

MEMORANDUM OF UNDERSTANDING

THIS MEMORANDUM OF UNDERSTANDING ("MOU") is made this ____ day of _____, 2006, by and between 1000 CONNECTICUT AVENUE ASSOCIATES, c/o Potomac Investment Properties, 1666 K Street, N.W., Washington, D.C. (the "**Developer**") and the District of Columbia Department of Small and Local Business Development ("**DSLBD**"). In accordance with the Small, Local and Disadvantaged Business Enterprise Development and Assistance Act of 2005, D.C. Act 16-166,¹ and in consideration of the agreements made between DISTRICT OF COLUMBIA, a municipal corporation, through the District of Columbia Zoning Commission, c/o the Office of Zoning, an instrumentality of the District of Columbia, with offices at 441 4th Street, N.W., Suite 210S, Washington, D.C. (the "**Zoning Commission**") and the Developer, for approval of a Planned Unit Development known as Zoning Commission Case No. 06-13 for property located at 1000 Connecticut Avenue, N.W. and 1725 K Street, N.W. (the "**PUD**"), to construct a twelve-story commercial office building with ground floor retail use consisting of 369,393 square feet of gross floor area in Square 163, Lots 803, 804, 805, 806 and 847 (the "**PUD Site**"), in accordance with the PUD application submitted by the Developer to the Zoning Commission on February 21, 2006, the Developer does hereby covenant and agree to make a bona fide effort to contract or subcontract with Local, Small or Disadvantaged Business Enterprises certified by the D.C. Small and Local Business Opportunity Commission ("**LSDBEs**") in order to achieve a subcontracting goal of thirty-five percent (35%) LSDBE participation in the Developer's adjusted development budget (the "**35% Goal**"). The 35% Goal is to be achieved in the contracted development costs in connection with the architectural design, development, construction (including but not limited to, excavation, provision of construction materials, interior design and improvements, purchase of goods and supplies and equipment, janitorial and refuse collection services and other pre- and post-construction activities), maintenance and security for the project being created by the Project (the "**Project**"), in accordance with the following provisions.

- A. The **Developer** by entering into this **MOU** agrees to develop a master procurement plan inclusive of **LSDBEs** for redeveloping of the Site, including implementation of all design, pre-development and development activities contemplated by such master plan, and the demolition and/or construction of all improvements (as defined in the **MOU**) to be located at the Site (collectively, the "**Project**"). The **Developer**, on its behalf and/or on behalf of its successors and assigns (if any), hereby agrees to use bona fide efforts (as defined herein) to achieve, at a minimum, **LSDBE** participation in professional/technical services, construction management, construction trade subcontracting, and construction trade suppliers for the Project equivalent to a value of 35% of the adjusted development budget. The Developer shall provide the **DSLBD** with the adjusted development project prior to the issuance of the building permit for the Project in order to calculate the 35% Goal for the **LSDBE** contracts/subcontracts.

¹The Small, Local and Disadvantaged Business Enterprise Development and Assistance Act of 2005 was enacted as part of the Fiscal Year 2006 Budget Support Act of 2005, effective October 20, 2006. Pursuant to section 2382 of the Act, however, "[a]n order, rule, or regulation in effect under a law [D.C. Official Code §§ 2-2215.03, 2-215.04, 2-215.11 and 2-217.11] repealed by this section shall remain in effect under the corresponding provision enacted by this subtitle until repealed, amended, or superseded."

