



ARLINGTON COUNTY, VIRGINIA

County Board Agenda Item Meeting of October 20, 2012

DATE: September 24, 2012

SUBJECT: Approval of a Third Amendment to Amended and Restated Office Building Deed of Lease between VNO Courthouse I LLC, as Landlord, and the County Board of Arlington County, Virginia, as Tenant, for a Portion of the Tenth Floor of the Office Building at 2100-2200 Clarendon Boulevard, Arlington, Virginia 22201 (RPC # 18-004-065).

C. M. RECOMMENDATIONS:

1. Approve the Third Amendment to Amended and Restated Office Building Deed of Lease between VNO Courthouse I LLC, as Landlord, and the County Board of Arlington County, Virginia, as Tenant (Exhibit A), for a portion of the tenth floor, known as suite 1000, of the office building at 2100-2200 Clarendon Boulevard, Arlington, Virginia 22201 (RPC # 18-004-065); and
2. Authorize the Real Estate Bureau Chief, or his designee, to execute on behalf of the County Board of Arlington County, Virginia, the attached Third Amendment to the Amended and Restated Office Building Deed of Lease, subject to approval as to form by the County Attorney.

ISSUES: The County Board is being requested to approve the attached Third Amendment to Amended and Restated Office Building Deed of Lease, to incorporate into the County's existing lease with VNO Courthouse I LLC, the suite 1000 space, which space is currently subleased to the County Board, under a sublease agreement with Experience Works Inc. There are no issues that have been identified related to this matter.

SUMMARY: The suite 1000 space is leased to Experience Works Inc. by VNO Courthouse I LLC. The County occupies the suite 1000 space, by sublease agreement between the County Board, as Sublessee, and Experience Works Inc., as Sublandlord. The prime lease for the suite 1000 space, between Experience Works Inc. and VNO Courthouse I LLC, is scheduled to expire in 2013. By leasing the suite 1000 space directly from VNO Courthouse I LLC, the County will be able to extend its occupancy of the suite 1000 space so that the lease term is coterminous with the lease term of the County's prime lease for 2100-2200 Clarendon Boulevard.

County Manager:

BMD/mjs

County Attorney:

[Signature] *[Signature]*

14.

Staff: Kevin Connolly, DES, Real Estate Bureau

BACKGROUND: DCPHD's Inspection Services Division and the Zoning Office of the Planning Division occupy the entire 10th floor of the office building at 2100-2200 Clarendon Boulevard, Arlington, Virginia 22201 (RPC # 18-004-065), which office building is shown on Attachment 1. The 10th floor includes the Zoning Office's and Inspection Services' customer service operations. The 10th floor space is currently leased to the County Board under two separate lease agreements. The majority of the 10th floor (suite 1000) comprises approximately 23,400 rentable square feet. The suite 1000 space is leased by VNO Courthouse I LLC to Experience Works Inc. Experience Works Inc. subleases the suite 1000 space to the County Board. Experience Works Inc.'s lease with VNO Courthouse I LLC, for suite 1000, expires on March 31, 2013. The remainder of the 10th floor (which is known as suite 1002 and comprises approximately 3,104 rentable square feet) is leased to the County Board, directly from VNO Courthouse I LLC.

DISCUSSION: Under the existing Amended and Restated Office Building Deed of Lease, as amended, the County Board currently leases, from VNO Courthouse I LLC, floors 1-9 and the suite 1002 space. The County staff recently completed negotiations, with VNO Courthouse I LLC, for a Third Amendment to Amended and Restated Office Building Deed of Lease. The third amendment, which is the subject of this report, is attached as Exhibit A. If approved by, and executed on behalf of, the County Board, the third amendment will result in the County Board leasing suite 1000 directly from VNO Courthouse I LLC. Some of the pertinent provisions of the Third Amendment to the Amended and Restated Office Building Deed of Lease are as follows:

- The lease term for the third amendment will commence at the end of the sublease term (i.e. on April 1, 2013). The third amendment lease term will be coterminous with the term of the Amended and Restated Office Building Deed of Lease, as amended, (i.e. ending on October 31, 2018).
- The base rent for the first year will be \$79,950.00 per month or \$41.00 per rentable square foot per annum.
- Base Rent will increase by 2.5 percent per annum.
- The County will pay its proportionate share of operating expenses and real estate taxes for the suite 1000 space.
- VNO Courthouse I LLC will pay to the County \$526,500.00, or \$22.50 per rentable square foot, as a tenant improvement allowance.
- The tenant improvement allowance may be used by the County to pay for the cost of remodeling, furniture, fixtures, cabling and move related expenses in the County leased portion of the building before March 31, 2015.
- Thirty five percent of this tenant improvement allowance may be applied, by the County, in its discretion, as a credit against the County's rent payment obligations.

FISCAL IMPACT: The rental costs for the suite 1000 space will continue to be paid from the Development Fund and is provided for in the FY 2013 DCPHD budget. Expenses for the suite 1000 space will continue to be provided for in future DPCPHD budgets, which will be adjusted as the suite 1000 space costs increase.

**THIRD AMENDMENT TO AMENDED AND RESTATED
OFFICE BUILDING DEED OF LEASE**

THIS THIRD AMENDMENT TO AMENDED AND RESTATED OFFICE BUILDING DEED OF LEASE (this "Third Amendment") is made as of _____, 2012, by and between **VNO COURTHOUSE I LLC**, a Delaware limited liability company (successor-in-interest to CESC ONE COURTHOUSE PLAZA, L.L.C.) ("Landlord"), and **THE COUNTY BOARD OF ARLINGTON COUNTY, VIRGINIA**, a body politic ("Tenant").

