



SACHI A. HAMAI  
Chief Executive Officer

## County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration  
500 West Temple Street, Room 713, Los Angeles, California 90012  
(213) 974-1101  
<http://ceo.lacounty.gov>

*"To Enrich Lives Through Effective And Caring Service"*

Board of Supervisors  
HILDA L. SOLIS  
First District

MARK RIDLEY-THOMAS  
Second District

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Third District

JANICE HAHN  
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# ADOPTED

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

10 September 18, 2018

CELIA ZAVALA  
ACTING EXECUTIVE OFFICER

September 18, 2018

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

**LEASE AMENDMENT  
DEPARTMENT OF CHILDREN AND FAMILY SERVICES  
DISTRICT ATTORNEY  
1933 SOUTH BROADWAY, LOS ANGELES  
(FIRST DISTRICT)  
(3 VOTES)**

### SUBJECT

Approval of a proposed eight-year lease amendment for 56,001 additional square feet of office space for the Department of Children and Family Services and the renewal of 6,123 square feet for the District Attorney and 280 parking spaces at 1933 South Broadway, Los Angeles.

### **IT IS RECOMMENDED THAT THE BOARD:**

1. Find that the proposed lease amendment is categorically exempt from the provisions of the California Environmental Quality Act pursuant to Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by the Board of Supervisors, and per Section 15301 of the State of California Environmental Quality Act Guidelines (Existing Facilities).
2. Authorize the Chief Executive Officer, or her designee, to sign the proposed lease amendment with PHR LA Mart, LLC. This amendment will add 56,001 square feet for the Department of Children and Family Services, as well as extend the existing lease for the District Attorney housed in 6,123 square feet and, when added to existing Department of Children and Family Services space, results in a total aggregate of 204,484 square feet of office space and 945 parking spaces at 1933 South Broadway, Los Angeles.

3. Authorize the Chief Executive Officer, or her designee, to reimburse the Landlord up to \$4,969,920 for the additional tenant improvements on the increased office space. The reimbursement will be one or more lump-sum payments or monthly payments fully amortized over eight years, including interest at 7 percent per annum, resulting in a maximum annual reimbursement payment of \$808,386 should the entire additional tenant improvement funds be expended. The total annual rental cost in the first year for the additional office space will not exceed \$2,351,546, which is comprised of the \$1,543,160 annual base rent, and the \$808,386 maximum annual amortized additional tenant improvement reimbursement. The proposed lease costs for the Department of Children and Family Services are 36 percent federal funded, 33 percent State funded, and 31 percent net County cost. Lease costs for the District Attorney are 100 percent net County cost.
4. Authorize the Director of Children and Family Services, or his designee, to contract with the Internal Services Department for the acquisition and installation of telephone, data, and low-voltage systems for the Department of Children and Family Services at a cost not to exceed \$2,719,464 including acquisition and financing costs. The low-voltage amount is above and beyond base rental costs and tenant improvement reimbursements payable to the Landlord.
5. Authorize and direct the Chief Executive Officer, or her designee, to execute any other ancillary documentation necessary to effectuate the terms of the proposed lease amendment, and authorize the Chief Executive Officer, the Directors of Children and Family Services, Internal Services and the District Attorney, or their designees, to take other actions necessary and appropriate to implement and effectuate the terms of the lease amendment. The proposed lease amendment will be effective upon adoption by the Board of Supervisors, but the additional term and rent will commence upon completion of the tenant improvements by PHR LA Mart, LLC, and acceptance of the Premises by the County.

#### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

The Department of Children and Family Services (DCFS) has been in operation at this facility since July 1, 2011, under an existing 15-year lease agreement, which currently runs through June 2026. The proposed lease amendment is for eight years upon substantial completion and acceptance of the tenant improvements (TI) for the new DCFS office space. The proposed lease amendment will add new office space for DCFS Revenue Enhancement staff who are currently located in overcrowded conditions at this location, as well as move staff from 2020 Zonal Avenue, Los Angeles, where DCFS has been co-located with the Department of Health Services (DHS). The proposed lease amendment increases DCFS' office footprint by 56,001 square feet from 142,360 to 198,361 square feet.

