

LEGISLATIVE REFERENCE BUREAU FISCAL ANALYSIS

PUBLIC WORKS COMMITTEE

SEPTEMBER 10, 2009

Item 4, File #090528

File Number 090528 is a resolution approving an amendment to the City of Milwaukee's lease agreement with North American Salt Company. for real property located on the South Harbor Tract of the Port of Milwaukee.

Background

1. On October 3, 2005, North American Salt Company ("NASC") and the City of Milwaukee entered into a Lease Agreement under which NASC leases 7 parcels totaling 10.2 acres, and including one building, located on the Port of Milwaukee's South Harbor Tract.
2. NASC uses the leased property to load, unload and store road salt.
3. NASC desires additional space to store a new salt product that is capable of melting ice at lower temperatures than conventional road salt. The Port of Milwaukee has available for lease a 2.3-acre bare-ground parcel in close proximity to NASC's existing parcels.

Discussion

1. This resolution approves an amendment to the existing North American Salt Company's existing lease agreement with the City of Milwaukee for land on the Port of Milwaukee's South Harbor Tract. The amendment would add an 8th, 2.3-acre parcel to the lands leased by NASC from the City.
2. The Board of Harbor Commissioners recommended approval of this amendment at its meeting of August 13, 2009.
3. The 2.3-acre parcel has not been used in approximately 15 years.
4. The amendment to the lease agreement states that the tenant's permitted use of this property is "the receiving, handling, storage, processing and delivery of rock salt and a low-temperature deicing agent to be blended with the rock salt, including tarping and loading/unloading trucks." The amendment also allows NASC to install an asphalt pad over part or all of the parcel and to erect a fabric building of approximately 20,000 square feet for its operations.
5. The initial term of this lease amendment is October 1, 2009, through March 31, 2025. The lease document provides for automatic extension of the lease for 2 additional, successive 5-year periods.

Fiscal Impact

1. The amendment to lease agreement stipulates that NASC shall pay a base rent of \$17,000 per acre per year (for a total of \$39,321). This rental rate may be subject to escalation on April 1, 2015 and each 5th anniversary thereafter.
2. In addition to these rental revenues, the Port projects that NASC's use of the leased property will generate \$11,250 in wharfage revenues and \$2,000 in dockage revenues per year, for total annual revenues of \$52,571.
3. 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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