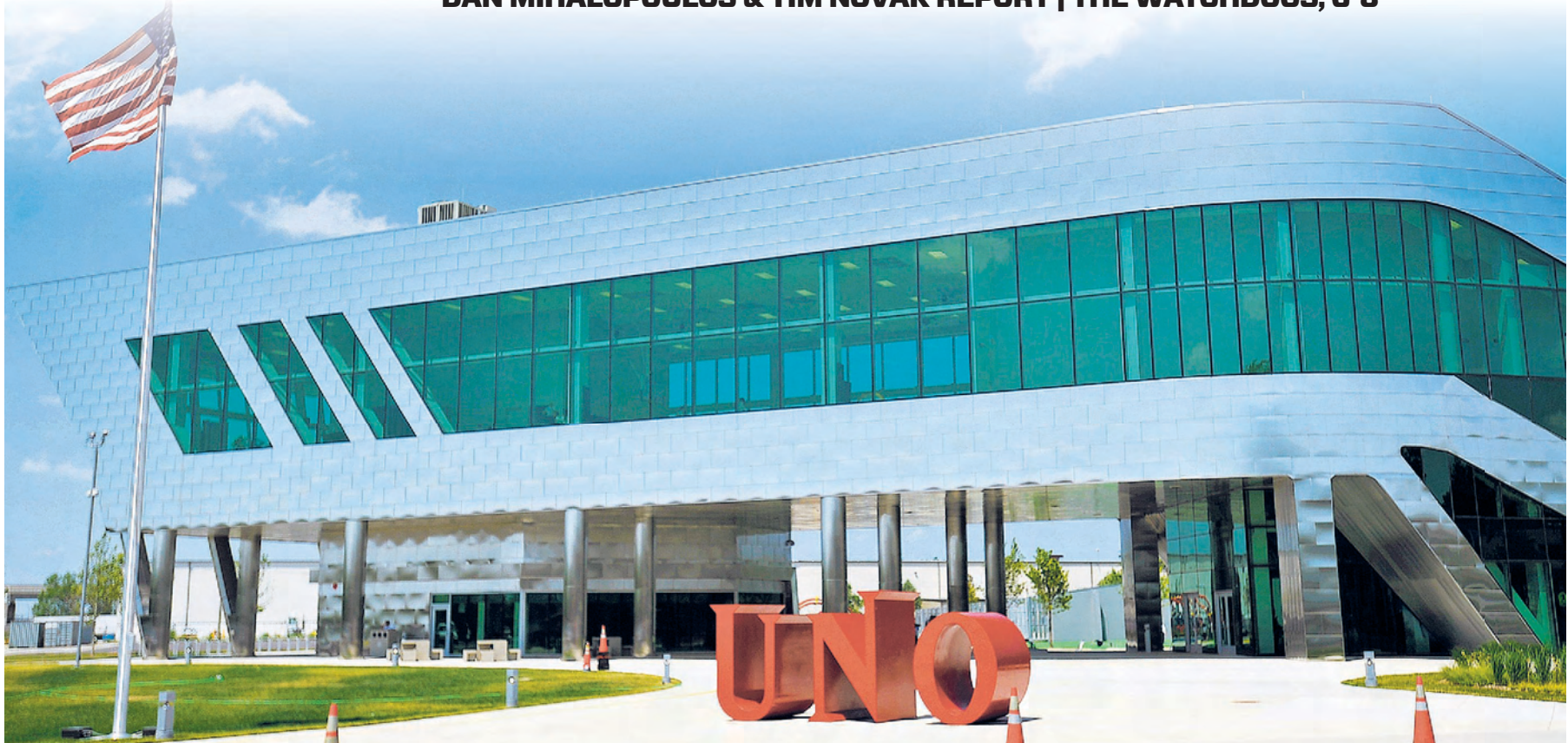




CLOUT IN SESSION

UNO chief Juan Rangel (left) defends handing out millions in school contracts to friends and family of those in his organization