RECITALS:

WHEREAS, Landlord's predecessor-in-interest, CESC One Courthouse Plaza, L.L.C., and Tenant entered into that certain Amended and Restated Office Building Deed of Lease dated October 23, 2002 ("Original Lease"), as amended by that certain First Amendment to Amended and Restated Office Building Deed of Lease dated July 27, 2004 (the "First Amendment"), and that certain Second Amendment to Amended and Restated Office Building Deed of Lease dated July 21, 2008 (the "Second Amendment") for certain premises which the parties hereby agree contain approximately 211,537 rentable square feet, known as Suites 0ACG, 200, 300, 400, 500, 600, 700, 800, 900, and 1002 located on the first (1st), second (2nd), third (3rd), fourth (4th), fifth (5th), sixth (6th), seventh (7th), eighth (8th), ninth (9th) and tenth (10th) floors as shown (for illustration purposes only, to indicate the floors on which area is leased) on **Exhibit A** attached hereto and made a part hereof by reference ("Demised Premises") in the building known as #1 Courthouse Plaza and located at 2100 and 2200 Clarendon Boulevard, Arlington, Virginia 22201 (the "Building"). The Original Lease as amended by the First Amendment and the Second Amendment is hereinafter referred to as the "Amended Original Lease";

WHEREAS, on December 13, 2007, Landlord consented to a Sublease by Experience Works, Inc. ("Experience Works") to Tenant dated December 19, 2007, of office space on a portion of the tenth (10th) floor of the Building which the parties agree contain approximately 23,400 rentable square feet, known as Suite 1000 and shown on the floor plan attached hereto and made a part hereof as **Exhibit A-1** ("Suite 1000") for a term expiring on March 31, 2013 (the "Sublease");

WHEREAS, Tenant desires and, pursuant to the terms of this Third Amendment, Landlord agrees, to lease Suite 1000, to Tenant, which lease term for Suite 1000 shall commence upon the expiration of the term of the Sublease; and

WHEREAS, the Amended Original Lease, as amended by this Third Amendment, is hereinafter referred to jointly as the "Lease."

WITNESSETH:

NOW THEREFORE, in consideration of the sum of Ten Dollars (\$10.00), the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **RECITALS:** The foregoing recitals are incorporated herein by this reference as if fully set forth at this point in the text of this Third Amendment.

2. **INTEGRATION:** The recitals and following terms and conditions shall constitute part of the Lease, and be incorporated therein by reference.

3. **DEMISED PREMISES:** Landlord hereby leases Suite 1000 to Tenant pursuant to the terms of this Third Amendment. It is hereby acknowledged and agreed that Suite 1000 comprises approximately 23,400 rentable square feet of office space measured in accordance with the Standard Method for Measuring Floor Area in Office Buildings", ANSI/BOMA Z65.1-1996 published by the Building Owners and Managers Association International ("BOMA"). From and after the Third Amendment Commencement Date (as hereinafter defined), the term "Demised Premises" shall mean the Demised Premises and Suite 1000.

4. **THIRD AMENDMENT LEASE COMMENCEMENT AND EXPIRATION DATES:** The term of the Lease as to Suite 1000 shall commence on April 1, 2013 ("Third Amendment Commencement Date"), and shall be coterminous with the Amended Original Lease.

5. **BASE ANNUAL RENT FOR SUITE 1000:**

(a) Initial Base Annual Rent for Suite 1000: The initial Base Annual Rent for Suite 1000 shall be in the annualized amount of Nine Hundred Fifty-nine Thousand Four Hundred and ^{Zero}/₁₀₀ Dollars (\$959,400.00) computed based upon the annual rent rate of Forty–One and ^{Zero}/₁₀₀ Dollars (\$41.00) per rentable square foot, full service. The initial Base Annual Rent for Suite 1000 shall be payable in equal monthly installments of Seventy-Nine Thousand Nine Hundred Fifty and ^{Zero}/₁₀₀ Dollars (\$79,950.00) for the first twelve (12) months following Suite 1000 Commencement Date.

(b) Base Annual Rent Increase: Commencing on the first anniversary of the Third Amendment Commencement Date, and continuing cumulatively on every subsequent anniversary of the Third Amendment Commencement Date throughout the term of the Lease with respect to Suite 1000, Base Annual Rent, for Suite 1000, shall be increased by two and ^{five}/₁₀ percent (2.5%) pursuant to the following schedule.

Lease Dates	Annual Rent Rate per Square Foot	Base Rent Per Annum (annualized)	Base Monthly Rent
Year 1: 4/1/2013 – 3/31/2014	\$41.00	\$959,400.00	\$79,950.00
Year 2: 4/1/2014 – 3/31/2015	\$42.03	\$983,502.00	\$81,958.50
Year 3: 4/1/2015 – 3/31/2016	\$43.08	\$1,008,072.00	\$84,006.00
Year 4: 4/1/2016 – 3/31/2017	\$44.16	\$1,033,344.00	\$86,112.00
Year 5: 4/1/2017 – 3/31/2018	\$45.26	\$1,059,084.00	\$88,257.00
Year 6: 4/1/2018 – 10/31/2018	\$46.39	\$1,085,526.00	\$90,460.50

6. **ADDITIONAL RENT:** Commencing on April 1, 2014, Tenant shall pay its pro-rata share of Operating Expenses and Real Estate Taxes for Suite 1000 in excess of the Operating Expenses and Real Estate Taxes for the Base Year pursuant to the Original Lease; it being understood that Tenant has no obligation to pay any such pro-rata share for the first three (3)

months of 2014. For the purposes of this Section 6, the terms “Additional Rent,” “Operating Expenses,” and “Real Estate Taxes” shall have the definitions used in the Original Lease. Tenant’s Pro-Rata Share of Operating Expenses and Real Estate Taxes with respect to Suite 1000 shall be each be Six and Fifty-Five Hundredths Percent (6.55%). Notwithstanding the foregoing, the Base Year with respect to Suite 1000 shall be calendar year 2013. Such Additional Rent shall, except as otherwise provided herein, be paid and calculated in the same manner as set forth in Section 2 of the Original Lease, which Section 2 shall be deemed incorporated herein by reference as if fully set forth.

7. TENANT IMPROVEMENTS:

(a) Tenant shall be deemed to have accepted delivery of Suite 1000 in its “AS IS” condition on the Third Amendment Commencement Date by virtue of Tenant’s then current occupancy of Suite 1000 under this Third Amendment. Notwithstanding any other term or condition of the Lease to the contrary, Tenant is not required to remove or restore any Leasehold Improvements made to Suite 1000 prior to the Third Amendment Commencement Date at the end of the term of the Lease.

