

Chairman: David Vaught

Members: Michael Bass, Ed Bedore, Diego Ferrer, Ricardo Morales

Minutes – April 8, 2010 Meeting

Present in Springfield: Ed Bedore
Mike Bass

Present in Chicago: David Vaught
Diego Ferrer
Rick Morales

The Board started the meeting by confirming attendance at 1:00 p.m.

Member Morales made a motion to approve the minutes of March 17, 2010. The motion was seconded by Member Bass. The motion was unanimously approved.

First item on the agenda was CMS Facilities. In attendance for CMS was Mr. Nick Kanellopoulos, Acting Director of Property Management. Mr. Kanellopoulos stated that the holdovers are currently at 13 leases that are in holdover and 2 leases that will be expiring by June 30, 2010. Of those leases, 15 will need action taken before June 30, 2010. Mr. Kanellopoulos wanted to give a brief update on activities on energy efficiency initiative. A memo and numerous documents were provided to Director Matt Brown with the Procurement Policy Board regarding CMS progress that has been made. Mr. Kanellopoulos stated that he would keep the Board updated at future meetings of their progress.

Next on the agenda was OEIG lease #6006 at 32 W. Randolph in Chicago. In attendance for OEIG were SPO Rochelle Hardy, Legal Counsel Sean Ginty and First Deputy Sydney Roberts. Mr. Kanellopoulos stated that at the last meeting this lease was not approved. CMS was given instructions to re-submit if a 20% reduction in rent and the removal of the expansion option was accomplished. CMS was able to get both accomplished. Member Bedore wanted it to show that if the lease was approved the first time and the option to expand was taken it would have cost the State \$1,063,800 more. A motion to approve this lease was made by Member Bedore and was seconded by Member Bass. The motion was unanimously approved.

Next on the agenda was Criminal Justice Authority lease #6105 at 300 W. Adams in Chicago. In attendance for CJA was Executive Director Jack Cutrone. Mr. Kanellopoulos stated that this lease has had some history with the Board. It was reported months ago that this lease was terminated with the intension of moving CJA into State owned space. However, all opportunities to do that did not materialize. CMS looked at the Bilandic Building and the Thompson Center and due to other needs in those buildings CMS was not able to capture enough space to house CJA in either of those buildings. Since there are several projects going on at the Bilandic Building CMS was not able to secure space there. In the Thompson Center CMS was hoping to open up space by consolidating DHS personnel from the Thompson Center to 401 S. Clinton, which is their headquarters in Chicago. The consolidation will proceed, but the space that was to

be open will be utilized by other agencies. The Department of Financial and Professional Regulation has recently been authorized to do cemetery inspections. That unit will be up and running soon and the space needed to house the new personnel to run the program space was limited at the Thompson Center. CMS would have had to utilize space that DHS gives them. CMS was unable to move ahead with their plan to consolidate CJA into the Thompson Center or the Bilandic Building. As a result, there were also some issues at 300 W. Adams where the lessor had the opportunity to lease out the space that CJA is occupying now to a new tenant. At that point it became apparent that something had to be done to resolve that situation or else there would be a threat of eviction. The lease before the Board today is a solution to this issue. CMS plans on moving CJA into the vacant space IDOT used to occupy at 300 W. Adams. This is a five year firm lease. The reason for that is the lessor will pay for all cost associated with the move from CJA's current space to IDOT's old space. However, in order for it to be done the lessor needs a five year firm lease to amortize that cost. Mr. Kanellopoulos believes the rates that were negotiated are very competitive. The first two years are \$18.25 and there are increases in years 3, 4, and 5. The rent rate is a 32½% reduction over the currently rate. There is a slight increase of about 1,200 sq. ft. Mr. Kanellopoulos believes that this is a good lease for the State and Mr. Cutrone will give a brief statement on why CJA needs to be in the Loop. Of those members of the Board five or six of them are located within the Loop. Other members of the authority are from various other parts of the State. It is important for their purposes and to hold the necessary meetings to achieve a quorum and it makes it much more convenient for them to achieve that if located in the Loop. It is problematic if CJA was located outside of the downtown area. About 2/3 of the staff live far outside the city and rely on the Metra to get into the downtown area and would create a problem if located outside the downtown area. It is important to be in a centralized area to meet with their grantees and also have frequent meetings with outside researchers, which require a centralized location for those meetings. For these reasons it would be impractical to have CJA located outside the downtown area.

