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OTSEGO COUNTY, DETROIT STATE FAIRGROUND CONVEYANCES; NEW STATE FAIR AND EXPOSITION FUND

Senate Bill 523 (Substitute H-1) First Analysis (12-8-99)

Sponsor: Sen. George McManus, Jr.
**House Committee: Conservation and
Outdoor Recreation**
**Senate Committee: Local, Urban and State
Affairs (Discharged)**

THE APPARENT PROBLEM:

For 50 years, the Department of Natural Resources has occupied approximately 20 acres in Gaylord known as the Gaylord Forest Management Repair Facility. The department has received \$1.5 million in state general funds to replace this old facility, and is in the process of building a new facility elsewhere in Gaylord, so it no longer needs the two parcels of land occupied by the old facility. The city of Gaylord, Otsego County, and the state police reportedly are interested in building a shared court, jail, and police complex on this land, and legislation has been introduced to convey the land to the county.

In an unrelated matter, the Department of Agriculture would like to sell a parcel of property that is part of the state fairgrounds in Detroit that the department no longer needs, but the department does not have the authority to do this. Legislation has been introduced to allow the conveyance of the property in question.

THE CONTENT OF THE BILL:

The bill would convey state land in Otsego and Wayne Counties, and would create a new "state fair and exposition" fund in the Department of Treasury.

Otsego County conveyance. The bill would allow the Department of Natural Resources to convey two parcels of land currently under its jurisdiction in Gaylord in Otsego County for one dollar (which would be deposited in the state general fund) to Otsego County. The department would reserve an easement for the remediation of groundwater contamination ("including, but not limited to, the treatment of buildings, monitoring of wells, flow lines, utility rights-of-way, and ingress and egress" to the parcels that supported the remediation effort), that would remain in effect until completion of the groundwater remediation

as determined by the department. The bill would prohibit any uses that interfered with or damaged the operation and maintenance of the remediation effort and equipment, and would require Otsego County to agree, by accepting the conveyance, not to disrupt the area defined in the easement (which would be delineated in a survey by the department) by excavation, wells, or other subsurface disturbance without the department's written permission.

The property would have to be used exclusively for a public purpose ("including, but not limited to, constructing and operating a jail, courthouse, or law enforcement facility") and upon termination of that use or use for any other purpose, the state could repossess the property and terminate the conveyance to the county. The bill also would allow action by the attorney general on behalf of the state if the county disputed the state's exercise of its right to reenter and repossess the property.

The conveyance would be by quitclaim deed approved by the attorney general, and would not reserve mineral rights to the state. However, if Otsego County developed the mineral rights, the state would have to receive at least half of the net royalties.

Wayne County conveyance. The bill also would allow the state administrative board, on behalf of the state, to convey about 38 acres of land currently under the jurisdiction of the Department of Agriculture on the state fairgrounds in Detroit. The land would have to be conveyed for "fair market value," but at least for \$4,621,298, which represents the amount of money spent by the Michigan Natural Resources Trust Fund to acquire the property. "Fair market value" would be determined by an appraisal based on the property's "highest and best use," and would be appraised by the

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state tax commission or an independent fee appraiser retained by the Department of Management and Budget. At least 87.5 percent of the revenue from the conveyance, or \$4,621,298, whichever were greater, would be deposited in the Michigan Natural Resources Trust Fund.

The balance of the revenue from the conveyance -- after any deductions required by law had been made and any expenses relative to the sale had been reimbursed -- would be deposited in the "state fair and exposition fund," which the bill also would create. Money in the fund would be spent, by appropriation, only for the operation and management of the state fair, and any money in the fund at the end of the fiscal year would remain in the fund and not lapse into the general fund.

HOUSE COMMITTEE ACTION:

The House Committee on Conservation and Outdoor Recreation substituted the Senate bill to add provisions allowing the state administrative board to sell a 38-acre parcel of land currently part of the state fairgrounds in Detroit.

FISCAL IMPLICATIONS:

Fiscal information is not available.

ARGUMENTS:

For:

The Otsego County transfer of land formerly used by the Department of Natural Resources for its repair facility would allow the city of Gaylord, Otsego County, and the state police to consolidate their facilities into a new shared court, jail, and police complex. At the same time, the bill would allow the department to proceed with cleaning up a groundwater contamination problem that exists at the site.

For:

The state fairground property, which reportedly consists of about 38 acres on the corner of Eight Mile Road and Woodward Avenue, apparently originally was bought by the Department of Natural Resources with Michigan Natural Resources Trust Fund money. The department reportedly planned on developing a state park on the land, but never did. Instead, since then, the state fair has been transferred to the Department of Agriculture, and the Department of Natural Resources has apparently developed a "pocket park" as a teaching facility elsewhere on the state

fairgrounds. The land in question reportedly currently is used for "overflow" parking for the state fair, and people apparently also use it as a place to dump trash. In any case, it is no longer needed for a state park and no longer is under the jurisdiction of the Department of Natural Resources. However, while the DNR has the authority to convey state land on behalf of the state, the Department of Agriculture apparently does not. So in order for this parcel of land to be conveyed, enabling legislation is necessary.

According to the Department of Agriculture, the property in question not only is no longer needed to meet the goal of establishing a state park, but also is no longer an integral component of the state fair management plan or the plans of the Michigan Natural Resources Trust Fund (MNRTF). Allowing the land to be sold for fair market value (or at least the amount spent by the trust fund to acquire it in the first place) would allow the trust fund to be reimbursed for its original expenditure and to use this money to buy other recreational land. Sale of state fairground land that no longer is needed by the state fair also would allow the state fair management to divert current maintenance resources to other existing buildings and infrastructure.

Response:

While the land in question may have been acquired for the amount specified, wouldn't its value, adjusted for inflation, have increased since it was bought? Shouldn't the correct amount designated for the Michigan Natural Resources Trust Fund take into account this adjustment?

Reply:

Apparently the land in question was acquired piecemeal over a period of years in the late 1980s and early 1990s, often through tax reversion of abandoned residential property. So there was no single purchase of the entire parcel that would call for an inflation-indexed adjustment to the \$4.6 million figure in the bill.

For:

Reportedly, for the past 24 out of 25 years, the state has expended more money on the state fair than it has taken in. The bill, by establishing a state fair and exposition fund, would help ensure that should future state fairs cost more than they took in, there would be a backup fund to help pay for this.

Against:

Neither conveyance would, as sometimes is the case in conveyances of state lands, reserve mineral rights to the state (though the Otsego County conveyance provisions would require that the state share in at least half of any future mineral development revenues). Is this a change

in state policy? If so, why? If not, why the exception in these two cases?

Response:

According to the Department of Agriculture, it does not believe that there are any significant mineral resources that could be developed in the case of the proposed Wayne County conveyance.

Reply:

Even if there currently are no expectations that mineral resources will or could be developed, why close off that option to the state?

POSITIONS:

The Department of Natural Resources supports the bill.
(12-8-99)

The Department of Agriculture supports the bill. (12-8-99)

Analyst: S. Ekstrom

■ 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.