(b) Portions of the Demised Premises shall be remodeled substantially in accordance with plans to be approved by both Tenant and Landlord and otherwise (except as provided in this Paragraph 7) in accordance with the provisions of Section 6.4 of the Original Lease, and Landlord shall contribute to the cost of such remodeling the sum of Five Hundred Twenty-Six Thousand Five Hundred and ^{Zero}/₁₀₀ Dollars (\$526,500.00) (the “Tenant Improvement Allowance”). The Tenant Improvement Allowance is computed as Twenty-Two and ^{Fifty}/₁₀₀ Dollars (\$22.50) per BOMA rentable square foot of Suite 1000 (*i.e.*, 23,400 rentable square feet). The Tenant Improvement Allowance shall be paid by Landlord, as directed by Tenant, for the costs of the design, construction, construction management and permitting incurred (*i.e.* owing but unpaid) by, or on behalf of, Tenant with respect to any Alterations of all or any portion of the entire Demised Premises performed prior to March 31, 2015 (the “Allowance Deadline”), as well as to any and all costs of furniture, fixtures, cabling and move related expenses submitted by Tenant to Landlord, on or before the Allowance Deadline. Tenant shall have the right, at any time on or after January 1, 2013, but prior to the Allowance Deadline, to require the Tenant Improvement Allowance to be paid, by Landlord, as directed by Tenant, for the design, construction, construction management and permitting of any Alterations performed by either Landlord (at Tenant’s request) or Tenant pursuant to Section 6.4 of the Original Lease, as well as to any and all costs of furniture, fixtures, cabling and move-related expenses submitted by Tenant to Landlord, on or before the Allowance Deadline. Landlord shall, if Tenant so directs, apply the Tenant Improvement Allowance by making direct payments to contractors, suppliers or others on a timely basis so that Tenant need not outlay monies for such costs. Alternatively, Tenant shall have the right to require payments of the Tenant Improvement Allowance directly to Tenant to reimburse Tenant for Tenant outlays or commitments. Landlord shall make such payments of the Tenant Improvement Allowance to Tenant or to Tenant’s contractors, suppliers or others within thirty (30) days of Tenant’s written request, but not more often than once every thirty (30) days, and subject to the prior receipt of the documentation required pursuant to Paragraph 7(c). Additionally, Tenant shall have the option, at Tenant’s sole discretion, upon written direction to Landlord given at any time after the Third Amendment Commencement Date, to apply up to thirty-five percent (35%) of the Tenant Improvement Allowance (*i.e.*, \$184,275.00) (the “Rental Credit”) as a credit against any rental amounts owed

by Tenant under the Lease, including without limitation, against Annual Base Rent for any portion of the Demised Premises. On the date that is sixty (60) days after the Allowance Deadline, Landlord shall credit to Tenant the then remaining unpaid portion of the Tenant Improvement Allowance, up to the amount of the Rental Credit, against Annual Base Rent next owing under the Lease. In the event that Landlord fails to timely pay any installment of the Tenant Improvement Allowance when due, and such failure continues for more than thirty (30) days after Landlord receives a written notice of non-payment from Tenant (or, at Tenant's option, a written notice of default), then Tenant shall have the right, in addition to all other rights and remedies at law or equity, to set off and deduct all or any portion of the then unpaid amount of the Tenant Improvement Allowance from Annual Base Rent next owing under the Lease.

(c) As a condition precedent to receipt of the payment of any portion of the Tenant Improvement Allowance (other than the Rental Credit), Tenant shall provide Landlord: (i) with Tenant-approved invoices for such remodeling work from Tenant's contractors or vendors; (ii) with all building inspection approvals, if any, required by Arlington County ordinances with respect to the work performed or for which a payment of a portion of the Tenant Improvement Allowance is requested; (iii) with certificates of occupancy, if any, required by Arlington County ordinances with respect to the work performed or for which a payment of a portion of the Tenant Improvement Allowance is requested; and (iv) executed waiver of lien forms naming Landlord as a party released from all of Tenant's contractors and their subcontractors for all work to be paid for.

8. **BROKERS:** Tenant represents and warrants that it did not retain any broker, agent or real estate salesperson with respect to carrying out negotiations or any other dealings related to the Lease. Landlord represents and warrants that it retained Vornado/Charles E. Smith L.P., as its broker ("Broker"). Landlord, and not Tenant, shall compensate Broker according to a separate agreement. Landlord shall hold Tenant harmless from any claims arising out of Landlord's agreement with Broker. Additionally, Landlord agrees to pay all commissions and costs to any and all other brokers or agents entitled to any commission or compensation in connection with the Lease pursuant to the terms of separate agreements, and Landlord shall hold Tenant harmless therefrom.

9. **GOVERNING LAW:** This Third Amendment and the remainder of the Lease shall be governed and construed according to the laws of the Commonwealth of Virginia and shall bind and inure to the benefit of the successors and assigns of the undersigned.

10. **DEFINED TERMS:** Each capitalized term used in this Third Amendment shall have the same meaning ascribed to it in the Amended Original Lease, unless specifically defined in this Third Amendment.

11. **COUNTERPARTS:** This Third Amendment may be executed in several counterparts and shall be valid and binding with the same force and effect as if all of the parties hereto executed the same Third Amendment.

12. **CONFLICTS:** To the extent that the provisions of this Third Amendment conflict with any provisions of the Amended Original Lease, such provisions of this Third Amendment shall prevail and govern for all purposes and in all respects.

13. **LEASE:** All of the terms and conditions of the Amended Original Lease, except those which are hereby modified by this Third Amendment, shall remain in full force and effect

and shall apply to the Suite 1000 Expansion Space in the same manner as to the original areas of the Demised Premises.

14. **ACKNOWLEDGEMENT BY LANDLORD:** Landlord hereby acknowledges that, as of the date this Third Amendment is executed by Landlord, Landlord has no basis to withhold the release to Experience Works of the security deposit posted by Experience Works to Landlord under the terms of the Lease for Suite 1000 by and between Landlord and Experience Works (the "Experience Works Lease"). If Landlord subsequently determines that Landlord has the right to withhold the release to Experience Works of the security deposit posted by Experience Works under the terms of the Experience Works Lease, Landlord shall give Tenant written notice of such occurrence within ten (10) days after Landlord first becomes aware of such occurrence.

15. **ENTIRE AGREEMENT:** This Third Amendment, together with Exhibit A attached hereto and made a part hereof, contains and embodies the entire agreement of the parties hereto with respect to the subject matter hereof, and no representations, inducements, or agreements, oral or otherwise, between the parties with respect to the subject matter hereof not contained and embodied in this Third Amendment and said Exhibit shall be of any force or effect.

SEE FOLLOWING PAGE FOR SIGNATURES

WITNESS the signatures and seals of the parties hereto.

