

# Legislative Analysis



## PROPERTY CONVEYANCES

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**Senate Bill 1118 (S-2) as reported from House committee**

**Sponsor: Sen. Goeff Hansen**

**House Committee: Appropriations**

**Senate Committee: Appropriations**

**Complete to 12-4-18**

Analysis available at  
<http://www.legislature.mi.gov>

*(Enacted as Public Act 578 of 2018)*

## SUMMARY:

Senate Bill 1118 would authorize the Department of Technology, Management, and Budget (DTMB) to convey certain State-owned properties described in detail below.

### West Shoreline Correctional Facility

The DTMB would be authorized to convey by quitclaim deed or transfer by affidavit of jurisdictional transfer two parcels of property currently under the jurisdiction of the Department of Corrections located in the County and City of Muskegon commonly known as the West Shoreline Correctional Facility. The facility opened in 1987 and was closed in March 2018. The transportation and maintenance and human resources buildings are still in use. At full capacity, the facility could house 1,282 inmates. The parcels consist of 61.96 acres and include a total of nine structures, four of which are housing units.

If conveyed to another state agency via jurisdictional transfer, the property could be conveyed without consideration and must be made by an affidavit of jurisdictional transfer in recordable form rather than a quitclaim deed. The property may also be conveyed to the Land Bank Fast Track Authority (LBFTA) in accordance with the Land Bank Fast Track Act. If conveyed to the LBFTA any net revenue received by the State or LBFTA must be deposited into the Land Bank Fast Track Fund. If the property was conveyed in any other manner, the net revenue would have to be deposited in the State General Fund.

The DTMB could not convey the property unless approved by the State Administrative Board. The Attorney General would have to approve the legal form of all deeds or affidavits of jurisdictional transfer. The property would include all surplus, salvage, and personal property or equipment remaining on the property on the date of conveyance or transfer. The Department of Corrections would be responsible for all expenses of maintaining the property until the time of conveyance or transfer. If the property was sold at fair market value, the property must first be appraised by an independent fee appraisal prepared for the DTMB, or by an appraiser who is an employee or contractor of this State.

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 the State would receive one-half of the gross revenue generated.

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. If property conveyed was used by this State as a historical monument, memorial, burial ground, park, or protected habitat area, it would have to be maintained and protected for that purpose in perpetuity.

If the property was used for any purpose inconsistent with any restrictions listed above the State may reenter and repossess the property, terminating the grantee's or successor's estate in the property. The State would not be liable to reimburse any person for any improvements made or compensate any person for any part of an unfulfilled contract or license issued to provide goods or services.

The DTMB may require a grantee of property to record the instrument of conveyance or jurisdictional transfer with the applicable register of deeds and provide the DTMB with a recorded copy.

#### Caro Regional Mental Health Center – Parcel 4

The DTMB would be authorized to convey by quitclaim deed to the Tuscola Area Airport Authority for \$1.00, or by quitclaim deed or affidavit of jurisdictional transfer as otherwise provided below, a parcel of property currently under the jurisdiction of the Department of Health and Human Services (DHHS) located in the Township of Indianfields, Tuscola County. The parcel (Parcel 4) consists of 81.32 acres located across M-81 from the Caro Regional Mental Health Center.

If the property was sold for \$1.00 to the Tuscola Area Airport Authority or offered for sale for less than fair market value to the local units of government in which the property is located, the property would be subject to the following conditions:

- The purchaser must enter into a purchase agreement within 60 days after the date of offer and complete the conveyance within 180 days. The DTMB may extend the period to complete the conveyance as needed.
- The property must be used exclusively for public use for 30 years following the conveyance. All members of the public must be subject to the same fees, terms, conditions, and waivers.
- Within 30 years after the conveyance, the purchaser may offer the property for sale to the State, which may purchase the property at the original sale price.
- If the purchaser retains the property for 30 years, the public use restrictions would automatically terminate.
- The Attorney General may bring action to quiet title if the purchase or its successor disputed the State's exercise of its right of reentry and failed to promptly deliver possession of the property to the State.
- The State is not liable for any improvements or unfulfilled contracts or licenses.
- The DTMB may require the purchaser to reimburse the State for demonstrably incurred costs to prepare the property for conveyance.

