

Legislative Analysis



REVISE COMMUNITY HEALTH CONVEYANCE

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 5340 (Substitute H-1)
Sponsor: Rep. Leon Drolet

Senate Bill 847 (Substitute H-1)
Sponsor Sen. Michael Switalski

Senate Committee: Appropriations
House Committee: Regulatory Reform

Complete to 9-9-04

A SUMMARY OF HOUSE BILL 5340 (H-1) AND SENATE BILL 847 (H-1) AS REPORTED FROM HOUSE COMMITTEE

Public Act 440 of 2002 authorized the conveyance of a 26-acre parcel under the jurisdiction of the Department of Community Health in Clinton Township in Macomb County to a nonprofit organization to be used exclusively for providing outpatient services to indigent persons requiring services for mental illness, aging, substance abuse, or developmental disability. The two bills, taken together, would amend the terms of that conveyance.

Under the conveyance, the property was to be used for those purposes for a period of 50 years and if it was put to another use, the state is authorized to reenter and repossess the property. The property was to be conveyed at fair market value, with the appraisal to be based on use of the property for providing services to the mentally ill or developmentally disabled.

House Bill 5340 would amend the act to make the conveyance provide that if the property is sold by the Macomb-Oakland Regional Center for any purpose other than for community-based services and the state has declined to exercise its first right to repurchase, the Macomb-Oakland regional center (MORC) would be required to repay the state in the following manner: (1) an amount equal to the appraised fair market value of the property based on its highest and best use at the time it was sold by the state minus the amount MORC paid for the property and (2) an amount equal to 50 percent of the price paid to MORC for the property by the subsequent purchaser minus the fair market value based on its highest and best use at the time it was sold to MORC by the state.

Senate Bill 847 would continue to require that the property be conveyed to the Macomb-Oakland regional center at fair market value based on its use for providing specified community-based services, but would remove the requirement that the property be used for certain specified purposes for 50 years after the conveyance; remove the state's authority to reenter and repossess the property if used for other purposes during the 50-year period; and remove the authority of the attorney general to bring action to regain

possession of the property if the grantee were to dispute the state's exercise of its rights of reentry.

The bill would authorize that the conveyance be made by quitclaim deed and a right of first refusal drafted and approved by the attorney general. The quitclaim deed would provide that if the property is offered for sale by MORC for any purpose other than for community-based services, the state would have first right to repurchase the property from the grantee within 90 days for an amount equal to the price that MORC paid to the state for the property.

Senate Bill 847 is tie-barred to House Bill 5340 and would not take effect unless House Bill 5340 is also enacted.

FISCAL IMPACT:

To the extent that the Macomb-Oakland Regional Center, Inc. is able to pay the fair market value of the property (currently appraised at approximately \$3.4 million) the bill would have no fiscal impact on state or local government. If, however, Macomb-Oakland Regional Center, Inc., were not able to pay the fair market value, and there would otherwise be parties willing and able to pay, then the bill could result in foregone opportunity costs to the state of \$3.4 million. It is not expected that the added required use of the property on which the appraisal must be based, as outlined in the bill, would significantly alter the appraised value of the property.

Legislative Analyst: E. Best
Fiscal Analyst: Al Valenzio

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