



## **Request for City Council Committee Action from the Department of Community Planning and Economic Development**

Date: May 1, 2012

To: Council Member Lisa Goodman, Chair Community Development Committee  
Referral to: Council Member Betsy Hodges, Chair Ways and Means Committee

**Subject: Operating Agreement between the City of Minneapolis and Standard Parking for parking operations on Parcel A, Northeast side of Second Street South between Third and Fifth Avenues South.**

### **Recommendation:**

1. Authorize staff to execute an Operating Agreement between the City of Minneapolis and Standard Parking for parking operation and maintenance on Parcel A consistent with the terms and conditions attached to this report.
2. Increase the 2012 Revenue Budget for the Community Planning and Economic Development agency Fund 01CLC – Local Contribution Fund (01CLC-8900900-371502) by \$78,750.
3. Waive the City procurement policy requiring an RFP process, as this property is slated for redevelopment in the near term and subject to a number of complex parking agreements that Standard is well-positioned to manage. The Permanent Review Committee (PRC) recommended approval of this waiver at their April 19, 2012 meeting.

### **Previous Directives:**

- December 2009, City Council extended exclusive development rights to Eagle Iron Partners Joint Venture, Lupe Development Partners, LLC and North First Ventures, LLC (or affiliate) and authorized the Mayor and City Clerk to sign an application for title registration to be filed pursuant to Minnesota Statute 508.03 (6).
- March 6, 2009, City Council awarded exclusive development rights to Eagle Iron Partners Joint Venture, Lupe Development Partners, LLC and North First Ventures, LLC (or an affiliate).
- In January 2009, the City Council authorized staff to enter into an agreement with Standard Parking for parking operations on Parcel A.

- May 1993, the Minneapolis Community Development Agency (MCDA) entered into an Operating Agreement with Standard Parking for the operation and maintenance of over 1,000 parking spaces spread throughout several blocks in the Mill District area. This agreement automatically renews every 6 months.

Prepared by: Carrie Flack, Sr. Project Coordinator, 673-5010  
 Approved by: Charles T. Lutz, Deputy Director CPED \_\_\_\_\_  
                   Catherine A. Polasky, Director of Economic Policy & Development \_\_\_\_\_  
 Presenters in Committee: Carrie Flack, Sr. Project Coordinator  
 Funding Source and Appropriation Language Reviewed by Development Finance,  
 Jeffrey Streder, Development Finance Director \_\_\_\_\_

**Financial Impact**

- Action provides increased revenue for appropriation increase  
     Dept Name: Community Planning and Economic Development (CPED)  
     Fund Name: Local Contribution Fund (01CLC-8900900-3715-02) C451200R  
     Amount: \$78,750
- Action is within the Business Plan
- Waive the City procurement policy requiring an RFP process, as this property is slated for redevelopment in the near term and subject to a number of complex parking agreements that Standard is well-positioned to manage. The Permanent Review Committee (PRC) reviewed this proposal at their April 19, 2012 meeting and recommended approval of the waiver.

**Community Impact**

- Neighborhood Notification – This is a temporary parking lot until such time as the property can be developed. A Request for Proposals for development was issued in January 2008. The proposals received were reviewed and presented to the Industry Square Project Committee on March 12, 2008. In addition, land use and planning approvals associated with any development on the site will require notification to be sent to the neighborhood group allowing additional opportunity for comments.
- City Goals – This is a temporary parking lot until such time as the property can be developed. Development planned for this site addresses: Jobs and Economic Vitality; Eco-Focused; Livable Communities, Healthy Lives; A City That Works
- Comprehensive Plan – This is a temporary parking lot until such time as the property can be developed. The redevelopment of this parcel for mixed use in the Mill District is consistent with a number of goals in the Comprehensive Plan. In addition, the project is consistent with the Historic Mills District Master Plan and Update.
- Zoning Code – This is a temporary parking lot until such time as the property can be developed. This surface parking is a legally nonconforming use. Surface parking is not allowed in the C3A District. However, development planned for this site will comply with the existing zoning. Housing is permitted as a conditional use in district C3A and any proposed new commercial and/or retail uses will be permitted uses. The site is located within the St. Anthony Falls Historic District and the Historic Mills District Master Plan. All development within this district is required to receive approvals from the City of Minneapolis Heritage Preservation Commission (HPC) and the City Planning Commission.

