

ORDINANCE NO. 002-167

AN ORDINANCE AUTHORIZING
A BUILD TO SUIT AGREEMENT WITH
175 JEFFERSON, LLC, AND
AGREEMENTS WITH THE CHICAGO
PUBLIC BUILDING COMMISSION FOR
THE DESIGNATION, AND ACQUISITION
OF PROPERTY LOCATED AT 555 WEST
LAKE STREET, CHICAGO, ILLINOIS,
FOR USE BY THE CHICAGO TRANSIT
AUTHORITY AS ITS HEADQUARTERS

WHEREAS, The Chicago Transit Authority ("Authority") has identified a need to consolidate its headquarters and certain administrative offices in a secure, modern facility in a cost effective manner; and

WHEREAS, Through the public bidding process, the Authority retained the services of Mesirow Stein Development Services, Inc. ("Mesirow Stein"), to conduct a review of the Authority's current and projected building occupancy needs and real estate options for the Authority's headquarters; and

WHEREAS, The consolidation of Authority headquarters and certain administrative offices into one facility would create an operating savings; and

WHEREAS, The option offered by 175 Jefferson, LLC, for property and construction of a building located at 555 West Lake Street, Chicago, Illinois ("Build to Suit Project"), is the alternative best suited for the Authority's needs; and

WHEREAS, Mesirow Stein has assisted Authority staff in negotiating a real estate purchase agreement ("Purchase Agreement") with 175 Jefferson, LLC, for the Build to Suit Project; and

WHEREAS, The Purchase Agreement requires 175 Jefferson, LLC, to, among other things, prepare plans, obtain zoning approval, construct the base building and Authority fit-out improvements, and provide certain warranties on equipment; and

WHEREAS, The Build to Suit Project will be ready for occupancy by Authority personnel in late 2004; and

WHEREAS, Under its current lease, the Authority must first give notice to its landlord, Vornado Realty Trust, on or before November 30, 2002, of its intent to vacate the Merchandise Mart by November 30, 2004; and

ORDINANCE NO. 002-167

(Continued) – 2

WHEREAS, The Chicago Public Building Commission ("PBC") has the power to use tax exempt financing to acquire and lease property for use by any municipal corporation rendering a public service in Cook County; and

WHEREAS, The PBC must receive a formal request from a municipal corporation before it can designate the Build to Suit Project for PBC acquisition, acquire the property, issue bonds and enter into a lease with the Authority; now, therefore:

BE IT ORDAINED BY THE CHICAGO TRANSIT BOARD
OF THE CHICAGO TRANSIT AUTHORITY:

SECTION 1. The Chairman, or her designee, is authorized to give written notice to Vornado Realty Trust of the Authority's intent to vacate the Authority's leased office space within the Merchandise Mart.

SECTION 2. The Transit Board hereby authorizes the procurement of the Build to Suit Project from 175 Jefferson, LLC, at a project cost not to exceed ninety four million six hundred thousand dollars (\$94,600,000), to be allocated substantially as reflected on Exhibit A, attached hereto and made a part hereof. The Purchase Agreement shall be substantially in conformance with Exhibit B, attached hereto and made a part hereof, and shall require 175 Jefferson, LLC, among other things, to convey the land and the improvements constructed thereon to the PBC. Management of the Build to Suit Project shall remain with the Authority.

SECTION 3. The Chairman, or her designee, is authorized to formally request that the PBC designate the land and a building to be constructed upon it at property located at 555 West Lake (Jefferson at Lake), Chicago, Illinois, which real estate is legally described in Exhibit C, attached hereto and made a part hereof, as a site to be acquired by the PBC for the Build to Suit Project. The Build to Suit Project shall be financed by the PBC through the issuance of tax exempt building revenue bonds to be secured by agreements between the Authority and the PBC, which would provide for annual payments by the Authority in an amount sufficient to amortize principal, interest and premiums, if any, on the bonds.

SECTION 4. The Chairman, or her designee, is authorized to enter into an Intergovernmental Agreement ("IGA") with the PBC to establish the rights and responsibilities of the parties for the Build to Suit Project. The form, terms and provisions of the IGA shall be substantially in conformance with Exhibit D, attached hereto and made a part hereof. The Chairman, or her designee, is authorized and empowered to execute, date and deliver the IGA in the name and on behalf of the Authority to the PBC and with such changes therein as shall be approved by the Chairman or her designee executing the same, her execution hereof to constitute conclusive evidence of her approval of any and all changes or revisions therein from the form of

ORDINANCE NO. 002-167

(Continued) -3

the IGA attached hereto. The Assistant Board Secretary is authorized to attest said IGA. The Intergovernmental Agreement shall include, among other things: PBC shall pay the costs of acquiring, developing and constructing the Build to Suit Project with funds derived from the issuance of revenue bonds; PBC shall acquire title to the Build to Suit Project and lease it back to the Authority; the Authority and its representatives shall manage the design, development and construction of the improvements upon 555 West Lake and pay annual rents sufficient to amortize the bonds; PBC shall not pay or disburse funds in excess of the funds derived from the issuance of the revenue bonds; and the Authority shall remediate any adverse environmental conditions on the Build to Suit Project using funds derived from the issuance of revenue bonds.

SECTION 5. The fee for the PBC's services shall be two and one-half per cent (2.5%) of the principal amount of the bonds, which shall be paid to PBC in the manner provided for in the bond resolution to be adopted by the PBC. In addition, the Authority shall agree to pay or reimburse PBC for legal fees, costs and expenses incurred by the PBC in connection with the acquisition/construction of the Build to Suit Project.

SECTION 6. The Chairman, or her designee, is also authorized to enter into a capital lease ("Lease") with the PBC for the Build to Suit Project. The form, terms and provisions of the Lease shall be substantially in conformance with Exhibit E attached hereto and made a part hereof. The Chairman, or her designee, is hereby authorized and empowered to execute, date and deliver the Lease in the name and on behalf of the Authority to the PBC and with such changes therein as shall be approved by the Chairman or her designee executing the same, her execution hereof to constitute conclusive evidence of her approval of any and all changes or revisions therein from the form of the Lease attached hereto. The term of the Lease shall not exceed 20 years. The debt service component in the Lease payments shall not exceed the debt service on the Bonds, which Bonds shall not exceed a principal amount of one hundred twenty five million dollars (\$125,000,000), shall not be issued at a true interest cost greater than 6.50 % per annum or be sold at a price less than 99% of par (without giving effect to original issue discount) without further action by this Board. The Assistant Board Secretary is authorized to attest said Lease.

SECTION 7. The Chairman of the Chicago Transit Board, or her designee, is authorized to execute all other documents and take all other action necessary to effectuate the purposes of this ordinance, including, without limitation, a tax exemption certificate and agreement and a continuing disclosure undertaking.

ORDINANCE NO. 002-167
(Continued) -4

SECTION 8. That this ordinance shall be in full force and effect from and after its passage.

APPROVED:

PASSED:

Vice-Chairman

November 14, 2002

Assistant Secretary

November 14, 2002