



November 13, 2019

9b

**REGULAR MEMBERS**

CHAIR  
**CHERYL BROTHERS**  
CITY MEMBER

VICE CHAIR  
**DOUGLASS DAVERT**  
SPECIAL DISTRICT MEMBER

IMMEDIATE PAST CHAIR  
**DEREK J. MCGREGOR**  
PUBLIC MEMBER

**LISA BARTLETT**  
COUNTY MEMBER

**DR. ALLAN BERNSTEIN**  
CITY MEMBER

**JAMES FISLER**  
SPECIAL DISTRICT MEMBER

**DONALD P. WAGNER**  
COUNTY MEMBER

**ALTERNATES**

**WENDY BUCKNUM**  
CITY MEMBER

**KATHRYN FRESHLEY**  
SPECIAL DISTRICT MEMBER

**LOU PENROSE**  
PUBLIC MEMBER

**MICHELLE STEEL**  
COUNTY MEMBER

**STAFF**

**CAROLYN EMERY**  
EXECUTIVE OFFICER

**TO:** Local Agency Formation Commission

**FROM:** Executive Officer  
Assistant Executive Officer

**SUBJECT:** Second Amendment to the Office Lease Agreement  
with OC Main Street Owner, LLC

**BACKGROUND**

In September 2014, the Commission approved a lease agreement with OC Main Street Owner, LLC (formerly Mullrock Lincoln Town Center Fee, LLC) for the OC LAFCO offices located at 2677 North Main Street, Suite 1050, in Santa Ana for a 64-month term that ends on April 30, 2020. In February 2019, staff conducted a competitive process for the selection of a real estate consultant to assist with identifying options for negotiating an office lease at either the current or a comparable location within central Orange County. Through that process, Mr. Tom Abel, First Vice President of CBRE was selected to assist with the analysis and identifying lease alternatives for the agency.

Upon exploring multiple alternative locations and completing negotiations conducted with three properties, staff is recommending the approval of an amendment to the lease with the OC Main Street Owner, LLC to continue occupancy at the current location through August 2030. The property, which is centrally located and easily accessible from I-5, SR 57 and SR 22 freeways, is a well-maintained professional office building with onsite security, property management and ample employee and visitor parking. This report provides a summary of the property analysis and evaluation process, an overview of key elements of the proposed lease amendment, and a review of the projected budgetary impacts.

**DISCUSSION**

Beginning in April 2019, the real estate consultant conducted a comparative local market analysis and coordinated inspection tours of

available office space alternatives of similar size within four miles of the current OC LAFCO office. Following a review of the initial physical and financial elements of the various locations, proposals were requested from three properties. After an analysis of the responses, the consultant, with staff input and direction, focused the negotiation of lease terms and conditions on two locations, including the current OC LAFCO office building.

Staff is recommending that the Commission approve a ten-year extension of the current lease with OC Main Street Owner, LLC based on the following factors:

- ***Continuity of Agency Operations:***
  - Remaining at the current location avoids disruption to operations and accessibility to the public, agencies and other interested parties and associated costs that will occur with relocation.
  - The ten-year lease term ensures stability of rent and maintenance costs and associated terms and conditions for office space.
- ***Relocation Costs:***
  - Remaining in the current location avoids unknown or anticipated costs associated with relocation of office equipment, furniture and other large items, impacts involving information systems and technology and potential changing of multiple service providers.
- ***Accessibility for Commissioners, Staff, Agencies, and Visitors:***
  - The location is centrally located within Orange County, is publicly accessible from 6:00 a.m. to 6:00 p.m. and is adjacent to three major freeways.
  - The property offers ample free parking for visitors and a monitored employee-parking structure.
- ***Security***
  - The property includes on-site security staff to support safety of the employees, premises and immediately adjacent areas.
- ***Office Lease Costs and Terms:***
  - The leasing costs in the proposed lease amendment are comparable to other office properties in the area and include the following provisions:

