

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Date: June 28, 2017

Authority Memo Number **042-2017 Special Meeting Minutes**

A special meeting of the Will County Metropolitan Exposition and Auditorium Authority Board was held on May 31, 2017 at 15 E. Van Buren Street, Joliet, Illinois 60432. Chairman Bob Filotto opened the meeting at 4:00 P.M. with a quorum present and welcomed Board members and the public.

Present: Joe Carlasare, Donnie Chestnutt, Jane Condon, Bob Filotto, Tom Osterberger, Kathy Trizna and Council Liaison Pat Mudron

Absent: Jeff Pierson

Others: John Olivieri; members of the public and the press.

Staff: Val Devine, Jack Ericksen, Dale Evans

Authority Memo Number **039-2017 Review of Property Management Proposal for Two Rialto Square**

The Chair announced Legal Counsel David Silverman's decision not to attend due to his firm's previous representation of John Olivieri. In Mr. Silverman's absence, the Chair raised the issue of discussion of the management proposal with Mr. Carlasare, who said he felt the matter could be moved to executive session. The Chair asked members if they felt comfortable discussing the proposal in public or if they wished to move into executive session. The members chose to discuss the matter in open session.

Motion: Chestnutt moved and Trizna seconded approval of the three-part property management proposal, submitted by John Olivieri, Architect and Managing Broker on behalf of Olivieri Real Estate, LLC for the management of the Two Rialto Square building at 116 N. Chicago Street, Joliet, IL, subject to review by legal counsel, the terms of which are Property Management, a onetime fee of \$8500 and \$4800 per month through 2017 and \$5800 in 2018; Commercial Listing, \$1.00/square foot the first year and \$.50/SF for every year thereafter; Architectural and Engineering Services, at a onetime fee of \$8200.

AYES: Carlasare, Chestnutt, Filotto, Osterberger, Trizna

NAYS: Condon

Discussion: The Chair explained that a tenant with issues important to him, his staff and / or business met with Rialto staff and Board representatives expressing his frustration and sharing his intention to relocate, in large part due to lack of response from the Authority for an extended time.. Other tenants had expressed dissatisfaction with service and scarcity of supplies associated with the Authority's limited staff and funding. Knowing the importance of tenants to the operation, John Olivieri of Olivieri Real Estate, a company with experience in managing properties leasing to business tenants was contacted and a meeting with staff was scheduled. Public bidding is not required for services such as this. Pierson had agreed with the Chair that it is crucial to retain current tenants. Devine said there is stiff competition among building owners for tenants. Osterberger said at this point the challenge is finding money to build out spaces. Condon said there are other office space management companies; the previous Board had met with John Bays. It was observed that John Bays operates his own buildings; he doesn't manage other properties. At the meeting, Olivieri

