



**House  
Legislative  
Analysis  
Section**

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**ASSORTED CONVEYANCES**

**House Bill 5456 as enrolled  
Public Act 632 of 2002  
Sponsor: Rep. Mickey Mortimer**

**House Bill 5465 as enrolled  
Public Act 633 of 2002  
Sponsor: Rep. Clark Bisbee**

**House Committee: Regulatory Reform  
Senate Committee: Local, Urban, and  
State Affairs (discharged)**

**Senate Bill 616 as enrolled  
Public Act 671 of 2002  
Sponsor: Sen. Philip E. Hoffman  
House Committee: Regulatory Reform  
Senate Committee: Local, Urban, and  
State Affairs (discharged)**

**Second Analysis (1-15-03)**

**House Bills 5456 and 5465 (1-15-03)**

***THE APPARENT PROBLEM:***

An economic development agency in Jackson County, the Enterprise Group of Jackson, has been working on a proposal that would create an industrial park in Blackman Charter Township and Leoni Township on state-owned land near the state prison complex. Proponents of the plan envision a 1,000-acre industrial park just east of the prison and near an Interstate 94 interchange. The expectation is that development will begin in the westernmost portions of the land and proceed eastward and would feature both heavy and light industrial users. The plan calls for buffering the development from the state prison. Blackman Township is said to be willing to extend water and sewer lines to the property during the initial phase of the development. Obviously, a key element in this plan is legislation permitting the transfer of the state-owned land.

Another matter involves about two acres of land acquired by the state in 1984 that is adjacent to 22 acres owned by the City of Springfield in Calhoun County, near Battle Creek. The state-owned land has remained undeveloped for nearly 20 years, and the city has asked the state to convey the land to the city in order to incorporate it into its growth plan.

The state is currently building a new 280-bed forensic psychiatry facility in Ypsilanti, which is scheduled to open in the fall of 2003. This institution will replace the existing Center for Forensic Psychiatry facility located nearby. The center, according to the Department of Community Health, provides diagnostic services for the criminal justice system and psychiatric treatment for criminal defendants found incompetent to stand trial or acquitted by reason of insanity. When the new facility opens, the current one will close. The property on which the current center stands will be surplus and eligible for sale. Other buildings that were part of the original psychiatric hospital complex have already been demolished, according to the department, and remediation work at the site has been completed. Legislation has been proposed to allow the sale of this property, which is located near the intersections of Interstate 94 and Route 23.

The Department of Natural Resources has supported the transfer of a 157-acre tract of land in northeast Ottawa County, including 3,300 feet of Lake Michigan frontage, to the county to be used for park and outdoor recreation purposes. The DNR says that this is property it purchased in 1994 with the stipulation it was to be managed by Ottawa County

and with the expectation that it would eventually be conveyed to the county for use as a public park. The property, located about one-and-one-half miles south of the City of Grand Haven, is known as Rosy Mound, which is the name given locally to a large sand dune formation there. The DNR describes the property as rolling dunes, ranging in elevation from 10 to 200 feet above lake level, with open sand changing to dune grass and then mixed northern hardwood forest. The department says the county has secured the first of what is intended to be a series of grants to develop the park property in accordance with its master plan. The grants are said to require that the county own the property. The property was purchased in 1994 for \$3.75 million, with \$400,000 coming from Ottawa County and the remainder from the Michigan Natural Resources Trust Fund. The board of the Michigan Natural Resources Trust Fund has supported conveying the property to the county, as has the Ottawa County Parks and Recreation Commission.

### ***THE CONTENT OF THE BILLS:***

The bills would authorize the conveyance by the State Administrative Board of state-owned property in Blackman Charter Township and Leoni Township, Jackson County, for not less than fair market value. Any conveyance would have to provide that the property was to be used by the grantee for an industrial park with adjacent wetlands, in conjunction with the enterprise park proposed industrial development plan as presented to the Department of Management of Budget, the Department of Corrections, Blackman Charter Township, and Leoni Charter Township for review and comment, and with the resolutions of support for that plan from the two townships.

