

## **ELEVENTH AMENDMENT TO STANDARD INDUSTRIAL LEASE**

THIS ELEVENTH AMENDMENT TO STANDARD INDUSTRIAL LEASE (hereinafter "Eleventh Amendment") is made this \_\_\_\_\_ (the "Effective Date"), by and between McCANDLESS LIMITED, LLC, a California limited liability company ("Landlord") and THE CITY OF PALO ALTO, a California municipal corporation ("Tenant").

### **RECITALS**

This Eleventh Amendment is made with reference to the following facts:

A. Tenant currently leases from Landlord approximately sixteen thousand one hundred and fifty-seven (16,157) square feet of space located at 1005 and 1007 Elwell Court, Palo Alto, California (the "Premises") pursuant to that certain lease dated as of July 31, 1998, that certain Amendment to Standard Industrial Lease dated as of April 1, 2003, that certain Second Amendment to Standard Industrial Lease dated as of March 16, 2005, that certain Third Amendment to Standard Industrial Lease dated as of September 20, 2005, that certain Fourth Amendment to Standard Industrial Lease dated as of June 6, 2006, that certain Fifth Amendment to Standard Industrial Lease dated as of May 16, 2007, that certain Sixth Amendment to Standard Industrial Lease dated as of August 30, 2013, that certain Seventh Amendment to Standard Industrial Lease dated as of March 23, 2015, that certain Eighth Amendment to Standard Industrial Lease dated as of January 12, 2018, that certain Ninth Amendment to Standard Industrial Lease dated as of June 24, 2021 and that certain Tenth Amendment to Standard Industrial Lease dated as of October 20, 2021 (the "Lease"). The 1005 Premises and the 1007 Premises are located in a building commonly known as 1001-1007 Elwell Court, Palo Alto, California (the "Project").

B. The term expires on August 31, 2024 and Tenant wishes to extend the term of the Lease by three (3) years.

C. Tenant desires that Landlord, at Landlord's cost, shall repair or replace the front door, address parking lot flooding in heavy rain, and service, repair or replace as needed the HVAC, plumbing and other systems within the Premises so they are in good condition and repair.

D. Landlord is willing to so amend the Lease subject to the terms and conditions set forth in this Eleventh Amendment.

ACCORDINGLY, in consideration of the above Recitals and the mutual covenants and agreements contained herein and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. Incorporation of Recitals and Exhibits. The above Recitals are true and accurate and the Recitals are incorporated herein by reference.

2. Term. Commencing September 1, 2024, the term of the Lease respecting the Premises shall be extended for three (3) additional years until August 31, 2027. The period commencing on the September 1, 2024 and ending on August 31, 2027 shall be referred to herein as the "Eleventh Extended Term".

3. Security Deposit. Landlord currently holds a cash security deposit provided by Tenant in the amount of Seven Thousand One Hundred Fifteen Dollars and 00/100 (\$7,115.00) and no further deposit shall be required.

4. Basic Rent. Commencing on September 1, 2024, Landlord and Tenant agree that the monthly basic rent shall be adjusted from Fifty-Seven Thousand Six Hundred and Fifteen and 72/100 Dollars (\$57,615.72) per month to Fifty-Nine Thousand Three Hundred and Forty-Four and 19/100 Dollars (\$59,344.19) per month and shall increase by three percent (3%) each year as set forth below.

September 1, 2024 – August 31, 2025	\$59,344.19
September 1, 2025 – August 31, 2026	\$61,124.52
September 1, 2026 – August 31, 2027	\$62,958.25

5. Landlord's Repair Work. Landlord shall, prior to the commencement of the Eleventh Extended Term and at Landlord's cost, (i) repair or replace the front door so that it not only functions properly but also that it functions properly in conjunction with that portion of Tenant's security system, (ii) address parking lot flooding in heavy rain by scheduling annual cleaning of the storm drains prior to each raining season and (iii) employing Landlord's regular subcontractors, troubleshoot, service, repair or replace to the extent needed the HVAC, ceiling, lighting, plumbing and electrical systems within the Premises so they are functional and in good operating condition and repair at the commencement of the Eleventh Extended Term.

