



Request for City Council Committee Action from the Department of

Date: December 9, 2014

To: Council Member Lisa Goodman, Chair, Community Development & Regulatory Services Committee

Referral to: Council Member John Quincy, Chair, Ways & Means 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. 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 any applicable City procurement policy requiring an RFP process, as this property is slated for redevelopment in the near term and subject to a number of complex parking agreements that Standard is well-positioned to manage and it is unlikely another operator would be interested in the lot for such a short timeframe.

Previous Directives:

- May 2012, City Council authorized staff to enter into an agreement with Standard Parking for parking operations on Parcel A for three years.
- December 2009, City Council extended exclusive development rights to Eagle Iron Partners Joint Venture, Lupe Development Partners, LLC and North First Ventures, LLC (or affiliate) and authorized the Mayor and City Clerk to sign an application for title registration to be filed pursuant to Minnesota Statute 508.03 (6).
- March 6, 2009, City Council awarded exclusive development rights to Eagle Iron Partners Joint Venture, Lupe Development Partners, LLC and North First Ventures, LLC (or an affiliate).
- In January 2009, the City Council authorized staff to enter into an agreement with Standard Parking for parking operations on Parcel A.
- 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.

Department Information

Prepared by: Carrie Flack, Sr. Project Coordinator

Approved by: Charles T. Lutz, Deputy Director, CPED _____
Catherine A. Polasky, Director, Economic Policy & Development _____

Presenters in Committee: Carrie Flack, Sr. Project Coordinator

Financial Impact

- Under the terms of the proposed agreement, it is anticipated that revenues generated through June 2015 would be approximately \$72,000 based upon average monthly receipts of \$12,000.
- Action is within the Business Plan
- Request provided to the Finance Department

Community Impact

- Neighborhood Notification – This is a temporary parking lot until such time as the property can be redeveloped. Staff has been working with Wall Companies and Lupe Development on a proposed redevelopment project for this site. The project is slated to close and break ground in Spring 2015. The project has received land use and planning approvals which included notification to the neighborhood groups.
- City Goals – This is a temporary parking lot until such time as the property can be redeveloped in Spring 2015. Development planned for this site addresses: Living Well, One Minneapolis, A Hub of Economic Activity and Innovation, Great Places, and a City that Works.
- Comprehensive Plan – This is a temporary parking lot until such time as the property can be redeveloped in Spring 2015. Development planned for this site addresses is for mixed use in the Mill District and is consistent with a number of goals in the Comprehensive Plan. In addition, the project is consistent with the Historic Mills District Master Plan Update.
- Zoning Code – This is a temporary parking lot until such time as the property can be redeveloped in Spring 2015. This surface parking is a legally nonconforming use. Surface parking is not allowed in the C3A District. However, development planned for this site is in compliance with the existing zoning. The project has received land use and planning approvals from the Minneapolis Heritage Preservation Commission (HPC) and the City Planning Commission.

Supporting Information

Parcel A 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 approximately 400 surface parking spaces operated and maintained by Standard Parking.

City staff issued a Request for Proposals for development on this site in January 2008 and the City Council granted exclusive development rights to Eagle Iron Partners in December 2009. Until the project begins construction (anticipated in Spring 2015), 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 (this revenue is collected directly by the City separate from the Standard Parking Agreement); 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.

CPED staff has negotiated the attached proposed terms with Standard Parking. The City realizes shared revenue for approximately 200 parking spaces in accordance with the attached term sheet. Parking rates have not increased significantly in the last three years and with development imminent on this site, parkers are looking elsewhere to secure parking thereby reducing revenue to the operation. Staff anticipates redevelopment of the site in Spring 2015. Due to this timeframe, 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 pay over \$50,000. In this case, the City is not paying the operator anything. 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. Moreover, given the short term duration of the Operating Agreement (in anticipation of development of the site) other operators are less likely to be interested in and capable of operating the lot.

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 – monthly with automatic monthly renewals for one year

Termination – Either party can terminate with a 30 day written notice

Shared Revenue - Revenue: \$0-\$14,000 Rent = \$0

Revenue > \$14,000 Rent = 80% of Revenue

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.