

# APPROVED

November 6, 2007

Michigan State  
Administrative Board

Lansing, Michigan

October 24, 2007

A special meeting of the State Administrative Board was held in the Lake Superior Room, 1st Floor, Michigan Library and Historical Center, on Wednesday, October 24, 2007, at 11:05 a.m.

Present: Steve Liedel, Legal Counsel, representing Jennifer M. Granholm, Governor, Chairperson  
Brandon Hofmeister, Deputy Legal Counsel, representing John D. Cherry, Lt. Governor  
Patrick F. Isom, Assistant Attorney General, representing Michael A. Cox, Attorney General  
Mary G. MacDowell, Director, Financial Services Bureau, representing Robert J. Kleine, State Treasurer  
Joseph Pavona, Director, Bureau of Administrative Services, representing Terri Lynn Land, Secretary of State  
Jean Shane, Special Assistant, Office of the Superintendent, Michael P. Flanagan, Superintendent of Public Instruction  
Myron Frierson, Director, Bureau of Finance and Administration, representing Kirk T. Steudle, Director, Department of Transportation  
Sherry Bond, Secretary

Others Present:

Socorro Guerrero, Michael Reilly, Department of Attorney General; James Burris, Terri Fitzpatrick, Janet Rouse, Department of Management and Budget

1. CALL TO ORDER:

Mr. Liedel called the meeting to order and led the Pledge of Allegiance to the Flag.

2. HEARING OF CITIZENS ON MATTERS FALLING UNDER JURISDICTION OF THE BOARD:

NONE

3. REPORTS AND RECOMMENDATIONS OF COMMITTEES:  
(Please see the following pages)

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Administrative Board

## COMMITTEE REPORT TO THE STATE ADMINISTRATIVE BOARD

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The Honorable Jennifer M. Granholm, Governor  
and  
Members of the State Administrative Board

A special meeting of the **Building** Committee was held at **11:00 a.m.**  
on **October 24, 2007.** Those present being:

Chairperson: Mary G. MacDowell, representing Approved \_\_\_\_\_  
State Treasurer Kleine

Member: Brandon Hofmeister, representing Approved \_\_\_\_\_  
Lt. Governor Cherry

Member: Steve Liedel, representing Approved \_\_\_\_\_  
Governor Granholm

Others: Socorro Guerrero, Patrick F. Isom, Michael Reilly, Department  
of Attorney General; Jean Shane, Department of Education;  
Sherry Bond, James Burris, Terri Fitzpatrick, Janet Rouse,  
Department of Management and Budget; Joseph Pavona, Department  
of State; Myron Frierson, Department of Transportation

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The Building Committee special agenda was presented.

Following discussion, Mr. Liedel moved the special agenda be  
recommended to the State Administrative Board for approval.  
Supported by Mr. Hofmeister, the motion was unanimously adopted.

Ms. MacDowell adjourned the meeting.

# SPECIAL AGENDA

## BUILDING COMMITTEE / STATE ADMINISTRATIVE BOARD

October 24, 2007 – 11:00 a.m. / October 24, 2007 – 11:05 a.m.

Michigan Library and Historical Center

Lake Superior Room 1<sup>st</sup> Floor

### **RECOMMENDATION FOR AMENDMENT OF LAND CONTRACT**

#### 1. DEPARTMENT OF MANAGEMENT AND BUDGET – SALE OF FORMER NORTHVILLE PSYCHIATRIC HOSPITAL PROPERTY

2002 PA 6 authorized the State Administrative Board to sell the former Northville Psychiatric Hospital property (the Property). On September 30, 2005, the Board authorized the sale of the Property to REIS Northville, LLC (REIS) pursuant to the terms of a purchase agreement and amendment executed August 31, 2005. The purchase agreement provided that the parties would enter into a land contract. On October 2, 2005, DMB and REIS entered into a land contract. On April 26, 2006, the Board approved the land contract.

Pursuant to the land contract, REIS agreed to purchase the Property for \$31,500,000.00 with a down payment of \$25,000,000.00 due by October 12, 2005 and the balance of \$6,500,000.00 due four years later (by September 30, 2009). The land contract allows REIS to delay tender of the \$24,999,900.00 remaining down payment "for such period of time as may be reasonably necessary to remove or discharge" any litigation seeking to enjoin the sale of the Property. The land contract does not contain a similar provision that would allow REIS to delay tender of the \$6,500,000.00 balance. REIS' ability to obtain financing for the remaining down payment has been delayed by two lawsuits. These lawsuits have been dismissed. REIS' lender has insisted that the land contract be amended to extend the due date for the \$6,500,000.00 balance so it parallels the provision providing for delay of the remaining down payment.

In order to insure that REIS pays the \$6,500,000.00 balance, the land contract provides that the State will not convey the last 60 acres of usable land to REIS unless REIS pays the State \$130,000.00 per acre. As consideration for the State's extension of the due date for the balance, REIS has agreed to amend this provision to increase the acreage to 65 acres and increase the price to \$140,000.00 per acre. This amendment should expedite the State's receipt of the \$6,500,000 balance.

**RECOMMENDATION:** That DMB be permitted to amend the land contract to extend the due date for the \$6,500,000.00 balance to October 24, 2011 in consideration for the buyer increasing the acreage and the per acre price of the usable land to 65 acres and \$140,000.00 per acre respectively.

**Purpose/Business Case**

The State has been attempting to sell the Property for over four years. Factors such as protracted litigation, environmental contamination, and township demands have consistently impacted the ability to close prior sales. The State is currently in the midst of a budget crisis and in need of the \$25,000,000.00 down payment. Although the State's receipt of the \$6,500,000.00 balance may be delayed, the buyer's agreement to increase the per-acre price for the last 65 acres of usable land will result in the State's receipt of the balance for release of less acreage than initially agreed.

**Benefit**

Approval of the amendment to the land contract will result in the payment of \$25,000,000.00 and permit the buyer to commence the development of valuable real estate in southeast Michigan.

**Funding Source/Commitment Level**

N/A

**Risk Assessment**

Failure to approve the amendment to the land contract could result in the buyer's inability to finance the remaining down payment, loss of much needed revenue to the State, and the continuing burdens of ownership of the Property.

**Zip Code**

48167

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Ms. MacDowell presented the Building Committee Report for the special meeting of October 24, 2007. After review of the forgoing Building Committee Report, Ms. MacDowell moved that the Building Committee Report covering the special meeting held October 24, 2007, be approved and adopted. The motion was supported by Ms. Shane and unanimously approved.

4. ADJOURNMENT:

Mr. Pavona moved that the meeting be adjourned. The motion was supported by Ms. MacDowell and unanimously approved. Mr. Liedel adjourned the meeting.

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SECRETARY

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CHAIRPERSON