**REQUEST FOR PROPOSALS (RFP)**

**Prime Development/Creative Opportunity**

**Lester Park Golf Course**

**City of Duluth, MN**

**August 8, 2014**

The City of Duluth (the “City”) is seeking proposals from real estate developers or others for all or part of the property known as the Lester Park Golf Course (Golf Course). The Golf Course is a 268 acre property located at 1860 Lester River Road, Duluth, MN 55804 in the eastern side of the City and is situated near the popular Lester Park and the beautiful Lester River. This property is known for its spectacular scenery, rich history, and impressive views of Lake Superior.

The Golf Course, established in the 1930s, is a City-owned and privately managed and operated 27 hole golf course with a 4,400 square foot clubhouse. The City is now seeking a qualified developer to purchase and develop all or a portion of the 268 acres to provide new commercial and housing opportunities to meet the projected need of approximately 4,400 housing units based on the *Workforce Housing Needs in Duluth* report completed by Maxfield Research in April 2014. Proposals may or may not retain operation of some or all of the existing golf course. Proposals that include a continued golf operation may stipulate Developer ownership and operation of the course or a hybrid City ownership/Developer operation model in which the Developer would enter into a long-term lease with the City for operation of the course and commit to significant capital investment in the golf facility. It should be noted that all City goals and objectives for the subject property as identified under the section “RFP Objectives” herein apply to all development proposals, whether they encompass only a portion of the subject property or the entirety of the property.

This solicitation is intended to enable the City of Duluth to select the most qualified developer, development team or other qualified entity to develop the 268 acres. Proposal submissions shall consist of both a Statement of Qualifications and a Development Proposal. Specific guidelines for each of these sections of the submission are contained in this RFP document.

This document contains background information regarding the City as well as project details.

**FACTS ABOUT DULUTH**

The fourth-largest city in Minnesota, Duluth has a population of 86,265. Duluth is the second-largest city on Lake Superior's shores, after [Thunder Bay](http://en.wikipedia.org/wiki/Thunder_Bay), [Ontario](http://en.wikipedia.org/wiki/Ontario) in its [Canadian border](http://en.wikipedia.org/wiki/Canada%E2%80%93United_States_border), and has the largest metropolitan area on the Lake. The Duluth Metropolitan Statistical Area ([MSA](http://en.wikipedia.org/wiki/Table_of_United_States_Metropolitan_Statistical_Areas)) had a population of 279,771 in 2010, the second-largest in Minnesota. The combined urban population of Duluth and its adjacent communities — including Proctor, Hermantown, and [Superior, Wisconsin](http://en.wikipedia.org/wiki/Superior%2C_Wisconsin) — totals over 131,000, based on 2010 census figures.

According to Minnesota Department of Employment and Economic Development (DEED) employment data released for the first quarter of 2013, the city of Duluth added 1,540 jobs from the first quarter of 2012 to the first quarter of 2013. The 2.7% quarter to quarter growth rate is significantly higher than other mid-sized Minnesota cities including St. Cloud and Mankato, which saw employment growth of 0.2% and 0.6% respectively, and comparable to Rochester, which grew by 3% during the same period. Job growth in Duluth was driven by gains in professional, scientific, and technical services employment, which grew by 20%, adding 387 jobs; health care and social assistance, which added 366 jobs; and information, which added 180 jobs. Over the next seven years, employment in the Arrowhead region, including Duluth, is projected to grow by 13.1% - slightly higher than state-wide projections of 13% - with significant growth in high-skill jobs in the medical, computer, and engineering fields.

With low unemployment, high demand for labor, and projected employment gains that outpace state-wide projections, Duluth is poised for significant job growth in the coming months and years.

Duluth and the entire Arrowhead region of Minnesota are home to extremely high job vacancy rates, indicating a high demand for labor. Regional vacancy rates for the second quarter of 2013 of 3.8% are considerably higher than the state-wide rate of 2.8%, which was a 12-year high, and there were 63% more job vacancies in the region as compared to the second quarter of 2012. Employers in Duluth and throughout the region need workers and suitable housing for those workers.

