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BILL ANALYSIS

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Senate Bill 1085 (as introduced 3-9-04)
Sponsor: Senator Mark Schauer
Committee: Appropriations

Date Completed: 6-16-04

CONTENT

The bill would do the following:

- **Authorize the State Administrative Board, on behalf of the State, to convey parcels in Alpena, Praireville, Mt. Pleasant, and Detroit, for not less than fair market value.**
- **Authorize the State Administrative Board to convey parcels to New Buffalo Township and Calumet Township, for \$1.**
- **Authorize the Board to convey the State's half interest in a parcel to the Mason County Road Commission, for \$1.**
- **Authorize the Board to transfer a parcel in Blackman Township, Jackson County, from the Department of Corrections (DOC) to the Department of Military and Veterans Affairs (DMVA).**
- **Allow the Department of Management and Budget (DMB) to demolish a surplus building in the City of Lansing.**

Conveyances for Fair Market Value

The State Administrative Board could convey the following for not less than fair market value:

- A parcel of property under the jurisdiction of the Michigan Department of State Police (MSP) located in the City of Alpena, Alpena County.
- Two parcels under the jurisdiction of the Department of Labor and Economic Growth (DLEG) located in the City of Prairieville, Barry County.
- A parcel under the jurisdiction of the MSP located in the City of Mt. Pleasant, Isabella County.
- Five parcels (commonly known as the Michigan Labor Building and land) under the jurisdiction of the DMB located in the City of Detroit, Wayne County.

Except for the Wayne County property, the DMB Director first would have to offer the property for sale for less than fair market value to the local units of government in which the property is located, before offering the property for public sale. In order to exercise its right to purchase the property, a local government 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.

Conveyances for \$1

The State Administrative Board could convey the following for \$1 to the specified local units of government:

- A parcel under the jurisdiction of the MSP located in Berrien County, to New Buffalo Township.
- A parcel under the jurisdiction of the MSP located in Houghton County, to Calumet Township.
- The State's one-half interest in a parcel of property under the jurisdiction of the DMB located in Amber Township, Mason County, to the Mason County Road Commission.

Berrien County Conveyance. If the property were not sold to New Buffalo Township within one year after being offered, the DMB Director could offer the property for public sale for not less than the fair market value. (This conveyance already has been authorized under Public Act 121 of 2004.)

Houghton County Conveyance. If the property were not sold to Calumet Township, the DMB Director could offer it for sale to the Federal government or its subdivisions for a public purpose.

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 save, reserve, and except 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.

Provisions Applicable to All Conveyances

Any conveyance under the bill (except the Wayne County conveyance) 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. In addition, the conveyance would have to provide that if the grantee disputed the State's right of reentry and did not promptly deliver possession of the property to the State, the Attorney General, on behalf of the State, could bring action to quiet title to, and regain possession of, the property.

The fair market value of all of the property conveyed would have to be determined by an appraisal prepared by an independent appraiser.

If the property were offered for 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. A notice of a sealed bid, public auction, or use of broker services would have to be published at least once in a newspaper not less than 10 business days before the sale. (These provisions would not apply to the Mason County conveyance.)

The bill would authorize the DMB Director, if it were in the State's best interest, to order a reappraisal of the property; withdraw the property from the sale; or, with the concurrence of the State Administrative Board, offer the property for sale for less than the fair market value. (This provision would not apply to the Mason County conveyance.)

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, including the right to explore and excavate.

The State could not reserve the mineral rights to the conveyed property. The conveyance would have to provide, however, 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. (This requirement would not apply to the Mason County or Wayne County conveyances.)

The revenue received under the bill would have to be deposited in the State Treasury and credited to the General Fund. Except in regard to the Wayne County and Mason County conveyances, if the revenue from a conveyance were insufficient to reimburse the DMB for its costs, the department currently having jurisdiction over the property would have to reimburse those costs within 30 days.

Jackson County Transfer

The bill would authorize the State Administrative Board to transfer without consideration from the DOC to the DMVA a parcel of land in Blackman Township, Jackson County. The transfer would be effective when approved by a resolution of the State Administrative Board. The DMVA would assume full responsibility from the date of the transfer.

All documents regarding the transfer would have to be prepared and approved by the Attorney General. The DMB would be responsible for coordinating and implementing the transfer, but the DMVA would have to reimburse the DMB for any survey costs or transaction closing costs the DMB incurred, within 30 days of being presented an itemized bill for the costs.

(The transfer already has been authorized under Public Act 45 of 2004.)

Demolition of Surplus Building

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.

Legislative Analyst: Julie Koval

FISCAL IMPACT

The bill would have an indeterminate, but likely positive, fiscal impact on State government.

Calumet and Mt Pleasant. The bill would authorize the conveyance of two former State Police posts that are old and vacant and have been replaced by newer facilities. By selling them, the Department would avoid the annual maintenance and upkeep costs and also realize revenue generated from their sale. While no current appraisal for either parcel exists, a 1999 appraisal for the Mt Pleasant property reportedly determined the value to be \$53,000. The bill would limit the consideration for the Calumet conveyance to \$1.

Labor Building – Detroit. The bill would allow for the sale of this 242,000 square foot class C office space located on Woodward Avenue in downtown Detroit. An appraisal completed in June 2003 reportedly yielded a value of approximately \$2.0 million. This building was originally built in 1912 and has been determined to be in disrepair. It is currently vacant. According to the Department of Management and Budget, the Federal government has a 60% interest in the building, and so would realize 60% of any net revenue generated from the sale. The Department would avoid the approximately \$180,000 in annual operating costs of the building, if the property were sold.

Fiscal Analyst: Mike Hansen

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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.