



STATE OF ILLINOIS
PROCUREMENT POLICY BOARD

Terrence Healy, Chairman

Members: Michael Bass, Ed Bedore, Ricardo Morales, Carmen Triche-Colvin

Minutes – December 12, 2008 Meeting

Room 9-040 at the James R. Thompson Center in Chicago

Connected via video to

Room 115 at State Capital Building in Springfield

11:30 a.m.

Present in Chicago: Terry Healy
Rick Morales
Carmen Triche-Colvin

Present in Springfield: Ed Bedore
Mike Bass

The Board started the meeting by confirming attendance at 11:35a.m.

Member Triche-Colvin made a motion to approve the minutes of the November 17, 2008 meeting that was seconded by Member Morales. The minutes were unanimously approved.

Lynn Carter with CMS was recognized to report to the Board an issue carried over from the prior meeting. The Board had concern over a late Bulletin posting from IDOT that was determined to be a technical problem in the electronic system. Miss Carter reported to the Board that it had been identified as a system problem. The system has automatic notification features that malfunctioned and as a result, the required actions to approve the transaction in a timely manner were not taken. The solution CMS has established requires daily login and review functions as a replacement for waiting for an automatic notification that serves as a prompt. The Board agreed with this approach.

First on the agenda was CMS Facilities. Nick Kanellopoulos relayed to the Board that CMS had posted 12 holdover leases to the Bulletin since the last Board meeting. He further stated that he hopes to keep up the pace of double digit holdover reduction. The first lease brought before the Board was lease #4467, a DHS facility located at 319 East Jefferson in Springfield. Henry Johnson with DHS joined Mr. Kanellopoulos in presenting the lease. Mr. Kanellopoulos stated this is a five year lease with a five year renewal option. There is no staff as the facility is used for storage. There is 1,000 square feet of office space that is used, for example, for reviewing files.

Chairman Healy brought up the rental rate adjustment for previously having double paid for the trash service. Chairman Healy asked who received the double payments to which Mr. Kanellopoulos responded that he is unsure but that he can find out.

Mr. Kanellopoulos state he felt it was an issue between CMS and the vendor who was collecting from CMS rather than an issue regarding the renewal of a lease. Chairman Healy replied that Mr.

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Kanellopoulos made it part of the lease when he said the rate was based “because of it”. Chairman Healy said wanted to know more about the value even though there was a rate adjustment but not knowing how much because they don’t know how long it’s been going on.

Member Bedore stated that this is about \$2,280 per year to which Chairman Healy said he didn’t know how many years this has been going on. Mr. Kanellopoulos stated that he can assure the board that CMS will take whatever action is necessary. Chairman Healy asked why this wasn’t spotted before now and Mr. Kanellopoulos stated it’s hard to catch until they start the review process.

Member Triche-Colvin made a motion to accept this lease. Member Bedore seconded the motion with the understanding that there will be a report to the Board regarding CMS’s action. Mr. Kanellopoulos stated he’d have a report at the next meeting. The lease passed unanimously.

The next lease was lease #4221 – This is a DHS lease located at 100 Martin Luther King Drive in Springfield. Mr. Kanellopoulos stated it is a 5 year lease with 21,825 sq ft of office space currently housing 51 employees. He further stated that although that adds up to about 427 sq ft per employee, when space that is used for a large waiting area, two conference rooms and files is deducted, that number comes down to about 373 sq ft per employee. Mr. Kanellopoulos continued by stating that DHS has been in the facility since 1986 and the agency wants to remain there. He stated that the rent starts at \$10.04 per sq ft with 2% increases in odd numbered years. He feels that this is a competitive rate in Springfield. Chairman Healy stated that CMS told the board that they’d like the average space per person to be around 300 sq ft. He asked if file space is included when considering sq ft per person. Mr. Kanellopoulos replied that he thinks the 300 sq ft/person is an average due to a wide spectrum of leases for agencies that do different types of work in their spaces. Social Services will always be higher than 300 sq ft. due to waiting area and meeting space. Chairman Healy asked again about the file space. Mr. Kanellopoulos responded that there are decades old files at any given DHS facility due to the life-long clientele that they serve.

