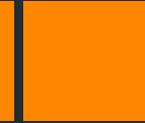




Commercial Operations on State Land

Authority:

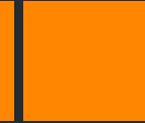


○ **Act 419, P.A. of 1998, Section 503 (2)**

“The Department may lease lands owned or controlled by the Department or may grant concessions on lands owned or controlled by the Department for any purpose that the Department determines to be necessary to implement this part. In Granting a concession, the Department shall provide that each concession is awarded at least every 7 years based on extension, renegotiation, or competitive bidding.”

“However, if the Department determines that a concession requires a capital investment in which reasonable financing or amortization necessitates a longer term, the Department may grant a concession for up to a 15 year term. A concession granted under this subsection shall require, unless the Department authorizes otherwise, that all buildings and equipment shall be removed at the end of the concession’s term.”

Authority:



- **Act 451, P.A. of 1994, Part 741, Section 74103A**

“The Department may do the following: Provide the granting of concessions to a person within the boundaries of a state park. In granting a concession, the Department shall provide that each concession is awarded at least every 7 years based on extension, renegotiation, or competitive bidding.”



What defines Commercial Use?

- **Defined as:**

- Commercial Use for profit or benefit.
 - *Does that mean money always has to change hands?*
- Not necessarily.
 - A benefit may come in other forms such as exchange of goods and services, creation of good will, growing of a business, or promotion.



How can I provide commercial services in State Parks or on other DNR lands?

- Lease
- Concession
- Commercial Operating Agreement
- Use Permit



The Process

- Begins with Vendor contacting the Park Supervisor, this includes completion of a Use Permit Application (form PR1138-1)
- Park Supervisor will review commercial use request with District Supervisor (within 60 days)
- Use Permit - Handled directly at Park level
- Lease, Concession, or Operating Agreement - Handled by Resource Management Section

Lease

- Request for a *Lease* begins with the Vendor and DNR agreeing to provide exclusive use of land in exchange for providing services that meet the DNR mission.
- May cover vendor use of state land, or the DNR's use of vendor land.
- Must meet a criteria spelled out under P.A. 451 of the Natural Resources and Environmental Protection Act. (examples include: outdoor recreation, timber harvest, reforestation, protection of game and fish)
- Grants **exclusive rights to use** the parcel of land for a specific purpose.
- May or may not involve a Cash Fee. (Fee may come in the form of providing in-kind services or maintenance/operation of the site.)
- Term generally does **not exceed a 25-year period**.
- Terms and conditions may be negotiated and amended at anytime, but require mutual agreement between the parties.
- Requires General Liability Insurance, Workers Compensation Insurance (if vendor meets state requirements), and may require Building Insurance.

Lease Examples

- Marina/Harbor
 - Outdoor Center
 - Boat Launches
 - Restaurant
 - Boat Wash
 - Ski Hill
-
- Detroit Yacht Club
 - Belle Isle Grand Prix
 - Horticulture School
-
- Approximately 250 leases statewide. Many leases written include no Fee. The value to the DNR comes in the form of providing enhanced outdoor visitor experience.

Concession

- Request for a *Concession Contract* begins with the DNR **developing bid specifications**.
- Grants **exclusive rights** to use state land for the purpose of providing commercial goods and services as specified in the contract.
- **Requires competitive bidding**.
- Fee is determined through the bid process.
- Generally, is written for a **3-year period** with the ability to extend up to an additional 4 years. (Not to exceed 7 years as outlined in PA 419 and 451)
- Terms and conditions may be negotiated and amended at anytime, but require mutual agreement between the parties.
- Requires General Liability Insurance, Workers Compensation Insurance (if vendor meets state requirements), and may require a Performance Bond.
- Additional requirements may include: Watercraft Inspection, Price List, Equipment Inventory List, Emergency Contact Info.

Concession Examples

- Park Store
 - Mobile Food Service
 - Bike / Boat Rental
 - Water Slide
 - Riding Stable
 - Farming
-
- No current active concessions on Belle Isle
-
- Approximately 60 concession contracts state wide – taking in around \$650,000 per year.
 - In addition, the Firewood, Ice, and Vending type concession operations generate around \$300,000 annually

Commercial Operating Agreement

- Request for an *Operating Agreement* begins with the vendor completing and submitting the **Use Permit** Application.
- **Does not grant exclusive** rights to commercially use state land. (Other vendors may be using the same parcel for the same commercial purposes.)
- **Does not require competitive bidding.**
- Fee is determined based on “Impact to the Resource”, which includes impact to the land, impact to staff, and impact to other users. It also factors in scope of operations.
- Generally is written for a **5-year period**, with the ability to extend for an additional 5-year term.
- Terms and conditions may be negotiated and amended at anytime, but require mutual agreement between the parties.
- Requires General Liability Insurance, Workers Compensation Insurance (if vendor meets state requirements), and may require a Performance Bond.

Commercial Operating Agreement Examples

- Livery
 - Marine Repair Service
 - Model Airplane Flying
 - Guiding Service
 - Equestrian Service
 - Whitewater Rafting
 - Recreational Vehicle Rental
-
- Approximately 350 commercial operating agreements throughout the state. Revenue generated is in excess of \$200,000 per year.

Use Permit

- Request for a *Use Permit* begins with the vendor completing and submitting the Use Permit Application.
- Does not grant exclusive rights to commercially use state land. (Other vendors may be using the same parcel for the same commercial purposes.)
- Does not require competitive bidding.
- Fee is determined based on the “Impact to the Resources”, which includes impact to the land, impact to staff, and impact to other users.
- May only be written to cover a period of time **not to exceed a 1-year period. Not intended to cover long-term commercial use.**
- Terms and conditions may be negotiated and amended at anytime, but requires mutual agreement between the parties.
- Requires General Liability Insurance, Workers Compensation Insurance (if vendor meets state requirements), and may require a Performance Bond.

Use Permit Examples

- Pedestrian / Bike Race
- Triathlon Event
- Boat Race
- Commercial Filming
- First time business ventures or unique options that are limited

- Alcohol Use for event when otherwise prohibited
- Inflatable Playscapes - “Moon Walk”

- Use Permits generate between \$100,000 and \$120,000 per year.

Where do we go from here?

1. Parks and Recreation Division needs to determine what commercial operations may benefit our visitors? **What are our visitors expectations at Belle Isle?**
2. Focus on providing **diverse options** for our park visitors
3. Determine where the **best locations** and demand for business will be at the Park
4. Develop revenue source to **re-invest back** to Belle Isle State Park (all revenues generated on the island, stay on the island).
5. If there is multiple vendor interest in providing certain services than what we plan for, we will need to move **towards a bidding process**

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