

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

**To:** Community Development & Regulatory Services  
**Date:** 1/5/2016  
**Referral:** N/A  
**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 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/Address:**

Ward 4

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 elected officials, 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 recommended cooperative process that will be guided by a memorandum of understanding (MOU) outlined in this report.

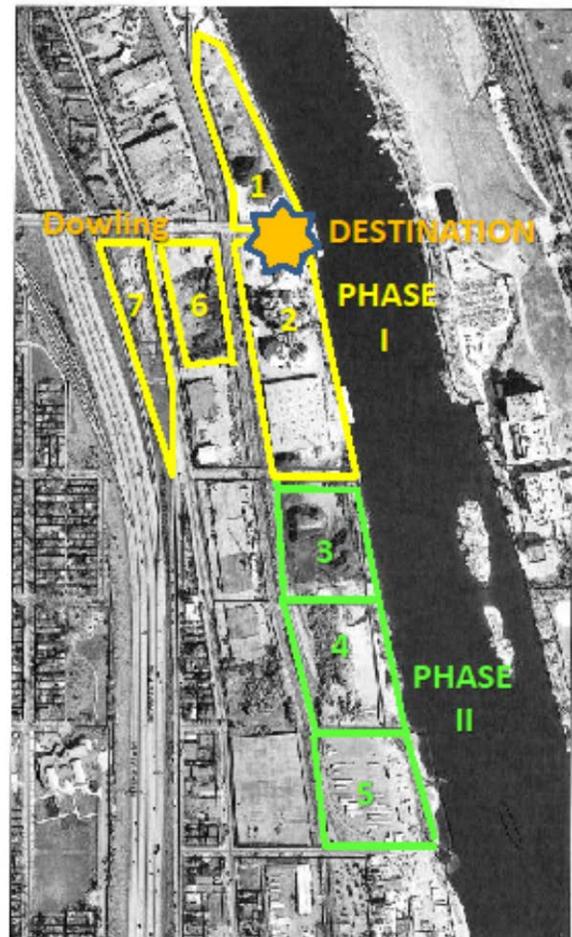
### The challenges

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 will be a private operation on either MPRB land (and thus the boundary needs to include adequate space within the park area) or private land (and thus would not be included in the park boundary).

Another challenge is that making decisions 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 of the site (and the nature of the development there) will be strongly affected by what happens to the north. The southern part of the site also will be impacted 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/CFDP/RFQ process

In response to the above challenges, the following unique process is recommended 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, selection of a master developer for the first phase based upon a request for qualifications (RFQ) process is recommended, 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 future 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, if they agree with the developer selection), with community input, to formulate a redevelopment plan that 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.

In addition to the RFQ, there will be: a) a request for interest (RFI) to identify local entities that may be interested in being a tenant or operating a program on the site, and b) a call for development partners (CFDP) to identify parties interested in acting as 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/CFDP/RFQ process will allow us to:

- Identify a private partner team 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 evaluation 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/mixed use on Parcels 6 and 7).
- Identify ways that the redevelopment can meet the specific goals/needs of the community.

This 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.

The eventual desired outcome of the entire process will be Phase I redevelopment agreements between the City and developer, the City and MPRB and possibly the MPRB and developer.

**Financial Review:**

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

**Future budget impact anticipated.**

Phase I implementation is expected to require significant future capital investments.

**Approved by the Permanent Review Committee.** Not applicable.

**Meets Small and Underutilized Business Program goals.** Not applicable at this time.

**Attachments:**

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

**Attachment 1**

**Upper Harbor Terminal**

**Term Sheet -- City/MPRB MOU re: Phase I RFQ/CFDP/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 share vision for site generally outlined in Exhibit A to MOU – Characteristics of Success. 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 will work together to complete the RFI/CFDP/RFQ process (“Process”) outlined in Exhibit B, and staffs are directed to proceed accordingly. 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 formulation of a detailed redevelopment plan for Phase I portions of UHT site (Parcels 1, 2, 6 and 7) acceptable to City, selected developer (“Developer”) and MPRB (“Plan”) and execution of redevelopment agreements (between City and Developer, City and MPRB and possibly MPRB and Developer) for implementation of that Plan (“Redevelopment Agreements”).

Plan Contents: Phase I plan will identify:

- park boundary and how park area will be used (e.g., where and how linear parkway/trail connections will go through site and what additional park features there will be);
- what type of “destination(s)” will be included and where destination(s) will be located;
- which existing structures can be rehabilitated for adaptive reuse and for what purpose(s);
- 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 market; and
- implementation relationships between City, MPRB and Developer (who does what and on what timeline, including identification of anticipated funding sources and any necessary approval and regulatory steps).