Member Morales wanted to clarify that CMS terminated a lease before finding adequate space to move into. Mr. Kanellopoulos replied that when the lease was terminated CMS had two options that were going to be pursued-one at the Thompson Center and one at the Bilandic building. It was only after CMS started creating that space when the issues occurred where there were other needs that came before CJA. This is what led to the renewal of this lease versus trying to consolidate into the Thompson Center or Bilandic. When the lease was terminated there was not space waiting for them to move into. Member Morales asked why CMS didn't put it out to bid. Mr. Kanellopoulos replied that it was a time issue and CMS did not have the time to put out to bid. Chairman Vaught asked if this process in terms of competition is addressed in the draft of the rules. Mr. Kanellopoulos replied that he does not believe that it directly addresses this, but would be more of a policy issue rather than an administrative rule. Chairman Vaught asked that once CMS is out of the holdover situation, doesn't it give CMS a better opportunity to look at the entire portfolio? Mr. Kanellopoulos replied yes and that CMS will be able to be proactive instead of reactive. Chairman Vaught asked if CMS has done a complete inventory of all State agencies in the Loop at more than \$20 a square foot. Chairman Vaught was interested in the Illinois Housing Development Authority on Michigan Ave. Mr. Kanellopoulos replied that is not an agency that comes under CMS jurisdiction or leasing authority. Member Morales asked how much is CMS paying in holdover on this lease. Mr. Kanellopoulos replied \$35 a sq. ft. Member Bass wanted to know when CMS engaged in the 364 day lease. Mr. Kanellopoulos replied in March 28, 2008 to February 27, 2009. Member Bass wanted to know when the termination letter was sent. Mr. Kanellopoulos replied that he believed it was sent in April or May of 2009. Chairman Vaught asked if CMS is in charge of restacking the Thompson Center and Bilandic. Mr. Kanellopoulos replied affirmatively. Member Bass wanted to know when CMS realized that

they would not be able to put CJA into the Thompson Center or Bilandic. Mr. Kanellopoulos replied that the Bilandic issues came up about 4-5 months ago and the Thompson Center issue came about shortly after that. That is when CMS looked at moving CJA into existing leased space. Member Bass wanted to know how they assign priority of who goes into the Thompson Center or Bilandic. Mr. Kanellopoulos replied it is typically a discussion with the agencies and review of their need to determine the importance of those needs. Member Bass expressed his disappointment that CMS did not put this out to bid when they knew the termination letter was sent some time in advance.

Member Bedore wanted to know how many new employees will be hired at CJA. Mr. Cutrone replied that they have hired approximately 7 with funding under the American Recovery Reinvestment Act of 2009 and have funding under that Act for an additional 8, but not sure if all 8 will be filled.

Member Bedore stated that a few years ago before Chairman Vaught and Member Ferrer were a part of the Board; this was an owner that came to the Board stating that CMS broke promises and led him down a path that he was going to get the lease through and threatened a lawsuit. Is CMS going down this path again and making promises to this owner again? Member Bedore wanted the Board to look at the pictures that show the construction of cubicles and then pictures of completed cubicles and conference rooms. What has been done here? There have obviously been some promises here to this owner that this lease was going to move into this space. Member Bedore believes that this is contempt to this Board. If this was good to bid a couple of years ago and having added 1,200 sq. ft., why hasn't CMS gone out to bid? Mr. Kanellopoulos replied that he and CMS have never shown any contempt towards for the Board. Everything that has been done has been done in good faith. CMS has not promised anything and this lessor is aware of the procedures and that CMS cannot make any promises. Chairman Vaught wanted Mr. Kanellopoulos to respond to the construction of the cubicles in the pictures. Mr. Kanellopoulos replied that CMS has made no promises and no agreement for the State to pay for any work to be done there. Member Bedore clarified that CMS knew months ago that CJA would not be able to move into the Thompson Center. Mr. Kanellopoulos replied affirmatively. Member Bedore wanted to know why they didn't go out for bid at that time. Mr. Kanellopoulos replied that they explored other options and when threatened with eviction was given this offer and negotiated a better rate and thought it was in the best interest of the State. With no further questions or comments a motion to reject this lease was made by Member Morales and was seconded by Member Bass. The motion was unanimously approved to reject the lease.

Next on the agenda was DES/DHS lease #5192 at 715-723 W. Algonquin Road in Arlington Heights. Mr. Kanellopoulos stated that John Rogers was here to represent DES and Henry Johnson to represent DHS. Mr. Kanellopoulos stated that this lease houses both agencies and is a 23,480 sq. ft. lease. There are a total headcount of 91 at this facility with 74 at DES and 17 DHS employees. The sq. ft. per employee at DES is at 252 and DHS is 285 sq. ft. per employee. This is a five year lease with a termination option after the 12th month at anytime with 120 days' notice. Chairman Vaught asked if there were partners. Mr. Kanellopoulos replied that there were 38 partners. With no further questions a motion was made to approve this lease as presented by Member Bass and was seconded by Member Bedore. The motion was unanimously approved.

