

February 14, 2021

Markella Smith, Executive Director
McKinley Community
Via email at markellalsmith@gmail.com

RE: Upper Harbor Terminal – Proposed Community Benefits Agreement terms

Dear Markella,

The Upper Harbor development team is pleased to submit the following Term Sheet to the McKinley Community (“MC”), which describes the general terms and conditions for a proposed Community Benefits Agreement (“CBA”):

PURPOSE

The purpose of this term sheet is to set forth the key business terms to be included in a Community Benefits Agreement (“CBA”), which will outline a coordinated effort to maximize the Project’s benefits to the North Minneapolis Community.

For each individual parcel, the City of Minneapolis (“City”) and the Developer(s) will execute a Redevelopment Agreement and a Ground Lease, which will contractually obligate the developers and City to a series of land use obligations, financial terms, and community benefits, as outlined in the Coordinated Plan. In the case of the CPAC, the City and FA will execute a Redevelopment Agreement and a Use Agreement between the City and the Operating Entity of the Venue.

To memorialize those benefits outlined by the Development Team in the Coordinated Plan that cannot be included in the City Redevelopment Agreement, Ground Lease, or Use Agreement, First Avenue and United Properties propose to execute a Community Benefits Agreement with MC as the neighborhood that has official standing with the City for the UHT project. It is anticipated that upon selection of the Community Entity and the completion of any agreements between the Community Entity and the Development Team that the Community Entity would become a party to the CBA. It is the intent that the CBA Term Sheet be executed in February 2021, for the MC to facilitate continued community input into the selection of the Community Entity following the proposed receive & file date for the UHT Coordinated Development Plan on February 26, 2021.

DEFINITION OF COMMUNITY

For the purposes of the Project and the CBA, the Northside Community is defined as:

- People who have a vested stake in the outcomes of the development of the Upper Harbor, specifically American Descendants of Slavery (ADOS) and Black, Indigenous and People of Color (BIPOC) individuals,
- Those living nearest to the project site,
- Those in historically marginalized communities who typically experience displacement due to unfair banking practices (predatory lending & red lining),
- Low- and medium-income individuals who have been forced out due to increased rents,
- Those who experienced displacement due to the 2011 tornado, and
- Those who also experience cultural disruption resulting from public and private investments.

Throughout this document, the word “Community” will be capitalized to refer readers back to this definition.

PARTIES

Development Team (“The Developer(s)”):

- United Properties (“UP”)
- George Group North (“GGN”)
- First Avenue (“FA”)

Neighborhood: McKinley Community (“MC”)

Community Entity: TBD (“CE”)

PROJECTS

Phase 1:

- Parcel 1B: 75 affordable housing rental units, 15 for-sale housing units, and 15,000 square feet ground floor commercial
- Parcel 6A: 170 affordable housing rental units, 17 for-sale housing units, and 20,000 square feet ground floor commercial
- Parcel 3: 10,000 seat Community Performing Arts Center (“CPAC”)
- Parcel 5: 100-127,000 square feet manufacturing, production, and processing

Phase 2:

- Parcel 1A: 78 senior housing units (affordability and/or for-sale strategy TBD)
- Parcel 4: 56,000 square feet food production and processing, plus approximately 40-50,000 square foot rooftop food production
- Parcel 6B: Health and Wellness Community Hub (final size and program TBD)
- Parcel 7A: 80-150 housing units and 15 for-sale housing units (density and affordability TBD), and 10,000 square feet ground floor commercial, 420 district parking stalls (approximately 150 stalls for housing and 270 stalls for Health and Wellness Community Hub)
- Parcel 7B: Land Use and Program TBD

**OBLIGATIONS OF
NEIGHBORHOOD
ASSOCIATION**

Neighborhood Support: MC shall, at or prior to the final approval of the Coordinated Plan and any term sheets or Phase 1 redevelopment agreements, formally inform the City of their support of the project.

Refrain Opposition: MC shall refrain from expressing any opposition to development of the Project(s) or to the Project(s) entitlements, in any public forum, including comments to the media, and in any private conversations or meetings with elected or appointed governmental officials with any role in Project approvals.

Joint Public Statement: In collaboration with the Development Team, MC shall jointly participate in a public statement, announcing the Development Team's commitment to the CBA and the MC's support for the CBA.

DRAFT

COMMUNITY BENEFITS TERMS

ECONOMIC INCLUSION, JOBS, & CAREERS

Outreach and Recruiting of Community Businesses: The Developer(s) will engage community-based organizations to assist in promoting awareness of the Project and opportunities for local labor workforce development and business participation.

Metric: Minimum of 3 outreach meetings in collaboration with a community-based organization shall be scheduled in the 12 months preceding the construction of Phase 1 and Phase 2.

