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BILL ANALYSIS

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House Bill 5179 (as discharged)
Sponsor: Representative Kurt Heise
House Committee: Appropriations
Senate Committee: Appropriations

CONTENT

The bill would require the State Administrative Board to convey to the Land Bank Fast Track Authority for \$1 certain State-owned property located in Plymouth Township, Wayne County, Michigan, commonly known as the Western Wayne Correctional Facility and formerly known as the Detroit House of Corrections. The Land Bank Fast Track Authority would then have to sell the property in a manner and on terms that it determined would realize the greatest benefit to the State. The sale would include all surplus, salvage, and scrap property or equipment remaining on the property as of the date of the conveyance.

The State would not reserve the oil, gas, or mineral rights to the property conveyed. However, if the purchaser or any grantee developed any oil, gas, or minerals found on, within, or under the conveyed property, the State would receive one-half of the gross revenue generated from the development of the oil, gas, or minerals. All rights in aboriginal antiquities, including mounds, earthworks, forts, burial and village sites, mines, and other relics, on, within, or under the property, would be reserved by the State.

The property consists of 125.3127 acres and 15 buildings. The City of Detroit operated the Detroit House of Corrections on the site from the early 1900s to the mid 1980s and also used the property as an open dump during the 1920s through the 1950s. The State purchased the property in 1986 for \$6.7 million. The Western Wayne Correctional Facility was closed in December 2004. It was declared surplus in August 2005 after the removal of personal property and equipment.

Public Act 43 of 2007 authorized the State Administrative Board to sell the property through competitive bidding, a public auction, use of real estate brokerage services, or offering the property for sale for fair market value (or less than fair market value) to a local unit or units of government. Pursuant to Public Act 43, the Department of Technology, Management, and Budget (DTMB) issued a request for proposals (RFP) for the property. No viable offers resulted from that RFP.

Public Act 258 of 2003 gives the Land Bank Fast Track Authority broad flexibility regarding sale, use of brownfield incentives, tax increment financing and business tax credits, and land remediation. It has the authority to sell to private or public entities in a manner and amount of consideration the Authority considers proper, fair, and valuable, including for no monetary consideration.

FISCAL IMPACT

A 2008 appraisal for the DTMB estimated the value of the Western Wayne Correctional Facility property at \$2.1 million, assuming the property was free of contamination. However, several issues lessen the value of the property.

- A 2005 study conducted for the DTMB by Materials Testing Consultants, Inc. concluded that approximately 700,000 cubic feet of waste was present on the site. The study listed remediation alternatives that ranged in cost from \$4.1 million to \$20.6 million.
- A preliminary demolition estimate (removal of 15 buildings) recently conducted for the DTMB estimated a preliminary demolition cost of \$10.0 million.

If the property were eventually sold, the State would realize savings due to the elimination of ongoing maintenance and security costs. Net revenue from the sale of the property, and any revenue from development of mineral rights, would be deposited in the State General Fund.

Date Completed: 12-18-14

Fiscal Analyst: Bill Bowerman

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