

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF GENERAL SERVICES**

Fifth Street Partners LLC
Box 50215
Washington, DC 20091
Attn: Bruce Finland

Re: 5505 5th Street NW, Washington, DC

Dear Mr.Finland:

The Department of General Services on behalf of the District of Columbia (“**District**” or “**Tenant**”) is pleased to present this proposal (“**LOI**”) to Fifth Street Partners LLC /MED Developers, LLC (“**Landlord**”) to lease one residential multi family building located at 5505 5th Street NW in Washington, DC, consisting of a total of fifty (50) rental units (“**Leased Premises**”). Outlined below are the principal economic terms and conditions that would serve as the basis for a proposed lease agreement (“**Lease**”).

1. LEASED PREMISES

The entire Leased Premises as described above. The 50 units will consist of varying sized units of two beds minimum and four beds (excluding trundles) maximum, as described in Exhibit A attached herein. In addition to the rental units, the Leased Premises shall include other space and amenities as defined in Landlord’s Work below. Landlord’s Work (as defined herein) will consist of not less than thirty thousand (30,000) square feet and not more than thirty four thousand (34,000) square feet of new and renovated space on two buildings on the lot and square noted below (but subject to change if the current two lots are resubdivided).

2. LANDLORD/TENANT

The Tenant under the Lease shall be the District of Columbia, a municipal corporation, acting by and through its Department of General Services.

The District of Columbia agency initially occupying the Premises will be Department of Human Services (“**DHS**”). However, Tenant retains the right to change occupying agencies without such substitution constituting a sublet of the Premises or an assignment of the Lease or otherwise requiring Landlord’s consent.

The Landlord under the Lease shall be Fifth Street Partners LLC, a District of Columbia limited liability corporation.

3. **RENT AND OTHER ECONOMIC TERMS**

Landlord's Work: Landlord, at Landlord's sole cost and expense, shall completely remodel, furnish (all FF&E), renovate and refurbish the Leased Premises. Landlord's work shall include, but is not limited to:

Residential space

- Construction of fifty (50) dormitory style units consisting of two beds, three beds, or four beds (excluding trundles), as the size of each family dictates (166 total beds)
- Common use bathrooms, shower facilities, and support features on each floor
- Break rooms, TV rooms, other accessory space as defined

Support staff space

- Office space for case management, training, counseling, other
- Medical support team space
- Security space, including security stations on each floor
- Kitchen and food preparation
- Laundry facilities
- Storage facilities
- Parking

Landlord support services

- Maintenance and repair (1.5 FTE)
- Housecleaning
- Trash removal
- FF&E
- Building management
- Utilities

Other (TBD)

- Recreation facilities**

All other improvements, alterations and changes to the Leased Premises necessary to place same in accordance with current applicable laws and regulations, in a first class, modern and attractive condition and to enable Tenant to properly use the Premises for the purposes set forth in the Lease.

All of Landlord's Work shall be performed by Landlord in accordance with detailed plans and specifications, which shall be provided to Tenant in advance of any work being performed for review and approval, and shall be attached to the Lease. Landlord's Work shall be completed in accordance with a construction schedule to be attached to the Lease.

Parking

Landlord will provide 12 spaces, the cost of which shall be included in Annual Rent.

Building Hours

Landlord will provide access to the leased Premises 24 hours a day, 7 days a week.

Security

Tenant will provide onsite security personnel as required and will provide Landlord with security requirements as part of Tenant Improvement Work. Landlord will comply with all security requirements and requests of the Tenant.

Tenant Work

Tenant work will be detailed in a Tenant Improvement ("Turnkey") Work Agreement that will be attached to the Lease as an Exhibit. The Work Agreement will contain mutually agreed upon project milestones for the Tenant Work and delivery of the Premises.

All final design plans and construction drawings prepared by the Landlord's architect will be reviewed and approved by the Tenant prior the Landlord commencing any work on the premises.

Delivery

Is estimated to be July 31, 2016, but delivery of the Premises shall be conditioned upon the Substantial Completion of all Landlord Work which shall be defined in the Lease and will include final approvals by the Tenant (including but not limited to delivery of tenant approved furniture and completion of tenant approved interior design finishes) the receipt of all required permits, Certificate of Occupancy of the Premises.

