

**City of Minneapolis**  
**Request for Committee Action**

**To:** Community Development & Regulatory Services  
**Date:** 10/27/2015  
**From:** Community Planning & Economic Development  
**Prepared by:** Ann Calvert, Principal Project Coordinator  
**Presented by:** Ann Calvert, Principal Project Coordinator  
**File type:** Action  
**Subcategory:** Contracts & Agreements

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**Subject:**

City/MPRB MOU re: Upper Harbor Terminal Phase I RFI/RFQ Process

**Description:**

Authorizing the appropriate City officials to enter into a Memorandum of Understanding with the Minneapolis Park and Recreation Board, as outlined herein, that will guide a cooperative process to pursue Phase I redevelopment of the Upper Harbor Terminal.

**Previous Actions:**

- On July 23, 2004, the City Council authorized an Operating Agreement with River Services Inc. to manage and operate the City's Upper Harbor River Terminal from 2005 through 2014. Article VI of the agreement required annual approval of the Terminal's Operating Budget for the ensuing year. The City Council approved the budget annually with the most recent approval on February 7, 2014, for the 2014 budget.
  - On December 6, 2013, the City Council authorized the execution of a contract for an Upper Harbor Terminal redevelopment technical study.
  - On December 5, 2014, the City Council authorized the execution of an interim management agreement with River Services, Inc.
  - On January 16, 2015, the City Council adopted a legislative agenda that included seeking special tax increment legislation to assist with the redevelopment of the Upper Harbor Terminal.
  - On July 24, 2015, the City Council accepted an investigation grant from the Metropolitan Council and approved related actions.
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**Ward/Neighborhood/Addresses:**

Ward 4

McKinley

3360 First St. N.; 3800 First St. N.; 3639 Washington Ave. N.; 3648 Washington Ave. N.; 3700 Washington Ave. N.; 3701 Washington Ave. N. ; 51 34th Ave. N.; 2 36th Ave. N.; 51 36th Ave. N.

**Background/Analysis:**

City and Minneapolis Park and Recreation Board (MPRB) representatives, including City and MPRB staff with input from department heads and key electeds, have been exploring how to arrive at a shared vision for redevelopment of the City-owned Upper Harbor Terminal (UHT) site. This redevelopment will transition the site from its previous use as a commercial barging terminal to new uses consisting of a combination of park and private development. The result of these discussions is a cooperative process recommended by the City/MPRB team. This process will be guided by a memorandum of understanding (MOU) outlined in this report.

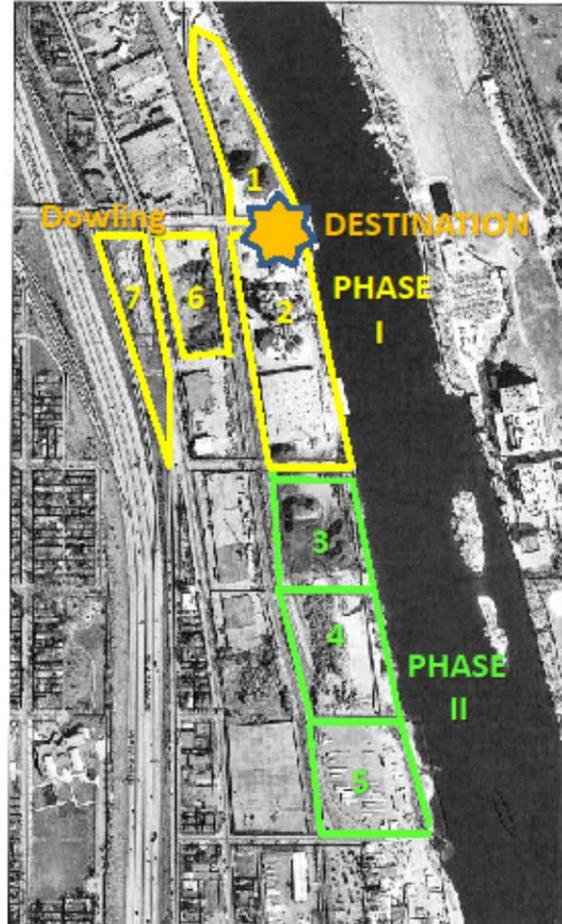
### The challenges

Under a more “typical” process for a less complicated site, the City and MPRB would agree on a boundary between the planned park areas and the portions of the property that would be available for development. The City then would issue one or more development RFPs at the appropriate times for the identified site(s) and select the developer(s) based on the proposals submitted.