Support of Community Businesses: The Developer(s) will submit a plan for incorporating innovative lease terms and rent structures to successfully attract and sustain small Community businesses, including involvement by a Community Entity (CE) either as an advisor, partner, or owner of the commercial space(s).

Project Labor Agreement: The Development Team will form a Project Labor Agreement (PLA) task force, consisting of a proposed collaboration of perspectives, including the City, union trade representatives, workforce development, and other qualified Community and economic inclusion representatives—to create a best practices model that intersects the inclusion of union labor participation while providing benefits to the community, and more specifically addressing:

- i. Achieving the highest possible levels of MBE and minority workforce participation
- ii. The use of union construction labor on the project
- iii. Jobs and training opportunities for disadvantaged workers
- iv. Pipeline agreements with Community-based organizations
- v. Local advertising requirements for open job opportunities
- vi. The ratio of apprentice and journeyman opportunities
- vii. Carve-outs for small or minority-owned businesses.

The task force will create a recommendation that becomes a foundation for the negotiation of a PLA once the general contractor is selected.

Deliverable: A PLA which includes a letter of support from task force.

Predevelopment Professional Contracts: The Development Team will collaborate and contract with community-based organizations to maximize job opportunities and vendor opportunities.

Metric:

- A minimum of 50% of the contract values for predevelopment professional services shall be with MBE/WBE-owned businesses.
- 75% of Phase 1 Projects designed by BIPOC architectural firms.

CPAC Operations and Reporting on Local Hiring: First Avenue will provide to MC 30 days prior to each calendar year end the following information:

- i. Number of employees directly hired by FA,
- ii. hourly wage range for the job type or position,
- iii. and indication of how many direct hire employees were hired from North Minneapolis and such employees' zip codes,
- iv. Development of a Career Pathways program in the music industry for Northside and BIPOC youth.

Metric:

- *Sub-contracting and hiring goals to invest in communities of color and women owned businesses.*
- *Community entrepreneurs purchasing priority.*
- *Hiring about 70 Step-Up interns each year*
- *Partnership with Minneapolis schools to promote music education and programming.*

**WEALTH
CREATION &
COMMUNITY
OWNERSHIP**

Community Entity Selection Process: The development team will issue a Request for Qualifications to select a CE that can serve as the community partner(s) for the CPAC ownership, Ground Floor Commercial Space, and the Health and Wellness Community Hub. To facilitate transparency in the selection process, MC will nominate up to four (4) representatives to the CE Selection Task Force, which along with representatives of the Development Team will analyze submissions to the RFQ and make recommendations for which respondents will make a public presentation to the neighborhood organization(s). The CE Selection Task Force will utilize the RFQ and the selection criteria developed by the Development Team and the UHT Collaborative Planning Committee. The Task Force will make a recommendation to the Development Team of a Community Entity or Entities based on organizational and financial capacity, community accountability, and cultural competence which would include BIPOC leadership and community representation, but which will not preclude start up entities. The Development Team will make all final selections of the Community Entity and negotiate all agreements.

Metric: RFQ to select Community partner.

Community Entity as Future Party to the CBA: Upon selection of the Community Entity and approval by the signatories of the CBA, the Community Entity would sign on as a named party to the CBA Agreement.

CPAC Facility/Structure Ownership: Per the terms that will be established in the Redevelopment Agreement between the City of Minneapolis and First Avenue for the Community Performing Arts Center, First Avenue will form a new limited liability structure will own the CPAC facility/structure (FA+CE), with the following ownership stakes: First Avenue (51% with four (4) board members) and the Community Entity (49% and three (3) board members). In addition to having a 49% ownership in the facility/structure, the Community Entity would also be responsible for:

- i. Receiving the \$3.00 per paid ticket fee surcharge that First Avenue is committing to in a CBA.
- ii. Managing and deploying the use of ticket fees towards wealth building activities that benefit historically marginalized communities that have been the target of redlining processes.
- iii. Providing a Community voice and decision-making input regarding which artists are brought into the venue for up to 40 free events per year.
- iv. Providing a Community voice and decision-making input regarding the selection of any on-site food & beverage providers.
- v. Providing community guidance and accountability for First Avenue initiatives related to developing employment opportunities with career ladders in the music industry and creating youth inclusion, involvement & leadership opportunities.

Dedicated UHT Ticket Fee and Community Fund Deployment: FA will charge a \$3.00 per paid ticket fee to be held in a dedicated Community Fund to support economic development, anti-gentrification, and/or anti-displacement initiatives. In addition to having a 49% ownership in the facility/structure, the CE would also be responsible for:

- i. Managing and deploying the use of ticket fees.
- ii. Providing a Community voice and decision-making input regarding which artists are brought into the venue for Community events.
- iii. Providing Community guidance and accountability for FA initiatives related to developing employment opportunities, career pathways, youth inclusion, involvement & leadership opportunities.

