



BOMA Greater Minneapolis

Providing Advocacy and Education for Commercial Real Estate Professionals

June 2006

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Become a BOMA Ambassador

You make choices every day about how to spend your time and money. Has a colleague or an owner ever asked you why BOMA Greater Minneapolis is the organization to which you dedicate some of those precious resources? Enclosed is a new resource to help you explain it to them. A committee of your peers met this winter to boil down hours of conversation about the values BOMA brings them. The result is a full-color brochure with six powerful arguments about why BOMA is THE place to invest your resources for the best return on investment! Become a BOMA Ambassador and pass it on.

Golf Tournament – August 7, 2006

Registration for BOMA's annual Golf Tournament will open at 1:00 on Wednesday, June 14. Watch your email for details.

Lawn Bowling – August 24, 2006

Registration for the Lawn Bowling event will open late in July, but mark your calendars now so you can be sure to be there for this fun event!

Thanks to the generosity of members at our Annual Meeting, BOMA's Special Events Committee, chaired by Sandra Schadegg from Harvard Maintenance, (right) raised \$1000 by raffling off four



NFL footballs contributed by Vikings owner Zygi Wilf. BOMA President, Tina Hoye, from Nelson Tietz & Hoye (left), had the pleasure at our May meeting of presenting the proceeds, along with a collection of playground toys, to Project for Pride in Living President Steve Cramer.

Your Dues at Work



by Kent Warden, RPA
BOMA Executive Director

BOMA / Chamber Electric Rate Case Advances

As reported earlier, BOMA has joined in support of an electric rate case intervention led by the Minnesota Chamber of Commerce. Xcel Energy has filed for a general electricity rate increase for the first time since 1993, and although the increase requested of the Minnesota Public Utilities Commission amounts to approximately 8%, this will be on top of expenses associated with legislatively mandated re-powering of three metro area generating plants and skyrocketing fuel adjustments, together potentially resulting in cost increases in excess of 20%.

The Chamber has retained an engineer and attorney with specific expertise in electric rate analysis, and together with Chamber staff have negotiated settlement on a number of significant issues that will benefit major electricity users.

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Book Now Available (Page 3)



President's Message

By Tina Hoye, CRE

I hope by the time this newsletter reaches you we have put the gray skies behind us and are beginning to enjoy a Minnesota summer! Whether you enjoy golf, gardening, biking, fishing or another outdoor activity, the summer is always too short to fit everything in.

There is a lot going on at BOMA this month! Several of our members will be traveling to Dallas at the end of June for the annual BOMA International convention. It is a great opportunity for both education and networking. This year we have three regional finalists in the TOBY competition: Hennepin County Government Center (Government Building category, submitted by Hennepin County), 33 South Sixth Street Tower (Renovated Building category, submitted by Brookfield Properties) and River Parkway Place (Under 100,000 s.f. category, submitted by Ryan Companies). The awards will be presented at a gala dinner at the end of the annual convention. Thanks to all who competed and to the local TOBY Committee for their work to build this program!

Speaking of the TOBYs, we recently hosted Murray Greene, chair of the international TOBY Awards Committee. He led a workshop on how to use the new on-line submission process and make your project a winner. Further information is available in the adjacent article.

Also in June is the annual Board planning session. Your Board of Directors will meet on June 8th to review and update the strategic plan for Greater Minneapolis BOMA. This is a time to explore new ideas and set priorities for the upcoming year. If you have any suggestions or concerns, please send your comments to me or Kent Warden.

Finally, make sure you have August 7th on your calendar for the new and improved BOMA golf tournament! Information on sponsorships and sign up should be available soon.

- *Tina*

The Office Building of the Year TOBY Awards Update

By MARC A. KROHN, RPA, CPM
Zeller Realty Group
Chair of BOMA's TOBY Committee

About a year ago, the TOBY Committee was formed to support membership through the submittal process. Clearly this was only a short term objective, but proved to be beneficial as the committee provided valuable input which assisted in three (3) regional winners that have advanced to the international level. International winners will be announced at the convention in Dallas on June 27, 2006 so best of luck to the Minneapolis candidates.

