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

WILLIAM T FUJIOKA
Chief Executive Officer

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

4 OCTOBER 20, 2009

SACHI A. HAMAI
EXECUTIVE OFFICER

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October 20, 2009

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

Dear Supervisors:

AMENDMENT NO. 3 TO LEASE NO. 72058
DEPARTMENT OF CHILDREN AND FAMILY SERVICES,
425 SHATTO PLACE, LOS ANGELES
(SECOND DISTRICT) (3 VOTES)

SUBJECT

This recommendation is a seven-year lease amendment for 81,912 rentable square feet of office space for the Department of Children and Family Services (DCFS).

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that this lease amendment is categorically exempt from the California Environmental Quality Act (CEQA) pursuant to Class 1 (r), of the Environmental Document Reporting Procedures and Guidelines adopted by your Board per Section 15301 of the State CEQA Guidelines (Existing Facilities).

2. Approve and instruct the Chairman to sign the lease amendment with Shatto Corporation (Lessor) to extend the term of the lease for a seven-year period for the continued occupancy of 80,756 rentable square feet of office space and to exercise its option for 1,156 rentable square feet of additional office space. This will bring the total to 81,912 rentable square feet of office space for the DCFS, at 425 Shatto Place, Los Angeles (Premises), at an initial annual rent of $1,763,711 which is 50 percent Federal and 24.49 percent State subvention funded, and 25.51 percent net County cost. The seven-year extension in the lease amendment will commence upon acceptance of the amendment by the Board of Supervisors.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The DCFS headquarters has been housed in the building since 1985. The proposed Amendment No. 3 to Lease No. 72058 will allow the County of Los Angeles (County) to extend the term of the lease for seven years and expand into an additional 1,156 rentable square feet of office space. Under Amendment No. 2, DCFS originally occupied 53,180 rentable square feet of space on floors one, two, and six and added new space on the second, third, and fourth floors in June 2003, for a total of 80,756 rentable square feet.

The additional 1,156 rentable square feet of office space, Suite 303, will be used to accommodate DCFS Internal Affairs Division. The Internal Affairs Division is currently located in a suite with the Bureau of Resources deputy director and staff. This additional space will allow the Internal Affairs Division to maintain confidentiality of investigation, as recommended by the Auditor-Controller.

Retaining the Premises with existing and proposed improvements, including the furniture and parking, will provide continued administrative office space for DCFS. The Lessor, at its sole cost, will provide new carpeting and paint, will assume the remaining communication room costs, and will provide a non-reimbursable Tenant Improvement allowance of $57,000 for DCFS refurbishment of conference rooms, reception area, and employee lounge. Constructing new and extensive Tenant Improvements (TI), purchasing new furniture, and installing new telephone and data at another location would increase costs significantly while retention of the existing improved space is a more cost-effective alternative and allows DCFS to meet its budget at this time.

Implementation of Strategic Plan Goals

The Countywide Strategic Plan directs that we maximize the effectiveness of the County's processes, structure, and operations to support timely delivery of customer-orientated and efficient public services (Goal 1) and enrich lives through integrated, cost-effective and client-centered supportive services (Goal 2). In this case we have consolidated multiple departmental functions in accordance with the Strategic Asset Management principles, as further outlined in Attachment A.

FISCAL IMPACT/FINANCING

The annual base rent cost for the subject facility will be $1,763,711 for year one and two, and will be adjusted by 1.4 percent for the third year and by the Consumer Price Index (CPI) thereafter, with a 2.5 percent cap in each of the fourth and fifth years, and a 3.0 percent cap thereafter.

425 Shatto Place	EXISTING LEASE	AMENDED LEASE	CHANGES
Area (Square feet)	80,756 s.f. office space	81,912 s.f. office space (includes suite 303)	+1,156 square feet
Term	4/03/1999 to 4/02/2009 Month to Month	Upon acceptance by County - Seven-year term	+ Seven years
Annual Base Rent	$1,718,592 ($21.28/sq.ft.)	$1,763,711 ($21.53/sq.ft.)	+$45,119
Parking Included in Rent	280 vehicles	284 vehicles	+ 4 vehicles
Cancellation	None	Anytime upon 180 days notice after 60th month	Cancellation after 60th month upon 180 days notice
Option to Renew	None	One 5-year option	One 5-year option
Rental Adjustment	Annual CPI with a cap of 3 percent	Third year increase of 1.4 percent annual CPI increase after 3rd year with a 2.5 percent cap in each of the fourth and fifth years, and a 3.0 percent cap thereafter	0.5 percent

Sufficient funding for the proposed lease amendment is included in the 2009-10 Rent Expense budget and will be charged back to DCFS. Sufficient funding is available in DCFS operating budget to cover the proposed lease costs.

