




**Conditional Land Transfer
Agreements:
Michigan's Alternative to Annexation**

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**Conditional Land Transfer Act
PA 425, 1984**

- Legislative purpose is to promote cooperation among municipalities in creating economic development opportunities
- Recognizes that annexation battles are zero-sum games fought over tax base



Basic provisions of PA 425

- Two or more local units may:
 - "conditionally transfer" land
 - for a period not to exceed 50 years
 - "for the purpose of an economic development project"
 - share in the tax revenues



Agreement must address...

- Length of contract
- Specific authorization for, and terms of revenue sharing arrangements
- Methods of enforcement
- Provisions for rescission
- Jurisdiction over land upon expiration

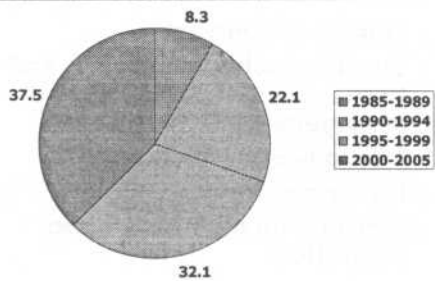
Other provisions of PA 425

- Agreements subject to referendum
- Must be filed with Sec. of State
- While agreement is in effect, "another method of annexation or transfer shall not take place" for the subject land.

Since 1984.... (As of 7/01/05)

- 314 agreements filed with Secretary of State, Office of the Great Seal
- 15 rescinded by parties since filing
- 4 Pending Final Approval

Filings by Time Period (%)

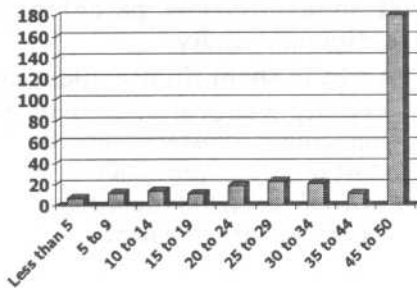


Agreements, by region

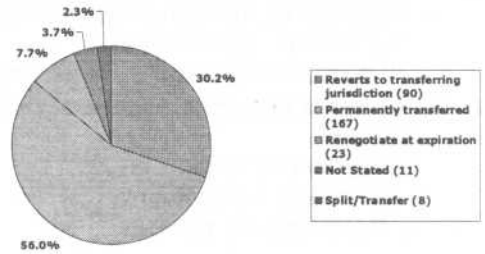


Region	Contracts	%
U.P.	8	2.7
North	29	9.8
W.C.	45	15.3
E.C.	41	13.9
S.E.	63	21.4
S.W.	109	36.9
TOTAL	295	100.0

Length of 425 contracts



Disposition upon termination



Emerging Issue:

Agreements without plans

- Could be a useful tool for implementing cooperative land use planning
- More often a reaction to immediate opportunities
- Recent agreements appear to *stifle* economic development in logical locations

Emerging Issue:

Fifty years?

- Random survey revealed that many officials were unaware that their municipality was party to a 425 agreement
- Does it take 50 years to compensate transferring jurisdictions for lost revenue?

Emerging Issue:

Reversion to transferring unit

- **50 years of investments by the "receiving" jurisdiction**
 - Roads, sewer & water, other services
- **50 years of expectations of the citizens**
 - Paying city millage
 - Voting as city resident
 - Receiving city services

Emerging Issue:

Contiguousness of parcels

- **MI *annexation* law: parcel must be contiguous to city**
- **PA 425 is silent on the question**
 - Legality of such arrangements if agreement transfers property
 - Cost of service provision
 - Lansing/Alaiedon Township; "leapfrog" development

Emerging Issue:

425 blocking agreements

- ***Casco Twp v. State Boundary Comm.*:**
 - Township-township agreements to surround city & block future annexations
- **Newest trend: township-township agreements to block annexation petitions pending before SBC**
 - Generally act to *thwart* attempts at economic development

Emerging Issue:

Lack of oversight

- **No entity oversees contents of agreements**
- **No entity to make inquiry into intent of agreements**
- **No entity keeps track of them**

Suggestions for Reform

- Require planning
- Shorten contract period
- Require permanent transfer
- Require contiguousness
- Designate a reviewing body

Web Page on Local Government

- For a copy of report download from the following web address
- <http://www.aec.msu.edu/government/index.htm>
- For assistance Contact:
 - Dr. Eric Scorsone
 - 517-353-9460

An Option to 425.....

- PA 7, 1967 (ES) permits a unit of government to extend infrastructure into an adjoining unit and collect ad valorem taxes from economic growth.
- See MCL 124.505a

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