



Title: 325 Blake Road Restoration and Redevelopment

Resolution number: 20-098: Positive Determination of the Feasibility Milestone and Authorization to Solicit Interest in Potential Redevelopment of the 325 Blake Road Site;

20-099: Authorization to Enter into a Redevelopment Advisory Services Agreement with Shenandoah Consulting Group, LLC

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Reviewed by: Name/Title: Louis Smith, general counsel

Recommended action: 1) The Board of Managers, based on the recommendation of the 325 Blake Road Joint Liaison Group, makes a positive determination that the Minnehaha Creek Watershed District (MCWD) and City of Hopkins (City) have a shared understanding of the key variables influencing the successful redevelopment of the site and authorize staff to begin the developer engagement process through the release of a request for letters of interest, in accordance with the cooperative agreement;

2) Authorize the Administrator to enter into a redevelopment advisory services agreement with Shenandoah Consulting Group, LLC to assist MCWD and the City in the successful selection of a development partner.

Schedule: January-February 2021: Letters of Interest and Roundtable Discussions
March-April 2021: Proposals, Interviews and Development Partner Selection
May 2021: Design charrette process and pre-development agreement

Budget considerations: Fund name and code: Planning, 2002
2021 Fund Balance: \$125,000 Minnehaha Creek Subwatershed
Requested amount of funding: \$55,000 (\$50,000 base agreement + 10% contingency)

Past Board action: Res # 18-026 Authorization to decommission and remove equipment
Res # 18-027 Authorization to contract for demolition services
Res # 18-058 Authorization to solicit bids for demolition of facilities
Res # 18-074 Awarding contract for demolition of facilities
Res # 20-066 Authorization to Execute a Cooperative Agreement with the City of Hopkins for Coordinated Planning, Improvements and Development for 325 Blake Road

Res # 20-067 Authorization to Release the Request for Proposals for Design Services for 325 Blake Road Stormwater Management and Site Restoration
Res # 20-091 Authorization to Contract for Design Services for the 325 Blake Road Regional Stormwater and Greenway Project

Summary:

In 2011, the Minnehaha Creek Watershed District (MCWD) made a strategic acquisition of land at 325 Blake Road, Hopkins as part of a regional scale effort to establish the Minnehaha Creek Greenway. This effort identified opportunities for area wide stormwater improvement, ecological restoration of the Minnehaha Creek riparian zone and corridor linkage with upstream/downstream restoration projects. It is envisioned that, through strategic partnership the City of Hopkins (City), a development partner would be selected to deliver an integrated project on the portion of the site not utilized for watershed restoration.

In order to ensure alignment at the policymaker level and accelerate progress towards an integrated project, the City and MCWD developed a Joint Liaison Group (Liaisons) comprised of two Hopkins City Council members and two MCWD Board Managers. At its onset, the Liaisons reaffirmed the benefits of partnering on planning for redevelopment and agreed to advance work through a liaison process, supported by staff, with a focus on:

- Open communication at all levels;
- Continuous and deep involvement from the joint liaisons;
- Expert involvement to provide a solid financial and technical foundation.

As such, throughout 2020, MCWD and City staff (Staff Coordination Team) and the Liaisons worked together to refine a vision document for the potential redevelopment of the 325 Blake Road site (Project). This vision stresses the need for a cohesive development that advances the site in a manner that is consistent with MCWD's balanced urban ecology ethos – a regional stormwater system and greenway integrated with the built environment. This vision document reflects years of input from the community and partner agencies, and remains the grounding document for describing the goals of both the partners and the community at large.

Between February and November 2020, the Liaisons convened an average of one to two times per month. These meetings focused on the establishment of a clear partnership process, the development of a cooperative agreement as the partnership foundation, the refinement of the vision for the site, and the steps that the partners will take in advancing the process towards developer engagement and the potential selection of a development partner.