**GENERAL INFORMATION**

Enclosed is the Request for Proposals (RFP) document. Statements of Qualifications and Proposals must be received by the City by **2 PM (local time) Tuesday, September 9, 2014**. There will be no formal opening of the proposals.

The City of Duluth adheres to the American with Disabilities Act and will make reasonable modification for access to City services, programs, and activities. Requests must be made at least 48 hours in advance of the event in order to allow the City time to provide the requested services.

The City is requesting six (6) single-sided, 8.5x11 copies of the Statement of Qualifications and Development Proposal and supporting documents, along with a digital PDF version of the submittal packet. All physical copies of proposal submissions shall be delivered to:

City of Duluth

Attn: Dennis Sears, Purchasing Agent

411 W. 1st Street

100 City Hall

Duluth, MN 55802

Proposal submissions mailed but not received by their respective due dates and times cannot be considered no matter what date they were mailed. Fax-transmitted documents or emailed documents will not be accepted. Proposal submissions shall be prepared using the format provided in this request.

Before submitting a proposal submission, the respondents should carefully examine the document specifications. By submission of a proposal, the respondent will be understood to have read and fully informed themselves as to the contents of the RFP documents.

Questions regarding the RFP should be submitted in writing to dsears@duluthmn.gov.

All firms and/or development teams that are interested in participating in this RFP process should email the name of their firm and the primary point of contact (name and email address) to dsears@duluthmn.gov so that your team will be advised of any and all addenda and/or clarifications to the RFP. Interested firms and/or development teams may also request copies of previously completed studies, plans, and other resource documents identified in this RFP by emailing such request to dsears@duluthmn.gov.

Should a respondent find any discrepancies, omissions, ambiguities, or conflicts among the RFP documents, or be in doubt about their meaning, he/she may email a request for correction/clarification to dsears@duluthmn.gov. The City representatives will review such request and, if appropriate, will issue one or more clarifying “Notice to Respondents” which will become part of the RFP documents. The City will not respond to any oral questions or requests for clarification. The last date for the submission of written questions is **2 pm, Thursday, August** **21, 2014** and final responses will be emailed out to all interested parties no later than **4 pm Tuesday, August 26, 2014.**

Respondent shall be bound by their proposal for a term of One Hundred Eighty (180) calendar days from the due date of the proposals. A firm may withdraw a proposal by written request prior to the date and time of the proposal opening.

The City reserves the right to award a single contract or multiple contracts based on the written proposals submitted or to short list the proposals and invite shortlisted firms to make oral presentations. Whichever method is used, the City will negotiate a contract with the top ranked firm(s).

All licenses, permits and certificates required for and in connection with any and all parts of the work to be performed under the provisions of the Agreement shall be secured and maintained by the Respondent entirely at his/her expense.

The contract will be governed by Minnesota law.

Mandatory insurance and indemnification requirements.

(Please Be Sure These Requirements Can Be Met Before Submitting Your Proposal)

Insurance: Respondent shall provide evidence of insurance for all its services provided under the Contract. A Comprehensive General Liability Insurance Policy shall be maintained in force by Proposer throughout the life of the lease agreement in an amount not less than One Million Five Hundred Thousand Dollars ($1,500,000) for bodily injuries and in an amount of not less than Five Hundred thousand Dollars ($500,000) for property damage or One Million Five Hundred Thousand Dollars ($1,500,000) single limit coverage and Workers Compensation Coverage, as required by Minnesota Statutes. Such coverage shall include all Respondent activities occurring on or within said premises whether said activities are performed by employees or agents under contract to Respondent. Such policy of insurance shall be approved by the City Attorney’s Office and shall contain a condition that it may not be cancelled without thirty day (30) written notification to the City of Duluth. The City of Duluth shall be named as an additional insured on said policy of insurance required by this paragraph. The City reserves the right to require Respondent to increase the coverage set forth above and to provide evidence of such increased insurance coverage to the extent that the liability limits as provided in Minn, Stat. Sec. 466.04 are increased.

