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August 29, 2007

To the Honorable
Public Works Committee
of the Common Council
Room 205 – City Hall

Re: CCFN 070541 – A substitute resolution approving a lease termination agreement for the demolition of certain improvements formerly utilized by the United States of America located at 2372 South Logan Avenue

Dear Committee Members:

This file pertains to a Lease Termination Agreement between the City of Milwaukee (“City”) and the United States of America (“USA”) relative to demolition of certain improvements located upon a former leasehold occupied by the USA pursuant to a series of leases with the Board of Harbor Commissioners of the City of Milwaukee (“Board”). The salient facts are as follows:

The USA has for a period in excess of 50 years, leased a large parcel of land located at 2372 South Logan Avenue (the “Property”) from the Board, pursuant to a series of lease agreements, the last of which expired as of May 9, 2006. The land was actually occupied and utilized by the United States Army for various military-related purposes throughout the term of this tenancy, and the Army constructed a complex of buildings and connecting tunnels upon the Property for its own use. The USA gave proper notice of its intention not to extend its tenancy past May 9, 2006. The final lease agreement between the City and the USA required the USA to return the Property to the City in the same condition as it found it at the commencement of its tenancy many years ago, *i.e.*, as bare ground. Given that the City had no use for the existing building complex constructed by the Army upon the Property, this would require that this building complex be demolished. City of Milwaukee and Port of Milwaukee officials wish this demolition to proceed as expeditiously as possible.

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In order to achieve this goal, it would be necessary for the City to conduct the demolition operations itself, rather than awaiting demolition by the Army or some other arm of the United States government; a process that would be subject to lengthy and cumbersome procurement, bidding, and other procedural requirements. The Lease Termination Agreement (“Agreement”) constituting the subject matter of this file facilitates this objective. Stated simply, this Agreement provides that the City would take title to the improvements located upon the Property and immediately proceed to demolish them and to restore the Property to bare-ground status. The Department of Neighborhood Services (“DNS”) has already completed its bidding process with respect to the proposed demolition contract (attached to the Agreement as Exhibit A) and is prepared to immediately award that contract to the lowest competent and reliable bidder for the amount of \$258,368. Once the Agreement has been approved and executed, demolition may proceed immediately, and, barring completely unforeseen circumstances, should be concluded in advance of the onset of winter.

The Agreement provides that the USA will reimburse the City for the costs of demolition and restoration of the Property. Section 3 of the Agreement references the extent of the USA’s responsibility for reimbursement of any unexpected costs incurred by the City’s demolition contractor in excess of the stated bid amount of \$258,368. Additionally, the USA has provided the City with a comprehensive Phase II environmental condition survey of the Property, which has been reviewed by the City’s environmental scientist. His advice is that while certain environmental issues have been identified, none are of such magnitude as to impede the expeditious demolition of the building complex located upon the Property. The projected costs of dealing with these environmental issues have been incorporated into the bid submitted by the successful bidder for this demolition contract, in the amount stated above.

Sufficient funds have been set aside by DNS to pursue this demolition project, and the USA has assured our office and officials of the Port of Milwaukee that it has set aside sufficient funds to fulfill its reimbursement obligations under the terms of the Agreement. Although the attached Resolution, therefore, does authorize an expenditure of funds, it is our expectation that the City will be fully reimbursed for its outlays, and that in the end, completion of this demolition project will have no fiscal impact upon the City.

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The Board approved adoption of the Agreement on August 28, 2007. On the basis of the foregoing, it is the recommendation of this office as well as that of the Port of Milwaukee that the Lease Termination Agreement between the City and the USA constituting the subject matter of this file is in the best interests of the City, and therefore that this Agreement should be approved. We thank the Committee for its consideration of this matter.

Very truly yours,

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SSM:lmb
attachments
1122-2007-1011:122961