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BILL ANALYSIS

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House Bill 5340 (Substitute H-3 as reported by the Committee of the Whole)
Sponsor: Representative Leon Drolet
House Committee: Regulatory Reform
Senate Committee: Appropriations

CONTENT

The bill would amend Public Act 440 of 2002, which authorized the conveyance of approximately 26 acres under the jurisdiction of the Department of Community Health, in Clinton Township, Macomb County, for not less than fair market value, and requires the property to be used for the purpose of providing outpatient services to indigent persons requiring community health services due to mental illness, aging, substance abuse, or developmental disability. The bill instead would require that property be conveyed to the Macomb-Oakland Regional Center, Inc., commonly known as MORC, at fair market value as determined by an appraisal based on using the property for providing services to individuals who are aged, physically handicapped, substance abusers, in addition to those who are mentally ill, or developmentally disabled, referred to collectively as community-based services.

The bill would remove the requirement that the property be used for the specified purpose for 50 years after the conveyance (thereby making the conveyance indefinite); and delete related language regarding repossession.

The Act requires the conveyance to be by quit claim deed. The bill would add a right of first refusal agreement to be drafted and approved by the Attorney General. The deed would have to provide that if the property were subsequently offered for sale by MORC for a purpose other than the provision of community based services, the State would have the first right to repurchase the property from the grantee, for a period of 90 days, for an amount equal to the price that MORC paid the State for the property. If the State declined its right to repurchase, then MORC would have to pay the State both the amount equal to the fair market value of the property according to an appraisal based on its highest and best use at the time it was sold to MORC, less the price paid by MORC and any amounts spent by MORC for new construction on the property, and 50% of the price paid by the subsequent purchaser to MORC less the fair market value of the property according to an appraisal based on its highest and best use at the time it was sold to MORC by the State.

FISCAL IMPACT

To the extent that MORC, Inc., is able to pay the fair market value of the property (currently appraised at approximately $3.4 million), the bill would have no fiscal impact on State or local government. It is not expected that the added required use of the property on which the appraisal must be based, would significantly alter the appraised value of the property. The new provisions on resale of the property could provide a future financial benefit to the State if the property were subsequently sold for more than the value MORC paid the State for the property at the time of purchase.

Date Completed: 9-28-04 Fiscal Analyst: Michael Hansen