WITNESS FOR LANDLORD:

LANDLORD:

VNO COURTHOUSE I LLC, a Delaware limited liability company

By: CESC One Courthouse Plaza L.L.C.,
its sole member

By: _____(SEAL)

Mitchell N. Schear
Executive Vice President

Date: _____

WITNESS FOR TENANT:

TENANT:

THE COUNTY BOARD OF ARLINGTON COUNTY, VIRGINIA, a body politic

By: _____(SEAL)

Name: _____

Title: _____

Date: _____

Approved as to form:

County Attorney

EXHIBIT A

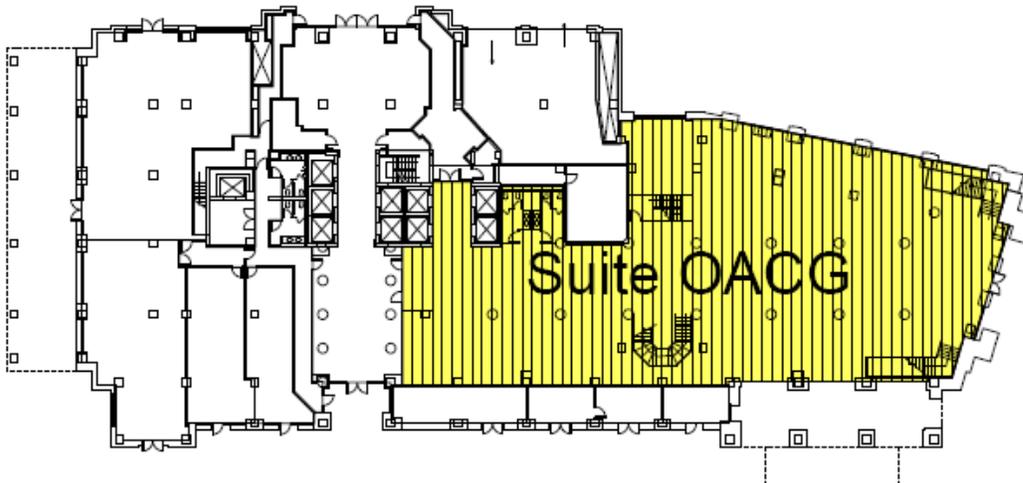
Floor Plan of Demised Premises

Page 1 of 10

Courthouse Plaza I_2200 Clarendon Blvd (W148)

Floor: 01

Floorplan as of 9/17/2012



Suite OACG

EXHIBIT A

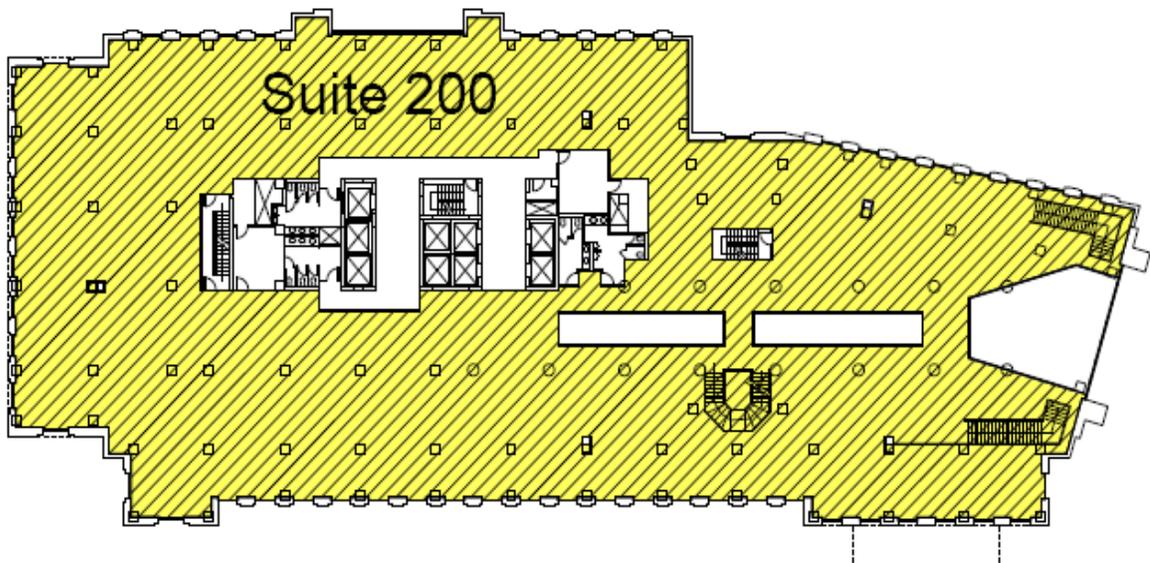
Floor Plan of Demised Premises

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Courthouse Plaza I_2200 Clarendon Blvd (W148)

Floor: 02

Floorplan as of 9/17/2012



Suite 200

EXHIBIT A

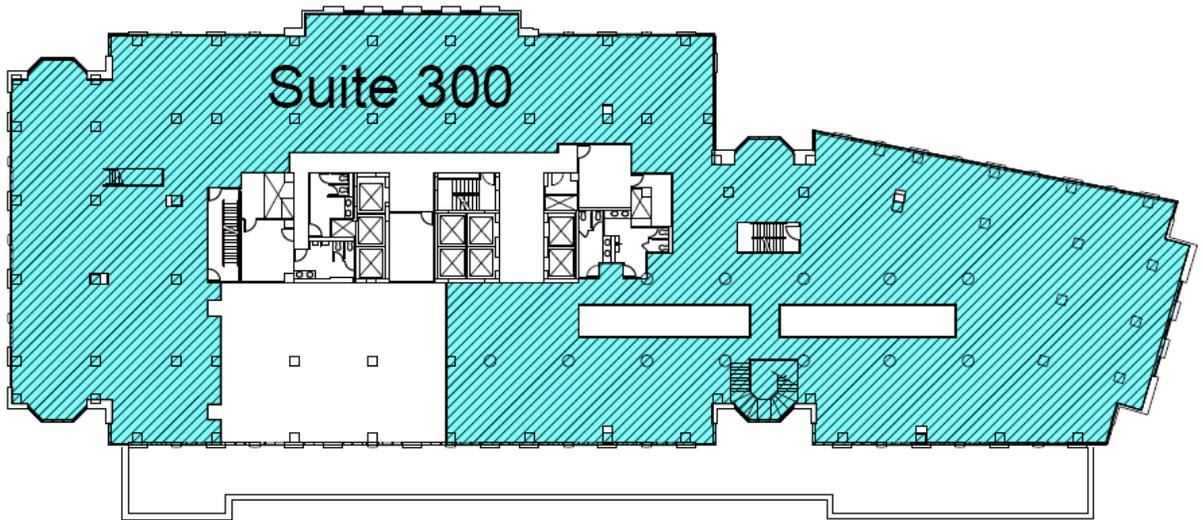
Floor Plan of Demised Premises

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Courthouse Plaza I_2200 Clarendon Blvd (W148)

