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June 8, 2022

Glen Markegard
Planning Director
City of Bloomington
1800 W. Old Shakopee Road
Bloomington, MN 55431

Re: Park 'N Fly Interim Use Permit Applications:
3700 American Boulevard East and 3750 American Boulevard East
Our File #41912-00

Dear Mr. Markegard:

This firm represents Rosa Development Company, LLLP ("Rosa Development") with regard to the approval of two Interim Use Permits (IUPs) to continue the remote airport parking use on the surface parking lot located at 3700 American Boulevard East and the structured parking facility at 3750 American Boulevard East (together the "Property") in the City of Bloomington (the "City"). Please accept this letter and the attached materials as the formal application (the "Applications") for IUPs to permit Remote Parking on the Property for a new term of five (5) years on each lot.

Background

On April 6, 2020, the Bloomington City Council approved preliminary development plans for a multi-phase planned development on the Property and final development plans to convert a portion of the Park 'N Fly remote airport parking facility into a six-story, 183-unit apartment building located at 3700 American Boulevard East. At the same meeting, the City Council approved the preliminary and final plat for the lot on which the apartment building was proposed.

On August 2, 2021, the Bloomington City Council approved a one-year extension of the final development plan for the apartment project and the plat, along with milestones for the start of construction of the apartment project. The extension was due to the impact of the pandemic on the supply chain, and the cost of construction materials and financing.

Discussion

Once again, the cost of materials, problems with supply chain, combined with interest rate hikes, has forced a delay in the start of construction of the apartment project. Rosa Development spent the last six months preparing for a groundbreaking in June. In fact,

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working with Weis Builders, Rosa Development made early deposits on key construction materials and ordered the preparation of shop drawings to construct the apartment project. To date, Rosa Development has spent over \$2 million to fully entitle the apartment project, which is now shovel ready.

Unfortunately, within that timeframe, hard costs alone have increased over \$5 million from the initial budget. The public financing proforma submitted to the Port Authority was based on a minimum return which is no longer feasible with the increased costs. In short, the apartment project is on hold pending stabilization of construction costs and the cost of financing. This is not an isolated experience and has forced several projects to go on hold in the Twin Cities market and across the country. (See Finance & Commerce, dated May 11, 2022.)

In short, to ensure the apartment project can be constructed when the market stabilizes, Rosa Development is asking for new five (5) year IUPs for remote airport parking on the surface lot and in the structured parking facility. Since the existing IUPs are set to expire July 1, 2024, the new IUPs would provide an additional three years of remote parking operations and a window of time to commence the apartment project. It should be noted that the remote parking revenues have been the primary source for pursuit of all project entitlements over the last three years.

The Application meets the findings under City Code Section 21.501.05(e) necessary for the approval of an interim use permit as follows:

1. The proposed use will not delay permanent development of the site;

The proposed use of the Property will not delay permanent development of the site under market conditions that would accommodate such permanent development. Notwithstanding delays due to Covid, Rosa Development has spent considerable sums on project entitlements for an apartment project that provides significant amenities for renters and affordable housing consistent with the Comp Plan and Zoning Ordinance. The apartment project is now shovel ready when market conditions stabilize and can accommodate such development.

2. The proposed use will not adversely impact implementation of the Comprehensive Plan or adopted district plan for the area;

The Application will not adversely impact implementation of the Comprehensive Plan or the South Loop District Plan and is consistent with the phased development contemplated in such plans. The Property is located on the very northeastern edge of the South Loop District. The Property is guided for development as mixed-use with residential uses in the South Loop District Plan. The Comprehensive Plan, which includes the South Loop District Plan, calls for phased development of the district, which the district plan acknowledges is unlikely to occur until 2050. The Application is consistent with the Comprehensive Plan guidance in that it will not preclude the development of the Property, but rather it will allow Rosa Development to hold and maintain the Property until the district may be able to sustain and support development of the Property whether through improved market conditions or subsidies made available by the City.

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3. The proposed use will not be in conflict with any provisions of the city code on an ongoing basis;

The Property will continue to be operated in a manner consistent with the applicable provisions of the City Code on an ongoing basis and provides a service to business and personal travelers.

4. The proposed use will not be injurious to the surrounding neighborhood or otherwise harm the public health, safety and welfare;

The Application will not be injurious to the surrounding neighborhood or otherwise harm the public health, safety, or welfare. The existing use of the Property for Remote Parking has been in operation for more than 30 years and will continue to operate as such. Approving the IUP will ensure the ongoing upkeep of Property and provide resources for redevelopment of the Lot as the South Loop District transitions.

5. The date or event that will terminate the use has been identified with certainty; and

Rosa Development's request is for an IUP term to run from July 1, 2022 to July 1, 2027.

6. The property on which the use is situated has no open enforcement orders and there are no nuisance characteristics associated with the property or its current use.

There are no open enforcement orders or nuisance characteristics associated with the Property or its current use.

Based on the above analysis, the Application meets the required findings under the City Code. If you have any questions about this letter or the attachments, please feel free to contact me.

Sincerely,



William C. Griffith, for
Larkin Hoffman

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Enclosures

cc: Kristin Muir (w/enclosures)

FINANCE & COMMERCE



In a recent letter to state and local agencies, the St. Paul-based Association of Women Contractors said the cost of fuel is up 60% since December, freight surcharges are rising at more than 60% in some cases, and businesses have been losing 20% to 30% on projects. (Depositphotos.com image)



Contractors: Price, supply chain issues put businesses at risk

By: Brian Johnson May 11, 2022 4:15 pm

Advocates for Minnesota's construction industry say rising costs and supply chain woes have reached crisis proportions in the state and beyond — and they're calling on public entities to share some of the pain.