Next on the agenda was DHS lease #1733 at 2753 W. North Avenue in Chicago. Mr. Kanellopoulos stated that this lease has been in holdover since October 2001. CMS is proposing a 24 month lease were the State can terminate after the 12th month with 90 days' notice. This short term extension will keep the same base rent. This will get this lease out of holdover and

give it a chance to be put out for competitive bid. Mr. Kanellopoulos request the Board's approval of this lease. Member Bedore wanted to know if this is the same lessor that had the lease on Indiana Ave. from last month's meeting. Mr. Kanellopoulos replied affirmatively. Member Bedore wanted to know when the last time this facility had been painted or new carpeting done? Mr. Kanellopoulos replied that it probably has not occurred since the last lease was put into place in 1996. Member Bedore commented that it has been 14 years with the same carpet and paint at a very busy DHS service center. This is one of the reasons to go out for bid on this lease stated Mr. Kanellopoulos. Member Bedore wanted to know if it would be better to negotiate leases with a lessor who has 4-5 State leases all at once. Could you get a better deal? Mr. Kanellopoulos replied that CMS has talked with this lessor and were able to achieve 15% reductions at Indiana and also a DHS office on Western. In this case, since it is a short term deal and will be bid out soon, CMS was not able to achieve any sort of rent reduction. CMS will be working with DHS to get a bid out so they can get moved into a better space. Member Bedore stated that a year ago DHS said that they were going to reduce cost by \$5-10 million dollars. They sent out letters and here they are not doing anything. Member Bedore wanted to know why DHS had not moved out of there years ago, since the square footage per employee is 326. Chairman Vaught stated that the number that CMS has saved the State is \$14 million and not \$5 million. Member Bedore wanted to know why CMS waited to put this out to bid instead of doing a short term lease. No further questions or comments were made. A motion to approve this lease was made by Member Morales and was seconded by Member Ferrer. This motion was approved by a 3-2 vote with Member Bass and Member Bedore voting no.

Next on the agenda was DHS lease 2397 at 500 N. Pulaski in Chicago. This is a two year short term lease. There is a termination option at anytime with a 120 days' notice. The headcount at this facility is incorrect and there was an additional 60-65 people moved into the facility last year from the DHS lease at 59th and Ashland. This lease contains both a family resources center and a city wide food stamp program. This lease will be bid out, but not sure if the food stamp programs will be bid out separately or as a whole. This lease has 32,415 of office space and 5,600 of storage space. The base rent is \$13.00 a sq. ft. and storage space is at \$6.50. The RFI for this lease will be published this summer. Member Bedore asked what the headcount was. Mr. Henry Johnson replied it was about 105-110. Member Bedore wanted to know how the headcount could have been wrong when the data was collected in March. Mr. Kanellopoulos replied that it was just an oversight on his part and didn't notice it when he signed off on it. Member Bedore asked about the storage space and how long he has been testifying before the Board about changing to high density file systems. Mr. Johnson replied a long time. Member Bedore wanted to know why it was taking so long to get this implemented. Mr. Johnson replied that DHS is in the process of converting to the high density file systems, but it is a long process. He stated that DHS is having 10 systems installed this year and will continue to make the switch to this type of file systems moving forward. Member Bedore wanted to know what the breakdown of the \$30,000 to rehab this facility and what it really ended up costing. Mr. Johnson replied that the \$30,000 was not the total rehab cost. That \$30,000 was to enable DHS to move an additional division in and reconfigure a new layout of the facility. It was just a temporary fix to get them into the building. Member Bedore wanted to know the total cost. Mr. Johnson replied he did not know what the total cost was. Mr. McCurdy stated that he believes it was close to \$100,000. Chairman Vaught asked if CMS could provide a detailed list of what the actual cost was. Mr. McCurdy replied that he will get that information to the Board. With no other questions or comments a motion was made to approve this lease by Member Bass and was seconded by Member Morales. The motion was unanimously approved.