- ❖ Annual payments, including base lease, parking and estimated CAM charges, range from \$93,275 to \$130,332 over the 10-year lease term with the annual base lease rate increases limited to three percent. (See pages 2-5 of *Attachment A*)
  - ❖ An abatement of the base lease payments for the first four months of the lease amendment that will result in a savings of approximately \$30,500.
  - ❖ An abatement of base lease payments for three months in FY 2019-20, if the lease amendment is executed by November 30, 2019, that will result in a savings of approximately \$18,000.
  - ❖ A tenant improvement allowance of \$40,830, of which \$27,220 may be applied towards rent during the first year of the term of the lease amendment resulting in costs savings.
  - ❖ An abatement of the first 18 months of employee parking costs.
- There is an approximate 17 percent increase in the budget line item for office rents and maintenance in the first fiscal year. This amount, however, will be reduced by approximately 46 percent through the savings realized with the multiple abatements provided in the lease amendment.

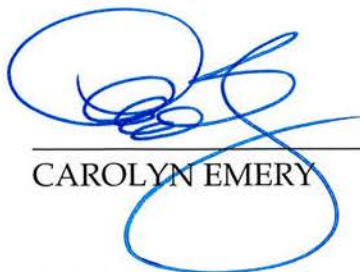
If the Commission approves the amendment to the lease agreement, the new term will commence May 1, 2020 through August 31, 2030. The terms, conditions and costs of the proposed lease amendment were reviewed with the Commission's Executive Committee and by the OC LAFCO legal counsel.

#### RECOMMENDATION

Staff recommends that the Commission:

1. Approve the Second Amendment to the Office Lease Agreement with OC Main Street Owner, LLC (*Attachment A*).

Respectfully submitted,



---

CAROLYN EMERY



---

DEBRA KURITA

Attachment:

- A. Second Amendment to the Office Lease Agreement with OC Main Street Owner, LLC.

**SECOND AMENDMENT TO OFFICE LEASE**

THIS SECOND AMENDMENT TO OFFICE LEASE (this "**Second Amendment**") is made and entered into as of November \_\_, 2019 (the "**Effective Date**"), by and between OC MAIN STREET OWNER, LLC, a Delaware limited liability company ("**Landlord**"), and ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION, a public agency of the State of California organized and operating under the Cortese-Knox-Local Government Reorganization Act of 2000, as amended (California Government Code Sections 56000 et seq.) ("**Tenant**").

**R E C I T A L S:**

A. Reference is hereby made to that certain Office Lease dated as of September 16, 2014 (the "**Original Lease**") between Mullrock Lincoln Town Center Fee, LLC, a Delaware limited liability company ("**Original Landlord**") and Tenant, as amended by that certain Amendment to Lease dated as of January 1, 2015 (the "**First Amendment**") between Original Landlord and Tenant. The Original Lease and First Amendment are collectively referred to herein as the "**Lease**".

B. Landlord has succeeded to the interests of Original Landlord as landlord under the Lease.

C. Pursuant to the Lease, Landlord currently leases to Tenant, and Tenant currently leases from Landlord, that certain office space commonly known as Suite 1050 (the "**Premises**"), containing approximately 2,691 rentable square feet located on the tenth (10<sup>th</sup>) floor of that certain office building located at 2677 North Main Street, Santa Ana, California 92705 (the "**Building**").

D. Except as otherwise expressly provided herein to the contrary, all capitalized terms used in this Second Amendment shall have the same meanings given such terms in the Lease.

E. Landlord and Tenant now desire to amend the Lease to (i) extend the Lease Term, and (ii) modify various terms and provisions of the Lease, all as hereinafter provided.

**A G R E E M E N T:**

NOW, THEREFORE, in consideration of the foregoing Recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Re-measurement of the Premises and the Building. Landlord and Tenant hereby acknowledge and agree that: (i) Landlord has re-measured the Premises and the Building substantially in accordance with the Standard Method for Measuring Floor Area in Office Buildings, ANSI/BOMA Z65.1 2010, as modified by Landlord pursuant to Landlord's standard rentable area measurements for the Building, which re-measurement shall be applied to the Lease (as amended hereby) effective from and after the Extended Term Commencement Date (as defined



