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BILL ANALYSIS

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Senate Bill 1297 (Substitute S-2 as reported)
Sponsor: Senator Mark Schauer
Committee: Appropriations

CONTENT

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.
- 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.
- A parcel under the jurisdiction of the MSP located in Houghton County, to Calumet Township, for \$1.

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 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. 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. 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 50% of the net profit realized from the conveyance.

Regarding 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. 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.

A to conveyance 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 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.

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 MSP 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.

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.

Date Completed: 6-21-04

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