



**Request for City Council Committee Action  
from the Departments of Public Works and  
Community Planning & Economic Development**

**Date:** April 4, 2006  
**To:** Honorable Sandy Colvin Roy, Transportation and Public Works  
**Referral to:** Honorable Paul Ostrow, Chair Ways & Means/Budget Committee  
**Subject:** Potential Sale of City-Owned Parking Ramps

**Recommendation:**

- a. Adopt "Exhibit A -- Criteria for Sale of Parking Facilities" developed by CPED, Finance and Public Works to be used in the RFP process
- b. Authorize appropriate city officials to issue a Request for Proposals (RFP) for the potential sale of nine City-owned Parking Ramps outlined in this report.

**Previous Directives:** Resolution 2004R-282 Parking Fund Workout Plan, June 18, 2004 (Exhibit B).

**Prepared by:** Steven Kotke, Director of Property & Equipment Services, 673-2402  
Jon Wertjes, Director of Traffic & Parking Services, 673-2614  
Emily Stern, Senior Project Coordinator, CPED, 673-5191

**Approved by:** Klara Fabry, Director, Public Works \_\_\_\_\_  
Lee Sheehy, Director, CPED \_\_\_\_\_  
Patrick Born, Director, Finance \_\_\_\_\_  
Steven, Bosacker, City Coordinator \_\_\_\_\_

**Presenter in Committee:** Jon Wertjes and Mike Christensen

**Permanent Review Committee (PRC)** Approval to be Obtained  Not Applicable

Cc: Council Members Goodman, Hofstede, and Gordon

**Financial Impact (Check those that apply)**

- No financial impact (If checked, go directly to Background/Supporting Information).
- Action requires an appropriation increase to the  Capital Budget or  Operating Budget.
- Action provides increased revenue for appropriation increase.
- Action requires use of contingency or reserves.
- Business Plan:  Action is within the plan.  Action requires a change to plan.  
 2004-08 Public Works Business Plan-March 2004, Parking Services Section (Exhibit C), pgs 38&39  
 2006-10 Public Works Business Plan-September 2005
- Other financial impact (Explain):

As part of the RFP process the Project Team will make recommendations on the short and long-term financial impacts to the City as well as how the sale proceeds (if any) will be used.

1. **Financial Conditions** – The City’s Parking Fund is operating under a work out plan approved by the City Council that is designed to bring the Fund back to financial solvency. The potential sale of parking assets should not worsen the financial condition of the Fund or compromise the projected financial recovery of the Fund according to the adopted work out plan. Financial issues should include assessment of the short and long-term financial impact to the Parking Fund and the City of the sale of any or all of the assets on the terms proposed. This analysis will consider the outstanding debt, prospects of the asset to perform consistent with the expectations in the adopted work out plan, and other operating and financial factors. The analysis of proposal should also consider any financial implications to the City including property taxes paid by a new private owner, alternative use of the asset for a non-parking purpose, or other considerations based on the proposals.
2. **Use of Proceeds** – Unless required by state law, City Charter, or other legal requirements, proceeds from the sale of a parking asset should be applied in the following order: costs related to the sale of the asset, retirement or defeasance of City debt related to the asset, retirement or defeasance of other City debt in the parking fund, avoidance of planned debt for other parking capital improvements, and non-Parking Fund costs, if any, as determined by the City Council.

- Request provided to department’s finance contact when provided to the Committee Coordinator.

**Community Impact (use any categories that apply)**

Neighborhood Notification: None to date. Planned notification of RFP/process and future opportunities for neighborhood involvement regarding any viable proposals received.

City Goals: The potential sale of the some of these City-owned parking ramps is focused on achieving City goals related to maximizing economic development opportunities.

Comprehensive Plan: The proposed parking ramp sale shall comply with the Comprehensive Plan and will be referred to the Planning Commission to review conformance.

Zoning Code: Proposals will be required to comply.

Other:

## **Background/Supporting Information**

In 1999 Public Works in conjunction with Finance explored the viability of selling the entire Municipal Parking System under a number of sale/lease back options. While no market conditions appeared to support a System sale, this effort appropriately opened the question as to the possibility of the sale of individual ramps within the Municipal Parking System.

