

# Legislative Analysis

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## STATE SALES OF REAL PROPERTY: FIRST OFFER TO LOCAL UNITS

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**House Bill 6045 (Substitute H-3)**  
**Sponsor: Rep. Shelley Goodman Taub**

**House Bill 6046 (Substitute H-3)**  
**Sponsor: Rep. Barbara Farrah**  
**Committee: Local Government and Urban Policy**

**Complete to 9-7-06**

## A SUMMARY OF HOUSE BILLS 6045 & 6046 AS REPORTED FROM COMMITTEE

House Bill 6045 would amend the Management and Budget Act (MCL 18.1251) and House Bill 6046 would amend the Natural Resources and Environmental Protection Act (MCL 324.2131) to require that before offering real property for public sale, the appropriate state authority (under the MBA) or the Department of Natural Resources (under NREPA) must first offer the property at fair market value to the local units of government in which the entire property is located.<sup>1</sup>

In order to exercise its right to purchase the property, a local government would have to enter into a purchase agreement within 60 days, and then complete the purchase within 120 days, of the offer. (The bill would allow the state to extend the deadline by 120 days.) If the sale is not completed within 240 days of the offer, the state wouldn't be required to sell the property to the local unit. If a local unit purchased the property and conveyed it for use other than public purposes within the next five years, the local government would be required to pay the state one-half of its net profit.

Property located within two or more local units (e.g., city within the county, or a village within a township, within a county) would first be offered to local units in the following order of priority: (1) villages; (2) cities; (3) townships; and (4) counties.

The property's fair market value ("highest and best use") would be based on an appraisal prepared by a qualified independent assessor selected by the DMB (under the MBA) or

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<sup>1</sup> The bills do not define "state authority," although the Management and Budget Act (MCL 18.1115) defines "state agency" to mean a department, board, commission, office, agency, authority, or other unit of state government. State agency does not include an institution of higher education or a community college. For purposes of Article 2 (the article being amended by the HB 6045), "state agency" includes the Legislature, but, with certain exceptions, does not include the judicial branch. Additionally, the bills do not define "local unit of government" specifically, although the Management and Budget Act (MCL 18.1115) defines "units of local government" to mean a political subdivision of this state, including school districts, community college districts, intermediate school districts, cities, villages, townships, counties, and authorities, if the political subdivision has as its primary purpose the providing of local governmental service for citizens in a geographically limited area of the state and has the power to act primarily on behalf of that area. The Natural Resources and Environmental Protection Act (MCL 324.301) defines "local unit of government" to mean a city, village, township, or county.

DNR (under NREPA). If a local unit changes zoning, land use, or other applicable regulation that would have an adverse affect on the property's value within three years of the date the property was declared surplus, the fair market value would not take into account the adverse impact of those changes.

Each bill also says (1) that it should not be construed to prohibit the state from selling property to a local unit at less than fair market value for a public purpose; (2) it does not apply to the transfer of property in exchange for another parcel of property or to property transfers under the Land Bank Fast Track Act; and (3) the state could exempt property from the bill's "first offer" requirements by providing for the exemption in the authorizing legislation conveying the property.

**FISCAL IMPACT:**

The bill could potentially lower state revenue to the extent that local units of government purchase real property from the state at below fair market value. Because the number of such sales and the degree to which the purchase prices are below fair market value are not known, the fiscal impact cannot be determined.

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■ 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.