Floor: 03

Floorplan as of 9/17/2012



Suite 300

EXHIBIT A

Floor Plan of Demised Premises

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Courthouse Plaza I_2200 Clarendon Blvd (W148)

Floor: 04

Floorplan as of 9/17/2012



Suite 400

EXHIBIT A

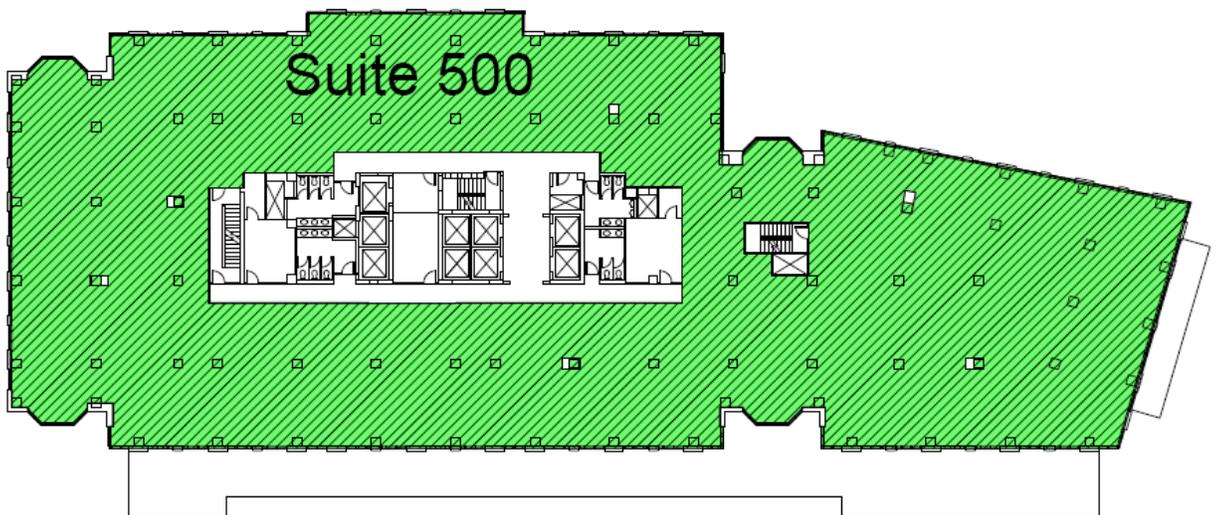
Floor Plan of Demised Premises

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Courthouse Plaza I_2200 Clarendon Blvd (W148)

Floor: 05

Floorplan as of 9/17/2012



Suite 500

EXHIBIT A

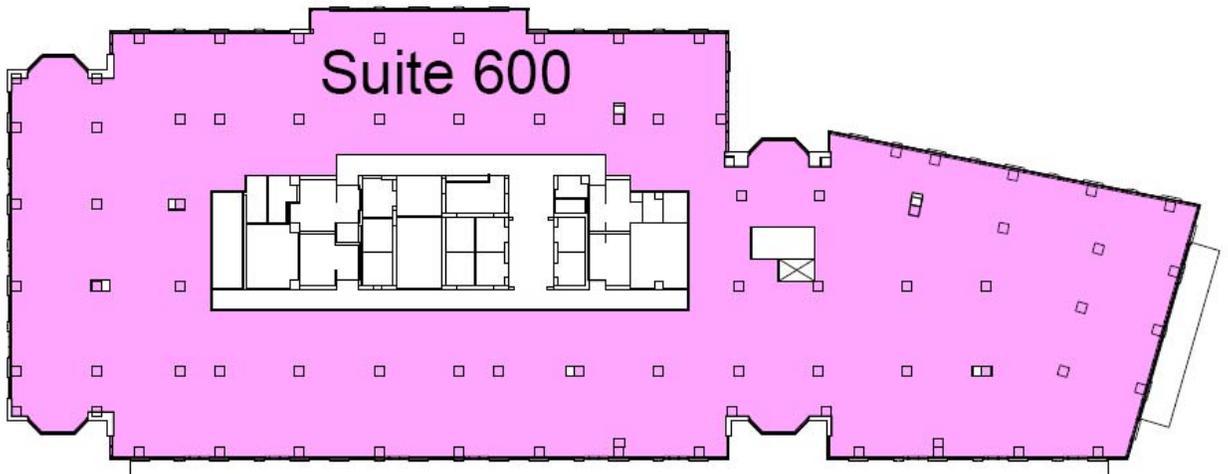
Floor Plan of Demised Premises

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Courthouse Plaza I_2200 Clarendon Blvd (W148)

Floor: 06

Floorplan as of 9/17/2012



Suite 600

EXHIBIT A

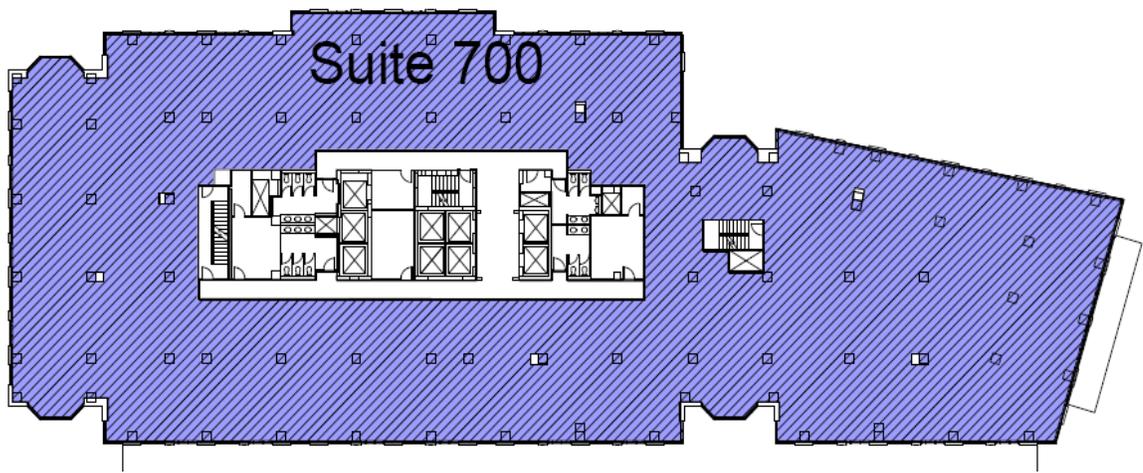
Floor Plan of Demised Premises

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Courthouse Plaza I_2200 Clarendon Blvd (W148)

