

LEGISLATIVE REFERENCE BUREAU FISCAL ANALYSIS

PUBLIC WORKS COMMITTEE

SEPTEMBER 30, 2009

Item 2, File #090351

File Number 090351 is a resolution approving an amendment and extension to the City of Milwaukee's lease agreement with Jacobus Energy, Inc., for real property located on South Harbor Drive at the Port of Milwaukee.

Background

1. The City and Jacobus Energy, Inc., entered into a lease agreement on October 3, 2001, for 10 acres of real property located at 1726 S. Harbor Drive on the Port of Milwaukee's South Harbor Tract. This lease expired on December 31, 2008.
2. Jacobus Energy now desires to return approximately 5.4 acres of this land to the City and to extend the lease for the other 4.6 acres for an additional 3 years.
3. Jacobus uses this property for the receipt, storage and shipment of petroleum products.

Discussion

1. This resolution approves an amendment to and extension of the lease agreement between Jacobus Energy, Inc., and the City for land located at 1726 S. Harbor Drive on the Port of Milwaukee's South Harbor Tract. Specifically, the amendment returns 5.4 acres of bare ground to the City and extends the lease for the remaining 4.6 acres for a period of 3 years (January 1, 2009 through December 31, 2011).
2. At the end of the 3-year lease extension, the lease will continue on a month-to-month basis and may be terminated by either party upon 30 days notice.
3. The Board of Harbor Commissioners recommended approval of this amendment at its meeting of April 9, 2009.

Fiscal Impact

1. The amendment to the lease agreement stipulates that rent for the property shall be \$8,500 per acre per year until such time as the tenant completes the removal of oil storage tanks and other improvements from the 5.4-acre parcel and returns it to the City as bare ground. At that time, the rent shall be increased to \$13,000 per year per acre, payable monthly in advance. On January 1, 2011, the annual rent shall be adjusted for inflation.
2. In addition to these rental revenues, the lease amendment provides for payment of throughput charges of \$0.30 per metric ton in 2009 and 2010 and \$0.35 per metric ton in 2011, with a minimum annual throughput of 10,000 tons.
3. This fiscal note for this file indicates that amended lease agreement will generate annual revenues of \$59,800 in land rent and \$3,000 in throughput charges. In 2008, revenues

from the existing lease for the entire 10-acre parcel included \$85,000 from land rent, \$12,500 in throughput charges and \$6,000 for rail track usage.

4. 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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September 29, 2009

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