In addition, there is a second existing lease in the same building that provides 6,123 square feet of office space for the District Attorney (DA). This lease is currently in month-to-month holdover. As part of this action, the DA lease will be terminated, and the proposed lease amendment will include 6,123 square feet for the DA, resulting in a total leased area of 204,484 square feet.

The new termination right for all or a portion of the lease, including the existing space, will be five years from the acceptance and new commencement date under the lease amendment.

The proposed lease amendment will enable the District Attorney to remain in its current work space during the implementation of the TI for the new DCFS office space. Upon substantial completion and acceptance of the TI for DCFS, the DA's month-to-month holdover under its current separate lease will be effectively terminated.

### **Implementation of Strategic Plan Goals**

The Countywide Strategic Plan Goal 1 "Make Investments That Transform Lives" directs that we will aggressively address society's most complicated social, health, and public safety challenges. The proposed lease amendment supports this goal by providing suitable office space that allow DCFS to reduce overcrowding in existing facilities, improve collaboration and workflow efficiencies for DCFS and the DA while enhancing service delivery to the clients. The lease amendment is in conformance with the Asset Management Principles as outlined in Attachment A.

### **FISCAL IMPACT/FINANCING**

The proposed lease amendment will provide DCFS with an additional 56,001 square feet and consolidate the 6,123 square feet of existing office space for the DA into a single lease, and add 280 parking spaces at a maximum first year rental cost of \$2,351,546 which is comprised of the \$1,543,160 initial annual base rent, and \$808,386 maximum annual amortized reimbursement of TI costs should the entire available allowance be expended. This amount reflects a reduction in rent for the existing DA office suite by approximately 30 percent from its current month-to-month holdover rent resulting in savings of approximately \$428,000 over the eight-year lease term. DCFS rent will remain at its current rental rate under the existing lease.

The base rent set forth in the proposed lease amendment will amount to \$1,543,160 per month, or \$24.84 per square foot on an annual basis. The aggregate base rent for the new and existing office space over the eight-year term would be approximately \$45,167,576 which includes annual rent increase projections based on the Consumer Price Index (CPI) capped at 3 percent per annum. When the office related low-voltage and maximum potential TI costs are included, total aggregate costs would be up to \$54,354,130. Attachment B provides an overview of the proposed lease amendment and low-voltage costs.

Sufficient funding for the proposed lease amendment, low-voltage and TI reimbursement costs over the initial year of the lease term are included in the Fiscal Year (FY) 2018-19 Rent Expense budget, and will be billed back to DCFS and the DA. DCFS and the DA have sufficient funding in their FY 2018-19 operating budget to cover the proposed lease, low-voltage and TI reimbursement costs. The lease costs for DCFS are 68.8 percent federal and State funded and 31.2 percent net County cost. The DA is net County cost. Upon substantial completion of the TI's under the proposed lease amendment, DCFS will occupy 97 percent and the DA will retain three percent of the total office space.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

The proposed lease amendment includes the following provisions:

- An eight-year lease term which commences upon completion of the TI by the Landlord and acceptance of the additional premises by the County. Completion of the TI is estimated to take approximately nine months.
- A full-service gross lease structure obligating the Landlord to pay all operating maintenance

expenses associated with the County's additional occupancy.

- An early termination provision providing the County the right to terminate all or a portion of the lease any time after the 60th month of the extended lease term with 180 days prior written notice.
- A total non-reimbursable Base TI allowance of \$1,242,480 or \$20 per square foot.
- An additional TI allowance of \$4,969,920 or \$80 per square foot is available in the lease amendment. The maximum reimbursable TI funds payable to the Landlord may be paid via lump sum payments or amortized over the additional eight-year lease extension at an interest rate of 7 percent per annum resulting in annual reimbursement payments of \$808,386, should the entire amount be expended.
- Annual rental rate adjustments based upon CPI capped at 3 percent per annum.
- The use of 280 additional parking spaces is included in the rent.

The Chief Executive Office (CEO), Real Estate Division staff conducted a market search of available office space for lease, and was unable to identify any sites in the surveyed area that could accommodate this requirement more economically. Based upon a review of available industry data, staff has established that the annual rental range for similar space is between \$27 and \$42 per square foot on a full-service gross basis, excluding parking. Thus, the base annual rental rate of \$24.84 full-service gross, including parking, for the proposed lease amendment represents a rate below the market range for the area. Attachment C shows all County-owned and leased facilities within the surveyed areas, and there are no County-owned or leased facilities available for this space requirement.

