

July 24, 2002

**APPROVE ENTERING INTO TWO LEASE AGREEMENTS
WITH PERSPECTIVES CHARTER SCHOOL**

THE CHIEF EXECUTIVE OFFICER REPORTS THE FOLLOWING DECISION:

Approve entering into two lease agreements with the Perspectives Charter School for the building and land at 1915 South Federal Street. Written lease agreements are currently being negotiated. The Tenant shall not take possession of either premises nor shall any leasehold estates be created prior to the execution of the written lease agreements. The authority granted herein shall automatically rescind in the event written agreements are not executed within 90 days of the date of this Board Report. Information pertinent to the lease agreements is stated below.

TENANT: Perspectives Charter School
1532 South Michigan Avenue
Chicago, Illinois 60603
Contact Person: Matt Shaw
Phone: (312) 431-8770

LANDLORD: Board of Education of the City of Chicago

LEASES: A Ground Lease shall be executed for the eastern portion of the Parcel (under which the Tenant shall construct the New Building identified below) and a Building Lease shall be executed for the western portion of the Parcel (under which the Tenant shall lease the Existing Building identified below). Each of the Premises under the leases will be identified pursuant to a survey.

PARCEL: The entire parcel encompassing both Leases consists of an approximately 74,000 square feet triangular parcel bounded by South Federal Street, West 19th Street and South Archer Avenue (the "Parcel").

TERM: The term of each lease agreement shall commence on the date such agreement is signed. The Building Lease shall end June 30, 2004. The Ground Lease shall end June 30, 2042. Both leases shall automatically terminate in the event that the Charter School Agreement between the Board and Perspectives Charter school is terminated or in the event that Perspectives Charter School otherwise ceases to operate.

USE: The Tenant shall use the Existing Building and the New Building to accommodate the operation of the Perspectives Charter School.

EXISTING BUILDING: The existing building is a one-story modular unit located on the western portion of the Parcel. Tenant shall occupy the Existing Building for the term of the Building Lease during which time it shall be constructing the New Building, as detailed below.

CONSTRUCTION OF NEW BUILDING: Under the Ground Lease, Tenant shall have the right to construct a new building, for school purposes only, on the eastern portion of the Parcel, as specifically identified in the Ground Lease (the "New Building"). The New Building shall be a 3-story, 36,000 square foot facility with a footprint of approximately 12,000 square feet. The construction budget and all plans and specifications for the New Building shall be subject to Board approval.

ADDITIONAL IMPROVEMENTS TO THE PARCEL: Under the Ground Lease, Tenant shall also make other improvements to the Parcel, including a parking lot, recreational facilities and open space; all being subject to Board approval. The Ground Lease provides for a sharing of the additional improvements between the Board and the Tenant.

OWNERSHIP OF NEW BUILDING AND ADDITIONAL IMPROVEMENTS: At the termination of the Ground Lease due to expiration of the Lease Term or termination of the Lease due to default or breach by the Tenant, the New Building and all additional improvements shall become the sole property of the Board and Tenant shall cease to have any ownership rights or leasehold rights. If the New Building and/or the Additional Improvements are encumbered by a mortgage lien or other debt service, the Board shall pay the full amount of such lien or debt services, less a \$1,000,000 contribution from Tenant; provided however, the Board's obligation to pay such lien or debt services shall not exceed \$4,500,000. The Board's obligation will arise as a result of any uncured default by the Tenant under the Ground Lease or a default by the Tenant under its financing. The \$1 million obligation of the Tenant is not secured or guaranteed to the Board, but the Tenant will be required to give such a guarantee to its Lender.

RENT: The annual rent for the Term of the Leases shall be as follows:

Building Lease: \$1 per annum

Ground Lease: Commencement until 6/30/34: \$1 per annum.
7/1/34 to 6/30/42 \$250,000 per annum, payable monthly in advance, and increasing on a cumulative basis by 3% on 7/1/35 and each July 1 thereafter.

INSURANCE/INDEMNIFICATION: Tenant shall provide adequate insurance at all times as specified in the Lease Agreements.

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

AFFIRMATIVE ACTION: Exempt.

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

FINANCIAL: Credit to General Fund

GENERAL CONDITIONS:

Inspector General – Each party to the agreements 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 agreements 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 agreements.

Ethics – The Board 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 agreements.

Contingent Liability – The agreements 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).

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Approved for Consideration:



Timothy Martin
Chief Operating Officer

Approved:



Arne Duncan
Chief Executive Officer *by PAD*

Within Appropriation:



Kenneth C. Gotsch
Chief Fiscal Officer

Approved as to legal form:



Marilyn F. Johnson
General Counsel