To further promote TOBY, and in the process informally kick-off the 2006/07 TOBY competition, the committee arranged to have Murray Greene (International Awards Committee Chair and International judge) provide a workshop in May. Murray provided some valuable insight that will prove to be beneficial to our membership. He also updated membership on the changes that will be incorporated into the 2006/07 competition as briefly identified below.

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Rate Case *(Continued from page 1)*

This includes deferral of a portion of Midwest Independent Service Organization charges to a future rate case, sharing a portion of margin trading profits with ratepayers, restructuring rates and penalties where customers agree to shed loads with standby generators and other general expense allocations. The Company also agreed to provide customers with 12-month forecasts of fuel adjustments, revised monthly, and to provide opportunity for input on planning.

As the rate case progresses, our primary attention will be focused on rate design which we will argue should be based on cost of service. This is an area where there is a tendency by regulators to shift the cost burden of serving residential customers disproportionately to large users, and where our efforts are most likely to shape the final outcome in our favor.

Bloomington Zoning Amendments Move Toward


Adoption As part of a larger project to comprehensively update its Zoning Ordinance, Bloomington is in the process of reevaluating and updating its existing system of zoning districts, starting with updates to the Neighborhood Commercial and Freeway Commercial districts now nearing completion, and scheduled for adoption by June 30, 2006. BOMA has participated on a seven member Focus Group along with representatives from the Bloomington Chamber, NAIOP and MSCA to provide input on proposed changes. The resulting draft ordinance would amend three existing neighborhood commercial zoning districts (B-1, B-2 and B-3) and create five new freeway commercial zoning districts (C-1, C-2, C-3, C-4 and C-5). With three exceptions, most rezoning of commercial property to the new zoning districts will not occur until an upcoming strategic planning process has concluded in approximately one year. While owners in the three areas scheduled for early rezoning have been notified of pending changes, the Focus Group has expressed concern that other owners have not received direct notice and some of those changes impacting their property are significant. At its final meeting in early May, the Focus Group outlined a list of concerns where the rezoning may inhibit redevelopment or create obstacles in leasing for certain uses. Based on this, Planning staff have modified some provisions but remaining points were discussed at the City Planning Commission meeting on May 18, which delayed action and there may be additional opportunity for public input prior to final adoption. Bloomington property owners are encouraged to review the proposed zoning amendments which are posted on the city's website at www.ci.bloomington.mn.us, or contact Glen Markegard or Elizabeth Shevi in the Planning Division offices at (952) 563-8920 for more information.

The 2006 Edition of CICC Blue Book Now Available

The Construction Industry Cooperative Committee of Minnesota (CICC), on which BOMA represents commercial real estate owners, has completed an extensively revised and updated version of its Blue Book of Recommendations for the construction industry of Minnesota, its first revision since 1998. This edition updates Blue Book contents to reflect today's industry practices, and reorganizes and reformats chapters. It adds two special reports analyzing recent industry issues: reverse auction bidding, and project labor agreements. Insurance industry advisors helped the committee make major revisions in the chapter on insurance, including updated recommended specifications and a new recommendation for architects insurance.

Other changes include revised and expanded text on methods of awarding contracts, on commissioning, and on recycling construction waste material. It adds a recommendation on use of electronic drawings files and a new recommendation on document retention. An appendix lists the new division numbers and titles of CSI MasterFormat 2004 and summarizes changes from the 1995 edition.

The revised Blue Book is available as a free service to the industry through the CICC website, www.cicbluebook.com.



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Legislative Update



By Douglas M. Carnival
McGrann Shea Anderson Carnival Straughn
& Lamb, Chartered

The 2006 Legislature came to a close with a rare Sunday night session on May 21. The House and the Senate spent the last evening passing the Omnibus Budget bill. The Sunday session was necessary because agreement could not be reached

following an all night session that adjourned 7:00 a.m. Sunday morning.

Following is a summary of the results of the 2006 legislative session.

Stadiums

After more than 10 years of debate, the Legislature finally passed a Twins stadium bill. Governor Pawlenty is expected to sign the bill shortly and make a new ballpark a reality. The final package essentially followed the proposal that the Twins and Hennepin County negotiated earlier this year. A .15 % sales tax will be imposed in Hennepin County to fund the new ballpark which will be located just west of the Warehouse District across I-394. Opening day is scheduled for 2010.

