

LEGISLATIVE REFERENCE BUREAU FISCAL ANALYSIS

PUBLIC WORKS COMMITTEE

JANUARY 27, 2010

Item 10, File #091180

File Number 091180 is a resolution approving an assignment of lease agreement and consent to assignment relating 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. On October 13, 2009, the Common Council approved File Number 090351, a resolution which amended this lease agreement such that 5.4 acres of the real property would be returned to the City as bare ground (upon removal of oil storage tanks and other improvements by Jacobus), with the lease for the other 4.6 acres being extended for an additional 3 years.
3. Jacobus now desires to assign its lease of the 4.6 acres to South Harbor, LLC. South Harbor would continue to use this property for the receipt, storage and shipment of petroleum products.

Discussion

1. This resolution approves an assignment of lease agreement, and consent to assignment, for Jacobus Energy, Inc.'s lease of 4.6 acres of land located at 1726 S. Harbor Drive on the Port of Milwaukee's South Harbor Tract. The lease agreement would be assigned to South Harbor, LLC.
2. The lease assignment is effective January 31, 2010. As stipulated by Common Council File 090351, the lease will expire on December 31, 2011. The lease will retain all of its current terms, rates and conditions. The assignee (South Harbor) and the City agree to negotiate, in good faith, a successor lease to take effect January 1, 2012.
3. The Board of Harbor Commissioners recommended approval of this amendment at its meeting of December 10, 2009.

Fiscal Impact

1. Since this resolution approves the assignment of an existing lease of City-owned property to a new tenant, with all existing terms, including rental rates and throughput charges, transferred to the new tenant, approval of the resolution will have no fiscal impact on the City.

2. The fiscal note for File Number 090351 indicates that the lease agreement with Jacobus Energy (now being transferred to South Harbor, LLC) will generate annual revenues of \$59,800 in land rent and \$3,000 in throughput charges.
3. 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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