**RFP OBJECTIVES**

The City is seeking a real estate developer or development team whose project will complement the existing character of the City of Duluth, as well as be generally consistent with the findings of the recent *Workforce Housing Needs in Duluth* report completed by Maxfield Research in April 2014 (the “Maxfield Study”). The development initiative will meet further goals of increasing the supply of quality, safe, market rate housing for persons of all income levels.

Based upon the results of the Maxfield Study, there is a need for workforce/market rate housing for the City’s growing workforce needs. The City is seeking a development plan that consists of workforce/market rate housing and commercial uses which include a range of unit sizes to accommodate a variety of residential living choices and options including retail, office, rental housing, owner-occupied housing, co-operative ownership or any combination of such housing types.

The City will also entertain proposals for a golf course component of the Property if a developer can provide a unique, well thought out and creative proposal for this land that is in keeping with the City’s character and housing needs. This may include, but may not be limited to, such options as the reconfiguration of the existing golf course, with residential and commercial development interspersed. Information about the history and current operations are included with this RPF.

The primary purpose of this RFP process is to identify qualified developers and/or development teams that clearly have the experience, vision and financial capability to design and complete a development plan that is consistent with the City’s vision for the Golf Course site and reduces the financial costs of City’s ownership of the property and/or provides significant fiscal benefits to the City’s tax base in order to ease the property tax burden on City residents.

All Development Proposals should strive, to the greatest extent possible, to meet the following objectives:

* Provides high quality site planning and physical design in a form and style that is appropriate within the context of the surrounding neighborhood and the City in general;
* Constitutes a high quality and marketable product for the City that contributes positively to the City’s tax base. It is strongly preferred that any residential product proposed consist of workforce/market rate housing, at least some of which is priced appropriately for the median income Duluth household;
* Provides for the retention of a substantial open space component (either passive or active open space, or a mix thereof) to reflect the strong desire of the City and its residents to maximize the amount of public open space that can be provided on the subject property;
* Minimizes traffic generation to the greatest extent feasible;
* Promotes energy efficiency in both site and building design; and
* Embodies the elements of sustainable development through, among other features, context-sensitive site design, and the implementation of low impact development best practices.

**PROCESS**

The following list summarizes the expected schedule and process to be followed for this RFP:

* Request for Proposals issued – August 7, 2014
* Deadline for questions – August 21, 2014
* Final written responses/addenda issued – August 26, 2014
* Development proposals due – September 9, 2014
* Oral Presentations. During the evaluation process, the review committee may, at its discretion, request one or more firms to make oral presentations. Such presentations will provide firms with an opportunity to answer any questions the review committee may have on a firm’s proposal. Not all firms may be asked to make such oral presentations.
* Notification of selected proposal and developer – September 16, 2014

**CITY ROLES/RESPONSIBILITIES**

The City will consider undertaking the following as part of a development agreement:

* Make all project-related materials and reports, including previously completed studies, reports and analysis completed for the subject property as outlined herein, available to the selected developer/development team;
* Provide any existing surveys of the subject property;
* Provide guidance to the developer/development team through the development review and permitting processes.

**DEVELOPER’S RESPONSIBILITIES**

The successful developer's/development team’s responsibilities include the following:

* Meeting the City’s current Uniform Development Code found at http://www.duluthmn.gov/planning/current-planning/zoning-regulations/.

Documents that are available upon request include:

o Review all prior reports relating to the project developed by or for the City;

o Detailed financial operations figures for the 27 hole golf course operation from 2010 to 2013;

o Other documents at the request of the developer;

* Make public presentations as needed to inform City residents about the development plans for the subject property;
* Develop the site pursuant to the proposal and development agreement within a reasonable period of time as agreed upon by both the City and the Developer/Development team.

**STATEMENT OF QUALIFICATIONS/DEVELOPMENT PROPOSAL FORMAT**

**PART 1 – COVER LETTER AND INTRODUCTION**

Provide a concise and focused overview to introduce your company and your company’s background. Provide an executive-level summary of the overall statement of qualifications. The lead contact person’s name should be included along with email and telephone contact information.

