



Chairman: Frank J. Vala

Members: Ed Bedore, Ricardo Morales, Larry Ivory, Bill Black

Minutes – May 4, 2016

The meeting of the Procurement Policy Board was called to order at 10:00 am on May 4, 2016. Roll call was taken. Present in Springfield was Chairman Vala, Member Bedore, Member Black and Member Ivory. Member Morales was participating via telephone. Member Bedore made a motion to allow Member Morales to participate by phone. The motion was seconded by Member Ivory, all members voted in favor and the motion carried.

The minutes from the April 6, 2016 meeting were considered. Member Bedore made a motion to accept the minutes as printed. Member Ivory seconded the motion. With all of the members voting in favor the motion carried and was unanimously approved.

Member Bedore commented that he thinks the Board and staff should look at coming up with a rule regarding when packets of information and leases should be submitted to the Board. The Board got these 12 leases a day and a half before the Board meeting. To me that is totally unacceptable. Director von Behren suggested the Board consider changing the Board meetings date to the second Wednesday or Thursday of the month to allow the agencies to get their notices published well in advance and the PPB staff can send out meeting packets to the Board at least a week in advance. No Board members seemed to have a problem with the change.

First up was the Illinois State Board of Education lease #R12005. Dave Moser, Division Supervisor of Property Management and Janelle Ford, Chief Operating Officer, was in attendance from the Illinois State Board of Education (ISBE). Mr. Moser stated that the State Board of Education respectfully requests that the Board approve a five year lease agreement for the Alzina Building located at 100 N. 1st Street in Springfield. The current lease has been effective since June 15, 2011 for a five year term through June 30, 2016. The Alzina Building has served as a primary location for ISBE since 1975. ISBE currently has 121,400 square feet of office space and 11,965 square feet of warehouse space. Member Bedore stated that he had a problem with the lease rate of \$16.44 all inclusive when the State is getting \$15.19 on Washington St. and \$12.50 all inclusive on Ash St in Iles Park. Member Bedore stated even though the Agency had negotiated a reduced rate, they were still about \$4 a sq ft higher than leases the Board have before them today. I have a real problem with that. Member Bedore stated he also has a problem with the storage amount of \$7 when we're getting \$4, \$5 for storage elsewhere. Member Bedore stated he would have to be against this lease. Chairman Vala stated that this lease was approved 5 years ago at the \$16 rate. Member Bedore states times have changed and that the leases here in Springfield in the last 3, or 4 years have actually come down. Some buildings have rates at \$9 and \$10.

Member Morales commented that years back maybe landlords were doing whatever to keep occupants even though they were struggling or straining. The State Board of Education was able to take advantage of this and get things below market. Member Morales stated that in reality a lot of landlords are struggling with those rents and now they're in a position, perhaps 5 years later when the renewal is coming up, to bring it up to speed along with some of the other market rates. When we see an increase, we need to determine if they are trying to take advantage of the tax payers or not. We need keep that in mind when we look at these leases were going to see some increases and were not going to like it. But the landlords are trying to stay business and they are trying to maintain their occupancy. Member Morales reminded members that it's costing us more money to re negotiate, threaten them to leave and it's going to cost us



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\$150,000 to relocate somebody. Member Morales asked if we are in fact doing justice to the taxpayers when we are renegotiating for .50, \$1.00 or \$2.00 when we have to look at all the numbers and make sure it makes sense for all of us. Member Morales agrees with Member Bedore that maybe we can do better but that maybe we can't with every lease. Every lease is going to be different, and they are not all going to be \$12.50 or \$16.00 across the Board because they are all different, and we have to keep that in mind and look them individually and what the circumstances are for a particular lease. We have to start looking at the leases for more than pennies here pennies there, dollars here dollars there. We have to look at the overall lease and how it affects the taxpayers and the business owners of this state. I don't feel the taxpayers are being taking advantage of in this case.

Member Ivory stated that he wanted to know if we have considered all the factors because maybe the space, the location of the space and all its various factors. Member Ivory asked if there was anything that Mr. Moser could share that would help us understand why there is a discrepancy based on what Member Bedore had said. Mr. Moser replied that the agency had reduced the amount of space by 4,300 sq ft and that they reduced the rate from \$17.23 a sq ft to \$16.44 sq ft. Mr. Moser stated that the building is in great condition and that if you can look at the photos there are not major upgrades that are needed in this facility. Ms. Ford stated that in addition to the actual quality of the facility, which we do think is top notch; there have been a lot of improvements made to the physical space. We have a number of stake holders that come into our facilities and calibrate across the state. Ms. Ford stated that they had reorganize their space to help improve the quality and the type of work they are doing with their partners and that moving to a new facility would require a lot more investment in the new space..

