

**Minutes**

Audio Tape No. 690

The City Council of the City of Leawood, Kansas, met for a Special Call Meeting at City Hall, 4800 Town Center Drive, at 6:00 P.M., on Monday, April 21, 2008. Mayor Peggy Dunn presided.

**Councilmembers present:** Lou Rasmussen, Gary Bussing, Scott Gullede, Jim Rawlings, Debra Filla, Dr. Gregory Peppes.

**Councilmembers absent:** - Mike Gill and James Azeltine

**Staff present:** Scott Lambers, City Administrator                      Patty Bennett, City Attorney  
Deb Harper, City Clerk    Kathy Rogers, Finance Director  
Pam Gregory, Deputy City Clerk                                        Joe Johnson, Public Works Director

**Others present:** Philip Batson, reporter for *The Johnson County Sun*  
Melanie Mann, Park Place Developers  
Jeffrey Alpert, Park Place Developers  
Charles Miller, Attorney for Lewis Rice & Fingersh  
James Lahay, Stifel Nicolaus & Company  
John Klaus, Stifel Nicolaus & Company  
Councilmember- Elect Julie Cain

**1. Opening Remarks**

Mayor Dunn called the Work Session to order at 6:10 P.M.

Introductions were made by those present.

Melanie Mann stated a Special Benefit District [SBD] is currently in placed for Park Place for \$4.7 Million; and work is nearing completion. Under the [SBD], the assessments are levied based upon the value of improvements on an annual basis. She advised Scott suggested they look at converting the SBD to a Transportation Development District [TDD], to allow the taxes be assessed upon on the value of the improvement rather than a square footage basis.

Scott stated the first issue to consider is the shifting of the SBD financing. The temporary financing is already in place for up to 15 years. The project is still in the preliminary stages. He does have some concerns of methodology because of the infancy of the project, and there could be some problems of payment. The City has in the past, agreed upon deferred payment. Perhaps in 2009 and 2010, one of the hotels would be up by then and the project would be further along and the deferral would go smoothly.

Councilmember Filla asked for some distinctions between the SBD and the TDD. Scott stated it would be a plus for the City to get rid of the SBD, as the assessments would be paid by the developer or the property owner. The City has agreed to issue TDD's for up to 22 years. This would be a benefit to the developer, as the annual debt payment is less even though the interest accumulation is greater; it is spread over a longer period of time. Filla confirmed the annual assessment would be reduced because there would be 7 additional years of bonding with a higher value of assessment.

Scott advised there would be no sales tax involved in the TDD, only assessment monies. If the sales tax revenues were higher than anticipated, the tax would be used to pay off the debt and the bonds could be paid off early.

Councilmember Rawlings asked if Park Place could explain the assessment plan program.

Ms. Mann explained for example California Pizza Kitchen pays a pro rata share for the entire project. They will be asking the County Assessor's office to assess the retail floor separately from the office floors, as the retailers will pay in addition to the rental amounts. All the taxes on the retail properties will be billed out on a pro rata share. The annual assessment would be approximately \$500,000-600,000.

Mr. Miller confirmed with Councilmember Rasmussen that the landowner, not the tenants, would be responsible for the assessments. The tenants would not be responsible if a default or bankruptcy were to take place. In the event of a default of the property owner, the City could go back to the property owner and take the land back. The tax lien foreclosure procedures are the same for a TDD as an SBD. Once a tax lien is placed on the property, the City could foreclose on the property.

Mr. Miller further advised currently, the SBD is \$4.7 Million. If this were changed to a TDD, the amount would be increased to \$5.5 Million, which includes interest.

Mr. Lambers stated it would be the responsibility of the private developer to provide the temporary financing for construction. Once that is done, the City would issue the long term debt. Since the project initially started out as an SBD, the City had already administered the project, the notes could be rolled over for 2 years, allow the project to build up and then have the special hit after that. At that time, more value would be built into the project and the assessments could be more spread out over the project.

Ms. Mann stated this would be a benefit to have a tax deferred option for the Park Place Project.

Councilmember Rasmussen asked if this would be delayed for 2 years until the project is complete. Mr. Lambers stated the project would not be complete then. There will be substantial development based upon the building plans; however, the project will not be complete. There will be parcels of undeveloped land, which will have less of a value of tax than the developed portions. When the assessments are made, there will be more assessments placed on the developed portions than the underdeveloped portions. Scott stated a delay of 2 years would be a tremendous benefit to Park Place, and would be sufficient time for the developers.

Councilmember Rawlings asked what other types of businesses would be at Park Place. Ms. Mann stated the first hotel is currently under construction. Construction for the second hotel should start at the end of the summer. Design development for retail office is currently in progress; with construction expected to begin at the end of this year. The residential end is ready to build now, however with the current market situation, it's difficult to predict a construction start time.

Finance Director Kathy Rogers stated the assumption would be a Development Agreement for \$7 Million. The plan is to have the project converted to a TDD in 2010 or 2011. If they are not ready at that time, then they can revert back to an SBD, which will give the City the ability go back to where it was.

Councilmember Bussing is concerned with sometimes the cascading effect that can occur in the financial arena. One incident alone is not enough for concern, but when several incidents start occurring, it can become a problem. Mr. Miller stated the City holds all the cards; as the City can place the assessments upon the property. If the City agrees, Park Place will request for a TDD petition that will have things outlined in the document.

Scott Lambers confirmed with Councilmember Rasmussen that if there is no purchaser for the TDD two or three years down the road, it can convert back to an SBD.

Scott Lambers confirmed with Councilmember Bussing that he is in support of the request of this going to a TDD; as it gives the project an opportunity to mature more, and the assessments will be more evenly distributed on the properties. He further stated he doesn't see a downside for the City, as it is a very straight forward deal.

Scott Lambers stated Bill Hess has reviewed this and the projects costs are eligible for TDD.

Mr. Miller confirmed with the Mayor that even though the City has the same applicable liens on an SBD as a TDD, there is more security with an SBD than a TDD, because the City's credit is backed on a SBD. Mr. Lambers confirmed that the City will not allow an SBD to go unpaid.

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Ms. Mann confirmed with Councilmember Bussing that the projects costs, notwithstanding the parking garages, includes all exterior road improvements, all the work behind city hall; basically all the exterior infrastructure improvement work that was required. The developer will have to pay for all the remaining improvements.

Mayor Dunn then asked for consensus from the Councilmembers regarding this issue. All Councilmembers present stated they were in favor of this request.

There being no further business, the Work Session was adjourned at 7:15 P.M.

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Pam Gregory, Recording Deputy City Clerk