The challenge for this site is that it is difficult for the City and MPRB to reach constructive agreement on the park boundary in the northern part of the site (Parcels 1, 2, 6 and 7; see map to right) for the following reasons:

- a) It’s not yet known whether the park and private development can and should work around the existing structures on the site (which have been determined to be eligible for historic designation).
- b) Both parties agree that a community destination is desired at Dowling and the river. However, the nature of the destination must be determined. It’s not yet known whether it will be a park feature and/or a private concession on MPRB land (and thus the boundary needs to include adequate space within the park area) or if some destination component(s) will be completely private (and thus would not be included in the park boundary).

Given these reasons, decisions made about what features should be included in the park without knowing what development will be feasible adjacent to the park would not allow the creative, integrated and fully informed approach the site deserves.



The southern part of the site (Parcels 3, 4 and 5) is not directly complicated by the above questions. However, the park boundary in that portion (and nature of the development) will be strongly affected by what happens to the north and also by whether some or all of the privately-owned parcel to the south will be sold to the MPRB within the reasonably foreseeable future (thus making that land also available for park development and allowing the parkway/trail connection to be extended to the south).

### The proposed RFI/RFQ process

In response to the above challenges, the City/MPRB team proposes a unique process to constructively move forward on this important site.

The process will focus on an initial phase that includes the northern half of the UHT site (Parcels 1, 2, 6 and 7). Decisions relative to the southern half of the site (Parcels 3, 4 and 5) will be deferred. There seems to be general agreement for a number of reasons that redevelopment should begin on the northern half of the site. Once there is a clear plan for that first phase and how long it will take, decisions relative to the southern half of the site will be easier and better informed.

With that focus, the City/MPRB team recommends selecting a master developer for the first phase based upon a request for qualifications (RFQ), rather than asking developers to respond to a request for proposals that would require them to invest in formulating a specific proposal when there are so many unknowns (including even the extent of the site available). The qualifications sought will include the developer's: a) experience and capacity to do a project of this magnitude, b) demonstrated vision and creativity to help achieve an outcome that will meet the shared goal of a high quality, innovative future for the site, and c) willingness to work collaboratively to formulate a shared vision. Subject to a separate exclusive rights agreement, the terms of which would need to be approved by the City Council and MPRB, the selected developer then will be given the exclusive right to work cooperatively and creatively with the City and MPRB and with community input to formulate a redevelopment plan that both meets our public goals and is feasible in the private development world. The goals of this process will be not only a physical plan for the first phase of development, but also a workable implementation plan outlining which roles each party will play and how redevelopment can be funded.

The desired outcome of the entire RFI/RFQ/exclusive rights agreement process will be a three-party (City/MPRB/developer) redevelopment agreement for Phase I.

The RFQ will be preceded by a request for interest (RFI) to identify local entities that may be interested in being a tenant, operating a program and/or being a co-developer of just a portion of the first phase within the framework of an overall redevelopment plan. Information on these interested parties will be provided to the selected developer so that, when and as appropriate, that interest can be folded into the overall plan. (Local parties also will be allowed to indicate if they are interested in being included in the RFQ for the master developer.)

This RFI/RFQ process will allow us to:

- Identify a private partner to help craft a creative, realistic, integrated vision and an implementation plan for a first phase of coordinated park and private development.
- Determine with private input and further exploration if it would be feasible to rehabilitate any of the existing structures.
- Determine what package of "destination" components would be feasible and vibrant and whether those components should be within or outside of the park.
- Agree upon a park boundary that's informed by the above.
- Explore the market for various types of high quality development (including residential on at least Parcels 6 and 7).
- Identify ways that the redevelopment can meet the specific goals/needs of the community.

This RFI/RFQ process will be guided by a memorandum of understanding (MOU) between the City and MPRB, generally as outlined in Attachment 1. Among other things, the MOU will provide an initial indication of what resources and tools the City and MPRB are open to providing and what will be expected of the selected developer.

Note: The proposed RFI/RFQ process will entail some expenses, but these can be covered by the existing 2015 budget appropriation and the Mayor's recommended 2016 budget, if adopted.