Chairman Vala stated that we have seen the devastation of downtown Springfield with 2600 jobs pulled out of downtown. We need to see not only what is best for the landlord but also what is best for the state employees and to make sure that they have a descent sanitary place to work. Chairman Vala stated he was going to support this lease. Member Bedore pointed out that that State has been in this building for 40 years and he would hope they have paid off their building after 40 years and were averaging over 10 million dollars per the term, so approximately \$40 million of State money went into this building. Member Morales stated that could be the case but as you know a lot people do refinance and cash out for other things. Member Morales stated that the agency provides services to the people of Illinois and they need space to do so. We have a lease showing that they decreased the space and the rate we are paying and just because there are leases with different rates doesn't mean this lease is a bad one. Member Vala made a motion to issue a letter of no objection. Member Morales seconding the motion all members voting "aye" with Member Bedore opposed. The motion carries 4 to 1.

Next on the agenda is lease #6348 DOT District 6 headquarters on Stevenson Drive. Susan Florence was in attendance from Central Management Services. Ms. Florence stated that the State was providing a slight increase in the rate which was quite a good rate before and that the area per person is slightly on the high side because the building was in the process of being re-stacked. Member Bedore asked what was the previous rate and Ms. Florence stated it was \$9. Member Bedore asked what the State was getting for the increase in rent. Ms. Florence replies the Lessor was putting a new roof on the building, and providing some other improvements the agency requested. She stated that this lease was a prime example for what Member Morales was speaking of earlier. This rate was artificially low for a number of years because the landlord was trying to maintain occupancy and he just can't sustain the building at that rate. This building is key to IDOT functions and the cost to relocate is estimated between a half million and two million depending on the infrastructure you have to re- created at another site. Member Morales



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stated that in 2011 there was a 14% decrease and in 2013 a 25% decrease. The Board was very happy about those decreases. But there reaches a point 5 years later that the landlord can't sustain this lease at this level. Member Morales said it makes sense to get the rates up to market level. Member Black asked who decided that the roof would be replaced. Ms. Florence replied the landlord decided to replace the roof in the next 6 months so it will be replaced this spring or summer. Member Black stated that might be one reason why they wanted to increase base rent and he understands that. Member Bedore stated that we shouldn't give credit to the owner for putting on a new roof. It's their building and they are not doing it for the people of the State of Illinois, they're doing it for themselves to maintain this building. Member Bedore said for this lease you go to \$13 a sq ft from \$ 9 and then you add gas, electric, water, janitorial, garbage we're paying \$16.59. Member Bedore says he understands inflation but he can't vote to approve this lease.

Chairman Vala asked how a landlord can afford to upgrade his building when the State has taken a 39% cut in the rent over a five to six year period, combined with the fact that the State hasn't paid its rent in over 9 months. Member Bedore states that not getting paid was an entirely different issue. Member Morales asked if this building was in the market range and Ms. Florence stated that it was. Member Morales asked what it might cost to move this facility. Ms. Florence stated around \$45,000 to move equipment, furniture and telecom and that IDOT has estimated the cost to move the system that runs the traffic control signals anywhere from a half million to two million depending on the new location what kind of infrastructure already exists or doesn't exist there. Member Ivory asked to help him understand how the process works with regard to negotiating the final lease price. Ms. Florence states that they went back and forth, he shot us price we came in lower, we counter offered and this is where we settled. Member Bedore asked about the personal space and that normally we strive for 275 per person which was very generous and here were at 305. Ms. Florence stated the agency is in the process of re-stacking the building. Chairman Vala makes a motion to enter a letter of no objection on this lease. Member Morales seconding the motion all members voting "aye" with Member Bedore opposed. The motion carried 4to 1.

The next agenda item was a lease for DCFS in Chicago. Ms. Florence stated that this is the DCFS Inspector General and we are providing a rate increase, the tax escalation clause has been updated to the current base year we have not paid any escalation over the last 5 years. Chairman Vala made a motion to enter a certificate of no objection and Member Ivory seconded the motion. All members voting "aye" Member Bedore didn't vote. The motion carried 4-0 with one no vote.

The next lease on the agenda was DCFS Chicago, Lease 5230. Ms. Florence stated that this is their Cook and Northern region office and it's also a child protective office serving the north part of Chicago. DCFS will see 27,000 clients in fiscal year 2016. Ms. Florence stated that we are giving a 3% rate increase which was still within the CMS portfolio ranges. Chairman Vala made a motion to enter a letter of no objection and Member Morales seconded the motion. All members voting "aye" with Member Bedore not voting. The motion carried 4-0 with one no vote.

