

**RATIFY ENTERING INTO A LEASE AGREEMENT WITH THE OPTION TO PURCHASE
SCHOOL FACILITIES AND PROPERTY AT 4034 W. 56TH STREET
(LOURDES HIGH SCHOOL)**

THE CHIEF EXECUTIVE OFFICER RECOMMENDS THE FOLLOWING DECISION:

Ratify entering into a lease agreement (with an option to purchase) Lourdes High School located at 4034 W. 56th Street, Chicago, Illinois. The Board ratifies taking possession of the premises as of July 1, 2002. The written lease and option agreement are being finalized. The authority granted herein shall automatically rescind in the event the written lease (with an option to purchase) agreement has not been executed within 120 days of the date of this Board Report. Information pertinent to this agreement is stated below.

**LESSOR
AND
SELLER:** The Sisters of St. Joseph of the Third Order of St. Francis, Inc.
5531 S. Karlov Avenue
Chicago, Illinois 60629

**TENANT
AND
PURCHASER:** Board of Education of the City of Chicago

LEASED PREMISES: Lourdes High School located at 4034 W. 56th Street (104,000 square feet) and 18 contiguous parking spaces. The lease does not include the convent, chapel or caretaker's apartment ("Excluded Areas"). There is a shared use of certain space in the basement.

USE: To relocate Hancock High School (up to 600 students) and to relieve overcrowding at Pasteur Elementary School (up to 200 students).

TERM: The term of the Lease shall commence as of July 1, 2002 and end on June 30, 2005.

RENT: For 7/1/02 to 6/30/03 the monthly base rent (including the 18 parking spaces) will be \$42,608.33; \$43,866.58 for 7/1/03 to 6/30/04 and \$45,203.18 for 7/1/04 to 6/30/05. The Board shall also pay for electricity and gas charges to the premises at the rate of \$0.65 and \$.50 per square foot per annum (\$119,600). The electricity and gas charge is adjusted from time to time to reflect the "standard reimbursement rate" then being charged by the Archdiocese of Chicago.

MAINTENANCE: The Board shall be responsible for maintaining the leased premises and the base building systems that serve the Excluded Areas.

INSURANCE/INDEMNIFICATION: The Board must insure the entire property for property damage and the Lessee reimburses the Board for 1/3 of the cost. The Board and the Lessor shall mutually provide commercial general liability, excess liability insurance, property damage, automobile and employers' liability insurance coverage at the limits set forth in the lease and workers' compensation insurance at statutory limits.

CAPITAL IMPROVEMENTS: If the boiler(s) must be replaced the cost is shared 50/50. If Lessor desires to make any other capital improvements, the Board may either terminate the lease or the Lessor pays the cost up to 1/3 of the annual rent and the Board pays the balance. Upon termination of the lease due to a default by the Lessor, the unamortized cost (based on a straight line over 12 years) of the amount paid by the Board is repaid by the Lessor. Upon termination for any other reason, there is no repayment of the amounts paid by the Board.

OPTION PRICE: The Board has the option to purchase the entire property, including the Excluded Areas, at its fair market value as of the option date. The option must be exercised between July 1, 2004 and

January 1, 2005. The fair market value shall be set by appraisal, which shall not be less than \$6,500,000 and not more than \$8,500,000, the range established by current appraisals of the facilities, excluding improvements to be made by the Board. The Lessor has the right to remain in the Excluded Areas until December 31, 2006 at a rent of \$1.00 per year (the Lessor must repair and maintain branch plumbing, electrical and heating).

AUTHORIZATION: Authorize the General counsel to include other relevant terms and conditions in the written lease agreement and option agreement. Authorize the President and Secretary to execute the lease and option agreement. Authorize the General Counsel to execute all ancillary documents required to administer or effectuate the lease and option agreement.

AFFIRMATIVE ACTION: Exempt.

LSC REVIEW: Local School Council review is not applicable to acquisition of real estate.

PERSONNEL IMPLICATIONS: None.

FINANCIAL: Charge to: 1200-552-000-6000-5480

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 restrict 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 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:



TIMOTHY MARTIN
Chief Operating Officer

Approved:



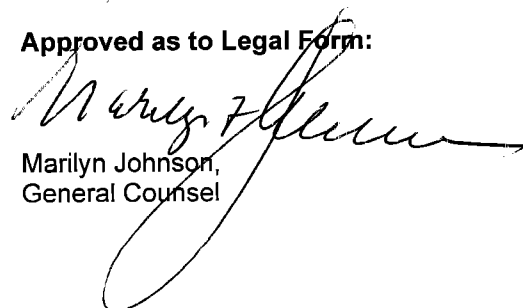
ARNE DUNCAN
Chief Executive Officer

Within Appropriation:



Kenneth C. Gotsch
Chief Financial Officer

Approved as to Legal Form:



Marilyn Johnson,
General Counsel