- B. The **Developer** shall utilize the resources of the DSLBD, including the LSDBE Business Center's Directory of Certified Local, Small and Disadvantaged Business Enterprises, and periodic updates, as the primary referral sources for LSDBEs. The primary contact for such referrals shall be the Director of the DSLBD (the "**Director**").
- C. The **Developer** shall designate one or more representatives (the "**Representatives**") who shall be duly authorized to negotiate, sign, and implement this MOU, and the **Developer** shall provide the name(s) of the Representatives to DSLBD promptly upon their selection together with reasonably satisfactory evidence of their authority to act as Representatives. The Representatives shall meet with DSLBD officials to explore and develop ways for achieving the 35% Goal.
- D. The **Developer** agrees to make a continuing bona fide effort to utilize LSDBEs for certain goods and services as may be required by the **Developer** to conduct its daily operations during the Project, and understands that such efforts will accrue toward the 35% Goal.
- E. Not later than 60 days following the filing of application for a building permit pursuant to the approved PUD, the Developer agrees to submit a local business plan, in the form of **Attachment A** to DSLBD for approval, which plan shall be incorporated in and made a part of this MOU.
- F. Not later than 45 days after the local business plan has been approved by DSLBD, the **Developer** will submit to DSLBD a more extensive plan listing all of the projected procurement items, quantities and estimated costs, bid opening and closing dates, and start-up and completion dates. This plan should indicate whether any items will be bid without restriction in the open market, or limited to LSDBEs certified by the Local Business Opportunity Commission.
- G. The parties hereto understand and agree that the means of achieving the 35% Goal may vary according to the types of goods and services contracted for and the current availability of Certified LSDBEs. However, the **Developer** agrees to make a bona fide effort to achieve, at minimum, the 35% Goal.
- H. The **Developer** further agrees to submit quarterly LSDBE contracting and subcontracting reports, in the form of **Attachment B**, to DSLBD no later than fifteen (15) days after the end of each calendar quarter; the quarterly report periods shall begin on **January 1, April 1, July 1, and October 1**. These reports should include detailed documentation of outreach efforts to LSDBEs in order for DSLBD to determine whether the Owners have made bona fide efforts.
- I. The Representatives of **Developer** shall meet quarterly with DSLBD staff on a mutually agreeable schedule to discuss LSDBE participation during the construction phase(s) of the Project.
- J. The **Developer** further agrees to include in the terms of its contractual agreements with the general/prime contractor(s) and/or construction manager (any such general contractor or construction manager, the "**General Contractor**"), language that requires the General Contractor to make a bona fide effort to achieve the 35% Goal in (1) in its own contracting with respect to the Project, and (2) engaging subcontractors to perform work on the Project, and the General Contractor will require that the any of its contractors include in all lower-tier contracts a provision requiring such lower-tier subcontractors make bona fide efforts to achieve the

35% Goal.

The **Developer** shall take responsibility for training the General Contractor and any subcontractors to ensure that they understand the economic development commitments made by the **Developer** to certified Local, Small and Disadvantaged Business Enterprises.

The **Developer** shall employ and maintain an aggressive contract tracking and monitoring program, along with a prescribed and detailed means of dealing with inconsistent, incorrect and/or tardy reports. To the extent that the **Developer** experience or discover non-compliance with this MOU, the **Developer** may request additional retainage be withheld from non-complying subcontractors (including the General Contractor) until complete and correct documentation reflecting bona fide efforts to achieve the 35% Goal is submitted. Contractors shall be advised that any and all non-compliance with this MOU may negatively impact all future opportunities with the **Developer** or the General Contractor, as applicable.

- K. The **Developer** will publish, at a reasonable time period prior to any bid opening henceforth, a public notice in a newspaper of general circulation in the District of Columbia and in one or more other newspapers serving the District of Columbia local business community, to inform the business community as a whole of the overall project including a general description of projected phases of the development and anticipated time tables.
- L. For purposes of this MOU agreement, the term “bona fide effort” shall mean good faith efforts designed to meet all applicable requirements with consideration for the particular facts and circumstances of any given situation. Furthermore, “bona fide efforts” shall include, among other things, the following actions, together with a commitment from the **Developer** that it shall enforce the same:
 - 1. The General Contractor subject to this MOU will publish a public notice in a newspaper of general circulation in the District of Columbia, and in other newspapers serving the District of Columbia local business community, designed to inform the business community as a whole of specific contracting and subcontracting procurement opportunities.
 - 2. The General Contractor subject to this MOU will publish public notices in a newspaper of general circulation in the District of Columbia and in one or more other newspapers serving the District of Columbia local business community, soliciting bids for products or services being sought, and will allow a reasonable time for all bidders to respond to the invitation for bid.
 - 3. The General Contractor subject to this MOU will contact DSLDB to obtain a current listing of all LSDBEs qualified to bid on procurements as they arise.
 - 4. The General Contractor subject to this MOU will negotiate with each bidder pre-qualified by the **Developer** and the General Contractor, including LSDBEs, to obtain such bidder's best and final price as understood in the marketplace.
 - 5. The General Contractor will not require that LSDBEs provide bonding on contracts with a dollar value less than **\$100,000**, provided that in lieu of bonding the General Contractor may accept a job specific certificate of insurance.

