



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 OCTOBER 21, 2010

COMMITTEE ON REAL ESTATE

Mr. Richard Lanyon, Executive Director

Authorize issuance of a 39-year lease to the City of Chicago to build and operate a police outdoor firing range and other police training facilities on 33 acres of unimproved District land located at 2025 East 134th Street in Chicago and request for direction with respect to rent to be charged thereunder (*Deferred from the October 7, 2010 Board Meeting*)

Dear Sir:

On May 20, 2010, the Board of Commissioners ("Board") authorized the General Counsel to commence negotiations with the City of Chicago ("City") for a 39-year lease of 33 acres of unimproved District land located at 2025 East 134th Street in Chicago. The City proposes to build an outdoor police firing range, police training facilities, offices and storage for its officers and other federal, state and local law enforcement officers.

This matter was presented to the Board at its June 17, 2010 meeting requesting direction as to the consideration to be charged under the lease, but it was deferred and then deleted due to certain environmental groups expressing concern over the proposed use of the site. On July, 12, 2010 and September 3, 2010, the Executive Director sent memorandums to the Board in response to the environmental concerns raised by local environmental groups relating to the proposed subject lease by forwarding letters and reports addressing the questions and concerns raised.

The City has requested that the District issue the subject lease for a nominal fee of \$10.00. Typically, District land will only be leased for a nominal fee if the lessee is a governmental entity and the leased land will be used solely for public recreational purposes with access thereto by the general public without charge. If the leased land may only be used by the general public upon payment of a fee then the District will assess a rental fee, which typically will be a percentage of the profit derived from the operation of the site. If the land will not be made available for use by the general public then the District will typically assess an annual rental of between 4-6% of the property's appraised fair market value. The use of the term "general public" means that all citizens regardless of residence have equal access and privileges to use the leased land.

In view of District policy and practice typically the rental for a lease, as proposed, would fall in the range of 4-6% of fair market value because the land would not be accessible by the general public. However, there are considerations being proposed by the City for the subject transaction, which are atypical, and for which the Board may wish to consider as an exception to its policy, or to conclude that due to the unique consideration package being proposed by the City issuance of the lease under such terms and conditions is not inconsistent with its policy. Specifically, the City reports that it does not intend to charge other law enforcement agencies, including the District police officers, to use the range. It further adds that it is willing to agree to provide District police officers with free firearms training and classes, and to train the District's new police recruits at the City's police academy all at no charge to the District.

The District's police section has reviewed the City's proposal and has indicated that the use of the Chicago

Police Department training academy by District recruits would not offer a substantial savings in tuition at this time. This is because currently the State of Illinois reimburses the District for the cost of tuition it pays for its new police recruits to attend the Police Training Institute located in Champaign/Urbana. However, the Police Section reported that the free use of a state of the art firing range for District police officers would be positive and beneficial. The police section also indicated there would be a savings (although minimal) derived in mileage payments if the recruits attended the local Chicago Police Academy instead of the academy in Champaign/Urbana.

Because the proposed lease would be issued to a governmental entity, state law provides that the District may issue such leases upon the terms and conditions that it may deem in the District's and the public's best interests, upon recommendation of the Executive Director and approval of its Board of Commissioners. Accordingly, if orders are issued authorizing the issuance of the lease to the City then direction is respectfully requested on whether one of the following or some other approach should be used to negotiate the consideration for the proposed subject lease.

The rental/consideration options could include the following, or some combination of same:

1. That consideration for issuance of the lease shall be free use of the firing range by District police officers, free firearm training and classes for the District's police officers, and free training of District police recruits at the City's police academy; or
2. That consideration shall be an annual rental payment equal to 4 to 6% of the property's fair market value based upon appraisals; or
3. That consideration includes the free training referenced in 1 above plus payment of a rental amount less than the typical 4-6% of appraised value of the property, plus a percentage of any profit derived from the site. It should be noted that it is not expected that the site will return a profit even if at some point the City charges outside law enforcement agencies, to offset certain of its costs.

It is requested that the Executive Director recommend to the Board of Commissioners that it authorize and approve the District to enter into a 39-year lease with the City of Chicago to build and operate a police outdoor firing range and other police training facilities on approximately 33 acres of unimproved District land located at 2025 East 134th Street in Chicago and request for direction with respect to rent to be charged thereunder.

It is further requested 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 lease agreement after it is approved by the General Counsel as to form and legality.

Requested, Frederick M. Feldman, General Counsel, FMF:CL:SM: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 October 21, 2010

Attachment