

GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF GENERAL SERVICES



November 19, 2015

Re: Letter of Intent for the lease of premises at 700 Delaware Ave, SW., Washington, D.C.

The Department of General Services (“DGS”), on behalf of the District of Columbia, presents this letter of intent (this “LOI”) to 700 Delaware, LLC for the lease of certain premises located at 700 Delaware Avenue SW, Washington, D.C. (the “Premises”).

Outlined below are the principal terms and conditions that would serve as the basis for a lease agreement for the Premises (the “Lease”).

TENANT

District of Columbia, a municipal corporation, acting by and through its Department of General Services (the “District”).

The District of Columbia agency initially occupying the Premises (defined below) will be the Department of Human Services (“DHS”). Subject to the provisions of the “Use” section below, the District shall have the right to substitute another District agency as occupant of the Premises without such substitution constituting a sublease of the Premises or an assignment of the Lease and shall not require the consent of Landlord (defined below).

LANDLORD

700 Delaware Avenue, LLC (“Landlord”).

PREMISES

The Premises shall consist of a newly constructed building with approximately 30,000 to 35,000 rentable square feet and containing fifty (50) sleeping rooms (each, a “Unit”), and other ancillary space (the “Building”), together with the right to use any common areas on the real property upon which the Building is located (the “Land”) or areas exclusively benefitting the Building. The estimated number of Units and number of beds shall be set forth in the Lease as the Rooms & Beds Chart exhibit.

The Premises will have a street address of 700 Delaware Ave, SW 20024, known for tax and assessment purposes as Square 0643, and Lot 0830 (the “Land”).

and certification from the project architect as to the placement of all furniture and equipment in accordance with applicable plans.

LEASE TERM

The initial term of the Lease shall be fifteen (15) years, beginning on the Rent Commencement Date (the "Initial Term", and as may be extended below, the "Lease Term"). The term "Lease Year" shall mean each twelve (12) month period during the Lease Term; provided, however, that if the Rent Commencement Date occurs on a day other than the first of a month, the first Lease Year shall begin on the first day of the month following the Rent Commencement Date.

OPTION TO EXTEND

The District shall have the option to extend the Initial Term for two (2), five (5) year periods (each such extended period being an "Extension Term"). Each of the District's options may be exercised only as to the entire Premises and so long as the District is not then in default under the Lease (after any applicable notice and cure periods provided to the District under the Lease have lapsed). Not less than 16 full calendar months nor more than 18 full calendar months prior to the expiration of the Initial Term or the first Extension Term, as applicable, Landlord shall provide written notice to the District inquiring as to whether the District will elect to exercise its extension option. Within sixty (60) calendar days of receiving Landlord's notice, the District shall deliver written notice to Landlord electing to exercise its option or notifying Landlord that the District will not exercise its option. If the District (a) fails to timely exercise its extension option, or (b) gives written notice to Landlord that it will not be exercising its option, then the extension option shall automatically be of no further force or effect and the Lease shall terminate as of the last day of the Initial Term or the first Extension Term, as applicable. If the District elects to exercise its option, the Annual Rental rate for the first year of (x) the first Extension Term shall be 103% of the Annual Rental rate effective for the last Lease Year of the Initial Term, and (y) the second Extension Term shall be 103% of the Annual Rental rate effective for the last Lease year of the first Extension Term. The Real Estate Taxes for any Extension Term shall be based on the actual Real Estate Taxes as set forth below. If Landlord fails to timely deliver its notice as required above, then the District may elect to extend the Initial Term or the first Extension Term, as applicable, such that (i) the District is afforded up to sixty (60) days to elect to exercise its extension option, and (ii) the Initial Term or the first Extension Term, as applicable, shall not expire until up to 12 months (at District's election) from the end of the sixty (60) day notice period.

Commencing as of the 2nd Lease Year of each Extension Term, as applicable, and continuing on each anniversary thereof, the Annual Rental during such Extension Term shall be increased by 3% of the Annual Rental in effect for the prior Lease Year.

RENT AND OTHER ECONOMIC TERMS

Annual Rent: \$2,250,000.00

Monthly Rent: \$187,500.00

Monthly Rent per Unit: \$3,750.00

than 180 Turnovers per Lease Year, but no more than 4 Turnovers per Unit during any one Lease Year.