Metric: The Redevelopment Agreement and Use Agreement will stipulate the terms of the Ticket Fee requirement, auditing, and inflationary requirements.

Ground Floor Commercial Space: The housing developments developed on Parcels 1B and 6A will have up to 35,000 SF of ground floor commercial space which will be owned separately from the housing due to financing restrictions. Through the Community Entity Selection Process, the Development Team will identify a CE that will:

- i. maintain an ongoing advisory role or have a level of ownership of the ground floor commercial space in Parcels 1B and 6A,
- ii. create and execute a commercial leasing plan that will meet the UHT wealth building and economic inclusion goals, and
- iii. work collaboratively with the developer of the housing projects.

Metric: RFQ process to select Community Entity partner and role.

Health and Wellness Community Hub: Parcel 6B shall be designated for a future Community Health and Wellness Center. GGN will lead the project vision, program, and design in collaboration with strategic Community partners, to

ensure the operations are aligned with the Community’s vision for health and wellness services.

Metric: Deliver business model, program partners, and final development plans for parcel 6B.

Community Entity as Future Party to the CBA: Upon selection of the CE and approval by the signatories of the CBA, the CE would sign on as a named party to the CBA and would take over responsibility of oversight and enforcement of the CBA terms.

ANTI-DISPLACEMENT & ANTI GENTRIFICATION

Community Priority and Preference Policies: In addition to compliance with the City’s Housing Preference Policy, the housing developers will:

- i. institute a housing lottery and selection criteria that prioritizes housing units for qualified residents that meet the definition of Community, as defined in the UHT Coordinated Development Plan
- ii. Hire an ADOS realtor with experience in over outreach to Community Members.

Anti-Displacement Research Support: United Properties shall contribute \$25,000 for a professionally prepared study (UROC or other alternative) that will (1) study the effects of new construction and rising land values on North Minneapolis Zip Codes over the past ten years, (2) create a baseline to understand the impact of UHT, and (3) recommend specific policy and property tax measures to encourage investment while protecting long-term, Low-Income Local Residents from displacement.

Metric: Anti-Displacement Research scope and organization to be identified and completed prior to Phase 1 groundbreaking.

Discounted Tickets for Northside Youth: To ensure the affordability of events to the Community, First Avenue will commit to offering highly discounted ticketing for Northside youth through Tickets for Kids.

AFFORDABLE HOUSING

Phase 1 Affordability Strategy: The UHT CPC recommended that affordability levels in the first phase of the development be attainable for current Northside residents. UP and GGN intend to create a joint venture partnership to develop the affordable housing on Parcels 1B and 6A. To deliver on the affordability strategy, the development team intends to apply for the City of Minneapolis Affordable Housing Trust Fund, Tax Increment Financing, and private loans. Additionally, to achieve the deeper level of affordability and to maximize the number of units attainable at North Minneapolis AMI, the development team will seek project-based Section 8 as well as gap funding from local government or philanthropic sources.

Metric: 65% of the units affordable to those with household incomes at or below 50% of the Area Median Income and 33% affordable to incomes between 50-70% AMI.

Phase 2 Affordability Strategy: The Developer voluntarily agrees to engage MC and CE on proposed affordability strategies under consideration for Phase 2 Housing Parcels, including the potential impact on displacement and gentrification, prior to submitting official plans to the City for review.

Homeownership Affordability: The Developer intends to seek a mixed-income and mixed-affordability strategy for the home ownership units on Parcels 1B and 6A. To achieve deeper levels of affordability, the Developer will likely need to engage with non-profit partners, seek Tax Increment Financing, and/or other sources of gap financing to achieve attainable affordability levels for Community Residents.

Metric: Minimum of 20% of the for-sale housing units shall be delivered at affordable sale prices. Final affordability levels and equity requirements to be outlined in the Redevelopment Agreement and Ground Lease Agreements.

