



CommunityDevelopmentAuthority

Natalie Erdman, Executive Director
Madison Municipal Building, Suite 312
215 Martin Luther King, Jr. Boulevard
Madison, Wisconsin 53703
ph (608) 267.1992 fx (608) 261.6126
email nerdman@cityofmadison.com
mail P.O. Box 2983, Madison, WI 53701-2983

December 27, 2011

Mr. Tom Landgraf
Principal
Dimension Development, LLC
2984 Triverton Pike Drive
Suite 102
Fitchburg, WI 53711

Stone House Development, Inc.
Rich Arnesen
625 N. Segoe Rd. suite 107
Madison, WI 53705

RE: Truax Redevelopment Joint Venture Development Partner Request for Proposal
RFP# 8195-0-2011/CPS

Dear Tom and Rich:

The purpose of this Letter of Intent (“LOI”) is to outline the terms and conditions for agreements to be executed between the Community Development Authority of the City of Madison (the “CDA”) and Dimension Development, LLC, Stone House Development, Inc. Knothe & Bruce Architects, and McGann Construction, Inc. (the “Development Team”).

The CDA issued a Request for Qualifications and Proposals that was advertised on November 18, 2011 and November 25, 2011 (the “RFP”). The Development Team responded to the RFP on December 5, 2011. Since that time the CDA and the Development Team have discussed and refined the Development Team’s proposal and have decided to move forward with a joint effort to develop Truax Park Phase II. A critical component of the Truax Park Phase II development is the submission of an application for Low Income Housing Tax Credits to the Wisconsin Housing and Economic Development Authority (“WHEDA”) on or before February 3, 2011.

The parties have indicated their desire to work together on Truax Park Phase II. This letter of intent is meant to set forth the parties’ understanding of some of the terms that will be documented in more formal agreements.

This is letter of intent which does not constitute a definitive statement of all the terms and conditions of the proposed transaction and is not intended to constitute an agreement to execute any contract in the future. If the parties enter into negotiations, either party may terminate such negotiations at any time. Neither party will be legally bound in any manner unless and until (1) contracts have been prepared, (2) the CDA Board approves the terms of the contracts and (3) the contracts are executed and delivered between them.

The CDA is contemplating a total of 40-60 units of new construction in Truax Park Phase II with a minimum of 25 Public Housing Units. The Development Team intends to provide design, development, financing (including but not limited to Low Income Housing Tax Credits (LIHTCs)), construction, and property management services for Truax Park Phase II. The details of Truax Park Phase II including but not limited to the final number of units, the unit mix, the location of buildings and design, will be a product of the parties' work together.

The CDA in its sole discretion may award development rights for future phases at Truax Park to the Development Team. The terms and conditions of the parties' relationship for future phases shall be negotiated and documented under separate agreement.

The terms and conditions of the parties' relationship for Truax Park Phase II shall include but not be limited to the following.

- Dimension Development, LLC and Stone House Development, Inc. will provide the services outlined in the proposal section of the December 5, 2011 response to the RFP.
- It is the intent of the parties to negotiate a contract for design services with Knothe & Bruce Architects for Truax Park Phase II.
- It is the intent of the parties to negotiate a construction contract with McGann Construction, Inc. for Truax Park Phase II.
- It is the intent of the parties to hire Stone House Development, Inc. for property management services for Truax Park Phase II.
- The Development Team and the CDA will file a joint application to WHEDA for Low Income Housing Tax Credits for the development of Truax Park Phase II. There will be no cost to the CDA for the Development Team's time related to the preparation and filing of Low Income Housing Tax Credit application.
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- The CDA shall be responsible for all reasonable, third party, out of pocket costs relating to the Low Income Housing Tax Credit application including but not limited to the costs of a market study and the application fee.
- To the extent the CDA chooses to proceed with design work for Truax Park Phase II, prior to the receipt of 9% low income housing tax credits, it will negotiate a contract acceptable to the parties with Knothe & Bruce Architects and will be responsible for compensation due Knothe & Bruce Architects.

If the Development Team and the CDA receive 9% low income housing tax credits, agreements will be negotiated that include but are not limited to the following terms.

The CDA will act in role of the Managing Member of a limited liability company (the "Development LLC") with a tax credit investor as the investor member.

Knothe & Bruce will be hired by the Development LLC to provide design services with an architectural fee that does not exceed the WHEDA maximum allowable fee.

McGann Construction, Inc. will provide the Development LLC with a Guaranteed Maximum Price Contract (the "Construction Contract") with a contractor profit of 2% and overhead and general conditions per industry standards and within WHEDA guidelines. The Construction Contract will include liquidated damages for failure to complete construction on time. McGann Construction, Inc. will provide a full Payment and Performance Bond. McGann Construction, Inc. agrees to provide the services outlined in the RFP without charge up until such time as the Construction Contract is executed with the Development LLC.

Stone House Development, Inc. will provide a guaranty of lease up for all non-public housing units. The guaranty will include leasing to income qualified residents in time to deliver credits per the agreed upon proforma.

Stone House Development, Inc. will provide a guaranty of break even operations during the operational phase; however, failure of the CDA to deliver public housing subsidy or public housing rents at the level set forth in the agreed upon proforma will offset the Stone House Development, Inc. break even operations guaranty. The parties will negotiate a time frame for the "burn off" of the break even operations guaranty.

Development fees shall be split 65% to Dimension Development, LLC and Stone House Development, Inc. and 35% to the CDA. The Development Fee shall be paid based upon the percentages set forth above when it is received from the Development LLC.

By signing in the space provided below, the parties indicate their desire to work together on the development of Truax Park Phase II. No binding agreement will exist between the CDA and the Development Team unless and until agreements are approved and executed by the CDA and the Development Team Members.

Sincerely,

Natalie Erdman
Executive Director

Gregg Shimanski, Chair
Community Development Authority of the City of Madison

The terms set forth in this letter of intent are acceptable to Dimension Development, LLC, Stone House Development, Inc., Knothe & Bruce Architects, and McGann Construction, Inc.

Tom Landgraf, Principal
Dimension Development, LLC

Rich Arnesen
Vice President
Stone House Development, Inc.

Randy Bruce
Knothe & Bruce Architects

Aaron Kostichka
Vice President
McGann Construction, Inc.
