



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

Date: June 19, 2007
To: Honorable Sandy Colvin Roy, Transportation and Public Works
Referral to: none
Subject: **Set Public Hearing -- Sale of City-Owned Parking Ramps**

Recommendation:

- a. Set the Public Hearing for the potential sale of City-owned Parking Ramps on July 10, 2007

Previous Directives:

April 14, 2007 Council Action – Approved criteria and issue RFP
Resolution 2004R-282 Parking Fund Workout Plan, June 18, 2004

Prepared by: Jon Wertjes, Director of Traffic & Parking Services, 673-2614
Emily Stern, Senior Project Coordinator, CPED, 673-5191

Approved by: Steven Kotke, Director, Public Works _____
_____, Director, CPED _____
Patrick Born, Director, Finance _____
Steven, Bosacker, City Coordinator _____

Presenter in Committee: Jon Wertjes and _____

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: City Staff has consulted with the following affected neighborhood organizations regarding the pending sale of the parking ramps:

- West Bank Community Coalition (WBCC)
- Cedar-Riverside Business Association (CRBA) & CRBA Parking Committee
- Marcy-Holmes Neighborhood Association
- Nicollet Island-East Bank Neighborhood Association
- Downtown Minneapolis Neighborhood Association (DMNA)
- Citizens for Loring Park Community (CLPC)
- Elliot Park Neighborhood Inc. (EPNI)

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: On June 14, the Planning Commission Committee of the Whole reviewed and recommended approval of the sale of these parcels as being consistent with the Comprehensive Plan. A Planning Commission Public Hearing is scheduled for June 25.

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 market conditions appeared to not 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, Roger Simonson, Mike Abeln, and Mark Winkelhake
- CPED -- Lee Sheehy, Mike Christenson, Emily Stern
- Public Works – Steve Kotke, Jon Wertjes and Mike Sachi
- City Attorney – Shelley Roe

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 City Council adopted these criteria to be used in the RFP process on April 14, 2006. Exhibit A presents the “Sale Criteria for Parking Facilities” dated July 10, 2003. The Project Team used the sale criteria along with other evaluation measures to review and evaluate the RFP proposals.

The Project Team has analyzed and evaluated each proposal against the sale criteria to determine whether an acceptable proposal has been submitted and has determined the RFP method of sale is appropriate for each property using the City's Disposition Policy. 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.

The Project Team has been completed its evaluation will return to the City Council with a report and recommendation.

Identified Parking Ramps

Public Works initially identified the following nine City-owned parking ramps that had merit to be placed on the market to determine whether acceptable sale proposals and conditions can be obtained. The parking ramp locations are located on the city website at http://parking.ci.minneapolis.mn.us/parking_facilities.htm. The Mill Quarter ramp was removed from the current RFP process on August 26, 2006 due to the parking agreement issues related to the Mill Quarter/SAMA developments.

The table below highlights the eight parking ramps, their size and original purpose.

Nine Identified Parking Ramps

Parking Ramp	Spaces	Original Purpose
Centre Village 700 5 th Ave S	700 & 485	Development
Downtown East 425 Park Ave S	455	LRT and development
Federal Courthouse 333 3 rd Ave S	290	Replacement of government parking
Gateway 400 S. 3 rd St	1,397	Transportation – transit and fringe parking
Loring 1330 Nicollet Mall	750	Development of south Mall area
Mill Quarter 711 2 nd St S	324	Development
Riverfront 212 9 th Ave S	987	Development
St. Anthony Main 210 2 nd Ave SE	901	Development of the St Anthony Main area
Seven Corners 1504 Washington Ave S	796	Development and West Bank area and parking supply needs

The sale of public land is regulated by Minneapolis Chapters 14.120 and 22.80 and the policy and procedures set forth in the Real Estate Transactions Policy adopted by the City Council. The method of sale is by 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.