DAN MIHALOPOULOS & TIM NOVAK REPORT | THE WATCHDOGS, 6-8



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THE WATCHDOGS

THIS WEEK BY DAN MIHALOPOULOS & TIM NOVAK

FOR INSIDERS, CHARTER SCHOOLS PAY

State grant pays firms tied to school operator

Built in 2011 with \$25 million from Illinois taxpayers, the curvy, stainless-steel structure that houses the UNO Soccer Academy Elementary Charter School leaps out from the neighboring landscape of boxy brick houses on the Southwest Side.

The school on South Homan Avenue isn't just eye-catching. It has provided opportunities for working-class, Hispanic parents who want an alternative to crowded, poorly performing public schools for their children, says the head of the United Neighborhood Organization, the increasingly influential group that built and operates the school.

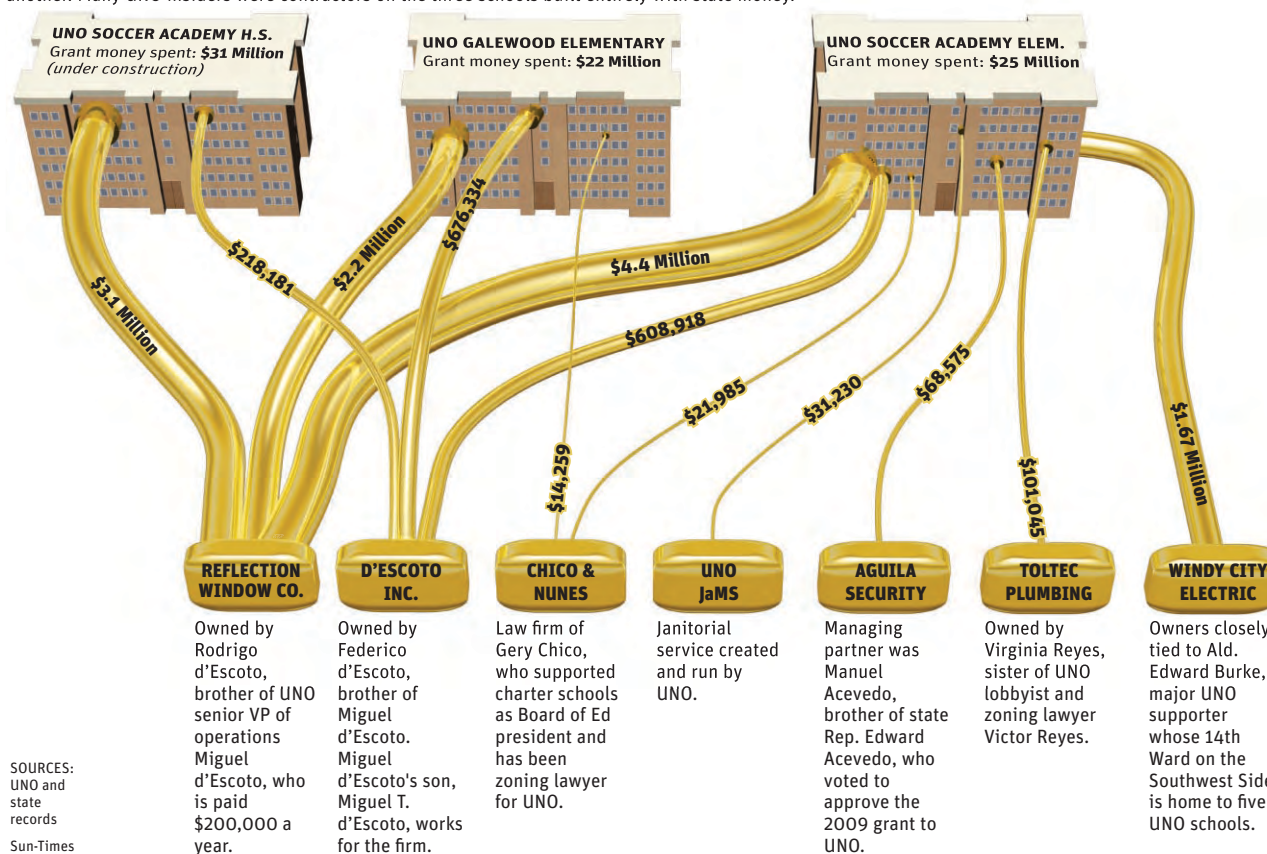
But the way it and other UNO schools were built also has provided a financial boon to people close to the group's leaders, records obtained by the Chicago Sun-Times show.

