

LEGISLATIVE REFERENCE BUREAU FISCAL ANALYSIS

PUBLIC WORKS COMMITTEE

JANUARY 23, 2008

Item 5, File #071305

File Number 071305 is a resolution approving an amendment to, and extension of, the City of Milwaukee's lease agreement with the Edward E. Gillen Company for 7.615 acres of land at the Port of Milwaukee.

Background

1. On September 27, 2005, the Common Council approved File Number 050613, a resolution approving a lease agreement between the City and the Edward E. Gillen Co. for 7.615 acres of land located on the northeast corner of the Port of Milwaukee's Grand Trunk site.
2. The term of this retroactive lease agreement was from March 1, 2005, through December 31, 2007.
3. The Edward E. Gillen Co. is a marine contractor that offers ship and barge repair and design, engineering and construction of dockwalls, breakwalls, building foundations, pier protection systems, and other marine services. The lease agreement indicates that Gillen will use the leased property to operate a "dockside reception and load out facility for stone rip rap and other common construction aggregate materials."
4. The leased site consists of 3 parcels – Parcels A and B (totaling 4.8 acres), which Gillen is occupying and using on a continuous basis, and Parcel C (2.8 acres) which Gillen uses on an as-needed basis. The original lease agreement called for a monthly rent of \$3,400 for Parcels A and B (payable in advance) and a monthly rent of \$2,000 for Parcel C (payable in arrears and only for those months the tenant uses this parcel). An escalator clause provides for annual increases in the fair rental value of the property.

Discussion

1. This resolution approves an amendment to the Edward E. Gillen Co's lease agreement to extend the lease to include the term commencing January 1, 2008, and extending through December 31, 2010.
2. The amendment to the lease agreement also changes the rental provisions as follows:
 - For Parcels A and B, the rent will now be \$3,680 per month, payable in arrears on a quarterly basis.
 - For Parcel C, the rent will now be \$2,160 per month, payable in advance. Rent will continue to be charged in monthly increments and only for those months that the tenant elects to use Parcel C.

3. The Board of Harbor Commissioners approved this lease extension and amendment at its December 7, 2007, meeting.

Fiscal Impact

1. Annual rental revenues for Parcels A and B will start at approximately \$44,000 per year. Additional revenues may be realized from the tenant's optional rental of Parcel C as well as from wharfage charges.
2. Since the Port of Milwaukee operates as a self-supporting "enterprise fund," these revenues are used to cover the Port's operating expenditures; when the Port's revenues exceed its expenditures, the surplus revenue is transferred to the City's General Fund.

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