Landlord shall provide the building management services set forth in the Building Management and Cleaning Specifications and contact information for after-hours communications.

Landlord shall not be responsible for responding to requests made by any person or entity other than the District or an agent authorized by the District in writing to act on the District's behalf under the Lease.

BUILDING OPERATIONS

The District will be solely responsible for the day-to-day operations of the Premises seven days a week, 24 hours a day, except as otherwise specifically set forth herein as being the responsibility of Landlord. Day-to-day operations will include, but not be limited to, providing check-in, check-out services, and providing for the welfare, safety and general care of Occupants.

BUILDING HOURS, OVERTIME HVAC AND ACCESS

The Building's standard operating hours for zoned heating, ventilation and air conditioning ("HVAC") shall be 24 hours per day, 7 days per week.

TEST FIT

At the District's request, the Landlord, at its sole cost and expense and without any reimbursement from the District, shall provide one test fit for the Premises based upon programming provided by the District, Landlord shall allow for up to two rounds of revisions to the test fit, the final version of the Test Fit shall be approved by the District (being referred as the "Approved Test Fit"). The requirements for the Test Fit shall include, but not be limited to the scope defined in Tenant Improvements for the residential quarters:

- o 50 dormitory style Units consisting of minimum of two up to four beds maximum
- o Included in the space allocation for the 50 respective Units, a minimum of one Unit per floor shall be configured with a private en-suite bathroom ("Private Unit") Common-use bathrooms and shower facilities on each floor
- o One family bathroom (meaning it includes a bathtub) on the third floor and on the fourth floor

TENANT IMPROVEMENTS

Landlord shall furnish all labor and materials to design, construct, furnish and complete all of the Tenant Improvements in the Premises, in accordance with a work agreement to be attached to the Lease (the "Work Agreement"). "Tenant Improvements" shall mean the *turnkey* build-out of the Premises, in accordance with the Approved Test Fit and final plans and specifications (to be defined in the Work Agreement), and shall include, without limitation, the following:

- o 50 dormitory style Units consisting of minimum of two up to four beds maximum;

The Delivery Date shall not occur more than twenty-four (24) calendar months from the Lease Effective Date (the "**Outside Delivery Date**"). In the event the Premises are not delivered by the Outside Delivery Date, Landlord will grant to the District an abatement (on a per diem basis) of the Annual Rent payable for each day of Landlord's failure to deliver possession of the Premises to the District.

CONDITION OF PREMISES

As of the Delivery Date, the Premises, including all HVAC, plumbing, electrical and other mechanical systems, shall be in good working order and condition, with all of the Tenant Improvements Substantially Completed and in compliance with all applicable federal and District of Columbia codes, laws and regulations.

SECURITY

The District will provide onsite security personnel as required in the District's discretion and will provide Landlord with security requirements as part of the Tenant Improvements. Landlord will not be responsible for any security of the Premises, except and to the extent of its responsibility to maintain, repair or replace any security equipment installed pursuant to the District's security design specifications as part of the Tenant Improvements.

The District will provide and be responsible for all security at the Premises, including onsite personnel for use of installed security equipment and for prevention and/or enforcement of security issues that arise.

As of the Delivery Date, Landlord will comply with all reasonable security requirements and requests of the District.

STANDARD LEASE TERMS OF DISTRICT

Set forth below are the District's standard lease terms, which are not subject to negotiation.

LEASE FORM

The Lease shall be on the District's standard form lease.

MAINTENANCE AND REPAIR

Landlord, at its sole cost and expense (meaning that such costs and expenses are already included in Annual Rent and shall not be billed as Additional Rent), shall promptly make all repairs, perform all maintenance, and make all replacements in and to the Land and the Building, including the Premises and the Tenant Improvements constituting fixtures, that are necessary or desirable to keep the same: (a) in good condition and repair, (b) in a clean, safe and tenantable condition, and (c) otherwise in accordance with all laws and the requirements of the Lease. Subject to the following paragraph, the District shall be responsible for any needed repair or replacement within the Premises caused by the negligence or willful misconduct of the District,

Building (including the Premises. Landlord shall cause the "District of Columbia, as its interests may appear" to be added as an additional insured or additional loss payee (as applicable) on all insurance policies required to be carried by Landlord under the Lease. Landlord acknowledges that District does not maintain any insurance policy insuring against liability or loss, damage or injury to property applicable to the Lease and, therefore, waiver of subrogation does not apply to the District.