A \$98 million state grant — approved by the Illinois Legislature in 2009 and believed to be the nation's largest government investment in charter schools to date — funded the construction of Soccer Academy Elementary and other new schools built by UNO.

More than one-fifth of the taxpayer money spent on the Soccer Academy Elementary project went to four

UNO's charter school contract pipeline

In 2009, United Neighborhood Organization got a \$98 million state grant to build new schools. It's believed to be the largest grant that a charter school network anywhere in the country has received. UNO has used much of the state money to finish one school, build two new ones and start construction on another. Many UNO insiders were contractors on the three schools built entirely with state money.



contractors owned by family members of UNO's political allies and a top executive of the group, records show:

◆ A company owned by a

brother of Miguel d'Escoto, UNO's senior vice president of operations, was paid more than \$600,000 as the "owner's representative" for

the project.

◆ Another d'Escoto brother landed a \$4.4 million contract that included installing the school's windows and

distinctive metal exterior panels.

◆ State grant money that was used to guard the construction site went to a se-

curity firm run by two brothers of state Rep. Edward Acevedo, a Chicago Democrat who voted to approve the UNO grant.

◆ Two deals for plumbing work went to the sister of Victor Reyes, a lobbyist who helped UNO obtain the grant money to build the school.

UNO also hired the janitorial service it operates, paying it more than \$31,000 to clean up the Soccer Academy site before classes began.

Charter schools are classified as public schools, though they are built and run by private operators outside many of the rules that govern the Chicago Public Schools and other public school systems. The number of charter schools in Chicago is growing. They are a key element of Mayor Rahm Emanuel's plan to improve student performance. And there is a push in Springfield to increase state funding for the privately run schools, whose spending largely has gone unscrutinized.

The state money that UNO got is powering the organization's rapid expansion and helping solidify its growing political might at a time the city school system is facing a budget crisis and talking about closing schools.

So far, UNO has received \$83 million of the \$98 million



UNO Soccer Academy Elementary Charter School stands out in the Southwest Side neighborhood. | BRIAN JACKSON-SUN-TIMES



Miguel d'Escoto



Eddie Acevedo



Victor Reyes



Joe Acevedo



John McMahon



Virginia Reyes



Juan Rangel

state grant from the state Department of Commerce and Economic Opportunity, records show. In addition to the Soccer Academy Elementary, the money has gone toward finishing the UNO Veterans Memorial Campus on 47th Street and opening another new elementary school, in Galewood on the city's Northwest Side, records show. Much of the rest will go toward a new high school that's rising next to the Soccer Academy.

UNO's chief executive officer, Juan Rangel, dismisses any concern about companies with ties to UNO insiders landing school contracts.

"I understand the optics of it," says Rangel, "but if they cannot do the job, they're not going to get the contract. All of these guys have proven themselves."

Rangel says giving business to the companies was in line with UNO's long-standing mission of helping Hispanic-owned contractors.

"The premise of UNO is not just to run charter schools but to empower our community," he says. "We've been doing that for the last 20, 30 years. The only difference is we're in the driver's seat today."

Still, giving work to insiders could be a problem, according to a spokeswoman for the state agency that issued the grant.

