



Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street
Chicago, IL 60611

Legislation Text

File #: 16-0929, **Version:** 1

TRANSMITTAL LETTER FOR BOARD MEETING OF SEPTEMBER 15, 2016

COMMITTEE ON PROCUREMENT

David St. Pierre, Executive Director

Authority to advertise Contract 16-366-11 for public tender of bids for a 39-year lease on portions of the ground floor and outdoor plaza consisting of approximately 10,751 sq. ft. of the 101-111 East Erie Street building in Chicago, Illinois. The minimum initial annual rental bid shall be established at \$45,000.00 (*Deferred from the September 1, 2016 Board Meeting*)

Dear Sir:

On April 7, 2016, the Board of Commissioners authorized the commencement of statutory procedures to lease portions of the ground floor and outdoor plaza consisting of approximately 10,751 sq. ft. of the 101-111 East Erie Street building in Chicago, Illinois. The building is 20 stories high and approximately 230,704 square feet in area. The portions requested for leasing consist of the 101 East Erie ground floor lobby ("101 lobby"), a ground floor storage room on the 111 East Erie side of the building ("111 storage room"), and the outdoor plaza to the extent it surrounds the 101 lobby ("101 plaza").

The District owns the entire ground floor section of the property, including these portions, subject to certain easement rights held by the lead applicant requesting the lease, GIC 101 Erie LLC ("GIC"). GIC is a developer presently constructing a hotel on the 111 East Erie side of the building. As for the 101 lobby and 111 storage room, GIC's easement rights provide for exclusive use of them, subject only to the District's rights of access in cases of emergency or to make necessary building repairs. As for the 101 plaza, GIC's easement rights are non-exclusive, meaning it shares the right to use the plaza with the District.

Due to the existence of these easement rights, the fair market value of the proposed leasehold is considerably reduced. Nevertheless, the leasehold still retains value, due to the fact that not all of the easements belonging to GIC that the leasehold would be subject to are exclusive.

The proposed lease will provide for easement rights in favor of the District allowing the District to continue using the 101 lobby and 111 storage room in the same limited manner that it does today. Concerning the 101 plaza, however, the proposed lease will give the highest responsible bidder exclusive rights of use, which means District personnel will have to use the public sidewalk instead of crossing the 101 plaza.

Pursuant to statute, GIC submitted two appraisals and the Law Department obtained another as follows:

<u>Appraiser</u>	<u>Value</u>
Cohn Reznick Patricia L. McGarr, MAI (District's Appraiser)	\$400,000.00
CBRE - Valuation and Advisory Services Randal D. Dawson, MAI	\$0

Applied Real Estate Analysis, Inc.

A. Andy Prodanovic, MAI

\$450,000.00

It is recommended that the subject real estate's fair market value be based upon the highest of the three appraisals and established at \$450,000.00, and that the minimum initial annual rental bid be established at 10% of the property's fair market value or \$45,000.00.

It is further recommended that the Executive Director recommend to the Board of Commissioners that it authorize and approve the issuance of the following orders:

1. The real estate consisting of approximately 10,751 sq. ft. of portions of the ground floor and outdoor plaza area of the 101-111 East Erie Street building, as depicted in the exhibit attached hereto, be declared surplus and not needed for the District's corporate purposes and available for lease as set forth herein.
2. The fair market value of this property be established at \$450,000.00, and that the minimum initial annual rental be established at 10% thereof or \$45,000.00.
3. The Director of Procurement and Materials Management be authorized to advertise said property as available for lease for a term of 39-years at the minimum initial annual rental bid of \$45,000.00, and report the results of the bidding to the Board of Commissioners for further action.

It is requested that the Executive Director recommend to the Board of Commissioners that it authorize the Director of Procurement and Materials Management to advertise Contract 16-366-11 for public tender of bids for a 39-year lease of portions of the ground floor and outdoor plaza consisting of approximately 10,751 sq. ft. of the 101-111 East Erie Street building in Chicago, Illinois. The minimum initial annual rental bid shall be established at \$45,000.00.

Requested, Ronald M. Hill, General Counsel, RMH:SM:CMM:vp

Recommended, Darlene A. LoCascio, Director of Procurement and Materials Management

Respectfully Submitted, Barbara J. McGowan, Chairman Committee on Procurement

Disposition of this agenda item will be documented in the official Regular Board Meeting Minutes of the Board of Commissioners for September 15, 2016

Attachment