6. Option to Extend Term. Landlord grants to Tenant the option to extend the term for one period of three (3) years (hereinafter the "Twelfth Extended Term") under all the provisions of this lease except for the amount of the basic rent. The basic rent for the extended term shall be adjusted to the market rate for comparable buildings in Palo Alto and the basic rent as so adjusted shall be adjusted annually by the market basic rent adjustment rate as provided below, provided that in no event shall the basic rent for the Twelfth Extended Term be less than the basic rent in effect at the expiration of the Eleventh Extended Term. This option is further subject to the following terms and conditions.

(a) Tenant must deliver its irrevocable written notice of Tenant's exercise of this option to Landlord not less than six (6) lease months, nor more than twelve (12) lease months, prior to the expiration of the Eleventh Extended Term.

(b) The parties shall have thirty (30) days from the date Landlord receives Tenant's notice of exercise in which to agree on the amount constituting the basic rent. If Landlord and Tenant agree on the amount of basic rent, they shall immediately execute an amendment to this lease setting forth the expiration date of the Twelfth Extended Term and the amount of the basic rent to be paid by Tenant during the Twelfth Extended Term, including the

annual adjustment period. If Landlord or Tenant are unable to agree on the amount of basic rent within such time period, then, at the request of either party, the market rate shall be determined by appraisal in the following manner: (1) within thirty (30) days of the request for such appraisal, Landlord and Tenant shall each select a licensed real estate broker with not less than five (5) years of experience in the business of commercial leasing of property of the same type and use, and in the same geographic area, as the Premises; (ii) within fifteen days of their appointment, such two real estate brokers shall select a third real estate broker similarly qualified; (iii) within thirty (30) days from the appointment of the third broker, the three brokers so selected shall, acting as a board of arbitrators, then appraise the Premises and determine the amount of the market rate, basing their determination on using standard procedures and tests normally employed in making such appraisals and applying the factors included within the definition of market rate set forth in subparagraph (c) below. The decision of the majority of said brokers shall be final and binding upon the parties hereto. If a majority of the brokers are unable to agree on the market rate within the stipulated period of time, the three brokers shall be added together and their total divided by three; the resulting quotient shall be the market rate. If, however, the low appraisal and/or the high appraisal are/is more than 15% lower and/or higher than the middle appraisal, the low appraisal and/or the high appraisal, as the case may be, shall be disregarded. If only one appraisal is disregarded, the remaining two appraisals shall be added together and their total divided by two and the resulting quotient shall be the market rate. If both the low appraisal and the high appraisal are disregarded as stated in this paragraph, the middle appraisal shall be the market rate. If a party does not appoint a broker within the required time period, the broker appointed by the other party shall be the sole broker and shall determine the market rate. If the two brokers appointed by the parties are unable to agree on the third broker, either of the parties to the lease, by giving ten (10) days' notice to the other party, can apply to the then county real estate board of the county in which the Premises are located, or to the presiding judge of the superior court of that county, for the selection of a third broker who meets the qualifications stated in this paragraph. Each party shall pay the expenses and charges of the broker appointed by it and the parties shall pay the expenses and charges of the third broker in equal shares. Basic rent for the first lease year of the Twelfth Extended Term shall be equal to the greater of the market rate as determined hereunder or basic rent charged for the last lease year of the prior term. When the basic rent has been so determined, Landlord and Tenant shall immediately execute an amendment to this lease stating the revised basic rent and adjustment provision for the Twelfth Extended Term.

(c) As used herein, the "market rate" shall be the monthly rent (triple net) then obtained for leases of comparable terms for premises in the Project and/or projects within the City of Palo Alto of similar type, identity, quality and location as the Project.