below) and not with respect to any period prior thereto (except that such re-measurement of the Premises shall be applicable as of the Effective Date for purposes of disbursing the Refurbishment Allowance pursuant to Section 8 below); and (ii) as a result of such re-measurement, effective from and after the Extended Term Commencement Date (and from and after the Effective Date with respect to the disbursement of the Refurbishment Allowance, only), (A) the Building shall be deemed to contain approximately 220,453 rentable square feet, (B) the Premises shall be deemed to contain approximately 2,722 rentable square feet, and (C) all amounts and figures in the Lease, as amended hereby, which are based upon the rentable square feet of the Building and/or the Premises shall be calculated based upon the revised rentable square feet of the Building and the Premises, as determined pursuant to such re-measurement.

2. Extension of the Lease Term. The Lease Term, which is currently scheduled to expire on April 30, 2020, is hereby extended for a period of ten (10) years and four (4) months (the "**Extended Term**"), commencing on May 1, 2020 (the "**Extended Term Commencement Date**") and expiring on August 31, 2030, unless sooner terminated as provided in the Lease, as hereby amended.

3. Extended Term Base Rent. During the Extended Term, the annual Base Rent (and monthly installments thereof) payable by Tenant for the Premises shall be as set forth in the following schedule, subject to abatement as provided in Section 4 below:

<u>Period of Extended Term</u>	<u>Annual Base Rent</u>	<u>Monthly Installment of Base Rent</u>	<u>Monthly Base Rental Rate per Rentable Square Foot of the Premises</u>
5/1/2020 – 4/30/2021	\$91,459.20	\$7,621.60	\$2.80
5/1/2021 – 4/30/2022	\$94,072.32	\$7,839.36	\$2.88
5/1/2022 – 4/30/2023	\$97,012.08	\$8,084.34	\$2.97
5/1/2023 – 4/30/2024	\$99,951.84	\$8,329.32	\$3.06
5/1/2024 – 4/30/2025	\$102,891.60	\$8,574.30	\$3.15
5/1/2025 – 4/30/2026	\$106,158.00	\$8,846.50	\$3.25
5/1/2026 – 4/30/2027	\$109,097.76	\$9,091.48	\$3.34
5/1/2027 – 4/30/2028	\$112,364.16	\$9,363.68	\$3.44
5/1/2028 – 4/30/2029	\$115,957.20	\$9,663.10	\$3.55
5/1/2029 – 4/30/2030	\$119,223.60	\$9,935.30	\$3.65
5/1/2030 – 8/31/2030	\$122,816.64	\$10,234.72	\$3.76

4. Abated Rent. Provided that Tenant faithfully performs all of the terms and conditions of the Lease (as amended hereby), (i) Landlord shall abate Tenant's obligation to pay the monthly installments of Base Rent (the "**Existing Term Abated Rent**") otherwise payable by Tenant for the Premises during the months of December 2019, January 2020 and February 2020 (the "**Existing Term Abatement Period**"), and (ii) notwithstanding Section 3 above to the

contrary, Landlord shall abate Tenant's obligation to pay the monthly installments of Base Rent (the "**Extended Term Abated Rent**") otherwise payable by Tenant for the Premises during the first four (4) months of the Extended Term (the "**Extended Term Abatement Period**"). During the Existing Term Abated Period and the Extended Term Abatement Period, Tenant shall remain responsible for the payment of all of its other monetary obligations under the Lease (as amended hereby). In the event of a default by Tenant under the terms of the Lease (as amended hereby) that results in the early termination of the Lease (as amended hereby) pursuant to the provisions of Article 19 of the Original Lease, then as a part of the recovery set forth in Article 19 of the Original Lease, Landlord shall be entitled to recover the entire amount of the Existing Term Abated Rent, the Extended Term Abated Rent, and the Extended Term Abated Parking Rent (as defined below).

5. Tenant's Share; Base Year. For purposes of determining Tenant's obligation to pay increases in Operating Expenses and Tax Expenses during the Extended Term, effective from and after the Extended Term Commencement Date: (i) as result of the re-measurement of the Building and the Premises pursuant to Section 1 above, Tenant's Share of increase in Operating Expenses and Tax Expenses shall be revised to be 1.23% (i.e., 2,722 rentable square feet within the Premises/220,453 rentable square feet within the Building), and (ii) the Base Year shall be revised to be the calendar year 2020.