Next on the agenda was DHS lease #5467 at 225 N. 9th in East St. Louis. In attendance for CMS was Tony Baptist and representing DHS was Drinda O'Connor. Mr. Baptist stated that this is a 25,000 sq. ft. facility, which will house 84 employees and sq. ft. per employee will be at 212. Currently DHS has 28 employees that occupy this space. DHS is proposing to relocate 56 staff located at 1220 Centerville in Belleville into this location. The Belleville lease is 30,775 sq. ft. and DHS occupies 75% of the space. Once staff is relocated the lessor will complete improvements to ready the space for two HFS leases in Belleville and one DHS lease in Fairview Heights. The build-out will take about 4-5 weeks to complete. These three locations must be moved by June 30, 2010. HFS Belleville and DHS Fairview Heights leases consist of 59 staff. DCFS staff in Belleville occupies about 25% of space at this time. Once the consolidation takes place there will be 84 staff houses at the Centerville location. The Belleville lease will be presented at the next Board PPB meeting. The move date and the timeline will be determined by the construction schedules and the voice and data scheduling. There will be vacant space in the Centerville location for about 4 weeks. During those 4 weeks there will be a 30-50% vacant space for rehab purposes. This lease has been in holdover since 2009 and no increases since inception in 1999. The lease is a five year term with a termination option after the 36th month. Member Bedore commends DHS on the consolidation, but wants to postpone this lease to next month until the Board can hear the lease that is associated with this lease to make a more informed decision and made that in the form of a motion. The motion was seconded by Member Bass. Mr. Baptist requests that the Board have a special meeting in a few weeks as opposed to next month to make a decision on these two leases due to the timeline issues associated with the build-out. The Board agreed to table the two leases to a special meeting in a few weeks instead of waiting until the next Board meeting. Member Bedore amended his motion to postpone this lease and was seconded by Member Ferrer. The motion was unanimously approved.

Next on the agenda was DHS lease #5692 at 1925 Madison Avenue in Granite City. Mr. Baptist stated that the current lease expires on June 7, 2010. This is a 25,000 sq. ft. facility that houses 33 staff. The proposal is to terminate the lease with HFS in Edwardsville and also a DCFS lease in Granite City. Both of these locations will relocate to this facility and bring the staff total to 58 which will be 254 sq. ft. per employee. The lessor will pay for all improvements associated with this relocation. This is a five year lease with a termination at any time after the 36th month with 90 days' prior notice. Ms. O'Connor stated that the agencies involved are very supportive of this move. With no further questions or comments Member Bass made a motion to approve this lease and was seconded by Member Bedore. The motion was unanimously approved.

Next on the agenda was DHS lease #6133 at 600 S. State in Elgin. Mr. Kanellopoulos stated that CMS is proposing a two year lease in order to give the State time to move this facility to a State owned building. This lease can be terminated at anytime with 60 days' notice. There was a reduction in rent from \$10.00 per sq. ft. to \$9.18 per sq. ft. with a total direct cost of \$15.41 a sq. ft. This office needs to remain in this building until it is able to move to a State owned facility. With no questions or comments Member Bedore made a motion to approve this lease and was seconded by Member Bass. The motion was unanimously approved.

Member Bedore requested that lease #6315 on N. Riverside put under official review.

Next on the agenda was Legislation. Director Matt Brown stated that there were three topics he wanted to discuss. In regards to SB51, the working groups at CMS are still active and proposing to have some formal presentation made available to the Board by April 22. At this time work with the organizational groups are still continuing for implementation of the law as well as what trailer legislation may be coming forward. The legislature will reconvene next week. Next is

SB2887 that will put the Procurement Policy Board into a review and approval position over RFI leases similar to the review of renewed leases. The legislation is poised to work its way through the House. The legislature has identified May 7 as an early adjournment date. So, the cycle for working through committees and reading will go much faster than in previous years. Last is a Senator Kotowski bill that he believes is SB351, is on postponed deadline in the Senate and has not left to go to the House under the Senate's rules there is still time to pass that over to the House, but the longer it delays the more time it will take the House to move it along. That is the bill the Board asked him to follow because of its impact of rebidding all contracts in excess of \$250,000.

Ms. Lynn Carter stated that CMS has a meeting set for April 22 for the SB51 implementation presentation and she invites all of the Board Member to attend the presentation. Member Bass asked if there was a packet that would be passed out to the Board prior to the meeting. Ms. Carter replied there will be and she will have an executive summary sent out as well.

It was suggested the special meeting to hear DHS lease #5467 and DCFS lease #5305 be done following the SB51 implementation meeting on April 22. The Board agreed.

The next Board meeting is set for May 13, 2010 at 11:30 a.m.

With no other business to discuss Member Morales made a motion to adjourn and was seconded by Member Bass at 3:00 p.m. The motion was unanimously approved.