



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 844 (as enrolled)
Sponsor: Senator Rick Jones
Senate Committee: Local Government
House Committee: Appropriations

Date Completed: 6-1-16

RATIONALE

Emergent BioDefense Operations Lansing, LLC, is a subsidiary of Emergent BioSolutions, Inc. and operates a facility in Lansing that produces the anthrax vaccine. Emergent BioSolutions was founded in Lansing in 1998 in a former public health laboratory that the company bought from the State, which is where Emergent BioDefense operates. Since then, Emergent has expanded and renovated its facilities. In 2008, the State also sold to the company a half-acre parking lot that is adjacent to Emergent's lab facility. Emergent is in the process of redeveloping that parking lot and improving security on its property. The State still owns a small parcel of land bounded by the Emergent property that the company would like to purchase, in order to facilitate its planned parking and vehicle inspection operations. It has been suggested that the State convey that property to Emergent BioDefense Operations at fair market value.

CONTENT

The bill would create a new act to do the following:

- **Require the State Administrative Board to convey certain State-owned property in Ingham County to Emergent BioDefense Operations Lansing, LLC, for fair market value.**
- **Require Emergent BioDefense Operations to complete the conveyance within 180 days after the bill was enacted.**
- **Require net revenue received under the act to be credited to the General Fund.**

Specifically, the bill would require the State Administrative Board, on behalf of the State, to convey a certain parcel of property in Ingham County that is under the jurisdiction of the Department of Technology, Management, and Budget (DTMB) to Emergent BioDefense Operations Lansing, LLC, or its successors or assigns, for fair market value.

The fair market value of the property would have to be determined by an appraisal prepared for the DTMB by an independent appraiser.

Emergent BioDefense Operations would have to complete the conveyance within 180 days after the bill's effective date. The Board would have to make the conveyance by quitclaim deed designed or otherwise approved as to legal form by the Attorney General.

The State could not reserve oil, gas, or mineral rights to the property. The conveyance would have to provide, however, that if the purchaser or any grantee developed any oil, gas, or minerals found on, within, or under the conveyed property, the purchaser or any grantee would have to pay the State one-half of the gross revenue generated from the development of oil, gas, or minerals. Any payment from revenue generated from that development would have to be deposited into the General Fund.

The State would reserve all aboriginal antiquities including mounds, earthworks, forts, burial and village sites, mines, or other relics lying on, within, or under the property with power to the State

and all others acting under its authority to enter the property for any purpose related to exploring, excavating, and taking away aboriginal antiquities.

Net revenue received under the act would have to be deposited in the State Treasury and credited to the General Fund. "Net revenue" would mean the proceeds from the sale of the property less reimbursement for any costs to the State associated with the sale of property, including administrative costs, costs of reports and studies and other materials necessary to the preparation of the sale, environmental remediation, legal fees, and any litigation related to the conveyance of the property.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Emergent BioSolutions is a global, specialty pharmaceutical company founded in Lansing, Michigan, and headquartered in Maryland. Its subsidiary, Emergent BioDefense Operations, operates around the clock in Lansing and manufactures BioThrax, the anthrax vaccine. According to Emergent BioSolutions, the company supplies the vaccine to the U.S. government for its strategic national stockpile and to the U.S. military for its pre-exposure protection protocol. Emergent was founded when the company bought a former public health lab in Lansing from the State in 1998, and it purchased the surrounding parking lot in 2008. The company plans to redevelop the parking lot to make it more secure and improve the flow of vehicle and pedestrian traffic, as well as upgrade the aesthetics of the surrounding area.

As part of the project, the company would like to obtain a small parcel of property adjacent to its parking lot that the State still owns. That property includes only about 4,900 square feet and contains a small, single-story building covering only about 350 square feet. The State is not using the structure and has no need for it. Since the parcel is essentially landlocked by the Emergent property, the State has no planned use for the property. In fact, according to information supplied by the DTMB, Emergent is currently in control of the parcel pursuant to a one-year rental agreement under which the company is authorized to remove the structure.

The small piece of property subject to the proposed conveyance was not included in the previous land conveyances, possibly out of concern about contamination and the need for soil remediation. Emergent is now prepared to deal with those issues and plans to conduct soil sampling and testing for various contaminants, including lead and asbestos in the building that is on the property. The company reports that it will adjust its demolition strategy accordingly for the safety of the site, its personnel, the environment, and the surrounding community.

Given the location of the parcel, its potential use to the company that owns the surrounding land and facilities, and the State's lack of need for the property, the State should sell the property to Emergent.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

Revenue generated to the State General Fund from the sale of the property would be based on a future appraisal. The State has had title to the property dating back to at least the 1930s. There is a building on the property that was constructed in 1948. The property is bounded by Emergent BioDefense Operations, Lansing, LLC, and by the Department of Health and Human Services laboratory. Emergent is currently in control of the property under a one-year rental agreement. According to the DTMB, as payment for that agreement, Emergent is authorized to remove the shed on the property, reducing the State's liability. There is value to the State from this agreement because the structure is surplus to State needs, and in need of demolition and remediation.

Fiscal Analyst: Bill Bowerman

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