6. Cap on Controllable Expenses. Notwithstanding anything in Article 4 of the Original Lease to the contrary, during the Extended Term, if the aggregate Controllable Expenses (as hereinafter defined) included in Operating Expenses in any Expense Year during the Extended Term after the Base Year for the Extended Term (i.e., the calendar year 2020) shall not increase by more than five percent (5%) on an annual, cumulative and compounded basis, over the actual aggregate Controllable Expenses included in Operating Expenses for any preceding Expense Year (including such Base Year), as amended hereby), but with no such limit on the amount of Controllable Expenses which may be included in the Operating Expenses incurred during such Base Year. The foregoing cap on Controllable Expenses shall not apply to any extension of the Extended Term and shall not apply to Tax Expenses. For purposes of this Section 6, "**Controllable Expenses**" shall mean all Operating Expenses except: (i) any assessments, including assessment districts and government-mandated charges with respect to the Building or the Real Property, or any part thereof; (ii) insurance carried by Landlord with respect to the Real Property and/or the operation thereof; (iii) costs of utilities and janitorial services, including, without limitation, electricity, water, HVAC and sewer charges, utility surcharges and assessments, and refuse removal; (iv) the costs of capital alterations, capital additions and capital improvements, capital repairs and capital replacements described in Sections 4.2.3(viii) and (x) of the Original Lease; and (v) increases in wages, salaries and other compensation and benefits paid to Landlord's employees, agents or contractors to the extent (A) such employees, agents or contractors are members of a labor union or are paid on a "prevailing wage" basis, and/or (B) such increases are due to increases in the applicable minimum wage legally required to be paid to such personnel.

7. Condition of Premises. Tenant is currently in possession of the Premises and shall continue to accept the same in its current "AS IS" condition as of the Effective Date and the Extended Term Commencement Date without any agreements, representations, understandings or obligations on the part of Landlord to perform or pay for any alterations, repairs or improvements to the Premises, except as otherwise provided in Section 8 below.

8. Refurbishment Allowance. Notwithstanding Section 7 above to the contrary, Tenant shall be entitled to receive from Landlord a one (1) time refurbishment allowance (the "**Refurbishment Allowance**") in the amount of up to, but not exceeding, \$40,830.00 (*i.e.*, \$15.00 per rentable square foot of the Premises, as remeasured pursuant to Section 1 above) to help reimburse Tenant for the costs actually incurred and paid for by Tenant (collectively, the "**Refurbishment Costs**") during the period beginning on the Effective Date of this Second Amendment and ending on October 31, 2020 (the "**Refurbishment Period**") for the design, permitting, construction, acquisition and installation of any permanently affixed tenant improvements and alterations in or to the Premises (collectively, the "**Refurbishment Work**"). The Refurbishment Work is subject to Landlord's prior written consent, and shall be undertaken by Tenant in accordance with, and subject to, the provisions of Articles 8 and 9 of the Original Lease. In no event shall Landlord be obligated to make disbursements pursuant to this Section 8 in a total amount which exceeds the Refurbishment Allowance. Landlord shall disburse the portion of the Refurbishment Allowance to be used to reimburse Tenant for the Refurbishment Costs within sixty (60) days after Landlord has received all of the following (collectively, the "**Refurbishment Work Draw Documents**"): (i) a written request for payment from Tenant certifying that the Refurbishment Work has been completed; (ii) factually correct invoices for labor and materials rendered in connection with and evidencing the Refurbishment Work and the Refurbishment Costs and Tenant's payment thereof; and (iii) final, unconditional executed mechanic's lien releases from all contractors, subcontractors and other persons or entities performing the Refurbishment Work, reasonably satisfactory to Landlord. Notwithstanding the foregoing to the contrary, Landlord shall have no obligation to disburse any portion of the Refurbishment Allowance (A) with respect to any Refurbishment Work that is performed or Refurbishment Costs which are incurred or paid for prior to or after the Refurbishment Period, or (B) with respect to any Refurbishment Work Draw Documents delivered by Tenant prior to or after the Refurbishment Period. Tenant shall not be entitled to receive any portion of the Refurbishment Allowance that is not used to pay for the Refurbishment Costs incurred during the Refurbishment Period, and any such unused amount of the Refurbishment Allowance as of the end of the Refurbishment Period shall revert to Landlord and Tenant shall have no further rights with respect thereto; provided, however, if, as of the expiration of the Refurbishment Period, (1) any unpaid balance of the Refurbishment Allowance remains unused for the purposes referenced hereinabove, and (2) Tenant is not then in default under the Lease, as amended hereby, beyond all applicable notice and cure periods, then Landlord shall apply an amount up to \$27,220.00 (*i.e.*, \$10.00 per rentable square foot of the Premises, as remeasured pursuant to Section 1 above) of such unused balance of the Refurbishment Allowance as a credit against fifty percent (50%) of the monthly installment(s) of Base Rent next due and payable under the Lease (as hereby amended) following the expiration of the Refurbishment Period, until such unused balance is exhausted.

