



# BOARD OF REGENTS DOCKET ITEM SUMMARY

**Board of Regents**

**February, 13, 2015**

**Agenda Item:** Resolution Related to the Reorganization of UMore Park Development Project

**Review**                       **Review + Action**                       **Action**                       **Discussion**

*This is a report required by Board policy.*

**Presenters:** President Eric W. Kaler  
Brian Buhr, Dean, College of Food, Agriculture and Natural Resources Sciences  
William Donohue, General Counsel  
Richard Pfutzenreuter, Vice President and Chief Financial Officer  
Pamela Wheelock, Vice President, University Services

### **Purpose & Key Points**

To review and act on recommendations regarding the University of Minnesota Outreach, Research and Education (UMore) Park, representing 5,000 acres of land the University owns in Rosemount and Empire Townships.

The Board will review recent analyses of the University’s interests in UMore Park related to agricultural research, remediating contaminated property, its role in development activity, costs associated with development, and the development, management and oversight roles. The Board will also review recommendations related to these issues.

In addition, the Board will act on a proposed new vision for future development of UMore Park and actions to facilitate ongoing University agricultural research on the property. The Board will also act to reassign development, management and oversight from the UMore Development LLC to a multi-disciplinary team of leaders from the University and University of Minnesota Foundation Real Estate Advisors.

### **Background Information**

Current planning and development activities for UMore Park have been ongoing since 2006. In 2008, the Board adopted a master concept plan and vision for UMore Park calling for a sustainable, modern, University-founded community of 20,000 to 30,000 people developed over 25 to 30 years. The Board also authorized gravel mining on a portion of the property.

Since 2008, significant progress has been made to advance the gravel mining operation through appropriate permitting and complete all of the necessary planning with the City of Rosemount and Empire Township (concept master plan completed January 2009) and an Alternative Urban Area-wide Review (completed August 2013). The UMore Development LLC was instrumental in

advancing these efforts and has provided significant expertise during the early stages of this multi-decade project.

While much progress has been made in readying the property for development, given market changes since the 2008 recession, it is both timely and necessary for the University to pause to consider its options; answer critical outstanding questions; reset expectations given new market realities, and; clarify the University's critical interests in order to define the next phase of development activity on the property.

In October 2014, President Kaler charged a group of University leaders with responding to six questions related to outstanding issues and questions and to make recommendations about the future of UMore Park. In January 2015, the workgroup delivered a report to the President that included new analyses about the financial impact of agricultural research, pollution remediation and other financial impacts relating to development activities. The report also found and recommended that:

- The Board pivot from the 2008 vision and adopt a market-driven and market-sensitive approach to development at UMore Park.
- Releases of hazardous substances to soil and physical hazards are present in portions of the site. Total cost associated with addressing known environmental releases and removal of all above- and below-grade concrete structures to facilitate the level of redevelopment contemplated in the UMore Park Concept Master Plan is estimated to be \$20-28 million. The University should complete only the remediation required by the Minnesota Pollution Control Agency at this time. Any further cleanup should await future market-driven redevelopment or sale.
- Research at UMore Park generates significant external funding for the University. In 2014, 518 acres of land were used for research trials supported by grants totaling \$6.3 million. Over the 40-year life of the gravel-mining contract, the loss of agricultural research at UMore Park represents a present value loss of \$71.4 million. The most valuable and extensive land use for research is located in the western region of UMore Park. The University should pursue options with Dakota Aggregate to shield more critical research plots from mining activity for a longer period of time than is outlined in the current contract.
- The University should not be involved directly in vertical development and should only undertake horizontal development in an exceptional circumstance where a clear financial benefit exists.
- The development and management of UMore Park be reassigned to a multi-disciplinary staff team and the UMore Development LLC be dissolved, as the University's needs have changed since the LLC was created in 2009.

The University is deeply appreciative of the UMore Development LLC board members, who have contributed significant expertise, time and commitment, successfully advanced critical planning efforts, and launched the gravel mining operation. These activities leave the property well-positioned to shift towards a more market-driven approach to development in which financial return to support the University's mission is a clear and high priority.

