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House Bill 6029 (Substitute H-3 as passed by the House)
Sponsor: Representative Wayne Schmidt
House Committee: Appropriations
Senate Committee: Appropriations

Date Completed: 12-10-12

CONTENT

The bill would authorize the State Administrative Board to convey/transfer the following State-owned properties:

- **Former Chesapeake and Ohio Railroad Right-of-Way.** The property is located in Traverse City, Grand Traverse County, Michigan. It is currently under the jurisdiction of the Department of Technology, Management, and Budget (DTMB) and consists of the north 25 feet of lots 8 through 21. There are no improvements on the property. The right-of-way is adjacent to property being used by the Traverse City Public Schools. It was deeded to the State from the railroad in the 1940s for use by the then-adjacent psychiatric facility. The bill would require that the property first be offered to the Traverse City Area Public Schools for consideration of \$1. If any portion of the property were not conveyed to the Traverse City Area Public Schools, the Department of Technology, Management, and Budget would have to take necessary steps to convey the property.
- **Garfield Township Property Deed Restrictions.** This property is located in the Township of Garfield, Grand Traverse County, Michigan. It is currently under the jurisdiction of Garfield Township. The bill would authorize the transfer of 0.66 acre of land from the township to the State and then back to the township in order to remove a restriction in the deed. The property is a small part of 100.87 acres conveyed by the State to Garfield Township in 1993. Under the 1993 deed, the property must be used solely and exclusively for the public purposes of hiking and cross country skiing trails. The bill would change the restriction on the 0.66 acre to a more general "used exclusively for public purposes" restriction. There is a school located next to this property that intends to expand, and needs the property for that purpose.
- **Pinehaven Property.** This property, commonly known as Pinehaven Buildings 31 and 32, is located at 102 McLouth Road, Livingston Township, Otsego County, Michigan. The property is currently under the jurisdiction of the Department of Community Health and consists of two residential buildings (5,535 square feet and 2,758 square feet) on 3.62 acres. The buildings were constructed by the State in the late 1960s. The property first would have to be offered to the North Country Community Mental Health Authority (NCCMH), a governmental entity, for consideration of \$1. The NCCMH has been leasing the property from the Department of Community Health and operating a residential group home for developmentally disabled adults since the 1980s. If any portion of the

property were not conveyed to the NCCMH, the DTMB would have to take necessary steps to convey the property.

- **Railroad Right-of-Way in Jackson County.** The right-of-way runs through the grounds of Southern Michigan Prison, Blackman and Leoni Townships, Jackson County, Michigan. The right-of-way is 100-feet wide extending for approximately 3.98 miles, with an approximate size of 46.5 acres. The bill would transfer this property from the Michigan Department of Transportation to the Department of Corrections for no consideration. The Department of Corrections would assume full responsibility for the property. Any costs incurred by the DTMB related to the transfer of the property would be reimbursed by the Department of Corrections.
- **Camp Manistique.** Camp Manistique is located at 401 N. Maple Street in the City of Manistique, Schoolcraft County, Michigan. The property is under the jurisdiction of the Department of Corrections and includes a main building and garage building (41,123 square feet) and two open storage buildings on 30.297 acres. The property was acquired by the State from the City of Manistique for nominal consideration in 1988. The State constructed a correctional facility on the property that was opened in June 1993. The facility was closed in October 2007. An appraisal prepared for the DTMB in November 2007 estimated the "as-is" value of the property at \$360,000, and the value of the land only (assuming improvements removed) at \$267,000. The property first would have to be offered to the local units of government in which the property is located for consideration of \$1. If the property were not conveyed to a local unit of government for \$1, the DTMB would have to take necessary steps to convey the property.

For conveyances, if the party to first be offered the property did not acquire the property within a specified time period, the DTMB would be authorized to take necessary steps to convey the property, including: competitive bidding, a public auction, real estate brokerage services, offering the property for sale for fair market value to a local unit of government, or offering the property for sale for less than fair market value to a local unit of government. (The Pinehaven property also could be conveyed to a governmental corporation.) For the former Chesapeake and Ohio Railroad right-of-way and Camp Manistique, the property also could be conveyed to the Land Bank Fast Track Authority.

A conveyance of these properties for less than fair market value would have to require that the property be used exclusively for public purposes (Pinehaven specifically for the public purposes of providing inpatient residential community health services and related community mental health services), and provide that the State would be entitled to reenter and repossess the property, if that condition were not met. If the State repossessed the property, the State would not be liable to reimburse any party for any improvements made on the property. Any fees, terms, or conditions for the use of the property would have to be applied uniformly to resident and nonresident members of the public. If the property were sold to a local unit of government for less than fair market value and the local unit of government intended to convey the property within 10 years (or 50 years for Pinehaven) of the conveyance from the State, the State would retain a right to first purchase the property at the original sale price. If the State waived its first refusal right, 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 price of the local unit's subsequent sale or sales to a third party.

All rights in aboriginal antiquities, including mounds, earthworks, forts, burial and village sites, mines, and other relics, on, within, or under the property, would be reserved by the State. The State would not reserve the oil, gas, or mineral rights to the property conveyed. However, 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.

FISCAL IMPACT

Revenue to the State would depend on whether the property was conveyed to a local unit of government for less than fair market value to be used for public purposes or if the property were conveyed in a manner to obtain the best value to the State. Any net revenue from the conveyance would be deposited in the State General Fund.

Fiscal Analyst: Bill Bowerman

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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.