UNO's grant agreement requires it to "immediately notify the department in writing of any actual or potential conflicts of interest, as well as any actions that create or which appear to create a conflict of interest," spokeswoman Sandra M.

Jones says. The state "has no record of receiving such notifications. We are currently reviewing the matter. We take our oversight of taxpayer-funded programs very seriously. If it is found that a grantee has used funds incorrectly, we will take steps to address it."

The section of the grant agreement Jones cites says: "A conflict of interest exists if a grantee's officers, directors, agents, employees and family members use their position for a purpose that is, or gives the appearance of, being motivated by a desire for a private gain, financial or nonfinancial, for themselves or others, particularly those with whom they have family, business or other ties."

Rangel says the group has "gone above and beyond what we're required to do" by

the state and that its general contractors solicit offers from multiple companies for much of the work.

But Rangel says getting contracts for the construction of UNO school projects doesn't involve sealed bids revealed at public bid-opening sessions. That's the way it's done for the construction of Chicago Public Schools buildings in a process overseen by the Public Building Commission of Chicago, on whose board Rangel has served since being appointed by Emanuel in 2011.

Sealed bidding also is required to get funding under Illinois' main school-construction grant program, run by the state Capital Development Board and used by school districts state-

State grant transformed community group

Founded as a Hispanic community activist group, the United Neighborhood Organization operated only a single charter school until 2005.

UNO has since grown to include 13 schools in the city of Chicago and become a significant political player in the process, a transformation fueled by a \$98 million school-construction grant the Illinois Legislature awarded it in 2009.

When Rahm Emanuel ran for mayor in 2011, Juan Rangel, UNO's chief executive officer, co-chaired his campaign. Still, rival Hispanic groups viewed UNO as a political lightweight.

That changed with the March 2012 Democratic primary, when UNO executives, employees and contractors helped Rangel protégé Silvana Tabares defeat Rudy Lozano Jr. in a state legislative district covering the Southwest Side and south suburbs.

Tabares, editor of a bilingual newspaper, was a graduate of a program UNO runs to improve leadership skills and encourage the ambitions of young Hispanic professionals.

Seven UNO employees helped gather signatures for Tabares' nominating petitions to get on the ballot, accounting for 57 percent of the signatures that the candidate didn't collect herself, records show.

UNO executives and others with ties to its charter-school network provided about \$80,000 of the roughly \$266,000 in campaign contributions that Tabares got last year.

Nearly \$51,000 came from UNO contractors working on its school projects under the 2009 state grant. The biggest of those donors — giving \$21,000

— was d'Escoto Inc. The construction-management firm is owned by a brother of Miguel d'Escoto, who is second-in-command at UNO.

Reflection Window Co., an UNO contractor owned by another d'Escoto brother, gave Tabares \$6,500.

The Chicago Latino Public Affairs Committee, headed by attorney Homero Tristan, contributed more than \$18,000. Tristan's law firm has done work for UNO that was paid for with money from the state grant.

Rangel, Miguel d'Escoto and other UNO officials personally contributed a total of \$1,900 toward Tabares' victory.

And more than \$61,000 came from charter-school supporters, including the advocacy group Stand for Children, which gave \$51,321.83. Rangel says he introduced Tabares to representatives of Stand for Children, as well as the Illinois Chamber of Commerce, which pitched in more than \$22,000.

Tabares, who took office last month, didn't return calls seeking comment.

As not-for-profit organizations, UNO and its charter school network can't become directly involved in politics without endangering their tax-exempt status. But Rangel and others with ties to UNO are free to give money and other support to political campaigns as private citizens.

Rangel says the UNO employees who campaigned for Tabares did so on their own time, on evenings and weekends.

As for the donations to Tabares from UNO contractors, he says, "My personal involvement with Silvana was public. People are going to give — not that I hadn't asked some people."

