would be for consideration of \$1. The bill also would require that the fair market value of the property be determined by an appraisal based on the property's highest and best use, as prepared by the State Tax Commission, and that 37% of the revenue received from the conveyance be appropriated to the City of Detroit.

In addition, the bill would authorize the State Administrative Board to convey to the charter township of Shelby, for \$1, a parcel located in the township and under the jurisdiction of the DNR. The conveyance would have to provide that the property had to be used for the purpose of a public park and, upon termination of that use or upon use for any other purpose, title to the property would revert immediately to the State, with the State assuming no liability for any improvements made by the township.

Both conveyances would have to be by quitclaim deed approved by the Attorney General and provide that the State would retain all rights to oil, coal, gas, or other materials, excluding sand, gravel, clay, or other nonmetallic minerals found on, within, or under the conveyed land.

SENATE COMMITTEE ACTION

The Senate State Affairs, Tourism, and Transportation Committee adopted a substitute bill that would authorize the conveyance of DNR property to Shelby Township, in addition to the conveyance to Macomb Community College of Department of Management and Budget property.

FISCAL IMPACT

The bill would have an indeterminate fiscal impact on State and local government. The bill 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 for each parcel.

ARGUMENTS

Supporting Argument

The transfer of the Macomb County property would address Macomb Community College's need for property to expand its facilities. The conveyance 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.

Supporting Argument

The bill would authorize the transfer to Shelby Township of a parcel of vacant DNR land for

a public park that would benefit township residents.

Opposing Argument

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

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, conveying it for \$1 would be consistent with State policy. 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. Furthermore, allocating 37% of the revenue received from the conveyance would satisfy the State's obligations under the agreement.

Opposing Argument

The parcel in Shelby Township is not simply vacant land, but part of the Rochester-Utica recreation area. According to the DNR, one of the main purposes of the Parks Division is to buy land and hold it for open space and recreational activities, and the parcel in question is used for this purpose. In addition, the Parks Division has long-range plans to construct a common entrance to the park system for improved traffic flow, safety, and administration. The Department needs property on both sides of the combined entrance, which would touch or be adjacent to the parcel in question. The Department also reports that it has a surplus parcel of almost 10 acres about a mile down the road from this property. The surplus parcel potentially could be made available to the township and could serve more people. Finally, the DNR reports that past conveyances to the township and the local school district were made in exchange for property of an equal or similar value, not for \$1. While the property that is the subject of the bill has not been appraised, the nearby

surplus parcel has been valued at approximately \$83,000.

Opposing Argument

The Federal Land and Water Conservation Fund was the source of some of the money used to acquire and develop the Rochester-Utica recreation area. As a result, approval of the Secretary of the Interior is required before the use of this land may be altered. If this approval were not obtained, Federal funding could be jeopardized.

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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.