Based on County policy, the Department of Public Works has determined that the building's structural system is suitable for County leased buildings. Notification letters have been sent pursuant to Government Code Sections 25351 and 65402. The County has authority to enter into the proposed lease under Government Code Section 25351. County Counsel has reviewed the attached lease amendment and approved it as to form.

The proposed lease amendment will provide an appropriate office location for the DCFS and DA programs, which is consistent with the County's Facility Location Policy, adopted by the Board of Supervisors on July 24, 2012, as outlined in Attachment D.

## **ENVIRONMENTAL DOCUMENTATION**

The CEO has concluded that this project is exempt from the California Environmental Quality Act (CEQA), as specified in Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by the Board of Supervisors, and Section 15301 of the State CEQA Guidelines (Existing Facilities).

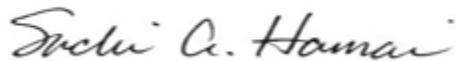
**IMPACT ON CURRENT SERVICES (OR PROJECTS)**

The proposed lease amendment will provide the necessary office space for these DCFS and DA requirements. DCFS and the DA concur with the proposed lease amendment.

**CONCLUSION**

It is requested that the Executive Office, Board of Supervisors, return a certified copy of the Minute Order, and the adopted, stamped Board letter to the CEO, Real Estate Division at 222 South Hill Street, 4th Floor, Los Angeles, CA 90012 for further processing.

Respectfully submitted,



SACHI A. HAMAI

Chief Executive Officer

SAH:DPH:DL

JLC:MN:NH:ls

Enclosures

- c: Executive Office, Board of Supervisors
- County Counsel
- Auditor-Controller
- Children and Family Services
- District Attorney
- Internal Services

**DEPARTMENT OF CHILDREN & FAMILY SERVICES  
DISTRICT ATTORNEY  
1933 SOUTH BROADWAY, LOS ANGELES  
Asset Management Principles Compliance Form<sup>1</sup>**

1.	<b><u>Occupancy</u></b>		<b>Yes</b>	<b>No</b>	<b>N/A</b>
	A	Does lease consolidate administrative functions? <sup>2</sup>	X		
	B	Does lease co-locate with other functions to better serve clients? <sup>2</sup>	X		
	C	Does this lease centralize business support functions? <sup>2</sup>	X		
	D	Does this lease meet the guideline of 200 sq. ft. of space per person?	X		
	E	Does lease meet the 4/1000 sq. ft. parking ratio guideline?	X		
	F	Does public parking and mass-transit exist to facilitate employee, client and visitor access to the proposed lease location? <sup>2</sup>	X		
2.	<b><u>Capital</u></b>				
A	Is it a substantial net County cost (NCC) program? <b>The lease cost for DCFS is 68.8 percent federal and 31.2 percent State funded. The DA is net County cost.</b>		X		
B	Is this a long-term County program?	X			
C	If yes to 2 A or B; is it a capital lease or an operating lease with an option to buy?		X		
D	If no, are there any suitable County-owned facilities available?		X		
E	If yes, why is lease being recommended over occupancy in County-owned space?			X	
F	Is Building Description Report attached as Attachment C? (radius search)	X			
G	Was build-to-suit or capital project considered?		X		
3.	<b><u>Portfolio Management</u></b>				
A	Did department utilize CEO Space Request Evaluation (SRE)?	X			
B	Was the space need justified?	X			
C	If a renewal lease, was co-location with other County departments considered?	X			
D	Why was this program not co-located?				X
	1.	___ The program clientele requires a "stand alone" facility.			
	2.	___ No suitable County occupied properties in project area.			
	3.	___ No County-owned facilities available for the project.			
	4.	___ Could not get City clearance or approval.			
	5.	<u>X</u> The Program is being co-located.			
E	Is lease a full-service lease? <sup>2</sup>	X			
F	Has growth projection been considered in space request?	X			
G	Has the Dept. of Public Works completed seismic review/approval? <sup>1</sup>	X			
<sup>1</sup> As approved by the Board of Supervisors 11/17/98					
<sup>2</sup> If not, why not?					