**Financial Review:**

**No additional appropriation required, amount included in current budget.**

**Attachments:**

Attachment 1 – City/MPRB MOU re: Upper Harbor Terminal Phase I RFI/RFQ Process

**Attachment 1**  
**Upper Harbor Terminal**  
**City/MPRB MOU re: Phase I RFQ/RFI Process**

- Parties: City of Minneapolis (“City”)  
Minneapolis Park and Recreation Board (“MPRB”)
- Recitals: City is owner of Upper Harbor Terminal (“UHT”) site and desires to redevelop site for other purposes, as outlined in City-approved *Above the Falls Master Plan Update*.  
  
MPRB desires to develop part of site for riverfront park amenities, as outlined in *Above the Falls Regional Park Plan*.  
  
Parties recognize need to identify an experienced private development partner to help formulate and then implement a creative, integrated and feasible plan for park and private development.
- Intent: Parties share a vision for redevelopment of UHT site as outlined in Exhibit A.  
  
Parties will work together to complete the RFI/RFQ process (“Process”) outlined in Exhibit B. Agreement outlines good faith intentions of parties at time of agreement, but does not constitute irrevocable commitments. CPED Director and MPRB Superintendent may revise details of process and timeline, as long as basic intent of process is retained.  
  
Goal of process is to award exclusive negotiating rights to a selected developer that will result in formulation of a detailed redevelopment plan for Phase I portions of UHT site (Parcels 1, 2, 6 and 7) acceptable to all three parties (“Plan”) and execution of a redevelopment agreement between City, MPRB and selected private developer for implementation of that plan (“Redevelopment Agreement”).
- Duration: MOU will be in effect until earlier of execution of Redevelopment Agreement or December 31, 2018. In event parties are not able to arrive at joint decisions, this MOU may be terminated at discretion of either party
- Community Engagement: City and MPRB will cooperate on an integrated community engagement process.
- Roles: Staff team will be assembled including representation from City (CPED, Public Works, Finance, City Attorney’s Office) and MPRB. Staff team will work with other stakeholders to finalize and distribute RFI and RFQ, review submissions, make developer recommendation and then work with selected developer.  
  
As site owner, City will take lead in coordinating overall Process, but City and MPRB will work cooperatively with goal of jointly: a) selecting development team that will be awarded exclusive right to work with City and MPRB to formulate Phase I redevelopment plan and implementation plan, and b) agreeing on those resulting plans. Subsequent detailed planning and implementation likely would be separate, but would involve a reasonable degree of coordination.

City & MPRB participation in project implementation:

Assuming City, MPRB and selected developer are able to formulate a Plan during exclusive rights period that achieves their various goals, both parties are willing to indicate in RFQ the following things they will bring to implementation of Plan:

City expects to bring to the table:

- 2016 budget (if adopted) of \$125,000 for preliminary engineering, etc.
- UHT property and its value (subject to using land proceeds to first repay enterprise fund deficit)
- Working with MPRB and selected developer to pursue grants from various sources to allow timely construction of Phase I public infrastructure and site preparation, e.g.:
  - Environmental grantors (remediation)
  - EDA (infrastructure and possibly employment program investments)
  - DEED Redevelopment program (infrastructure)
  - Hennepin County EDIF program (infrastructure)
  - MWMO (stormwater improvements)
  - State bonding (infrastructure)
  - Legacy grants (preservation)
- Openness to use of tax increment financing for eligible costs if district can be qualified and “but-for test” met
- No General Fund or net debt funding (except possibly small amounts to repair existing infrastructure)
- Openness to zoning revisions, etc., to comply with *Above the Falls Master Plan Update*

MPRB expects to bring to the table:

- 2016 and/or 2017 funding to contribute to proportionate share of costs during RFQ/exclusive rights process (e.g., preliminary park design)
- Significant allocations of future funding from existing regional park funding sources
- Working with City and selected developer to pursue grants from various sources to allow timely construction of Phase I park improvements:
  - MWMO (stormwater improvements)
  - State bonding (park site preparation and park improvements)
  - Legacy grants (open space and/or preservation)
  - Private fundraising in cooperation with Minneapolis Parks Foundation and/or Friends of the Mississippi River
- Agreement that there should be a “destination” generally at Dowling and the river
- Openness to allowing a private destination on river side of parkway to allow direct relationship to river (but likely will require lease payment if on MPRB land)
- Openness to waiving park dedication fee if 10% of site is dedicated to public park use at no cost to MPRB
- Understanding that no land will be conveyed until MPRB has funding and approvals to start implementation

Developer will be expected to bring to the table:

- Investments during exclusive rights period in planning/design/market study, etc. costs that would have been incurred to prepare a proposal
- Active participation in community engagement during process and in fundraising, as appropriate
- Willingness to pay fair market value for land (with City open to discussing adjustments/credits if developer completes any site preparation and/or improvements that appraisal assumed were completed and/or if needed to help offset extraordinary costs or achieve a unique public purpose)
- Understanding that redevelopment agreement will include:
  - Commitment to complete agreed-upon Phase I development in a timely manner
  - Compliance with City contracting requirements

Near-term resources to be provided:

City will continue to assign staff to actively participate on staff team throughout Process.

