

Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536

**SFA**



BILL ANALYSIS

Telephone: (517) 373-5383  
Fax: (517) 373-1986  
TDD: (517) 373-0543

Senate Bill 616 (as enrolled)  
House Bills 5456 and 5465 (as enrolled)  
Sponsor: Senator Philip E. Hoffman (Senate Bill 616)  
Representative Clark Bisbee (House Bills 5456 & 5465)  
Senate Committee: Local, Urban and State Affairs  
House Committee: Regulatory Affairs

**PUBLIC ACT 671 of 2002**  
**PUBLIC ACTS 632 & 631 of 2002**

Date Completed: 3-6-03

## **CONTENT**

**Senate Bill 616 authorized the following transactions involving State-owned land:**

- The sale of a 354.08-acre parcel in Leoni Charter Township, Jackson County, for an industrial park with adjacent wetlands.
- The conveyance to Ottawa County of approximately 160 acres in Grand Haven Township, for public park purposes.
- The conveyance, exchange, or purchase of property under the jurisdiction of the Department of Corrections and privately owned property in Blackman Township, Jackson County.
- The sale of Ypsilanti Regional Psychiatric Hospital property in the City of Ypsilanti, Washtenaw County.
- The conveyance to York Township, in Washtenaw County, of 10.667 acres of the psychiatric hospital property, for public recreational purposes.
- The sale to the City of Springfield, in Calhoun County, of a parcel located in the county.

**All of the authorized conveyances must be by quitclaim deed approved by the Attorney General.**

**The bill also authorizes the Department of Management and Budget (DMB) to demolish, dismantle, or otherwise dispose of a surplus building in Lansing, known as "Chiller Central"; and to use unspent funds appropriated in Public Act 518 of 2002, the fiscal year 2002-03 capital outlay budget, for the demolition.**

**House Bill 5456 authorizes the sale of 581.11 acres of State-owned property in Blackman Charter Township. House Bill 5465 authorizes the sale of 369.78 acres of State-owned property in Leoni Charter Township.**

All of the bills were tie-barred to each other and took effect on December 26, 2002. The various authorized transactions are described below.

### Leoni & Blackman Charter Township Conveyances

Senate Bill 616 authorizes the State Administrative Board to convey State-owned property in Leoni Charter Township, consisting of 354.08 acres, of which 31.11 acres will be placed in a wetland bank. House Bill 5456 authorizes the Board to convey State-owned property in Blackman Charter Township, consisting of 581.11 acres, including 285.28 acres that will be placed in a wetland bank. House Bill 5465 authorizes the Board to convey State-owned property in Leoni Charter Township, consisting of 369.78 acres, of which 2.29 acres will be placed in a wetland bank. Each conveyance must be for at least fair market value.

Each conveyance must provide that the property is to be used by the grantee for an industrial park with adjacent wetlands, in conjunction with the enterprise park proposed industrial development plan presented to the DMB, the Department of Corrections (DOC), Blackman Charter Township, and Leoni Charter Township, for review and comment, and with the resolutions of support for that plan from the townships.

Any sale must be conducted in a manner to realize the highest price and the highest return for the State. The sale must be done in an open manner using a competitive sealed bid, an oral bid, public auction, and/or the use of broker services. Broker services may be used only if there are at least three bidders for the property.

At least 10 days before the sale, a notice of a sealed or oral bid, public auction sale, or use of broker negotiation services must be published at least once in a newspaper published in the county where the property is located. If a newspaper is not published in that county, the notice must be published in a newspaper in a county nearest to the county where the property is located. The notice must describe the general location of the property and the date, time, and place of the sale.

The minimum selling price for the property must be the higher of 1) its fair market value determined by an appraisal prepared by the State Tax Commission or an independent fee appraiser, or 2) the result of a professional concept plan value as determined by a qualified real estate professional. This professional must be selected through a request for proposal and competitive bid process.

All final sales must be approved by the DOC and the DMB.

The net revenue received under these provisions must be deposited in the State Treasury and credited to the General Fund. The bills define "net revenue" as the proceeds from the sale of the property less reimbursement for any costs to the State associated with the sale.

#### Ottawa County Conveyance

Senate Bill 616 authorizes the Department of Natural Resources to convey to Ottawa County, for \$1, certain property with improvements under the Department's jurisdiction and located in Grand Haven Township, commonly referred to as "rosy mound". The property contains 160 acres more or less, except for a part taken, used, or deeded for Lakeshore Drive.

The conveyance must require that the property be used exclusively for public park purposes. The conveyance must provide that if any fee, term, or condition for the use of the property is imposed on members of the public, or if any of those fees, terms, or conditions are waived for use of the property, resident and nonresident members of the public must be subject to the same fees, terms, conditions, and waivers.

The conveyance also must provide that upon termination of the use for public park purposes, or use for any other purpose, the State may reenter and repossess the property, terminating the grantee's estate in it. Further, the conveyance must provide that if the grantee disputes the State's exercise of the right of reentry and fails to deliver possession of the property to the State promptly, the Attorney General may bring an action to quiet title to, and regain possession of, the property.