The annual lease cost for DCFS is 50 percent Federal and 24.49 percent State subvention funded and 25.51 percent net County cost.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Due to the current budget constraints, DCFS can afford only to maintain a lease at the existing facility and at the rental rates negotiated rather than relocating to a 93,000 square foot facility as justified by their needs. The amended lease contains the following provisions:

- Seven-year lease renewal with an option for an additional five-year term. The new base rent during the first year is $1,763,711.

- The lease continues on a full-service basis and the Lessor is responsible for all interior and exterior maintenance and utility costs.

- The Lessor will provide parking for up to 284 vehicles, included in the rental rate.

- Lessor, at its sole expense, will install new carpet, paint the interior walls, and provide a non-reimbursable TI allowance of $57,000, which will be used by DCFS for refurbishment of conference rooms, reception area and the employee lunchroom.

- Lessor will assume electrical costs for HVAC system in the communication rooms on the second and sixth floors.

- A cancellation provision is in the lease allowing the County to cancel the lease anytime after the 60th month of the extension period upon 180 days prior written notice.

The Chief Executive Office (CEO) Real Estate staff surveyed the service area to determine the market rate of comparable sites. Based upon said survey, staff has established that the base rental range including parking and TI for similar property is between $22 and $26 per square foot per year full-service. Thus, the base annual rent of $21.53 per square foot for the base lease cost, is at the low end of market for this area. Attachment B shows County-owned and leased facilities within the search area for these programs and none are available to house these programs.

The Department of Public Works has inspected this facility and has reported that the building meets current standards for the County's occupancy.

It is not feasible to house a child care center at the building. However, there are several private child care centers available within a three-mile radius of the subject location.

NEGATIVE DECLARATION/ENVIRONMENTAL IMPACT REPORT

The CEO has made an initial study of environmental factors and has concluded that this project is categorically exempt from the California Environmental Quality Act (CEQA) pursuant to Class 1 (r), of the Environmental Document Reporting Procedures and Guidelines adopted by your Board per Section 15301 of the State CEQA Guidelines (Existing Facilities).

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The proposed Amendment No. 3 to Lease No. 72058 will allow DCFS to remain in the headquarters space. DCFS concurs with this recommendation.

CONCLUSION

It is requested that the Executive Officer, Board of Supervisors return two originals of the executed Amendment No. 3 to Lease No. 72058, two certified copies 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,

WILLIAM T FUJIOKA
Chief Executive Officer

WTF:DL:WLD
CEM:TS:hd

Attachments (2)

c: County Counsel
Auditor-Controller
Department of Children and Family Services

425Shatto.b

Attachment A

DEPARTMENT OF CHILDREN AND FAMILY SERVICES
425 SHATTO PLACE, LOS ANGELES

Asset Management Principles Compliance Form[1]

			Yes	No	N/A
1.	**Occupancy**				
	A	Does lease consolidate administrative functions?[2]	X		
	B	Does lease co-locate with other functions to better serve clients?[2]			X
	C	Does this lease centralize business support functions?[2]			X
	D	Does this lease meet the guideline of 200 sq ft of space per person?[2] **194 sf per person.**	X		
2.	**Capital**				
	A	Is it a net County cost (NCC) program? **The lease cost for DCFS is offset by 24.49% State, 50% Federal funding, and 25.51% NCC.**	X		
	B	Is this a long term County program?	X		
	C	If yes to 2 B or C; capital lease or operating lease with an option?		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 B?	X		
	G	Was build-to-suit or capital project considered? **The immediate availability of leased space at favorable lease terms makes this use more feasible at this time. The lease is cancelable after five years which allows for future considerations.**		X	
3.	**Portfolio Management**				
	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?			
		1. ___ The program clientele requires a "stand alone" facility.			
		2. ___ No suitable County occupied properties in project area.			
		3. _X_ No County-owned facilities available for the project.			
		4. ___ Could not get City clearance or approval.			
		5. ___The Program is being co-located.			
	E	Is lease a full service lease?[2]	X		
	F	Has growth projection been considered in space request?	X		
	G	Has the Dept. of Public Works completed seismic review/approval?	X		
		[1]As approved by the Board of Supervisors 11/17/98			

[2]If not, why not?

