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BILL



ANALYSIS

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Senate Bill 287 (Substitute S-1 as reported)
Sponsor: Senator George A. McManus, Jr.
Committee: Local, Urban and State Affairs

CONTENT

The bill would permit the Department of Community Health (DCH) to convey for \$1 to the Traverse City area public schools property under the DCH's jurisdiction and located in Grand Traverse County, as described in the bill. Under the conveyance, the property would have to be used exclusively for public recreational or educational purposes and, upon termination of that use, the State could reenter and repossess the property. If the school district disputed the State's right to reenter and repossess the property and did not deliver the possession of the property to the State, the Attorney General could bring an action to regain possession of the property. The DCH could not enter into the conveyance until the Department of Natural Resources (DNR) vacated the property.

Legislative Analyst: L. Arasim

FISCAL IMPACT

The property in question, encompassing approximately 1.2 acres, currently houses DNR 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 would permit conveyance of the property, once it was vacated by the DNR 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 would be conveyed for a public purpose, with a reverter clause to protect the public purpose use of the land, there would 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 would be directly related to which option the Real Estate Division determined was 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.

Date Completed: 11-25-96

Fiscal Analyst: R. Abent

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