

Legislative Analysis



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Property Conveyances and Transfer

Chesapeake and Ohio Railroad - Grand Traverse County

Pinehaven Buildings 31 and 32 - Otsego County

Michigan Department of Transportation Railroad - Jackson County

House Bill 6029

Sponsor: Representative Wayne Schmidt

Committee: Appropriations

Complete to November 27, 2012

A SUMMARY OF HOUSE BILL 6029 AS INTRODUCED November 8, 2012

House Bill 6029 authorizes the State Administrative Board to convey all or portions of state-owned property in Grand Traverse and Otsego Counties, and to transfer state-owned property in Jackson County.

- Grand Traverse County property is located in Traverse City, is commonly known as the former Chesapeake and Ohio Railroad Right of Way, and is currently under the jurisdiction of the Department of Technology, Management, and Budget (DTMB).
- Otsego County property is located in Livingston Township, is commonly known as Pinehaven Buildings 31 and 32, and is currently under the jurisdiction of the Department of Community Health.
- Jackson County property is located in Blackman and Leoni Townships, is commonly known as the Michigan Department of Transportation Railroad Right of Way, and is currently under the jurisdiction of the State Transportation Department.

CONVEYANCES - GRAND TRAVERSE AND OTSEGO COUNTIES

Approximate legal descriptions of the properties are set forth in the bill and the properties will include all surplus, salvage, and scrap property or equipment remaining on the properties as of the dates of the conveyances. The bill requires the fair market values of the properties to be determined by appraisals prepared for DTMB by independent appraisers.

Before offering the Grand Traverse property and Otsego County property for public sale, DTMB will be required to offer the properties to the Traverse City area public schools and the North Country Community Mental Health Authority, respectively, for \$1.00. If interested, the local units will have 180 days after the effective date of the bill to purchase the properties.

If the properties are not conveyed to the specified local units, DTMB will be required to convey the properties through competitive bidding, public auction, real estate brokerage services, or offering the properties for sale for less than fair market value to local units of government. The Grand Traverse County property could also be conveyed through offering the property for sale for fair market value to local units of government, or to the Land Bank Fast Track Authority.

The Grand Traverse County property, regardless of how conveyed, will be required to be used exclusively for public purposes. The Otsego County property, if conveyed for less than fair market value, will be required to be used exclusively for the public purpose of providing inpatient residential community health services and related community mental health services to persons requiring them due to mental illness, aging, substance abuse, developmental disability, or other mental disability, for a period of 50 years after the date of the conveyance. Any fees, terms, or conditions applied for use of the properties, or waivers of those fees, terms, or conditions, will be required to be applied uniformly to all members of the public. The state will be authorized to reenter and repossess the properties if these conditions are not met and will not be liable for reimbursement to any parties for improvements made on the properties. The purchasers or grantees will be required to reimburse the state for all costs necessary to prepare the properties for conveyance.

If the properties are conveyed to local units of government, and the local unit in Grand Traverse County intends to convey the property within 10 years after purchasing the property from the state, and the local unit in Otsego County intends to convey the property within 50 years after purchasing the property from the state, the local units will be required to notify DTMB and DTMB will retain a right to first purchase the properties at the original sale prices within 90 days after the notices. If the state repurchases the properties, the state will not be liable to any parties for improvements to, or liens placed on, the properties. If DTMB waives the right to first purchase, the local units will be required to pay the state 40% of the difference between the sale prices of the conveyances and the sale prices of the subsequent sales to third parties.

The properties will be conveyed by quitclaim deeds approved by the Attorney General. The state will not reserve oil, gas, or mineral rights to the conveyed properties, but the purchasers or any grantees will be required to pay the state one-half of any gross revenues generated from the development of oil, gas, or minerals found on, within, or under the conveyed properties. The state will reserve all rights in aboriginal antiquities, including the right to explore, excavate, and take them. Aboriginal antiquities include mounds, earthworks, forts, burial and village sites, mines, and other relics lying on, within, or under the properties.

Net revenues received under the bill will be credited to the General Fund. Net revenues are defined in the bill as being the proceeds from the sales less reimbursement for administrative costs, including employee wages, salaries, benefits, costs of reports and studies and other materials necessary to the preparation of the sales, environmental remediations, legal fees, and any litigation expenses related to the conveyance of the properties.

TRANSFER - JACKSON COUNTY

The bill authorizes the State Administrative Board to transfer a parcel of land from the State Transportation Department to the Department of Corrections. An approximate legal description of the property is set forth in the bill. The transfer will be permanent and the Department of Corrections will assume full responsibility for the property. DTMB will

coordinate and implement the transfer, but all survey costs or transaction closing costs incurred by DTMB will be reimbursed by the Department of Corrections.

BACKGROUND:

- Chesapeake and Ohio Railroad, Grand Traverse County - The property is an abandoned railroad right-of-way which lies adjacent to property being utilized by the Traverse City public schools.
- Pinehaven Buildings 31 and 32, Otsego County - The property consists of 3.62 acres of land and has two buildings. One building is 5,535 sq. ft. and the other is 2,758 sq. ft. North Country Community Mental Health has been a tenant operating a residential group home since the 1980's and will continue to do so. This program was once a state-operated program, but is now being run by the non-profit organization and receives funding from various state and federal sources.
- Michigan Department of Transportation Railroad, Jackson County - The property is about 46.5 acres. The bill transfers jurisdiction of the former railroad right-of-way running through prison property from MDOT to MDOC for security and administrative efficiency purposes.

FISCAL IMPACT:

If the local units of government in Grand Traverse and Otsego Counties purchase the properties, the net revenue to the state will be \$2.00. If the properties are sold to someone other than the local units of government, the net revenue to the state will be the proceeds from the sales less reimbursement for administrative costs, costs of reports, studies, and environmental remediations, legal fees, and any litigation costs related to the conveyance of the properties. Estimates of the fair market values of the properties are currently not available.

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