House Bill 5456 would convey 581.11 acres, with 285.28 of those acres to be placed in a wetland bank. The bill provides a description of the property.

House Bill 5465 would convey 369.78 acres, with 2.29 acres to be placed in a wetland bank. The bill provides a description of the property.

Senate Bill 616 would convey 354.08 acres, with 31.11 acres to be placed in a wetland bank. The bill provides a description of the property.

The three bills are tie-barred to another, and each contains essentially the same provisions regarding the nature of the conveyance of the state-owned property described above.

The fair market value of these properties would have to be determined by an appraisal prepared by the State Tax Commission or an independent fee appraiser. The conveyances would be by quitclaim deed approved by the attorney general. To ensure the security and operations of the Department of Corrections and the State of Michigan, all final sales would have to be approved by the Department of Corrections and the Department of Management and Budget. Net revenue received under the bill would be deposited in the state treasury and credited to the general fund.

Any sale of property authorized under the bills would have to be conducted in a manner to realize the highest price for the sale and the highest return to the state. The sale would have to be done in an open manner that used one or more of the following: a competitive sealed bid; oral bid; public auction; and use of broker services. Broker services could only be used if there were three or more bidders for the property. The minimum selling price would have to be the higher value of either its fair market value or the result of a professional concept plan value as determined by a real estate professional qualified to make such valuations. The real estate professional would have to be selected through a request for proposal and competitive bid process.

A notice of a sealed or oral bid, public auction sale, or use of broker negotiation services regarding the sale of these properties would have to be published at least once in a newspaper at least ten days before the sale. The newspaper would have to be one published in the county where the property was located or in a newspaper in a county nearest that county. The notice would have to describe the general location of the property and the date, time, and place of the sale.

In a related matter, Senate Bill 616 would also allow the State Administrative Board to convey, exchange, or purchase state-owned property under the jurisdiction of the Department of Corrections and privately-owned land in Blackman Township, described as lands separated from the main campus of the Southern Michigan Prison or from the private owner's main parcel of land by the manmade course change from the old Grand River and old Portage River to the new Grand River drain and the Portage River drain, respectively. The properties to be conveyed, exchanged, or purchased would be properties that contribute to cleaning up the property lines along the Grand River drain and the Portage River drain and lying adjacent to the Southern Michigan Prison campus.

If the parties mutually determined, based on tax records or a market study of recent sales, that two properties were of equal value, an exchange could proceed. If the parties did not agree or if they agreed the properties were not of equal value, or the transaction was solely a conveyance or purchase, then the parties would have to select a qualified appraiser to determine a value binding on the parties. If the values for the exchange parcels were within ten percent of one another, the exchange would proceed. If the values were further apart, the parties could agree either that further consideration be given to the owner of the higher valued property or that more or less land could be exchanged. The authority to convey this property would expire five years after the bill's effective date.

Senate Bill 616 also contains a number of unrelated conveyances or transfers. They are as follows.

- The State Administrative Board would be authorized to convey for not less than fair market value all or portions of the state-owned Ypsilanti Regional Psychiatric Hospital, which is under the jurisdiction of the Department of Community Health. (The terms of this conveyance would be like those described for the Jackson County conveyance in the first paragraphs of this section regarding the determination of fair market value and the sale of the property.) The property would include four parcels of 342 acres, 302 acres, 53 acres, and 26.88 acres, respectively. The conveyance would be by quitclaim deed approved by the attorney general and would reserve oil, gas, and mineral rights to the state. Net revenue from the sale would be credited to the general fund. The bill would specify that residents of the psychiatric hospital could not be relocated or housed in facilities of lesser security as a result of the conveyance.
- The Department of Natural Resources would be authorized to convey to Ottawa County for \$1 property with improvements (known as Rosy Mound) in Grand Haven Township for use as a public park. The conveyance would be by quitclaim deed approved the attorney general and the state would convey the mineral rights with the property. The state, however, would retain a nonparticipating one-sixth minimum royalty interest. Revenue from the royalty interest would be deposited in the Natural Resources Trust Fund.
- The State Administrative Board would be authorized to convey property to York Township in Washtenaw County for \$1 to be used exclusively for public recreation purposes. (The bill also would

