

**CITY OF EXCELSIOR
Hennepin County, Minnesota**

MINUTES

City Council Work Session

Tuesday, February 21, 2012

1. Call to Order/Roll Call

Mayor Ruehl called the meeting to order at 5:35 p.m.

Councilmembers present: Caron (arrived at 5:41 p.m.), Fulkerson, Miller (arrived at 5:48 p.m.), Olson, and Mayor Ruehl

Also Present: City Manager Luger, City Attorney Staunton, and City Planner Richards

2. Agenda Approval

Olson moved, Fulkerson seconded, to approve the agenda as presented. Motion carried 3/0.

3. Annual Parking Impact Fee and Available Parking for 2012

Richards said that staff had discussed the lease rates for Downtown Excelsior with local realtors and found that there is no differential lease rate for prime retail versus restaurant space. Lease rates range from \$20.00 to \$30.00 per square foot in the Downtown based upon whether the space is on Water Street and its proximity to the lake.

Richards added that in speaking with building owners that have retail and restaurant tenants, the perception was that the gross sales per square foot for either a restaurant or retail space would not be significantly different, although the expenses for a restaurant would be higher with food costs and labor. It is difficult to prove this perception since there are a number of variables including the types of retail businesses or restaurants and their individual circumstances.

Richards stated that by applying the average number of occupied spaces in the total district from May to December to the formula results in an available capacity of 441 parking spaces. If just the parking counts for June, July, and August were applied to the formula, the available capacity would be 409 spaces.

Richards added that if the City restricted the district to the East and West Lots, the available capacity would be 294 spaces if the counts from May to December were applied to the formula. If the parking counts are restricted to only June, July, and August then the available capacity is 200 spaces.

**3. Annual Parking Impact Fee and Available Parking for 2012 –
(Continued)**

Richards said that if the parking counts for the East and West Lots and the Street spaces from June to August were factored in, the available capacity is 325 spaces.

Mayor Ruehl commented that Richards' available parking capacity numbers were conservative which he appreciated since including too much private parking spaces could get the City in trouble. Mayor Ruehl added that the amount of space that the City could add (130,000 square feet of retail and 100,000 square feet of office) with the available parking seems unfeasible. Richards responded that some of the redevelopment projects have added square footage so he doesn't see the amount of space available too difficult to imagine.

Caron stated that our perceptions have not become reality; the City worried about parking with Jake's and the concerns have not become reality. She wonders how the City is able to handle everything and then concluded that maybe more people are arriving by foot and bicycle than what we realize.

Caron said that the City needs some kind of methodology to determine the available parking capacity. What the current methodology misses is the private parking usage; it is unlikely that customers are moving their vehicles when they are shopping downtown. Richards suggested opening up the number of available parking spaces on an incremental basis. Maybe some of the private spaces are included in the calculation, but not all of them. Richards proposed setting the available parking capacity at 100 spaces. Mayor Ruehl commented that it is going to take a lot of development to use 100 spaces.

Caron expressed concern that the City will not get anyone to use the parking impact fee. Where does the revenue come from? Mayor Ruehl said it comes from Brian Burdick's and Gary's First Class Car Care's sites. Caron commented that Burdick is not taking advantage of the parking impact fee.

Richards read portions of a letter that Brian Burdick sent that day regarding the parking impact fee. Richards pointed out that Burdick has been put at a disadvantage with his property; Burdick needs parking spaces for the building located at 287 Water Street and for the building proposed to be built on the existing parking lot. Caron believed that Burdick paid a premium for the property which is why it is financially difficult.

Mayor Ruehl did not believe that Burdick was at a disadvantage since there is always a cost to add parking no matter where the business is located. However, if someone develops their own parking they will eventually pay it off whereas with the parking impact fee, it is never paid off. Mayor Ruehl said he does not agree with Burdick's suggestion to reduce the parking impact fee to zero when other properties have the cost to provide parking.

**3. Annual Parking Impact Fee and Available Parking for 2012 –
(Continued)**

Richards said that Burdick is at a disadvantage because his property located at 287 Water Street did not receive the same grandfathering that other properties were given for parking because that property provided its own parking spaces.

Bob Bolles, 229 George Street, stated that the City created grandfathered parking spaces in 2002 because the East and West Lots were paid for by the businesses. He believed that part of the grandfathering formula was based on the contributions made by the businesses for the parking lots.

Miller said that if there is a fair way to rationalize grandfathering in some parking spaces for 287 Water Street then he would be interested in exploring that option, Mayor Ruehl agreed.

Mayor Ruehl said that in regards to establishing the annual parking impact fee, he believed that the range of \$1,200 to \$1,500 was based on a blended rate for expanding the current surface lots and creating structured parking. Miller asked if the fee will work for retail businesses. Mayor Ruehl said he believes that the fee will work for retail because of the additional costs that go into creating more parking. The rents are strong enough that the parking impact fee should be affordable.

Mayor Ruehl suggested that maybe the parking impact fee is considered unaffordable because of the never ending payments, maybe the Council needs to consider a 20 year payment plan. Miller said that the City will need all of the revenue and that he would not consider a cap at this point in time.