Duration: MOU will be in effect until the earlier of execution of Redevelopment Agreements or December 31, 2018.

Community Engagement: City and MPRB will cooperate on an integrated community engagement process.

Roles: Staff team will be assembled that will include 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, CFDP and RFQ, review submissions and then make recommendations to City Council and Park Board.

As owner, City will take lead in coordinating Process, but will work cooperatively with MPRB and will treat MPRB’s input as being the other primary stakeholder. MPRB will work cooperatively with City on Process.

Decision Points: If City and MPRB agree on developer, then City and MPRB will enter into a three-party exclusive rights agreement with Developer and will proceed with site planning. Both City and MPRB will play active role in planning.

If City and MPRB don’t agree on developer, either party may terminate MOU. City and Developer may enter into exclusive rights agreement and proceed with site planning. MPRB will be offered ability to also be a party to exclusive rights agreement or to provide input on park-related aspects as a significant stakeholder

If all three parties reach agreement on overall redevelopment Plan, then City and MPRB will approve Plan and enter into appropriate two-party (City-Developer, City-MPRB and possibly MPRB-Developer) redevelopment agreements to implement Plan.

If City and Developer, but not MPRB, reach agreement on overall redevelopment Plan, City and Developer will retain control over development land use decisions, public improvement decisions and business terms between City and Developer; to be reflected in a City-Developer redevelopment agreement. MPRB will retain control over decisions on whether to accept conveyance of land offered for park (at offered/negotiated terms) and on types of park improvements MPRB will build; both of which would be reflected in a City-MPRB redevelopment agreement, assuming City and MPRB agree on terms.

City & MPRB participation in project implementation:

Both parties are willing to indicate in the RFQ the following things they will bring to the implementation of the Plan (assuming parties are able to agree on developer selection and formulate a Plan during the exclusive rights period that achieves their various goals).

City expects to bring to the table:

- UHT property and its value (subject to using land proceeds to first repay enterprise fund deficit)
- Working with MPRB and Developer to pursue grants from various possible sources to allow timely construction of Phase I public infrastructure improvements, 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 (historic preservation/interpretation)
- Openness to use of tax increment financing for eligible costs if can district can be qualified and meet but-for test
- 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 engineering)
- Significant allocations of funding from existing regional park funding sources for park capital improvements
- Working with City and selected developer to pursue grants from various possible sources to allow timely construction of Phase I park improvements, e.g.:
  - Environmental grantors (remediation)
  - MWMO (stormwater improvements)
  - State bonding (park site preparation and park improvements)
  - Legacy grants (open space and/or historic preservation/interpretation)
  - Private fundraising in cooperation with other parties such as Minneapolis Parks Foundation and/or Friends of the Mississippi River
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- 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 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 public purpose, e.g., a job-training program)
- 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/CFDP/RFQ materials
- Advertising of RFI/CFDP/RFQ opportunity
- Community engagement expenses

## **Exhibit A to MOU – Characteristics of Success (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 will benefit the community, while complementing the park and helping keep it active. Development that includes jobs that will benefit the residents of North Minneapolis is particularly desired.
3. The portion of the site at Dowling and the River serves as a significant **riverfront-oriented 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, some degree of preservation of the site's existing structures must be thoughtfully considered, 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.
9. The redevelopment achieves the **Equitable Development Principles**, as applicable and appropriate to this site and situation.

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

Step 1: (might be completed before RFQ or completed later, in cooperation with selected developer)

- 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 Phase I development (as a tenant, program operator, etc.)
- A Call for Development Partners (CFDP) will be distributed to local developers and related entities that might not be interested in acting as master developer, but are interested in acting as a developer of a portion of site within overall plan to be formulated in Step 4.

Step 2: (late 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 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 to work with City (and MPRB, if they agree with developer) to craft an integrated development plan.
- 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 process.

Step 4: (2017 through possibly 2018)

- City and Developer (with MPRB input, if they choose to be involved) will work together to formulate an integrated Phase I plan.
- If parties are not able to achieve exclusive rights agreement milestones and that agreement is terminated, City, with MPRB input, will reserve right to select another developer from those that had responded to RFQ without needing to complete another RFQ process.

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

- Parties will execute redevelopment agreements (City and Developer, City and MPRB and possibly MPRB and Developer) to achieve implementation of Phase I plan formulated in Step 4.