

Legislative Analysis



MULTICOUNTY LAND CONVEYANCE

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Senate Bill 1297 with committee amendments

Sponsor: Sen. Alan Cropsey

House Committee: Regulatory Reform

Senate Committee: Appropriations

First Analysis (7-14-04)

BRIEF SUMMARY: The bill would authorize the State Administrative Board to convey the following:

- A parcel under the jurisdiction of the Michigan Department of State Police (MSP) located in the City of Mt. Pleasant, for not less than fair market value.
- A parcel under the jurisdiction of the MSP located in Houghton County, to Calumet Township, for \$1.
- Five parcels (commonly known as the Michigan Labor Building and land) under the jurisdiction of the Department of Management and Budget (DMB) located in the City of Detroit, for not less than fair market value.

The bill would also allow the demolition of a building in Ingham County and repeal provisions of a 2003 conveyance regarding property located in Marquette County.

FISCAL IMPACT: The bill would have an indeterminate impact on state and local government. If the properties are sold at fair market value, the state will realize one-time revenue gains plus operational/maintenance costs savings.

THE APPARENT PROBLEM:

The Department of Management and Budget has recommended the conveyance of several parcels of surplus land and buildings, but needs legislative authority to do so.

Two of the parcels are currently under the jurisdiction of the Department of State Police. One of those parcels is a former state police post in Mt. Pleasant. It has been vacant since 1999 but the state police have been maintaining the grounds. The other parcel is also a former state police post, but is located in Calumet Township in Houghton County. The building, considered to have historical significance, was built in 1895 and used as a mine captain's office as part of the Calumet & Hecla Copper Mining Company. It is located within the Keweenaw National Historical Park. The township has leased the building to house radio equipment since it was vacated by the state police.

A third property to be conveyed is made up of five parcels commonly known as the Michigan Labor Building and the land associated with them.

In addition, Public Act 280 of 1982 authorized the state to convey to Marquette County, for \$1, a parcel of approximately 460 acres in Sands County. The property was the former site of the Honor Camp State Correctional Facility. It was later suggested that a 40-acre portion of that property be used by Teaching Family Homes, a private nonprofit organization, for residential group homes and a regional treatment center for troubled youths. Last year, Public Act 166 of 2003 (enrolled Senate Bill 314) authorized the state to acquire the parcel from Marquette County and then to convey it to Teaching Family Homes for \$1.00. Since the original conveyance authorized by Public Act 280 contained a reverter clause requiring the property to revert to the state if used for anything other than a public purpose, a similar reverter clause was added to last year's legislation. However, the reverter clause has proven problematic. Reportedly, expected federal funding to aid in the development of the treatment center was denied because the reverter clause conflicted with federal funding requirements. It has been recommended that the conveyance language of Public Act 166 of 2003 pertaining to this parcel of land be repealed and be replaced with provisions that delete the reverter clause and that require the land to be sold to Teaching Family Homes for fair market value.

Lastly, the DMB would like the authority to demolish or dispose of a surplus building know as the "Grounds Shop" that is located behind the Lewis Cass Building in the City of Lansing.

THE CONTENT OF THE BILL:

The bill would authorize the conveyance of properties located in the counties of Isabella, Houghton, and Wayne; allow the DMB to demolish or dispose of a building located in the City of Lansing; and repeal (and then replace within the bill) provisions of Public Act 166 of 2003 relating to a conveyance of property to Teaching Family Homes of Upper Michigan.

In regard to the Mt. Pleasant property, the director of the Department of Management and Budget (DMB) first would have to offer it for sale to the local units of government in which the property is located, before offering the property for public sale; the offer could be made for less than fair market value. A local government, which could only use the property for public purposes, would have to enter into a purchase agreement within 60 days after the date of the offer and complete the purchase within 120 days after the date of the offer. If a local unit of government purchased the property, but then within one year conveyed it for other than a public purpose, the state would get an amount equal to the fair market value of the property at the time it was sold to the local unit of government, less the price the local government paid to the state for it, and an amount equal to 50 percent of the price paid by the subsequent purchaser to the local unit of government less the fair market value of the property at the time it had been sold to the local unit of government by the state.

In regard to the Calumet Township property, if it were not sold to the township, the DMB director could offer it for sale to the federal government or its subdivisions for a public purpose. If not sold to either the township or the federal government, the property could

be offered for not less than fair market value as specified in the bill. In addition, the bill specifies that a previous grantor (UOP Inc., City of Des Plaines, Cook County, Illinois), or its successors and assigns, would retain the rights to all ores, metals, and minerals in, on, or under the property and the right to mine and at all times to carry on mining operations to within 15 feet of the surface of the rock. The bill further would expressly reserve to the grantor, its successors, and assigns, the right to cause subsidence of the premises by the withdrawal of lateral or subjacent support, whether through the conduct of mining operations or otherwise.

In regard to any of the conveyances, a conveyance of any of the properties to a local unit of government under the bill would have to require the property to be used exclusively for public purposes, and provide that upon termination of that use or use for other purpose, the state could reenter and repossess the property, terminating the grantee's estate in it.

