

**ILLINOIS SUPREME COURT VOIDS UNION PROPERTY LEASE NOT APPROVED  
BY THE GENERAL MEMBERSHIP**

Under the Property of Unincorporated Associations Act (the “Act”), 765 ILCS 115/2, unions must notify and obtain approval from their members before entering into agreements to lease or purchase real estate. In *1550 MP Road LLC v. Teamsters Local Union No. 700* (2019 IL 123046), a Teamster’s local union official signed a 15-year lease purchase agreement for union office space, but never had the agreement ratified by the general membership, as required under the union’s bylaws. Months later, the local went into emergency trusteeship and its members, assets, and liabilities were transferred to Local 700. The new local attempted to renegotiate the terms of the lease, but the property owner refused to respond, prompting the local to vacate the premises and default on the lease.

The property owner filed suit in circuit court alleging breach of contract and claimed over \$3 million in damages from the union failing to perform according to the terms of the lease they signed. The circuit court ruled for the property owner, finding that under the Act, the legislature did not detail any consequences for a union failing to get membership approval for property transactions. The circuit court also found that the successor union occupied the property and paid rent, thereby receiving the benefits of the agreement. The appellate court affirmed the lower court decision.

The Illinois Supreme Court, however, overturned the decision and found the union not responsible for the terms of the lease. Notably, the Court held that the lease was void *ab initio*, or void from the beginning, as if it never existed. After considering the history and purpose of the Act, along with general principals of contract law, the Court found that without general membership approval, the union never had the legal authority to enter into the agreement. The Court further reasoned that the union’s subsequent conduct of occupying the property and paying rent for a period of time did not convert the deficient lease into one that was legally enforceable, because a contract void *ab initio* is treated as if it never occurred.

Clients are advised to call an Asher, Gittler & D’Alba attorney for a confidential consultation on existing property agreements and for review of any new contracts.

ASHER, GITTLER & D’ALBA, LTD.  
200 West Jackson Boulevard, Suite 720  
Chicago, IL 60606 – 312.263.1500

© 2019 Asher, Gittler & D’Alba, Ltd.  
All rights reserved.  
Dated: April 19, 2019

This release informs you of items of interest in the field of labor relations.  
It is not intended to be used as legal advice or opinion.

U.S. News & Report’s Best Law Firms Designation is for Chicago Tier 1 rankings in Employment Law (Individuals), Labor Law (Union), and Litigation (Labor and Employment) and a National Tier 2 ranking in Litigation (Labor and Employment).