Attachment B

DEPARTMENT OF CHILDREN AND FAMILY SERVICES
425 SHATTO PLACE, LOS ANGELES
WITHIN 5 MILES OF DOWNTOWN CIVIC CENTER

LACO	FACILITY NAME	ADDRESS	SQUARE FEET GROSS	SQUARE FEET NET	OWNERSHIP	SQUARE FEET AVAILABLE
A369	DCFS HEADQUARTERS ANNEX OFFICE	501 SHATTO PL, LOS ANGELES 90020	17,751	15,976	LEASED	NONE
Y193	PARKS & RECREATION-HEADQUARTERS BUILDING	433 S VERMONT AVE, LOS ANGELES 90020	31,862	21,777	OWNED	NONE
X317	DCSS-LE SAGE COMPLEX 4 STORY BUILDING	3175 W 6TH ST, LOS ANGELES 90020	52,230	42,341	OWNED	NONE
B500	DHS-WORKFORCE DEVELOPMENT PROGRAM	500 S VIRGIL AVE, LOS ANGELES 90020	8,000	7,200	PERMIT	NONE
X550	MENTAL HEALTH-LE SAGE COMPLEX TOWER	550 S VERMONT AVE, LOS ANGELES 90020-1991	171,651	149,668	OWNED	NONE
X510	PARKS & REC-LE SAGE COMPLEX 2 STORY BUILDING	510 S VERMONT AVE, LOS ANGELES 90020	31,540	24,835	OWNED	NONE
A408	DCFS BORAX OFFICE	3075 WILSHIRE BLVD, LOS ANGELES 90010	132,488	105,568	LEASED	NONE
A600	CENTRAL CIVIL WEST COURTHOUSE	600 S COMMONWEALTH AVE, LOS ANGELES 90005	147,115	133,462	LEASED	NONE
A336	SHERIFF-WILSHIRE CENTRE BUILDING	3055 WILSHIRE BLVD, LOS ANGELES 90010	7,755	7,115	LEASED	NONE
B695	HEALTH-IMMUNIZATION PRGM/ENVIRONMENTAL HEALTH	695 S VERMONT AVE, LOS ANGELES 90010	73,794	69,368	LEASED	NONE
A413	HUMAN RESOURCES-WILSHIRE SQUARE TWO BUILDING	3333 WILSHIRE BLVD, LOS ANGELES 90010-4109	125,792	111,934	LEASED	NONE
C660	DPSS-GAIN PROGRAM REG IV/ MEDI-CAL OUTSTATION	2910 W BEVERLY BLVD, LOS ANGELES 90057	120,327	33,635	LEASED	NONE
A424	DPSS-EQUITABLE PLAZA BUILDING	3435 WILSHIRE BLVD, LOS ANGELES 90010	65,871	62,577	LEASED	NONE
A360	DPSS-METRO NORTH AP/ CALWORKS DISTRICT OFFICE	2601 WILSHIRE BLVD, LOS ANGELES 90057	62,000	60,140	LEASED	NONE
B922	DPSS-WILSHIRE SPECIAL DISTRICT OFFICE	2415 W 6TH ST, LOS ANGELES 90057	46,228	42,065	LEASED	NONE
A578	AUDITOR - SHARED SERVICES INITIATIVE	3470 WILSHIRE BLVD, LOS ANGELES 90010	21,500	20,425	LEASED	NONE
A532	PH HEALTH-WILSHIRE METROPLEX BUILDING	3530 WILSHIRE BLVD, LOS ANGELES 90010	113,027	101,920	LEASED	NONE
D015	DPSS-CATHOLIC CHARITIES COMPUTER CENTER	1530 JAMES M WOOD BLVD , LOS ANGELES 90017	200	200	PERMIT	NONE
A405	BOS/ARTS COMMISSION-WILSHIRE-BIXEL BUILDING	1055 WILSHIRE BLVD SUITE 800, LOS ANGELES 90017	7,873	7,479	LEASED	NONE
A388	ALT PUBLIC DEF-WILSHIRE-BIXEL BUILDING	1055 WILSHIRE BLVD, LOS ANGELES 90017	6,500	6,175	LEASED	NONE
A683	SERVICE INTEGRATION PILOT PROJECT	1910 MAGNOLIA AVE, LOS ANGELES 90007	1,035	984	LEASED	NONE
A216	DPSS-APPEALS & STATE HEARINGS	811 WILSHIRE BLVD, LOS ANGELES 90017	4,512	4,286	LEASED	NONE
A627	COUNTY ADMIN OFFICES-LA WORLD TRADE CTR	350 S FIGUEROA ST, LOS ANGELES 90071	52,516	49,890	LEASED	NONE
5461	PH-HOLLYWOOD/WILSHIRE PUBLIC HEALTH CENTER	5205 MELROSE AVE, LOS ANGELES 90038	27,578	14,811	OWNED	NONE
A674	DMH-HOLLYWOOD WELLNESS CENTER	5000 W SUNSET BLVD, LOS ANGELES 90027	5,588	5,309	LEASED	NONE
A436	DPSS-EXPOSITION PARK FAMILY SERVICE CENTER	3833 S VERMONT AVE , LOS ANGELES 90037	127,511	110,500	LEASED	NONE
A675	DISTRICT ATTORNEY-METRO COURT	1933 S BROADWAY, LOS ANGELES 90007	6,123	5,817	LEASED	NONE
A384	AG COMM/WTS & MEASURES-DOWNTOWN MARKET OFFICE	1320 E OLYMPIC BLVD, LOS ANGELES 90021	776	776	LEASED	NONE
A673	DCFS REGIONAL OFFICE	5757 WILSHIRE BLVD, LOS ANGELES 90036	35,548	29,923	LEASED	NONE

