



**House
Legislative
Analysis
Section**

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CONVEY, TRANSFER DMH PROP.

**Senate Bill 395 as passed by the Senate
First Analysis (4-22-93)**

**Sponsor: Sen. George McManus
Senate Committee: Mental Health,
Human Resources & Senior Citizens
House Committee: Local Government**

THE APPARENT PROBLEM:

Since the Traverse City Regional Psychiatric Hospital was closed in 1989, some local officials and citizens of that area have been negotiating to purchase from the state portions of the property on which the former hospital stands, currently under the jurisdiction of the Department of Mental Health (DMH), so that the property in question could be redeveloped and used for a number of different public purposes. The state has been working with officials from these governments and a nonprofit entity created to study how to reuse the property, the Grand Traverse Commons Redevelopment Corporation (GTCRC), to help facilitate the sale of this property either at fair market value or for \$1, depending on how portions of it are to be utilized. Public Act 88 of 1991 authorized the conveyance of a portion of this property either to Traverse City or to GTCRC so they could begin implementing their plans to redevelop it. After reviewing the long-range plan of the GTCRC to redevelop all of the property, the state has agreed to convey the remaining portions of it. Legislation, however, is needed to authorize the conveyance of the remaining property to GTCRC, and to permit the transfer of a nearby parcel now under the jurisdiction of DMH to the Department of Management and Budget (DMB) upon which a building stands that DMB now uses for office purposes.

THE CONTENT OF THE BILL:

The bill would authorize the State Administrative Board to transfer, from the Department of Mental Health (DMH) to the Department of Management and Budget (DMB) and the Department of Transportation (DOT), certain parcels of state-owned land in Grand Traverse County that comprised the former Traverse City Regional Psychiatric Hospital. The bill also would authorize the board to convey other parcels that were part of

the psychiatric hospital. Revenues received from the land conveyances would have to be deposited in the state treasury and credited to the DMH.

Transfers. Under the bill, the administrative board would be authorized to transfer from the Department of Mental Health to the Department of Management and Budget and the Department of Transportation parcels of land in Traverse City that are under the jurisdiction of the DMH and were part of the former psychiatric hospital. The bill specifies that the parcel descriptions are approximate and would be subject to adjustment as the board or the attorney general considered necessary by survey or other legal description. The transfers would take effect when approved by resolution of the board. All documents regarding the transfers would have to be approved by the attorney general.

Conveyances. The administrative board, on behalf of the state, could convey for consideration of at least fair market value, or for less than fair market value if use for a public purpose were made a condition of conveyance, all or any portion of the following:

- * Three parcels, as specified in the bill, now under the jurisdiction of the DMH. These parcels include one located in Leelanau County, another in Grand Traverse County, and a third from Division Street to the main line of the Pere Marquette Railroad in Traverse City.

- * Property, as described in the bill, under the jurisdiction of the Department of Social Services (DSS) located in Grand Traverse County.

In addition, a strip of land included within the first three parcels of at least 66 feet wide would have to be conveyed to the appropriate local governmental unit for dedication as a public access from Silver Lake Road north to the southeast corner of the Traverse Bay Area Intermediate School District,

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building 46, property. The alignment of the public access would have to be determined and would be subject to final survey. Land owners adjacent to the third parcel, as described above, would have the first right-of-refusal to acquire the property at fair market value with the exception of those that would be transferred to the Department of Transportation. The bill specifies that its descriptions of the second and third DMH parcels and the DSS property are approximate and, for purposes of the conveyance, would be subject to adjustment as the administrative board or attorney general considered necessary by survey or other legal description.

The fair market value of the property would have to be determined by an appraisal based on the its highest and best use, as prepared by the State Tax Commission or an independent fee appraiser. Any conveyances authorized for less than fair market value would have to require that the property be used exclusively for public purposes and provide that upon termination of that use, or upon use for any other purpose, the property conveyed could revert immediately to the state with the state assuming no liability for any subsequent improvements made to the property. The conveyances 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 materials, excluding sand, gravel, clay or other nonmetallic minerals found on, within or under the conveyed land.

