



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

BILL ANALYSIS



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

Senate Bill 287 (Substitute S-1 as reported)
 Sponsor: Senator George A. McManus, Jr.
 Committee: Local, Urban and State Affairs

Date Completed: 11-26-96

RATIONALE

The State has owned land in Traverse City since 1913 to accommodate a State mental health facility. Although the facility is closed, the Department of Community Health (DCH) still holds title to some land in the area, including approximately 1.2 acres encompassing a railroad spur that served the hospital. The Department of Natural Resources (DNR) has leased this property from the DCH since 1963 to house field offices. The DNR reportedly may vacate the property in the future, at which time the DCH will declare it surplus property. If this should occur, officials with the Traverse City area public schools have expressed interest in acquiring the property. Some people believe that the DCH should be permitted to convey this land to the school district.

CONTENT

The bill would permit the Department of Community Health to convey for \$1 to the Traverse City area public schools certain real property under the DCH's jurisdiction and located in Grand Traverse County, as described in the bill. Under the conveyance, the property would have to be used exclusively for public recreational or educational purposes and upon termination of that use, the State could repossess the property.

The DCH could not enter into the conveyance until the DNR vacated the property. The revenue received from the conveyance would have to be deposited in the State Treasury and credited to the General Fund.

The conveyance would have to provide for both of the following:

- That the property would have to be used exclusively for public recreational or educational purposes, and that upon

termination of that use or use for any other purpose, the State could reenter and repossess the property, terminating the grantee's estate in the property.

- That if the grantee disputed the State's exercise of its right of reentry and did not promptly deliver possession of the property to the State, the Attorney General, on behalf of the State, could bring an action to quiet title to, and regain possession of, the property.

The conveyance also would have to provide that if any fee, term, or condition were imposed on the public for recreational use of the conveyed property, all resident and nonresident members of the public would be subject to the same fees, terms, and conditions, except that the grantee could waive daily fees or waive fees for the use of specific areas or facilities.

The conveyance would have to be by quitclaim deed approved by the Attorney General and reserve to the State all rights to coal, oil, gas, and other nonmetallic minerals found on, within, or under the conveyed property.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Traverse City area public schools reportedly are interested in acquiring 1.2 acres of property that once was part of the grounds of a State psychiatric hospital. Although the hospital is closed, the State continues to own property at the site, including 1.2 acres that served as a railroad spur for loading railroad cars with coal to be used at the hospital. The DNR operates a field office in buildings

located on the site, and reportedly is considering vacating the site in the near future. The land adjoins the school district's sports complex, which includes the high school's football stadium. School officials have expressed interest in acquiring the land to use as a parking lot and soccer field. The bill would permit the school district to acquire the land upon the DNR's vacating the site and the DCH's declaring it surplus property. Furthermore, the bill would require that the property be used exclusively for public recreational and educational purposes, and provides that the State could repossess the property if it were used for other purposes. In addition, the bill would require that any fees or conditions imposed on the public for recreational use of the land apply equally to resident and nonresident members of the public. Thus, the bill would ensure that this property, which would be conveyed from the State to the school district at a nominal cost, could be used by both residents and nonresidents of the school district.

Response: The property's value has been estimated at \$320,000. Concerns have been raised about the State's conveying for \$1 property that could generate considerable revenue if it were sold for fair market value.

Legislative Analyst: L. Arasim

FISCAL IMPACT

The property in question, encompassing approximately 1.2 acres, currently houses Department of Natural Resources staff and equipment related to Forest Fire, Wildlife and Fisheries activities and storage for law enforcement activities. The Department of Management and Budget (DMB) reports that the structure on the property is aged and dilapidated and not sufficient for the purposes for which it is being used. The bill would permit conveyance of the property, once it has been vacated by the Department of Natural Resources and declared surplus by the Department of Community Health, for \$1, to the school district to be used for expansion of athletic facilities. The DMB has indicated that it is the Department's policy not to disclose the appraised value of the property for use during legislative deliberations. However, the Property Tax Division of the Michigan Department of Treasury did appraise the property in January 1994 indicating a market value of \$320,000. In this instance, to the degree that the property currently is used for a public purpose and would be conveyed for a public purpose, with a reverter clause to protect the public purpose use of the

land, there would be no financial impact on the State except in terms of the potential revenue associated with outright sale of the property or recompense for the original cost of the property.

There is, however, a potential cost related to relocation of the office and storage space. Options include relocating into existing State-owned space, leasing privately owned space, or constructing new space. The Department of Management and Budget reports that the DNR has requested approximately 26,000 square feet of replacement space, of which approximately 5,000 is office space. It is unclear at this time whether existing State-owned space or suitable privately owned leasable space is available. Costs related to the relocation would be directly related to which option the Real Estate Division determined was most advantageous. Based on untested market rates, the annual cost of a lease for the same square footage of privately owned space composed of office and warehouse space may approach \$130,000 annually excluding any costs for renovation of the space. Construction of new space for office and warehouse facilities in the same configuration would cost approximately \$2.0 million based on conventional square foot estimates.

Fiscal Analyst: R. Abent

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