## OVERVIEW OF THE PROPOSED LEASE COSTS

<b>1933 S. Broadway, Los Angeles</b>	<b>Existing Lease (s)</b>	<b>Proposed Expansion</b>	<b>Proposed Total</b>
Area (Square Feet)	142,360 (DCFS) +6,123 (DA)	56,001 (DCFS) <sup>(1)</sup>	204,484
Term (years)	Fifteen-years expiring June 30, 2026	Eight-years, commencing upon TI completion, estimate mid- 2019 w/expiration mid-2027.	Lease extension of approx. 9 months.
Annual Base Rent <sup>(1)</sup>	\$3,665,692  (\$24.87psf blended annual rental rate: DCFS = \$2.07psf month DA = \$2.71psf month Holdover rate)	\$1,543,160 <sup>(1)</sup>  (\$24.84psf, annually)	\$5,079,382 <sup>(1)</sup>  (\$24.84psf, annually both DCFS and DA = \$2.07psf month)
Annual TI Reimbursement <sup>(2)</sup>	\$0	\$808,386 <sup>(2)</sup>	\$808,386 <sup>(2)</sup>
Total Annual Lease Costs	\$3,665,692	\$2,351,546	\$5,887,768 <sup>(1)</sup>
Rental adjustment	Annual CPI adjustments capped at 4 percent with no minimum.	Annual CPI adjustments capped at 3 percent with no minimum.	CPI capped at 3 percent.

<b>Proposed Total</b>	<b>Base Rent</b>	<b>Tenant Improvements</b>	<b>Total Due Under Lease</b>	<b>Low-Voltage Cost</b>	<b>Total Costs</b>
First Year Lease Costs:	\$5,079,382 <sup>(1)</sup>	\$808,386 <sup>(2)</sup>	\$5,887,768 <sup>(1)</sup>	\$1,418,693 <sup>(3)</sup>	\$7,306,461 <sup>(3)</sup>
Eight-Year Lease Costs:	\$45,167,576 <sup>(4)</sup>	\$6,467,090 <sup>(2)</sup>	\$51,634,666 <sup>(4)</sup>	\$2,719,464 <sup>(3)</sup>	\$54,354,130 <sup>(4)</sup>

<sup>(1)</sup> Total annual rent due for entire Lease upon completion of TI's for the Expansion Space.

<sup>(2)</sup> Based upon the full reimbursable TI amount of \$4,969,920 amortized over 8 years at 7% interest.

<sup>(3)</sup> Includes Low-Voltage budget costs of \$2,430,000 which is potentially split between labor and materials. The low-voltage labor costs of \$1,093,500 (45%) would be paid via a lump sum payment. The low-voltage materials costs amount to \$1,336,500 (55%) and would be potentially financed over five years at 8% interest resulting in an annual payment of \$325,193. The first-year low-voltage cost would be \$1,093,500 plus \$325,193 = \$1,418,693.

<sup>(4)</sup> Includes projection of CPI at potential maximum of three percent per annum.

## ATTACHMENT C

**DEPARTMENT OF CHILDREN AND FAMILY SERVICES/DISTRICT ATTORNEY  
SPACE SEARCH CIVIC CENTER/SURROUNDING AREA  
1933 SOUTH BROADWAY, LOS ANGELES**