On August 27, 2020, the cooperative agreement was approved, initiating the process known as the “feasibility milestone.” This feasibility milestone was designed as an early step in the process to mark a Board determination of the project's viability based on the partners' shared understanding of the financial model and key variables that influence project success. To assist in those efforts, MCWD contracted with Donjek and Maxfield Research, experts in development financial modeling and market analysis, to create a “Financial Framework Dynamic Evaluation” tool. This work included the development of a financial model grounded in market projections and comparable projects, which the partners used to create a shared understanding of the financial realities of the site, while avoiding prescriptive design or programming of the future development.

As described in the cooperative agreement, the completed Financial Framework Dynamic Evaluation will serve as the basis for the Feasibility Milestone, wherein the partners will determine to move forward with the developer selection process in search of a development partner that will assist in delivering the vision set forth by the MCWD and City. The process details that the Staff Coordination Team will present a recommendation to the Liaisons, who will in turn present a recommendation to the Board of Managers and City Manager concerning whether to proceed with an invitation to developers. Upon a favorable determination by the Board of Managers and the City Manager, the Staff Coordination Team will initiate the developer engagement process through a letter of interest (LOI) solicitation.

As described at the December 3, 2020 Board Meeting, staff and MCWD's stormwater and greenway design team, HDR, is working diligently to align the design process and the potential parallel developer selection process, in order to most effectively achieve a realistic, integrated site design. Staff is also working closely with Chuck Lutz of Shenandoah Consulting Group, LLC to provide development advisory services as the developer engagement process commences.

The December 17, 2020 Board meeting marks a culmination of the feasibility milestone described above and initiates subsequent efforts to engage the development community, being advanced via two Board resolutions described below:

Resolution 20-098: Positive Determination of the Feasibility Milestone and Authorization to Solicit Interest in Potential Redevelopment of the 325 Blake Road Site:

As the MCWD and City continue their shared commitment to coordinated policies, planning and development processes for the Project, a key step in this effort was to develop a shared understanding of the development potential for the Project. As such, MCWD and its advisors prepared a dynamic evaluation model, as part of the aforementioned Financial Framework Dynamic Evaluation, to demonstrate the overall financial framework for various development scenarios for the Project. This evaluation incorporated a combination of comparable projects from the market and assumptions on key development elements such as density, land value, tax increment financing and other parameters.

The dynamic evaluation model was presented to the Liaisons on October 8, 2020. Following the presentation and discussion, the Liaisons directed the Staff Coordination Team and its advisors to further explore the likely influence of key development variables on the successful delivery of the shared vision set forth by the partners. The Liaisons also directed the Staff Coordination Team to report back to the Liaisons in preparation for a recommendation to the MCWD Board of Managers and City Manager regarding the feasibility of the project.

Subsequently, the Staff Coordination Team and its key advisors met multiple times to discuss the financial framework, key variables and market comparable projects for the Project. This data and subsequent conversations confirmed shared acknowledgement of key variables that present challenges for a development program for the Project that will achieve the City and MCWD's vision for the property, satisfy a development partner and optimize any gap funding needed to achieve those objectives. Specifically, the partners discussed the potential financial gaps associated with the key development variables and agreed that flexibility will be paramount to make the Project economically-feasible and help deliver the MCWD and City's shared development vision for a demonstration quality Project.

The key variables identified as most influential to the success of the development are:

- Land price
- Density
- Infrastructure and parking
- Affordability
- Park dedication
- Tax increment financing

The Staff Coordination Team and its advisors used the dynamic evaluation model and market comparable projects to explore the potential influence of each of these key variables and develop a shared understanding of how a successful project will most likely be delivered on the site.

On November 18, 2020 the Liaisons reconvened to discuss the Financial Framework Dynamic Evaluation process and feasibility milestone. The conversation not only confirmed the partners' shared acknowledgement of key variables and challenges, but affirmed the City and MCWD's understanding of the potential financial gaps associated with delivery of the development vision and both parties' flexibility in exploring public funding mechanisms to address the gaps and help deliver the Project.

