

Legislative Analysis



PROPERTY CONVEYANCES CITY OF LANSING – FARNUM BUILDING

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<http://www.house.mi.gov/hfa>

House Bill 4759 as introduced
Sponsor: Rep. Andy Schor
Committee: Government Operations
Complete to 6-19-17

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

SUMMARY:

House Bill 4759 would authorize the Department of Technology, Management, and Budget (DTMB) to convey by quitclaim deed all or portions of two parcels described in the bill (the Farnum Building, formerly the Senate Office Building, is located on the parcels).

The provisions of the bill authorize DTMB to take the necessary steps to convey the real property using a publicly disclosed competitive method of sale to realize fair market value or by a value-for-value conveyance negotiated by DTMB designed to realize the best value. Fair market value must be determined by an independent fee appraisal prepared for DTMB or by an appraiser who is an employee or contractor of this state. Fair market value is defined as the highest estimated price that the real property would bring if offered for sale on the open market, allowing reasonable time to find a purchaser who would buy with knowledge of the property's possible uses.

In determining whether a value-for-value conveyance represents the best value, DTMB may consider the fair market value or the total value based on a property exchange, or any positive economic impact to this state likely to be generated by the proposed use of the property.

The State Administrative Board or the Director of DTMB must approve the terms of the conveyance. The deed must be approved as to legal form by the Attorney General. The state agency or branch of state government with jurisdiction over the real property is responsible for all expenses of maintaining the property until the time of conveyance or transfer. Real property conveyed includes all surplus, salvage, and personal property or equipment remaining on the property on the date of conveyance or transfer.

The State would be prohibited from reserving oil, gas, or mineral rights in the property. However, the conveyance would be required to provide that if the grantee developed any oil, gas, or minerals found on, within, or under the conveyed property, the purchaser/grantee must pay the State ½ of the gross revenue generated. Any payment would be required to be deposited in the General Fund.

The State would reserve all rights in aboriginal antiquities, including the right to explore, excavate, and remove. Aboriginal antiquities are defined as mounds, earthworks, forts, burial and village sites, mines, or other relics lying on, within, or under the property.

A grantee who violated either of these restrictions would be required to reconvey the property to the State, or the State could reenter and take the property, terminating the grantee's estate in the property. If the State reentered and repossessed the property, the State would not be liable to reimburse any person for improvements made on the property or to compensate any person for any part of an unfulfilled contract or license issued to provide goods and services on the property.

Revenue received from the sale of the property must be used to reimburse DTMB as required by Section 896 of Article VIII of Public Act 252 of 2014 and to reimburse DTMB for costs incurred related to the sale of the property, related expenses, and other ongoing costs, including administrative costs, costs of appraisals, reports, and studies, and other materials necessary to the preparation of sale; environment remediation; legal fees; and any litigation related to the conveyance of the property. Any remaining revenue must be deposited in the General Fund.

DTMB may require a grantee of the property to record the sale with the appropriate register of deeds and provide DTMB with a recorded copy of the instrument.

FISCAL IMPACT:

The fiscal impact to the state would depend on the selling price and method of conveyance of the Farnum Building and associated parking structure. The State purchased the Farnum Building in 1978 for \$3.0 million. In 2014, the building was appraised at \$5.4 million, with the associated parking lot appraised at \$225,000.

The revenue generated from the sale of the property would first be used to reimburse DTMB for expenses incurred by the Senate as described in Section 896 of Article VIII of Public Act 252 of 2014. That section stated that up to \$7.0 million of DTMB appropriations could be used for future lease, purchase, and transition costs related to relocation from the Farnum Building. In addition, the provisions of the House Bill 4759 require DTMB to be reimbursed for costs related to the sale of the property, related expenses, and other ongoing costs. Any remaining funds must be deposited in the General Fund.

Any local government fiscal impact would depend on whether the property would be subject to property taxes.

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