

Property Conveyance - Scott Correctional Facility

House Bill 4689 (H-1) As Reported by House Appropriations Committee

Sponsor: Representative Heise

Analysis Completed: September 21, 2011

SUMMARY OF THE BILL:

House Bill 4689 (H-1) would authorize the State Administrative Board to convey all or portions of state-owned property in Wayne County. The property is located in Northville Township and is currently under the jurisdiction of the Department of Corrections. The former Robert Scott Correctional Facility, which closed in May 2009, is located on the property.

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 as of the date of the conveyance.

Before offering the property for public sale, DTMB would be required to offer the property to the local units of government in which the property is located for \$1.00. A local unit of government would have to enter into a purchase agreement within 60 days after the date of the offer and complete purchase within 120 days.

If the property is not conveyed to a local unit, 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 conveying the property to the Land Bank Fast Track Authority. The bill would require the fair market value of the property to be determined by an appraisal prepared for DTMB by an independent appraiser.

If the property is conveyed for less than fair market value, 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. The purchaser or grantee would be required to reimburse the state for all costs necessary to prepare the property for conveyance.

If a local unit of government intends to convey the property within 10 years after purchasing the property, they would be required to notify DTMB and DTMB would retain a right to first purchase the property at the original sale price within 90 days of the notice. If DTMB waived the right, the

local unit would be required to pay the state 40% of the difference between the sale price of the 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 credited to the General Fund. Net revenue to the state is defined in the bill as being 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.

BACKGROUND:

The Scott Correctional Facility sits on approximately 47.6 acres. The facility is comprised of seven buildings: three housing units, an administration building, an education building, a support services building, and a prison industries building. The seven buildings are barrier free and total 435,200 sq. ft. Security for the facility included three 12-foot fences topped with barbed wire, gun towers, electronic perimeter detection systems, electrically-powered gates to isolate each wing in the housing units, and prison cell doors equipped with high-security locks. There is a road which surrounds the perimeter of the facility.

FISCAL IMPACT:

If a local unit of government purchased the property, the net revenue to the state would be \$1.00. If the property was sold to someone other than a local unit of government, the net revenue to the state would be the proceeds from the sale less reimbursement for administrative costs, costs of reports, studies, and environmental remediation, legal fees, and any litigation costs related to the conveyance of the property.

If the local unit of government conveys the property within 10 years, and DTMB does not exercise its' right to purchase the property back, additional 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.

Also, 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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