



Senate Fiscal Agency
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BILL ANALYSIS



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House Bill 5102 (Substitute H-1 as reported without amendment)

Sponsor: Representative Donald Gilmer

House Committee: Regulatory Affairs

Senate Committee: Local, Urban and State Affairs

Date Completed: 3-12-96

RATIONALE

The Department of Mental Health-Kalamazoo Regional Psychiatric Hospital has jurisdiction over two parcels of land that have been declared surplus and proposed for conveyance or transfer. The first parcel, known as the Northwest Unit, has stood vacant for about 10 years and was declared surplus in 1992. The property, which includes a building and approximately 3.5 acres, is located approximately three miles from the hospital. A review of the property for use by other State departments was completed, but this use was deemed unsuitable because of the property's proximity to a residential area. According to the Department of Management and Budget, some public entities, including Kalamazoo County, have shown interest in acquiring the property.

The second parcel, referred to as Noble Lodge, was declared surplus in 1993. Currently, the Department of Corrections (DOC) operates a corrections program at this site through a lease agreement with the Department of Management and Budget. It has been suggested that Noble Lodge and 2.55 acres be transferred to the DOC for the continuation of the corrections program.

CONTENT

The bill would authorize the State Administrative Board to convey all or any portion of a parcel now under the jurisdiction of the Department of Mental Health-Kalamazoo Regional Psychiatric Hospital, and located in the City of Kalamazoo. The conveyance would have to be for at least fair market value, unless the property were conveyed exclusively for public purposes. The bill also would authorize the Administrative Board to transfer from the Department of Mental Health (DMH) to the Department of Corrections, without consideration, a parcel in the City of

Kalamazoo and under the jurisdiction of the DMH-Kalamazoo Regional Psychiatric Hospital.

Regarding the conveyance, the fair market value of the property would have to be determined by an appraisal based on the property's highest and best use, as prepared by the State Tax Commission or an independent fee appraiser. Any conveyance for less than fair market value would have to provide for both of the following:

- That the property would have to be used exclusively for public purposes and would be subject to certain requirements (described below) if the property were used for park or recreational purposes; and that upon termination of that use or use for any other purpose, the State could reenter and repossess the property, terminating the grantee's estate in it.
- That if the grantee disputed the State's exercise of its right of reentry and failed promptly to deliver possession of the property to the State, the Attorney General could bring an action to quiet title to the property and regain possession of it.

The conveyance also would have to provide that if the property were used for a public park or for other public recreational purposes, all resident and nonresident members of the public using the property would be subject to the same annual and daily fees, terms, and conditions. In addition, the conveyance would have to provide that the grantee could waive daily fees or waive fees for the use of specific areas or facilities.

The bill specifies that the description of the parcel would be approximate and for purposes of the conveyance would be subject to adjustment as the State Administrative Board or Attorney General

considered necessary by survey or other legal description. The conveyance would have to be by quitclaim deed approved by the Attorney General and would have to reserve to the State all rights to coal, oil, gas, and other materials, excluding sand, gravel, clay, or other nonmetallic minerals found on, within, or under the conveyed land. The revenue received under these provisions would have to be deposited in the State Treasury and credited to the General Fund.

The proposed transfer to the Department of Corrections would take effect when approved by a resolution of the State Administrative Board. All documents regarding the transfer would have to be approved by the Attorney General.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The proposed conveyance of Northwest Unit would enable the State to divest itself of unneeded property. This conveyance either would generate revenue for the State of at least the property's fair market value, or ensure that the property was used for a public purpose. The proposed transfer of Noble House would move jurisdiction over the property to the department that actually is using it. The State would retain ownership of the property and the DOC would no longer have to lease it from the Department of Mental Health.

Legislative Analyst: S. Margules

FISCAL IMPACT

The proposed legislation conveys two separate properties located at the Kalamazoo Regional Psychiatric Hospital. The first property has been declared surplus and comprises approximately 3.5 acres. The property was appraised in 1993 but the Department of Management and Budget, pursuant to its policies, will not disclose the value of the property for purposes of legislative deliberations. The bill would permit conveyance of the property at fair market value or less if the property were used exclusively for public purpose. A fair market value sale of the property would result in an indeterminate revenue to the State. This conveyance also is included in Section 708 of the Governor's recommendation for FY 1996-97 Capital Outlay Appropriations.

The second property, referred to as Noble Lodge, currently is leased by the Department of Corrections from the Department of Mental Health. The bill provides for transfer of the property to the Department of Corrections and would have no fiscal impact on State or local government.

Fiscal Analyst: R. Abent

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.