At the December 17, 2020 Board meeting, staff will present the Liaison's unanimous recommendation that the Board of Managers approve resolution 20-098, finding a positive determination of the feasibility milestone and authorizing the Staff Coordination Team, in coordination with its key development and design advisors, to solicit interest in redevelopment of the 325 Blake Road site.

Resolution 20-099: Authorization to Enter into a Redevelopment Advisory Services Agreement with Shenandoah Consulting Group, LLC:

As part of the redevelopment planning process, the cooperative agreement outlines the steps to be utilized to engage the development community in search of a development partner. The process includes phases such as solicitation of the development community through a letter of interest (LOI), introductory developer roundtables to discuss the Project vision and MCWD's design process, a request for proposals based on roundtable conversations, developer interviews and site tours, and eventually a design charrette process and preliminary development agreement with the selected development partner.

To effectively engage the development community and position the site to deliver the MCWD and City's vision and goals, MCWD seeks assistance from an advisor with real estate expertise and a strong understanding of the development community in the Twin Cities metro area. Chuck Lutz of Shenandoah Consulting Group, LLC (Shenandoah), is the former deputy director of Community Planning and Economic Development (CPED) for the City of Minneapolis, is a demonstrated expert in this field and has previously assisted MCWD as a short-term advisor in land-use and development consultation. With the experience Shenandoah brings on complex, transformative, highly visible, and sometimes controversial development projects for Minneapolis – including projects such as Target Center and Downtown East – Mr. Lutz has established himself as a reputable and respected development advisor and manager with the proven qualifications to complete the most difficult transactions.

Further, Shenandoah has developed a strong understanding of this site, the goals of MCWD within the Minnehaha Creek Greenway and the vision for the community at large, making it a strong asset in assisting with not only the selection of a development partner, but also in the process of working towards negotiation and transaction on the site. Shenandoah has also been working with staff and MCWD's financial and market advisors of Donjek and Maxfield Research to strengthen the Financial Framework Dynamic Evaluation process.

MCWD governance policies (Policy #6: Executive Limitations) state that the Administrator will not enter into a professional services contract exceeding \$25,000 without using a competitive process. For the reasons outlined above, the Administrator affirms that Shenandoah is uniquely qualified and recommends that the Board proceed without a competitive selection process.

As described in the attached Scope of Work, Shenandoah Consulting Group, LLC will provide advisory services throughout the entirety of the developer engagement process. The contract will initiate with the letter of interest (LOI) request, and will continue throughout the developer selection process, developer agreement process, and land entitlement process. This work will be completed in close consultation with MCWD's real estate counsel to ensure consistency throughout periods of negotiation and optimize the redevelopment process based on the ambitious schedule of the partners.

Shenandoah has proposed work at an hourly rate through the completion of a transaction on the property and is not proposing a commission based structure for completion of a deal, thus maintaining a strong level of objectivity through the selection of development partner. This ensures the developer will be selected based on its merit and fit with the vision of the MCWD and City, and ability to deliver a successful site as part of the vision set forth for the Minnehaha Creek Greenway and Blake Road Corridor.

At the December 17, 2020 Board meeting, staff will present the scope of work for Shenandoah Consulting Group, LLC, to the Board and answer questions regarding the developer engagement process. It is staff's recommendation that the Board of Managers approve resolution 20-099, authorizing a redevelopment advisory services agreement with Shenandoah Consulting Group, LLC.

Attachments:

1. Draft scope of services for Shenandoah Consulting Group, LLC



RESOLUTION

Resolution number: 20-098

Title: Positive Determination of the Feasibility Milestone and Authorization to Solicit Interest in Potential Redevelopment of the 325 Blake Road Site