9. Parking. Notwithstanding anything in the Lease (as amended hereby) to the contrary, Tenant shall pay to Landlord (or the Parking Operator, if so designated by Landlord) for the use of Tenant's unreserved and reserved parking passes so rented by Tenant pursuant to the provisions of Article 23 of the Original Lease, on a monthly basis, subject to abatement, as provided hereinbelow:

9.1 during the first five (5) years of the Extended Term, (i) the fixed rate of \$65.00 per unreserved parking pass, per month (inclusive of all applicable parking taxes) and

(ii) the fixed rate of \$115.00 per reserved parking pass, per month (inclusive of all applicable parking taxes); and

9.2 after the fifth (5<sup>th</sup>) year of the Extended Term and each year of the Extended Term thereafter, the prevailing rate charged from time to time by Landlord (or the Parking Operator, if so designated by Landlord) for unreserved and reserved parking passes in the Building Parking Facilities where such unreserved and reserved parking passes are located; provided, however, that the parking rates charged by Landlord for unreserved and reserved parking passes shall not exceed the following amounts:

9.2.1 during the sixth (6<sup>th</sup>) year of the Extended Term, \$66.95 per unreserved parking pass, per month, and \$118.45 per reserved parking pass, per month;

9.2.2 during the seventh (7<sup>th</sup>) year of the Extended Term, \$68.96 per unreserved parking pass, per month, and \$122.00 per reserved parking pass, per month;

9.2.3 during the eighth (8<sup>th</sup>) year of the Extended Term, \$71.03 per unreserved parking pass, per month, and \$125.66 per reserved parking pass, per month;

9.2.4 during the ninth (9<sup>th</sup>) year of the Extended Term, \$73.16 per unreserved parking pass, per month, and \$129.43 per reserved parking pass, per month; and

9.2.5 during the tenth (10<sup>th</sup>) year and the first four (4) months of the eleventh (11<sup>th</sup>) year of the Extended Term, \$75.35 per unreserved parking pass, per month, and \$133.32 per reserved parking pass, per month.

Notwithstanding the foregoing to the contrary, Landlord shall abate Tenant's obligation to pay parking charges for all of Tenant's unreserved parking passes so rented by Tenant pursuant to Article 23 of the Original Lease (as amended hereby) (collectively, the "**Extended Term Abated Parking Rent**") during the first eighteen (18) months of the Extended Term.

10. Security Deposit. Concurrently with Tenant's execution of this Second Amendment, Tenant shall deliver to Landlord the sum of \$4,153.06, which amount shall be added to and increase the Security Deposit currently held by Landlord pursuant to the Lease, as amended hereby, such that the total Security Deposit thereafter held by Landlord shall equal \$10,234.72.

11. CASp Inspection. For purposes of Section 1938(a) of the California Civil Code, Landlord hereby discloses to Tenant, and Tenant hereby acknowledges, that the Premises have not undergone inspection by a Certified Access Specialist (CASp). In addition, the following notice is hereby provided pursuant to Section 1938(e) of the California Civil Code:

"A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall



mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises."