Laco	Facility Name	Address	Gross SQFT	Net SQFT	Owner-ship	Available SQFT
C760	DPSS-EAST L A GROW EMPLOYMENT SERVICES CENTER	2200 N HUMBOLDT ST, LA 90031	23,655	17,554	LEASED	NONE
A424	DPSS-EQUITABLE PLAZA BUILDING	3435 WILSHIRE BLVD, LA 90010	65,872	62,578	LEASED	NONE
A578	AUDITOR - SHARED SERVICES INITIATIVE	3470 WILSHIRE BLVD, LA 90010	21,500	20,425	LEASED	NONE
X317	DCSS-LE SAGE COMPLEX 4 STORY BUILDING	3175 W 6TH ST, LA 90020	52,230	42,341	OWNED	NONE
A425	DCFS-HEADQUARTERS BUILDING	425 SHATTO PL, LA 90020	81,912	77,816	LEASED	NONE
Y193	PARKS & RECREATION-HEADQUARTERS BUILDING	433 S VERMONT AVE, LA 90020	31,862	21,777	OWNED	NONE
A369	DCFS-HEADQUARTERS ANNEX	501 SHATTO PL, LA 90020	17,751	15,976	LEASED	NONE
X510	PARKS & REC-LE SAGE COMPLEX 2 STORY BUILDING	510 S VERMONT AVE, LA 90020	31,540	24,835	OWNED	NONE
X550	MENTAL HEALTH-LE SAGE COMPLEX TOWER	550 S VERMONT AVE, LA 90020-1991	171,651	149,668	OWNED	NONE
B695	PH-IMMUNIZ&ENVIR HLTH/MENTAL HEALTH	695 S VERMONT AVE, LA 90010	14,730	13,257	LEASED	NONE
A600	CENTRAL CIVIL WEST COURTHOUSE	600 S COMMONWEALTH AVE, LA 90005	281,988	237,432	LEASED	NONE
A360	DPSS-METRO NORTH AP/ CALWORKS DISTRICT OFFICE	2601 WILSHIRE BLVD, LA 90057	62,000	60,140	LEASED	NONE
B922	DPSS-WILSHIRE SPECIAL DISTRICT OFFICE	2415 W 6TH ST, LA 90057	46,228	42,065	LEASED	NONE
6518	THE ADAMS & GRAND BUILDING	2615 S GRAND AVE, LA 90007	215,439	183,874	OWNED	NONE
5353	DPSS-METRO SPECIAL DISTRICT OFFICE	2707 S GRAND AVE, LA 90007	115,242	89,650	OWNED	NONE
5546	PH-CENTRAL PUBLIC HEALTH CENTER	241 N FIGUEROA ST, LA 90012	60,924	34,748	OWNED	NONE
3155	PERFORMING ARTS CTR-DE LISA BLDG/THE ANNEX	301 N GRAND AVE, LA 90012	27,582	17,978	OWNED	NONE
5456	HEALTH SERVICES ADMINISTRATION BUILDING	313 N FIGUEROA ST, LA 90012	221,359	134,851	OWNED	NONE
0181	KENNETH HAHN HALL OF ADMINISTRATION	500 W TEMPLE ST, LA 90012-2713	958,090	595,071	OWNED	NONE
A429	CEO-REAL ESTATE DIVISION/ SERVICE INTEGRATION	222 S HILL ST, LA 90012	30,905	27,158	LEASED	NONE
0156	HALL OF RECORDS	320 W TEMPLE ST, LA 90012	438,095	260,776	OWNED	NONE
Y013	DPSS-CIVIC CENTER DISTRICT/GROW CENTER OFFICE	813 E 4TH PL, LA 90013	39,956	25,158	OWNED	NONE
5979	CENTRAL ARRAIGNMENT COURTHOUSE	429 BAUCHET ST, LA 90012	83,692	46,440	OWNED	NONE
5260	CORONER-ADMINISTRATION / INVESTIGATIONS BLDG	1102 N MISSION RD, LA 90033	22,479	14,251	OWNED	NONE
A436	DPSS-EXPOSITION PARK FAMILY SERVICE CENTER	3833 S VERMONT AVE, LA 90037	127,511	110,500	LEASED	NONE
Y150	EXPOSITION PARK BUILDING & PARKING STRUCTURE	3965 S VERMONT AVE, LA 90037	66,484	55,228	OWNED	NONE
A627	COUNTY ADMIN OFFICES-WORLD TRADE CENTER	350 S FIGUEROA ST, LA 90071	64,768	62,142	LEASED	NONE
0101	DISTRICT ATTORNEY/SHERIFF-HALL OF JUSTICE	211 W TEMPLE ST, LA 90012	426,233	320,477	OWNED	NONE



## FACILITY LOCATION POLICY ANALYSIS

**Proposed Lease Amendment:** Eight-year lease amendment for the Department of Children and Family Services (DCFS) and office of the District Attorney (DA) – 1933 S. Broadway, Los Angeles – 1<sup>st</sup> District. The proposed lease amendment contains a County cancellation right at any time after 60 months of the lease term upon 180 days prior written notice.