#### Key Board actions 2006-present:

- October 2013: The Board receives a status report on the completion of elements of the December 2006 Board of Regents resolution that directed the Administration to prepare a concept master plan for the property and to make the land ready for development, and discusses next steps.
- November 2010: The Board affirms and determines that the final Environmental Impact Statement for the UMore Park Sand and Gravel Resources Project adequately addresses all potential environmental issues and concerns. The Board also authorizes the administration to execute a 40-year lease agreement to Dakota Aggregates LLC to conduct phased gravel mining and locate ancillary facilities on the UMore Park property.
- December 2009: The Board appoints the founding members of the UMore Development LLC Board of Governors.
- October 2009: The Board approves the articles of organization of the UMore Development LLC. The Board also authorizes the creation of the UMore Park Legacy Fund.
- December 2008: The Board affirms the concept master plan for UMore Park and directs the University to frame a Limited Liability Company (LLC) to manage development of the property and to pursue the formation of a legacy fund that would capture revenue from future development to support academic mission pursuits.
- November 2008: The Board discusses the UMore Park concept master plan, and a proposal for a governance structure and creation of a legacy fund.
- November 2007: The Board approves a contract with Design Workshop for development of a concept master plan for UMore Park.
- December 2006: The Board approves a resolution directing the University to (1) plan for the entire property, with attentiveness to the academic mission, (2) pursue concept master planning, and (3) make the land ready for development.
- February 2006: The Board establishes eight principles to guide deliberations and decisions regarding UMore Park.

#### **President's Recommendation**

The President recommends the Board of Regents review and approve the Resolution Related to the Reorganization of the UMore Park Development Project.



**REGENTS OF THE UNIVERSITY OF MINNESOTA  
RESOLUTION RELATED TO THE  
REORGANIZATION OF UMORE PARK DEVELOPMENT PROJECT**

**WHEREAS**, the University embraces UMore Park as a unique development and research opportunity in the region; and

**WHEREAS**, the University of Minnesota's primary focus is its historical commitment to the people of the State of Minnesota to deliver what the University does best: teaching, research and public service; and

**WHEREAS**, UMore Park represents a valuable asset that should be used to advance University teaching, research and public service mission and future sale and development of UMore Park land will achieve this goal; and

**WHEREAS**, the primacy of the University's mission, market conditions and financial realities have compelled the University to embark on a revised vision and strategy for UMore Park aimed at maximizing financial return, avoiding direct financial risk and reflecting the University's values; and

**WHEREAS**, the future development of UMore Park should be market-sensitive and delivered through market-based projects that represent the highest and best use of the land; and

**WHEREAS**, the activities, expertise and commitment of UMore Development LLC and its Board of Governors have materially assisted the University in beginning gravel mining operations and in its planning for the development of the land in Rosemount; and

**WHEREAS**, the president has determined that the University's interest in UMore Park are now best be served and maximized by allowing market forces and private actors to more directly affect the development of the land and therefore the need for the UMore Development LLC to lead future planning is diminished;

**NOW, THEREFORE, BE IT RESOLVED** that

- a) UMore Park will become a vibrant, market-driven community for residents and business.
- b) UMore Park development will proceed in stages spread across decades, focusing first on those parcels most ready to be developed.
- c) The University will prioritize retention of land determined to be essential for fulfilling our research mission, based upon academic research needs.
- d) UMore Park development that is market-based and led by business, commercial and residential real estate developers will produce the highest potential financial return to the University over time.
- e) Opportunities to incorporate the original Concept Master Plan (2008) vision will be considered when executing transactions involving the sale of UMore Park land, but only to the extent that there is a private market demand for such elements and that such concepts serve to protect or enhance the development value of the remaining site.
- f) The University will maximize its financial return selling land at UMore Park through public processes, at competitive prices, benchmarked to market rates.
- g) To achieve the highest value, the University will engage with city, county and townships and private developers in the planning of, and participation in, development projects at UMore Park.
- h) To protect the future value of the entire property, the University will be actively engaged with local jurisdictions and private parties in ensuring that development projects at UMore Park protect and enhance the value of subsequent development stages. Key strategies to achieve that goal may include site plan review to ensure that infrastructure, open spaces and amenities plans meet long-term development goals.
- i) The University will not take a direct role in vertical development activities. It may participate in horizontal development on an exceptional basis but only to the extent required to achieve a clearly identified University need or to address a University responsibility as part of a broader development activity, and when

such participation is also financially advantageous with an acceptable return on investment.

- j) All land sale proposals must be approved by the Board of Regents. The University intends to advance proposals that are economically sound, compatible with the vision articulated in this resolution, reflective of private sector demand, and in alignment with adjacent community needs, desires, and standards.
- k) Net proceeds derived from the mining of gravel and from land sale transactions will be deposited into the Legacy Endowment as directed by the Board of Regents in 2009.

**NOW, THEREFORE, BE IT FURTHER RESOLVED** that the Board of Regents authorizes and approves the dissolution of the UMore Development LLC and authorizes, empowers and directs the President to take all acts necessary including executing and delivering instruments in the name of the University, to realize this outcome.