The University of Minnesota also received authorization from the Legislature to build a new on-campus football stadium. The Legislature will contribute approximately \$10 million per year for the next 25 years. The stadium will be named after TCF Bank which will contribute \$35 million to the construction. There will also be a \$25 per year contribution from students. The stadium will be situated on land that is currently used for parking lots across the street from Williams and Mariucci Arenas. The University expects that the stadium will be completed for the 2009 football season.

Lastly, the Vikings did not receive authorization to proceed with their proposed new stadium in Blaine. The Governor and legislative leaders indicated that the Vikings' proposal was not ready for consideration during this legislative session.

Taxes

Early in the session the leadership of both bodies indicated that property tax relief for homeowners would be a high priority. However, since agreement could not be reached on whether to provide this relief through direct rebates to homeowners nothing was accomplished in this area. Rather,


the Legislature used the very small amount committed to tax relief to provide for income tax relief by eliminating the marriage penalty and extending the exemption for the alternative minimum tax (AMT). Most importantly, an earlier proposal by the Senate to increase the statewide property tax on businesses was rejected by the full Senate and ultimately dropped from consideration. No other changes in business property taxes were discussed or passed during the 2006 legislative session.

Transportation


The primary effort during this non-budget year was to clarify the language on the proposed constitutional amendment which will appear on the November 2006 ballot dedicating 100% of the Motor Vehicle Sales Tax (MVST) for transportation purposes. As you recall, the 2005 legislature agreed to place on the upcoming ballot a constitutional amendment which is intended to be split 60% for road construction and 40% for transit. However, the ballot language is confusing and potentially problematic. As a result, efforts remained during the 2006 legislative session to change the language of the ballot question to dedicate the MVST for transportation and transit purposes.

(Continued on next page.)

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(Continued from previous page.)

This would be supplemented by a statutory change codifying the 60%/40% split. Unfortunately, forces in the Legislature and in rural communities convinced members of the House and Senate to propose changing the actual constitutional amendment language to create a hard 60/40 split rather than having that done by statute. This caused chaos since the Attorney General, at the request of the House Transportation Finance Committee chair, opined that the constitutional amendment language could not be changed by the 2006 Legislature. As a result, it might have been possible that two constitutional amendments would be placed on the ballot creating even more confusion.

After much negotiation failed to reach an acceptable compromise, the 2006 Transportation bill which contained these issues failed to pass. The result is that the 2006 ballot question will remain as it was, asking voters to approve 100% of the MVST be dedicated to no more than 60% to roads and bridges and not less than 40% to transit.

Despite the Legislature's failure to agree on a Transportation bill, there was transportation money set aside in the Capital Investment bill. Nearly \$8 million was appropriated for

development of the Central Corridor light rail line between Minneapolis and St. Paul and \$60 million will be contributed to the completion of the Northstar Line from Minneapolis to Big Lake.

Eminent Domain

A significant reform in eminent domain passed the 2006 legislative session. The main provisions of the bill prevent governmental entities from acquiring property by eminent domain for exclusively economic development purposes. However, the bill does provide for condemnation authority if property is blighted or has environmental contamination. Those definitions were the main area of negotiation and compromise. Ultimately the various interests came to agreement on the definitions of those terms. The bill also provides for attorneys' fees to be paid to property owners if the government's final offer is significantly lower than the ultimate payment decided by the courts. The bill sets up a formula by which to judge whether attorneys' fees may or shall be ordered.

In Summary...

The 2006 legislative session was an important one for BOMA members. In which significant **positive** things resulted, such as the building of a new Twins' stadium and protection from any business property tax increases.



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Protect the Point Where

by Jack Mueller, Minnesota Roadways

Skyrocketing oil prices and a weird Minnesota winter have combined to underscore the importance of formulating and adhering to an ongoing program of protective maintenance for your bituminous pavement areas.

The relatively mild winter we just experienced resulted in an unusually high number of freeze/thaw cycles for area asphalt leading to a much greater than normal amount of pavement breakup. The expansion and contraction of the moisture in unprotected asphalt that accompanies the freeze/thaw cycle results in microscopic breakups in the pavement which can quickly lead to larger breakups and potholes. The more moisture inside and under the asphalt, the greater this problem will become. Protecting your pavement against water intrusion will greatly extend its life and help to minimize future repair costs.

