

House Bill 5436 (Substitute H-1)
First Analysis (12-4-01)

Sponsor: Rep. Tom Meyer
Committee: Regulatory Reform

THE APPARENT PROBLEM:

The Michigan Economic Development Corporation, along with the Tuscola County EDC board, has been marketing the Tuscola Area Airport as an economic development tool. Efforts to bring new industry to the area have met with success, such as construction of the state's first ethanol processing plant, which is currently underway, and plans for an automotive testing firm to build a testing facility on property it bought near the airport. A longer runway is now needed to accommodate the larger public and private jets expected to utilize the airport in connection with the two new industries. The airport authority needs to purchase additional land before the runway can be built, and needs to do so before the end of this year in order to qualify for a matching federal grant (local funds are already in place) to fund the runway expansion. Legislation has been offered to authorize the transfer of 40 acres of surplus state land to the Tuscola Area Airport Authority for the purpose of the runway expansion. This land, which is adjacent to the airport, was formerly property of the Caro Center, a mental health facility housing almost 200 patients.

Another 30 acres of land (also previously part of the Caro Center property) lies between a park owned and operated by Indianfields Township and the grounds of the mental health facility. Since this property has also been declared as surplus, the township would like to use the land to expand the park and develop additional scenic trails. The Caro Center patients routinely use the current park facilities for recreation, and are expected to use the expanded trails and any future developments as well. The legislation would allow for the transfer of this property to the township.

THE CONTENT OF THE BILL:

The bill would authorize the conveyances of two separate parcels of land, currently under the jurisdiction of the Department of Community Health, by quitclaim deed. The property, which totals 70 acres, is located in the township of Indianfields, Tuscola County. Descriptions of the two parcels in the bill are approximate and would be subject to

adjustments as considered necessary by survey or other legal description. Mineral rights would not be reserved to the state; but, should the grantee of either parcel derive revenue from the development of minerals found on, within, or under the conveyed property, one-half of the revenue would have to be paid to the state for deposit in the general fund. Net revenue (which would be the proceeds from the sale of the property less reimbursement for any costs to the state associated with the sale of the property) would also be deposited in the state treasury and credited to the general fund.

Parcel 1. For 12 months after the bill's effective date, the Tuscola Area Airport Authority would have the exclusive right to purchase about 40 acres of the property either for less than fair market value – with the condition it be used for public purposes – or for fair market value if the airport authority did not agree to use the property for public purposes. The bill would specify conditions for using the property for a public use purpose; departure from this criteria could result in the state regaining ownership of the property. Should the Tuscola Area Airport Authority cease operation as a local unit of government or decide to use the property for other than a public use purpose, the authority would have to notify the state within 180 days before any change in organization or use. The authority would then have the right, for 180 days, to purchase the reversionary rights – which would be the fair market value of the property exclusive of any improvements on the date of the notice to the state. The fair market value would be determined by an appraisal as prepared by the state tax commission or an independent fee appraiser.

Parcel 2. The township of Indianfields would have the exclusive right, for 12 months after the bill's effective date, to purchase about 30 acres of the property for less than fair market value for public use purposes, including two buildings identified as buildings number 7 and 9. The bill would specify conditions for the public use of the property; departure from the criteria could result in the state regaining possession of the property.

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, additional one-time revenues would accrue to the state if the properties were sold at fair market value. An appraisal would be needed to determine the fair market value. The conveyance of the 30-acre parcel to Indianfields Township would include two buildings of 18,178 and 15,210 sq. ft., respectively, that were built in the 1920s. Conveyance of these buildings would relieve the state of minor maintenance costs. No estimate of the savings is available. Therefore, the bill would result in an increase in costs to the local governments involved. (12-3-01)

ARGUMENTS:

For:

The Tuscola Area Airport Authority is in need of land to expand a runway to accommodate increased air traffic that has been created by successful efforts to entice new industry to locate in the county. The state happens to own land that has already been declared surplus and that lies adjacent to the airport. The bill would transfer this surplus land to the airport authority. The runway improvement will not only serve current residents and businesses, but could also encourage other businesses to locate their operations within the county, thereby creating new jobs for residents and revenue sources for local governments. However, timely passage of the bill is needed as the airport authority would be eligible for a matching federal grant of \$250,000 if it can take possession of the land by the end of December.

Further, a 30-acre portion of the surplus land is adjacent to an Indianfields Township park and the Caro Center, a mental health facility with 170 residents. Currently, the land is undeveloped, with many species of native trees and plants. The township park has a nature center and hiking trails that are used by schools, residents, and Caro Center patients and their families. The township has expressed an interest in expanding the scenic trails and, possibly at a future time, in expanding the park’s recreational uses by adding an athletic field, such as a soccer field. Conveyance of this parcel to the township would benefit local residents, tourists, and Caro Center patients and their families.

Response:

Reportedly, Indianfields Township was only interested in undeveloped land that was adjacent to the township park, and not in the small part of the property closer to the Caro Center that contains the

two buildings. According to the Department of Management and Budget, the two buildings are still in use, with one of the buildings currently leased to the intermediate school district.

POSITIONS:

The Tuscola Area Airport Authority supports the bill. (11-29-01)

The Tuscola County Economic Development Corporation supports the bill. (11-29-01)

The Indianfields Township Board supports the bill. (12-3-01)

Analyst: S. Stutzky

■ 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.