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SFA



BILL ANALYSIS

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Senate Bill 714 (as passed by the Senate)
Sponsor: Senator Walter H. North
Committee: Local, Urban and State Affairs

Date Completed: 1-14-98

RATIONALE

The City of St. Ignace operates a 20-slip marina at a State site, known as dock two, as well as leases a public boat launch from the Department of Natural Resources (DNR). State dock one, located approximately one-quarter mile to the north, is also leased by the DNR to the city which then leases it to the Union Terminal Pier Company. Union Terminal operates the Arnold Transit Company and runs a ferry service from dock one to Mackinac Island. In order to meet the needs of the busy tourist trade, the city wants to expand the marina at dock two to include 127 slips. The property needed for the marina expansion, however, is the site of the State-owned boat launch. A study conducted by the city identified a piece of property across East Moran Bay in Lake Huron for the construction of an expanded public boat launch facility. This site, however, is owned by the Union Terminal Pier Company. To facilitate the expansion of the marina, the DNR and Union Terminal have negotiated an agreement that provides for the conveyance of State property to the city and the trade of property between the city and Union Terminal. Specifically, the State would convey dock one and surrounding property to the city. St. Ignace officials then would offer this property to Union Terminal as a trade for the company's property located across East Moran Bay to serve as the site of the new boat launch. Union Terminal then would pay the city the difference in value between the two properties to pay for the construction of a new boat launch. The current city-operated boat launch, which is located within the city marina, would be discontinued and the marina expanded to include the area of the current boat launch. The marina expansion cannot occur, however, without legislation permitting the State to convey to the city the boat launch property and dock one so that the land trade between the city and Union Terminal Pier Company may take place.

CONTENT

The bill would permit the Department of Natural Resources, on behalf of the State, to convey for \$1 to the City of St. Ignace, property under the jurisdiction of the DNR that includes a State ferry dock, located in St. Ignace, Mackinac County, in exchange for a parcel of property in St. Ignace to be used for the construction of a boat launch.

The conveyance would have to provide for all of the following:

- That the property would have to be used as part of an exchange for land on which a new boat launch facility would be built.
- The DNR reserved the right to approve the terms of the exchange.
- Any difference in value between the exchanged parcels would have to be used by the city to construct a new boat launch with plans provided by the DNR.
- The parcel would have to revert back to the State with no liability to the State if, for any reason, the boat launch were not built.

The conveyance would have to be by quitclaim deed approved by the Attorney General and would have to reserve to the State all rights to coal, oil, gas, and other nonmetallic minerals found on, within, or under the conveyed property.

The revenue remaining after the construction of the boat launch would have to be deposited in the State Treasury and credited to the General Fund.

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

Because of the growth of the pleasure boating industry, space in marinas and public boat launch sites is at a premium in St. Ignace. The city currently operates a small, 20-slip marina in the

downtown area. Near the marina is a dock that the city leases from the State and then leases to the Union Terminal Pier Company. The close proximity of the two facilities and the fact that the current boat launch site can accommodate only one boat at a time reportedly results in congestion and traffic tie-ups as boaters wait to launch their crafts. The bill would allow the DNR to convey to St. Ignace a 2.60-acre parcel of land located on Business Loop I-75, one block southeast of the St. Ignace City Hall. The parcel has 543 feet of Lake Huron frontage and is the site of the former Michigan Department of Transportation car ferry dock one. Currently, this parcel is leased to Union Terminal, which operates a ferry service through the Arnold Transit Company. Once the land was conveyed to St. Ignace, the city would exchange the parcel for land owned by Union Terminal and located across East Moran Bay on Lake Huron. The city then would develop and operate a public boat launch facility on the replacement property. Since dock one has a higher property value, the parcel exchange reportedly would net the city approximately \$490,000 to be used to build the new boat launch facility. The city-operated boat launch would be discontinued and the marina expanded to include the former boat launch area. If the boat launch were not built on the replacement exchange parcel, title to the 2.60-acre former State-owned dock would revert to the State without liability for any improvements that were made. Since the new boat launch would be used by local residents as well as tourists, the facility would accommodate more than one boat at a time and be located away from a high traffic area, while still being in proximity to the St. Ignace business district. Furthermore, allowing Union Terminal to obtain dock one through a land exchange would keep downtown a business that attracts tourists and revenue. Proponents of the bill also note that the property conveyance is a critical component of projects to expand the marina and relocate the boat launch, both of which are funded under the Waterways Fund as grant-in-aid projects with the City of St. Ignace.

Legislative Analyst: L. Arasim

FISCAL IMPACT

According to the DNR, there is no current appraisal for the parcels being transferred, although the property currently owned by the State is reportedly more valuable than the property owned by the city. The bill indicates that any difference in value between the two exchanged properties would be used to construct a public boat launch on the new

property to be built and maintained by the city. Approximate estimates indicate a potential cost of between \$500,000 and \$1,000,000 to construct a new boat launch. While Section 5 of the bill states that revenue remaining after the construction of the boat launch “shall be deposited in the state treasury”, the bill only would provide for an exchange of property and construction of a boat launch by the city.

Finally, there is a lease between the State and the Arnold Transit Company for rental of slip space at the State-owned dock on the State property. The lease generates approximately \$46,800 in annual revenue for the State, which would be turned over to the city.

Fiscal Analyst: M. Hansen

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.