

FIRST AMENDMENT TO LEASE AGREEMENT

THIS FIRST AMENDMENT TO LEASE AGREEMENT (this “Amendment”) is effective as of the later of the signature dates below (the “Effective Date”), and is by and between the CITY OF NEWCASTLE, a Washington municipal corporation (“Landlord”), and the CITY OF MERCER ISLAND, a Washington municipal corporation (“Tenant”) (individually a “Party” and collectively the “Parties”).

RECITALS:

- A. Pursuant to that certain Lease Agreement dated November 8, 2023 (the “Lease”), Landlord leased to Tenant approximately 1,298 rentable square feet located on the third floor of that certain commercial office building commonly known as the Newcastle Professional Center, 12835 Newcastle Way, Newcastle, Washington, and identified as Suite 301 (the “Premises”). The Premises are depicted on Exhibit A to the Lease and located on the real property legally described on Exhibit B to the Lease.
- B. The Initial Lease Term commenced on November 8, 2023, and, absent this Amendment, terminates on December 31, 2026 (the “Expiration Date”).
- C. The Parties desire to provide for a transition of the Lease to a month-to-month tenancy following the Expiration Date, to set forth their agreement as to Base Rent during such tenancy, and otherwise to amend the Lease as set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements set forth herein, the Parties agree as follows:

- 1. **Extension of Term; Month-to-Month Tenancy.** Section 1.8 of the Lease is hereby amended to provide that, effective January 1, 2027, and continuing thereafter, the Lease shall convert from a fixed Initial Lease Term to a month-to-month tenancy (the “Month-to-Month Term”), terminable by either Party upon sixty (60) days’ prior written notice to the other Party. Except as modified by this Amendment, all other terms, covenants, and conditions of the Lease shall continue to apply during the Month-to-Month Term.
- 2. **Base Rent.** Section 1.10 of the Lease is hereby amended to add the following Base Rent for Lease Year 4, reflecting a one percent (1%) increase over the Lease Year 3 per-square-foot rate, effective January 1, 2027:

Year	Sq Ft	Per Sq Ft Base Rent	Annual Base Rent	Monthly Base Rent
1 (2024)	1,298	\$27.01	\$35,058.98	\$2,921.58
2 (2025)	1,298	\$27.28	\$35,409.44	\$2,950.79
3 (2026)	1,298	\$27.55	\$35,759.90	\$2,979.99
4 (2027)	1,298	\$27.83	\$36,123.34	\$3,010.28

For so long as the Month-to-Month Term continues beyond Lease Year 4, the per-square-foot Base Rent shall increase by one percent (1%) on each subsequent January 1, calculated by applying a one percent (1%) increase to the immediately preceding year’s per-square-foot Base Rent, rounded to the nearest cent, consistent with the methodology set forth above.

- 3. **Additional Rent.** Tenant’s obligation to pay Additional Rent (Tenant’s Proportionate Share of Operating Costs) under Section 6 of the Lease shall continue unchanged during the Month-to-Month Term, including the annual estimate and reconciliation process set forth in Sections 6.1.8 and 6.1.9.

4. **Hazardous Substances.** Section 15.1 of the Lease is hereby amended to replace the phrase “that would not normally be associated with the practice of dentistry” with “that would not normally be associated with Tenant’s Permitted Use.”
5. **Recitals.** The Recitals are part of this Amendment and are incorporated herein by this reference.
6. **Capitalized Terms.** Except as otherwise defined herein, capitalized terms used in this Amendment shall have the meaning assigned to them in the Lease.
7. **Ratification.** Except as expressly modified herein, all terms and conditions of the Lease shall remain unchanged and in full force and effect, and the Lease, as amended hereby, is hereby ratified and confirmed.
8. **Counterparts.** This Amendment may be executed in multiple counterparts, each of which shall be deemed an original, and all of which when taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have executed this Amendment.

LANDLORD:

City of Newcastle,
a Washington municipal corporation

TENANT:

City of Mercer Island,
a Washington municipal corporation

By: _____

Print Name: Scott Pingel

Its: City Manager

Date: _____

By: _____

Print Name: Jessi Bon

Its: City Manager

Date: _____