



**Request for City Council Committee Action
From the Department of Community Planning & Economic Development**

Date: February 15, 2005

To: Council Member Lisa Goodman, Community Development Cmte
Council Member Colvin Roy, Transportation & Public Works Cmte
Council Member Barbara Johnson, Ways and Means/Budget Cmte

Prepared by: Tara Beard, Project Coordinator, 612-673-5043

**Presenter in
Committee:** Tara Beard, Project Coordinator, 612-673-5043
Mike Sachi, Parking and Skyway Systems Engineer 612-673-2159

Approved by: Chuck Lutz, Deputy CPED Director _____
Klara Fabry, Director of Public Works _____
Patrick Born, Finance Officer _____

Subject: Mill Quarter Municipal Parking Ramp financing.

RECOMMENDATION:

- 1) Adopt the attached resolution relating to the sale and issuance of up to \$4,250,000 General Obligation Tax Increment Bonds and appropriate those bonds; and
- 2) Amend 2005 Capital Improvement Appropriation by increasing the appropriation for PW-Transportation Capital Agency in the Municipal Parking Fund (7500-943-9464 Proj#RMP04) by \$2,576,867 and increasing revenue source 3755 by \$2,576,867 to be reimbursed by transferring the remaining State Grants from fund SMN0.

Previous Directives:

Approval of Concept Plan for Parcel D on February 4, 2000. Acceptance of a \$2,600,000 grant from the State Legislature was approved by the City Council on September 13, 2002. Project Analysis Authorization and ramp construction and financing authorizations for Parcel D East approved by City Council on April 30, 2004. Awarding of low bid including deductive bid alternate No. 1, for the Mill Quarter Municipal Ramp (OP #6294) to Knutson Construction Services, Inc in the amount of \$4,848,000 was approved by City Council on September 3, 2004. Resolution adopted by City Council authorizing the issuance and sale of up to \$4,250,000 General Obligation Tax Increment Bonds on September 3, 2004. An increase to the Public Works Transportation Capital Appropriation (7500-943-9464-8015) by \$4,250,000 for the Mill Quarter Parking Ramp project was approved by City Council on September,

2004. An increase in the 2004 Bond Proceeds Revenue Budget for the Public Works Transportation Capital Fund (7500-943-9464-3910) by \$4,250,000 was approved by City Council on September 3, 2004.

Financial Impact (Check those that apply)

- No financial impact - or - Action is within current department budget.
(If checked, go directly to next box)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain):
- Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact:

Ward: 2

Neighborhood Notification: The Industry Square Project Committee and the Downtown Minneapolis Neighborhood Association were notified of this report on February 2, 2005.

City Goals: Maintain the physical infrastructure to ensure a healthy, vital and safe City.

Comprehensive Plan: Conforms to the Comprehensive Plan and Historic Mills District Master Plan and Update.

Zoning Code: Permitted as a Conditional Use in C3A.

Living Wage/Job Linkage: Not applicable.

Background/Supporting Information

Community Planning and Economic Development (CPED) and Public Works have been working cooperatively with the Minnesota Historical Society (MHS) to develop a municipal parking ramp within the Historic Mills District, primarily for the parking needs of the Mill City Museum, office space above the museum, and rental liner housing which is currently proposed to be built around two sides of the parking ramp. The ramp will be located in the north central portion of Parcel D East, which is bounded by Washington Ave. S, 2nd St. S, Park Ave. S, and future Chicago Ave. S.

The municipal parking ramp will contain approximately 324 parking stalls. Construction began in the fall of 2004 and is scheduled to be completed in the summer of 2005. Timely completion of the ramp is important in order to fulfill current parking agreements with the MHS and office tenants, as well as to avoid severe project cost increases associated with stopping current construction activity.

Acceptance of a \$2,600,000 grant from the State Legislature to partially fund construction of the ramp was approved by the City Council on September 13, 2002. On September 3, 2004, City Council approved a bond resolution authorizing the issuance and sale of up to \$4,250,000 in General Obligation Tax Increment Bonds to fund the remaining parking ramp costs. In the staff report requesting adoption of that bond resolution, staff indicated that all debt service on the bonds would be paid from 1) annual net parking revenues of the ramp, and 2) annual net tax increment generated by a 38-unit, Park Ave. East Lofts condominium project which would be constructed on the east side of Park Ave. S by Brighton Development Corporation (BDC). At the same meeting, the Council approved a companion report authorizing sale of the Park Ave. East site to BDC and staff anticipated being able to enter into a redevelopment contract prior to the bond sale.

At that time, the Park Ave. West Lofts condominium project (also developed by BDC) was under construction across Park Ave. S on Parcel D West. It was Brighton's intention that the Park Ave. East Lofts project would mirror the Park Ave. West Lofts project. However, shortly after ramp construction began BDC expressed concern that sales of their Park Ave West Lofts units were proceeding slower than projected. At that time staff understood that 20-25 of the 38 total units were not sold. Currently, approximately 14 of the 38 units are neither sold nor under purchase agreement.

Because of slow sales, BDC has decided to rework the design and construction of the Park Ave. East Lofts project. Since a redevelopment contract with BDC has not been executed at this time, City staff is unable to enforce the original development plan proposed by BDC. At this time BDC has missed a deadline imposed by City staff to provide an alternative development plan(s) for the Park Ave. East Lofts project.

Without committed design and construction plans for Park Ave. East, City staff decided not to issue and sell the previously approved tax increment bonds in the winter of 2004 as originally anticipated. However, since the \$2,600,000 in state grant funds will only be sufficient to pay for continuing ramp construction costs through March, tax increment bonds will need to be issued and sold in early to mid March of 2005. Due to the current uncertainty of the overall finance plan for the parking ramp, the Finance Department is recommending that the tax increment bonds be issued as variable rate debt. This allows the maximum flexibility should a refinancing or restructuring of the bonds be necessary in the future.

Since the previous bonds were approved as fixed rate obligations, City Bond Counsel (Kennedy & Graven) has determined that a new bond resolution needs to be adopted. The attached bond resolution authorizes the issuance and sale of up to \$4,250,000 in general obligation tax increment bonds to fund the remaining construction costs of the parking ramp, capitalized interest and various costs of issuance.

During these events, the CPED project coordinator assigned to the ramp project retired. Because of the nature of the project (public parking), CPED and Public Works management agreed that its primary oversight should be transferred to the appropriate Public Works staffperson with continued collaboration and coordination with a CPED project coordinator. Along with this transfer of departmental oversight, a transfer of project funds from CPED to Public Works is needed. Therefore, both the remaining

dollars of the \$2,600,000 State Grant and the bond proceeds referenced in this report need to be appropriated to Public Works General Parking Fund.