



City of Port Huron 100 McMorran Boulevard Port Huron, Michigan 48060

Office of the City Manager

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PERSONNEL DEPT

February 15, 2006

Mr. Bill Boik, Boating Unit Manager
Michigan Department of Natural Resources
Stevens T. Mason Building
P.O. Box 30028
Lansing, Michigan 48909-7528

Re: Water Street Marina

Dear Mr. Boik:

As you are aware, Daniel Collins, the City's Harbormaster, reported to the Waterways Commission on October 14, 2005, that a local philanthropic organization, the James C. Acheson Foundation, had shown interest in purchasing the City's Water Street Marina. Further, Dan reported all such waterfront property transactions must be approved by the citizens of Port Huron. A ballot proposal to sell or long-term lease the Water Street Marina was presented to the citizens of Port Huron in the November 8th local election. I am pleased to advise you that 87% of the voters voted "yes," thus authorizing the City to pursue negotiations for the sale of the property to the Acheson Foundation.

Construction of the Water Street Marina occurred in three phases beginning in the early 1970's. A total of 374 boat slips were constructed with the last phase of construction completed in 1988. Only these last 120 slips and associated ancillary equipment are in relatively good shape today. The remaining 254 slips are in desperate need of replacement. The dockage facilities at this marina are beyond their reasonable design life.

From its opening in 1971 and until 1991, the Water Street Marina remained a very viable facility servicing the community. Slips at this marina were in high demand during this period. However, beginning in 1991 demand for slips began to plummet. To illustrate, in 1990 there were 288 seasonal boaters at this facility. By 1996, only 38 seasonal boaters remained. What happened?

A combination of events occurred outside the control of the City which led to the vaporization of seasonal boaters utilizing the Water Street Marina. First, two new marinas in the geographical area opened, one in Sarina, Ontario with 300 slips and the other directly next

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to the City marina with 288 slips. The City could not compete with the amenities offered by these facilities. In addition, on a national scale, the country went through a major recession in 1990-91 during which time the boating industry suffered as well. Today, high fuel prices continue to hold the industry back.

Working with the City's Marina Advisory Committee and your office in 2002, the City sought and received approval to institute a new marketing plan for the Water Street Marina. We are now attempting to attract the boater who would normally trailer their boat during the season. While the volunteer worker program has been very successful, offering "rustic slips" at reduced rates has had limited success, with only an average of about 50 boaters per year taking advantage of this offer.

This brings me back to the results of the election. It is apparent that the citizens of this community have a great amount of faith in the Acheson Foundation and the philanthropic activity this foundation has provided to the community. Through their numerous sponsorships, the Acheson group is literally changing the face of Port Huron, both at the commercial level and at the residential level. At this time, no other organization is prepared to take over the operation of the Water Street Marina with the level of commitment to the community and the financial resources needed to revitalize the marina. The Acheson Foundation is prepared to commit to a substantial reinvestment in the marina while maintaining its public access. Their desire is to make needed repairs to the facility while improving its operation, making it more attractive to the boating community.

I see this as a win for the citizens of Port Huron and the State of Michigan. A local organization with deep ties to the community is offering to revitalize this marina, providing jobs and returning this property to the tax rolls. The City and State benefit by increased tax revenues. The community and citizens of the State benefit by having an improved facility available to them. The City is just not in the position to duplicate the efforts afforded by the Acheson Foundation. Further, the City cannot continue to supplement the operation of this facility under the budgetary constraints facing local municipalities.

I understand that the Water Street Marina was constructed with a combination of City, State, and Federal funds. The amount contributed by the State is in excess of one million dollars. The general language contained in the grant documents allows for the State of Michigan to purchase the marina property from the City at its current appraised value less any financial contribution made by the State. Please advise me should the Waterways Commission wish to exercise this option.

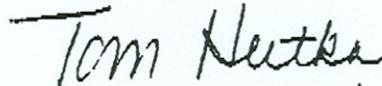
The City wishes to pursue the transfer of the marina to the Acheson Foundation. I am requesting approval of the Waterways Commission for this transfer. In addition, I am requesting the Waterways Commission forgive repayment of any grant funds received by the City from the State of Michigan for the construction and/or maintenance of this facility. These monies have served the citizens of this State well over the past 35 years. However, a greater investment is

now required. This is an investment which the City nor the State can afford at this time. However, with the investment in the facility the Acheson Foundation is willing to make, both the State and the City will benefit.

Again, I would like to emphasize that the transfer of ownership of the Water Street Marina to the Acheson Foundation will not result in a loss of public access to the facility. Indeed, we anticipate that with reinvestment, public utilization of this facility will only increase.

Should you have any questions or require further information, please feel free to contact me.

Sincerely,

A handwritten signature in black ink that reads "Tom Hutka". The signature is written in a cursive style with a horizontal line above the first few letters.

Thomas J. Hutka *pk.*
City Manager

/pk