## Supporting Information

Parcel A is located in the well-developed Mill District area in downtown Minneapolis and is among the last City-owned parcels in the area available for development. The site is located on the northeast side of 2<sup>nd</sup> Street South between 3<sup>rd</sup> Avenue South and 5<sup>th</sup> Avenue South. There is an irregularly-shaped parcel owned by Mill Place, Inc. that bisects Parcel A that was former railroad right of way. Parcel A is thus divided into two parcels, Parcel A West and Parcel A East. All three parcels are currently improved with approximately 400 surface parking spaces operated and maintained by Standard Parking.

City staff issued a Request for Proposals for development on this site in January 2008 and the City Council granted exclusive development rights to Eagle Iron Partners in December 2009. Until the project begins construction (anticipated in 2013), it is planned that the parking lot continue to be operated on this site as an interim use and revenue generator.

There are three parking agreements associated with Parcel A (all three parcels): 1) An Operating Agreement between the City of Minneapolis and Standard Parking for operating and maintaining the surface parking lot on the two City owned parcels; 2) An Agreement between the City of Minneapolis and Canal Street Limited Partnership for providing 200 parking spaces until 2022 (this revenue is collected directly by the City separate from the Standard Parking Agreement); 3) An Agreement between Standard Parking and Mill Place, Inc. for a number of parking spaces as part of the incorporation of the Mill Place parcel that allows for the parking lot configuration to exist on all three parcels and provides for an efficient parking layout providing the maximum number of parking spaces on the site.

CPED staff has negotiated the attached proposed terms with Standard Parking. The City realizes minimum annual revenue from these terms of \$135,000 for approximately 200 parking spaces. Parking rates have not increased significantly in the last three years. Staff anticipates that the development partnership granted exclusive development rights will be ready to develop Parcel A as early as late 2013. Due to this timeframe, staff believes Standard Parking is uniquely suited to provide the most favorable terms to the City in operating the lot. Standard Parking has rights to the Mill Place property, is most familiar with the constraints impacting the operation of the parking lot, and would not need to invest funds in new revenue control equipment and systems.

The City's Professional Services Policy would normally dictate a formal procurement process for an Operating Agreement where the City expects to receive over \$50,000. State Statute does not require a formal process for the procurement of professional services. Staff is requesting a waiver to the procurement process for the following reasons: Standard Parking has an agreement with Mill Place, Inc. that places Standard in a unique position to be able to maintain a level of efficiency for managing the entire parking lot on all three parcels, Standard Parking has a history of managing the lot and the constraints associated with the existing Parking Agreement between the City of Minneapolis and Canal Street Limited Partnership for 200 spaces, and Standard Parking does not need to make capital investments in the site to operate it. Moreover, given the short term duration of the Operating Agreement (in anticipation of development of the site) other operators are less likely to be interested in and capable of operating the lot.

Staff recommends approval of an operating agreement with Standard Parking consistent with the attached terms and waiver of the procurement policy for reasons stated above.

**Standard Parking Operating Agreement**  
**Term Sheet**

**Term** – one year with two automatic annual renewals, if development is not imminent

**Termination** – Either party can terminate with a 60 day written notice

**Fixed Fee** - \$135,000 per year paid in 12 monthly installments of \$11,250

**Excess Profit Share** – 50% of annual revenue (net of tax) in excess of \$320,000 annually

**Operating and Maintenance Expenses** – To be paid by Standard Parking

**Reports** – Standard Parking will submit an itemization of revenues and expenses on a monthly basis including how many cars are parked at what rate, i.e. monthly, daily, event, etc.