In 2000, Public Works began to make inquiries as to any private interest in the purchase of a municipal ramp. The focus of those inquiries included four ramps – Seven Corners, Loring, St. Anthony, and Centre Village – identified for potential sale under asset criteria such as remaining debt outstanding, applicable operational agreements, financial performance, and relevant laws and restrictions. More detailed analyses were performed including formal appraisals.

In 2003 and 2004 as part of the Parking Fund Workout Plan, Public Works, Finance and CPED determined that potential sale of parking ramps would require more critical financial analysis, and thus began to refine the parking ramp sale criteria. Also at that same time, the initiative to sell parking ramps was placed on hold to allow the other Workout Plan initiatives to be further developed.

Recently, private parties have expressed interest in buying some parking ramp(s). Rather than deal with these requests on a case-by-case basis, it made sense to address any potential sales within a public process that invites bids on terms most favorable to the City of Minneapolis. CPED, Finance and Public Works began to identify the next steps related to the potential sale of some parking ramps. In addition to the original four parking ramps listed above, Public Works identified five other ramps for potential sale: Federal Courthouse, Mill Quarter, Riverfront, Downtown East, and Gateway.

## **Project Team**

The CPED, Finance and Public Works Department Directors have organized a Project Team to lead and coordinate this effort across the City departments. The Project Team consists of:

- Finance -- Pat Born and Roger Simonson
- CPED -- Lee Sheehy, Mike Christenson, George Kissinger, Emily Stern, Rebecca Law, Bruce Gritters
- Public Works – Klara Fabry, Steve Kotke, Jon Wertjes and Mike Sachi

The Public Works Property Services Director, Steve Kotke, has designated a Property Transaction Coordinator (PTC), Emily Stern, CPED Business Development, to coordinate the overall RFP and proposed sale of these Ramps.

Public Works has designated a Project Manager, Mike Sachi, Parking System Engineer, to serve as the Project Team liaison. Likewise, Roger Simonson, will be the Finance liaison.

The CPED Director has determined that there are no immediate development needs which require reserving these assets for City ownership and that the public interests support examining development potential for these nine ramps through a Request for Proposals (RFP) process.

## **Sale Criteria**

CPED, Finance and Public Works drafted parking ramp sale criteria in 2003. The three Departments continue to support these parking ramp sale criteria and request that the City Council adopt these criteria to be used in the RFP process. Exhibit A presents the “Sale Criteria for Parking Facilities” dated July 10, 2003. The Project Team will use the sale criteria along with other evaluation measures to review and evaluate the RFP proposals.

The Project Team will analyze and evaluate each proposal against the sale criteria to determine whether an acceptable proposal has been submitted and to determine the method of sale most appropriate for each property using the City’s Disposition Policy [Excess Property versus Development Property disposition processes]. After the evaluation has been completed, the Project Team will return to the City Council with a report and recommendation.

The Departments reserve the right to refuse any or all proposals. The Departments shall forward to the City Council only those proposals which will improve the City’s financial position and serve the public interest, as defined by the criteria outlined herein.

## **Identified Parking Ramps**

Public Works has identified the following nine City-owned parking ramps that have merit to be placed on the market to determine whether acceptable sale proposals and conditions can be obtained. The nine parking ramp locations are shown in Exhibit D and are located on the city website at [http://parking.ci.minneapolis.mn.us/parking\\_facilities.htm](http://parking.ci.minneapolis.mn.us/parking_facilities.htm)

The table below highlights the nine parking ramps, their original purpose and the preliminary basic conditions for potential sale. These preliminary basic sale conditions will be further explored and defined in the RFP. Currently, the preliminary basic sale conditions fall into two categories: Sale “as is” with no expectation by the City that additional development or redevelopment will occur; and b) Sale for development, that requires a viable development proposal and future commitments as part of the property transaction. The key reason for the Sale with Development Proposal is to create/stimulate economic development such that additional City tax revenue will be generated that will offset the loss in parking revenue generated.

