



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 JANUARY 21, 2010

COMMITTEE ON REAL ESTATE

Mr. Richard Lanyon, Executive Director

Authorization to declare as surplus and not required for corporate purposes and to sell to the City of Lockport 60± acres of District real estate located in unincorporated Will County, east of the Main Channel, and known as Main Channel Atlas Index Parcels 16.01, 16.02, 16.05, and the southernmost portion of 16.03, consideration is \$3,038,702.00

Dear Sir:

At its meeting of September 20, 2007, the District's Board of Commissioners authorized the commencement of negotiations to sell to the City of Lockport ("City") approximately 60 acres of District real estate located in unincorporated Will County, east of the main channel commonly known as Main Channel Parcels 16.01, 16.02, 16.05, and the southernmost portion of 16.03 to use the real estate for wastewater treatment and reclamation stormwater management, flood plain management, open space and related uses. A wastewater treatment facility left by the prior tenant is located on Parcel 16.01. A map of the subject property is attached.

Parcels 16.01 and 16.02 were previously occupied by Texaco Refining and Marketing, Inc. predecessor in interest to Chevron Environmental Management Company ("CEMC") under two 50-year leases that expired in 2000. Near the end of the lease terms environmental assessments were conducted, which revealed that the subject properties contained environmental contamination resulting from the tenant's use of the property. As a result, a permit, and extensions thereof, was issued to CEMC to perform environmental remediation of the formerly leased parcels and two adjacent parcels upon which contamination had migrated.

During the time that remediation of the site was in progress but not completed, the District was contacted by Chevron and the City concerning the City's interest in purchasing the site to use as afore-stated. The Board authorized staff to pursue negotiations with the City for the sale of the land. The negotiations were complex and arduous primarily due to the fact that the site had unresolved environmental issues. It is believed that the negotiations have been successfully concluded and authority is sought to sell the land to the City subject to the terms and conditions stated herein.

The property will be sold to the City as is. Because CEMC has not completed the environmental remediation of the subject property, the sale will be conditioned upon the City, as purchaser, and CEMC, as the prior tenant, indemnifying the District against any liability, claims, judgments, costs, expenses, etc. incurred as a result of any contamination that remains on the site. CEMC's indemnification will be supported by the requirement that it post a total of \$5 million in letters of credit to secure its obligations under the Indemnity Agreement, and that its parent corporation (Chevron Inc.) also be a party to the indemnification agreement. The amount of the letters of credit is based on the estimate clean up costs for the site to meet TACO Tier I Residential clean up objectives.

The City has been fully apprised of the environmental condition of the subject parcels and its indemnification obligations to the District. It has determined that the purchase under the subject terms and conditions are in

the City's best interests.

The sale will be further conditioned upon a reservation of easement in favor of the U.S. Army Corps of Engineers as requested by the Corps of Engineers encompassing a 150-ft. wide strip along the water's edge of each parcel for continued access to the canal for channel maintenance purposes. The same easement will be reserved on behalf of the District as well.

In accordance with District policy, the fair market value of the property was established after obtaining three appraisals. The appraisal results are as follows:

Appraiser

Appraised Fair Market Value

Shetina Appraisal Company (Retained by the City).....	\$951,038.00
C. B. Richard Ellis, Inc. (Retained by the City).....	\$1,470,000.00
Gibbons & Gibbons, Inc. (Retained by the District).....	\$3,038,702.00

Pursuant to District policy, the highest of the 3 appraisals (\$3,038,702.00) is deemed the properties' fair market value. No discount in value was permitted due to the environmental condition resulting from the prior tenant's use. The City has indicated its agreement to purchase the property for its fair market value of \$3,038,702.00 and that such purchase money has been provided to it by CEMC.

The District's technical departments have reviewed this proposal and have indicated that the real estate is not required for the District's corporate purposes and have no objection to selling the subject real estate. Because the subject land is located in Will County, the sale would not conflict with District policy prohibiting the sale of its waterway lands located in Cook County. There previously have been other sales of Will County properties, and currently, pursuant to Board authority, there are pending negotiations with the Will County Forest Preserve District for the sale of other Will County parcels not required for the District's corporate use.

It is requested that the Executive Director recommend to the Board of Commissioners that it pass the following Orders:

1. That the 60± acres of District real estate located in unincorporated Will County, east of the Main Channel, and known as Main Channel Parcels 16.01, 16.02, 16.05, and the southernmost portion of 16.03 be declared surplus and not needed for corporate purposes;
2. That the fair market value of said real estate be established at \$3,038,702.00;
3. That the sale of said real estate to the City of Lockport at a price of \$3,038,702.00 pursuant to an Agreement for Purchase and Sale of Real Estate embodying customary terms and conditions and the conditions set forth above be authorized and approved;
4. That the Chairman of the Committee on Finance and the Clerk be authorized and directed to execute the Agreement for Purchase and Sale of Real Estate and Quit-Claim Deed effecting the aforesaid sale after same have been approved by the General Counsel as to form and legality;
5. That the General Counsel be authorized and directed to execute and deliver all other documents necessary to effectuate said sale; and
6. That the Chairman of the Committee on Finance and the Clerk be authorized and directed to execute the Environmental Indemnity Agreement between the District, Chevron Inc., and Chevron Environmental

Management Company after same is approved by the General Counsel as to form and legality.

Requested, Frederick M. Feldman, General Counsel, FMF:CL:STM:rg

Recommended, Richard Lanyon, Executive Director

Respectfully Submitted, Terrence J. O'Brien, 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 January 21, 2010

Attachment