LACO	FACILITY NAME	ADDRESS	SQUARE FEET GROSS	SQUARE FEET NET	OWNERSHIP	SQUARE FEET AVAILABLE
3155	PERFORMING ARTS CTR-DE LISA BLDG/THE ANNEX	301 N GRAND AVE, LOS ANGELES 90012	27,582	17,978	OWNED	NONE
0181	KENNETH HAHN HALL OF ADMINISTRATION	500 W TEMPLE ST, LOS ANGELES 90012-2713	958,090	592,835	OWNED	NONE
0156	HALL OF RECORDS	320 W TEMPLE ST, LOS ANGELES 90012	438,095	258,537	OWNED	NONE
A159	DISTRICT ATTORNEY-FIGUEROA PLAZA	201 N FIGUEROA ST, LOS ANGELES 90012	87,810	83,420	LEASED	NONE
5546	PH-CENTRAL PUBLIC HEALTH CENTER	241 N FIGUEROA ST, LOS ANGELES 90012	60,924	34,748	OWNED	NONE
5276	PH-DR RUTH TEMPLE PUBLIC HEALTH CENTER	3834 S WESTERN AVE, LOS ANGELES 90018	29,023	16,627	OWNED	NONE
5456	HEALTH SERVICES ADMINISTRATION BUILDING	313 N FIGUEROA ST, LOS ANGELES 90012	221,359	134,851	OWNED	NONE
A429	CAO-REAL ESTATE DIVISION/ SERVICE INTEGRATION	222 S HILL ST, LOS ANGELES 90012	30,905	27,785	LEASED	NONE
3972	FORD AMHPITHEATRE-SPECIAL EVENTS OFFICE	2580 CAHUENGA BLVD E, HOLLYWOOD 90068	965	825	OWNED	NONE
A632	PUBLIC DEFENDER-PIAS ET. AL.	312 S HILL ST , LOS ANGELES 90012-3503	9,782	9,293	LEASED	NONE
6304	PROBATION-CRENSHAW AREA OFFICE	3606 W EXPOSITION BLVD, LOS ANGELES 90016	19,112	14,020	OWNED	NONE
A442	MENTAL HEALTH-LAPD - SMART TEAM OFFICE	419 S SPRING ST, LOS ANGELES 90013	1,000	1,000	GRATIS USE	NONE
A218	MENTAL HEALTH-SKID ROW MANAGEMENT TEAM	420 S SAN PEDRO ST, LOS ANGELES 90013	3,516	3,340	LEASED	NONE

