

Delta County Property Conveyance

Senate Bill 596 (S-1) As Passed Senate

Sponsor: Senator Mike Prusi

Committee: Appropriations

Analysis Completed: June 23, 2009

BRIEF SUMMARY:

Senate Bill 596 would authorize the State Administrative Board to convey state owned property located in the City of Escanaba, County of Delta, to Delta County for \$1.00. An approximate legal description of the property is set forth in the bill and the property would include all personal, surplus, salvage, and scrap property or equipment remaining on the property at the time of conveyance.

The property would be required to be used exclusively for public purposes, including, but not limited to, an annual Upper Peninsula State Fair and any fees, terms, or conditions for the use of the property would be required to be applied uniformly to all members of the public. The State would be authorized to reenter and repossess the property if these conditions were not met.

If the property is not sold to Delta County within 6 months of the effective date of the bill, the Department of Management and Budget (DMB) would be required to take the necessary steps to convey the property through competitive bidding, a public auction, use of real estate brokerage services, offering the property for sale for fair market value to a local unit or units of government, or offering the property for sale for less than fair market value to a local unit or units of government. If the property is sold to a local unit or units of government for less than fair market value, the property would be required to be used exclusively for public purposes. If the local unit or units of government intend to convey the property within 3 years of the conveyance from the State, the State would retain a right to first purchase the property at the original sale price. If the State waives the right, the local unit would have to pay the State 40% of the difference between the sale price of the conveyance from the State and the sale price of the local units' subsequent sale or sale to a third party.

The property would be conveyed by a quitclaim deed approved by the Attorney General. The State would not reserve oil, gas, or mineral rights to the conveyed property, but the purchaser or any grantee would have to pay one-half of any gross revenue generated from the development of oil, gas, or minerals. The State would reserve all rights in aboriginal antiquities, including the right to explore, excavate, and take them. Aboriginal antiquities include mounds, earthworks, forts, burial and village sites, mines, and other relics.

Net revenue received under the bill would be credited to the General Fund.

FISCAL IMPACT:

The property includes approximately 120 acres of land and 24 buildings and is used 365 days a year. Besides being used for the Upper Peninsula State Fair, uses of the land and structures include: trade shows, craft shows, sports shows, horse and livestock shows, antique and history shows, auctions, camping, motor sports, concerts, weddings, receptions, recreational safety programs, school programs, youth camps, winter storage, and year-round equipment storage. Structures on the property include the 3,500 seat grandstand, barns, stalls, indoor and outdoor arenas, other exhibition areas, restrooms/showers, an office complex, a half-mile racetrack, nearly 700 campsites, and other facilities.

The FY 2009 Department of Agriculture budget includes \$1.4 million for the Upper Peninsula State Fair and the Executive proposed eliminating state support for the fair in the FY 2010 budget. The fair brings in approximately \$1.0 million in revenues each year, primarily from gate and grandstand receipts, facility rental, and sponsorships. However, fair expenditures are consistently higher than revenue. Over the last five years, the fair's operating loss has averaged \$120,000 more than revenues. Also, there are significant capital needs at the fairgrounds which have been delayed as a result of insufficient operating revenue.

To date, seven counties in the Upper Peninsula have adopted resolutions supporting the sale of the property to Delta County and creation of a local authority consisting of Upper Peninsula counties which would oversee fair operations.

As stated in the bill, net revenue received under the bill would be credited to the General Fund. There would be an indeterminate amount of revenue to the state if the purchaser or any grantee developed oil, gas, or minerals found on, within, or under the property.

Fiscal Analyst: Robin R. Risko

■ 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.