**PART 2 – STATEMENT OF PROJECT UNDERSTANDING & DEVELOPMENT APPROACH**

* Statement of understanding of the project;
* Brief description of the planned development approach to the site, including land uses and orientation, and the market basis for the concept;
* A statement of the developer’s assessment of the need and likelihood of success of the proposed housing development.
* The submission of initial conceptual plans for both proposed site improvements, dwelling units, and other structures (if appropriate) as part of the development approach discussion; and
* Description of how the project will contribute to the goal of creating a development that achieves the objectives stated previously in this RFP.

**PART 3 – FIRM/TEAM DESCRIPTION**

A development team headed by an experienced developer should be identified, including, as required, an architect, landscape architect, and civil engineer (collectively the design professionals), and as appropriate, a construction consultant, contractor, economic-financial consultant, and marketing/leasing/management company. Depending on the developer’s capabilities, the team may include as few or as many firms as required. For all companies on the team, the following is required:

* Identification of all principal firms to be involved in the project including their roles, responsibilities, and authorities;
* Explanation of the size of each firm and the depth of experience of their personnel;
* Resumes of the key persons who would be responsible for the day-to-day operation of the project, and other key individuals who will be directly involved;
* Identification of any potential conflicts of interest. The developer must identify any principals or investors in the company that are employees of the City government or members of an appointed commission, committee or board. Any principals or investors in the company who are related by blood or marriage to any key employees, elected officials or appointed commissioners must also be identified;
* Description of how the proposed development team and its collective experience will help to ensure a successful project;

**PART 4 – ORGANIZATIONAL STRUCTURES AND WORKLOAD**

* Legal name of development entity and managing entity which will be considered the developer;
* Business form (corporation, partnership, LLC, individual, joint venture, not-for-profit, etc.);
* Date established (for constituent firms if joint venture);
* If the developer is a single-purpose entity, a subsidiary, or an affiliate of any other corporation, list such entity or entities including name, address, relationship to developer, and officers and directors;
* Names, addresses, title of positions, and nature and extent of the interest of the officers and principals, shareholders, and investors of the developer, the development entity, and the parent entities for a single purpose entity;
* The number, location, and magnitude of projects currently on the developer’s work plan for 2014, 2015 and 2016;
* A current estimate of approved, constructed, and unsold units and unleased space by project;

**PART 5 – DEVELOPER/DEVELOPMENT TEAM EXPERIENCE**

Development teams are required to comply with the following minimum level of experience:

* Demonstrated experience in completed projects of similar size and quality as solicited in this RFP;
* Demonstrated financial resources and commitments to both acquire and develop the property (provided in financial statements, evidence of equity and debt financing, etc.);
* Demonstrated commitment to the overall goals of the City and specific land uses and evidence of substantial efforts to comply with the development guidelines stated in this RFP.

**PART 6 – REFERENCES**

* Provide a minimum of three (3) and no more than five (5) recent project references that may have project similarities to the City’s project in scope, complexity, and/or any other distinguishing feature where you anticipate providing comparable service. The recommended format for the project references is a case study format, where the customer/subject is introduced, the project needs are presented, specific challenges are described, and a description of how your company, through its unique capabilities, successfully addressed the challenges and brought their project to resolution. Each reference project must include a project length of time, the approximate total project cost, and the source and description of how the project was financed.
* Provide a minimum of three (3) and no more than five (5) client references. Include their organization name, address, contact person, and contact information as well as a brief description of their project. It is recommended, though not required, to list references associated with the project references.

**PART 7 – SUBMISSION OF DEVELOPMENT PROPOSALS**

The submission of Development Proposals must be of a sufficient level of detail to illustrate the developer's/development team’s proposed concept. It is envisioned that each proposal submitted will include a concise yet detailed narrative fully describing the components, scale and scope of the proposed development of the Property. Conceptual drawings, plans and renderings should be of sufficient scale to permit accurate determination of the probable physical impact of the proposed development, and adherence to the City’s development goals and objectives.

