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Senate Bill 134 (Substitute S-1 as reported by the Committee of the Whole)
Sponsor: Senator Michael Switalski
Committee: Appropriations

CONTENT

The bill would authorize the State Administrative Board to convey property in the City of Lansing and the Western Wayne Correctional Facility, and to release the reservation of antiquities on previously conveyed property in Detroit.

Five Acres of Residential Property in the City of Lansing

The bill would require that the property be conveyed for not less than fair market value, as determined by an appraisal. The City of Lansing would have the first right to purchase the property for the first 180 days after the bill's effective date. If the property were not sold to the City of Lansing, the Department of Management and Budget (DMB) would have to take necessary steps to prepare to convey the property through competitive bidding, a public auction, use of real estate brokerage services, or offering the property for sale for fair market value to a local unit or units of government.

Western Wayne Correctional Facility (approximately 127 acres in Plymouth Township)

The Western Wayne Correctional Facility was closed in December 2004. It was declared surplus in August 2005 after the removal of personal property and equipment. The bill would require the DMB to take necessary steps to prepare to convey the property through competitive bidding, a public auction, use of real estate brokerage services, or offering the property for sale for fair market value (or less than fair market value) to a local unit or units of government. If the property were sold to a local unit of government for less than fair market value, the property would have to be used for a public purpose and the State would be entitled to reenter and repossess the property if the use of the property changed. If a local government purchased the property and within seven years decided to convey it, the Department of Management and Budget would retain a right to purchase the property first at the original sale price, plus the value of any improvements made to the property. If the State waived its right of first refusal, the local unit of government would have to pay to the State 40% of the difference between the sale price of the conveyance from the State and the sale price of the local unit of government's subsequent sale to a third party.

Plaza Building Antiquities Reverter

The bill would authorize the State Administrative Board to release, for less than fair market value, the reservation of aboriginal antiquities, including mounds, earthworks, forts, burial and village sites, mines, and other relics, on, within, or under the property conveyed by the State to 1200 Sixth Street, LLC. (The Federal government is interested in purchasing the building from the current owner and the removal of the antiquities reservation is a condition of the purchase. The bill authorizing the sale of the Plaza Building did not include a requirement to reserve the antiquities, but the reservation was included in the quitclaim deed.)

FISCAL IMPACT

Net revenue from the sale of the properties would be deposited in the State's General Fund. The estimated fair market value of the Lansing property is \$423,000. The value of the Western Wayne Correctional Facility has not been determined. The property includes many buildings that have a depreciated book value of \$20.6 million. The price the State could receive would depend on whether existing correctional facility buildings require demolition and the extent to which environmental contamination on the property requires remediation. The State also would realize savings due to the elimination of ongoing maintenance and security costs.

The bill provides that the sale of the Lansing property and the Western Wayne Correctional Facility could not reserve oil, gas, or mineral rights to the property conveyed. However, the conveyances would have to provide that if the purchaser or any grantee developed any oil, gas, or minerals found on, within, or under the conveyed property, the State would receive one-half of the gross revenue generated from the development of the oil, gas, or minerals. Revenue related to the Lansing property would be deposited in the State General Fund, and revenue from the Plymouth Township property would be deposited in the Natural Resources Trust Fund.

Date Completed: 5-9-07

Fiscal Analyst: Bill Bowerman

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