Floor: 07

Floorplan as of 9/17/2012



Suite 700

EXHIBIT A

Floor Plan of Demised Premises

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Courthouse Plaza I_2200 Clarendon Blvd (W148)

Floor: 08

Floorplan as of 9/17/2012



Suite 800

EXHIBIT A

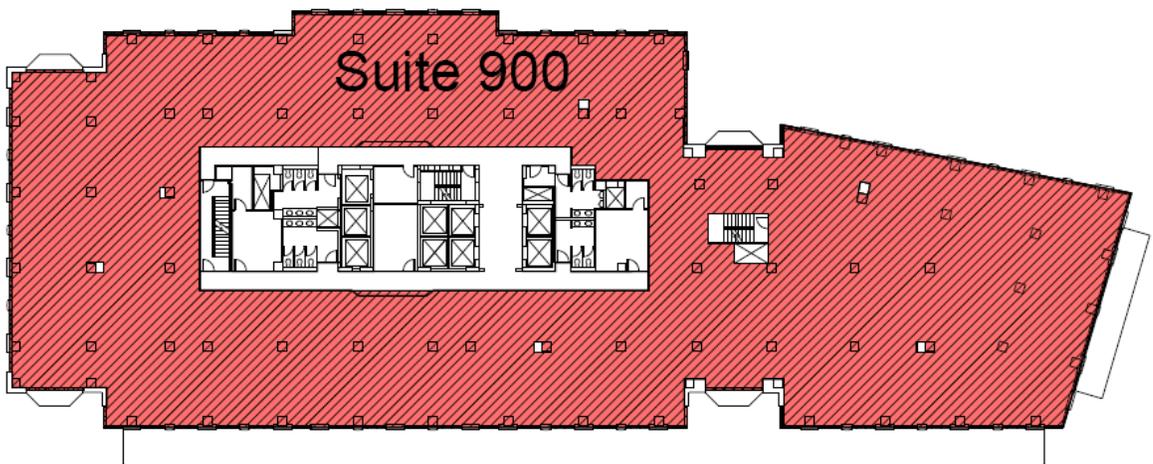
Floor Plan of Demised Premises

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Courthouse Plaza I_2200 Clarendon Blvd (W148)

Floor: 09

Floorplan as of 9/17/2012



Suite 900

EXHIBIT A

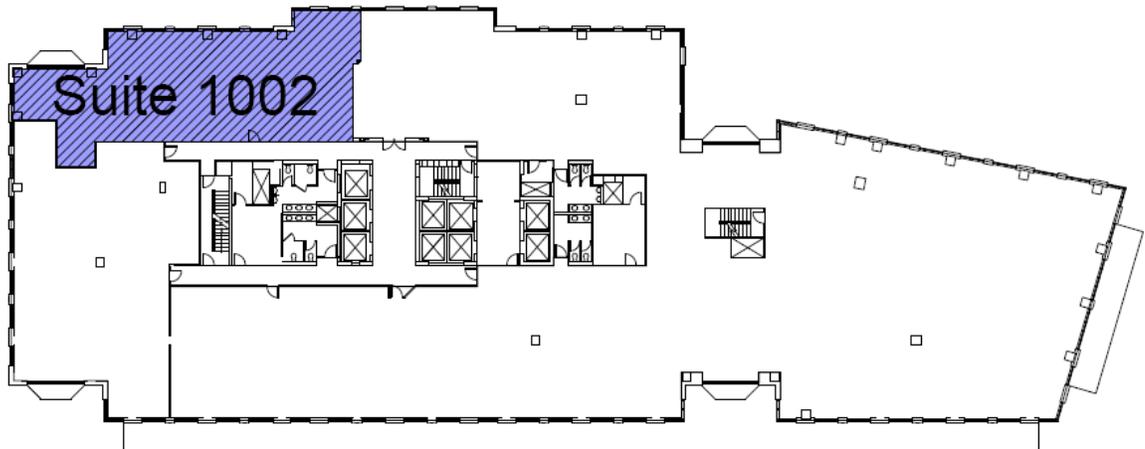
Floor Plan of Demised Premises

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Courthouse Plaza I_2200 Clarendon Blvd (W148)

