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NEW BUFFALO TWP CONVEYANCE

House Bill 5528 (Substitute H-1)
First Analysis (11-19-96)

Sponsor: Rep. Carl Gnodtke
Committee: Regulatory Affairs

THE APPARENT PROBLEM:

Two adjacent parcels of state property that combine to form a pie-shaped area near the intersection of I-94, US 10, and Red Arrow Highway in Berrien County have recently been declared surplus. The property contains an old scale house from a weigh station that was closed in the early 1970s and a state police post building and parking lot. The state police post was relocated to a new facility in May of 1995. In addition, the land has contamination from an underground storage tank that previously was on the site. Cleanup of the property is currently underway. The property was leased to the township of New Buffalo in early 1996. Currently, various governmental public services, including the New Buffalo Area Emergency Services (a 24-hour paramedic service), are utilizing the grounds and buildings.

The property was originally purchased by the Department of Transportation (MDOT) with restricted funds and subsequently sold to the Department of State Police (DSP), with the condition the property revert back to MDOT jurisdiction if the DSP ceased to use it. According to a representative from MDOT, the department was prohibited from conveying title to the property unless it was sold at fair market value and the fund paid back (Article 9, Section 9 of the Constitution of the State of Michigan of 1963). However, according to a representative of the Department of Management and Budget, the value of the property is currently deemed to be so low that preparing the property for sale, such as conducting appraisals, surveying the land, and so forth, would far exceed the expected appraised market value. Instead, an administrative decision was reached for MDOT to quit on its reverter, effectively leaving the property under the jurisdiction of the DSP. Reportedly, the DSP has repaid the restricted fund that originally purchased the property and now retains clear title. Since New Buffalo Township has expressed interest in continuing to use the property and buildings to house various municipal offices and services, legislation has been proposed to convey the property to the township.

THE CONTENT OF THE BILL:

The bill would allow the Department of State Police to convey two parcels of land in Berrien County to New

Buffalo Township for \$1.00. The bill would specify that a certain part of one of the parcels would be excluded from the conveyance. (Currently, a radio tower that is used by various agencies in the area is located on the piece of the property that would not be conveyed.) The property conveyed could be used for municipal public purposes only, and would revert back to state ownership if used for any other purpose. The conveyance would be by quitclaim deed approved by the attorney general, and the revenue received by the conveyance would be deposited in the state treasury and credited to the general fund. The mineral rights would be conveyed to the township; however, if the township were to develop any minerals found on, within, or under the property, any revenue received from the development would have to be shared equally with the state.

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, the bill is expected to be revenue neutral, as the costs to dispose of the land at fair market value would exceed the value of the land. (11-18-96)

ARGUMENTS:

For:

The property in question was standing vacant until New Buffalo Township leased it earlier this year. To have buildings standing vacant (the scale house and old police post building) is not only wasteful, but poses problems of safety and liability should a person be injured because the buildings were not secured or maintained properly. According to the Department of Management and Budget, the land is not a buildable piece of property because of zoning restrictions, and so has a low market value. However, because of the location, the site is ideal for the City of New Buffalo, New Buffalo Township, and Berrien County to house various governmental offices and services. If these local governmental units can effectively utilize the buildings and property to better serve their residents, then the land should be given to them. In addition, though township representatives report it unlikely to happen, if the township should develop any

House Bill 5529 (11-19-96)

of the minerals, half of the revenue would go to the state. The conveyance could then be a possible source of revenue for the state in the future.

Against:

According to the Department of Management and Budget, the bill's provision to convey mineral rights to the township but retain fifty percent of the revenue should the township develop any minerals represents a compromise as to whether or not clear title should be given when state land is conveyed to local units of government. Some feel that if the local units have to maintain the property, then they should have the property in total. In this particular conveyance, the state must clean up contamination from an old underground storage tank at an expected cost of \$350,000. In light of the cleanup costs, the DMB recommends that 100 percent of the revenue from future mineral development be given to the state until the cleanup costs are repaid, then split the revenue equally between the state and township. In addition, the DMB would prefer that the bill be amended to make the reverter clause permissive instead of automatically requiring the property to revert to the state should the township cease to utilize the property according to the bill's restrictions. The DMB would prefer to have discretion as to whether or not the state would want to regain possession of previously conveyed lands.

POSITIONS:

The Department of Management and Budget supports conveying the property. (11-13-96)

The New Buffalo Township board of trustees supports the bill. (11-13-96)

Analyst: S. Stutzky

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.