The prices of all oil based products have increased dramatically this past year. The cost of asphalt mix alone has increased 32% from this time last year. Contractors have been warned that further increases and, possibly, supply interruption may be on the way. The cost to resurface a 10,000 square yard parking lot costs approximately 20% more today than a year ago. The cost of replacing the same area has increased even more. That chunk of blacktop you own has just become a lot more valuable and, respectively, much more important to maintain.

Pavement Aging and Signs of Deterioration

Immediately after installation, sunlight and moisture combine to cause asphalt to begin to oxidize. The oils in the pavement that hold the aggregate together begin to dry out and slowly lose their binding capability. Fine particles on the surface start breaking loose and the pavement becomes increasingly porous. The asphalt becomes more brittle and hairline cracks may begin to develop. Oxidation accelerates in the third and fourth year because more moisture is able to penetrate the asphalt due to increased porosity. Initiating a maintenance program during the second year will greatly enhance the life of the pavement and reduce future repair costs.

Developing a Maintenance Program

The first step in creating a protective maintenance plan is to make a realistic assessment of your asphalt. Some pavements are going to require a lot more attention than others. Parking lots on top of clay soils and low, marshy areas are going to experience more ground movement than those on sandy, more stable soils. More repairs will be needed for these pavements. Flatter parking lots will age faster than sloped lots because



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water stays in contact with the asphalt longer speeding the oxidation process.

A hint in examining your parking lot is to walk toward the sun. Cracks and other flaws are much more evident from this perspective. Check for alligator cracking, expansion cracks, heaving or settling, surface erosion and the obvious potholes. Also, check around catchbasins and manholes for cracking and along the curblines for settling or breakup. Blacktop areas adjacent to lawns and landscaping that receive a lot of irrigation tend to breakup more easily because the base is usually wet and soft. Moderating your irrigation will help to preserve these areas. Check also for water-ponding areas that you might want to resolve.

Most asphalt contractors offer these services at no cost and it is beneficial to get a professional opinion.

Maintenance Procedures

A comprehensive maintenance program should incorporate the following procedures:

Sweeping – Yearly spring and fall cleanup sweeps.

Repairs – Check yearly for developing broken areas. Types of repair can include digout, millpatch, infrared and overlay patch.

Crack Filling – Routing, blowing out and filling cracks every two to three years.

Sealcoating – Periodic sealcoating is highly recommended to prevent moisture intrusion, enhance appearance and, in some cases, provide a new wear course.

Sealcoating can include the following:

Emulsion sealers – Recommended at two to three year intervals.

Penetrating Rejuvenator Sealers – Replaces oils lost during oxidation. Recommended at three to four year intervals.

Slurry seals – Provides wear course. Recommended at three to five year intervals.

Chipseals – Provides wear course. Recommended at five to seven year intervals.

Experience has shown that initiating a maintenance program soon after installation will save much unnecessary repair down the road. Minimize maintenance expense while maximizing value and curb appeal by starting your program now.



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June

- 8 Board of Directors Strategic Planning Retreat
- 14 Golf Tournament registration opens at 1:00
- 24-27 BOMA International Convention

July

- 3-4 Independence Day Holiday – BOMA office closed)**
- 13 Board of Directors Meeting

August

- 7 Golf Tournament
- 10 Board of Directors Meeting
- 24 Lawn Bowling Party at Brit's Pub

The Office Building of the Year (TOBY) Awards

(Continued from page 2)

First, all sections of TOBY have been updated and/or rewritten by the International Awards Committee in an attempt to be more specific so the end user will be better advised on what should be incorporated into the package.

Second, a judge's workshop has been created and will be presented at the international convention in Dallas. As chair of the Greater Minneapolis BOMA TOBY Committee and member of the BOMA International Awards Committee, I plan to attend the workshop and bring some helpful insight back to membership that will hopefully prove beneficial. And third, the submittal process will be electronic which will provide a more level playing field as information will be limited to the requirements within each section.

In closing and in the words of Murray... "The TOBY competition is not a beauty contest nor was this ever the intention. It is about the Management team and its best practices." So keep this in mind if contemplating whether or not to submit an older property. An older property will have a much better story to tell as improvements are inevitable and essential to compete in the market place.

Stay tuned for further information regarding TOBY. If interested in joining the committee, please contact the BOMA office.