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BILL ANALYSIS



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House Bill 4090 (as passed by the House)
Sponsor: Representative Alabas Farhat
House Committee: Government Operations
Senate Committee: Local Government

Date Completed: 6-9-25

CONTENT

The bill would enact a new law to authorize the State Administrative Board to convey a 96-acre property in Wayne County that houses the Detroit Detention Center (DDC). The property is currently under the jurisdiction of the Department of Corrections (MDOC), which has operated the facility under contract with the City of Detroit since 2013.

Specifically, the bill would grant first right of refusal to the City of Detroit to purchase the property for \$1 for a period of two years following enactment of the bill. If the City opted not to purchase the property, the bill would allow the Department of Technology, Management, and Budget (DTMB) to convey the property using any of the following means:

- A competitive bidding process designed to maximize value to the State.
- A public auction process designed to maximize value to the State.
- Use of real estate brokerage services designed to maximize value to the State.
- A value-for-value conveyance.
- Offering the property for sale for market value or less than market value to one or more of the local units of government with jurisdiction over the area in which the property was located.
- Conveyance to a land bank authority.

The bill would require any proceeds from sale of the property to be credited to the State General Fund and would require that the price for a sale at fair market value to be determined through a fee appraisal by an independent appraiser.

If the property were sold to a local unit of government for less than fair market value, including a conveyance to the City of Detroit for \$1, the bill would require the conveyance to include the following conditions:

- The property would have to be used exclusively for public use, and any fee required of the public to use the property would have to be the same for all members of the public.
- If the local unit of government intended to sell the property, the local unit would have to notify the DTMB, which would retain first right of refusal to repurchase the property for the original sale price for one year following notification.
- The local unit of government would have to reimburse the State for closing costs necessary to prepare the property for conveyance.
- The DTMB could require the purchaser to record the deed with the local register of deeds at the purchaser's expense.

Finally, the bill would require any conveyance of the property to be subject to the following:

- The deed would have to be approved as to legal form by the Attorney General.
- The conveyance of real property would have to include all surplus, salvage, and scrap property or equipment remaining on the property on the date of conveyance.
- The State could not retain mineral rights, but if subsequent development of oil, gas, or mineral extraction took place at the property, the State would have to be entitled to half of the gross revenue from that extraction; any revenue generated through these royalties would be credited to the State General Fund.
- The State would have to retain rights to all aboriginal antiquities, including mounds, earthworks, forts, burial and village sites, mines, or other relics on, within, or under the property.
- The State would retain the right to repossess the property if the transaction or use of the property were in violation of certain conditions set forth in the bill.

FISCAL IMPACT

The bill would have a likely neutral fiscal impact on the State, and an unknown, but likely neutral fiscal impact on local units of government.

The Fiscal Year 2024-25 MDOC budget contains an appropriation of approximately \$11.4 million for the operation of the DDC. The DDC line item is funded entirely through a local reimbursement from the City of Detroit. If the property were conveyed to the City for \$1 as provided for under the bill, this appropriation would be eliminated and the costs to operate the DDC would fall entirely upon the City of Detroit. From the State's perspective, such a change would be cost neutral as the State would cease incurring up to \$11.4 million in annual costs and also would no longer receive up to \$11.4 million from the City of Detroit to operate the facility. The MDOC would benefit from the conveyance of the property as the MDOC could transfer up to 75.8 officer positions to fill other vacant positions within the MDOC. The MDOC also would be relieved of the long-term liability of maintaining the DDC property and facilities, which would produce some unknown long-term savings.

The fiscal impact on the City of Detroit from the purchase of the DDC property is unknown. To the extent that the employment cost of City employees is greater or less than the employment cost of State employees, the City could face increased or decreased costs for the direct operation of the DDC as compared to the cost of contracting with the State. It is also possible that the City could see other savings or efficiencies associated with having full use and control over the DDC property.

Finally, any revenue derived from the sale of the property or development of mineral extraction occurring on the property subsequent to a sale would be deposited in the State General Fund.

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