



## **CommunityDevelopmentAuthority**

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March 24, 2014

Ms. Cindy Hammer  
Principal  
Bluestone Custom Homes  
673 Hillside Court  
Evansville, WI 53536

RE: Mosaic Ridge Partner Request for Qualifications  
RFQ# 8316-0-2013/MRW

Dear Cindy:

The purpose of this Letter of Intent ("LOI") is to outline the terms and conditions for a development agreement between the Community Development Authority of the City of Madison (the "CDA") and Bluestone Custom Homes ("Bluestone").

The CDA issued a Request for Qualifications and Proposals that was advertised on October 21, 2013 and October 28, 2013 (the "RFQ"). Bluestone responded to the RFQ on November 15, 2013. Bluestone was selected by the Allied Drive subcommittee and approved by the CDA on January 9, 2014. Since that time, the CDA and Bluestone have discussed and refined the scope of the project and have decided to move forward with a joint effort to develop Mosaic Ridge.

The CDA is contemplating the development of 25 single-family homes in Mosaic Ridge with exclusive development rights for Bluestone for up to 21 homes including providing marketing, construction, and sales services. The remainder of the homes are to be constructed by area non-profits on lots to be selected at the CDA's discretion.

The parties have indicated their desire to work together on Mosaic Ridge. This letter of intent is meant to set forth the parties' understanding of the following terms and conditions:

Bluestone shall provide services or obtain and coordinate the following:

- Participate in the CDA's outreach program.
- Create a marketing plan to be approved by the CDA.
- Provide a standard form purchase contract to approved by the CDA.
- To the fullest extent possible, endeavor to provide employment and training opportunities to Allied area residents
- Work with homebuyers that have successfully completed the Home Buyer Education and Readiness Program on the purchase of the lot from the CDA.
- Assist the homebuyer with accessing traditional, first mortgage financing through the CDAs preferred lenders. The CDA will assist the homebuyer with the subordinate financing. The CDA will provide a limited amount of construction financing for lower income purchasers.
- Assist the homebuyer with understanding the building process and documents required for the home that will be built including plans, specifications, finish selections and landscaping and providing the owner with As-Built Plans, which include all final selections.
- Market and construct up to 21 homes that meet the affordability targets for Mosaic Ridge:
  - 1/3 of the homes will be affordable for people at 30-50% of Area Median Income ("AMI"). For a family of four the income would be below \$40,450
  - 1/3 of the homes will be affordable for families at 50% to 80% of the AMI. For a family of four the income would be between \$40,450 to \$64,400
  - 1/3 of the homes will be affordable for families of 80% or more of AMI. For a family of four the income would be at or above \$64,400
  - Deviation from these targets will require CDA approval
- Construct the home per plan with workmanship to be done to a quality level that meets or exceeds the local building code and the "Suggested Standards for Residential Construction" published by the Madison Area Builders Association.
- Construct the home in compliance with the established Mosaic Ridge Design Guidelines.
- A residential construction industry typical new construction warranty shall be furnished for each home constructed for a period of one year after closing date.
- Coordinate with Madison College on the construction, placement, and sale of up to 3 pre-fab homes. These homes will be counted towards the 21 homes designated for Bluestone.

The CDA shall be responsible for:

- All reasonable, third party, out of pocket costs relating to the design of prototypical homes including but not limited to the costs of architectural design from Destree Design Architects, site plans, grading plans, and the rezoning.
- The sale of lots to qualified homeowners at competitive rates. For low-income buyers, lots will be further discounted through a forgivable loan.
- Providing construction financing for up to 3 low-income buyers at a time.
- Coordinating down payment assistance for qualified low-income buyers through City of Madison down payment assistance programs.
- Identifying and securing additional down payment assistance for low-income buyers.
- Providing a Home Buyer Education and Readiness Program to prepare up to 20 potential low-income buyers for home ownership.

Development, sales, and construction fees shall be split between Bluestone and its subcontractors at Bluestone's discretion.

The partnership will terminate upon the sale of the final lot. Failure to construct and sell 10 homes by December 31, 2016 will be grounds for termination of the partnership. Failure to deliver any of these services will be grounds for termination of the partnership. The CDA in its sole discretion may award development rights for unsold lots to a third party or terminate the partnership with 90 days notice to Bluestone.

By signing in the space provided below, the parties indicate their desire to work together on the development of Mosaic Ridge. No binding agreement will exist between the CDA and Bluestone unless and until an agreement is approved and executed by the CDA and the Bluestone.

Sincerely,

Natalie Erdman  
Executive Director

Kelly Thompson-Frater, Chair  
Community Development Authority of the City of Madison

The terms set forth in this letter of intent are acceptable to Bluestone Custom Homes.

Cindy Hammer, Principal  
Bluestone Custom Homes