



Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street
Chicago, IL 60611

Legislation Text

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TRANSMITTAL LETTER FOR BOARD MEETING OF NOVEMBER 16, 2017

COMMITTEE ON REAL ESTATE

Mr. David St. Pierre, Executive Director

Authority to issue a two (2) year permit to The Peoples Gas Light and Coke Company on approximately 31.84 acres of District real estate located west of Pulaski Road and north of the Main Channel in Chicago, Illinois; Main Channel Parcels 40.02, 40.04 and 40.07. Consideration shall be a documentation preparation fee of \$5,000.00

Dear Sir:

The Peoples Gas Light and Coke Company ("Peoples Gas") occupied approximately 31.84 acres of District real estate located west of Pulaski Road and north of the Main Channel in Chicago, Illinois and known as Main Channel Parcels 40.02, 40.04 and 40.07, under two separate 99-year leases. The lease of Parcels 40.04 and 40.07, consisting of 27.38 acres, commenced in 1916 and expired January 31, 2015. Under this lease, Peoples Gas originally used it for operations ancillary to its adjacent former Manufactured Gas Plant ("MGP") site known as the Crawford Station located north of the parcels and later operated natural gas pipelines and appurtenances related thereto. In 1978, the lease was amended to reduce the leasehold to 9.71 acres. The annual rent was \$21,182.00. Upon expiration of the lease, a permit was issued to Peoples Gas on Parcels 40.02 and 40.07 for continued use and occupancy and for environmental testing and remediation. The permit, as extended, expired October 31, 2016. The annual permit fee was \$237,919.00.

The lease of Parcel 40.02, consisting of 4.46 acres, commenced in 1917, and expired October 29, 2016. Under this lease, Peoples Gas operated natural gas pipelines and appurtenances related thereto. The annual rent under the 1917 lease was \$947.76. In 1943, ExxonMobil Corporation ("ExxonMobil") subleased the parcel for use in conjunction with its adjacent bulk oil distribution center. Upon expiration of the lease, a permit was issued to ExxonMobil on Parcel 40.02, for continued use and occupancy and for environmental testing pending conclusion of the statutory leasing process for a new lease of Parcel 40.02. The ExxonMobil permit, as extended, expires October 29, 2018. The annual permit fee is \$90,500.00.

On October 20, 2016, the Board of Commissioners authorized the issuance of a one (1) year permit to Peoples Gas on the three parcels to allow it continued occupancy and to finalize its environmental and remediation testing. Peoples Gas failed to sign the permit due to differences over the District's remedial action objectives for the property. To date, Peoples Gas' natural gas piping remains on all three parcels. Remediation of all three parcels is necessary as a result of migration from Peoples Gas' adjacent former MGP operations, and as a result of certain historical ancillary MGP operations on the subject parcels during the terms of the 99-year leases.

In 2007, Peoples Gas entered into a Consent Decree with the United States Environmental Protection Agency ("USEPA") to assess Crawford Station and its surrounding area, including Parcels 40.04 and 40.07 (40.02 is not part of the Consent Decree). Pursuant to the Consent Decree, the USEPA has recently contacted the District and requested that, notwithstanding the unresolved matters concerning this contamination and unauthorized use of the parcels by Peoples Gas, the District provide Peoples Gas with access thereto solely

for the purpose of allowing Peoples Gas to further assess the environmental condition of the parcels due to residual MGP contamination. It is recommended that this limited permit be issued, provided that any and all rights that the District may have against Peoples Gas are reserved, including, but not limited to, those pertaining to Peoples Gas' contamination and unauthorized use of the parcels and any breach by Peoples Gas of the 99-year leases. The USEPA has indicated its agreement with the District's reservation of such rights.

A standard document preparation fee of \$5,000.00 is recommended since the District will be reserving all such rights it may have against Peoples Gas including rent.

It is requested that the Executive Director recommend to the Board of Commissioners that it authorize the issuance of a two (2) year permit to The Peoples Gas Light and Coke Company on approximately 31.84 acres of District real estate located west of Pulaski Road and north of the Main Channel in Chicago, Illinois; Main Channel Parcels 40.02, 40.04 and 40.07. Consideration shall be a document preparation fee of \$5,000.00.

It is further requested that the Executive Director recommend to the Board of Commissioners that it authorize and direct the Chairman of the Committee of Finance and the Clerk to execute the permit agreement after it is approved by the General Counsel as to form and legality.

Requested, Susan T. Morakalis, General Counsel, STM:CMM:MLD:vp

Recommended, David St. Pierre, Executive Director

Respectfully Submitted, David J. Walsh, Chairman Committee on Real Estate Development

Disposition of this agenda item will be documented in the official Regular Board Meeting Minutes of the Board of Commissioners for November 16, 2017

Attachment