If the property is not conveyed to the Tuscola County Airport Authority for \$1.00, the DTMB could convey the property via the following methods:

- Transfer to another state agency with or without consideration.

- Transfer to the LBFTA in accordance with the Land Bank Fast Track Act. Net revenue received by the State or LBFTA must be deposited into the Land Bank Fast Track Fund.
- Through any publicly disclosed competitive method of sale to realize fair market value to the State.
- To a local unit of government for fair market value.
- Through the exchange for other real property if the other real property is determined by the DTMB to be of reasonably equal value.

If the property was sold for fair market value or conveyed for less than fair market to a purchaser other than the LBFTA, the net revenue must be deposited in the General Fund.

The DTMB could not convey the property unless approved by the State Administrative Board. The Attorney General would have to approve the legal form of all deeds or affidavits of jurisdictional transfer. The property would include all surplus, salvage, and personal property or equipment remaining on the property on the date of conveyance or transfer. The DHHS would be responsible for all expenses of maintaining the property until the time of conveyance or transfer. If the property was sold at fair market value, the property must first be appraised by an independent fee appraisal prepared for the DTMB, or by an appraiser who is an employee or contractor of this State.

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 the State would receive one-half of the gross revenue generated.

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. If property conveyed was used by this State as a historical monument, memorial, burial ground, park, or protected habitat area, it would have to be maintained and protected for that purpose in perpetuity.

If the property was used for any purpose inconsistent with any restrictions listed above the State may reenter and repossess the property, terminating the grantee's or successor's estate in the property. The State would not be liable to reimburse any person for any improvements made or compensate any person for any part of an unfulfilled contract or license issued to provide goods or services.

The DTMB may require a grantee of property to record the instrument of conveyance or jurisdictional transfer with the applicable register of deeds and provide the DTMB with a recorded copy.

#### Caro Regional Mental Health Center – Parcels 2, 3, 5, 6, and 7

The DTMB would be authorized to convey by quitclaim deed or transfer by affidavit of jurisdictional transfer five parcels of property (Parcels 2, 3, 5, 6, and 7) totaling 599.81 acres currently under the jurisdiction of the DHHS located in the Township of Indianfields, Tuscola County. The parcels comprise portions of the Caro Regional Mental Health

Center. The bill would require the DTMB to convey or transfer the property pursuant to the terms contained in 2018 PA 334.<sup>1</sup>

#### **FISCAL IMPACT:**

There is no current appraisal or estimated value for the properties subject to conveyance under the bill. Any revenue to the State or Land Bank would depend on the method of sale/transfer and the real estate market at the time of sale/transfer. The LBFTA has broad authority under Land Bank Fast Track Act to dispose of property under its possession. Under the act, the LBFTA can sell property to private or public entities in a manner and for an amount of consideration it deemed proper, fair, and valuable, including transferring the property for no monetary consideration.

The State would realize savings related to maintenance, upkeep, and security upon the conveyance of the properties. While no cost estimate is available, the savings are expected to be negligible.

Net revenue from the sale of any property would accrue to the General Fund unless the property was transferred to the Land Bank Fast Track Authority whereby any net revenue would accrue to the Land Bank Fast Track Fund. All revenue from the development of any mineral rights would be deposited in the General Fund.

Fiscal Analyst: Ben Gielczyk

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

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<sup>1</sup> See [https://www.legislature.mi.gov/\(S\(5m0q2xuxxp4f1vbedovjq1r\)\)/mileg.aspx?page=getObject&objectName=2018-SB-1036](https://www.legislature.mi.gov/(S(5m0q2xuxxp4f1vbedovjq1r))/mileg.aspx?page=getObject&objectName=2018-SB-1036)