**ENVIRONMENTAL
JUSTICE &
SUSTAINABILITY:**

Environmental Benchmarks: The Projects will achieve U.S. Green Building Council’s LEED for Cities and Communities designation (minimum Silver). LEED for Cities and Communities is a global rating system and certification program for evaluating the sustainability and quality of life in a city or community. The following lists the prerequisite requirements to achieve the LEED certification:

- i. Integrative Planning/Design Process - Assemble an interdisciplinary, cross-departmental team to develop a comprehensive plan of the vision, mission, key goals, and objectives.
- ii. Ecosystem Assessment - Document an ecosystem assessment including topography, soils, vegetation and habitat, hydrology, and aquatic ecosystems.
- iii. Construction Activity Pollution Prevention - Create and implement an erosion and sedimentation control plan for all construction activities.
- iv. Green Spaces - Provide a minimum of 121 square feet per person of green space; 90% of dwelling units must have a green space within ½ mile walkable distance.
- v. Integrated Water Management - Demonstrate that the ratio of water withdrawals for human use to the total freshwater resources is less than 0.2, develop an integrated water management process including a water balance statement.
- vi. Water Access and Quality - 100% coverage of all buildings with direct water supply and wastewater collection; uphold national standards for water quality.
- vii. Power Access, Reliability, & Resiliency - 100% of buildings have electricity, through systems that are resilient against equipment damage, flooding, storms, and other external events.
- viii. Energy & GHG Emissions Management - Estimate the annual greenhouse gas emissions and energy performance of the community (including buildings, transportation, street lighting, water, waste) – it may not exceed 9.5 tons CO2 per capita.

- ix. Construction & Demolition Waste Management - Develop a construction and demolition (C&D) waste management plan; commit to divert a minimum of 35% of C&D waste from all infrastructure construction.
- x. Solid Waste Management - 100% of all buildings are covered by waste collection services, including recycling, organics, and solid waste. Estimate annual waste generation and diversion.
- xi. Demographic Assessment - Provide a comprehensive demographic plan describing the population demographics and housing characteristics of the area.
- xii. Social Infrastructure - Provide social infrastructure to meet baseline requirements for education, healthcare, community development, and safety/security facilities and services.

Metric: Minimum LEED Silver designation for each Project.

Open-Sourced Net Zero and Carbon-Neutral Feasibility Research: The Developer will complete and open source a feasibility study for achieving Net Zero and Carbon-Free projects on the site.

Metric: Release feasibility study upon completion.

MOBILITY & PUBLIC SPACE

Promoting Enhanced Transit Service: The Development Team will continue advocating with Metro Transit, the City, and County to expand mobility options in North Minneapolis.

Local Artist Involvement: Developer will contract with a cultural consultant, local non-profit arts organization, or other Community-based organization to develop a plan and opportunities for local artist participation in the Project's design and/or public realm activation.

Metric: Release feasibility study upon completion.

REPORTING

Quarterly Reports (Pre-Construction Phase): Starting with the commencement of UHT Coordinated Development Plan approval and continuing until the issuance of a building permit for any Phase 1 Project for any residential or commercial space in the Project, the Developer shall deliver MC a written quarterly report updating MC on the status of the CBA draft and deliverables, including status of pre-construction contracts with Community organizations, task force deliverables (as outlined in this document), and other pertinent updates regarding the Phase 1 Project planning and approvals. The first such report shall be due 3-months after the UHT Coordinated Development Plan approval by the City, or at a mutually acceptable date.

Quarterly Reports (Construction Phase): Starting with the commencement of construction of Phase 1 and continuing for one-year after the first certificate of occupancy is received for any residential or commercial space in the Project, the Developer shall deliver MC a written quarterly report regarding compliance with

the CBA. The first such report shall be due 3-months after the commencement of Phase 1 construction.

Annual Reports (Operating Phase): Thereafter, the Developer shall give the MC's Representative annual reports regarding compliance with the Agreement. The reports shall be due no later than the end of the first quarter of the successive year.

The Quarterly or Annual Reports shall contain sufficient information for the MC's representative to be able to determine whether the Developer follows the obligations of the CBA.

Annual Reports (UHT Ticket Fee Fund):

- i. Ticket fees will be deposited by First Avenue into a dedicated account held by the CE to on a quarterly basis within thirty days of the end of the quarter.
- ii. First Avenue will publicly release an audit of total tickets sold on an annual basis (within 30 days of the end of the calendar year) and the ticket fee paid to the CE.
- iii. MC/ CE will release annual reports of the programs supported through the ticket fee fund.

**ADDITIONAL
TERMS:**

The CBA shall contain additional terms that describe definitions, representations, warranties, transfer of interests, as well as appropriate legal mechanisms for enforcement, disputes, default, and remedies.

NON-BINDING

The Development Team and MC shall each have no obligation or liability relating to this document or to any verbal or written negotiations, discussions, or correspondence. However, upon acceptance of this CBA Term Sheet, the Parties agree to work in good faith to successfully execute a CBA prior to the Phase 1 Project approvals.

Accepted this _____ day of _____ 2021.

MC

DEVELOPMENT TEAM

McKinley Community

_____ (Company)

By: _____

By: _____

Its: _____

Its: _____

_____ (Company)

By: _____

Its: _____

_____ (Company)

By: _____

Its: _____