- WHEREAS in 2011 the Minnehaha Creek Watershed District (MCWD) acquired the 325 Blake Road property (Site) in the City of Hopkins (City) for water resource purposes including stream restoration, regional stormwater management, and corridor habitat and passive recreation improvements, and for the opportunity to integrate these purposes with the public purposes of other bodies;
- WHEREAS the MCWD Board of Managers has adopted a policy “In Pursuit of a Balanced Urban Ecology,” establishing MCWD’s fundamental philosophy and way of doing business, including joining with others to pursue watershed management goals integrated with land use planning; intensifying and maintaining focus in high priority areas; and being flexible and adaptive to new ways of doing business with partners, to effectively leverage assets;
- WHEREAS the MCWD has moved forward in planning and construction of regional stormwater infrastructure, Minnehaha Creek Greenway expansion planning, site facility decommissioning and demolition, environmental remediation and preliminary redevelopment;
- WHEREAS in January 2020, the Board of Managers agreed to advance a joint partnership exploration with the City and committed to the following needs of the partnership in order to effectively move forward:
- Engagement: align the partner agencies at the policy-maker level to ensure clarity of roles and expectations;
 - Process: develop a clear written process that defines the partnership and steps for effectively moving the project forward;
 - Financials: develop a valuation tool to explore the range of values associated with the flexible nature of potential redevelopment programs on the site.
- WHEREAS to ensure alignment at the policymaker level and articulate a process that would move the partners towards an integrated project, the MCWD and City developed a Joint Liaison Group comprised of two Hopkins City Council members and two MCWD Board Managers, and reaffirmed the benefits of partnering on planning for redevelopment with the following principles for partnership:
- Open communication at all levels;
 - Continuous and deep involvement from the joint liaison;
 - Expert involvement to provide a solid financial and technical foundation.
- WHEREAS in August 2020, the Board of Managers approved a cooperative agreement with the City to advance redevelopment planning for the site, integrating water resource objectives with land use planning and articulating the steps for advancing redevelopment coordination for the site, including community engagement, communications, financial analysis via a feasibility milestone, developer selection process, preliminary development agreement, concept development and final development agreement processes;
- WHEREAS the cooperative agreement identifies the completion of a feasibility milestone as an early step in the process as a Board determination of the project’s viability based on the partners shared understanding

of the financial model and key variables that influence project success, and as such, the MCWD contracted with experts in development financial modeling and market analysis to create a “Financial Framework Dynamic Evaluation” tool for use by the partners;

WHEREAS in September 2020, the Board of Managers reviewed the Financial Framework Dynamic Evaluation tool and advised the Board liaisons to continue conversations with the Joint Liaison Group in order to create a shared understanding of the market influences on successful delivery of the site;

WHEREAS on October 8, 2020, the Financial Framework Dynamic Evaluation was presented to the Joint Liaison Group, which directed the Staff Coordination Team to further explore the likely influence of key development variables on the successful delivery of the shared vision set forth by the partners and to report back with additional analysis and a recommendation;

WHEREAS on November 18, 2020 the Joint Liaison Group reconvened to discuss the Financial Framework Dynamic Evaluation process and feasibility milestone, and confirmed the partners’ shared acknowledgement of key variables and challenges, while affirming the City and MCWD’s understanding of the potential financial gaps associated with delivery of the development vision and both parties’ flexibility in exploring public funding mechanisms to address the gaps and help deliver the project;

WHEREAS the Joint Liaison Group unanimously voted to advance a recommendation to the MCWD Board of Managers and City Manager that the partners make a positive determination of the feasibility milestone and authorize the Staff Coordination Team to initiate the developer engagement process;

WHEREAS on December 3, 2020, in a parallel effort to the Financial Framework Dynamic Evaluation process, the Board of Manager selected HDR, Inc. for design and engineering services for the schematic design of 325 Blake Road Regional Stormwater and Greenway project, including an approved scope of work that includes development scenario planning to assist MCWD in determining a balance of public and private uses on the Site, as viewed through a “triple bottom line” analysis, and support in engagement of the development community to most effectively achieve a realistic, integrated site design;

NOW, THEREFORE, BE IT RESOLVED that the Minnehaha Creek Watershed District Board of Managers hereby makes a positive determination of the feasibility milestone set forth in the cooperative agreement and authorizes initiation of the developer engagement process through a letter of interest solicitation for potential redevelopment of the 325 Blake Road site.

