



Romney Building, 10th Floor  
Lansing, Michigan 48909  
Phone: 517/373-6466

## **MULTIPLE PROPERTY CONVEYANCES**

### **Senate Bill 481 with House committee amendments**

**Sponsor: Sen. Joe Conroy**

**Senate Committee: Economic Development,  
International Trade and Regulatory  
Affairs**

**House Committee: Regulatory Affairs**

**First Analysis (12-4-97)**

### ***THE APPARENT PROBLEM:***

The Department of Management and Budget (DMB) is seeking legislative approval to sell several parcels of state-owned property that have been declared as surplus. The city of Flint has expressed interest in three parcels of land located at the Michigan School for the Deaf and Blind for public recreational purposes. The department would like to sell several other properties at fair market value. The Lincoln Park Liquor Warehouse was declared surplus in March 1997 after the Michigan Liquor Control Commission's privatization of the spirit distribution system resulted in no further need for the building. The building has been leased to a company involved in the liquor industry, but that lease expires in early December and the company will be moving to a new facility. The few remaining state employees should be relocated by the end of the year. The city of Lincoln Park has expressed an interest in possibly obtaining the building for redevelopment purposes. A second building, the Hosmer Street Warehouse in Lansing, was formerly used by the Liquor Control Commission as a liquor warehouse, then used by DMB as a storage facility, and declared as surplus in April 1997. Reportedly, it would be cost prohibitive to renovate the building to meet current state needs.

In a related manner, the Department of State Police has been constructing new radio towers as part of the new 800 MHZ system that will update police communications in the state. The department has purchased land on which to construct the new towers, but some of the parcels contain more land than what is needed for the tower construction. According to a representative from DMB, this situation occurred as a result of property owners not wishing to carve out a section of their properties for the tower project, but choosing instead to sell a piece of property as a whole. The department is seeking to sell

the excess land in an attempt to recoup some of the costs involved with the tower project.

### ***THE CONTENT OF THE BILL:***

The bill would authorize the state administrative board and the Department of Management and Budget to convey parcels of land at the Michigan School for the Deaf and Blind, and to sell at fair market value the former Lincoln Park Liquor Warehouse in Lincoln Park, the Hosmer Street Warehouse in Lansing, and surplus land and timber that are part of the Department of State Police radio tower project. Specifically, the bill would do the following:

Parcel #1. The bill would allow the state administrative board to convey three parcels of land at the Michigan School for the Deaf and Blind commonly known as Broome Park, Soap Box Derby, and Happy Hollow to the city of Flint, Genesee County for \$1.00. The conveyance would be by quitclaim deed approved by the attorney general. The bill would specify that the land description was approximate and subject to adjustment as considered necessary. Mineral rights would be conveyed to the city, but if the city were to develop the minerals, one-half of the revenue derived from the development would have to be paid to the state. Any revenue received by the conveyance would have to be deposited in the general fund.

The property could only be used for public park and recreation purposes and would revert to the state if used for any other purpose. The attorney general could bring an action to quiet title to the property in case of a dispute over the state's right to regain the property. Use of the property by the public would have to be subject to the

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same fees, terms, and conditions regardless of residency. The city would have the right to waive daily fees or the fees for the use of specific areas or facilities.

(Note: The property has been declared as surplus to the Department of Education. Broome Park is approximately 85 acres and is adjacent to an older established neighborhood with moderate to low income housing. Soap Box Derby is approximately 22 acres and Happy Hollow is about 47 acres. The latter properties are divided by a highway, and are not considered for development due to the slope and narrowness of the parcels. The Soap Box Derby parcel is adjacent to the South Western Academy, a public high school.)

Parcels #2 and #3. The bill would authorize the Department of Management and Budget (DMB) to sell the former Lincoln Park Liquor Warehouse in the city of Lincoln Park, Wayne County and the Hosmer Street Warehouse in the city of Lansing, Ingham County at fair market value as determined by an appraisal prepared by the state tax commission or an independent fee appraiser and based on the properties' highest and best use. Before being offered for public sale, the properties would have to be offered for sale at the fair market value to the local units of government in which the properties were located. Any revenue received from the sale or conveyance of the properties would have to be deposited in the general fund.