LIABILITY

Landlord shall be liable to the District, and shall indemnify, defend and hold the District harmless from, any damage, injury, loss or claim based on or arising out of the Lease or any agreement executed in connection with the Lease if the same is due to the negligence or willful misconduct of Landlord or its agents or employees. Based upon the Anti-Deficiency Acts (defined below), the Lease shall not include any provision requiring the District to indemnify Landlord, reimburse Landlord or make any payment to Landlord other than Annual Rent and Additional Rent unless subject to the District's prior approval (which payments are all subject to the Anti-Deficiency Acts).

SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT

The Lease shall, by its terms, be subordinate to any existing mortgage or ground lease affecting the Land or the Building (a "Mortgage"), provided that Landlord causes the mortgagee or ground lessor (the "Mortgagee") to enter into a non-disturbance and attornment agreement, on the District's form, with the District (a "Non-Disturbance Agreement") within 60 days of the execution of the Lease. If the Non-Disturbance Agreement is not timely delivered to the District, the District shall have the right to terminate the Lease, effective immediately. The Lease shall, by its terms, be subordinate to any future Mortgage, provided that Landlord causes the Mortgagee to deliver a Non-Disturbance Agreement to the District. Upon Landlord's request, the District shall enter into a subordination, non-disturbance and attornment agreement, on the District's form, with a Mortgagee.

ASSIGNMENT AND SUBLETTING

The District shall have the right, subject to Landlord's consent, which consent shall not be unreasonably withheld, conditioned or delayed, to assign the Lease or sublease all or any portion of the Premises. Any profit accruing to the District as the result of any such assignment or sublease shall be equally divided between the District and Landlord.

As stated above, subject to the Permitted Uses, the District shall have the right to substitute another District agency as occupant of the Premises without such substitution constituting a sublease of the Premises or an assignment of the Lease, and such substitution shall not require the consent of Landlord.

BROKERAGE

Notwithstanding the foregoing, no officer, employee, director, member or other natural person or agent of the District or the District of Columbia shall have any personal liability in connection with the breach of these provisions or in the event of a default by the District under the Lease.

The Lease shall not constitute an indebtedness of the District of Columbia nor shall it constitute an obligation for which the District of Columbia is obligated to levy or pledge any form of taxation or for which the District of Columbia has levied or pledged any form of taxation. No agent of the District 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.

AUTHORITY

Execution of a lease or any other agreement between Landlord and the District may be subject to authorization by the Council of the District of Columbia pursuant to § 451 of the District of Columbia Home Rule Act (D.C. Official Code § 1-204.51 (2001)), as may be amended from time to time.

COUNTERPARTS

This LOI may be executed in multiple counterparts and delivered by e-mail .pdf transmission, each of which shall be deemed an original and all of which together shall constitute one and the same document.

NON-BINDING PROVISIONS

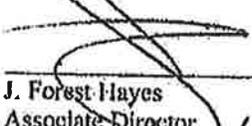
Notwithstanding any provision of this LOI to the contrary, this LOI constitutes a general, non-binding letter of intent and is not intended to, and does not, create a legal, binding commitment or obligation on the part of Landlord or the District or any of their affiliates to pursue the transaction contemplated by this LOI or any other transaction. Each of Landlord and the District understand and agree that neither of them is or 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 Landlord and the District, whether directly or through a broker. It is further understood that the only agreement binding upon Landlord and the District would be the Lease, subject to prior District of Columbia Council approval, if applicable.

[SIGNATURE PAGE FOLLOWS]

If the terms and conditions set forth in this LOI are acceptable to you, please sign and date below and return one (1) original to my office.