Outside Delivery Date

In any event if the Landlord's work is not completed by October 30, 2016 the Landlord will grant to Tenant an abatement (on a per diem basis) of twenty five (25%) of the Annual Rent payable for each day of Landlord's failure to deliver possession of the Premises to the Tenant by the Outside Delivery Date, provided such failure is not the result of a Tenant Delay or Force Majeure Event.

Lease Effective Date

The Lease Effective Date shall be contingent upon (1) the full execution and delivery of the Lease, subject to prior Council Approval (if required); and (2) the Landlord providing proof satisfactory to the Tenant of the following: (a) Landlord's due and valid organization; (b) Landlord's qualification to conduct business in the District of Columbia; (c) Landlord's authority to enter in the Lease and perform all of its obligations thereunder; and (e) such other documents and proof as Tenant may require.

Rent Commencement

The Rent Commencement Date for the Premises shall be the date upon which Landlord has delivered the Premises to Tenant substantially completed (conditions of delivery and definition of substantial completion to be defined and set forth in the Lease).

Lease Term

Ten years from the Rent Commencement Date.

Annual Rent

Annual Rent will consist of the following monthly payments:

Rent, Parking and Utilities*	\$101,800
+FF&E and Amortization of future FF&E**	\$6,200
+Potential Additional Amortization***	\$4,000
=Maximum allowable monthly installment of Annual Rent	\$112,000

* Rent includes residential and non-residential space, including but not limited to, offices, computer room, storage and common space. In addition, Rent includes all operating costs, including but not limited to, R&M, cleaning and trash.

** Amortization of FF&E and above-standard District requirements. The District is also entitled to an allowance that it can apply during the lease term to replace FF&E or make improvements in the amount of \$225,000.

*** Potential cost of additional improvements the District requires prior to finalizing plans.

Commencing one year following the Rent Commencement Date, and continuing on each anniversary thereafter, the Total Annual Rent shall be increased by three percent (3.0%) of the previous year's Total Annual Rent, as escalated.

This is a "gross" lease and Annual Rent includes all costs of operating, maintaining, insuring and repairing all or any portion of the Leased Premises. All costs, expenses and obligations of every kind and nature whatsoever relating to the Leased Premises shall be paid by Landlord (including without limitation real estate taxes, water and sewer fees, insurance premiums and utility expenses).

Option to Renew

Tenant shall be entitled to two, 5 (five) year renewal options upon 12 months prior written notice. In order to prevent the inadvertent failure of Tenant to exercise the option to renew within the time specified above, the term of this Lease shall not expire unless and until Tenant fails to exercise a renewal option within thirty (30) days after receiving notice from Landlord that the renewal option has not been exercised (Landlord's notice shall not be given prior to the 270th day prior to the expiration date of the Lease). Rent for the first year of the renewal period will be 3% greater than the final year's rent in the initial Lease Term. For subsequent years in the renewal term, Annual Rent will increase by three percent (3.0%) annually.

Use

The Premises shall be used for any lawful use and for no other purposes whatsoever without Landlord's prior written consent.

Maintenance of the Leased Premises

Landlord shall maintain the Leased Premises in good order, condition and repair and in compliance with all laws. In no event shall Tenant be responsible for any construction, maintenance or repair of the Leased Premises. Landlord shall be responsible for placing the units in rentable condition after turnover by any tenants.

Property Management Services

Landlord shall provide property management services to include on-site management and call number for after-hours (details to be set forth in the Lease). Landlord agrees to work with Tenant's service provider to resolve all Landlord / Tenant disputes.

Assignment and Sublease

Tenant may not assign this Lease or sublet the Leased Premises (other than rental of said apartment units) without Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed.

4. BROKERAGE

Tenant has not been represented by any agent or broker with respect to this transaction. In the event Landlord is represented in this transaction by an agent or broker, Landlord shall pay such agent or broker its fees or commission pursuant to the terms of a separate written agreement between Landlord and its agent or broker. Landlord shall indemnify and hold Tenant harmless from and against all liabilities, obligations and damages arising, directly or indirectly, out of or in connection with a claim from a broker, finder or agent with respect to the Lease or the negotiation thereof, including costs and attorneys' fees incurred in the defense of any claim made by a broker alleging to have performed services on behalf of Landlord.

