

City Council Proceedings

Special Meeting/Work Session

July 19, 2005

Pursuant to due call and notice, a special meeting/work session of the City Council of the City of Bemidji, Beltrami County, Minnesota, was held on Monday, July 19, 2005, at 5:30 p.m. in the Council Chambers of City Hall, Mayor Lehmann presiding.

The following Councilmembers were present: Meuers, Erickson, Johnson, Lehmann, Hellquist, Markeson. Absent: Downs

Present representing the Downtown Development Authority (DDA) were: Mitch Rautio, Trevor Tobin, Jim Ekstrom, Pat Donnay, Alice Dreyer and Pam Kelsey.

City Staff present: David Minke, Ron Eischens, Jeanine Brand, Andy Mack, Curt Oakes, Rita Albrecht and Kay Murphy-Schuett.

Mayor Lehmann stated that the purpose of the meeting was to review the proposed Lot 4 parking ramp.

Minke provided an overview stating that a successful city has parking problems. Parking problems means that somebody at some point is unable to park where they would like to park. The City for a long time back since the 1980's has relied on the DDA to manage parking and to provide some guidance and assistance with parking. The City has put a lot of funding into parking. The DDA has managed the parking and collected revenues on behalf of the City and put that money back into parking. The DDA has also saved the revenues from parking lots to collect an escrow to pave parking Lot 6. If the DDA proposed to build another parking lot, it would not be new ground if the City loaned money or if the City helped purchase it. Part of the reason that the parking ramp is new ground is that the DDA is proposing to get a loan from a third party which raises several issues in regards to security, collateral, repayment and who is responsible for what.

Minke further stated that the Event Center has come up recently and appears to be fast-tracking toward some solution. However, he questioned how that impacts the decision-making on the ramp. Minke commented that the important thing to get from this meeting are the parameters of a management agreement because no matter what happens with the parking ramp, the Council and DDA should come to an agreement on the management of the parking. Another issue is how and when the City going to be ready to make a decision on the parking ramp—is there a timeline and what are the City's expectations.

Mitch Rautio, DDA, gave a presentation which highlighted the following:

Short Term Objectives:

- Defining and documenting what the City's and DDA's roles and relationships
- Obtain agreement that will allow construction of a parking ramp in Lot 4

Long term:

- Provide parking for downtown customer and employees
- Attract and retain downtown businesses and organizations
- Generate revenue adequate to fund construction of a two tier parking ramp
- Generate long-term revenue to improve and develop downtown Bemidji with a focus on parking
- Create a foundation for growth in downtown (two tier parking ramp would not add the parking lost from sale of Lot 9)

Background – History:

- Late 70's the Downtown Business & professional Association (DBPA) worked to improve parking & revitalize downtown in Bemidji.
- 1986 The DBPA
- DDA took loans from City for parking projects and repaid them from parking revenue.
- DDA purchased property with parking revenue and deeded the lots back to City.
- City continues to maintain and insure properties.
- DDA continues to manage the parking program.
- All loans have been repaid.
- Over the past 14 years, DDA has used revenue from permit sales to:

- Remove T-Bones building to expand and pave Lot 7
- Remove Doran Plumbing to expand and pave Lot 4
- Acquire & pave Lot 5
- Acquire & pave Lot 6
- Work with City and State to expand Lot 8
- Work with City and County Lot 9

Current Statistics:

- 685 parking spaces before Lot 9 sale
- 564 current parking spaces
- 647 parking space with two tier ramp
- Ramp is still 38 fewer spaces than prior to Lot 9 sale
- In 2005, 778 permits are reserved.
- 80-90 cars per day park in the old Market Place lot
- Many employees still park on the streets or customer lots

Parking Solutions: Ramp

- Need to replace parking from sale of Lot 9
- Building ramp is better than removing buildings
- Ramp also creates opportunities for future parking expansion
- Provide overflow parking for future event center
- Estimated construction costs \$900,000
- Jim Lucachick Architect and Kraus Anderson Construction Mgmt
- Use precast concrete construction
- Begin Construction August 2005
- End Construction November 2005

Rates: Reviewed the rates from the 8 parking ramps. The parking rate would be \$85 for the proposed two tier parking ramp.

- Based on projections, income will be about \$50,000
- Revenue from lots as loan collateral
- \$350,000 from sale of Lot 9 to County
- Tax free municipal loan – lower rates
- \$550,000 loan at 4%-5% from community banks
- Annual loan payment of \$43,000 approximately – 20 years. Ekstrom stated that the DDA anticipants to pay the loan off earlier.

Conclusion:

- A two tier parking ramp will provide a significant parking asset to the community
- Convenient downtown parking will foster successful businesses
- The revenue generated through the DDA parking program is adequate to fund construction of a two tier parking ramp

Lehmann commented that regardless of where the event center is located the proximity of the parking lot is the issue.

Markeson observed that even if the event center is located downtown it ultimately will bring new businesses to the downtown.

Johnson stated that the parking ramp and the location could drive the location. Locating the event center in the railroad corridor could greatly impact the downtown. The site for the event center has not been selected.

Rautio agreed it would be a catalyst to locate the event center downtown.

Hellquist asked if the ramp would close at a particular time. He expressed concerns about it becoming a gathering place for skateboarders.