If the properties were not sold to the local governments or to the public at fair market value, the director of the DMB could order a reappraisal of the properties, withdraw the properties from sale, or determine that the properties should be sold for less than fair market value because it would no longer be in the best interest of the state to retain title to the properties.

If the properties were conveyed for public use purposes for less than fair market value, the bill would specify that the properties would have to be used only for public purposes and that the properties would revert to the state if used for any other purpose. The attorney general could bring an action to quiet title to either property in case of a dispute over the state's right to regain the property. The conveyance would be by quitclaim deed approved by the attorney general. The bill would specify that the land descriptions were approximate and subject to adjustment as considered necessary by surveys or other legal descriptions. Mineral rights would be conveyed with the properties.

(Note: The Lincoln Park Liquor Warehouse was declared surplus by the Liquor Control Commission in March 1997. The warehouse was built in 1954 on 14

acres and contains 250,560 square feet of space. The warehouse was appraised in 1994 at \$4.3 million. According to the DMB, the city of Lincoln Park has expressed an interest in developing the property.

The Hosmer Street Warehouse was built in 1919 on 2.15 acres of land and contains 94,000 square feet of space. The property was acquired by the state in 1935 for use as a Liquor Control Warehouse. Public Act 448 of 1978 authorized the transfer of the property to the DMB, which had been using the facility until recently to store building and office materials. The property was declared surplus by the DMB in April 1997. According to the DMB, it would be cost prohibitive to renovate the warehouse to meet current state needs.)

Radio tower sites. Section 4 of the bill would allow the DMB to buy land for radio tower sites for the Department of State Police public safety communications system (the new 800 MHZ system). Under the bill, any land purchased in excess of the radio tower needs, and any timber that had been cleared to construct the towers, could be sold at fair market value based on appraisals. The authority to sell the excess property would expire seven years after the effective date of the bill. A sale at less than market value would have to be approved by the Joint Capital Outlay Subcommittee. The title would be conveyed by quitclaim deed approved by the attorney general. Any revenue from the sale of property would be considered for reimbursing the radio tower project expenditures and would have to be available to be spent for purposes of the state police public safety communications system. (Note: The bill does not address the issue of whether the mineral rights would be retained or conveyed. At this time, the Department of State Police estimates that nine sites will have excess land that could be sold. Estimated revenue for the sale of the excess land at the nine sites is \$363,354.00. However, many of the parcels are landlocked and it is not certain that a market could be found for them.)

### ***FISCAL IMPLICATIONS:***

According to the House Fiscal Agency, since the properties have not been appraised recently, and since it is not certain whether the warehouses and excess land from the radio tower sites would be sold at fair market value or conveyed for public use purposes to local governments, the fiscal impact of the bill would be indeterminate at this time. In general, however, selling state-owned properties at fair market value would result in increased revenue and decreased liability for the state. (12-3-97)

**ARGUMENTS:**

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

**For:**

When property owned by the state is no longer suited for state needs, it makes sense for the state to dispose of the property. Three parcels of land at the Michigan School for the Deaf and Blind were declared surplus to the Department of Education. The city of Flint would like to use the property for public recreational use. Conveying the property would eliminate the state's liability for oversight of the property.

The same is true for the two warehouses. The warehouse in Lincoln Park is no longer needed by the Liquor Control Commission due to the recent privatization of the state spirits delivery system. The current tenants of the building will moving out within a week to new facilities, and the few remaining LCC employees will be relocated within the month. Since the city of Lincoln Park has expressed interest in buying and developing the building, the bill would allow the Department of Management and Budget to sell the building at any time that an agreement were reached between the city and state. The Lansing warehouse is also no longer being used. However, even if a building is not in use, the state still must pay utility fees and is liable should someone be injured on the property. Rather than have a building stand empty, if a buyer can be found, the state should have the flexibility to arrange a sale.

According to DMB staff, when the Department of State Police began purchasing land for the new radio tower construction project, some property owners were reluctant to break up their property and so the property had to be purchased in a larger piece than what was needed. Since many of the parcels are landlocked, it is not clear if buyers could be found. However, in case any or all of the excess property could be sold, the money would be used to reimburse DSP for the cost of the radio tower project. In addition, the bill would allow DSP to sell timber that had to be cleared in order to construct the radio towers.

**POSITIONS:**

The Department of Management and Budget supports the bill. (12-3-97)

Analyst: S. Stutzky