

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

Date: January 27, 2009

To: Council Member Lisa Goodman, Chair Community Development 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. Approve of and 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. Waive City procurement policy.

Previous Directives:

- 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

Financial Impact

- Action provides increased revenue for appropriation increase
Dept Name: CPED
Fund Name: CLC 890 8490 3715-02 C451200R
Amount: \$135,000 annually
- Action is within the Business Plan

Community Impact

- **Neighborhood Notification** – This is a temporary parking lot until such time as the property can be developed. A Request for Proposal for development was issued in January 2008. The proposals received were reviewed and presented to the Industry Square Project Committee on March 12, 2008. Staff continues to evaluate the proposals and anticipates making a recommendation to City Council in February of this year. 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: Connected Communities – great spaces and places, thriving neighborhoods; Enriched Environment – greenspace, arts, sustainability; A Premier Destination – visitors, investment and vitality.
- **Comprehensive Plan** – This is a temporary parking lot until such time as the property can be developed. Development planned for this site addresses: 2.8 Minneapolis will develop the existing economic base by emphasizing business retention and expansion; 2.9 Minneapolis will strengthen long-term confidence in the economy by building innovative public to private sector partnerships; 4.9 Minneapolis will grow by increasing its supply of housing; 4.11 Minneapolis will improve the availability of housing options for its residents; 4.15 Minneapolis will carefully identify project sites where housing redevelopment and or housing revitalization are the appropriate responses to neighborhood conditions and market demand; 9.5 Minneapolis will support the development of residential dwellings of appropriate form and density; 9.6 Minneapolis will work with private and other public sector partners to invest in new development that is attractive, functional, and adds value to the physical environment.
- **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).
- **Other**– Not applicable

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 2nd Street South between 3rd Avenue South and 5th 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 surface parking lot area operated and maintained by Standard Parking.

City staff issued a Request for Proposals for development on this site in January 2008 and continues to process information submitted for the proposals. Staff anticipates making a recommendation to City Council regarding this process in the spring of 2009. Until a proposal is approved and implemented, 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; 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. The City is currently in arbitration with Canal Street Limited Partnership to establish the market rate on the 200 parking spaces under contract.

The original structure of the Operating Agreement with Standard Parking included over 1,000 spaces spread throughout several blocks in the Mill District area. Over time, much of this parking has been eliminated due to development of the Mill District area. The current agreement provided for credits to be taken by Standard Parking as spaces were eliminated, thus decreasing the revenue paid to the City. At this point, the amount of revenue being received by the City is substantially less than the revenue being generated. Therefore, it is appropriate to update the current operating agreement. Attached are the terms proposed for the site to be operated and maintained by Standard Parking for up to three additional years.

CPED staff has negotiated the attached proposed terms with Standard Parking. CPED staff met with staff from Public Works with parking operations expertise to evaluate the attached terms. The City will realize minimum annual revenue from these terms of \$135,000. City 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. In addition, given the short term duration of the Operating Agreement (in anticipation of development of the site) other operators are less likely to be interested.

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.