Member Bedore asked about improvements and repairs and how could the damage to the building be let go for so long? Why hasn’t the owner fixed the building in the last five years? Mr. Kanellopoulos responded that the lease has been in holdover since December 2005 and that it’s difficult to get landlords to make repairs on a month-to-month tenancy. He further stated they cannot force a landlord to make repairs when a lease is in holdover. The landlord has no incentive when the agency could move out in 30 days. Mr. Kanellopoulos also explained that there had been a death of an owner and the building went into a trust with no one for CMS to deal with and the reality is there will be leases with issues CMS can’t resolve while in a holdover status. This is an example of what could happen if a lease stays in holdover for a long time. Mr. Johnson said the Board raises an interesting point. First of all, he stated, DHS has no ability or authority to impact or deal with any facility issues; that’s all done by CMS. He stated that DHS knows it’s a major problem and is working with CMS and he’s hopeful that Mr. Kanellopoulos, Matt Brown and himself can come up with a proposal for the board. He further stated that they’ve asked CMS not to renew any DHS leases unless three things are addressed: refurbishments repair, and any health and safety issues and address all accessibility issues. He said they have not asked for any tenant improvements at this time due to the budget situation.

Chairman Healy stated that we have employees and clients that could suffer duress and nobody can solve the lack of reporting by the agency or lack of CMS action to which Mr. Kanellopoulos responded that CMS would not allow a health and safety condition to exist. He further stated that when the renewal process starts, CMS reviews all calls into the call center about a facility so there is a history of work orders at the facility. Chairman Healy stated that maybe there should be something in the report stating if a problem is enough to cause a hazard for personnel or clients. Mr.

Kanellopoulos responded that they will come up with a way of adding that to fulfill the Board's request.

Member Morales said we are talking about the facility evaluations again. The Board discussed this at a previous meeting where CMS stated that this level of detail would not be very beneficial to the renewal process. He stated that it does seem relevant.

Mr. Kanellopoulos stated that a lease would not commence if those health and safety issues aren't fixed. He stated that he still believes the actual forms from the evaluations wouldn't be relevant for the Board.

Chairman Healy asked in this building how much damage was done to the building that we need to pay for and if the evaluation is used to determine this vs. repairs vs. health and safety. Mr. Kanellopoulos stated that before the next meeting he could have an example for the Board of a completed site evaluation.

Member Bedore had a question on the proposed operating costs of \$7.19 which includes snow and ice removal, mat services, air freshening and security of \$3.54. He asked why the security is so high and the need for a fence at the state's cost. Mr. Kanellopoulos replied that the cost for security comes from the size of the facility, the number of security guards and the time they will be there. Chairman Healy asked what is it about this facility that requires so much security to which Mr. Johnson replied that a large variable in types of security is based on where the public and employee exposure is in DHS facilities. Different types of security are deployed based on need and the cost will vary widely. Chairman Healy asked for additional information from DHS on the security detail. Mr. Johnson said that he would compile and share with the Board. Member Bedore wants to know the cost of the fence in the amount proposed for improvements. He also wanted more detail on the overhead costs. He stated that he would object to this lease as presented. The state should be out of the Building if that level of security overhead and fencing is required to keep everyone safe. Mr. Kanellopoulos stated that CMS will withdraw the lease and provide detailed information on this location's security to the Board.

The next lease was lease #6269 – This is a DHS lease located at 2650 E Fulton in Chicago. It is 39,000 sq ft. It's a five year lease starting at \$19.75. The lease had been previously brought before the Board under a pre-negotiated renewal option but due to its cost CMS since decided to put it out to bid. It was determined that DHS would bid for 32,000 sq ft of office space. The only responsive bid was the incumbent and they offered up the existing additional space as "free space" in order to be responsive. The original pre negotiated renewal rate brought before the Board had a rate of \$23.89. As the negotiations occurred the rate was lowered to \$19.75 for the State to take all 39,000 square feet for the new term. Chairman Healy asked about the improvements proposed at the sole cost of the lessor and the time for their completion.