**A. Establish Service Function Category** – Regional and local administrative office and direct public service function.

**B. Determination of the Service Area** – The proposed lease will provide additional office space for DCFS and continued office space for the DA for administrative, office, and field-based services to residents within the service community.

**c. Apply Location Selection Criteria to Service Area Data**

- Need for proximity to service area and population: DCFS and DA programs are most effective when located with the same geographic area as its consumers, providers and stakeholders. The consolidated programs will provide a central location within the designated service area.
- Need for proximity to existing County facilities: It is DCFS' and the DA's desire to collaborate with County Department partners, such as the Departments of Mental Health, Public and Social Services, Child Support Services, and the Sheriff.
- Need for proximity to Los Angeles Civic Center: The leasehold is within 2 miles of the Civic Center.
- Economic Development Potential: The leasehold is in an Economic Development zone.
- Proximity to public transportation: The location is adequately served by local bus services and the 110 and 10 freeways.
- Availability of affordable housing for County employees: The surrounding area provides for housing and rental opportunities.
- Use of historic buildings: The leasehold is within the LA Mart aka the Reef.
- Availability and compatibility of existing buildings: This is an existing County leasehold.
- Compatibility with local land use plans: The City of Los Angeles has been notified of the proposed County use which is consistent with its use and zoning regulations.
- Estimated acquisition/construction and ongoing operational costs: The initial maximum annual base rent of \$5,079,382 combined with the annual amortized cost of the tenant improvements for DCFS reimbursable to Landlord in the amount of \$808,386 potentially total \$51,634,666 over the eight-year lease amendment term.

**d. Analyze results and identify location alternatives**

Based upon a survey of available industry data, staff has established that the annual rental range for similar space is between \$27 and \$42 per square foot per year, on a full-service gross basis, excluding parking, for the proposed lease and represents a rate within the market range for the area over the eight-year lease term.

**E. Determine benefits and drawbacks of each alternative based upon functional needs, service area, cost and other Location Selection Criteria**

The proposed lease amendment will provide adequate and efficient office space for DCFS and DA employees and clients consistent with the County's Facility Location Policy, adopted by the Board of Supervisor on July 24, 2012. There are no available buildings in the area that meet Department requirements.

**FIRST AMENDMENT TO LEASE AGREEMENT NO. 77274**  
**1933 South Broadway, Los Angeles**

THIS FIRST AMENDMENT TO LEASE AGREEMENT No. 77274 ("Amendment" or "Amendment No. 1") is made as of this \_\_\_\_ day of \_\_\_\_\_, 2018, by and between **PHR LA MART, LLC**, a California Limited Liability Company ("Landlord"), and **COUNTY OF LOS ANGELES**, a body politic and corporate ("Tenant").

**RECITALS:**

**WHEREAS**, Landlord and Tenant entered into that certain lease agreement no. 77274 dated May 18, 2010 (the "Lease"), for certain premises commonly known as 1933 South Broadway, Los Angeles, California 90007, comprised of approximately 142,360 rentable square feet (the "Original Premises");

**WHEREAS**, the parties hereto desire to extend the term of the Lease and modify and amend the Lease as hereinafter provided.

**NOW, THEREFORE**, for and in consideration of the above recitals which by this reference are incorporated herein, the mutual covenants and provisions contained herein and other good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. **EXPANSION OF PREMISES.** Landlord and Tenant desire to expand the Original Premises to include additional space on the entire seventh floor within the Building (as that term is defined in the Lease), comprising approximately an additional 62,124 rentable square feet (the "Expansion Premises"). The Original Premises and Expansion Premises shall collectively be referred to as the "Premises."
2. **TERM.** The term for the Expansion Premises and the extended term for the Original Premises ("Extended Term") shall be ninety-six (96) months, commencing on the New Commencement Date and expiring on the New Expiration Date as defined hereinafter.
3. **COMMENCEMENT DATE.** The commencement date for the Extended Term ("New Commencement Date") shall be the date that the Landlord has substantially completed all of Landlord's Work (as defined in Section 7 herein) to the Expansion Premises any modifications to the Original Premises subject to the Section 7 below and Tenant has accepted the Premises.
4. **EXPIRATION DATE.** The New Expiration Date shall mean the date that is ninety-six (96) months after the New Commencement Date.
5. **BASE RENT.** Tenant shall pay to Landlord during the first year of the Extended Term, Basic Rent in the amount of Four Hundred Twenty-three Thousand Two Eighty-one and 88/100 Dollars (\$423,281.88, i.e. \$2.07 per square foot per month). Tenant shall pay to Landlord the Base Rent during the Term hereof within 15 days after a claim therefor for each such month has been filed by Landlord with the Auditor of the County of Los Angeles prior to the first day of each month. Base Rate for any partial month shall be prorated in proportion to the number of days in such month. Until the New Commencement Date, Tenant shall continue to pay the existing Basic Rent for the Original Premises pursuant to the Lease.