### Nine Identified Parking Ramps

Parking Ramp	Spaces	Original Purpose	Preliminary Basic Sale Conditions**
Federal Courthouse 333 3 <sup>rd</sup> Ave S	290	Replacement of government parking	Sale "as is" with existing conditions
Centre Village 700 5 <sup>th</sup> Ave S	700 & 485	Development	Sale "as is" with existing conditions; sale options for both ramps or portions
Mill Quarter 711 2 <sup>nd</sup> St S	324	Development	Sale "as is" with existing conditions
Riverfront 212 9 <sup>th</sup> Ave S	987	Development	Sale "as is" with existing conditions
Downtown East 425 Park Ave S	455	LRT and development	Sale with development proposal; maintain LRT and Dome provisions
Seven Corners 1504 Washington Ave S	796	Development and West Bank area and parking supply needs	Sale with development proposal; maintain parking supply for any critical users
St. Anthony Main 210 2 <sup>nd</sup> Ave SE	901	Development of the St Anthony Main area	Sale with development proposal
Loring 1330 Nicollet Mall	750	Development of south Mall area	Sale with development proposal; maintain parking supply for any critical users
Gateway 400 S. 3 <sup>rd</sup> St	1,397	Transportation – transit and fringe parking	Sale with development proposal; maintain transit provisions

\*\* These will be further defined in the RFP.

### RFP Schedule

The RFP estimated schedule is currently as follows:

Schedule Item	Estimated Date
Council RFP authorization	April 14, 2006
PRC and/or FSAM approval(s)	April, 2006
RFP Release	May, 2006
Pre-proposal conference	May/June, 2006
Deadline for submitting Written Questions	July, 2006
Answers to Questions (Q&A – posted on website)	July, 2006
Deadline for Accepting Proposals	Aug/Sept, 2006
Proposals evaluated & Neighborhood review	Aug/Sept, 2006
CPC Review	September 2006
Council direction and/or actions	October ,2006

A more detail schedule will be issued with the RFP.

**EXHIBIT A**  
**Sale Criteria for Parking Facilities**  
**July 10, 2003**

**Original Purpose** -- The decision to sell parking assets must be based on the review of numerous issues. The first and foremost question is, has the parking asset met the original purpose or is there a continuing or a new need to maintain the asset. This consideration should require evaluation of the original purpose and how that purpose has been met as well as the impact that the asset currently has on the surrounding community. The major issues that must be considered are listed as follows:

1. **Use of Proceeds** -- A determination of how the proceeds received from a sale are spent or reinvested must be made. They should be reinvested in the parking system. This could consist of funding multiple areas of need. Repayment of debt service, contributions to new projects, establishment of funded reserves for the system, addressing deferred maintenance issues and/or implementing new efficiency measures. Each of these areas should be established as a percentage of the sale.
2. **Financial Conditions** -- Financial issues should include assessment of the short and long-term financial impact to the project or the development, the Parking System and the City. Is the asset debt free, or are there any special conditions related to defeasing or retiring the bonds? Does the asset demonstrate self-sufficiency after including debt service or depreciation? Does the asset produce a profit? Can the asset on a net present value basis, contribute an amount over its remaining life that exceeds the potential sale price? The long-term impact must be addressed as to the effect/stress on the system as well. Tax dollars gained from ownership change (public to private) should be factored into the evaluation. The sale of an asset must be reviewed as to the effect on the parking system as a whole. Does the sale of the asset negatively impact the revenue needs of the system? Is the asset a negative impact to the system in general?
3. **Functional Conditions** -- Functional issues should include the original need of the asset and how has that function been met. It should be determined if the original purpose, i.e. was it part of a developmental project and have the goals of the project been reached. It should be determined if the goals have been modified or if there are new factors that may affect the need or parking requirements of the area. Does the asset continue to fit within Parking Services key service activities? Where is the asset in relation to its useful lifecycle?
4. **Maintenance Conditions** -- Future maintenance of an asset must be determined. Will the asset require significant investment to continue to operate in a safe condition? Both short and long-term issues and requirements must be evaluated. They include the repair and restoration of the structures, replacement of mechanical, electrical, security systems and revenue control systems. The expense of these issues and the impact upon the net usable life of the asset must be considered.
5. **Special Conditions** -- Special condition issues that need review are issues that may require City involvement to facilitate. This could include situations that require the City to act as a coordinator or facilitator, the City's participation in transit or other transportation initiatives such as transit hubs and carpool programs, internal and external skyways, exhibit halls, tunnels, existing agreements, lease space and share operations or services. If no special condition issues exist or are addressable or transferable in a sales agreement, this issue has been resolved.
6. **Reuse Potential** -- What are the intentions of the potential buyers and how would that affect the community or the system? For example, does the buyer want to continue to use the asset for the purpose that it was originally constructed, or is there a desire to change or eliminate the use and the asset.