Mr. Kanellopoulos stated they expect to have the lease executed by the end of December and with 180 days to complete; improvements should be done by June 2009. Chairman Healy asked if the State should be accepting free space as we will be paying operating costs on that addition 7,000 sq ft. Mr. Kanellopoulos stated that CMS didn't expect to get only one responsive bid. He explained that they did receive an unresponsive bid located 61 blocks south of the current facility and clearly outside the boundaries. He stated that another kind of unresponsive bid would be under or over like 15,000 or 45,000 square feet. Chairman Healy asked if that is what happened with the 39,000 square foot bid. Mr. Kanellopoulos stated that the lessor understanding the reality of the bid gave the 32,000 and rate to be responsive and offered the remainder for free.

Mr. Kanellopoulos stated CMS realized they have vacant space at this facility and they believe the best course to conclude is by conducting site evaluations to see how they can fill the vacant space with other head count that can be moved into this location.

Mr. Kanellopoulos went on to explain the rate process that determines total cost of ownership. Some markets respond with gross leases or free rent or free space that need to be evaluated for the net value. Pricing and site evaluations occur to narrow the field of competition then a best and final negotiation to come to final lease terms. Member Morales asked if CMS sees any issue with the free space offered here to which Mr. Kanellopoulos responded that if CMS had no options to fill that space, then yes he could see an issue of having 7,000 sq ft of space sitting vacant with the State paying operating costs on. However, he continued, the plan is to fill that space and they have several options.

Chairman Healy asked why CMS doesn't negotiate for the 32,000 sq ft now and when the 7,000 is needed, then negotiate for that. Mr. Kanellopoulos responded that the intent was to fill it quickly. He stated that the 7000 feet is being used now, just not efficiently. Separating it now then moving in later may not be an option if the space is not available to us at that time.

Mr. Johnson stated that DHS is working with CMS to abide by space standards and is finding that in some cases it cost less to keep the inefficient space and restack over time versus discontinuing the space and then performing a fresh acquisition and move in. Mr. Kanellopoulos stated that in order to maximize space utilization DHS will incur some cost. Like high density records storage. These systems cost money but would better the headcount per square foot ratio.

Chairman Healy asked about the timeline for having the space properly utilized. Mr. Kanellopoulos responded that CMS should be able to report to the board termination of another existing lease by March 1. Member Bass asked what annual cost for the facility and the base rent. Mr. Kanellopoulos responded that the original proposed rate at \$25 were cut down because they were based on 32,000 square feet and 7,000 free but at the end, the negotiations yielded a rate of \$19.75 for the full 39,000.

Member Bass stated the change from a solicited amount for 32,000 square feet the subsequent inclusion of free space and negotiations that arrive at a rate all 39,000 square feet has the feeling of inducement and makes him uncomfortable. Mr. Kanellopoulos reiterated that this was the only responsive bid. Member Bass pointed out that he didn't dispute the number of bids but what bidders knew they could offer to be considered. Mr. Kanellopoulos stated that he understood.

Director Brown offered to comment on the staff review that led up to this. He stated that the staff tries to find a measure of objectivity that is part of the solicitation that measures responsiveness toward being evaluated. He asked how a respondent knows if they've got a good chance of staying in the qualified pool of vendors to which Mr. Kanellopoulos responded that the solicitation set out the size and geography and other criteria that the lessor must meet but does the size have bright line stop no because that would be impossible to hit the space standards perfectly. Mr. Brown asked if the bid had been for 39,000 square feet would it have been rejected. Mr. Kanellopoulos responded probably yes.

Chairman Healy asked if the request was for 32,000 then why was the result 39,000 square feet the result was. Mr. Kanellopoulos stated that the reality was that we are already in the building and it made more sense as the best result for the State to stay. We expected to get more than one bid. This being the only bid CMS decided it would be better to stay in the whole thing and fill the vacant space. Chairman Healy stated about holdover status that many leases are held for 5 and 6 years. He then asked why this lease was not staffed up before this process was ever undertaken.