If property were offered for public sale at not less than fair market value, the sale would have to be conducted in a manner designed to realize the highest price from the sale to the state, and done in an open manner using a competitive sealed bid, real estate brokerage services, or a public auction.

If a property were not conveyed to a local unit of government, and failed to sell at public sale, then the DMB director, with the concurrence of the State Administrative Board, could order a reappraisal, withdraw the property from sale, or offer the property for sale for less than fair market value according to the bill's guidelines.

All of the conveyances would have to be by quitclaim deed prepared and approved by the attorney general. The quitclaim deed would have to provide that, if the state repossessed the property, the state would have no liability for any improvements made on it; and that the state reserved all rights in aboriginal antiquities.

The state could not reserve the mineral rights to the conveyed property. A conveyance of the Mt. Pleasant or Calumet Township property, however, would have to provide that if the purchaser or grantee developed any minerals found on, within, or under the property, the purchaser or grantee would have to pay one-half of the gross revenue generated from the development of the minerals to the state.

The revenue received under the bill would have to be deposited in the state treasury and credited to the general fund. If the revenue from a conveyance of the Mt. Pleasant or Calumet Township property were insufficient to reimburse the DMB for its costs, the state police would have to reimburse those costs within 30 days.

In addition, the bill would allow the DMB to demolish, dismantle, or otherwise dispose of the surplus building known as "The Grounds Shop", which is under the jurisdiction of the DMB and is located due west of, and directly behind, the Lewis Cass building, in Lansing.

Furthermore, the bill would repeal Sections 1 to 7 of Public Act 166 of 2003 which pertain to the conveyance of property to Teaching Family Homes of Upper Michigan (THF), a non-profit organization, for fair market value. Nearly identical provisions to those repealed are contained in the bill except that the provision requiring the property to revert to the state if THF ceased to use the property as required or offered it for sale would be eliminated. In addition, the conveyance would be for fair market value instead of \$1 as provided by Public Act 166.

HOUSE COMMITTEE ACTION:

Amendments to the following provisions were adopted:

Regarding the Mount Pleasant, Isabella County property.

- Instead of requiring the property to be offered for sale for less than fair market value to the local units of government, the bill would require that the property be offered for sale first to the local units of government and that an offer to a local unit of government could be for less than fair market value.
- Instead of requiring the local government to pay to the state 50 percent of the net profit, if any, should the property be sold for other than public use purposes within the first year, the bill would require an amount equal to the fair market value at the time it was sold to the local government minus the price paid to the state for it plus 50 percent of the price paid by the subsequent purchaser minus the fair market value of the property at the time it was sold to the local unit of government by the state.
- The bill would delete provisions allowing the state to reenter and repossess the property if used for nonpublic purpose; to bring an action to quiet title to, and regain possession of, the property if used for nonpublic purposes; and that requires that the sale of property that failed to be bought by a local unit of government or sold at a public sale for fair market value be conducted in a manner to realize the highest price from the sale or the highest value to the state.
- Property not conveyed for a public use purpose or sold at a public sale for fair market value that was now being sold for less than fair market value would have to be offered in an open manner using a competitive sealed bid, a real estate brokerage service, or a public auction.

Regarding the Calumet Township, Houghton County conveyance.

- If the property were not sold to Calumet Township or the federal government, it could be offered for not less than fair market value under provisions in the bill.
- Property not conveyed for a public use purpose or sold at a public sale for fair market value that was now being sold for less than fair market value would have to be offered in an open manner using a competitive sealed bid, a real estate brokerage service, or a public auction.
- The bill would delete a provision that required that the sale of property that failed to be bought by a local unit of government or the federal government for a public

use purpose or sold at a public sale for fair market value be conducted in a manner to realize the highest price from the sale or the highest value to the state.

Regarding the Labor Building and land conveyance in Wayne County.

- Property not sold at a public sale for fair market value that was now being sold for less than fair market value would have to be offered in an open manner using a competitive sealed bid, a real estate brokerage service, or a public auction.
- The bill would delete a provision that required that the sale of property that failed to be sold at a public sale for fair market value be conducted in a manner to realize the highest price from the sale or the highest value to the state.

FISCAL INFORMATION:

The bill has indeterminate impacts on state and local government. The bill authorizes the sale of two former State Police posts in Calumet and Mt. Pleasant. The former will be conveyed to the local township for \$1.00 while the latter will be sold at fair market value. Also authorized is the disposition of the (Detroit) Labor Building at fair market value. The state will realize indeterminate one-time revenue gains plus operational/maintenance costs savings for the fair market value properties. New appraisals will likely be necessary for these properties. Net state revenue for the Labor Building will also be offset because the federal government owns a 60% interest in it.

ARGUMENTS:

For:

The bill would allow the Department of Management and Budget to dispose of several properties declared as surplus to the state. Any properties sold will bring in much needed revenue to the state. Those properties conveyed to local governmental units for less than fair market value would have to be used for public purposes, and would relieve the state of any current maintenance costs.

POSITIONS:

There are no positions at present.

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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.