

**Senate Bill 540 as passed by the Senate  
First Analysis (5-21-02)**

**Sponsor: Sen. Joel D. Gougeon**  
**House Committee: Regulatory Reform**  
**Senate Committee: Local, Urban and  
State Affairs**

***THE APPARENT PROBLEM:***

The Macomb-Oakland Regional Center, Inc. (MORC), a nonprofit organization that primarily provides outpatient services to persons with developmental disabilities or mental illnesses, currently leases its facility from the state. Prior to its conversion as a nonprofit entity in 1996, MORC operated at the same site as a state facility that offered persons with physical and mental disabilities an alternative to institutionalization. MORC now serves around 4,000 people in the community, and also provides services to the indigent, senior citizens, and persons needing substance abuse counseling.

As landlord, the state is responsible to provide repairs and maintenance for the facility and the approximately 26 acres surrounding it. However, with the current budget shortage, the state is not able to provide timely repairs. One solution that has been explored is to convey the building and grounds to MORC. Since MORC is no longer a governmental entity, and since the state is still facing budgetary constraints, it has been proposed to allow MORC to buy the property at fair market value rather than the usual conveyance consideration of \$1. Legislation has been introduced to allow this conveyance.

***THE CONTENT OF THE BILL:***

The bill would allow the state administrative board to convey, for not less than fair market value, all or any portion of property currently under the jurisdiction of the Department of Community Health and located in Clinton Township, Macomb County. The fair market value would have to be determined by an appraisal based on using the property for providing services to the mentally ill or developmentally disabled citizens. The property would have to be conveyed by quitclaim deed approved by the attorney general and only for the purpose of providing outpatient services to indigent persons requiring community health services due to mental illness, aging, substance abuse, or developmental disability, and the deed

conveying the property would have to provide for both of the following:

- That the property would be used exclusively for providing the foregoing outpatient services for a period of 50 years after the date of the conveyance. If the property were used for any other purpose, it would revert to state ownership and the state could repossess the property.
- If the grantee disputed the state's exercise of its rights of reentry and failed to deliver possession of the property back to the state, the attorney general could bring an action to quiet title to, and regain the possession of, the property.

Mineral rights would not be reserved; however, if the purchaser or any grantee developed any mineral found on, within, or under the property, one-half of the revenue would have to be paid to the state for deposit in the general fund. The net revenue (proceeds from the sale of the property less reimbursement for any state costs associated with the sale) would have to be deposited in the state treasury and credited to the general fund. Further, the bill specifies that the property description contained in the bill is approximate and subject to adjustments as the state administrative board or the attorney general considers necessary by survey or other legal description. The conveyance would also be subject to any easements, rights-of-way, or restrictions, if any, or any of those things determined by the director of the DMB and approved by the state administrative board as necessary for development of the property.

***FISCAL IMPLICATIONS:***

According to a House Fiscal Agency analysis dated 5-16-02, the Department of Management and Budget indicated that the appraised value of the property is approximately \$3 million. Therefore, a one-time revenue gain to the state general fund of nearly \$3

million (after deductions for preparing the property for sale) will occur if the property is sold. If the buyer developed any minerals on or under the property, one-half of the revenues would have to be paid to the state.

Local fiscal implications are unknown and would depend on whether a local unit was a buyer or not.

## **ARGUMENTS:**

### ***For:***

At one time, the facility known as the Macomb-Oakland Regional Center, Inc. (MORC) operated as a state agency and served persons with mental illnesses or developmental disabilities. In 1996, MORC became a private, not-for-profit corporation offering community-based outpatient services for the indigent with mental illnesses, developmental disabilities, and substance abuse problems. In fact, MORC has now assumed the lead role in caring for children with developmental disabilities in Oakland County; provision of these services allows children to remain in their communities. MORC also provides services for senior citizens. With its barrier-free design, MORC is uniquely suited to provide services to people with special needs. Approximately 4,000 people currently receive services provided by MORC. In addition, MORC has provided resources to other organizations within the community such as St. Joseph Hospital, the Macomb Intermediate School District, and dozens of specialty health clinics.

Currently, MORC leases the building and property from the state. As landlord, the state remains responsible for needed repairs and maintenance. Unfortunately, due to the current budget situation, state funds must be prioritized. Reportedly, the state would like to be released from the lease that MORC holds. However, it is important that MORC continue to deliver services to persons with mental illnesses and developmental disabilities in the Macomb-Oakland communities, as it has done for over 30 years.

An apparent solution would be to convey the building and property to MORC. Usually, if property is conveyed for public purposes or to another governmental agency, it is conveyed for only a dollar. In light of the fact that the state is in need of additional revenue, and that MORC, though not-for-profit, is no longer a governmental entity, it has been proposed that MORC be allowed to purchase the property for a price based on the value of the building continuing to be used for the delivery of mental

health services (rather than basing the value on what the property could be worth if developed for other, e.g., commercial, purposes). This would be a win-win proposition for the state (which would gain \$3 million in general fund dollars), MORC (which could continue to offer much needed services to a well-developed constituency without having to relocate, etc.), and to the people in the community who receive services from MORC (continuity of care, familiarity with the building and location, etc.). If within 50 years MORC ceased to offer the specified services, the state could reclaim the building and property (at no cost to the state; this would include any improvements made by MORC that could add to the value of the property). This provision in the bill acts as an incentive for MORC to continue its mission to serve the indigent and needy at that location. After 50 years, MORC would be free to continue its operations at that location, or to sell the property and relocate elsewhere.

## **POSITIONS:**

The Department of Management and Budget supports the bill. (5-17-02)

The Board of Directors of the Macomb-Oakland Regional Center, Inc. (MORC) supports the bill. (5-16-02)

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■ 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.