(d) The basic rent for the Twelfth Extended Term, determined as provided above, shall be adjusted annually, commencing on the first day of the thirteenth month of the Twelfth Extended Term, by the market basic rent adjustment rate. As used herein, the "market basic rent adjustment rate" shall be the industry standard annual percentage rate adjustment to basic rent (triple net), if any, then obtained for leases of comparable terms for premises in the Project and/or projects within the City of Palo Alto of similar type, identity, quality and location as the Project.

(e) The extension rights herein described are personal to the original Tenant and may not be exercised by or for the benefit of any assignee or subtenant of the original Tenant. Tenant shall not assign or otherwise transfer this option or any interest therein and any attempt to do so shall render this option null and void. Tenant shall have no right to extend this term beyond the Twelfth Extended Term. If Tenant is in default under this lease at the date of delivery of Tenant's notice of exercise to Landlord, then such notice shall be of no effect and this lease shall expire at the end of the Eleventh Extended Term; if Tenant is in default under this lease at the last day of the Eleventh Extended Term, then Landlord may in its sole discretion elect to have Tenant's exercise of this option be of no effect, in which case this lease shall expire at the end of the Eleventh Extended Term.

(f) Tenant shall have no right to exercise the option to renew the term of this lease (i) during the time commencing from the date Landlord gives to Tenant a notice of default pursuant to Paragraph 20, above, and continuing until the noncompliance alleged in said notice of default is cured, or (ii) during the period of time commencing on the day after a monetary obligation to Landlord is due from Tenant and unpaid (without any necessity for notice thereof to Tenant) and continuing until the obligation is paid, or (iii) in the event that Landlord has given to Tenant two (2) or more notices of default under Paragraph 20, above, whether or not the defaults are cured, during the twenty four (24) month period of time immediately prior to the time that Tenant attempts to exercise the option to renew the lease, or (iv) if Tenant has committed any non-curable breach, or is otherwise in default of any of the terms, covenants or conditions of this lease.

(g) The period of time within which the option to renew must be exercised shall not be renewed or enlarged by reason of Tenant's inability to exercise the option because of the provision of Paragraph 6(f), above.

7. Brokers. Each party represents that it has not had any dealings with any real estate broker, finder or other person with respect to this Eleventh Amendment, and that there are no leasing commissions to be paid by Landlord or Tenant in connection with this transaction. Each party hereto shall hold harmless the other party from all damages, loss or liability resulting from any claims that may be asserted against the other party by any broker, finder or other person with whom such party has dealt, or purportedly has dealt, in connection with this transaction.

8. Warranty of Authority: Each signatory to this Eleventh Amendment represents that he or she possesses full authority to exercise this Eleventh Amendment and to bind the entity on whose behalf such signatory is signing.

9. Restatement of Other Lease Terms. Except as specifically modified herein, all other terms, covenants and conditions of the Lease, including Tenant's obligation to pay common area charges, shall remain in full force and effect.

10. Capitalized Terms. Except as expressly provided in this Eleventh Amendment, all capitalized terms used in this Eleventh Amendment shall possess the same meaning ascribed to that term in the Lease.

11. Conflicts. In the event of any conflict between the Lease on the one hand and this Eleventh Amendment on the other, the terms of this Eleventh Amendment shall govern and control.

12. Counterparts. This Eleventh Amendment may be executed by electronic document signing service or in identical facsimile or e-mailed .pdf counterparts, each of which shall be deemed an original and all of which shall constitute one and the same legally binding instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Ninth Amendment as of the Effective Date.

LANDLORD:

McCANDLESS LIMITED, LLC  
a California limited liability company

By: \_\_\_\_\_  
Sandra M. Simons or  
Jett A. McCandless, Managers

TENANT:

THE CITY OF PALO ALTO,  
a California municipal corporation

By: \_\_\_\_\_  
City Manager

Approved as to form:

By: \_\_\_\_\_  
City Attorney

By: \_\_\_\_\_  
Director of Utilities

By: \_\_\_\_\_  
Director of Administrative Services