

PROCEEDINGS OF THE CITY COUNCIL
Rapid City, South Dakota

January 23, 2017

Pursuant to due call and notice thereof, a special meeting of the City Council of the City of Rapid City was held at the City/School Administration Center in Rapid City, South Dakota on Monday, January 23, 2017 at 6:30 P.M.

The following members were present: Mayor Steve Allender and the following Alderpersons: Ritchie Nordstrom, Darla Drew, Jason Salamun, Charity Doyle, Brad Estes, Amanda Scott, Steve Laurenti, Jerry Wright, Lisa Modrick and John Roberts and the following Alderpersons arrived during the course of the meeting: NONE; and the following were absent: NONE.

Staff members present included: Finance Officer Pauline Sumption, Interim Public Works Director Dale Tech, City Attorney Joel Landeen, Long Range Planner Sarah Hanzel, Administrative Secretary Paula Arthur and Administrative Coordinator Heidi Weaver-Norris.

Dan Senfter, President of Destination Rapid City, addressed the Council. He said it's time for action. That lot has been empty for 40 years and there are people out there wanting to buy it. He said the parking ramp is oversold and there is no extra parking. He stated he talked to 14 business people who would like to move downtown but there is no parking. He encouraged progressiveness and forward thinking. Bryan Vulcan stated he spoke at the last meeting. He thinks the lot is a choice location and wants something special to be done with it. He said the only way a project there will work is if the City funds parking on the other half. He'd like Council to establish a process rather than just a solution. He encouraged Council to let the professionals help and to not just make decisions amongst them. He said this is an excellent opportunity for the City.

Mayor read in item (CC012317-01) Staff Report from Sioux Falls site visit. Sarah Hanzel, Long Range Planner, addressed the Council. She stated that herself, Pauline Sumption, Dale Tech and Joel Landeen went to Sioux Falls last week and met with a cross section from the development team from the City of Sioux Falls. They went over the Sioux Falls downtown master plan. She said they are engaging their community on a continual basis. Sioux Falls is working on the concept of design guidelines, which is still in the works, but is an important component. They advised to keep design concepts at the forefront. Zoning emphasis is concentrated more on the use instead of the form of the building. The Rapid City Planning Department is working on the downtown zoning revisions and those will be ready in 4-5 months. Pauline Sumption, Finance Officer, addressed the Council. She explained that Sioux Falls has one person in charge of the whole parking system there. Rapid City has three departments involved with parking. Sumption said the pricing for parking is backwards downtown. She said we give away prime locations and you have to pay to park further away. One of the first steps she believes would be most effective is to hire a consultant to study the parking demands of today and the future. She indicated there are 130 current spaces on that lot and the City overbooks it. She said without the knowledge of the consultant, we could make a mistake. She stated the consultant would also look at charges for meters. She said Sioux Falls charges \$1.75 per/hour, Rapid City charges \$.25 per/hour. She said Sioux Falls has the ability to take credit cards with their parking meters. Their parking enterprise has no debt. She said we don't keep up with maintenance with meters like we should be. We aren't keeping up with technology. Sioux Falls charges \$75 per month for leased parking and Rapid City is \$44 per month. At the current rate, a new parking ramp would take 35-40 years to pay off with the current rates that are charged. Dale Tech, Interim Public Works Director, said Sioux Falls currently has a similar project. They first did an RFP but it didn't work for them. They decided to do an RFQ (request for qualifications). He said it's more or less finding a team qualified to do the project. Three criteria required: history of doing projects, the experience regarding the principles of the job and ability to obtain financing. He said we need to identify the need for parking through a consultant. He said Sioux Falls hired an owner's representative. This person will work with a construction manager at risk. They are there to be the voice of the city. They find