Floor: 10

Floorplan as of 9/17/2012



Suite 1002

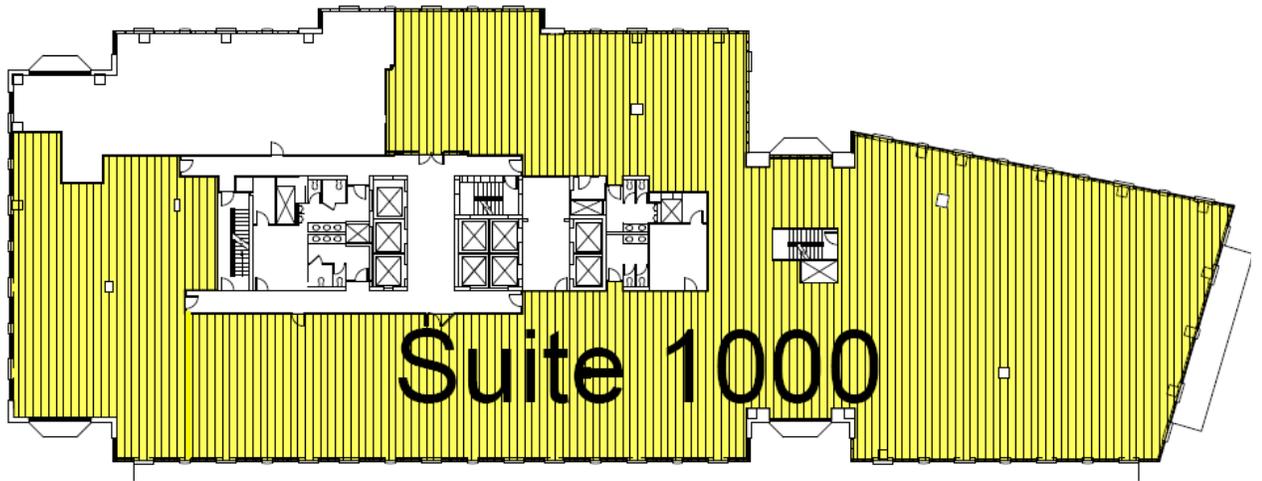
EXHIBIT A-1

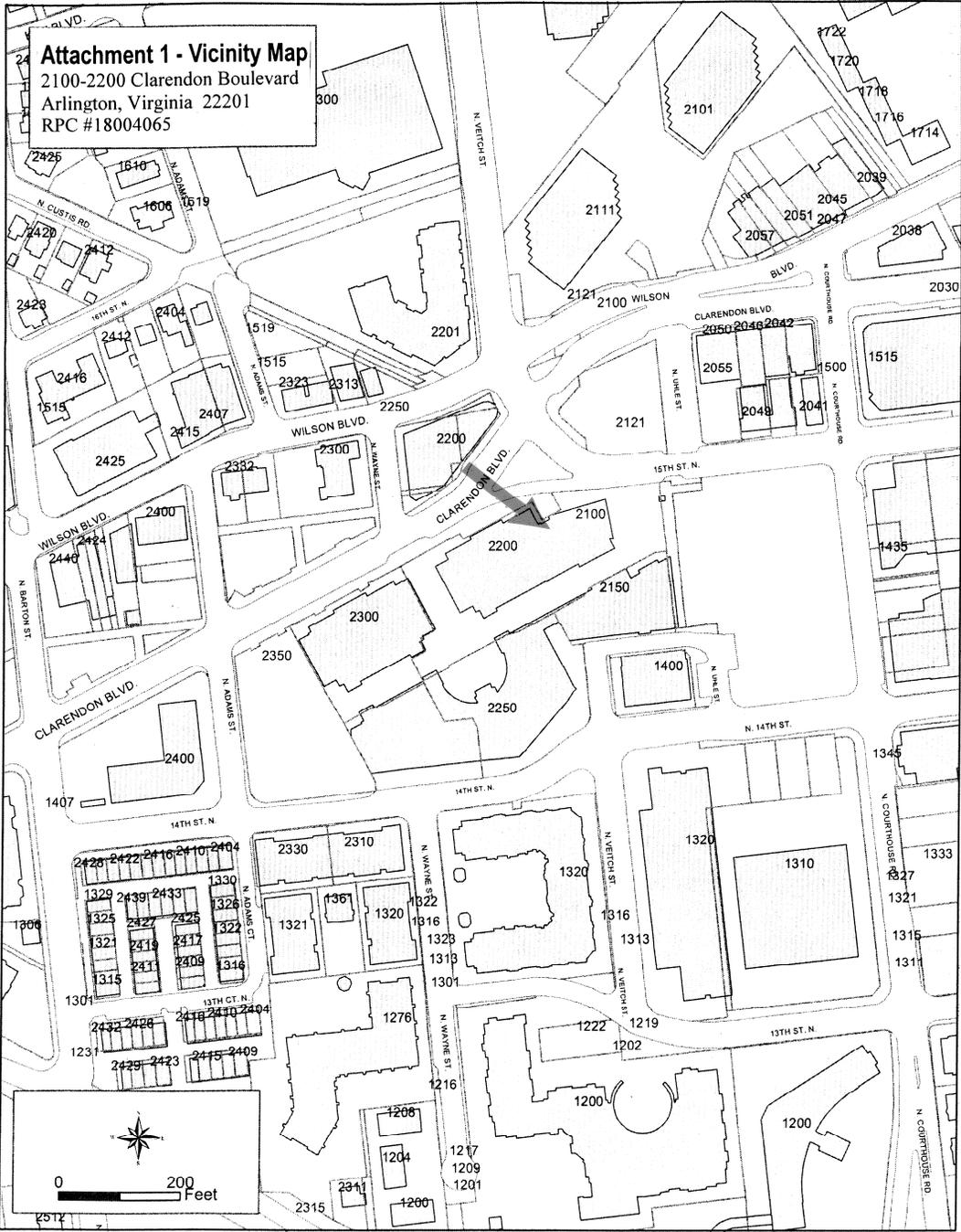
Floor Plan of Suite 1000 Expansion Space

Courthouse Plaza I_2200 Clarendon Blvd (W148)