In furtherance of and in connection with such notice: (i) Tenant, having read such notice and understanding Tenant's right to request and obtain a CASp inspection and with advice of counsel, hereby elects not to obtain such CASp inspection and forever waives its rights to obtain a CASp inspection with respect to the Premises to the extent permitted by applicable laws now or hereafter in effect; and (ii) if the waiver set forth in clause (i) hereinabove is not enforceable pursuant to applicable laws now or hereafter in effect, then Landlord and Tenant hereby agree as follows (which constitute the mutual agreement of the parties as to the matters described in the last sentence of the foregoing notice): (A) Tenant shall have the one-time right to request for and obtain a CASp inspection of the Premises, which request must be made, if at all, in a written notice delivered by Tenant to Landlord on or before December 31, 2019; (B) any CASp inspection timely requested by Tenant shall be conducted (1) between the hours of 9:00 a.m. and 5:00 p.m. on any business day, (2) only after ten (10) days' prior written notice to Landlord of the date of such CASp inspection, (3) in a professional manner by a CASp designated by Landlord and without any testing that would damage the Premises or Real Property in any way, and (4) at Tenant's sole cost and expense, including, without limitation, Tenant's payment of the fee for such CASp inspection, the fee for any reports prepared by the CASp in connection with such CASp inspection (collectively, the "**CASp Reports**") and all other costs and expenses in connection therewith; (C) Tenant shall deliver a copy of any CASp Reports to Landlord within three (3) business days after Tenant's receipt thereof; (D) Tenant, at its sole cost and expense, shall be responsible for making any improvements, alterations, modifications and/or repairs to or within the Premises to correct violations of construction-related accessibility standards disclosed by such CASp inspection; and (E) if such CASp inspection identifies any improvements, alterations, modifications and/or repairs necessary to correct violations of construction-related accessibility standards relating to those items of the Real Property located outside the Premises that are Landlord's obligation to perform pursuant to the Lease (as amended hereby), then Landlord shall perform such improvements, alterations, modifications and/or repairs as and to the extent required by applicable laws to correct such violations, and Tenant shall reimburse Landlord for the cost of such improvements, alterations, modifications and/or repairs within ten (10) business days after Tenant's receipt of an invoice therefor from Landlord.

12. Option to Extend. Landlord hereby grants Tenant one (1) option (the "**Extension Option**") to extend the Extended Term for a period of five (5) years (the "**Option Term**"). Notwithstanding the foregoing, at Landlord's option, in addition to any other remedies available to Landlord under the Lease (as amended hereby), at law and/or in equity, the Extension Option shall not be deemed properly exercised if as of the date of delivery of the Exercise Notice (as defined below) by Tenant, Tenant is in default under the Lease (as amended hereby) beyond any applicable notice and cure period. Upon the proper exercise of the Extension Option, the Extended Term shall be extended for the Option Term. The Extension Option is personal to the original Tenant executing this Second Amendment (the "**Original Tenant**") and may only be exercised by the Original Tenant (and not any assignee, sublessee or other transferee of Tenant's interest in the Lease (as amended hereby) or the Premises) if the Original Tenant occupies the entire Premises as of the date of Tenant's delivery of the Exercise Notice.

12.1 Option Rent. The annual Base Rent payable by Tenant during the Option Term (the "**Option Rent**") shall be equal to the Fair Market Rental Rate for the Premises. As used herein, the "**Fair Market Rental Rate**" shall mean the annual base rent at which non-equity tenants, as of the commencement of the Option Term, will be leasing non-sublease, unencumbered space comparable in size, location and quality to the Premises for a comparable term as the Option Term, which comparable space is located in the Building and in other comparable first-class office buildings in the central Orange County, California office submarket, taking into consideration all free rent and other out-of-pocket concessions generally being granted at such time for such comparable space for the Option Term (including, without limitation, any tenant improvement allowance provided for such comparable space, with the amount of such tenant improvement allowance to be provided for the Premises during the Option Term to be determined after taking into account the age, quality and layout of the tenant improvements in the Premises as of the commencement of the Option Term with consideration to the fact that the improvements existing in the Premises are specifically suitable to Tenant).