ways to do things more efficiently. Tech said they speak very highly of that process. Joel Landeen, City Attorney, stated that in order for this project to be successful, it needs to be taken out of the political realm. He said in Sioux Falls, the Mayor initiates the projects, the Council doesn't do that. He thinks the first mistake with Presidents Plaza was the marketing. He stated the City shouldn't have asked what was going to be built but instead should have asked will it work. He thinks the original project was chosen from conceptual drawings. Sioux Falls said people accept the prettiest pictures, so conceptual drawings should not be submitted. They want to make their selection on their ability to perform and their past history of finishing the projects. He stated that Sioux Falls has a selection committee, mostly composed of staff, although they might select an elected official or people from the public as well. They are all required to sign confidentiality agreements. By this process they de-politicized it. He said it might cause some concern with transparency, but it's a process that works. He stated if Rapid City uses this process, they shouldn't negotiate the projects in a public forum. He said they learned a lot from Presidents Plaza. He indicated that developers don't want to discuss their finances in a public forum. Sioux Falls said they get outside help. They hire a huge legal firm out of Minneapolis to help them with legal documents because they have done these types of contracts before. Landeen suggests getting legal assistance in the future and use experts to draw up these documents. He said most public private partnership agreements are 40 pages long. The City maybe had ten with the previous project with many addendums. He said concepts shouldn't be developed in a public meeting. When the public starts taking ownership in the future project and it fails, it disappoints the public. He advised to set a goal, know the goal, and make sure decisions are consistent with the goal. He said that Sioux Falls has so much more staff support. They have a project manager for each individual project. They also have a parking manager and an economic development person. They have more expertise but still recognize when they have to go outside for extra expertise. He said Rapid City staff has so many day-to-day obligations that they can't focus on this one project alone. Landeen thought the Sioux Falls process was really good. They have a track record of success in getting projects done. He said if we do things how we always have, we won't succeed.

Mayor asked the Council if they wanted to change any rules regarding discussion. Motion was made by Scott, second by Laurenti to suspend the rules. In response to a question from Nordstrom, Mayor said there would be no time limit regarding the debate. Motion passed 9-1 with Doyle voting no.

Mayor read in item (LF122816-06) Discussion of Options for Parking Lot Located on the Corner of 5th and St. Joseph Street. (This item was continued from the January 3, 2017 City Council meeting.) In response to a question from Estes, Landeen stated that some goals might be to decide if they want a mixed use, a hotel, living space, or retail space. He suggested setting parameters, but not size. He suggested being general in their goals. He said it was originally pitched as a mixed use project but by the end, it was pretty much just an apartment building. He stated the developer needs to look at what the market will bear. He said the original market analysis was done too late. Landeen said there is a downtown plan, with upcoming zoning changes that need to be implemented. There are also design standards to look at. He said if they are considering selling the property, they might want to rethink it before all of those things are in place. Landeen said we know we have demand for parking at this location. What we don't know is if there is demand anywhere else. He stated that anyone that builds there will also create additional demand. He advised not locking themselves into a size of parking ramp at that location for now. He suggested leaving it open to negotiate with the developer. He said the parking study would help determine the need there now and in the future. Landeen said the other surface lot the City has is a prime location at 8th and Main Street. But the City should look at acquiring property that would fulfill the need for parking other than what we already have. Look more creatively on downtown parking and maybe partner with some other businesses. Laurenti stated he likes the sound of pulling back the political arm as much as possible. He said he originally liked option 3. He said it seems better to take ideas from the private developers. They are the ones who have to figure out if their project will be in the black or not. In response to a question from Laurenti, Sumption said that Sioux Falls did sell some lots to private entities but they wanted to know what was being put there before it was sold. Landeen said that Sioux Falls uses a steering committee which can include the developer, staff, project manager, engineer, planners, legal, and that committee comes up with the vision. Once the agreement is