6. The General Contractor will design and include in all contracts and subcontracts a process for dispute settlement. This process shall incorporate an opportunity for the presentation of documentation involving the work performed and invoices regarding requests for payments. Included in such contracts shall be a provision for selecting a mutually agreed upon mediator or provisions for arbitration in accordance with the rules of the **American Arbitration Association**.
 7. The General Contractor and subcontractors shall strictly adhere to their contractual obligations to pay all subcontractors in accordance with the contractually agreed upon schedule for payments. In the event that there is a delay in payment to the General Contractor, the General Contractor is to immediately notify any affected subcontractor as to the date on which payment can be expected.
 8. The General Contractor commits to pay all subcontractors, including LSDBEs, in accordance with the terms of the relevant subcontract, within thirty - (30) days following the General Contractor's receipt of a payment, which includes funds for such subcontractors, from the **Developer**. The **Developer** agrees to require the General Contractor to establish a procedure for giving notice to the subcontractors of the Developer's payment to the General Contractor.
- M. In order to encourage the **Developer** to develop creative, cost competitive ways in which to meet its 35% Goal, DSLBD will give credit for new opportunities created by the **Developer** in areas not traditionally made available to LSDBEs and expansion of opportunities in existing areas.
- N. If at the end of the first calendar quarter following the issuance of a building permit for the Project, the **Developer** is unable to comply with the LSDBE utilization plan for the Project as presented by the **Developer**, the Representatives of the **Developer** and the Director of DSLBD shall meet and discuss the possibilities for adjusting goals and strategies to extend the time of performance based on facts and circumstances.
- O. This Memorandum of Understanding shall be construed in accordance with the laws of the District of Columbia.

DATED THIS _____ DAY OF _____, 20__.

**DEPARTMENT OF SMALL AND LOCAL
BUSINESS DEVELOPMENT**

**1000 CONNECTICUT AVENUE
ASSOCIATES**

By: _____

Its: Partner

GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF SMALL AND LOCAL BUSINESS DEVELOPMENT



ATTACHMENT A

CONTRACTING AND SUB-CONTRACTING PLAN

IRB CLIENT/PRIVATE DEVELOPER: _____

ADDRESS: _____

TELEPHONE: _____ FAX: _____

TOTAL ESTIMATED CONTRACT AMOUNT: \$ _____

TOTAL ESTIMATED AMOUNT TO BE SUB-CONTRACTED \$ _____

TOTAL ESTIMATED LSDBE PARTICIPATION \$ _____

PERCENTAGE OF LSDBE CONTRACT AMOUNT (%) _____

NAME OF LSDBE LIAISON: _____

ADDRESS: _____

TELEPHONE: _____ FAX: _____

NAME OF GENERAL/PRIME CONTRACTOR
AND/OR CONSTRUCTION MANAGER: _____

ADDRESS: _____

TELEPHONE: _____ FAX: _____

**INDUSTRIAL REVENUE BOND AND PRIVATE DEVELOPMENT PROJECT
QUARTERLY LOCAL, SMALL AND DISADVANTAGE BUSINESS ENTERPRISES EXPENDITURE
REPORT FORM**

ANTICIPATED PROJECT COMPLETION DATE: _____

QUARTER	TOTAL AMT. EXPENDED TO DATE	TOTAL AMOUNT EXPENDED WITH LSDBES TO DATE	LSDBES (%) OF EXPENDED AMT. TO DATE	TOTAL AMOUNT EXPENDED THIS QUARTER	TOTAL AMOUNT EXP. W/LSDBES THIS QUARTER	LSDBES (%) PERCENTAGE THIS QUARETR
1						
2						
3						
4						
TOTAL						

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