

AMEND BOARD REPORT 14-0326-OP1
AMEND BOARD REPORT 13-1218-OP3
APPROVE NEW LEASE AGREEMENT WITH ONE NORTH DEARBORN PROPERTIES, LLC
FOR CPS' HEADQUARTERS OFFICE

THE CHIEF EXECUTIVE OFFICER REPORTS THE FOLLOWING DECISION:

Approve entering into a lease agreement with One North Dearborn Properties, LLC for CPS' headquarters office. A written lease agreement is currently being negotiated. The authority granted herein shall automatically rescind in the event a written agreement is not executed within 90 days of the date of this Board Report. Information pertinent to this lease agreement is stated below.

Theis March 2014 amendment is necessary to add additional space to the 9th floor of the leased Premises. A written amendment to the Lease is required. The authority granted herein shall automatically rescind in the event the lease amendment is not executed within 90 days of this amended Board Report.

The June 2014 amendment is necessary to provide authority for interior build-out work in the amount of \$6.8 million. The lease stipulates a landlord provided tenant improvement allowance. The lessor provides funds to build out the space in order to cover costs in excess of the tenant improvement allowance. These funds will pass through the landlord to the general contractor for completion of the work. This amendment was anticipated but we could not provide the correct amounts until we completed final design and received preliminary GMP (gross maximum price) responses from the general contractor. These funds are already included in the FY-15 capital budget.

LANDLORD: One North Dearborn Properties, LLC
 405 5th Avenue, 4th Floor
 New York, NY 10018
 Contacts: Meyer Chetrit, Managing Member / (212) 868-0378
 Kevin Purcell, MB Real Estate / (312) 558-3803

TENANT: Board of Education of the City of Chicago

PREMISES: A portion of the building located at One N Dearborn Street in Chicago. The CPS entrance shall be located on Madison Street and a CPS-specific address will be determined. The Premises shall consist of up to 208,215 rentable square feet (RSF): the entire lower level of 60,270 RSF, a portion of the 1st floor consisting of 10,280 RSF, the entire 2nd floor of 48,983 RSF, the entire 3rd floor consisting of 47,471 RSF, and a portion of the 9th floor consisting of up to 41,211 RSF.

USE: To be used for the CPS headquarters office.

TERM: The term of this lease agreement shall be fifteen (15) years, commencing on November 12, 2014, and ending on November 30, 2029.

OPTIONS TO RENEW: Tenant shall have two (2) consecutive options to renew all or a part of the lease, each for five (5) year periods, for all or any part of the Premises. Tenant shall provide Landlord no less than fifteen (15) months prior written notice of such election to renew. Rent for any renewal term shall be 95% of the Fair Market Rental Rate, which is defined as the annual amount per RSF in comparable lease transactions, (such as rent, concessions, etc). All other terms and conditions of the original lease shall apply to any renewal terms.

EARLY TERMINATION RIGHT: Tenant shall have the right to terminate all or a portion of the lease with written notice to Landlord on or before the 96th month of the lease term, effective the 108th month of the term (i.e. the end of the 9th year of the Lease). If Tenant terminates any of the lower level portion of the Premises, the ground floor portion of the Premises shall also be terminated. The Tenant may not terminate portions of the Lease Premises that leave the Landlord with space that does not meet applicable building or safety codes. Upon any termination exercised by Tenant, Tenant shall pay Landlord any unamortized transaction costs for the space that is terminated.

RENT: The annual rent (including estimated operating expenses and real estate taxes for a 2014 Base Year) shall be assessed as follows:

| Lease Year | Floors 1, 2, 3 and 9 (147,945 RSF) RSF/Total | Lower Level (40,000 RSF)* RSF/Total | Annual Rent | Total |
|-----------------|--|---|-------------------------|------------------------|
| Years 1 to 4 | \$31.00 / \$4,586,295 | \$23.50 / \$940,000 | \$5,526,295 | \$22,105,180 |
| Years 5 to 7 | \$32.50 / \$4,808,212.50 | \$25.00 / \$1,000,000 | \$5,808,212.50 | \$17,424,637.50 |
| Years 8 to 10 | \$33.50 / \$4,956,157.50 | \$26.00 / \$1,040,000 | \$5,996,157.50 | \$17,988,472.50 |
| Years 11 to 13 | \$35.50 / \$5,252,047.50 | \$28.00 / \$1,120,000 | \$6,372,047.50 | \$19,116,142.50 |
| Years 14 and 15 | \$36.50 / \$5,399,992.50 | \$29.00 / \$1,160,000 | \$6,559,992.50 | \$13,119,985.00 |
| | | | Base Rent Total: | \$89,754,417.50 |

***The Board shall only pay rent on 187,945 RSF of the 208,215 RSF of the Premises. Rent shall be paid on 40,000 RSF of the 60,270 RSF of the lower level (with 20,270 RSF rent free for 15 years).**

RENT ABATEMENT: Months 1 through 4, 13 through 16, 24 through 27, and 37 through 39 of the lease term shall be free of all rent considerations, including operating expenses.

OPERATING EXPENSES AND TAXES: Operating expenses and real estate taxes are included in the gross rent at a 2014 Base Year. The operating expenses and real estate taxes for 2014 are estimated to be \$10.09 per RSF, and for 2015 are estimated \$10.40 per RSF. After 2014, Tenant shall pay the increase in actual costs for operating expenses and real estate taxes over the Base Year. Operating expenses include but shall not be limited to cleaning and janitorial services, property management, utility costs, trash removal, building security, maintenance of the elevators and escalators within the Premises and HVAC for normal business hours. Certain operating expenses will be capped at a 4% increase per year.