All Development Proposals should include the following:

* Conceptual site plan, showing pedestrian and vehicular circulation and access, as well as site context;
* Proposed development/building programming, including type, size and mix of proposed dwelling units and other uses;
* Renderings and/or preliminary elevations of proposed structures;
* A detailed discussion regarding the proposed measures to achieve the City’s objectives of the subject property as identified under the “RFP Objectives” section of this RFP;
* Detailed estimated development budget;
* A pro forma containing financial projections of construction period and operating revenue, expenses for investment, and/or projections during the construction and sell-out periods of for-sale product;
* Management plans for construction and operation;
* Projected payments to the City for land and structures, clearly indicating the overall price being offered for the property;
* Estimated overall financial benefits to the City, including, but not limited to, site purchase price, property tax revenues, and other revenue streams such as one-time permitting fees; and
* Information on the schedule anticipated by the developer/development team, including timing for site plan development, regulatory approvals, construction activities, and market absorption.

**PART 8 – SIGNED RESPONSES**

The City will only respond to written or emailed questions. All questions (except those regarding confidential financial or legal information) will be responded to in writing or by email and provided to all participating developers and/or development teams.

**SELECTION CRITERIA FOR REVIEW OF PROPOSALS**

The City will evaluate the Development Proposals based on the following criteria:

* Developer/development team responsiveness to this RFP and demonstrated understanding of the City’s goals and objectives for the subject site;
* The alignment of the Development Proposal to current and projected market conditions;
* The quality of the proposed site layout, urban design and architectural quality, as well as the relation of these elements to the particular City and neighborhood context of Duluth;
* Depth and credibility of Development Proposal financial pro forma;
* Ability to finance the Development Proposal, including demonstrated ability to procure financing and complete projects on schedule and within budgetary assumptions;
* Qualifications and experience of developer and team members with projects of similar scale and magnitude;
* Experience and reputation of personnel identified for this project;
* Past performance of the developer/development team as verified by references of previous clients/projects, including demonstrated ability to work with municipal clients;
* Financial capability, including resources available as equity for the project and strength of financial commitments;
* Demonstrated success in embracing and implementing the highest standards of sustainability and environmental sensitivity;
* Familiarity and experience with the local and regional development climate, State of Minnesota and Duluth/Superior area real estate markets;
* Past successes in dealing with elected officials, municipal boards and commissions, community advisory committees and neighborhood residents;
* History of legal actions and disputes;
* Organizational and managerial capacity to handle a project of this size, including work load and product/project overlap.
* Quality, creativity and feasibility of Development Proposal.
* Projected economic benefit to the City.

In addition, the inclusion of golf management/operation will be evaluated based on the following criteria:

* 1. Potential for income to the City.
	2. Amount and type of capital improvement investment.

The City encourages and welcomes bids from women and minority owned businesses.

The City of Duluth reserves the right, at its sole discretion, to reject any or all submittals when, in its opinion, it is determined to be in the public interest to do so; to waive minor irregularities and informalities of a submittal; to cancel, revise, or extend this solicitation; and to select the proposal it deems is in the best interests of the City, even if it is not the highest purchase price nor provides the greatest financial benefit to the City. The City reserves the right to request clarification of information submitted and to request additional information from any proposer.

This Request for Proposals does not obligate the City of Duluth to pay any costs incurred by any respondent in the submission of qualifications and/or proposals or in making necessary studies or designs for the preparation of any proposal, or for procuring or contracting for the services to be furnished under this Request for Proposals.

Any proposal accepted by the City shall be subject to approval by the Duluth City Council.

For questions concerning this RFP, please email dsears@duluthmn.gov.

**BACKGROUND**

The following reports are available to Respondents:

* 2011 National Golf Foundation (NGF) review of the Golf Course and its operation.
* 2013 Business Plan for the renovation and operation of the Lester Park Golf Course prepared by Sirius Golf Advisors, LLC.
* *Land – Conceptual Reuse Analysis* in 2013
* *Workforce Housing Needs in Duluth* report completed by Maxfield Research in April 2014

**Mixed-Use Housing:**

1. Concept

The concept of a Mixed-Use Development on the Lester Park golf course began through the assessment of the operations of the Lester Park golf course and opportunities to repurpose the site. The City is evaluating its golf operations, currently carried out at two public golf course sites, Enger golf course in the central part of Duluth and Lester golf course in the eastern part of Duluth. The City is in the process of determining how best to allocate its resources in providing golfing amenities to the community. The City will review and consider all viable options.