Revenues. The revenue received for the conveyance of the DMH property would have to be deposited in the state treasury and credited to the DMH, as provided in Public Act 167 of 1992, which provides for appropriations to the department. The revenue received for the DSS property would have to be deposited in the state treasury and credited to the general fund.

(Public Act 167 1992 specifies that, in addition to amounts appropriated in the act, "...revenues received during fiscal year 1992-93 from the sale or rental of land, supplies, equipment, or other property under the jurisdiction of the Department of Mental Health during fiscal year 1992-93 or during any fiscal year before fiscal year 1992-93 to a nonstate agency or department because it is no longer needed at a state facility because of the facility's closure are appropriated to be expended to enhance and expand community based services. The funds shall be expended in the catchment area

that was served by the facility prior to its closure. The unspent balance on the last day of the fiscal year ending September 30, 1993 shall be carried forward into the subsequent fiscal years.

"All land, supplies, equipment, or other property under the jurisdiction of the Department of Mental Health that is not needed for present or future use by the Department of Mental Health and that is not sold or transferred during fiscal year 1992-93 to another state agency or department for its use shall be sold at not less than fair market value.")

Repeal. The bill would repeal Public Act 222 of 1989, which authorized the administrative board to convey to O-C-T Oil, Inc. for at least its fair market value, a portion of abandoned C&O railroad property that was a right-of-way leading to the Traverse City Regional Psychiatric Hospital and that was under the jurisdiction of the DMH.

FISCAL IMPLICATIONS:

According to the Senate Fiscal Agency, the bill would permit a variety of conveyances for fair market value, or less than fair market value under certain conditions. Most of the property would be transferred to the Grand Traverse Commons Redevelopment Corporation (GTCRC) for the fair market value of \$1 to establish the Continuing Care Retirement Community concept. The language also includes conveyance of a lake frontage park (the former hospital picnic grounds) to Bingham Township. Property not conveyed to local units includes a state office facility conveyed to DMB and a small parcel, not on the campus proper, to the Department of Transportation for a truck turnaround.

In addition, parcels comprising approximately 143 acres would be retained by the state for sale at fair market value to the GTCRC or other interested parties. Although property designated for sale has not been recently appraised, according to the Senate Fiscal Agency dated appraisals suggest that property associated with the former psychiatric hospital would be valued at approximately \$15,000 per acre, or \$2.15 million. In addition, eight single family dwellings located on the property would be sold. Again, appraisals on these properties have not been conducted, but assuming an average market value of \$70,000 each, another \$560,000 could be generated by the sale.

To the degree that the property is not now producing revenue, the conveyances without substantial monetary considerations would be neutral. Parcels returned by the state for sale should generate revenues of at least \$2.7 million depending on market fluctuations and public policy regarding disposition of the property. (3-1-93)

ARGUMENTS:

For:

The bill simply would allow DMH property in Grand Traverse County formerly used by the Traverse City Regional Psychiatric Hospital to be conveyed at not less than fair market value to the GTCRC, a public entity composed of officials from different local governments in the Grand Traverse area and other local citizens that was created to study how to reuse this property. Public Act 88 of 1991 authorized a similar conveyance of portions of this property upon which the All Faiths Chapel and another building stand to GTCRC so that they could be used as a shelter and counseling center for battered spouses and their dependent children. The remaining property, which the bill would convey, either contains a number of abandoned, run-down old buildings which the state is currently spending hundreds of thousands of dollars annually to maintain and monitor, or includes wetlands having little commercial value but which the local community would like to preserve as parkland for use by the public. The bill ensures that those parcels with substantial value would have to be appraised and could only be sold at their fair market value, while those with little value could be conveyed for \$1 as long as they were used for public purposes. Not only would the state save money that it now spends to maintain and monitor the properties, it could realize a substantial gain from selling them.

POSITIONS:

The Department of Management and Budget supports the bill. (4-20-93)

Traverse City supports the bill. (4-20-93)

Garfield Township supports the bill. (4-20-93)

The Grand Traverse Commons Redevelopment Corporation supports the bill. (4-20-93)