Resolution Number 20-098 was moved by Manager _____, seconded by Manager _____. Motion to adopt the resolution ___ ayes, ___ nays, ___ abstentions. Date: 12/17/2020

Secretary Date: December 17, 2020



RESOLUTION

Resolution number: 20-099

Title: Authorization to Enter into a Redevelopment Advisory Services Agreement with Shenandoah Consulting Group, LLC

WHEREAS in 2011 the Minnehaha Creek Watershed District (MCWD) acquired the 325 Blake Road property in the City of Hopkins (City) for water resource purposes including stream restoration, regional stormwater management, and corridor habitat and passive recreation improvements, and for the opportunity to integrate these purposes with the public purposes of other bodies;

WHEREAS the MCWD Board of Managers has adopted a policy “In Pursuit of a Balanced Urban Ecology,” establishing MCWD’s fundamental philosophy and way of doing business, including joining with others to pursue watershed management goals integrated with land use planning; intensifying and maintaining focus in high priority areas; and being flexible and adaptive to new ways of doing business with partners, to effectively leverage assets;

WHEREAS the MCWD has moved forward in planning and construction of regional stormwater infrastructure, Minnehaha Creek Greenway expansion planning, site facility decommissioning and demolition, environmental remediation and preliminary redevelopment;

WHEREAS in August 2020, the Board of Managers approved a cooperative agreement with the City to advance redevelopment planning for the site, integrating water resource objectives with land use planning and articulating the steps for advancing redevelopment coordination for the site, including community engagement, communications, financial analysis via a feasibility milestone, developer selection process, preliminary development agreement, concept development and final development agreement processes;

WHEREAS upon a positive determination of the feasibility milestone set forth in the cooperative agreement, the partners will initiate a developer engagement process through solicitation of letters of interest in potential redevelopment of the site;

WHEREAS to effectively engage the development community and position the site to deliver the MCWD and City’s vision and goals, MCWD seeks assistance from an advisor with real estate expertise and a strong understanding of the development community in the Twin Cities metro area;

WHEREAS Chuck Lutz of Shenandoah Consulting Group, LLC (Shenandoah), is the former deputy director of Community Planning and Economic Development (CPED) for the City of Minneapolis, is a demonstrated expert in this field, has previously assisted MCWD as a short-term advisor in land-use and development consultation, and has experience delivering complex, transformative, highly visible, and sometimes controversial development projects for Minneapolis – including projects such as Target Center and Downtown East – establishing Mr. Lutz as a reputable and respected development advisor and manager with the proven qualifications to complete the most difficult transactions;

WHEREAS Shenandoah has proposed work at an hourly rate through the completion of a transaction on the property and is not proposing a commission based structure at the close of a potential land sale, thus maintaining a strong level of objectivity through the selection of a development partner and ensuring

the developer is selected based on its merit and fit with the vision of the MCWD and City, and its ability to deliver a successful site as part of the vision set forth for the Minnehaha Creek Greenway and Blake Corridor;

WHEREAS MCWD governance policies specify a competitive process for selection of professional services for a scope exceeding \$25,000, however Shenandoah Consulting Group, LLC has developed a strong understanding of this unique site, the goals of the MCWD within the Minnehaha Creek Greenway and the vision for the community at large, making the firm uniquely qualified to assist with selection of a development partner and positioning the firm as a key advisor throughout the developer agreement process and land entitlement process;

NOW, THEREFORE, BE IT RESOLVED that the Minnehaha Creek Watershed District Board of Managers hereby authorizes the District Administrator, on advice of counsel, to enter into a contract with Shenandoah Consulting Group, LLC for redevelopment advisory services in the amount of \$50,000, and authorizes the Administrator to execute change orders in his discretion up to an additional 10% of the proposal fee, for a not-to-exceed amount of \$55,000.

