Legislative Analysis

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Property Conveyance
School for the Deaf - Genesee County

Senate Bill 1558 (S-1) - As Passed by the Senate
Sponsor: Senator Tom George, M.D.
Analysis Completed: December 1, 2010

SUMMARY OF THE BILL:
Senate Bill 1558 would authorize the State Administrative Board to convey three parcels of state owned property in Genesee County. The property is located in the City of Flint and is currently under the jurisdiction of the Department of Education. The property consists of approximately 85 acres, and includes the School for the Deaf, Brown Hall, and Happy Hollow.

An approximate legal description of the property is set forth in the bill and the property would include surplus, salvage, and scrap property or equipment.

The bill would require the fair market value of the property to be determined by an appraisal prepared for DTMB by an independent appraiser.

DTMB would be required to convey the property through competitive bidding, public auction, real estate brokerage services, value for value conveyance (considering the fair market value or the total value based on any positive economic impact to the state likely to be generated by the proposed use of the property), offering the property for sale for fair market value to a local unit or units of government, offering the property for sale for less than fair market value to a local unit or units of government, or transferring or conveying the property to the Land Bank Fast Track Authority.

Before offering the property for public sale, DTMB would be required to offer the property to Lurvey White Ventures 1, LLC for not less than $1.3 million for construction and renovation of a new school for the deaf. Lurvey White Ventures 1, LLC would have first right of purchase for 180 days after the effective date of the bill. Conveyance to Lurvey White Ventures 1, LLC would be contingent upon them entering into a lease with the state for possession of a portion of the property, approximately 120,000 usable sq. ft., with an annual base rent not to exceed $2.1 million for the Department of Education for the purpose of providing school facilities for educating the deaf. (The last paragraph of the bill authorizes DTMB to enter into a lease for possession of a portion of the property to be occupied by the School for the Deaf.)

If the property is conveyed to Lurvey White Ventures 1, LLC, the following would be required under the bill: the property would continue to be used exclusively for education purposes, the state would be reimbursed for costs necessary to prepare the property for conveyance, the property would be developed according to approved specifications of the School for the Deaf, proof of financial ability to complete the project would be provided to DTMB, and project construction and occupancy would be completed within three years of the effective date of the bill. If these conditions were not met, the state would be authorized to reenter and repossess the property and would not be liable to reimburse any party for improvements made on the property.

If Lurvey White Ventures 1, LLC intends to convey the property within seven years after the conveyance from the state, they would be required to notify DTMB and DTMB would retain a right to first purchase the property at the original sale price, or if a part of the property is offered, the prorated sale price, within 90 days of the notice. If DTMB waives the right, Lurvey White Ventures 1, LLC would be required to pay the state 40% of the difference between the sale price of conveyance and the sale price of the subsequent sale.

Any conveyance of the property for less than fair market value to a local unit of government shall provide for the following: the property would be required to be used exclusively for public purposes; any fees, terms, or conditions applied for use of the property, or waivers of those fees, terms, or conditions, 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 and would not be liable for reimbursement to any party for improvements made on the property; and the state would be reimbursed for costs necessary to prepare the property for conveyance.

If the local unit of government intends to convey the property within seven years after the conveyance from the state, they would be required to notify DTMB and DTMB would retain a right to first purchase the property at the original sale price, or if a part of the property is offered, the prorated sale price, within 90 days of the notice. If DTMB waives the right, the local unit of government would be required to pay the state 40% of the difference between the sale price of conveyance and the sale price of the subsequent sale.

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 be required 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 used first to retire outstanding debt financed by the State Building Authority, then would be used to reimburse any money that has been financed by the State Building Authority for special maintenance projects on the property, and any remaining funds would be deposited to the General Fund.

FISCAL IMPACT:

A current appraisal of the property does not exist. The bill authorizes a sale price of $1.3 million. Net revenue to the state would be the proceeds from the sale less reimbursement for administrative costs, including employee wages, salaries, benefits, costs of reports and studies and other materials necessary to the preparation of the sale, environmental remediation, legal fees, and any litigation expenses related to the conveyance of the property. Net revenue from the sale of the property would have to be used first to retire outstanding debt financed by the State Building Authority (SBA) for the residential facility on the property. Remaining funds would be used then to reimburse any money that has been financed by the SBA for special projects on the property. Any balance remaining would be credited to the general fund.

Annual lease costs to the state for the new school building, $2.1 million, will be close to the costs currently incurred by the Department of Education for operating and maintaining the School for the Deaf. The lease would be for a 20-year initial term of possession with one 10-year renewal option. Lease costs would include property taxes, insurances, utility costs, building and grounds maintenance, security, pest control, trash removal, and furniture.

If Lurvey White Ventures 1, LLC or a local unit of government conveys the property within seven years, and DTMB does not exercise its' right to purchase the property back, revenue to the state would be 40% of the difference between the sale price of the original conveyance and the sale price of the subsequent sale to a third party. If DTMB purchased the property back, there would be costs to the state for the purchase.

There would be an indeterminate amount of revenue to the state if the purchaser or any grantee develops oil, gas, or minerals found on, within, or under the property.

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