



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 MAY 20, 2010

COMMITTEE ON REAL ESTATE

Mr. Richard Lanyon, Executive Director

Authority to issue a 9-month permit extension to SPI Petroleum, LLC to continue to use approximately 3.78 acres of District land located at 4801 South Harlem Avenue in Forest View, Illinois; Main Channel Parcel 37.11, consideration shall be \$109,582.00

Dear Sir:

On September 3, 2009, the Board of Commissioners ("Board") authorized a permit extension to SPI Petroleum, LLC ("SPI") for use of approximately 3.78 acres of District land located at 4801 S. Harlem Avenue in Forest View, Illinois, known as Main Channel Parcel 37.11. The permitted use is for the operation of a trucking and bulk liquid storage warehouse terminal. Energy Transport, Inc. predecessor in interest to SPI previously operated the site under a lease. A permit was issued to SPI to allow continued occupancy of the site pending completion of the bidding process for a new lease. SPI's current permit fee is \$109,582.00 and it will expire on May 31, 2010.

The subject applicant's request for a lease has had more than one atypical issue to resolve before the site could be bid for a lease. District previously advertised the subject parcel for a lease that would expire in 2017. In the process of conducting its due diligence of the bidder, the District discovered that the bidder (an entity related to SPI) was not a viable corporate entity and that it lacked the financial resources to satisfy the obligations under the lease. Accordingly, the Board rejected the single bid. After months of review and discussion with SPI management about the District requirements for viable corporate entity status and the limits of issuing permits to non-applicant third parties, staff believed the bid process could proceed. However, in the interim, a conflict arose over the ownership of the improvements, a warehouse, office building, and storage tanks, and the impact of same upon the property's fair market value. The resolution of this issue has necessitated the need for new appraisals.

The recommendation to re-bid this site will include a minimum rental that will not be less than previously advertised so that the lead applicant, SPI, derives no advantage from its error and the passage of time during a difficult real estate market. Upon receipt of the appraisals, staff will seek Board authority to advertise the site available for lease.

It is requested that the Executive Director recommend to the Board of Commissioners that it authorize the issuance of a 9-month permit extension to SPI Petroleum, LLC for the continued use of approximately 3.78 acres of District land located at 4801 South Harlem Avenue in Forest View, Illinois; Main Channel Parcel 37.11. Consideration shall be \$109,582.00.

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

Requested, Frederick M. Feldman, General Counsel, FMF:CL:JCC: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 May 20, 2010