

Staff Report
**PARKING AGREEMENT WITH YOUTH AND SHELTER SERVICES
FOR MUNICIPAL LOT P**

May 22, 2012

BACKGROUND:

On April 16, 2012, City Council received a letter from Youth and Shelter Services (YSS) regarding a request to renew their parking agreement for Municipal Lot P at 308 5th Street. Municipal Lot P was leased to YSS as part of the Development Agreement for the renovation of the old City Hall at 420 Kellogg Avenue beginning in 1995.

Section 8 of the Development Agreement specified the terms of the parking lease related to the use and maintenance of the lot. YSS was responsible for all routine maintenance such as cleaning, snow removal, and minor crack sealing or filling of potholes, etc.; the City was responsible for any major resurfacing or reconstruction. It should be noted that the agreement became active at the time the deed was transferred to YSS, which was April 8, 1997 – this also is to be used as the start date for the 15 year lease term.

According to the agreement, YSS is entitled to exclusive use of the sixteen parking spaces in Municipal Lot P for a fifteen year period ending in April 8, 2012. The agreement specifies that YSS may use the lot with no charge for the first ten years, and after which YSS needs to pay market rate fees for use of those spaces during the final five years of the agreement. In response to this, YSS approached City Council on February 13, 2007 to negotiate the rate for the last five years when they proposed a rate of \$1 per year for all 16 spaces; at the time the City Council decided to set said rate to be consistent with current policy for reserved stalls at \$35 per month - \$6,720 annually.

Then in April of 2007, YSS approached City Council again after collecting some data related to the annual cost to maintain the lot; those costs were identified to be approximately \$2,880/year, which equates to \$15/space/month. Therefore, their request at that time was to reduce the rate from \$35 to \$20 per stall. Recognizing the significant effort YSS has put into maintaining the lot each year City Council agreed on June 26, 2007 to amend the agreement to this new rate for the remainder of the term - \$3,840 annually. **At that time Mr. Belitsos, Director of YSS, stated that he understood that the final five years of the agreement would serve as a transitional period. He also indicated that YSS expected to pay the full market rate set by the City after the 15-year term ends.** (See attached City Council Meeting Minutes for April 24, 2007)

In the recent letter to City Council, YSS is proposing to keep with past practice of \$20/space/month, reiterating the reduced rate is related to the annual maintenance cost that have held constant over time. YSS is also requesting that with a successful renewal of the lease they would also like to split the cost of a project to repair potholes on the lot

estimated at \$4,500; the cost to the City is then estimated to be \$2,250. The proposed term of the new lease would expire on June 30, 2017; all other provisions of the related to the maintenance, use, and proof of a current liability insurance policy (\$1,000,000 coverage) for the lot will remain the same.

OPTIONS FOR COUNCIL CONSIDERATION:

Since the current parking agreement expired on April 8, 2012, a new agreement is required should the Council decide to offer the parking spaces to YSS for another five year period. In order to approve a new lease, the City Council should determine the terms of the new contract at this meeting and set a hearing date for public review of the lease for a future meeting.

There appears to be, at least, five options for the City Council to consider regarding this matter.

Option 1 - \$20 Per Space Per Month, Share \$2,250 To Fix Potholes, All Other Term Remain

The City Council can support a new parking agreement with YSS to lease 16 spaces in Municipal Lot P for five years at a \$20 per space per month rental rate and agree to share the \$4,500 cost to repairs several potholes on the lot. All other terms of the agreement would be the same as reflected in the current agreement. (This is the recommendation of the YSS Board)

Section 8 b. of the existing agreement clearly specifies that YSS will be responsible for "pot-hole filling." Therefore, if this option is pursued and the City shares the cost of pothole patching, the agreement will have to be modified to allow for this participation.

This option would provide a reduced rental fee in recognition of the lot maintenance costs absorbed by YSS which would normally be the responsibility of the City.

Option 2 - \$20 Per Space Per Month, All Other Term Remain

The City Council can support a new parking agreement with YSS to lease 16 spaces in Municipal Lot P for five years at a \$20 per space per month rental rate, but not agree to share the cost of pothole filling as per the existing agreement.

This option would provide a reduced rental fee in recognition of the lot maintenance costs absorbed by YSS which would normally be the responsibility of the City.

Option 3 - \$35 Per Space Per Month, Share \$2,250 To Fix Potholes, All Other Term Remain

The City Council can support a new parking agreement with YSS to lease 16 spaces in Municipal Lot P for five years at a \$35 per space per month rental rate and agree to share the \$4,500 cost to repairs several potholes on the lot. All other terms of the agreement would be the same as reflected in the current agreement.

Section 8 b. of the existing agreement clearly specifies that YSS will be responsible for "pot-hole filling." Therefore, if this option is pursued and the City shares the cost of pothole patching, the agreement will have to be modified to allow for this participation.

This option reflects a rental fee (\$35 per space per month) that is in keeping with the current fee charged throughout the parking system.

Option 4 - \$35 Per Space Per Month, All Other Term Remain

The City Council can support a new parking agreement with YSS to lease 16 spaces in Municipal Lot P for five years at a \$35 per space per month rental rate, but not agree to share the cost of pothole filling as per the existing agreement.

This option reflects a rental fee (\$35 per space per month) that is in keeping with the current fee charged throughout the parking system and, as the record indicates, the YSS Board indicated a willingness to return to the \$35 rental fee after the first 15 years.

Option 5 – Do Not Rent To YSS For Exclusive Use

The City Council can deny the request to lease 16 spaces in Municipal Lot P to YSS.

STAFF COMMENTS:

The City staff remains very appreciative of YSS for locating their offices in the Downtown Business District and renovating a historic building for that purpose. In order to assist with the continued viability of their efforts, the staff supports the continued leasing of the 16 parking spaces in Municipal Lot P for an additional five year period YSS.

In addition, the staff is supportive of the terms of the existing agreement pertaining to parking. (See attached section of agreement.) These terms provide for liability protection, assign maintenance responsibilities to the lessee, and allow the City to cancel the agreement after a 90 day notice if the parking on the site is needed for a development project in the Downtown Business District.

The only modifications to the existing agreement language that will be needed are related to the City Council's ultimate decision regarding an appropriate monthly rental fee per space and determination if cost sharing for pothole filling is desired.

In order to approve a new lease, the City Council should determine the terms of the new contract at this meeting and set a hearing date for public review of the lease for a future meeting.

Parking Agreement Youth & Shelter Services: Map of Municipal Lot P