AMENDMENT NO. 3 TO LEASE NO.72058
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
425 SHATTO PLACE, LOS ANGELES

This Amendment No.3 to Lease No. 72058 ("Amendment" or "Amendment No. 3") is made and entered into this 20th day of OCTOBER ,2009 by and between SHATTO CORPORATION hereafter referred to as "Lessor" and COUNTY OF LOS ANGELES, a body politic and corporate, hereinafter referred to as "Lessee".

RECITALS:

WHEREAS, Lessor and Lessee entered into Lease No. 72058 dated March 16, 1999, Amendment No. 1 to the Lease dated October 24, 2000, and Amendment No. 2 to the Lease dated November 5, 2002 (collectively, the "Lease") pursuant to which Lessor leased to Lessee those certain premises located in the Building at 425 Shatto Place, Los Angeles, California, ("Building") more particularly described as approximately 81,912 rentable square feet of office space consisting of the entire six floors of the Building including suite 303, and additional use of basement storage areas B1, B2, B3 and B4 and excluding suite 308; and

WHEREAS, the parties now wish to amend the Lease in certain respects.

NOW, THEREFORE, in consideration of the foregoing recitals, which are hereby deemed a contractual part hereof and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree the following amendments are effective upon the date first above written:

1. Paragraph 2 to the Lease is hereby deleted and the following inserted in substitution thereof:

(A) TERM: The term of the Lease shall be for a period of seven (7) years beginning upon an execution of this Amendment No.3 by Lessee and ending eighty-four months thereafter. The parties acknowledge that Lessee currently occupies the Premises prior to the commencement date of the term provided by Amendment No. 3.

(B) Option to Renew : Lessee shall have the option to renew this Lease ("Option") for a an additional term of five (5) years (the "Option Term") commencing upon the exercise of the Option by the Board of Supervisors. In the event that Lessee desires to exercise the Option, Lessee shall deliver to Lessor written notice of the intent to exercise the Option not less than one-hundred twenty (120) days prior to expiration of the term provided by the Amendment No.3. The actual exercise of the option shall be only by the Board of Supervisors at any time prior to the expiration of the Lease or the expiration date of any holdover period pursuant to Paragraph 6 HOLDOVER. of Lease. Time is of the essence. During the Option Term, Lessee shall continue to pay the Base Rent as adjusted in accordance with the terms of the Lease.

72058 SUPPLEMENT 3

(C) CANCELLATION OF LEASE: Lessee shall have the right to cancel this Lease at any time after the sixtieth (60th) month of the term hereof by giving Lessor one-hundred (180) days prior notice, by letter from Lessee's Chief Executive Office ("CEO") of its intention to cancel. Additionally, should Lessee exercise its Option, Lessee shall have a right to cancel that Lease extension anytime after the third year of the Option Term by giving Lessor ninety (90) days notice, by letter from Lessee's Chief Executive Office ("CEO") of its intention to cancel.

3. Paragraph 3 of the Lease as amended, is hereby deleted and the following inserted in substitution thereof:

RENT: Lessee hereby agrees to pay as rent for the Premises during the term hereof the sum of One Hundred Forty Six Thousand Nine Hundred Seventy Five and 92/100 Dollars ($146,975.92) per month or $1.82 per rentable square foot. Lessee shall pay Lessor all rent and other payments due to Lessor hereunder (including, without limitation, rent during the term hereof, within fifteen (15) days after a claim therefor for each such month has been filed by Lessor with the Auditor of the County of Los Angeles (the "County") prior to the first day of each month. Rent for any partial month shall be prorated in proportion to the number of days in such month.