MPRB will continue to assign staff to actively participate on staff team throughout Process.

City and MPRB will share following costs related to completing Process:

- Printing of RFI and RFQ materials
- Advertising of RFI and RFQ opportunities
- Community meeting expenses

**Exhibit A to MOU -- Over-Arching Phase I Project Goals (initial draft, to be refined with community input)**

Phase I redevelopment of the Upper Harbor Terminal site will be a success if it achieves as many of the following goals as possible:

1. It includes part of a first-class regional park that serves North Minneapolis and the Twin Cities region as a whole. Components in the UHT Phase I area will include parkway, bike and walking trail connections to the rest of the Grand Rounds Scenic Byway system and one or more special park features.
2. It includes a significant amount of high quality private development that brings jobs and tax base to the area, while complementing the park and helping keep it active. Jobs that will benefit the residents of North Minneapolis are particularly desired.
3. The portion of the site at Dowling and the River serves as a significant destination that brings people to the riverfront and gives vitality. This might be a special park feature (in addition to the linear trail/parkway connection), a private concession on park land and/or a private feature.
4. The redevelopment reflects and interprets the history of the site and contributes to the area's unique character and interest. If feasible, preservation of some or all of the site's existing structures is encouraged, but full preservation in accordance with the Secretary of Interior's Standards is not expected to be required.
5. All of the site's improvements (park improvements, public realm, infrastructure and private development) incorporate high quality design.
6. Both private and park redevelopment actively incorporate a variety of "green," sustainable approaches and features and help to enhance and protect the river as a world-class environmental corridor.
7. The overall project capitalizes upon the riverfront location and is informed by this specific location, not something that could have happened elsewhere.
8. The site is firmly connected into the fabric of the community, both through the linear parkway and trail connections up and down river and through east-west connections at Dowling and at least one other location.

## **Exhibit B to MOU – Overall Phase I RFI/RFQ Process (and tentative, optimistic timeline)**

Step 1: (Early January distribution, with responses due March 2016)

- A Request for Interest (RFI) will be distributed to local businesses, nonprofits and other community entities that might be interested in playing a role in the Phase I development (e.g., as a tenant, program operator or co-developer of a portion)

Step 2: (April 2016, with responses due August 2016)

- Unless it appears that a combination of local developers can undertake Phase I, a Request for Qualifications (RFQ) will be distributed nationally to seek submissions from developers with the capacity and interest to do at least a Phase I development and who also have been able to complete innovative developments elsewhere that resonate with our goals.

Step 3: (selection by end of 2016 and execution of agreement in early 2017)

- A development team (“Developer”) will be selected to have exclusive rights (under an agreement to be approved by the City Council and MPRB) to work with the City and MPRB to craft an integrated development plan.

Step 4: (2017 through possibly 2018)

- The City, MPRB and Developer will work together to formulate a Phase I plan identifying:
  - the park boundary, how the park area will be used (e.g., where and how the linear parkway/trail connections will go through the site and what additional park features there will be) and what park improvements will be needed;
  - what type of “destination” will be included and where it will be located;
  - which structures can be rehabilitated for adaptive reuse and for what purpose(s),
  - the plan for private development – what, where, when;
  - what public improvements will be needed to support park and private development;
  - an overall public and private capital pro forma that is financially feasible and supported by the market; and
  - the implementation relationships between the City, MPRB and developer (who does what and on what timeline, including identification of any necessary approval and regulatory steps).
- The exclusive development rights agreement will be for a reasonably long time period, but will outline intervening progress steps that must be achieved and when/how community and policy-maker input will be included during the process.
- In the event that the parties are not able to achieve the milestones in the exclusive rights agreement and that agreement is terminated, the City and MPRB will reserve the right to select another developer from those that had responded to the RFQ without needing to complete another RFQ process.

Step 5: (possibly early 2019, with implementation starting soon after)

- The City, MPRB and Developer will execute a three-party redevelopment agreement to achieve implementation of the Phase I plan formulated in Step 4.