

**APPROVE ENTERING INTO AN AGREEMENT WITH MB REAL ESTATE SERVICES LLC
FOR PROPERTY MANAGEMENT SERVICES AND APPROVE
THE FUNDING OF A DISBURSEMENT ACCOUNT RELATED THERETO**

THE CHIEF EXECUTIVE OFFICER REPORTS THE FOLLOWING DECISION:

Approve entering onto an agreement with MB Real Estate Services LLC to provide property management services for the 125 South Clark Building ("the Building") at a cost not to exceed \$683,344 for a two year contract period, which cost includes payroll for site personnel, administrative fees and potentially earned incentive fees. Consultant was selected pursuant to a duly advertised Request for Proposals (Specification No. 05-250004-A). A written agreement for Consultant's services is currently being negotiated. No payment shall be made to Consultant prior to the execution of the written agreement. The authority granted herein shall automatically rescind in the event a written document is not executed within 90 days of the date of this Board Report. Also, approve the funding of a disbursement account related to the management of the Building. Information pertinent to this matter is stated below.

SPECIFICATION NO.: 05-250004-A

CONSULTANT: MB Real Estate Services LLC
181 W. Madison Street, Suite 3900
Chicago, IL 60602
Contact Person: Kevin Purcell
Phone: (312) 726-1700
Vendor # 30356

USER: Department of Operations
Real Estate Management
125 South Clark Street – 16th Floor
Chicago, IL 60603
Contact Person: Lori J. Woodman
Phone: (773) 553-2922

TERM: The term of this agreement shall commence on July 1, 2005 and shall end June 30, 2007. The Board shall have the option to extend the agreement for two (2) additional one-year periods.

SCOPE OF SERVICES: Consultant will provide property management services, including maintenance and all operations of the Building, as follows:

Management Services

- 1) Supervise, and oversee all administration and operation of the Building;
- 2) Hire, supervise and oversee the building engineers;
- 3) Provide full financial accountability and report of income from and expenses of the Building;
- 4) Prepare financial and management reports and maintenance of appropriate records;
- 5) Manage and coordinate relations with Building occupants, including administration of all leases, communication with occupants, collecting rents and depositing same into a receipt account on the Board's behalf, recording of rent collections, and provision of responsive occupant services;
- 6) Administer, interact with, coordinate the performance of and pay for all goods and services from the Disbursement Account required in the operation of the Building;
- 7) Administer and coordinate capital improvements as directed by CPS;
- 8) Maintain all physical areas within the Building to assure that high levels of cleanliness, state of repair, and aesthetic appeal are sustained in compliance with specifications as determined by CPS;
- 9) Develop and maintain an emergency plan that satisfies minimal building operation in the event of a power loss;
- 10) Provide monthly reports on the status of its assignments;

- 11) Operate and maintain all Building heating, ventilating, and air conditioning systems and all other mechanical, electrical, and plumbing systems;
- 12) Develop and maintain a database containing all the information and records regarding facility regulatory compliance;
- 13) Advise the Board, on an ongoing basis, as to building code compliance, liability, life safety, environmental contamination, and the Americans with Disabilities Act (ADA) compliance;
- 14) Maintain a Receipt Account and Disbursement Account per appropriate industry standards;
- 15) Manage building recycling program in accordance with the City of Chicago ordinance; and,
- 16) Implement an electronic/telephonic work order system.

Portfolio Management

- 1) Make recommendations regarding lease terminations and renewals;
- 2) Give timely notification and advice regarding lease renewal timelines or the exercise of lease options;
- 3) Analyze, benchmark and supply market data to support proposed leasing transactions; and
- 4) If requested, identify areas of inappropriate space utilization within the Building space and make recommendations for the reduction of leased space, increase of leased space, reduction of CPS occupied space or increase of CPS occupied space.

Marketing

- 1) Acting in conjunction with the CPS Real Estate Department, assist in the marketing and showing of leasable space in the Building.

Auditing

- 1) Generate a monthly report that compares actual expenses verses projected expenses, determining and identifying any discrepancies; and
- 2) Provide monthly reports on the status of work orders, other projects, including project timelines and action plans, reconciliation of accounts, and rent roll.

DELIVERABLES: Consultant will provide full financial accountability and reporting of income and expenses of the Building and prepare the annual operating and capital expenditure budget relating to the Building in conjunction with the Real Estate Management Department.