Year 2 Rent	$146,975.92
Year 3 Rent	$149,075.00

Year 4 & 5 Rent For each successive twelve (12) months beginning on the anniversary date of the fourth (4th) year and on the anniversary of the fifth (5th) year, the monthly rent as set forth above shall be adjusted by an annual CPI increase up to a maximum of two and one-half percent (2.5%) of the rent in effect immediately prior to the adjustment.

Year 6 & 7 Rent For each successive twelve (12) months beginning on the anniversary date of the sixth (6th) year and on the anniversary of the seventh (7th) year, the monthly rent as set forth above shall be adjusted by an annual CPI increase up to a maximum of three percent (3.0%) of the rent in effect immediately prior to the adjustment.

Option Term Rent Beginning on the commencement of the Option Term and each successive twelve (12) months thereafter the monthly rent as set forth above shall be adjusted by an annual increase of three percent (3.0%) of the rent in effect immediately prior to the adjustment.

4. Paragraph 20 of the Lease (as amended) is hereby deleted and the following inserted in substitution thereof:

PARKING: a) Lessee's Rights. Lessee shall have the right to park two-hundred eighty four (284) vehicles at the Building without charge during the term of this Lease. Tandem parking shall be permitted and Lessee shall be entitled to full in/out privileges. Lessee's parking rights shall be subject to reasonable parking rules and regulations adopted by Lessor from time to time, provided that such procedures shall be uniformly applied to all tenants of the Building. Lessee acknowledges that all parking spaces are for the exclusive use of Lessee, licensees, invitees and permittees of the

Building. Lessor may substitute parking spaces assigned to Lessee with parking spaces at adjacent properties (within 500 feet of the Building) on a temporary, as needed, basis.

(b) Remedies. Lessor shall use its best efforts to provide Lessee with two hundred forty (240) unreserved spaces and parking of up to 44 additional vehicles which can be achieved by stacking vehicles within the aisles by using landlord provided valet service at all times during the term of this Lease. If Lessor provides parking for fewer than 264 vehicles, within 500 feet of the Building, Lessee may at its sole discretion, negotiate with Lessor for an equitable reduction in the monthly rent based upon the fair market value, (estimated as of the date of execution of this Amendment No. 3) of such parking or the loss of such parking if not replaced. Notwithstanding anything to the contrary set forth in the foregoing, if during the term of this Lease, Lessor fails to provide parking for at least two hundred sixty-four (264) vehicles (within 500 feet of the Building), Lessee may terminate this Lease by giving written notice of such termination to Lessor, provided Lessor shall have a cure period of thirty (30) days of receipt of such notice. If Lessor fails to cure within such thirty (30) day cure period, the Lease shall be terminated. Additionally, at anytime during this Lease term Lessor will, at the request of the Lessee contract with an outside parking vendor for additional parking by the Lessee, with the cost thereof to be reimbursed on a monthly basis by the Lessee to Lessor in an amount not to exceed $8,000 monthly.

5. New Paragraph 24 is hereby added to Lease as follows:

PERFORMANCE.: Lessor, within ten (10) days after receipt of a duly executed copy of this Lease, as amended, shall at Lessor's sole expense, commence repainting and replacing the carpeting with carpet tiles throughout the entire Premises, including without limitation the cost of lifting the existing furniture for removal of old carpet and installation of new carpet tiles, per the attached schedule Exhibit B1 attached hereto and incorporated herein by this reference. Such performance of improvements will be performed one floor at a time (two floors per year). Additionally, Lessor, assumes the cost for corridor refurbishing, basement shelving, all electrical consumption including HVAC use in the MCR and Telephone rooms (24/7) excluding major repairs should the ISD-installed units fail.

Additionally, Lessor agrees to provide Lessee a Tenant Improvement Allowance of $57,000. Initially $27,000 of the allowance shall be available to Lessee upon execution of this Amendment and the remaining $30,000 shall be available $10,000 annually at the commencement of years 3, 4 and 5 of the Lease term. If the five-year option is exercised by Lessee, Lessor agrees to make available to the Lessee an additional $50,000 in Tenant Improvement Allowance funds, with $30,000 available during the first and second year of the Option Term and the remaining $20,000 to be used in years four and five, if the Lessee does not exercise its right to terminate the Lease.

