

LEGISLATIVE REFERENCE BUREAU FISCAL ANALYSIS

PUBLIC WORKS COMMITTEE

JULY 15, 2009

Item 16, File #090339

File Number 090339 is a resolution approving a Lease Agreement between the City of Milwaukee (Board of Harbor Commissioners) and Kinder Morgan Bulk Terminal, LLC, for approximately 2.0 acres of bare ground located on the South Harbor Tract.

Background

1. The Port of Milwaukee has negotiated a Lease Agreement with Kinder Morgan Bulk Terminal, LLC, for 2.0 acres of bare ground on the Port's South Harbor Tract, on S. Harbor Drive extended.
2. Kinder Morgan intends to use this property for the handling and storage of limestone and other dry bulk aggregates.
3. The Board of Harbor Commissioners approved this Lease Agreement at its meeting of June 11, 2009.

Discussion

1. This resolution approves the Lease Agreement for a 3-year term (April 1, 2009 through March 31, 2012). The Lease will automatically renew for one additional 3-year period unless either the City or the tenant delivers a written notice of termination to the other party.
2. The Lease Agreement allows the tenant to install bulk unloading systems, conveyors and other equipment or improvements necessary to facilitate the handling and storage of limestone or other dry bulk aggregates. Any other improvements shall be subject to the prior written approval of the Municipal Port Director.
3. Under the Lease Agreement, Kinder Morgan agrees to store piled materials only in locations designated by the City. No hazardous materials may be stored on the site.

Fiscal Impact

1. Under the Lease Agreement, Kinder Morgan Bulk Terminal, LLC, will pay the City a base annual rent of \$28,500 (\$14,250 per acre). Rent is payable quarterly and in advance.
2. On April 1, 2012, the annual base rent for the leased property will be adjusted for inflation. The new rate will apply to the second 3-year Lease period.
3. Kinder Morgan 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 \$36,000.

4. 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.

Prepared by: Jeff Osterman, X2262
LRB-Research & Analysis Section
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cc: Eric Reinelt
Lawrence Sullivan
Hattie Billingsley
Marianne Walsh