

LRB-FISCAL REVIEW SECTION ANALYSIS

PUBLIC IMPROVEMENTS COMMITTEE

ITEM 18, FILE 021703

MARCH 12, 2003

ANGELYN WARD

File #021703 is a resolution approving a Lease Agreement with Lake Express, LLC and the Port of Milwaukee.

Background

1. This resolution approves the Lease Agreement between the Port of Milwaukee and Lake Express, LLC. The lease is for a parcel of 5.00 acres of bare ground plus a passenger terminal to be constructed at about 2330 S. Lincoln Memorial Dr. This resolution also authorizes the proper City officers to execute the Lease.

Discussion

1. The highlights of the lease agreement include:
 - The term commencement date is April 15, 2004 through April 14, 2014. The tenant has options for 3 additional five (5) year periods.
 - Rent includes wharfage fees, terminal building rental and maintenance building rental.

	1st Five Years	2nd Five Years	3rd Five Years	4th Five Years	5th Five Years
Wharfage Fees - Per Passenger	\$50,000 <i>minimum</i> \$0.50 ea.	\$75,000 <i>minimum</i> \$0.75 ea.	\$90,000 <i>minimum</i> \$0.90 ea.	\$99,000 <i>minimum</i> \$0.99 ea.	\$108,900 <i>minimum</i> \$1.09 ea.
Terminal Bldg Rent	\$10 per sq. ft.	\$10 per sq. ft.	\$12 per sq. ft.	\$13.20 per sq. ft.	\$15.42 per sq. ft.
Mtce. Bldg Rent	\$3 per sq. ft.	\$3 per sq. ft.	\$3.60 per sq. ft.	\$3.96 per sq. ft.	\$4.36 per sq. ft.

- A fee is charged on passengers arriving or departing the terminal, estimated at 150,000 per year.
 - Quarterly lease payments are made based on passenger count for previous 3 months.
 - The passenger terminal is 7,500 square feet and the maintenance building is 1,000 square feet.
2. According to the department, Lake Express LLC has signed a construction contract for the vessel, has construction financing for the ship and have signed contracts for the management of the operation. In addition to this terminal lease, they have negotiated a similar lease with Muskegon. With approval of this Milwaukee lease, long-term financing for the vessel is expected within the next 60 to 90 days.

Fiscal Impact

1. The lease is between the Port of Milwaukee and Lake Express, LLC. The revenue for the first 10 years is approximately \$1,717,500 and revenue for the first 15 years of the lease is approximately \$2,860,500. Lake Express, LLC is responsible for:

	<u>10 Years</u>	<u>15 Years</u>
Passengers	\$937,500	1,612,500
Terminal Building Rent	\$750,000	1,200,000
Maintenance Building Rent	<u>\$ 30,000</u>	<u>48,000</u>
TOTAL	\$1,717,500	\$2,860,500

2. Funding of \$2,000,000 is available from the 2000 capital improvement budget for the construction of the terminal and ramp facility.
3. The lease is from approximately April 2004 through April 2014.

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LRB – Fiscal Review Section
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