ready, they bring it to Council for approval. He said someone from staff is the owner's representative and is given the authority by the elected officials to make decisions. The representative negotiates with the owner. They have the flexibility to change the project, marketing issues or design issues, without everything coming back for approval. But at the end of the day, the Council and the City has to approve everything. Laurenti said he thinks that people fear that if we sell this lot, the zoning won't get us what we want. When in reality what we really want is a private developer to purchase that lot and they determine what is best for the lot, not the City. He thinks that is what the mentality has been and that is why the lot has been sitting undeveloped for 40 years. Landeen said if we sell that lot, and it goes bad, then the citizens blames the City for failing. If you sell it, whoever builds there has to include parking. He said the City won't really get anything out of the money if they just sell the lot. If we sell it, there will still be a parking issue and we still have to pay off the parking bond. Laurenti clarified that the new process would ask for submissions from private developers with their ideas and the City would choose the one that best fits their needs. Landeen said the developer would have some general goals, and they would propose the idea. Laurenti suggested leaving the goals even more open. Sumption stated that Sioux Falls suggested being more specific was better. (Roberts left the meeting at 7:23 p.m.). Mayor said just to clarify, it sounds like the private developer will decide on what to propose. He said their guidelines could be as vague as just saying to be consistent with the downtown master plan. He stated the beauty of it is we get to look and vet for ourselves which is more in line with the needs of downtown. He said there is a lot of leeway. Wright stated that we need to get this done. It's been 40 years too long. He said the City not only needs to address that corner but all areas. He agrees with the RFQ process. He also thinks the City needs to rebuild some streets, address the downtown lighting, and take a progressive look at capital outlay and infrastructure in the downtown area. He thinks we can get it done in three years if they make the right decisions. Salamun stated it's important that we learn from other communities. In response to a question from Salamun, Landeen said conditions can be set if they sell the property. There are some restrictions, and covenants that could be put in place. He suggested that too many conditions could be problematic. But Council could put conditions on the sale if they wanted. Salamun suggested the Council take 90 days to get proposals from developers to get some ideas. He would like to know what kind of ideas are out there. His preference is that the City do a parking study, where parking should go and if there is a warrant for parking there. He likes the idea of the City maintaining the parking structure on one parcel and selling off the other parcel. Developers and investors will look at the lot as a great opportunity. Scott thanked staff for going to Sioux Falls to research some alternate methods. Scott stated that Sioux Falls is a charter form of government and Rapid City is an aldermatic form of government. In response to a question from Scott, Landeen said if the City went with an owner's representative, the City is not turning over control to the owner's representative. That person answers to the executive branch. They would answer to the Mayor or whoever the Mayor delegates to manage that project. In Sioux Falls there is a project manager designated in the executive branch that the owner's representative answers to. He said we would need to designate a project manager as well. Landeen said he does not foresee any problems between the two different forms of government. He does not foresee any major legal issues. Landeen knows there is a desire to do something on this lot and it has been too long. The City needs to make sure they do it right this time. He said there's no reason they can't start in the next couple of months, have a plan and start implementing it, have someone selected and agreements in place and hopefully by next year get started on construction. Scott said she does like the concept of RFQ. She likes that they have to show a track record of having done these types of projects in the past, knowing with confidence they have a track record of getting to the finish line. It's an opportunity for letting the experts submit what they do best. In response to a question from Estes, Hanzel said the zoning changes will be brought forward between May-June of this year. The first thing they have to do is take an inventory of all the parcels downtown. They need a clear sense of what is working well and what isn't. Estes is convinced that the RFQ is the way to go. People will want to see that the City has their ducks in a row. Nordstrom said we must take politics out of this. He recognizes that staff does a lot of work in their day to day duties and it will be hard for them to add more projects to their list. He said he is in favor of a project manager and thinks that is one of the first things the Council needs to do. He stated that different public, private, partnerships are holding workshops and it would be good if staff or the project manager could attend to become more familiar with how this will take place. It will benefit everyone to learn more about P3's. We can use these workshops to learn what the leading developers do throughout the United