Miller stated that he would like to encourage more retail businesses and would be willing to lower the fee for this use; he suggested a parking impact fee of \$1,000 for retail businesses. Olson questioned if this is something the City wants to do; do we want more retail over restaurants? Caron said that the City needs to think of the balance they want. She believed that the risk of more restaurants coming in is low since the cost of converting retail space to restaurant space is so expensive.

Miller said that properties that could accommodate new development such as Brian Burdick's or Gary's First Class Car Care could easily put in a restaurant. Mayor Ruehl cautioned the Council to be careful of doing too much economic engineering; he would rather see the market work.

**3. Annual Parking Impact Fee and Available Parking for 2012 –
(Continued)**

Olson said that maybe Excelsior wants to become a restaurant mecca. Miller said he is not against restaurants, but believes it is better for the retailers if there is more contiguous retail. Caron said that it can be risky if there is not enough retail but she doesn't think Excelsior is at that point yet. Richards believed that the retail was in good shape.

Richards said that he grappled with a rationale for a tiered rate structure and could not come up with one. Staunton commented that he would be uncomfortable with the City making a distinction between retail and restaurants, there needs to be some rationale.

Fulkerson believed that the parking impact fee needs to lower. Olson liked the idea of phasing in parking spaces. Richards suggested creating a four year cycle by taking 325 parking spaces and dividing it by four.

Miller asked what the risk is by allowing all of the parking spaces to be used in the formula for calculating the availability capacity. What is the worst that can happen? Staunton responded that the risk is that the City does not have any parking spaces left. Mayor Ruehl said that if a developer took 300 parking spaces then the City would have the money to build additional parking.

Miller suggested that maybe the City wants one developer to take all of the parking spaces because it is a great development opportunity.

Richards again suggested an incremental approach to considering the available parking capacity. Caron asked what is the rationale, what is the formula? Mayor Ruehl suggested that the City takes the 200 spaces available in the East and West Lots and splits it into half for an available capacity of 100.

Miller said the City created a formula and now we are just going to arbitrarily limit it? Are we just trying to be safe? Mayor Ruehl responded yes, we are trying to be safe.

Caron asked if the City wants to encourage developers to think of larger projects because parking is available. If you open up 100 spaces, are you encouraging developers to rip up a block and create large development?

Olson liked the idea of setting a smaller number for the availability capacity; if the City needs additional parking capacity in the future then the ordinance can be changed. Fulkerson did not like the idea of playing with the numbers.

3. Annual Parking Impact Fee and Available Parking for 2012 – (Continued)

Miller suggested capping the maximum available capacity at 100 parking spaces. Staunton proposed changing the ordinance to state that the available capacity would be based on the number of available parking spaces or some pre-determined limit, whichever is less. Caron said that if the City determines the available capacity to be 100 spaces, the City could still run the risk of having a large development that has no parking on site. Fulkerson said it is all arbitrary, just pick a number.

Mayor Ruehl said that the downside of not using the formula is that the City may be limiting development. Caron is inclined to keep the available capacity number low so the City does not suffer any unintended consequences.

Miller recommended setting the available capacity for 2012 at 100 parking spaces with a parking impact fee of \$1,200 per space. The other Councilmembers agreed with Miller's recommendation.

4. City Leases

Luger said that the City currently leases two buildings: the former police station located at 810 Excelsior Boulevard and the former fire station located at 339 Third Street. Luger added that both tenants have expressed an interest in purchasing the buildings they lease from the City.

Mayor Ruehl asked for the Council's thoughts regarding the former fire station building. Fulkerson asked if the Charter affects this discussion, Staunton replied no.

Miller thought it would be a mistake to sell any of these properties especially now with the market being so low. Miller said that the City needs to maximize their revenues and the leases allow the City to do so; there is no economic sense to sell off your assets.

Caron said that Miller's comments have been the prevailing sentiment for awhile. Mayor Ruehl stated that he is also not interested in selling the properties; however, he would be supportive of sending out a Request for Proposals to improve the City's tax base and allow the City to generate more revenue.

Mayor Ruehl added that if the City sells these buildings, they are locking in uses that may be obsolete and not serve the City well in the future. Richards added that the City would also lose their ability to control the buildings and the type of redevelopment that could occur.

Fulkerson said that she would like to see some data before a final decision is made. Mayor Ruehl said that he is basing his conclusions on his experience, but is not opposed to seeing some data. Fulkerson said that she would like to know the value of the properties and how much the City is collecting in rent versus the value of the buildings.

Mayor Ruehl stated that he could not sell the City Hall site in its current condition; it is a key property in the downtown. Caron believed that the Finance Advisory Commission did an analysis on the benefit of selling versus leasing. She recalled that their conclusion was that it did not make sense to sell.

The Council directed staff to find out what information the City has already collected on this topic, the value of the properties, and to look at the City's expenses versus revenue.

5. Other

None

6. Adjournment

Fulkerson moved, Olson seconded, to adjourn the Work Session at 7:00 p.m. Motion carried 5/0.

Respectfully submitted,

Kristi Luger
City Manager