Dan Mihalopoulos

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CONTINUED FROM PAGE 7

wide since 1997. Legislators, though, chose to give the \$98 million to UNO under a different program.

UNO's insider contract deals go beyond the Soccer Elementary Academy. Records show the companies that benefitted from the 2009 state grant to UNO have included:

♦ D'Escoto Inc., owned by Federico "Fred" d'Escoto, whose brother Miguel d'Escoto holds the second-ranking post with UNO and was the city of Chicago's transportation commissioner under former Mayor Richard M. Daley. D'Escoto Inc. has been paid more than \$1.5 million so far, mainly for overseeing construction management on all of UNO's state-funded projects. Miguel d'Escoto's son, Miguel T. d'Escoto, works for d'Escoto Inc.

UNO hired d'Escoto Inc. without seeking other bids, Rangel says, because the firm provided the sort of services that government agencies often contract for based on merit rather than price alone. "I trust that they are looking out for our interests," he says. "I've known the d'Escotos for decades. Fred's reputation is impeccable."

♦ Reflection Window Co., owned by Rodrigo d'Escoto — another brother of Miguel d'Escoto. It stands to make nearly \$10 million for work on all of the UNO schools built with the grant money. Reflection was paid about \$6.7 million for work on the Soccer Academy Elementary and Galewood schools, and it has a contract for about \$3.1 million for work on the high school that's under construction.

♦ Aguila Security, which was run by Manuel Acevedo and Joe Acevedo — brothers of state lawmaker and longtime UNO ally Edward Acevedo — during the time the company provided "site security" for UNO on the Soccer Academy Elementary project.

♦ Toltec Plumbing, owned by Virginia Reyes, whose



UNO charter school students line up. | BRIAN JACKSON-SUN-TIMES

brother Victor Reyes was a top mayoral aide during the Daley administration and also headed the now-defunct Hispanic Democratic Organization. Victor Reyes was UNO's lobbyist when it landed the 2009 grant, and his law firm is doing zoning work for UNO that will be paid for out of the state grant money, according to Rangel.

♦ Windy City Electric, which has ties to Ald. Edward Burke (14th) and was banned from working on City Hall contracts after city officials determined that brothers Anthony and John McMahon operated the company in their wives' names to obtain millions of dollars from city contracts set aside for businesses owned and operated by women. Windy City was paid \$1.67 million for work on the Soccer Academy Elementary's construction.

Anthony McMahon is a top precinct captain for Burke, a longtime UNO backer whose Southwest Side ward is home to five of the charter network's schools. Burke's daughter-in-law has worked for UNO since 2009.

In 2010, Rangel endorsed Burke's brother, state Rep. Daniel Burke (D-Chicago), when he narrowly won a Democratic primary fight against a Hispanic challenger.

♦ The law firm of Chico & Nunes, headed by attorney Gerry Chico, who has done zoning work for UNO and been paid with money from the state grant.

♦ UNO JaMS, a not-for-

profit "social enterprise" initiative of UNO that provides janitorial services at its charter schools.

Democratic and Republican lawmakers alike voted to approve the grant for UNO almost four years ago. Rangel says he was surprised at how much money UNO got from Springfield.

"Did we think we could get \$98 million? No," he says. "But we shoot for the moon. We asked for \$100 million."

Rangel says UNO — which also is getting about \$67 million from Chicago Public Schools this year to run its schools — will seek more state money to build new schools.

Though the city is weighing whether to close underused public schools, he notes that UNO's schools are in neighborhoods on the Southwest Side and Northwest Side where public schools are increasingly crowded because of the fast-growing number of Latino students.

"What people don't understand is we're talking about different communities," he says. "In our community, there are too many kids and not enough schools. Our parents won't agree to busing their kids to where [underused] school buildings are."

After the new Soccer Academy High School is complete, Rangel says UNO will have \$15 million left from the 2009 grant — not enough to build another new school. So UNO is asking Springfield for another \$35 million.

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