**EXHIBIT B**  
**Adoption of Parking Fund Workout Plan (2004R-282)**

JUNE 18, 2004

**T&PW & W&M/Budget** - Your Committee, having under consideration the Parking Fund Financial Workout Plan (Petn No 269698), now recommends:

**T&PW** - that the accompanying Resolution approving strategies to resolve the deficits within the Parking Fund be sent forward without recommendation;

**W&M/Budget** - passage of the accompanying Resolution approving strategies to resolve the deficits within the Parking Fund and providing additional staff direction for implementing the Workout Plan.

Lilligren moved to amend the report to approve the Ways & Means/Budget recommendation and to delete the Transportation & Public Works recommendation.

Seconded.

Adopted by unanimous consent.

The report, as amended, lost (7 affirmative votes required). Yeas, 6; Nays 4 as follows:

Yeas - Zimmermann, Schiff, Zerby, Lilligren, Johnson, Ostrow.

Nays - Niziolek, Benson, Goodman, Lane.

Schiff moved to reconsider the vote on the above report. Seconded.

Adopted upon a voice vote.

The report, as amended, was adopted 6/18/04. Yeas, 8; Nays, 3 as follows:

Yeas - Zimmermann, Zerby, Lilligren, Johnson Lee, Benson, Goodman, Johnson, Ostrow.

Nays - Schiff, Niziolek, Lane.

Absent - Samuels, Colvin Roy.

Resolution 2004R-282 approving a financial workout plan to improve the financial condition of the Parking Fund and providing additional staff direction for implementing the plan was passed on 6/18/04 by the City Council. A complete copy of this resolution is available for public inspection in the office of the City Clerk.

The following is the complete text of the unpublished summarized resolution.

RESOLUTION 2004R-282

**By Johnson**

**Approving a financial workout plan to improve the financial condition of the Parking Fund and providing additional staff direction for implementing the Workout Plan.**

Resolved by The City Council of The City of Minneapolis:

That the following short-term and long-term strategies are approved to resolve the deficits within the Parking Fund (as further detailed in Petn No 269698):

**1) Public Works Parking Initiatives**

a) **Approve the parking initiatives in the workout plan developed by Public Works from their annual business plan.** The initiatives are detailed in the attached report;

b) Direct the Public Works and Finance Department to prepare a 2005—2009 Capital Budget Request and financing plan that addresses the Parking Fund's need for a Major Repair and Replacement program;

c) Add a new Workout Plan parking initiative regarding the Sale of Parking Ramps. Public Works, Finance and CPED have begun and will continue to evaluate the possible sale of off-street parking ramp(s) and recommend sale of ramps if the result improves the long-term financial condition of fund and meets the City's transportation needs; and

d) Add a new Workout Plan parking initiative regarding Traffic Control Revenue and Expenses. Public Works, Finance and Regulatory Services will develop recommendations on the Traffic Control revenue and expenses impacting the Parking Fund.

**2) Parking Fund Debt**

Increase the amount of variable rate debt to 20% of the Parking fund's total debt. (This will take advantage of current market conditions and allow long-term debt structure to fit within estimated cash flows. City Council approved the current restructuring on April 30, 2004. No additional Council action

needed in 2004.)

**3) General Fund Transfer**

a) Reduce the planned current and future transfers from the Parking Fund to the General Fund. Any reduction from the current level of transfer (2004 transfer is planned to be \$9.8 million) is temporary until the Parking Fund cash balance returns to positive financial performance. Reductions in the transfer may take the following forms:

i) One-time reductions in the transfer if the General Fund's financial performance is positive and there are no adverse credit rating implications in the opinion of the Finance Officer. (The City Council has adopted a policy to use General Fund balance in excess of the Council's minimum (10% of General Fund Revenues) to reduce deficits in the Internal Service Funds. The estimated reduction in 2004 is \$5-6 million. The Finance Officer will recommend a specific amount when the final 2003 financial results are known); and

ii) Planned reductions in the transfer according to the City's adopted 5-year financial direction. The workout plan recommends a planned reduction from 2005 to 2009.

