



**House
Legislative
Analysis
Section**

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

**KALAMAZOO COUNTY
CONVEYANCE**

**House Bill 5102 (Substitute H-1)
First Analysis (1-25-96)**

**Sponsor: Rep. Donald Gilmer
Committee: Regulatory Affairs**

THE APPARENT PROBLEM:

Reportedly, the Northwest Unit, formerly part of the Kalamazoo Regional Psychiatric Hospital, has stood vacant for about 10 years and was declared as surplus by the Department of Mental Health (DMH) in 1992. The property, which includes a building and approximately 3.5 acres of land, is located approximately three miles from the hospital. A review of the property for use by other state departments was completed, but because it is near a residential area this use was deemed unsuitable. According to the Department of Management and Budget, some interest in the property has been shown by other public entities, including Kalamazoo County.

In a related matter, Noble Lodge, which is located on the grounds of the Kalamazoo Regional Psychiatric Hospital, was declared as surplus in 1993. Currently, the Department of Corrections (DOC) operates a corrections program at Noble Lodge through a lease agreement with the DMH. Legislation has been proposed to convey the Northwest Unit property for public use or to sell it if no public use is found, and to transfer the Noble Lodge and 2.55 acres to the DOC for the continuation of the corrections program.

THE CONTENT OF THE BILL:

The bill would permit the state administrative board to sell property under the jurisdiction of the Department of Mental Health (DMH) and to convey other property under the jurisdiction of DMH to the Department of Corrections (DOC). In particular, the bill would do the following:

-- Allow for the conveyance of property known as the Northwest Unit in Kalamazoo at fair market value, or for less than fair market if used for public purposes. The fair market value would be determined by the state tax commission or an independent fee appraiser and would be based on the property's highest and best use. If the property was conveyed at less than fair market price, the state could repossess the property if used for

anything other than public purposes. In case of a dispute between the state and the grantee as to the state's right to repossess the property, the bill would permit the state to bring an action to regain the title and possession of the property. The conveyance would be by quitclaim deed approved by the attorney general, and the state would retain the mineral rights to coal, oil, gas, and other materials but not to sand, gravel, clay, or nonmetallic minerals. Revenue generated by the bill would be deposited in the state treasury and credited to the general fund. The bill would specify that the description in the bill of the property is approximate and would be subject to any adjustments deemed necessary by the state administrative board or attorney general based on surveys or other legal descriptions.

-- Allow for the transfer of property from the DMH to the Department of Corrections upon the approval of a resolution of the state administrative board. In addition, the attorney general would have to approve all documents relating to the transfer.

FISCAL IMPLICATIONS:

According to the Department of Management and Budget, the conveyance of the Northwest Unit would reduce the DMH's cost for maintenance and security of the building which has stood vacant for many years. (10-30-95) The House Fiscal Agency reports that these costs run from \$10,000 to \$15,000 annually. In addition, sale of the property at fair market price would generate a one-time state revenue increase. At the local level, revenues would increase if the property were sold to a private party and the property were placed on the tax roll. However, the amount is indeterminate at this time. (1-19-96)

According to the Department of Mental Health, transfer of the Noble Lodge property to the Department of Corrections would not have a fiscal impact on the state or local governments. (11-5-95)

House Bill 5102 (1-25-96)

ARGUMENTS:

For:

Transferring Noble Lodge from the DMH to DOC makes good business sense. Currently, the DOC is leasing the property from DMH. Basically, that means the state gives money to DOC to pay DMH. Since the property is ultimately owned by the state, it is more practical that the property be transferred to the state department that is actually using it.

As for the possible conveyance of the Northwest Unit, it also should be sold or conveyed to another public entity for public use. The building has been empty for over 10 years. Meanwhile, the DMH must pay maintenance and security costs, a waste of precious state funds and possible liability issues if someone should be injured. If, because of the proximity to residential neighborhoods, it is unsuitable for state use, it should definitely be sold, which would generate revenue for the state, or allowed to be used for some other public purposes, rather than suffer further deterioration from lack of use.

POSITIONS:

The Department of Management and Budget supports the bill. (1-24-95)

The Department of Corrections supports the bill. (1-24-95)

■ 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.