5. ANTI-DEFICIENCY

1. Any obligations of the District to fulfill any financial responsibility under the Lease, or any subsequent agreement entered into pursuant to the Lease or referenced herein (to which the District is a party), are and shall remain subject to the provisions of (i) the federal Anti-Deficiency Act, 31 U.S.C. §§ 1341, 1342, 1349-1351 1511-1519 (2004) (the "Federal ADA"), and D.C. Official Code §§ 1-206.03(e) and 47-105 (2001); (ii) the District of Columbia Anti-Deficiency Act, D.C. Official Code §§ 47-355.01 – 355.08 (2004 Supp.) (the "D.C. ADA" and (i) and (ii) collectively, as amended from time to time, the "Anti-Deficiency Acts"); and (iii) Section 446 of the District of Columbia Home Rule Act, D.C. Official Code § 1-204.46 (2001). Pursuant to the Anti-Deficiency Acts, nothing in the Lease shall create any obligation of the District in anticipation of an appropriation by Congress for such purpose, and the District's legal liability for any payment under the Lease shall not arise or obtain in advance of the lawful availability of appropriated funds for the applicable fiscal year as approved by Congress.

2. No officer, employee, director, member or other natural person or agent of the District shall have any personal liability in connection with the breach of the provisions of this Section or in the event of a default by the District under the Lease.
3. The Lease shall not constitute an indebtedness of the District nor shall it constitute an obligation for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. No District of Columbia Official or employee is authorized to obligate or expend any amount under the Lease unless such amount has been appropriated by Act of Congress and is lawfully available.

6. **AUTHORITY**

Execution of a lease or any other agreement between the parties is subject to authorization by the Council of the District of Columbia pursuant to § 451 of the District Charter (D.C. Official Code § 1-204.51 (2001)) and/or D.C. Official Code § 10-1008 (2001), each as may be amended from time to time, each as applicable (“Council Approval”).

7 **NON-BINDING PROVISIONS**

Notwithstanding any other provision of this LOI, this LOI constitutes a general, non-binding letter of intent and is not intended to, and does not create a legal, binding commitment or obligation on the part of the parties or any of their affiliates to pursue the transaction contemplated by this letter or any other transaction. It is understood that none of the parties hereto shall be legally bound to the other by reason of this LOI nor shall any rights, liabilities or obligations (including the obligation to negotiate in good faith) arise as a result of this LOI or any other written or oral communications between the parties. It is further understood that the only binding agreement would be a lease, subject in all events to prior Council Approval.

8. **DISTRICT STANDARD LEASE**

The Department of General Services uses a standard form lease and the Lease contemplated by this letter of intent shall be in the form of the District’s standard lease.

If you are in agreement with the terms of this LOI, kindly sign below. Once the LOI has been accepted by both parties, District’s counsel shall issue a draft lease based upon the terms and conditions stated herein.

Sincerely,

The Government of the District of Columbia
a municipal corporation by and through its
Department of General Services



Jonathan Kayne
Associate Director Portfolio

AGREED AND ACCEPTED:

MED Developers, LLC

By:



4-5-15

Name:

Bruce Finland

Title:

Managing Member

Ward 4 Homeless Housing Development Site



Address: 5505 5th Street, NW

Developer: Fifth Street Partners, LLC
Bruce Finland, Managing Member
1443 Pennsylvania Ave., SE

bruce@meddevelopers.com
(703) 403-1752

Project Description: The proposed site contains an existing 20,000 square foot building that will be completely rebuilt to include a 10,000 square foot addition, for total of 33,000 square feet on 5 floors. The site will contain a recreational area on the grounds of the building. Underground parking with 12 spaces will serve the building. The building itself will contain 49 units and approximately 162 beds. Bathrooms will be located on each floor and the site will contain a warming kitchen, administrative support offices, security desks, a TV room, study areas, a communal meeting area, a computer room and training rooms. The project will consist entirely of all new construction including mechanical, electrical and plumbing systems.

The project is approximately 1.6 miles from both the Petworth and Fort Totten metro stations and is served by bus routes.

The address is zoned C-2-A.

CBE Status: Fifth Street Partners, LLC is a wholly owned subsidiary of MED Developers which is a registered Certified Business Enterprise.