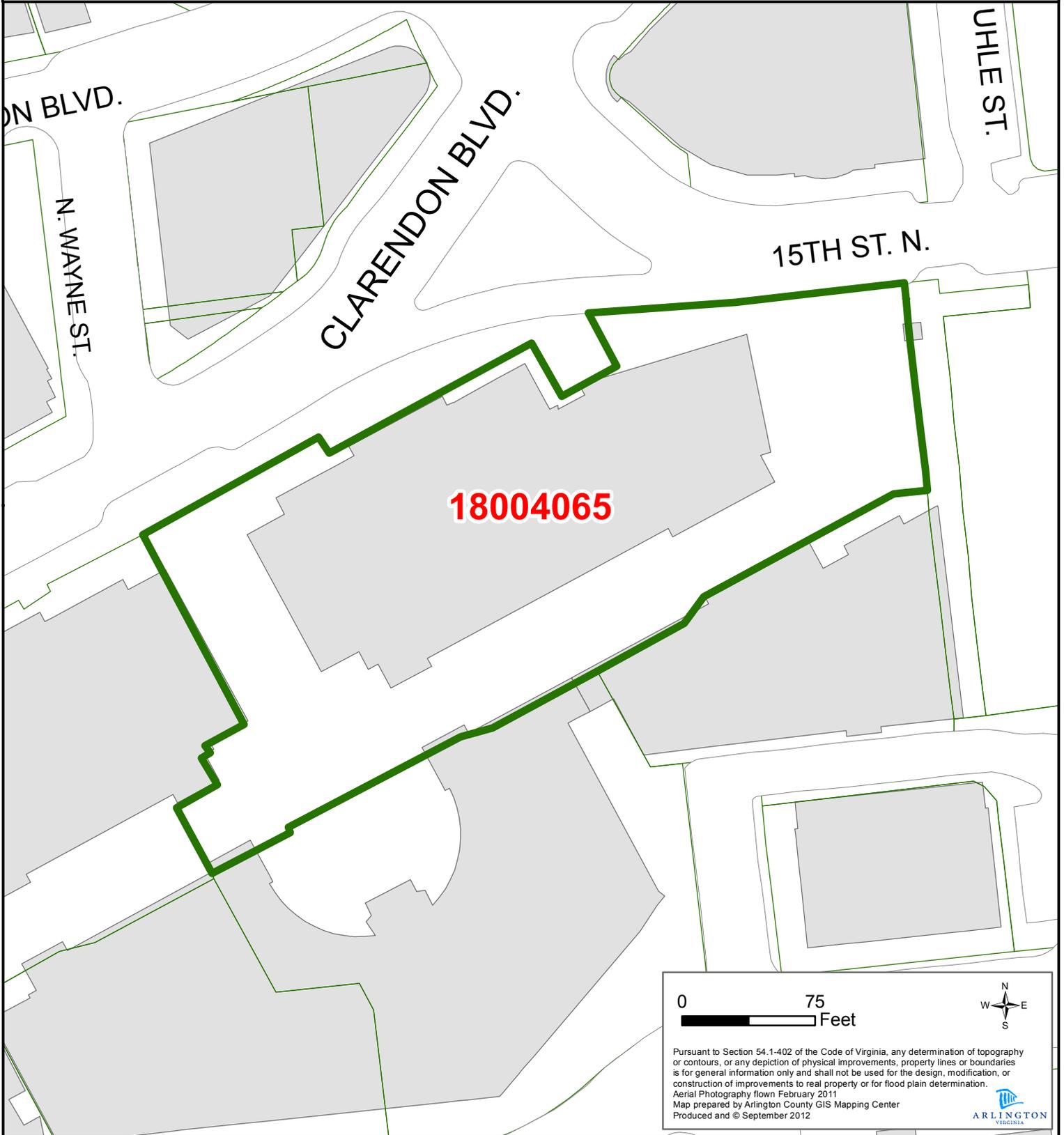
Floor: 10

Floorplan as of 9/17/2012





Vicinity Map
Attachment 1
Suite 1000 Space Lease
2100 & 2200 Clarendon Blvd.
RPC #18004065



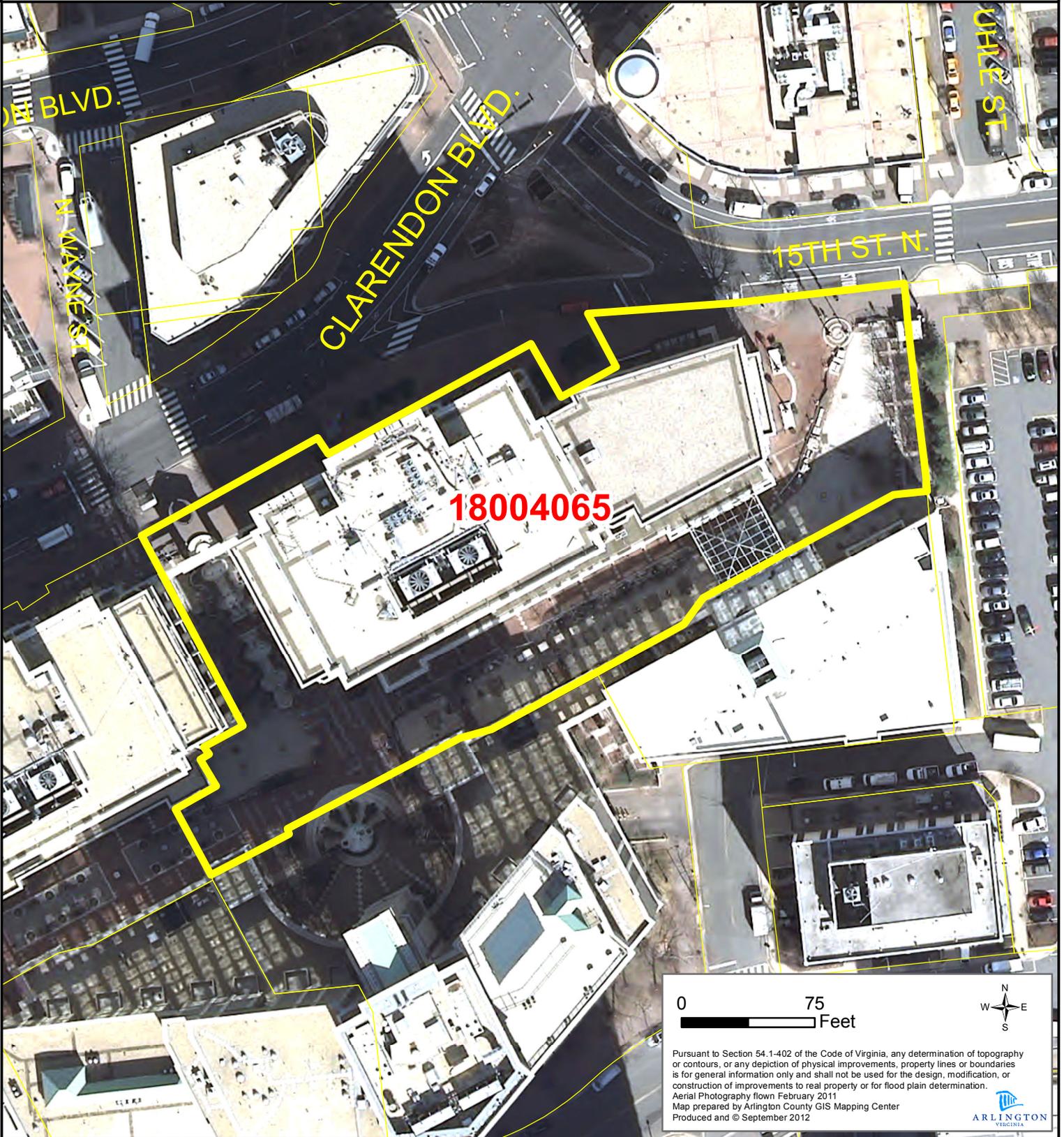
0 75 Feet



Pursuant to Section 54.1-402 of the Code of Virginia, any determination of topography or contours, or any depiction of physical improvements, property lines or boundaries is for general information only and shall not be used for the design, modification, or construction of improvements to real property or for flood plain determination.
Aerial Photography flown February 2011
Map prepared by Arlington County GIS Mapping Center
Produced and © September 2012



Vicinity Map
Attachment 1
Suite 1000 Space Lease
2100 & 2200 Clarendon Blvd.
RPC #18004065



0 75 Feet



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