States. The workshops could help us determine how things should go in Rapid City. Nordstrom is in favor of the RFQ process. If the City goes with the RFQ process, we don't have to reinvent the wheel because these developers have already done this. Modrick agrees that the City needs to come up with the process and not the design for this site. She agrees that the City should let the criteria be known to the developers/builders/RFQ, because if we have no criteria we may not get the quality work of what we are looking for. She stated that Sioux Falls suggested we design guidelines to fit our location. That way it trims down what you are going to get. She is in favor of the RFQ and putting the executive committee together and thinks it's a great idea. It made her think of the Vision Fund process and what a great process that was. This way the committee builds the criteria. She said it's probably best to eliminate everything under the sun because that is too broad. But give the committee guidelines as Sioux Falls suggested. We have an opportunity to look at how we can move this portion forward with the RFQ process. The RFQ is the specialist so if we get the design pieces to the builders and investors and do P3 training, we can move forward. Modrick said concession companies do parking for a living and they know what they are doing. She said this is what the airport uses and maybe we should look into it as well. Drew said she has concerns about height restrictions and some citizens don't want the building to be too tall. Hanzel said in the central business district there are no height restrictions. However, the historic preservation makes you go through the process to consider adverse effects to the historic district. In setting goals in what they want from the project, keeping historic nature intact would be best. Landeen said the historic preservation won't dictate what happens. The developer would need to check with historic preservation. Drew agrees with RFQ. She thinks the owners representative is an important person and someone that will make sure things are going smoothly. She said she's not sure if the City should be in the parking business. She stated the City isn't doing this for money but we should look at parking as a funding source and make sure they are doing it right. She said that P3 makes sense to her and she'd like to see something along that line. She would like to open up proposals and see what comes up. She said it could be something outside of the box that the City hasn't thought of. Motion was made by Salamun, second by Laurenti to direct staff to establish a process and a guide for Council to move forward. Salamun would like to have a starting document from staff. He agrees that Council should not politicize this as much as possible. If we have a clear process, good effective communication, allow the public to eventually have input, we don't have to worry about transparency. He would like the City to empower the staff. By empowering staff it's going to be a little less in a public forum and the public will have to have more trust. Mayor clarified the motion, which is to direct staff to find a process for the development of the lot and deliver the proposed process back to the City Council. Scott stated before this meeting, there were five options to choose from and asked if they are directing staff to review those options. Salamun said he is not asking staff to review the five options. He said the staff's research in Sioux Falls says there's a process that includes the RFQ process. He wants the process in writing so they are clear on their steps as they move forward. Wright asked Salamun to amend his motion to request an RFQ by April 1st. Wright wants a date on the calendar to get the RFQ process started. Mayor stated he wasn't sure that staff has what they need right now to do that. Sumption said before they can put an RFQ out there, they need to know what the current needs are for that lot by doing the parking study. Sumption said she can start looking for consultants to do the parking analysis and sign off on it if it's under the \$25,000 that she's authorized to sign and get it started. Salamun said that's part of the process. Sumption said the study is valuable whether you sell the land or develop it. Modrick said the motion was pretty open and asked if staff needed anything more specific from Council to move forward. Wright asked if a date was possible. Landeen stated they are not in a position to set dates, but if Council wants updates, they just have to ask for updates. Doyle stated she has a lot of history with the project that is no longer on the table. She likes the new direction the Council is taking. She stated there has been a tendency among councilpeople to not let the Mayor do his job. She is in favor of depoliticizing the process. She said it's time to dig deep and go in a different direction. Step back and let the process work. Don't try to micromanage it. Wright said he has a sincere desire is to get something done as quickly as possible. He feels an open ended issue needs deadlines. Estes said he will support the motion. He said it's open ended but he's fine with that. He thinks staff will come back with guidance so they know how to write an RFQ. The City needs to understand parking needs now and in the future. They need to have zoning updated. So there will be some benchmarks. Wright hopes in the near future there can be discussion on lighting and repair on side streets in downtown as well. Mayor stated that understandably

they are all carrying some baggage with the failed project on that lot. There has been a lot of pressure from this project. He said a good process is going on here. The RFQ, leading to an RFP, puts private industry in the driver's seat momentarily while they make a proposal. The design criteria and the downtown master plan, is an insurance policy that we won't waste anyone's time and money proposing something. There should be no unreasonable proposals that come in from this project. We need to take a breath and not be overly motivated from past ten years. He doesn't believe staff will be delayed in investigating a process. He said we should probably take a look at a few success stories in the area and not just go off of one example. The design criteria on downtown structures should be consistent with the type of architecture of downtown. The parking study could be the first significant step that needs to be taken in this process. He's not sure he could seek proposals without the parking study. When the study is complete and the plan is implemented, some feathers will be ruffled on changing parking because the design is completely backwards. The study is meant to get the City current with the times and put the City in a position with revenue to pay for the services that we provide. He said with the process as outlined tonight, it might create a little less transparency but ultimately these are private dollars being spent for a private project. Sioux Falls has proven to be a valuable partner to Rapid City and are always there to help us. Their advice and help is appreciated. Mayor thanked everyone for their input. Motion on the floor is for staff to bring back a process. Motion carried 9-0.

There being no further business to come before the Council at this time, motion was made by Estes, second by Laurenti and carried to adjourn the meeting at 8:15 p.m.

Dated this 23rd day of January, 2017.

ATTEST:

Finance Officer
(SEAL)

CITY OF RAPID CITY

Mayor