6. Paragraphs 32, 33 and 34 to the Lease are hereby added to the Lease as follows:

32. SOLICITATION OF CONSIDERATION It is improper for any County officer, employee or agent to solicit consideration, in any form, from a lessor with the implication, suggestion or statement that the lessor's provision of the consideration may secure more favorable treatment for the lessor in the award of the lease or that the lessor's failure to provide such consideration may negatively affect the County's consideration of the lessor's submission. A lessor shall not offer or give, either; directly or through an intermediary, consideration, in any form, to a County officer, employee or agent for the purpose of securing favorable treatment with respect to the award of a lease.

Lessor shall immediately report any attempt by a County office, employee or agent to solicit such improper consideration. The report shall be made either to the County manager charged with the supervision of the employee or to the County Auditor-Controller's Employee Fraud Hotline at (213) 974-0914 or (800) 544-6861. Failure to report such solicitation may result in the termination of the Lease.

33. LIMITATION OF AUTHORITY

Only the Board of Supervisors has the authority, by formally approving and/or executing this Lease, to bind the County to the terms included herein. Lessor understands that no material terms of this Lease may be altered or deleted, nor may any new material terms be added to this Lease, without the express written approval of the Board of Supervisors, either through an amendment to the Lease or by other formal Board action. No County officer, employee, agent, or independent contractor has any authority to alter, add or delete the material terms of this Lease; and Lessor may not rely upon any representations to the contrary.

This limitation of authority applies to all material terms of the Lease including, without limitation, any monetary ceiling established for tenant improvements or other project costs of Lessor which are subject to reimbursement by County. County shall not reimburse Lessor for any expenses which exceed this ceiling.

34. IRREVOCABLE OFFER:

In consideration for the time and expense that Lessee will invest including but not limited to preliminary space planning, legal review, and preparation and noticing for presentation to the County Real Estate Management Commission (if applicable) in reliance on Lessor's covenant to lease to Lessee under the terms of this lease offer, the Lessor irrevocably promises to keep this offer open until August 31, 2009.

7. The following is hereby added to Lease paragraph 1 (Description of the Premises) as Paragraph 1(A):

Paragraph 1 (A). Further Expansion of Premises. Lessee has elected to occupy Suite 303 of the Building ("Suite 303") and effective on the date upon which the Lessor tenders possession of Suite 303 to Lessee following substantial completion of Lessor's improvement work described in Paragraph 4 of Amendment No. 2, which work Lessor shall provide in an amount not to exceed $15,000, (the "Suite 303 Effective Date"), Suite 303 shall be included as part of the Premises for all purposes under the Lease. The parties presently anticipate that the Suite 303 Effective Date will occur within four months after Commencement of Lease Amendment No. 3.

Effective upon the Suite 303 Effective Date the table in Section 1 of the original Lease shall be further modified by addition of the following:

Item	Rentable Area	Floor
12	1,156 square feet	3rd floor office (Suite 303)
	Total 81,912 square feet	

Upon the addition of Suite 303 to the Premises, the parties shall promptly memorialize such fact by completing and signing a memorandum in the form attached hereto as Exhibit D-2 and incorporated herein by this reference.

Lessor's Improvements. Prior to tendering to Lessee possession of Suite 303, Lessor shall first construct in Suite 303, at Lessor's expense, improvements comparable in type and quality (except as otherwise set forth in Amendment No. 3) to the improvements constructed by Lessor for Lessee in certain space in the third floor pursuant to Section 26 of the original Lease. Such work for the suite shall be performed in accordance with the outline specifications attached hereto as Exhibit E-1. If Lessee exercises its Option under Section 1(B) of the Lease, Lessee shall develop a final partition plan for Suite 303 and deliver it to Lessor no later than thirty days after its notice of intent to exercise its option of Suite 303. The plan for Suite 303 (Suite 303 Partition Plan) shall be consistent with this Section 7 and shall be subject to Lessor's reasonable approval, which shall not be unreasonably withheld. The Suite 303 Partition Plan as approved by Lessor shall be attached to this Lease as Exhibit E-4.

