

Legislative Analysis



PROPERTY CONVEYANCE – GOGEBIC COUNTY

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Senate Bill 1075 as enacted
Public Act 399 of 2020
Sponsor: Sen. Ed McBroom
House Committee: Government Operations
Senate Committee: Appropriations [Discharged]
Complete to 1-20-21

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

Senate Bill 1075 authorizes the Department of Technology, Management, and Budget (DTMB) to convey or transfer state-owned property consisting of two parcels in Marenisco Township, Gogebic County. The roughly 125-acre property (the former Ojibway Correctional Facility, closed in 2018) is under the jurisdiction of the Department of Corrections (DOC).

DTMB can transfer or convey the property in any of the following ways:

- Through any publicly disclosed competitive method of sale that allows the state to realize the fair market value of the property, as determined by DTMB.
- Offering the property at fair market value to one or more units of local government (“local units”) where it is located.
- Transferring the property to the State Land Bank Authority.
- Through jurisdictional transfer to another state agency, with or without consideration.
- Exchanging some or all of the property for other real property of reasonably equal value to the state.
- Offering the property for less than fair market value to the local units where it is located. For this option, the following conditions apply:
 - DTMB must give the first chance to buy the property to the first local unit to make an offer by registered mail.
 - After making an accepted offer, the local unit has 60 days to enter into a purchase agreement and 180 days to complete the conveyance. (DTMB may extend the conveyance deadline.)
 - DTMB must evaluate competing offers based on the best interests of the state.
 - The property must be used exclusively for public use for 30 years after the conveyance, and this restriction must be included in the deed. Any fee or condition imposed or waived for use of the property must be the same for all members of the public. The restrictions end after the local unit has retained the property for 30 years.
 - If the local unit of local government intends to convey the property within 30 years, it must first offer the property to the state for the original sale price. The state then has 120 days to consider reacquiring the property. If it agrees to do so, it is not liable for improvements or liens on the property. If the state chooses not to reacquire the property, the public use restrictions described above remain in effect.
 - DTMB may require the local unit to reimburse the state for costs necessary to prepare the property for conveyance.

Fair market value must be determined by an independent fee appraisal prepared for DTMB or by an appraiser who is an employee or contractor of the state.

The property conveyed under the bill includes all improvements and all surplus, salvage, and scrap property or equipment remaining on the property on the date of the conveyance. The state cannot reserve oil, gas, or mineral rights to the property, but it must be paid 1/2 of the gross revenue generated from any oil, gas, or mineral development. All aboriginal antiquities on the property are reserved to the state, and the state can enter the property for any purpose related to them. If the property is officially designated or used by the state as a historical monument, memorial, burial ground, park, or protected wildlife habitat area, the grantee or any successor must maintain and protect the property for that purpose in perpetuity.

If the use of the property violates any of the restrictions described above (including applicable public use restrictions), the state can reenter and take the property, terminating the grantee's or any successor's estate in the property. An action to quiet title to and regain possession of the property may also be brought by the attorney general. In this circumstance, the state is not liable for compensation for any improvements made on the property or for any part of an unfulfilled contract or license issued to provide goods or services on or for the property.

A conveyance or transfer of property under the bill must be approved by the State Administrative Board, and the Department of the Attorney General would have to approve as to legal form a deed or affidavit of jurisdictional transfer. DOC is responsible for all due diligence duties and expenses required to prudently and properly maintain the property until the conveyance or jurisdictional transfer. DTMB may require a person to whom property is conveyed or transferred to record the instrument of conveyance or transfer with the appropriate register of deeds and provide DTMB with a recorded copy of the recorded instrument. DTMB must deposit the net revenue received from the sale of property in the state treasury to the credit of the general fund.

The bill took effect January 4, 2021.

FISCAL IMPACT:

There is no current appraisal or estimated value for the property subject to conveyance under the bill. Any revenue to the state or Land Bank would depend on the method of sale/transfer and the real estate market at the time of sale/transfer.

The state would realize savings related to maintenance, upkeep, and security upon the conveyance of the property. While no cost estimate is available, the savings are expected to be negligible.

Net revenue from the sale of any property would accrue to the general fund. All revenue from the development of any mineral rights would be deposited in the general fund.

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