had said 2RS is a big building in need of a lot of work; office space is their specialty; a property manager will coordinate with building operations' staff, who they found to be competent; they have practices in place that have been proven in other office buildings, including monthly building walkthroughs and establishing an office in the building. They also provide projections for building improvements and generate confidence in the building. He said Joliet is a hard area to sell, but he is confident that there is potential here. In response to Osterberger's question, Olivieri stated standard fees for this service is \$1.00 to \$1.25 per square foot; 2RS is a 130,000 square foot building. Property management entails renegotiating leases, meeting with tenants, checking the building, coordinating with building engineer(s), creating online forms for tenant use in alerting management of building issues. The Authority would continue to collect rent. Olivieri Management would help oversee tenants, as well as, staff management and maintenance, to assure cost effectiveness. In response to Mudron's question, Olivieri said he thinks the Authority could afford their services and would see a benefit; it will take time, but he believes the company will bring in new tenants; they have a history of successfully increasing the percentage of leased spaces in the buildings they manage; their sales staff is aggressive. Building owners retain the right to approve lease terms. While the entire Complex is 48% leased, 60% of 2RS is leased. • Chestnut expressed concern about the cost in light of the Authority's financial picture. 2RS should be at 75% or 80% in 2020. The Chair referred to the financial risk of doing nothing. Chestnut said the building would continue deteriorating, but it is important to know that we have the funds to accomplish that change in 2020. The Chair had asked VenuWorks to include the cost in the FY2018 budget. Osterberger also expressed concern about funding the service. Condon said it is her impression that we continue to run a deficit and wondered what funds would be available for management company services. The Chair said, in the near term that would be the case, but not in the long term. Carlasare said this measure needs to be implemented as soon as possible, but it is important that an attorney review the document on the Authority's behalf. The Chair said the document can be approved subject to attorney review. • Osterberger noted the fee is \$60,000 this year and \$72,000 next year. Osterberger appreciates the importance of management service and agreed with the Chair and Carlasare: We have to act. Olivieri said in touring the property with the lead engineer, he was told the engineers take turns being on call. On a property like 2RS, that is inefficient. It generated questions in his mind: Is everything being documented? If a light fixture is installed, who is tracking the warranty? He said maintenance and engineers are overworked; they are doing their jobs; they aren't responsible for long range planning. • In response to Trizna's question, Olivieri said they have taken into account the fact of it being the Rialto: accounting will be done in house and they will be working with a staff of competent engineers familiar with the building. They would like to have a leasing office in the space that will be used for meetings. If the event a tenant expresses interest in that space, it would be leased and the office would be moved to another suite. • The architectural agreement includes basic interior floorplan master documents at \$8,280, which would be available online. • The agreement is for two years, June 1, 2017 through May 31, 2019, approximately \$17,000 would be due immediately. The Chair said the term of contract would probably be moved to align with the fiscal year. The Chair requested a motion to include all three agreements, subject to approval by legal counsel, which he requested Carlasare and Osterberger to facilitate.

Osterberger was randomly called as the first to vote. He hesitated as he believed a management service necessary, but in his experience he has never seen the square footage

cost listed as it is in the proposal. With no point of reference for that information he wanted verification that this was industry standard. Olivieri said he has no problem with \$1 for the first year and splitting \$1.50 with a second broker, but in this market, other realtors must be enticed to show the space. When you have a percentage and the space is \$8/SF due to a required buildout, realtors won't consider it. It was noted that all Olivieri leases protect the building owner from paying commissions before the tenant's rent payments have covered the commission. Condon said there are several items she would like to discuss for possible negotiation, or to strike, and wanted to verify that that could be done during legal counsel review. The Chair said, with a motion on the floor and roll being called, we are, unfortunately, past that point. Chestnutt noted that, on subjects that don't qualify for executive session and with very limited discussion between members, material cannot be adequately evaluated. Chestnutt said she supports property management and would vote to for it, but she is concerned about how costs will be paid. Condon said she hadn't realized that a vote would stop further negotiation. Trizna agreed. Carlsare explained: when voting on a contract, members need to, at least, be familiar with the terms of the contract, what the bargain for exchange is, what the material terms of the contract are. The issues addressed by legal counsel are those that would put the Authority in jeopardy, or for concerns such as drafting or scrivener's errors. Osterberger said we must find someone to read and approve the proposal; supposing luck is with us and we get it done in 10 days, but we need to get on this and our next Board meeting isn't until late June. Osterberger said Olivieri's explanation alleviated his concern and voting resumed.

PUBLIC TO BE HEARD

- Responding to a member of the public, the Chair reported the previous Board had considered the possibility of selling 2RS and had concluded that the property was not salable. Another consideration is that the Authority is \$2.6 Million in debt for the buildout of the USF / Hospitality Suite and, while the USF rent covers monthly payments, all current and future leases are held as collateral on that banknote.
- Another member of the public compared the City's minimum show number requirement with a management company's proof of delivery, the Chair said a level of distrust may have been in place when the minimum number of shows was determined. Olivieri Property Management's operation has a level of success that generates confidence and the two-year proposal is very minimal and benefits the Authority.

Motion: Osterberger moved and Chestnutt seconded adjournment.

The Chair called a voice vote; the motion carried unanimously. The meeting adjourned at 5:10 P.M.

Minutes respectfully submitted by Jan Gilligan, Administrative Assistant.

Kathy Trizna, Board Secretary

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