Rautio replied that the lot would close at the same time as the other lots. In addition, there would be security cameras. The DDA has visited with Chief Preece regarding the parking ramp security.

Minke stated that monitoring the parking lot would need to be done by a private security firm. The City does not have the staff to monitor the parking lot.

Meuers asked how the parking ramp would be maintained.

Eischens stated that he estimates the maintenance cost to be approximately \$650 per space based on figures from a July issue of Public Works magazine. This cost includes lights, security and maintenance.

Rautio commented that the ramp would have a snow gate or chute on the top tier to push snow into a truck below.

Minke stated that typically the City plows the snow into a pile and hauls it away later.

Discussion followed on the design of the ramp and height. The overall height would be 14 feet. The ramp would start down 4' from the current lot. The ramp would be designed with the potential of adding an elevator.

Erickson expressed concerns that the County may move employees out of Lot 9 into their own lot and there is a potential for revenue to be reduced.

Rautio stated that the DDA will continue to manage the parking lots without a management fee if the city continues to pay for lot maintenance.

Erickson asked how other items downtown would be maintained with the dedication of all parking fees toward the parking ramp.

Rautio responded that the DDA would tighten their budget and DDA members also pay dues that would be used for that purpose.

Donnay commented that the DDA has invested a lot of time and effort to design this plan and it was time to take a risk.

Ekstrom stated that the bank is asking for the City to be a second signer on the loan. This will reduce the interest charged.

Eischens stated that first and foremost the Council and the DDA need to come to an agreement on the management of the parking lots.

Lehmann stated that there has been a tremendous amount of work done by the DDA. The LMC attorneys have reviewed the agreement. He stated that the Council needs to look at the parking ramp even if the event center does locate downtown as it could enhance more than detract.

Eischens stated that there is nothing in the 2006 budget to cover maintenance of the parking ramp.

Rautio would like more research on the maintenance costs.

Minke stated that the City's obligation depends on the loan agreement with the bank, the management agreement and the lease agreement with the DDA. Because these are the documents where the City's obligation is spelled out and when the City started this endeavor, the City's position was not to be on the hook financially beyond the \$350,000. The DDA went out and negotiated an understanding of how the financing would work and the bank came through and said they would accept as security the revenues from the parking fees not the land, not the asset, not anything.

Minke stated that the City does not want to be obligated beyond the revenues but yet if the City is going to be involved in setting the fees, there has to be an understanding that what the fee would be.

Erickson commented that it is the understanding in the agreement that the fees will be used to cover the loan payment so there is no way that any "rational" council would say they were going to offer free parking and the "heck" with the bank. Erickson stated she does not support cosigning the loan. Erickson stated that it was her understanding that the City would have no liability whatsoever.

Erickson shared an e-mail received by Attorney Felix from Tom Grundhofer, League of Mn Insurance Trust, in which Mr. Grundhofer stated that "parking ramps are considered fairly expense and high risk."

Minke stated that if the City was to be a partner, that partnership would limit the City's obligation only to the parking revenues. The DDA has not asked the City to commit anything beyond the revenues for the loan repayment.

Erickson stated that if the loan is defaulted, the City is defaulting as a co-signer on the loan.

Minke stated that when there is a default the remedy is the bank gets the collateral, there is no collateral, the bank gets nothing. The bank would require some reasonable assurance in the language that the City is going to work with the bank to set the parking rates so the bank has an expectation that the parking revenue will make the payments.

Johnson stated he was concerned that basically all the parking revenue would be used on the ramp which really is not replacing what the parking that is needed now. Johnson asked why there was urgency in building the ramp this year.

Ekstrom stated that the DDA looked at a number of solutions. In order to fix the parking problem right now, this is the best solution.

Discussion continued on the maintenance of the parking ramp. Eischens commented that it is difficult to compare the cost of maintaining a flat lot versus a parking ramp.

Markeson suggested that the maintenance cost is overstated.

Hellquist stated that the cost of maintenance was discussed at the Public Works Committee meeting and it seemed that maintenance was not a major issue. Hellquist expressed concerns about the timeframe; construction delayed for a year could add another 10% in costs, which would add another \$90,000 to the cost. Waiting would not be advantageous to the City or the DDA. Hellquist commented that agreements should be worded properly to protect the City.

Lehmann would like better maintenance cost estimates and to move forward.

Minke asked if it is the Council's intent to use some of the revenue fees toward the maintenance costs. If the answer is yes, it would change the funding scenario.

Lehmann responded that if he has not heard the Council suggest that parking revenues be used for maintenance.

Minke asked if the parking ramp is exempted, is it the Council's wish that the maintenance cost requirement be removed from the agreement for Lots 2-9. Consensus of the Council was to continue to maintain the downtown lots.

Erickson stated that it depends on the cost of maintenance for the ramp before she can make a decision to commit the City to that expense.

Minke will take the Management Agreement with exemption to the parking ramp, which would require the agreement to be renegotiated, and get it in a form to go to the Council for approval. The City needs a Management Agreement before it can have a lease. The City Attorney will prepare two drafts one including the ramp and one to exclude the ramp for the Council's review at their regular meeting on August 1, 2005.

Minke will work with the bank as to what their request would be and see how accommodating the City can be.

ADJOURN

There being no further business the meeting adjourned at 7:50 p.m.

Respectfully submitted,

Kay Murphy-Schuett
Deputy City Clerk