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BILL ANALYSIS

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Senate Bill 425 (as reported without amendment)
Sponsor: Senator Patrick J. Colbeck
Committee: Appropriations

(as passed by the Senate)

CONTENT

The bill would authorize the State Administrative Board to convey all or portions of State-owned property under the jurisdiction of the Department of Corrections, commonly known as the Scott Correctional Facility. The facility was closed in May 2009. In the year it closed, the facility included 880 beds and 369.7 FTEs. Michigan State Industries continued operating in a portion of the facility until August 2010. The property is located in the Township of Northville in Wayne County at the corner of Beck Road and Five Mile Road. It includes approximately 47.6 acres and seven buildings (435,200 sq. ft.). The original facility opened in 1986.

The property would have to be first offered to the local units of government in which it is located for \$1. If a purchase agreement were not entered into within 60 days after the offer was made, and the agreement were not completed within 120 days after the date of the offer, the Department of Technology, Management, and Budget would be required to take necessary steps to realize the best value for the property by preparing to convey it through competitive bidding, a public auction, use of real estate brokerage services, a negotiated sale process with consideration representing at least a fair exchange value-for-value conveyance, offering the property for sale for fair market value to a local unit or units of government or less than fair market value subject to the conditions described below, or conveying the property to the Land Bank Fast Track Authority.

A conveyance for less than fair market value would require that the property be used exclusively for public purposes, and the State would be entitled to reenter and repossess the property if that condition were not met. Any fees, terms, or conditions for the use of the property would have to be applied uniformly to resident and nonresident members of the public. If the property were sold to a local unit of government for less than fair market value and the local unit of government intended to convey the property within 10 years of the conveyance from the State, the State would retain a right to first purchase the property at the original sale price. In the event that the State waived its first refusal right, the local unit of government would have to pay to the State 40% of the difference between the sale price of the conveyance from the State and the sale price of the local unit's subsequent sale or sales to a third party.

All rights in aboriginal antiquities, including mounds, earthworks, forts, burial and village sites, mines, and other relics, on, within, or under the property, would be reserved by the State. The State would not reserve the oil, gas, or mineral rights to the property conveyed. However, if the purchaser or any grantee developed any oil, gas, or minerals found on, within, or under the conveyed property, the State would receive one-half of the gross revenue generated from the development of the oil, gas, or minerals.

FISCAL IMPACT

The amount received by the State would depend on whether the property was sold to a local unit of government for less than fair market value. The Department of Corrections reports that approximately \$100,000 is spent on maintenance/security costs for the Scott Correctional Facility and the adjacent vacant facility in Plymouth Township. Net revenue from the sale of the property received by the State would be deposited in the State General Fund.

Date Completed: 9-22-11

Fiscal Analyst: Bill Bowerman

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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.