

Legislative Analysis



EATON COUNTY PROPERTY CONVEYANCE

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Senate Bill 306 (Substitute H-1)

Sponsor: Sen. Patricia L. Birkholz

1st House Committee: Appropriations

2nd House Committee: Regulatory Reform

Senate Committee: Appropriations

First Analysis (6-28-05)

BRIEF SUMMARY: The bill would convey two parcels of property to the Grand Ledge School District for \$1 and a third parcel for fair market value.

FISCAL IMPACT: There would be no cost to the state, as the Department of Management and Budget would be authorized to charge their administrative costs to the buyer(s). There would be a nominal increase in revenue for the state from the sale of parcel C. The amount of revenue is indeterminate at this time because a current appraisal of the property does not exist. (It should be noted that parcel C measures 20 feet wide by 150 feet long.) Also, there would be an increase in revenue for the state from the sale of parcels A and B, if Grand Ledge school district did not purchase the parcels within one year.

THE APPARENT PROBLEM:

A number of years ago, the legislature authorized the conveyance of about 32 acres to the Grand Ledge School District. Subsequently, an apartment complex that was built next to this property inadvertently built over the property line. In an attempt to be a good neighbor, the school district sold the tiny strip of disputed land – 20 feet x 150 feet – to the owners of the apartment complex.

However, the original conveyance language specified that the property was only to be used for public purposes and a deviation from that requirement would mean that the property would revert to state ownership. When a member of the attorney general's staff learned of the sale of the strip of land to a commercial entity, the state did reclaim the property – both the strip of land that the apartment complex had built over and two parcels from the original conveyance (about 12 acres). Unfortunately for the school district, the high school's football field sits on the reverted property.

Legislation has been offered to correct the situation.

THE CONTENT OF THE BILL:

The bill would authorize the Department of Management and Budget to convey two parcels of property (Parcel A, 4 acres, and Parcel B, 8 acres) to the Grand Ledge School District in Eaton County for \$1. The bill also would authorize the conveyance of one

parcel of property (Parcel C, 20 ft. x 150 ft.) to the school district for not less than fair market value as determined by an independent fee appraiser.

Parcels A and B would have to be used exclusively for public purposes and the state could reenter and repossess the property upon termination of such use. The attorney general could bring an action to quiet title to and regain possession of the property if the grantee disputed the state's exercise of its right of reentry. If the state did reenter and repossess the property, it would not be liable for reimbursing 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 to both residents and nonresident members of the public. The conveyance would have to include these provisions.

If the school district did not purchase any of the parcels within one year after the bill's effective date, the director of the DMB could offer the property for sale on the open market.

Each conveyance would have to be by quitclaim deed designed and otherwise approved by the attorney general, and could not reserve the gas, oil, or mineral rights found on, within, or under the conveyed property.

The bill specifies that the state would forgive any rent and interest that might otherwise be due from the school district for use and occupancy of the property prior to closing. The DMB could charge the school district for reimbursement of all administrative costs associated with the department's implementation of the bill, including but not limited to appraising, surveying, brokering, and managing the sale of the property. Reimbursement for those administrative costs would have to be credited to the DMB. All other revenue received under the bill would have to be deposited in the state's general fund.

The bill also would repeal three acts that previously authorized the conveyance of Parcels A and B to the school district.

HOUSE COMMITTEE ACTION:

One amendment was adopted to provide immunity to the state from liability to reimburse any party for improvements done to the property between the time of the conveyance and the time the state reentered and repossessed the property.

ARGUMENTS:

For:

The legislature has the authority to allow state land to be conveyed to other public entities for \$1 if the property is used for public use purposes only. Usually, the statutory language contains a reverter clause that returns the property to the state if used for anything other than a public purpose.

When the Grand Ledge School District sold a tiny strip of land to an apartment complex that had inadvertently built over the property line, the action triggered the reverter clause contained in the original conveyance language. The bill, in a nutshell, represents a do-over. Land that the school district is using for a public purpose (the high school football field) will be conveyed for \$1 back to the district. The strip of land that the apartment complex currently is situated on will be conveyed to the school district for not less than fair market value. The school district will then be free to sell that strip of land to the apartment complex.

POSITIONS:

The Grand Ledge Public Schools support the bill. (6-28-05)

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