**6. ANNUAL BASIC RENT INCREASES.**

(a) CPI. From and after the first anniversary of the New Commencement Date, on the first day of the first full calendar month thereafter (the "Adjustment Date") and on every anniversary of the Adjustment Date thereafter, Rent shall be adjusted by applying the CPI Formula set forth below.

(b) CPI Formula. The Index means the Consumer Price Index for all Urban Consumers for the Los Angeles-Anaheim-Riverside area, all items published by the United States Department of Labor, Bureau of Labor Statistics (1982-84=100). The "CPI Formula" means Base Rent multiplied by a fraction, the numerator being the Index published for the month immediately preceding the month the adjustment is to be effective ("New Index"), and the denominator being the Index published for the month the Extended Term commenced ("Base Index").

If the Index is changed so that the Index differs from that used as of the New Commencement Date of Amendment No. 1, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the Extended Term, such other governmental Index or computation with which it is replaced shall be used in order to obtain substantially the same results as would be obtained if the Index had not been discontinued or revised.

(c) Illustration of Formula. The formula for determining the new rent shall be as follows:

$$\frac{\text{New Index}}{\text{Base Index}} \times \text{Base Rent}$$

+ Amount needed to amortize Tenant's Additional Tenant Improvements,  
if any

= New Monthly Rent

(d) Limitations on CPI Adjustment. In no event shall the monthly Base Rent adjustment based upon the CPI Formula result in an annual increase more than three percent (3%) per year. In no event shall the monthly rent be adjusted by the CPI Formula to result in a lower monthly Base Rent than was payable during the previous year of the Extended Term.

7. **CONDITION OF PREMISES.** Prior to the New Commencement Date, Landlord shall complete Landlord's Work (defined herein). Landlord, within a commercially reasonable period of time after Landlord's approval of the plans and specifications for the Improvements (as defined herein), shall commence and complete work on the Improvements and shall pay for the costs of the same up to a maximum cost of the Base and Tenant Improvement Allowances ("Landlord's Work"). The "Improvements" shall mean, collectively, certain improvements, alterations and/or additions to the Premises to be constructed pursuant to and in accordance with plans and specifications submitted to and approved by Landlord and Tenant. Landlord acknowledges that the Improvements may include, without limitation, the purchase of new furniture, fixtures and equipment for the Premises. The Improvements shall be performed by and under the authority of Landlord, or its authorized agent, and approved by a designated representative of the Chief Executive Office (which approval shall not be unreasonably withheld, conditioned or delayed). For purposes of this Amendment, the Expansion Premises shall be in "Ready for Occupancy" condition upon "Substantial Completion of the Expansion Premises," the latter term defined as occurring upon the completion of construction of those portions of the Improvements in and for the Expansion Premises, with the exception of any punch list items and any furniture, fixture and equipment.

