



Request for City Council Committee Action From the Department of Public Works

Date: 06/05/2007
To: Honorable Sandra Colvin Roy, Chair Transportation & Public Works Committee
Subject: Sale of public property at 828-900 Washington Avenue North (10th and Washington Municipal Parking Ramp; PIDs 22-029-24-21-0030; 22-029-024-21-0094)

Recommendation:

- A) Approve the sale of the 10th and Washington Municipal Parking Ramp to Ames and Fischer II, LLP (A&F).
- B) Authorize the proper city officials to enter into and execute a purchase agreement and all associated documents for the land legally described as: Lots 6, 7, 8, 9, and 10 of Block 8, Bassett Moore and Cases Addition, also that part of vacated 9th Avenue north adjacent to said Lot 10.
- C) That along with the settlement proceeds as described below, the proceeds from the sale will be used to retire debt on the bonds for the 10th and Washington Ramp (7500-110-1110) or repay the parking fund.
- D) That the Finance officer is directed to take actions, if necessary, to amend the tax increment plan and other actions required to issue tax increment refunding bonds.

Previous Directives:

- The City of Minneapolis purchased the 10th and Washington Ramp from A&F in September, 2000.
- The City Attorney was authorized to enforce the terms of the development agreement including but not limited to initiating a lawsuit against A&F on October 8, 2004.
- The City approved a settlement of a dispute with A&F on May 25, 2007, and agreed to sell the ramp to A&F as part of the terms of the settlement.

Prepared by: Mike Sachi, P.E. Parking and Skyway Systems Engineer 673-2519

Approved by:

Steve Kotke, P.E., City Engineer, Director of Public Works

Presenters: Mike Sachi, P.E. Parking and Skyway Systems Engineer

Permanent Review Committee (PRC) Approval _____ Not applicable X

Policy review Group (PRG) Approval _____ Not applicable X

Financial Impact (Check those that apply)

- No financial impact - or - Action is within current department budget (If checked, go directly to Background/Supporting Information)
- 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
- Business Plan: X Action is within the plan. Action requires a change to plan.
- X Other financial impact (Explain): The City will use the settlement proceeds and the proceeds of the sale to retire outstanding debt on the facility or repay the parking fund.

Request provided to department's Finance Dept. contact when provided to the Committee Coordinator

Community Impact

- Neighborhood Notification: Not Applicable
- City Goals: Maintain the physical infrastructure to ensure a healthy, vital and safe city
- Comprehensive Plan: Not Applicable
- Zoning Code: Not Applicable

Background/Supporting Information

The City and Ames and Fischer II, LLP (A&F) are parties to a development agreement, where A & F financed and constructed the 640 stall municipal parking ramp at 10th Avenue North and Washington Avenue North, adjacent to their John Deere office building in 1999 (Attachment A). Upon completion of construction, the City purchased the parking ramp from A&F with the proceeds from \$10.8 million in parking revenue bonds issued by the City. A&F also entered into a management agreement to operate the ramp, which opened in September, 2000.

Under the contract, A&F guaranteed payment of the parking ramp operating costs and repayment of the bonds, and despite an encouraging start, the parking ramp has operated at a net loss every year since it opened. To the extent operating revenues and tax increment revenues are insufficient to pay operating costs and debt service, A&F is contractually obligated to cover the shortfall. The City has been attempting to collect the shortfall on the ramp from A&F since 2002, and subsequently, both parties have initiated litigation against each other. The parties have attempted to mediate this matter twice, with the most recent occurring in April, 2007, with no resolution to the issues. The matter had been scheduled for jury trial beginning May 21, 2007.

The parties have consequently met and agreed to settlement terms, with the primary stipulation that A&F purchase the 10th and Washington Ramp back from the City (See Attachment B). The settlement and purchase will involve a mixture of cash and tax increment revenues. Public Works, Finance staff and City attorneys were involved and are recommending the terms of the settlement. The City Council approved the terms of the settlement on May 25, 2007.

In accordance with Chapter 14.120 of the Minneapolis Code of Ordinance, the City Engineer has determined that the property is not required for City services, and is declared as excess

property. The land sale is scheduled to be approved by the Planning Commission on June 11, 2007.

After the sale closes (Sept. 2007), the City (Public Works) will have no involvement in the management or operation of the 10th and Washington Ramp.

We are therefore recommending approval of the sale of this property.

Attachment A: Map of property

Attachment B: Settlement Motion