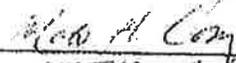
Sincerely,

DISTRICT OF COLUMBIA,
a municipal corporation,
acting by and through its Department of General Services

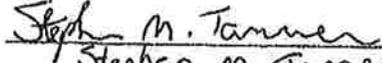
By: 
Name: J. Forest Hayes
Title: Associate Director
Date: 11/18/15

AGREED AND ACCEPTED:

700 Delaware Avenue LLC

By: 
Name: MATTHEW A. CONWAY
Title: MEMBER
Date: 11/19/15

Square 643 Associates LLC; (solely for the purpose of evidencing site
by this LOI) control of 700 Delaware Avenue LLC)

By: 
Name: Stephen M. Tanner
Title: President
Date: 11/19/15

[EXHIBIT FOLLOWS]

D. Offices and Hallways (Corridors)

- 1. Dusting Weekly:**
All unobstructed furniture, office equipment, appliances, window sills, and etc. shall be dusted with a treated cloth or static duster. This shall include all horizontal surfaces up to 84 inches high. Enough vertical surfaces shall be completed daily to complete surfaces each week. Desks and tables not cleared of paper work and materials shall only be dusted where the desk top is exposed. Equipment such as computers, calculators, printers, etc., shall not be dusted.
- 2. Dust Mopping:**
All non-carpeted floor areas shall be dust mopped daily with a treated dust mop, with special attention being given to areas under desks and furniture to prevent accumulation of dust and dirt. When appropriate, dust mopping shall be performed after furniture has been dusted.
- 3. Wastepaper Baskets:**
Wastepaper baskets are to be emptied daily, and are to be wiped clean. Waste baskets shall be damp wiped if necessary. Plastic liners, where utilized, shall be changed as needed.
- 4. Vacuuming-Daily/Weekly:**
All rugs and carpets in office areas, including under work surfaces, desks and chairs, as well as public spaces, shall be vacuumed in all areas. Hard to reach places, shall be vacuumed weekly.
- 5. Spot Cleaning Carpets-Weekly:**
All carpeted areas shall be inspected daily for spots and stains. All spots and stains shall be removed, if possible, as soon as possible. Where difficult spots are encountered, a notation shall be left with the building management representative.
- 6. Telephones:**
Telephones are to be disinfected monthly.
- 7. Upholstered Furniture:**
All upholstered furniture shall be thoroughly vacuumed on a regular basis.
- 8. Fire Extinguisher Cabinets:**
All fire extinguisher cabinets shall be cleaned quarterly.
- 9. Water Cooler-Daily:**
All water coolers shall be cleaned and polished daily.
- 10. Spot Cleaning-Daily as Needed:**
All hand prints and spots shall be removed from doors and light switches daily.
- 11. High Dusting-Monthly:**
Ledges, molding, picture frames, etc., shall be cleaned monthly or more frequently if necessary.
- 12. Venetian Blinds-Periodic:**
A sufficient number of Venetian blinds shall be dusted daily, so that all blinds are dusted every 90 days.

3. In all cases, transporting liquids over carpeted areas shall be done in a manner to avoid spillage. Contractor is liable for any cleaning costs or damage caused by these occurrences.

Care will be exercised in applying strippers, sealer and waxes to ensure none is applied to furniture and walls. Floor machines will be used by trained personnel in order to prevent any damage to customer's property.

H. Materials and Services provided by Contractor

Supplies will be furnished by the Contractor. Cleaning supplies are required to maintain the facility under contract and the cost of these supplies are included in the monthly bid price.

I. Unit Turnover Services (where applicable)

1. Kitchen/Private Bathrooms/Common Area Laundry
 - a) Wipe/clean all cabinets including interior shelving/drawers
 - b) Clean all mirrors, sinks, toilets, showers/tubs
 - c) Clean countertops
 - d) Polish all fixtures
 - e) Clean all appliances inside and out, including:
 - Microwave
 - Refrigerator/Freezer
 - Oven / under stove lift top / bottom shelf
 - Dishwasher
 - Wash/remove drip pans
2. WALLS/CEILINGS/WALLPAPER/PANELING/FINISH WORK
 - a) Remove cobwebs from walls and ceilings
 - b) Clean walls to remove fingerprints (per request only)
 - c) Clean all millwork and wipe all switch plate covers
 - d) Clean all light fixtures
 - e) Paint if needed
 - f)
3. DOORS/WINDOWS/VENTS
 - a) Clean all interior windows including tracks
 - b) Dust blinds
 - c) Wash both sides of all sliders or other exit doors
 - d) Remove cobwebs from outside front door and sweep entry area
 - e) Empty and clean all fireplaces and wood stoves
4. UPHOLSTERED FURNITURE:

All upholstered furniture shall be thoroughly vacuumed quarterly.