8. **BASE TENANT IMPROVEMENT ALLOWANCE.** The Base Tenant Improvement Allowance (as that term is defined in the Lease) for the Premises shall be One Million Two Hundred Forty-two Thousand Four Hundred Forty-eight Dollars and 00/100 (\$1,242,480.00, i.e., \$20 per rentable square foot) for completion of Tenant's build-out of the Premises.
9. **ADDITIONAL TENANT IMPROVEMENT ALLOWANCE.** The Additional Tenant Improvement Allowance (as that term is defined in the Lease) shall be Four Million Nine Hundred Sixty-Nine Thousand Nine Hundred Twenty and 00/100 Dollars (\$4,969,920.00, i.e., \$80 per rentable square foot) for completion of Tenant's build out of the Premises. Tenant may use all, part or none of the Additional Tenant Improvement Allowance.
10. **AMORTIZATION RATE.** The Additional Tenant Improvement Allowance shall be repaid by the Tenant on the first day of each month of the Extended Term together with interest at seven percent (7%) per annum amortized over the first 60 months of the Extended Term. Tenant may pay off the balance in part or in full by lump sum payment at any time with no prepayment penalty.
11. **EARLY TERMINATION RIGHT.** Tenant shall have the right to terminate all or a portion of this Lease as amended herein after the 60<sup>th</sup> month anniversary of the New Commencement Date provided Tenant provides at least 180 days' prior written notice to Landlord, sent via certified mail with return receipt requested.
12. **PARKING.** Tenant shall have two-hundred eighty (280) additional parking spaces for the Expansion Premises during the Extended Term, for a total of nine hundred forty-five (945) total spaces included in the Base Rent. Landlord shall have the right, at any time and in Landlord's discretion, to assign parking spaces or to create and enforce parking rules subject to Section 20 of the Lease.
13. **MISCELLANEOUS.**
  - a. Tenant agrees and acknowledges that the Original Premises remain acceptable for Tenant's use and Tenant acknowledges that neither Landlord nor any broker or agent has made any representations or warranties in connection with the physical condition of the Premises or their fitness for Tenant's use upon which Tenant has relied directly or indirectly for any purpose. Tenant has no broker representation in connection with this Amendment.
  - b. The parties hereto hereby represent and warrant that the Lease and Amendment No. 1 hereby constitute a valid and binding obligation of the parties, enforceable against the parties in accordance with their terms, and the parties have no defenses, offsets or counterclaims with respect to its obligations thereunder. The parties hereto also represent and warrants that there is no existing Default on the part of the Landlord or the Tenant in any of the terms and conditions of the Lease and no event has occurred which, with the passing of time or giving of notice or both, would constitute a Default under the Lease by Landlord or Tenant.
  - c. Each of the signatories for the Landlord personally covenant, warrant and guarantee that each of them, jointly and severally, have the power and authority to execute this Amendment No. 1 upon the terms and conditions stated herein and each agrees to indemnify and hold harmless Lessee from all damages, costs, and expenses, which result from a breach of this representation.
  - d. Except as modified by this Amendment No. 1, all of the covenants, agreements, terms and conditions of the Lease shall remain in full force and effect and are hereby in all respects ratified

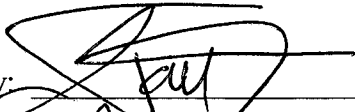
and confirmed. The covenants, agreements, terms and conditions contained in this Amendment shall bind and inure to the benefit of the parties hereto and their respective successors and assigns.

- e. Initially capitalized terms not otherwise defined in this Amendment shall have the meanings ascribed to them in the Lease. All undefined terms when used herein shall have the same respective meanings as set forth in the Lease unless expressly provided otherwise in this Amendment.
- f. In the event of a conflict between the terms and conditions of this Amendment and the terms and conditions of the Lease, the terms and conditions of this Amendment shall prevail. All other terms and conditions contained in the Lease as amended shall remain in full force and effect.

**IN WITNESS WHEREOF**, the Landlord has executed this Amendment No. 1 to Lease No. 77274, or caused it to be duly authorized executed, and the County of Los Angeles, by the order of the Board of Supervisors, has caused Amendment No. 1 to be executed on its behalf on the day, month, and year first above written.

LANDLORD:

**PHR LA MART, LLC**

By:   
Name: \_\_\_\_\_  
Title: Roger Taylor  
Authorized Signatory

TENANT:

**COUNTY OF LOS ANGELES**  
a body politic and corporate

SACHI A. HAMAI  
Chief Executive Officer

By: \_\_\_\_\_  
David P. Howard  
Assistant Chief Executive Officer

Date: \_\_\_\_\_

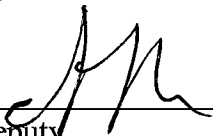
Attest:

DEAN C. LOGAN  
Registrar- Recorder/County Clerk

By: \_\_\_\_\_  
Deputy

Approved as to Form:

MARY C. WICKHAM  
County Counsel

By:   
Deputy