The next lease on the agenda was DHS in Villa Park. Ms. Florence stated that this is the DuPage family Community Resource Center and this office has an average about 4000 walk-in clients per day. Ms. Florence commented that the rate is extremely low for DuPage County and it is full gross except for janitorial. Member Black stated that he thought the janitorial looked a little high. Ms. Florence state that she could not be sure but that possibly the janitorial was a State Use contract. Ms. Florence added that CMS actually has a solicitation on the streets to possibly re-locate DHS and that DHS is interested in re-



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locating to a different part of the county. Member Morals asked why they are looking re-locating. Ms. Florence stated it was a business decision; they just want to move to a different part of the county. Member Ivory stated the BOMA rate is substantially higher than the current rate that were getting. Ms. Florence agreed and said the rate has been historically low in this building. Chairman Vala made a motion to issue a letter of no objection and Member Ivory seconded the motion. All Members voted in favor saying “aye” and motion carries 5-0.

The next lease on the agenda was The Department of Public Health in Springfield. Ms. Florence stated that the agency has been in this building since 1970 and the landlord offered some rent decreases in exchange for a new 5 year option. Member Bedore wanted the four other board members to take a hard look at this number compared to what they just approve. The board had approved a lease earlier for \$16.44 a sq. ft. and approved another lease at \$16.55. This lease is in the same area, all inclusive and is \$2.59 cheaper with a personal space of 225. Member Bedore stated he toured this building 5 years ago and was very happy with it, and we are paying \$2.59 less a sq ft. Chairman Vala made a motion to issue a certificate of no objection and Member Bedore seconded the motion. All Members voted in favor saying “aye” and the motion carries 5-0.

The next lease on the agenda was Illinois Council of Development of Disabilities at 830 South Spring. Ms. Florence stated that we got a 7.5% rate decrease on this lease, it’s within BOMA and slightly above the portfolio range. This space is also occupied by a partner of the agency, the Northeast Pennsylvania Center for Independent Living. The Center is in the process of taking larger percentage of the space which will bring down the councils occupancy. Member Black asked how long has it been since this lessor has been paid. Jeanne Hendricks from the agency stated that the Council uses 100% federal funds so we do have a budget and we are paying CMS for our lease cost and she didn’t know if the lessor has received any payments. Member Black asked if the Council was delivering services. Ms. Hendricks stated that their job was help people with severe devolvement disabilities to be able to exercise the same rights everyone else has, so they were more of an advocacy group. Chairman Vala made a motion for a certificate of no objection and Member Ivory seconded the motion. All Members voted in favor saying ”aye” and the motion carried 5-0.

The Board then considered Lease 6364. Member Bedore stated that this was the State Fire Marshall’s Building. Member Bedore would like for this to be in the minutes as this is a prime example why this Procurement Board is needed. Member Bedore stated five years ago this Board looked at this rate and asked the person from CMS at the time, what about the rate for the garage. CMS stated ‘What garage?’ The Board voted to put the lease on hold until CMS could review the space. In the end, instead of paying \$12 a sq ft for the entire building we decided and CMS decided that there would be two different rates. So we saved the State millions of dollars just by this Board asking some simple questions. Member Bedore asked if there a different rate for the garage and Ms. Florence stated yes its \$12.94 for the office and \$6 for the garage. Member Bedore wanted to point out that the Board saved 50% on the rate for the garage space and that this is just another example of why is Board is needed and also needed to look at leases.

The next agenda item was an update the current legislative bills and Director von Behren stated that all bills concerning the Board were in the same place where they were last meeting, still sitting in committee. Member Bedore comment that he keeps hearing that the bills are buried in committee and they’re not going to go anywhere, but he can’t agree with that. The Governor has us high on his list and Member



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Bedore wants everybody to be aware just because a bill is in committee doesn't mean that they aren't pushing very hard to eliminate this Board. Member Black wanted to share with the Board this is not coming from a Member of the University of Illinois, but it comes from a Legislator who represents the University of Illinois, and this Board is being blame for everything, including a charter plane for the football team that wasn't being paid for. The Procurement Board doesn't have anything to do with the University chartering an airplane. Member Black stated that he thinks Member Bedore has a point that there are people all across the state telling their Legislators, that they couldn't do this or they couldn't do that, they couldn't build a new classroom because the Procurement Board wouldn't let them. We don't get into those kinds of decisions. Member Bedore stated all he was trying to do is make everybody aware that bills to do away this Board and the CPO's are still alive in the Governor's office and still being pushed every hard. Chairman Vala made a motion to adjourn Member Ivory seconded the motion the motion was unanimously approved.