Resolution Number 20-099 was moved by Manager _____, seconded by Manager _____. Motion to adopt the resolution ___ ayes, ___ nays, ___ abstentions. Date: 12/17/2020

Secretary Date: December 17, 2020

Shenandoah Consulting Group LLC
Draft Scope of Services for Minnehaha Creek Watershed District's
325 Blake Road Restoration and Redevelopment Project

Project Description:

Minnehaha Creek Watershed District (MCWD) owns the 17-acre site located at 325 Blake Road (Site) in Hopkins and is currently coordinating with the City of Hopkins to redevelop the property. MCWD acquired the Site in a spirit of collaboration with the City in light of its potential to integrate a restored Minnehaha Creek and become a transit-oriented, mixed-use development near a future station of the Southwest Light Rail Transit line. The partners recently executed a cooperative agreement rooted in a desire to coordinate their policies, planning, and development process in order to maximize project success in achieving their mutual goals.

In accordance with the cooperative agreement, MCWD seeks development advisory services to guide the parties towards the successful selection of a development partner. To achieve this, Shenandoah Consulting Group, LLC (Shenandoah), will assist in the developer selection process, developer agreement process, and land entitlement process set forth in the cooperative agreement between MCWD and the City of Hopkins.

To achieve this effort, Shenandoah will complete the following tasks, at the direction of the MCWD Contract Manager:

- 1) Letter of Interest (LOI) Process
 - a) Prepare a draft LOI for both open invitation to developers and to the list of qualified and experienced developers
 - b) Review list of qualified and experienced developers to receive LOI; recommend additions/deletions
 - c) Prepare an evaluation tool for the Staff Coordination Team to evaluate LOIs
 - d) Assist MCWD in review of developer submissions and provide a recommendation of qualified developer for advancement into the proposal process
 - e) Developer meetings
 - i) Advise MCWD on a developer engagement approach (e.g. individual meetings vs. all potential developers together) that provides for introduction to development firms and aligns with MCWD's design process (i.e. Preliminary Development Scenarios)
 - ii) Develop draft of a common set of information to be shared
- 2) Listening Session
 - a) Participate as MCWD development advisor in the design team listening sessions for scenario planning and conflict resolution (as described in HDR's scope of work)
- 3) Proposal Process
 - a) Prepare a draft RFP or other documents necessary to assist in the selection of a developer
 - b) Participate in preliminary developer roundtable interviews with the City and MCWD design team
 - c) Prepare an evaluation tool for review of initial proposals, in alignment with the design team analytical tool
 - d) Review initial proposals; share comments with MCWD contract manager
 - e) Based on preliminary reviews, prepare draft comments and requests for information from the Staff Coordination Team to be shared developers
 - f) Review final proposals; share comments with MCWD contract manager and Review Committee
 - g) Assist with structuring developer interviews and potential site tours

- h) Participate in interview process and provide a recommendation to the Review Committee for Joint Board/City Council consideration
- 4) Design Charrette
 - a) Upon selection of a development partner, participate in design charrette process (as described in HDR's scope of work)
- 5) Development Agreements
 - a) Support MCWD's legal counsel in representing the MCWD's financial, legal, and reputational interests in negotiations with the City, developer, and other third parties through the development agreement process up to and including a purchase agreement
 - b) Advise MCWD on the development review process, including MCWD's partnership with the City, to optimize the redevelopment process (i.e. agreements, planned unit development)
 - c) Review and edit initial letter of intent, term sheet and/or preliminary development agreement, as developed in coordination with MCWD legal counsel
 - d) Review and edit final development agreement and related documents as needed
- 6) Other
 - a) As applicable, work with an appraiser on the parameters of the appraisal process for the land
 - b) Monitor the due diligence process as the selected developer proceeds with site investigation and other associated work, as agreed to in a preliminary development agreement
 - c) Assist in identifying outside funding sources and review coordination efforts between MCWD, City and Developer in pursuit of potential funding opportunities (i.e. grant applications)
 - d) Participate in meetings and assist with other tasks as directed by the MCWD contract manager

Shenandoah Compensation:

Shenandoah will complete the aforementioned tasks at an hourly rate of \$150, with a not-to-exceed budget of \$50,000. Shenandoah will provide services through the completion of a transaction on the property and is not proposing work under a commission based structure.