At a February 2014 Housing Summit, community participants organized around the need to meet the growing demand in Duluth’s housing market due to demographic changes and an increase in job growth which will attract employees from outside of the city. The City wishes to encourage a developer to take this concept of residential and commercial development to design and develop housing/commercial/retail/office for a portion or the entirety of the site.

1. Land Assembly

The site consists of land totaling approximately 268 acres that features an elongated shape extending about 1/3 mile in breadth by 1 mile in length. The property as a whole undulates steadily downward in elevation (250 feet) from its northerly boundary (930 foot elevation) to its southerly boundary (680 foot elevation). Its westerly boundary is defined by the Lester River Road and its southerly boundary by East Superior Street and Minnesota Highway 61.

The site is available for consideration by a developer in whole or in part.

Public utilities, including water, are in existence on the southwest corner of the site leading to the club house. The remainder of the site is currently lacking utilities.

1. Zoning

The site is currently preserved as recreational use and will need to be rezoned as necessary for mixed use commercial and housing development. This would require review by the Duluth Planning Commission and approval from the City Council.

1. Previous Efforts

The City commissioned the *Land – Conceptual Reuse Analysis* in 2013 which included preliminary work including a land survey and analysis for potential repurposing of the golf course in whole or in part.

1. Assistance to be Provided to the Developer

Land will be made available to the developer at a negotiated price, which should be described in the developer’s proposal. The City may consider the potential establishment of a Tax Increment Finance District if deemed necessary, subject to approval by the Duluth Economic Development Authority and the Duluth City Council, to support financing of the development. Other financing options should and will be reviewed for applicability to this project. City staff assistance will be provided to ensure project success.

**Golf Course Development Overview:**

The Golf Course is currently professionally managed by PGM Golf Management. In combination with a residential development proposal, developers may propose to discontinue all golf operations, continue golf operations in Developer’s ownership, or continue golf operations in City ownership.

Developers who propose continuation of a golf operation in City ownership must be willing to enter into a long-term lease with the City and make significant capital improvements to the facility. In the event the Developer proposes combination housing development and golf operation, which can be either owned and operated by the Developer or, accomplished by entering into a long-term lease with the City, which is anticipated to be at least 20 years, the Developer will be expected to make significant capital improvements to the facility. They City will provide partial funding for these projects, but the bulk of the funding will come from the Developer. The requested length of the lease and the amount of investment are to be part of the Respondent’s response.

The Golf Course opened in the early 1930s and was expanded from its original 18 to 27 holes in 1988. Dick Phelps was the designer. The nine new holes were not integrated with a second nine, but formed a completely new nine. The existing 18 holes received a new irrigation system and a few cosmetic changes. The result is a much stronger differential between the “new” nine (Lake Nine) and the older 18. As a result, the course is almost always set up as an 18-hole course (Front and Back nines) and a 9-hole course (Lake).

The Lake nine, being a more modern nine, differs considerably from the other two nines. In addition to having modern green and tee complexes, it features more elevation changes, narrower fairways, and more bunkers. It is considered to be substantially more difficult than the other two nines. Its design, layout, and superior aesthetic value would make it much more popular with visitors.

Both the Front and Back nines have 10 sand bunkers each. The Front has three holes where water comes into play, while the Back has two. In contrast, the Lake nine has 25 sand bunkers but just one water hole.

While the irrigation system for all 27 holes was installed in 1988, seventeen of the greens are original and date back to 1939.

The driving range is located down the hill from the clubhouse, convenient to both the parking lot and clubhouse, but on the opposite side to the first holes.

The Clubhouse was constructed in 1942. The Clubhouse consists of three levels, including a basement, and has about a 4,000 square foot footprint.

Under the current Duluth City Code, the Clubhouse does not have the ability to sell alcohol.