repeal Public Act 294 of 1996, which previously authorized the conveyance of the same property.) The parcel of land that would be conveyed has been described as having been the septic tank drain field for the former superintendent's residence at the Ypsilanti Regional Psychiatric Hospital, containing about 10 acres adjacent to land conveyed by the state to the township in 1982. The conveyance would be by quitclaim deed approved by the attorney general and would reserve to the state all rights to oil, coal, gas, or other materials, excluding sand, gravel, clay, or other nonmetallic minerals found on, within, or under the conveyed land.

In the two conveyances most recently cited, the properties conveyed would have to be used exclusively for public park or public recreational purposes, and if any fee, term, or condition for the use of the property was imposed on the public (or waived), then residents and nonresidents would have to be treated alike. If the properties conveyed were used for another purpose, the state could reenter and possess the property, terminating the grantee's estate in the property. If the grantee disputed the state's exercise of reentry and possession and failed to deliver the property to the state, the attorney general could bring an action to quiet title to, and regain possession of, the property.

- The State Administrative Board would be authorized to convey two lots to the City of Springfield in Calhoun County for not less than fair market value. The fair market value would have to be determined by an appraisal from the State Tax Commission or an independent fee appraiser; the conveyance would be by quitclaim deed approved by the attorney general and would not reserve mineral rights to the state; and revenue would be credited to the general fund.
- The Department of Management and Budget would be authorized to demolish, dismantle, or otherwise dispose of a surplus building, described as the "central chiller" located at 615 West Allegan in Lansing. The DMB would be authorized to use unexpended funds appropriated in the 2002-2003 capital outlay budget for the demolition.

### ***FISCAL IMPLICATIONS:***

As regards the transfer of property near the state prison complex in Jackson County, the House Fiscal Agency notes that the state will receive fair market value on the land it sells. Until an appraisal is completed, the fair market value of the land is not known. How much the state will spend to prepare the

properties for sale is also not known. The HFA also points out that the two townships and Jackson County will benefit by returning property to the tax rolls and will benefit from companies building and operating on sites in the industrial park. The benefits are indeterminate at present. It is also not known how much site development and infrastructure work will cost the townships and county. (Based on a HFA analysis dated 9-24-02) A representative from the Department of Management and Budget testified before the House Regulatory Reform Committee that the demolition of an obsolete state-owned building in Lansing (unrelated to the property conveyances) would cost about \$1.8 million. As noted in the Content section of the analysis, the other properties conveyed would be conveyed either for market value or for \$1, as specified, and in one case an exchange of land of equal value is contemplated.

would authorize the demolition of obsolete property in the City of Lansing.

### **ARGUMENTS:**

#### ***For:***

Separate provisions in each of the three bills in the package would permit, upon the approval of both the Department of Corrections and the Department of Management and Budget, the sale at fair market value of state-owned land near the state prison complex in Jackson County for use in developing an industrial park. The plans for the park would have to be presented to the departments for review and comment, and the plan would have to be accompanied by resolutions of support by the two townships in which the property is located.

#### ***For:***

Senate Bill 616 would permit the conveyance of undeveloped land from the state to the City of Springfield that could be used for the expansion and further development of a nearby residential area. The land is located near M-96, and in recent years the city has spent \$200,000 in developing land along that highway. The M-96 corridor there includes several automobile dealerships and other businesses. The property subject to conveyance would be useful in spurring economic development in the city and the Battle Creek area as a whole.

Among other items, the bill also would allow the sale at market value of property at the Ypsilanti Regional Psychiatric Hospital that houses the Center for Forensic Psychiatry once a replacement facility has been opened (as explained in the Problem section of the analysis) and the conveyance of park property on Lake Michigan to Ottawa County for recreational purposes (as also explained earlier). Further, it

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