



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 287 (as enrolled)
Sponsor: Senator George A. McManus, Jr. Senate
Committee: Local, Urban and State Affairs House
Committee: Regulatory Affairs

PUBLIC ACT 542 of 1996

Date Completed: 2-13-97

CONTENT

The bill permits the Department of Community Health (DCH) 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. In addition, the Department of Natural Resources (DNR) may convey for \$1 to Arenac County certain real property under the DNR's jurisdiction and located in Arenac County, as described in the bill. Under the conveyances, the properties will have to be used exclusively for public recreational or educational purposes and upon termination of that use, the State may repossess the property.

The DCH may not enter into the Grand Traverse County conveyance until the DNR vacates the property. The revenue received from both conveyances must be deposited in the State Treasury and credited to the General Fund.

The conveyances must provide for both of the following:

- That the property must be used exclusively for public recreational or educational purposes, and that upon termination of that use or use for any other purpose, the State may reenter and repossess the property, terminating the grantee's estate in the property.
- That if the grantee disputes the State's exercise of its right of reentry and does not promptly deliver possession of the property to the State, the Attorney General, on behalf of the State, may bring an action to quiet title to, and regain possession of, the property.

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

The conveyances must be by quitclaim deed approved by the Attorney General. The State may not reserve the mineral rights to State-owned land sold under the bill. A conveyance of the State-owned land, however, must provide that if the purchaser or any grantee develops the mineral rights, the State will receive at least one-half of the net royalties.

Legislative Analyst: L. Arasim

FISCAL IMPACT

The first property in question located in Grand Traverse County, encompasses approximately 1.2 acres, and 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 permits 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 will be conveyed for a public purpose, with a reverter clause to protect the public purpose use of the land, there will 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 will be directly related to which option the Real Estate Division determines is 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.

Regarding the second property, located in Arenac County, the Department of Natural Resources has indicated that analysis is under way regarding the efficacy of disposing of the property. No appraisal has been conducted so any potential fiscal impact is indeterminate.

Fiscal Analyst: R. Abent

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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.