

LEGISLATIVE REFERENCE BUREAU FISCAL ANALYSIS

PUBLIC WORKS COMMITTEE

APRIL 22, 2009

Item 5, File #081637

File Number 081637 is a resolution approving a Lease Agreement between the City of Milwaukee (Board of Harbor Commissioners) and Waters' New Biotech, Inc. for 3.7 acres on the Port of Milwaukee's South Harbor Tract.

Background

1. The Port of Milwaukee has negotiated a Lease Agreement with Waters' New Biotech, Inc. for 3.7 acres of unused Port property on the Port's South Harbor Tract, adjacent to the Inner Harbor. This is a "bare ground" lease; the buildings and other improvements left on the property by the previous tenant belong to the City.
2. Waters' New Biotech intends to use this property for construction and operation of a wood pelleting and gasification facility, including fixtures and equipment necessary for receiving raw materials and for handling, storage and delivery of finished products.
3. The Board of Harbor Commissioners approved this Lease Agreement at its meeting of April 9, 2009.

Discussion

1. This resolution approves the Lease Agreement, which is for a 15-year term (May 1, 2009 through April 30, 2024). The tenant, Waters' New Biotech, has the right to extend the lease for 2 additional 5-year terms.
2. The Lease Agreement requires the tenant to remove the building and other improvements currently located on the site by September 1, 2009. The estimated total cost of removing these City-owned improvements is \$116,000.
3. As part of the lease, Waters' New Biotech agrees to construct or install all improvements necessary for its use of the property as a wood pelleting and gasification facility, including one or more buildings and bulk loading/unloading systems and conveyors to transfer cargo to and from rail cars, vessels, trucks and the new building(s).
4. The Lease agreement sets forth a timeline for construction of the tenant's facility and requires the business to be operational by November 1, 2010.
5. The wood pelleting and gasification facility is the only permitted use of the leased property. Additional uses require the prior written approval of the Municipal Port Director.
6. The Lease Agreement gives Waters' New Biotech preferential, but not exclusive, use of the vessel berthing space adjacent to the leased property.

Fiscal Impact

1. Under the Lease Agreement, Waters' New Biotech will pay the City a base annual rent of \$85,100 (\$23,000 per acre). Rent is payable monthly and in advance.
2. In consideration of the tenant's commitment to remove, at its own expense, all City improvements located on the property, the annual rental rate for 2009, 2010 and 2011 will be reduced to \$46,433.
3. Beginning January 1, 2012, and continuing on January 1 of subsequent even-numbered years, the annual base rent will be adjusted for inflation.
4. Waters' New Biotech will also pay the City a wharfage fee based on the current Municipal Port Tariff for cargo, products or ingredients shipped from the leased property by ship, barge, railcar or truck. Annual wharfage fee revenues are estimated at \$54,000.
5. Because the Port of Milwaukee operates as an enterprise fund, approval of this Lease Agreement has no direct or immediate fiscal impact on the City. However, given that this lease will increase the Port's revenues and that the Port's surplus revenues are transferred to the City's General Fund, approval of this resolution will likely have a positive fiscal impact on the City.

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April 20, 2009

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