12.2 Exercise of Option. The Extension Option shall be exercised by Tenant, if at all, only in the following manner: (i) Tenant shall deliver written notice ("**Interest Notice**") to Landlord not more than fifteen (15) months nor less than fourteen (14) months prior to the expiration of the Extended Term stating that Tenant may be interested in exercising the Extension Option; (ii) Landlord, after receipt of Tenant's Interest Notice, shall deliver written notice (the "**Option Rent Notice**") to Tenant not less than thirteen (13) months prior to the expiration of the Extended Term setting forth the Option Rent; and (iii) if Tenant wishes to exercise the Extension Option, Tenant shall, on or before the date (the "**Exercise Date**") which is twelve (12) months prior to the expiration of the Extended Term, exercise the Extension Option by delivering written notice (the "**Exercise Notice**") thereof to Landlord. Tenant's failure to deliver the Interest Notice or Exercise Notice on or before the applicable delivery dates therefor specified hereinabove, shall be deemed to constitute Tenant's waiver of the Extension Option.

12.3 Determination of Option Rent. Tenant shall have no right to object to the Option Rent provided by Landlord, and if Tenant disagrees with Landlord's determination of the Option Rent but Landlord and Tenant are unable to resolve such disagreement as to the Option Rent prior to the Exercise Date, then either (i) Tenant shall accept Landlord's determination of the Option Rent by exercising the Extension Option by delivering Tenant's Exercise Notice to Landlord on or before the Exercise Date, or (ii) Tenant shall be deemed to have relinquished the Extension Option, in which event the Extension Option shall be null and void as of the Exercise Date, and Landlord and Tenant shall have no further liability to the other under this Section 12.

13. Landlord's Addresses. Landlord's addresses for notices and payment of rent are hereby revised to be:

Landlord's Address For Notices

c/o The Muller Company  
18881 Von Karman Avenue, Suite 400  
Irvine, CA 92612  
Attn: Property Manager

Landlord's Address For Payment of Rent

*For Payment By Check or Money Order:*

OC Main Street Owner, LLC  
P.O. Box 847107  
Los Angeles, CA 90084-7107

*For Payment by Wire/ACH:*

Bank Name: Wells Fargo Bank, NA  
ABA#: 121000248  
Account#: 4120441522  
Ref: OC Main Street Owner, LLC

14. Brokers. Landlord and Tenant each hereby represents and warrants to the other party that it has had no dealings with any real estate broker or agent in connection with the negotiation of this Second Amendment, and that it knows of no real estate broker or agent who is entitled to a commission in connection with this Second Amendment, excepting only The Muller Company, representing Landlord, and CBRE, representing Tenant (collectively, the "**Brokers**"). Landlord shall pay the brokerage commissions owing to the Brokers in connection with this Lease pursuant to the terms of a separate written agreement between and/or among Landlord and the Brokers. Each party agrees to indemnify and defend the other party against and hold the other party harmless from any and all claims, demands, losses, liabilities, lawsuits, judgments and costs and expenses (including, without limitation, reasonable attorneys' fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of the indemnifying party's dealings with any real estate broker or agent (other than the Brokers) in connection with this Second Amendment.

15. No Further Modification. Except as set forth in this Second Amendment, all of the terms and provisions of the Lease shall remain unmodified and in full force and effect.

16. Counterparts. This Second Amendment may be executed in multiple counterparts, each of which is to be deemed original for all purposes, but all of which together shall constitute one and the same instrument.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, this Second Amendment has been executed as of the day and year first above written.

**"LANDLORD"**

OC MAIN STREET OWNER, LLC,  
a Delaware limited liability company

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: Authorized Signatory

**"TENANT"**

ORANGE COUNTY LOCAL AGENCY FORMATION  
COMMISSION,  
a public agency of the State of California organized and  
operating under the Cortese-Knox-Local Government  
Reorganization Act of 2000, as amended (California  
Government Code Sections 56000 et seq.)

By: \_\_\_\_\_  
Name: Carolyn Emery  
Its: Executive Officer

By: \_\_\_\_\_  
Name: Scott Smith  
Its: General Counsel