**4) Monitoring and Benchmarking**

The above items do not completely resolve the problem. Public Works and Finance believe a turnaround in the economy and subsequent increase in employment, office occupancy and higher use in the City's parking facilities can fill the gap in the workout plan. Therefore, Public Works and Finance will regularly monitor the financial performance of the Parking Fund and meet with other city departments about taking further steps to improve the financial condition of the fund. Regular updates and further recommendations to the workout plan will be presented to the City Council when appropriate. Those potential future steps, in order of priority, are listed below:

- a) Convention Center Sales Tax Transfers;
- b) Target Center Entertainment Tax Transfers; and
- c) Further General Fund Transfer Reductions.

Be It Further Resolved that the following directions to staff be approved:

- 1) Staff are directed to set annual financial goals for each Technology-Based Initiative and each Staffing-Based Initiative in the plan from 2004 through 2010;
- 2) The annual financial goals must establish annual progress toward meeting the "cumulative financial impact" indicated in the workout plan for each initiative. The goals shall be established and adopted through the budget process for the 2005 budget; and
- 3) Staff shall produce a "receive and file" quarterly report to Ways and Means/Budget and Transportation and Public Works committees on progress. The first quarterly report shall be due for the second quarter of 2005.

Adopted 6/18/04. Yeas, 8; Nays, 3 as follows:

Yeas - Zimmermann, Zerby, Lilligren, Johnson Lee, Benson, Goodman, Johnson, Ostrow.

Nays - Schiff, Niziolek, Lane.

Absent - Samuels, Colvin Roy.

**EXHIBIT C**  
**Minneapolis Parking Services Business Plan**

Date 4/15/2003, Key Initiatives, pages 38 & 39

**XII. Explore possible ramp sales and/or purchases**

In 1999 Minneapolis Transportation and Parking Services Division in conjunction with the Minneapolis Finance Department explored the viability of selling the Municipal Parking System under a number of sale/lease back options. Although the end results produced a much smaller than expected dollar figure and was determined not to be in the best interest of the City, it did open the question as to the possibility of the sale of one of the Municipal Ramps. In 2000, Transportation and Parking Services began to make inquires as to any interest in the purchase of a municipal ramp.

The process started with determining which of the Municipal Ramps were potential candidates. To this end Parking Services developed the following criteria:

1. That there are no restrictions or laws prohibiting the sale of a/the Municipal Ramp
2. That all construction/developmental agreements (REOA) be maintained by the potential buyer.
3. The ramp should be debt free.
4. The public purpose of the ramp should have been met.
5. The sale of the ramp would not have a negative impact on the Municipal Parking System.

Based on these issues, the first ramp considered was Seven Corners. This ramp while meeting the above criteria also had potential buyers in the immediate area: the University of Minnesota and the Holiday Inn. Parking Services made inquires of the U of M and they expressed interest. The hotel also called asking to be included in any discussion regarding the sale of the ramp.

Through word of mouth, Parking Services also received calls from a number of private parking companies/operators that expressed interest in this ramp. Based on their suggestion that more ramps may be of interest, the list was expanded to include: St. Anthony; Centre Village and the Loring Ramps. Over the last year, three companies have done a preliminary review of these four (4) ramps and have sent letters of interest to purchase, in combinations of one or more, these four ramps. Because of the large interest in these ramps and in an effort to maximize the potential revenue we are considering a sealed bid option with a minimum asking price.

Challenges to implementation include possible legal restrictions:

- The ability of the City to sell a parking ramp financed with municipal revenue bonds unless the bonds are callable and can be redeemed using the proceeds of the sale if any debt is still outstanding.
- Many of the City parking ramp properties are encumbered by restrictions, easements and covenants as to use. The relevant real estate documents must be reviewed with respect to these properties to determine whether the City is free to sell such properties without restriction.
- Minneapolis Code § 22.160 provides that the proceeds of a sale must be placed in the permanent improvement fund of the City. The same provision is also found in § 14.120 of the Code quoted above. Thus, the proceeds can only be used for capital improvements and not for current expenses.



**EXHIBIT D**  
**Locations of the 9 Parking Ramps**