Member Bedore stated he finds this disgusting, disheartening and unprofessional. He stated he doesn't agree with the premise that even 32,000 sq ft was needed. He stated that another lease to come up only has 302 sq ft per employee yet this lease is at 527 sq ft and that is a disgrace. He further stated that if only the 32,000 sq ft was taken into consideration, that's still 432 sq ft. He feels CMS should've put the bid out for only 29,000 sq ft. He stated he feels the lease should be withdrawn immediately. The Chairman stated the Board has expressed that this lease needs more attention and policy review. He hoped that CMS was willing to accept that and allow for continued policy review. Mr. Kanellopoulos stated that the 30 days will expire on December 31 and asked about the disposition of the lease at that point. The Chairman stated that it was at CMS's discretion to extend it out to the next Board meeting. Mr. Kanellopoulos stated that he will try to provide further information to the Board regarding CMS's plans and their policy regarding this type of situation. He then asked if he had to decide at that time. The Chairman responded that would be appropriate and stated that the Board may still have approval capacity because of the rent for the vacant space. The Board is required by law to approve rent payments on vacant space.

Member Morales moved to extend the time line out to January 20, 2009 which was seconded by Member Bass. The Board Concurred and CMS will return at the next Board meeting with this lease.

The next lease was lease #4599 – This is a DES lease located at 821 West Main in Galesburg. Joining Mr. Kanellopoulos was John Rogers with DES. Mr. Kanellopoulos stated this is a 5 year lease with 11,200 sq ft of office space with a headcount of 32 it comes out to 302 sq ft per person. There are improvements included in lease. Member Bedore made the motion to accept the lease, Member Bass seconded the motion and it was unanimously approved.

The next lease was lease #4385 – This is a DES lease located at 1300 South 9th Street in Springfield. Mr. Kanellopoulos stated this is a 19,327 sq ft facility with a 5 year lease. This lease includes \$2.21 / sq ft cost for improvements. Member Bedore asked why the State is paying for the lessor to fix his building to which Mr. Kanellopoulos replied that this is a very high volume facility and the repairs are needed as a result of damages made by the clientele.

Member Bedore agrees that we should fix damages under the State's use but he doesn't understand why the state is paying to update the restrooms; that is what a lessor does to keep a building operational. Didn't you just get the lessors on the previous DES in Galesburg to pay for this type of thing? Mr. Kanellopoulos responded that these repairs were negotiated because of the holdover status and the State is getting many other tenant improvements in the lease.

Chairman Healy asked if there is unusual occupancy. Mr. Kanellopoulos responded that it is a high volume client service center and receives heavy use. Mr. John Rogers from DES explained more of the high use activity and explained that restrooms and common areas see a lot of wear and tear. Member Bedore asked about the breakout for what is improvement and what are repairs on the lessor's side. He stated that he would not support paying the lessor to make his required general repairs.

Member Bedore made a motion to hold the lease until a full break down of the repairs and any repair that should be done by the lessor is taken off the lease. Mr. Kanellopoulos stated that CMS would withdraw the lease and bring it back to the next meeting. Chairman Healy stated the lease would be withdrawn until the next meeting of the board.

The next lease was lease #5586 – This is a DCFS lease located at 505 Schuyler Avenue in Kankakee. Mr. Kanellopoulos asked if there were any questions on the lease due to time constraints. Member Bedore made a motion to accept the lease and Member Bass seconded it and it was unanimously approved.

Member Morales moved seconded by Member Bass to move into executive session on personnel at 12:55 p.m. It was unanimously approved. The Board returned from executive session at 1:05 p.m.

The next Scheduled meeting of the 1st Thursday of the month falls January 1, 2009. Being a holiday; the January meeting was left to the call of the Chair. A motion was made to adjourn at 1:06 p.m. by Member Bass and was seconded by Member Bedore. The motion was unanimously approved.