Construction inflation and delivery logjams are nothing new, but contractors say the current situation isn't expected to end any time soon, and that escalating costs are putting some small businesses working on public projects at risk of going under.

In a recent letter to state and local agencies, the St. Paul-based Association of Women Contractors said the cost of fuel is up 60% since December, freight surcharges are rising at more than 60% in some cases, and businesses have been losing 20% to 30% on projects.

"Reality is that construction businesses continue to suffer enormous losses," the letter states. "Unlike other industries that are in recovery from the pandemic, construction losses are not due to lack of patronage, but due to actual costs with no relief."

Barb Lau, executive director of the Association of Women Contractors, wrote in the letter that Minnesota construction businesses are taking desperate measures to pay for business operations. Measures range from refinancing their homes to cashing in part of their retirement, she said.

And yet, project owners are “holding the line hard” on costs with “no change order approval for escalations,” Lau states in the letter.

Finance & Commerce reached out to public agencies mentioned in the letter, including the Metropolitan Airports Commission, the Metropolitan Council, the city of St. Paul, the city of Minneapolis, Hennepin County and Ramsey County.

RELATED: Subcontractors take a hit

In general, the public owners said they are listening to and are sympathetic to the contractors’ concerns. Some cited specific examples of relief, such as adding flexibility to price escalation language in their contracts.

For example, the city of Minneapolis’ procurement office modified its price escalation language to “allow flexibility to review price increase requests if it falls under ‘extraordinary circumstances,’” the city said in an email.



Barb Lau (left) and Tim Worke

That language is now included in all city bids, the city said, adding that until recently price escalation was capped at 10% and increases were allowed only during the renewal of the contract.

Ramsey County said its contracting process allows for change orders for “justifiable expense increases — such as cost of materials,” and that project contingencies “are another way to address rising costs.”

“We are committed to our partners as key to our work and we will continue our way of doing business at Ramsey County to make every effort to reasonably adjust to project challenges to ensure mutual success,” the county said.

For its part, Hennepin County said price escalation “is a concern to both private and public entities across the nation. The bids we are receiving reflect that risk in the market.”

Hennepin County said its contracts include language beneficial to small businesses that supply materials, including “contract award processes to assist in shortening their bid-to-contract award time frame.”

Hennepin County also said it’s providing “technical assistance and supports” to help emerging construction businesses with estimating and bidding, scheduling and delivery, contract document reviews, construction accounting and more, among other services.



The Metropolitan Council said it has participated in meetings with contractors and government agencies about rising construction costs and pandemic-related supply chain issues, and that it “recognizes the hardships” imposed on “people, families, companies, industries and institutions.”

“We continue to meet with, listen to, and engage with the various partners that are convening around the enormity of the challenge,” the council said. “Our commitment is to work together to identify solutions that will move us to action.”

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‘Volatile, unpredictable’ market

Advocates for Minnesota’s construction industry say it’s not enough.

The agencies’ comments are “welcomed and positive,” but the “urgency of the situation demands actions,” Tim Worke, CEO of the Associated General Contractors of Minnesota, said in an email.

“Although we don’t always have information that is specific to particular projects and owners, we have yet to become aware of a specific instance where a change order has been granted to provide relief for price increases,” Worke added.

“Additionally, active discussions on this matter have been occurring since January. It would seem we’d be further along with regard to action by this point on the calendar.

“Lastly, these comments seem to speak more to future bidding practices and accommodation versus addressing the work-under-contract concerns.”

As Hennepin County noted, price and supply chain issues are a national concern.

Citing Bureau of Labor Statistics data, Associated General Contractors of America Chief Economist Ken Simonson reported in April that costs outpaced bid prices in March for the 18th consecutive month on a year-over-year basis.

The producer price index for material and services related to nonresidential construction rose 2.7% in March and 21.5% year over year, Simonson noted. Diesel fuel, steel mill products and plastic construction products are up 64%, 43% and 35% respectively year over year.

Lau noted in the letter that the timeline from bidding on a project to contract award and the start of construction can be “years in some cases,” but supply quotes are being held for “no more than seven days and often only 24 hours.”

Worke recalls a recent conversation he had with a group of interior finishers, who informed him that they had just received notice from gypsum wallboard suppliers of extended delivery dates and a 40% price increase.

Price and supply chain pressures, Worke added, are especially problematic for small, emerging and under-capitalized businesses, which are least able to sustain a rapid run-up in costs.

“It’s in nobody’s long-term interest to have a small handful of established, well-capitalized general contractors running the market,” he said.

Another complicating factor: small construction businesses typically have a direct contractual relationship with the prime contractor, not the owner, and the owner tends to say cost pressures and others concerns are matters for the prime and the sub to work out, Worke noted.

Those dynamics are nothing new, but “we are sitting here today in a completely volatile and unpredictable market,” where contractors are getting bombarded with notices of surcharges and lengthy delays in deliveries of materials, he said.

While COVID-relief money has gone to other businesses, it’s frustrating that “none of that money could somehow find its way over” to struggling small construction businesses and maybe general contractors, Worke said.



"We want to clear that we're not asking for the public owners or the taxpayers to bail out private businesses," Worke said. "What we're asking for is a shared-risk model where there currently is none."

Laura Ziegler, AGC-Minnesota's director of highway/heavy and government affairs, said there's no indication that the price and supply chain pressures will ease up anytime soon.

"Everything points to a minimum of 18 to 24 more months of this continued price volatility and/or supply chain disruptions in getting the material," Ziegler said.

Ziegler added, "We've been trying to highlight that this is not business as usual. And it's not hyperbole to say that it's a crisis in construction for a lot of contractors. ... Some are just trying to break even on a job."

ABOUT BRIAN JOHNSON



Brian joined Finance and Commerce in February 1998. His primary beat has been construction and development.