Lessor shall commence the improvements for Suite 303 by applying for a building permit to construct the improvements within 30 days after execution of this Amendment No. 3. Lessor shall construct the improvements in accordance with the following provisions from Section 26 of the original Lease, as modified for this transaction:

(A) Within 10 days after the commencement of such build-out for a given suite, Lessor shall advise Lessee in writing of the estimated time of completion of such build-out if it is beyond the four month estimate set forth on the previous page.

The improved Suite 303 shall meet all applicable City, County, State and Federal building codes, regulations and ordinances required for beneficial occupancy. Any work, including construction, that Lessor must undertake to obtain the necessary jurisdictional approvals for occupancy shall be at Lessor's sole cost and expense.

(B) Completion of the improvements to Suite 303 may be delayed by:

(1) Reasonable acts or omissions of Lessee or of any employees or agents of Lessee (including change orders in the work), or

(2) Any act of God which Lessor could not have reasonably foreseen and provided for, or

(3) Any strikes, boycotts or like obstructive acts by employees or labor organizations which Lessor cannot overcome with reasonable effort and could not reasonably have foreseen and provided for, or

(4) Any war or declaration of a state of national emergency, or

(5) Unavailability of labor or materials or the imposition by government action or authority of restrictions upon the procurement of labor or materials necessary for the completion of the suite in question.

(C) As to Suite 303, if Lessor fails to obtain the building permit for the improvements in a reasonable time, taking all factors into consideration, or if said improvements have not been substantially completed within one-hundred eighty (180) days from the estimated time of completion set forth in this Section 7, which period shall be extended for a reasonable time for delays enumerated in items (B) (1) through (5) above, then Lessee may, at its option, cancel the Lease as to Suite 303 (but not the entire Lease nor the balance of this Amendment No. 3) upon thirty (30) days written notice to Lessor unless the work is completed within such 30-day period. In the event of any such cancellation as to Suite 303, the provisions in this Amendment No. 3 regarding the Base Rent, improvement allowances, and parking spaces shall be deemed adjusted to delete the portion of such items attributable to the cancelled space, as determined by Lessor in its reasonable discretion.

Lessor's improvement work for Suite 303 shall be deemed "Substantially completed" for purposes of this Amendment No. 3 when the work to be completed by Lessor has been completed to such a degree that it can be occupied for the purpose leased (general office use), and Lessor has obtained a final or temporary certificate of occupancy, or final inspection approval, or any other comparable approval by applicable governmental authorities for the legal occupancy of the suite. "Substantial Completion"

shall not require the completion of "punch list" items, but Lessor agrees to diligently pursue the completion of such items.

Lessee shall provide, install and maintain, at Lessee's expense, its own telecommunications and data system for Suite 303 and Lessor shall have no obligation or expense in connection with such system.

8. If there are any inconsistencies, variances or differences between any provision of the Lease and a provision of this Amendment No. 3, the provisions of this Amendment No. 3 will prevail and control. The Lease, as amended, is ratified, confirmed and approved. The terms "include" and "including" are not limiting and include the concept of "including but not limited to".

IN WITTNESS WHEREOF, the Lessor has executed this Amendment No. 3 or caused it to be executed, and the County of Los Angeles, by order of its Board of Supervisors, has caused this Amendment No. 3 to be executed on its behalf by the Chair of said Board and attested by the Clerk thereof the day, month, and year first above written.

LESSOR
By: Shatto Corporation

By: _____

ATTESTED:

SACHI A. HAMAI
Executive Officer-Clerk
of the Board of Supervisors

By: _____
Deputy

I hereby certify that pursuant to Section 25103 of the Government Code, delivery of this document has been made.

SACHI A. HAMAI
Executive Officer
Clerk of the Board of Supervisors

By _____
Deputy

LESSEE

COUNTY OF LOS ANGELES

By: Don Knabe
Chair, Board of Supervisors

APPROVED AS TO FORM:

ROBERT E. KALUNIAN
ACTING COUNTY COUNSEL

By _____:
Amy M. Caves, Deputy County Counsel

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

#4 OCT 20 2009

SACHI A. HAMAI
EXECUTIVE OFFICER

HOA.623050.1

72058 SUPPLEMENT 3