The State must convey the mineral rights to the property but retain a nonparticipating one-sixth royalty interest. Any revenue derived from the royalty interest is to be deposited in the Natural Resources Trust Fund.

#### Blackman Township Conveyance

The Senate bill authorizes the State Administrative Board to convey, exchange, or purchase certain State-owned property under the jurisdiction of the DOC and privately owned property located in Blackman Township. This conveyance authority will expire five years after the bill's effective date.

The property is described as those lands separated from the main campus of 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 property to be conveyed, exchanged, or purchased must contribute to cleaning up the property lines along those drains, in Blackman Township, and lying adjacent to the prison campus.

If the parties mutually determine based on tax records or a market study of recent sales that two properties are approximately of equal value, an exchange may proceed subject to

approval by the State Administrative Board. If the parties do not agree, or agree that the properties are not of equal value, or the transaction is solely a conveyance or purchase, then the parties must select a qualified appraiser who will determine the properties' value, and the determination will be binding on the parties. If the values of the exchange properties are 11% or more apart, the parties may agree that further consideration will be given to the owner of the higher-valued property, or that more or less land may be exchanged. The parties to the exchange must pay for any survey, environmental studies, and actions required to clear title, and title commitment fees, if any, for the parcel they are receiving in exchange or by purchase.

A conveyance under these provisions must reserve the mineral rights to the grantors.

#### Psychiatric Hospital Conveyance

The Senate bill authorizes the State Administrative Board to convey, for at least fair market value, all or portions of certain State-owned property under the jurisdiction of the Department of Community Health, known as the Ypsilanti Regional Psychiatric Hospital (except for a parcel of 10.667 acres to be conveyed to York Township). The property consists of four parcels containing approximately 342 acres, 302 acres, 53 acres, and 26.88 acres.

The fair market value must be determined by an appraisal prepared by the State Tax Commission or an independent fee appraiser. Any sale must be conducted in a manner to realize the highest price and the highest return to the State. The sale must be done in an open manner using a competitive sealed bid, an oral bid, public auction, and/or the use of broker services. (Requirements for the use of broker services and publication of a notice are the same as described above for the Leoni and Blackman Charter Township conveyances.)

The conveyance must reserve oil, gas, and mineral rights to the State. The net revenue received from the sale must be credited to the General Fund.

The bill specifies that residents of the psychiatric hospital may not be relocated or

housed in facilities of lesser security as a result of the conveyance.

#### York Township Conveyance

The Senate bill authorizes the State Administrative Board to convey to York Township, for \$1, property of the Ypsilanti Regional Psychiatric Hospital containing 10.667 acres, more or less. The conveyance must require that the property be used exclusively for public recreational purposes. The conveyance also must contain provisions regarding fees, terms, conditions, waivers, and repossession as described above for the Ottawa County conveyance.

The conveyance to York Township must 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.

The bill also repealed Public Act 294 of 1996, which authorized the Department of Mental Health to convey the same parcel to the York Township for \$1, for the purpose of providing an entrance and parking area for a public park located next to the property.

#### Calhoun County Conveyance

Senate Bill 616 authorizes the State Administrative Board to convey to the City of Springfield, for at least fair market value, certain State-owned property located in Calhoun County. The fair market value must be determined by an appraisal prepared by the State Tax Commission or an independent fee appraiser. The revenue received must be credited to the General Fund.

This conveyance may not reserve mineral rights to the State.

Legislative Analyst: Suzanne Lowe

#### **FISCAL IMPACT**

Leoni and Blackman Township Conveyances (SB 616 and HB 5456 & 5465). The bills may result in increased revenue to the State and potentially result in increased revenue to the townships. The bills require that the described parcels be conveyed at fair market value. According to the Department of Corrections, no appraisal that could provide information on

the value of the parcels exists. In the long term, local taxing units may benefit from the bills if the property tax revenue generated from the development of the property is greater than the purchase price and development costs.

Ottawa County Conveyance (SB 616). This conveyance will have a minimal fiscal impact on the State. The Natural Resources Trust Fund might receive additional future mineral royalties from the property, the potential value of which is unknown. While conveyances of property to local units of government for public purpose are often done for \$1, the State might be foregoing lost revenue if the property has value greater than \$1 and could be sold at fair market value.

Blackman Township Land Exchange (SB 616). This provision will have no fiscal impact on the State. The bill allows parcels of relatively equal value to be swapped between the State and a private land owner so that each party will have all of its respective property on the same side of the Grand River.

Psychiatric Hospital Conveyance (SB 616). This conveyance may result in increased revenue to the State. The four psychiatric hospital parcels described in the bill must be conveyed at fair market value as determined by an appraiser. At this time, no appraisal of the parcels' value exists.

York Township Conveyance (SB 616). This conveyance will have essentially no fiscal impact on the State. While conveyances of property to local units of government for public purpose are often done for \$1, the State might be foregoing lost revenue if the property has value and could be sold at fair market value.

Calhoun County Conveyance (SB 616). This conveyance may result in increased revenue to the State. The property described in the bill must be conveyed at fair market value as determined by an appraiser. At this time, no appraisal of the property's value exists.

Fiscal Analyst: Mike Hansen

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.