

ST. IGNACE CONVEYANCE

Senate Bill 714 (Substitute H-1)
Sponsor: Sen. Walter North

**Senate Committee: Local, Urban and
State Affairs**
House Committee: Regulatory Affairs

First Analysis (2-10-98)

THE APPARENT PROBLEM:

The city of St. Ignace currently leases a public boat launch from the Department of Natural Resources (DNR). The boat launch is a single launch site and is located in the heavily congested downtown area within the city's small marina, which is also leased from the DNR. The city is planning on updating the marina from 20 slips to 127 slips to meet the needs of the busy tourist trade. However, the state-owned boat launch sits on property needed for the marina-expansion program. A study conducted by the city has identified a piece of property across East Moran Bay from the current launch site as being ideal for construction of a new and expanded public boat launch facility. Plans include the construction of four ramps to launch boats, parking for 110 cars, and bathroom facilities. The new site is currently owned by the Union Terminal Pier Company. The Union Terminal Pier Company currently leases on an annual basis a state-owned dock known as the State Ferry Dock or Dock 1 and is interested in buying the property. In order to meet the needs of the city to expand the marina and relocate the public boat launch, both of which are projects funded under the Waterways Fund as Grant-in-Aid projects, plans have been negotiated between the DNR, the city, and Union Terminal Pier Company by which the state would convey Dock 1 to the city of St. Ignace. St. Ignace could then exchange Dock 1 with the Union Terminal Pier Company for the company's property across the bay for the new boat launch. However, the company would have to make up the value difference between the two properties (estimated to be about \$490,000). The profit from the exchange of Dock 1 is planned to be used for construction of the new boat launch facility. The city would retain ownership of the new boat launch site, and the old launch site would become part of the marina expansion. Legislation has been proposed to convey Dock 1 to the city of St. Ignace and to authorize the exchange of land.

THE CONTENT OF THE BILL:

Senate Bill 714, along with House Bill 5058 (to which Senate Bill 714 is tie-barred), would amend Public Act 202 of 1996 (which authorized the State Administrative Board to convey certain state-owned property in Kalkaska County) to create a new conveyance. Together, the bills would allow the Department of Natural Resources to convey a parcel of land to the city of St. Ignace for \$1.00. The parcel contains a state ferry dock (Dock 1) and riparian upland, and would be part of an exchange for land on which a new boat launch facility would be built. Any difference in value between the exchanged parcels would have to be used by St. Ignace to construct a new boat launch with plans provided by the DNR. The DNR would reserve the right to approve the terms of the land exchange, and the parcel conveyed (Dock 1) would revert to the state if the boat launch were not built. Members of the public would have to be subject to the same fees, terms, and conditions for using the boat launch regardless of their place of residence. The conveyance would be by quitclaim deed approved by the attorney general and would not reserve mineral and nonmetallic mineral rights to the state. Any revenue remaining after the construction of the boat launch would have to be deposited in the state treasury and credited to the general fund.

BACKGROUND INFORMATION:

House Bill 5058 and Senate Bill 714 as introduced were nearly identical. Both bills have been passed by their respective chambers. The bills have since been amended to jointly provide for the St. Ignace conveyance and are tie-barred to each other.

FISCAL IMPLICATIONS:

The House Fiscal Agency reports that since the state would not retain mineral rights to the conveyed property, any revenue derived from future development would be

lost. Also, the annual lease revenue of \$46,800 for the rental of Dock 1 to a commercial entity would no longer accrue to the state once the conveyance is completed. Further, the state would not be able to receive the market value of the property if it were declared surplus and sold at a future date. Therefore, the conveyance of the St. Ignace property would result in an indeterminate decrease in state revenue.

According to the agency, the conveyance could result in an indeterminate increase in revenues to the local government. (2-6-98)

ARGUMENTS:

For:

St. Ignace is heavily dependent on the tourist trade, and as the economy strengthens, tourism grows. The growth in the pleasure boating industry is one example of a stronger economy. According to information supplied by St. Ignace city officials, space in marinas and for public boat launch sites is at a premium. Currently, St. Ignace operates a small, 20-slip marina that is leased from the DNR in the downtown district. Adjacent to the marina is a state-owned but city-leased-and-operated public boat launch. Reportedly, the close proximity of the two facilities results in congestion and traffic tie-ups. Also, the current boat launch site can only accommodate one boat being launched at a time, resulting in long lines of boaters waiting to launch their crafts.

The conveyance would provide a much needed solution. The conveyance would convey the adjacent state-owned ferry dock to the city and allow land to be acquired to relocate the public boat launch. The city can expand the existing marina from 20 slips to 127 slips to be used primarily for transient boaters, and exchange the state dock for a piece of land currently belonging to the Union Terminal Pier Company. The company currently leases the dock from the state and operates a ferry service from it. As part of the exchange, the company would exchange property it owns across East Moran Bay for the city to build a new and larger public boat launch. As the dock has a higher property value (being located in the downtown area), the exchange would net the city about \$490,000 to be used to build the newer launch site.

Since the public boat launch would primarily be used for local residents and vacationers to launch their boats, it will be advantageous for them to have a facility that can accommodate more than one boat at a time and that is located away from a high traffic area, yet within an easy drive of the downtown area. Meanwhile, the marina expansion plan would bring more tourists to the city center. As the downtown shops and restaurants are

within easy walking distance, it is expected that the expansion will be a major boost to the local economy, as well as to the state. Allowing the Union Terminal Pier Company to exchange land for Dock 1 will keep a business that also brings revenue to the city located in the heart of downtown. Further, the relocation of the boat launch facility and the expansion of the marina are funded under the Waterways Fund as Grant-in-Aid projects, and the Department of Natural Resources views the joint legislation as a critical component of both projects.

POSITIONS:

The Department of Natural Resources has indicated support of the conveyance. (2-5-98)

The City of St. Ignace has indicated support of the conveyance. (10-13-97)

Analyst: S. Stutzky

#