

**APPROVE ENTERING INTO A LEASE WITH AN OPTION
TO PURCHASE WITH THE TEACHERS ACADEMY FOR MATHEMATICS AND SCIENCE
FOR THE PROPERTY LOCATED AT 501 W. 35TH STREET**

THE CHIEF EXECUTIVE OFFICER REPORTS THE FOLLOWING DECISION:

Approve entering into a lease with an option to purchase with the Teachers Academy for Mathematics and Science ("Landlord") for the property located at 501 W. 35th Street. A written 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 agreement is stated below.

LANDLORD: Teachers Academy for Mathematics and Science
501 W. 35th Street
Chicago, Illinois 60616
Contact Person: Nicholas Ciotola
Phone: 773-924-7037

TENANT: Board of Education of the City of Chicago

PREMISES: The entire building and grounds located at 501 W. 35th Street (approximately 32,162 rentable square feet).

USE: Administrative offices, training and any other educational use.

TERM OF LEASE: The term of the lease shall commence on October 1, 2005 and shall end February 1, 2021, which end date represents the maturity date of the bonds issued for the Premises by the Illinois Development Finance Authority ("IDFA Bonds"). The Board is currently leasing the Premises pursuant to a 4-month lease expiring September 30, 2005 (authorized by Chief Operating Officer's Report 05-0516-COO35). The Board's occupancy right to the Premises shall continue without interruption.

OPTION TO PURCHASE: The Board shall have the option to purchase the Premises at any time during the Lease Term providing the Board pays the entire outstanding debt service due and owing on the IDFA Bonds. If, at the end of the Lease Term, the outstanding debt services due and owing on the IDFA Bonds has been paid, the Board shall have the option to purchase the Premises for the sum of \$1.00.

TERMS OF PURCHASE: The Purchase Price is as follows:

\$3,700,000.00	Total Purchase Price (includes land, building, technology equipment and wiring, furnishings and supplies)
<u>(3,150,000.00)</u>	Outstanding Principal of IDFA Bonds (will be paid for in Rent payment)
\$550,000.00	Initial Down Payment

The Board shall pay the initial down payment on or before October 1, 2005. Authorize the payment of the Initial Down Payment immediately upon adoption of this Board Report and the Board shall receive a Bill of Sale at such time conveying to the Board free and clear title to all technology equipment, furnishings and supplies.

APPRAISALS/VALUATIONS: Appraisals for the land and building are as follows:

Landlord's Appraisal (Prepared by Gibbons & Gibbons, 7/31/03):	\$3,875,000.00
Board's Appraisal (Prepared by Zimmerman Real Estate Group, 2/3/05):	\$3,290,000.00
Estimated value of the technology equipment and wiring, furnishings and supplies:	\$ 537,209.00

RENT: The Board shall pay Landlord, as Rent, the actual cost of Landlord's debt service, engineering costs and administrative costs. Debt Service includes principal and interest and all other costs associated with the bonds issued by the Illinois Development Finance Authority. Engineering costs

include salary, health and welfare benefits, payroll taxes and substitute engineering fees. Administrative costs include bookkeeping, payroll, auditing, legal fees, directors and officers insurance, copier machine rental and various other management functions. During the first year of the Lease, the Rent is estimated to be as follows:

Debt Service:	\$295,000.00
Engineering Costs:	64,400.00
Administrative Costs:	<u>64,100.00</u>
TOTAL RENT:	\$423,500.00

Rent for year one of the Lease Term shall be due as follows:

10/1/05	Rent (principal payment of \$175,000 plus ¼ of remaining rent)	\$237,125.00
12/1/05	Rent	62,125.00
3/1/06	Rent	62,125.00
6/1/06	Rent	<u>62,125.00</u>
TOTAL:		\$423,500.00

For each subsequent year of the Lease Term, the principal payment of \$175,000 shall be due on October 1st of each year with ¼ of the remaining rent and the other quarterly rent payments shall be due on, December 1st, March 1st and June 1st. Total Rent payments may exceed the Total Purchase Price.

RECONCILIATION OF RENT: At the end of each Lease year, Landlord shall complete a reconciliation of the actual cost of the debt service, engineering costs and administrative costs, and, if such expenses are higher than projected, the Board shall pay the additional amount as Rent, and, if such expenses are less than expected, the Board shall receive a credit. The Rent shall be revised for each year of the Lease Term based on such annual reconciliation of expenses.

MAINTENANCE AND REPAIRS: The Board shall be responsible for the utilities, normal and structural maintenance and repairs, janitorial services, security services, elevator maintenance, parking lot repair and maintenance, snow removal and exterminating services for the Premises.

LANDLORD'S USE OF SPACE: Landlord shall be granted office and storage space within the Premises, telephone services, and digital network hook-up at no cost to Landlord.

INSURANCE: The Board shall self-insure or carry the following insurance on the Premises: comprehensive general liability (\$1,000,000 per occurrence) and insurance against all risks for full replacement cost of the Premises.

CONTINGENCY: The Board's obligation to enter into this lease shall be contingent upon approval of its terms and conditions by the Illinois Development Finance Authority (Landlord's lender).

INDEMNIFICATION: The General Counsel shall negotiate all indemnification language.

AUTHORIZATION: Authorize the General Counsel to include other relevant terms and conditions in the written lease with an option to purchase agreement. Authorize the President and Secretary to execute the lease with an option to purchase agreement. Authorize the General Counsel to execute any and all ancillary documents required to administer or effectuate the Lease with an option to purchase agreement. Authorize the General Counsel to effectuate the Purchase of the Premises as set forth in the Lease and to obtain title insurance for the option to purchase and related endorsements.

AFFIRMATIVE ACTION: Exempt

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

FINANCIAL:	Charge:	For Initial Down Payment	\$550,000.00	FY-06
	Budget Classification:	0643-210-000-6000-5480		

Charge: For Rent
Budget Classification: 0643-210-000-6000-5480

\$423,500.00

FY-06

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 June 23, 2004 (04-0623-PO4), 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:


Sean P. Murphy
Chief Operating Officer

Approved:


Arne Duncan
Chief Executive Officer

Within Appropriation:


John Maiorca
Chief Financial Officer

Approved as to legal form:


Patrick J. Rocks
General Counsel