UTILITIES: Electricity shall be directly metered to Landlord and billed by Landlord to Tenant for Tenant's actual usage cost. Landlord shall furnish heating, ventilation and air conditioning Monday through Friday from 8:00 am to 6:00 pm and Saturdays from 8:00 am to 1:00 pm, excluding holidays; after-hours use shall be charged to Tenant at a 4-hour minimum. The current rates are \$75/hour for heating and \$150/hour for cooling. Tenant shall also have access to Landlord's chilled water 24 hours a day, 7 days per week. The current rate is \$0.36 per ton-hour of consumption.

EXPANSION/CONTRACTION OPTIONS: Tenant shall have the right to expand the Premises up to 13,000 additional RSF on the 4th and 7th anniversaries of the commencement date. Tenant shall provide Landlord with 12 months written notice of its intent to expand. Similarly, Tenant may contract the Premises by terminating all or a portion of the 3rd floor space during the 6th, 7th and 8th lease years. Tenant shall provide Landlord with 12 months written notice of its intent to contract and shall pay Landlord any unamortized transaction costs for the space that is terminated on the third floor.

SUBLEASE/ASSIGNMENT: Tenant shall have the right to sublease, assign or otherwise permit occupancy of all or a portion of the Premises to any related entity without the Landlord's prior approval and to any 3rd party with the Landlord's prior approval.

BASE BUILDING DELIVERY: Prior to any funds being utilized from the Tenant Improvement Allowance described below, Landlord will deliver the Premises in a code-compliant, demised condition completed per Tenant's demolition plan.

TENANT IMPROVEMENT ALLOWANCE/TENANT CONSTRUCTION: Landlord shall provide a turnkey delivery process for the construction of Tenant's improvements. Landlord shall be responsible to pay up to \$75.75/RSF (\$15.8 million) in expenses for Tenant's construction ("Tenant Improvement Allowance"). Tenant shall deliver architectural construction plans to Landlord prior to the commencement of construction.

CHANGE ORDERS: Tenant may initiate changes or additions to the construction of Tenant's improvements by written direction to Landlord. Any change orders must be agreed to by Tenant and Landlord before the changed

or additional construction work commences. The change order work shall be performed by Landlord's contractor. Tenant shall be responsible for any change order work that exceeds the Tenant Improvement Allowance. Tenant has initiated a change order for additional universal design scope, which incorporates ADA design through layout and material selection. The universal design change order will require an additional \$6.8 million above the Tenant Improvement Allowance.

INSURANCE: The Board shall provide for liability insurance under its self-insured coverage.

IMPROVEMENTS: The Board shall have the right to make improvements to the premises, if necessary, with the consent of the Landlord.

AUTHORIZATION: Authorize the General Counsel to include other relevant terms and conditions in the written lease agreement and amendments, including the negotiation and inclusion of indemnification provisions. Authorize the President and Secretary to execute the lease agreement and amendments. Authorize the General Counsel or Chief Operating or Facilities Officer to execute all ancillary documents required to administer or effectuate this lease agreement.

AFFIRMATIVE ACTION: Exempt.

LSC REVIEW: Local School Council approval is not applicable to this report.

FINANCIAL:

| Total Projected Costs for 15-Year Term (Base Rent, Operating Expenses and Taxes) | |
|---|--|
| Base Rent | \$89,754,417.50 |
| Less Gross Rental Abatement | (\$7,038,799.82) |
| Plus Projected Operating Expense & Real Estate Tax Increases | \$7,709,667.92 |
| <u>Change Order for Universal Design Tenant Improvement Work</u> | <u>\$6,800,000.00</u> |
| Total Projected Obligation: | <u>\$90,425,285.60</u> <u>\$97,225,285.60</u> |

FY14 Fund: 230
 FY15-24 Fund: 230
 Department Name: Operations
 Department Parent Unit Number: 11910
 FY14: \$0
 Total Costs: ~~\$90,425,285.60~~ \$97,225,285.60

GENERAL CONDITIONS:

Inspector General – Each party to the agreement shall acknowledge that, in accordance with 105 ILCS 5/34-13.1, the Inspector General of the Chicago Board of Education has the authority to conduct certain investigations and that the Inspector General shall have access to all information and personnel necessary to conduct those investigations.

Conflicts – The agreement shall not be legally binding on the Board if entered into in violation of the provisions of 105 ILCS 5/34-21.3 which restricts the employment of or the letting of contracts to, former Board members during the one year period following expiration or other termination of their terms of office.

Indebtedness – The Board's Indebtedness Policy adopted June 26, 1996 (96-0626-PO3), as amended from time to time, shall be incorporated into and made a part of the agreement.

Ethics – The Board's Ethics Code adopted May 25, 2011 (11-0525-PO2), as amended from time to time, shall be incorporated into and made a part of the agreement.

Contingent Liability – The agreement shall contain the clause that any expenditure beyond the current fiscal year is deemed a contingent liability, subject to appropriation in the subsequent fiscal year budget(s).

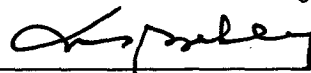
Approved for Consideration:


Patricia L. Taylor
Chief Facilities Officer

Approved:


Barbara Byrd-Bennett
Chief Executive Officer

Approved as to legal form: 


James L. Bebley
General Counsel