

City of Minneapolis
Request for Committee Action

To: Community Development & Regulatory Services
Date: 9/15/2015
From: Community Planning & Economic Development
Prepared by: Emily Stern
Presented by: Emily Stern
File type: Action
Subcategory: Contracts & Agreements

Subject:

Interim parking rental agreement with Sherman Associates for 205 Park Ave. S.

Description:

Authorizing staff to enter into an interim parking rental agreement with Sherman Associates or an affiliated entity for parking vehicles on the City-owned 205 Park Ave. S. lot during the construction of a mixed-use project at 233 Park Ave. S. consistent with the terms attached to this report.

Previous Actions:

- April 3, 2015, the City Council authorized staff to enter into an interim parking rental agreement with Ecumen Mill City, LLC for parking vehicles on the 205 Park Ave. S. lot during daytime, weekday hours during the construction of a development project at 322 and 428 2nd St. S.
 - August 22, 2008, the City Council: a) accepted a bid of \$209,671 from Veit and Company to furnish and deliver all labor, materials, equipment and incidentals necessary to construct the 205 Park Demonstration Project, and b) authorized and directed proper officials to execute a contract for this project all in accordance with specifications prepared by Elness Swenson Graham Architects and Oslund and Associates.
 - June 29, 1992, the MCDA acquired Parcel D (which included the 205 Park Ave. S. parcel) as a part of the Milwaukee Depot acquisition.
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Ward/Neighborhood/Address:

Ward 3
Downtown East
205 Park Ave. S.

Background/Analysis:

CPED staff received a proposal for an interim parking rental agreement for the City-owned 205 Park Ave. S. lot from Sherman Associates or an affiliated entity ("Sherman"). Sherman is looking for temporary parking during the planned redevelopment of Sherman's property at 233 Park Ave. S. into a \$70 million mixed-use retail, housing and hotel development. The project is currently moving through the City approval process. The construction period is estimated to be 15 months, commencing on Dec. 1, 2015.

The Old Spaghetti Factory Restaurant (“OSF”), a tenant in Sherman’s 233 Park Ave. S. building, has a long-term parking lease with Sherman for the adjacent 713 Washington Ave. S. parking lot. The use of 205 Park Ave. S. is needed for temporary replacement parking for the OSF’s customers during redevelopment. Per the lease, the proximity of such temporary replacement parking must be substantially equivalent to the 713 Washington Ave. S. lot.

While Sherman needs to find temporary replacement parking for the OSF during both daytime and evening hours, their primary concern is finding temporary parking for evenings and weekends when the OSF’s parking demand is greatest.

In May 2015, the City entered into a parking rental agreement with Ecumen Mill City LLC (“Ecumen”) to provide temporary replacement parking on the 205 Park Ave. S. lot during weekday business hours for contract parkers displaced during the construction of a senior housing development project on a former City-owned parking lot located at 322 and 428 2nd St. S.

The proposed temporary parking rental agreement with Sherman would be for the remaining hours when Ecumen is not renting the 205 Park Ave. S. Lot (“Lot”).

Sherman’s 15-month term would commence Dec. 1, 2015, and Sherman would pay the City a fee of \$10,818 per month during the term. This monthly rental fee represents the projected parking revenues that the City would be forgoing during the timeframe of the lease.

These and other proposed terms and conditions of the proposed parking rental agreement are fully described at the end of this report.

CPED staff recommends approval of the proposed parking rental agreement terms with Sherman for the 205 Park Ave. S. Lot, because (1) this would facilitate Sherman’s large-scale redevelopment project at 233 Park Ave. S., and (2) the City would be duly compensated for foregone revenues during the lease term.

205 Park Ave. S. is a planned redevelopment site and recently there has been renewed developer interest in the property. However staff believes that the proposed 15-month parking agreement term with Sherman is a reasonable time period that would not inhibit a redevelopment process that would involve an RFP process, developer selection, negotiation of a redevelopment contract, and various City entitlements and Council approvals, which in total would likely take well over a year.

205 Park Avenue Parking Lot
Proposed Parking Rental Agreement Terms with Sherman Associates

1. For a term of 15 months, commencing Dec. 1, 2015 and ending on Feb. 28, 2017, Sherman Associates or an affiliated entity ("Sherman") shall be entitled to exclusive rights to 70 parking stalls on the 205 Park Ave Lot for parking vehicles Monday through Thursday from 6:00 p.m. to 6:00 a.m. and Fridays from 6:00 p.m. to Mondays 6:00 a.m.
2. Sherman agrees to pay the City a fee of \$10,818 per month during the term.
3. Sherman may facilitate parking validation and collect revenues for the use of Sherman's rights under the agreement through a pay station located in the 233 Park Ave. S. building.
4. Sherman acknowledges that Ecumen Mill City LLC has rights to park vehicles on the lot during Ecumen's Parking Hours and that those vehicles have the option of remaining on the Lot provided they pay for such holdover time at the City's pay station on the Lot.
5. Sherman agrees to use good faith efforts to accommodate Mill City Farmers Market truck needs on the Lot during the Market hours, including reasonable setup and breakdown hours, at rates comparable to what they are currently paying.
6. With the exception of Mill City Farmer's Market trucks, commercial vehicles are prohibited and no storage of construction equipment or construction staging is permitted on the Lot.
7. Sherman may terminate the agreement at any time upon 30 days' prior written notice and provided all parking fees have been paid and there is no uncured event of default by Sherman.
8. In the event the City's parking agreement with Ecumen is terminated for any reason or Ecumen's parking hours are otherwise reduced during the term, the City shall notify Sherman in writing and initiate negotiations with Sherman with the intent of amending the agreement to expand Sherman's parking hours on terms and conditions similar to Ecumen's.

Financial Review:

No additional appropriation required, amount included in current budget.

Sherman would pay a monthly fee of \$10,818 to the City for evening/nighttime and weekend contract parking in the City-owned 205 Park Ave. S. lot for a term of 15 months commencing December 1, 2015 and ending February 28, 2017 (\$162,270 total). These revenues would be deposited into the Development Account, fund 01SDA.

- Future budget impact anticipated.**
- Approved by the Permanent Review Committee.**
- Meets Small and Underutilized Business Program goals.**

Attachments:

1. DMNA Letter of Support