

LRB – FISCAL REVIEW SECTION ANALYSIS – 2nd REVISION

PUBLIC IMPROVEMENT COMMITTEE

ITEM 21, FILE 041521

MAY 11, 2005

ANGELYN WARD

File 041521 is a resolution approving amendment to lease agreement with Lake Express, LLC, and the Port of Milwaukee.

Background and Discussion

1. This resolution approves an amendment to the lease agreement with Lake Express, LLC for 5 acres of property on the Port's South Harbor Tract.

2. Lake Express, LLC provides passenger and auto ferry service between Milwaukee and Muskegon, Michigan which began in May 2004.

3. The amendment to the lease makes the following changes:
 - a. Commencement and termination dates – in the amended lease, the commencement date is July 1, 2004 and initial term of the lease expires on December 31, 2014. The first lease year commences January 1, 2005 through December 31, 2005 and each succeeding year, January through December. *In the original lease, the term commencement date was April 15, 2004 through April 14, 2014.* The tenant continues to have options for 3 additional five (5) year periods.

 - b. Description of property - the original lease called for the construction of a separate Maintenance Building from the Terminal Building. Due to cost, the Terminal Building was constructed with a Maintenance Garage area.

 - c. Attached is a site plan for the premise and the description of the Exclusive Use area for Lake Express use. In the 2nd Revision to the amendment, *the general public shall have access of the Exclusive Use area to utilize the services in the public spaces such as, restrooms, food kiosk and waiting area during the times the Terminal Building is open.* The Shared Use Area is for Lake Express and the Port for the purpose of obtaining access to and from property adjacent to the premises. The Public Use Area is reserved for Lake Express and by the general public for the purpose of obtaining access to the shore of Lake Michigan and other public property located adjacent to the Premise. In the 2nd Revision to the amendment, *the Port has the right to restrict public access to the Terminal Building and the Public Access area for reasons of safety and security.*

 - d. The total area for the Terminal Building is 6,823 sq. ft., with the Maintenance Garage area of 680 sq. ft. and the area for the Terminal, 6,143 sq. ft. *In the original agreement, prior to construction, the Terminal Building was 7,500 sq. ft. and the Maintenance Building was 1,000 square ft.*

 - e. The rent charged to Lake Express includes wharfage fees, terminal rent and maintenance area rent. According to the substitute fiscal note, wharfage fees are based on an estimate of 150,000 passengers per year, billable on a minimum 100,000 passengers per year, *the same number of passengers estimated in the original agreement.* Other major conditions of the lease remain the same as shown below.

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

Fiscal Impact

1. The Amendment to the Lease Agreement between Lake Express and the Port of Milwaukee revises the total estimated revenue. For the first 10 years of the amended agreement, the total estimated revenue on wharfage fees based on 150,000 passengers per year, and terminal building rent and maintenance area is \$1,572,200, a decrease of \$145,300, -8.5%, from the total estimated revenue of \$1,717,500 with the original lease.
2. The chart below shows the estimated revenue from the original lease and the amended lease.

LEASE AGREEMENT REVENUE

	<i>Original 10 Years</i>	<i>Amended 10 Years</i>	<i>Original 15 Years</i>	<i>Amended 15 Years</i>
Passengers (<i>est. 150,000</i>)	\$ 937,500	\$ 937,500	\$1,612,500	\$1,612,500
Terminal Building Rent	\$ 750,000	\$ 614,300	\$1,200,000	\$ 982,880
Maintenance area Rent	\$ 30,000	\$ 20,400	\$ 48,000	\$ 32,640
TOTAL	\$1,717,500	\$1,572,200	\$2,860,500	\$2,628,020

3. According to the department, the revised revenue received for 2004 is \$73,601.

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 LRB – Fiscal Review Section
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