OUTCOMES: The services of Consultant under the Property Management Agreement will enable the Building to operate on a day-to-day basis.

COMPENSATION: Consultant shall be paid a management fee in the amount of \$316,244 for year 1 of the agreement, which fee includes payroll for the Consultant's site personnel (\$209,337), Consultant's administrative fee, profit and overhead (\$100,000) and a one-time transition fee (\$6,907). Additionally, in the event Consultant achieves certain cost reduction goals as specifically set forth in the written agreement, Consultant shall be paid an incentive fee of \$22,200. Consultant shall be paid a management fee in the amount of \$321,590 for year 2 of the agreement, which fee includes payroll for Consultant's site personnel (\$216,590) and Consultant's administrative fee, profit and overhead (\$105,000). Additionally, an incentive fee of \$23,310 shall be paid to Consultant if certain cost reduction goals are achieved. The management fee for Option year 1 (including payroll, administrative fee and incentive fee) shall not exceed \$362,541, and the management fee for Option Year 2 shall not exceed \$374,355.

FUNDING OF DISBURSEMENT ACCOUNT: The Board shall fund a Disbursement Account in the amount of the annual approved budget for the operation of the Building, which account will be funded on a monthly basis in the amount equaling approximately 1/12 of the annual budget. Some monthly fluctuation may occur due to seasonal and/or one-time expenses. Consultant shall pay all vendor expenses and all other operation and management expenses for the Building from this account on behalf of the Board and shall account for all expenses paid from this account. The Disbursement Account shall

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not include funding for utilities or capital expenses for the Building. Although consultant will manage and monitor the utilities and capital projects for the Building, these expenses will be paid directly by the Board.

AUTHORIZATION: Authorize the General Counsel to include other relevant terms and conditions in the written property management agreement. Authorize the President and Secretary to execute the written property management agreement. Authorize the Chief Operating Officer to execute all ancillary documents required to administer or effectuate this agreement and to approve the amount of cost reduction goals for consultant to earn its incentive fee. Authorize the Chief Financial Officer to establish a Disbursement Account and a Receipt Account in the name of Consultant, as agent for the Board.

AFFIRMATIVE ACTION: The M/WBE goals for this contract include: 35% total MBE, 22% total African American, 10% total Hispanic, 2% total Asian and 5% total WBE.

However, the Waiver Review Committee recommends that a partial waiver of the M/WBE participation goals for this contract as required by the Revised Remedial Plan be granted because the contract is not further divisible.

The vendor has, however, scheduled the following firms and percentages:

Total MBE% - 39.4%

Total African American – 22%
Triad Consulting Services, Inc.
10 S. Riverside Plaza, Suite 810
Chicago, Illinois 60606

Total Hispanic – 17.9%
Urban Assets of Illinois, Inc.
980 N. Michigan Avenue, Suite 1085
Chicago, Illinois 60611

Total Asian – 0%

Total WBE – 5%
Arrow Messenger Services, Inc.
1322 W. Walton Street
Chicago, Illinois 60622

Workplace Concepts, Inc.
226 S. Wabash Ave., Suite 800
Chicago, Illinois 60603

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

FINANCIAL:

FOR PROPERTY MANAGEMENT FEE:

Charge to Operations:	\$338,444	FY 05/06
Budget Classification:	0643-210-000-4462-5410	\$338,444

FOR FUNDING OF DISBURSEMENT ACCOUNT:

Charge to Operations:	\$3,728,760	FY 05/06
Budget Classification:	0643-210-000-4462-5400	\$3,677,580
	0643-210-000-4462-5411	\$ 51,180

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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 July 26, 1995 (95-0726-EX3), as amended from time to time, shall be incorporated into and made a part of the agreement.

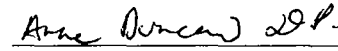
Ethics - The Board's Ethics Code adopted September 27, 1995 (95-0927-RU3), as amended from time to time, shall be incorporated into and made a part of the agreement.

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:

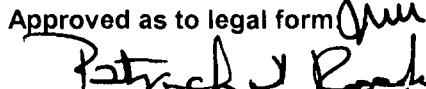

Heather Obora
Chief Purchasing Officer

Approved:


Arne Duncan
Chief Executive Officer

Within Appropriation:


John Maiorca
Chief Financial Officer

Approved as to legal form 
Patrick J. Rocks
General Counsel