

Minutes

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, May 6, 2013. Mayor Peggy Dunn presided.

Councilmembers present: Debra Filla, Gary Bussing, Lou Rasmussen, Carrie Rezac, Jim Rawlings, Julie Cain, Andrew Osman and James Azeltine

Councilmembers absent: None

Staff present: Scott Lambers, City Administrator
Dawn Long, Finance Director
Richard Coleman, Comm Dev. Director
Deb Harper, City Clerk
Patty Bennett, City Attorney
Joe Johnson, Public Works Director
Pam Gregory, Assistant City Clerk

Others Present: John Petersen, Polsinelli Shughart
Amy Grant, Polsinelli Shughart
David Alpert, Botwin Family Partners
Diane Botwin, Owner Leawood Plaza
Michael Book, Botwin Family Partners
Bill Massop, Massop Group
Pete Hosch, Hy-Vee, Inc.
Teri Schaefer, Kansas City Star

**Leawood Plaza; and Hy-Vee Food Store, located at
12200 State Line Road**

Mayor Dunn called the meeting to order at 6:05 P.M. Introductions were made by those present.

Opening Remarks – City Administrator Scott Lambers

Discussion this evening is to consider two separate Community Improvement District [CID] applications; Leawood Plaza, and Hy-Vee Food Store. John Petersen, Polsinelli Shughart, had requested an independent CID for Hy-Vee. The City Council has not previously considered a CID for a sole business within a commercial district. Mr. Lambers thought this would not be favorably received because the intent of the CID Policy is to update an entire shopping center. Mr. Petersen had encouraged the owners of Leawood Plaza to submit a CID application as well. Mr. Lambers requested that the City Council affirm whether this should be allowed in order to know how to handle potential future requests. He felt the CID request from Leawood Plaza did not meet the City's CID Policy standards. One of the proposed CID expenditures for Hy-Vee includes \$1 Million to use toward remodeling the interior. The City Council has made it clear they do not want public dollars spent on interior. Leawood Plaza is requesting the maximum of a 1% CID sales tax;

Hy-Vee is requesting 0.5%. He was not in the position to recommend they move forward with these applications.

Johns Petersen, Polsinelli Shughart, stated the Hy-Vee building is owned by Hy-Vee Corporate with the remainder of the center owned by Diane Botwin. This is one of the reasons these applications were submitted separately.

Councilmember Rasmussen quoted a portion of the CID Policy stating: “The primary objective of this policy is to establish CID guidelines to enable public financing for all or a portion of the project. The project should provide a benefit to the public.” He didn’t see any beneficial evidence with these applications. Mayor Dunn replied this is their first initial discussion. After this meeting, they can decide whether to move forward with a second meeting to discuss potential benefits to the public.

Mayor Dunn reminded everyone that the CID Policy is intended for shopping centers that are a minimum of 20 years old.

Leawood Plaza Presentation - Michael Book

The two owners have envisioned this as a joint project anticipating the shopping center will do well with the upgrades. The center was built in 1987. The majority of the tenants are mixed-retail. Traditionally, tenant occupancy remains 90%-100%; however, this has declined over the last 5-6 years. They felt one of the reasons for the decline is because the center is outdated. The owners have invested a lot of money over the last 10-12 years maintaining the center. With the CID, they can enhance the center to bring in additional high-quality tenants. They currently have a lease with Blue Moose, in which they, along with other potential tenants, discussed concerns with the age and street appeal of the center. The owners of the center and owners of Blue Moose will be investing substantial capital into the improvements. Landscaping and sign banners will be updated throughout the center to comply with the Leawood Development Ordinance [LDO]. They are working with Hy-Vee to ensure unified architecture. This will become a more pedestrian friendly center by updating the walkways, railings, adding bicycle racks, etc. Funding is limited due to the economics of the owner, limited square footage, and current sales tax revenue. Total cost of the improvements is \$1.3 Million, of which, CID sales tax funding would be 1%.

Diane Botwin, Owner of Leawood Plaza, stated the lease for Blue Moose is not contingent upon the CID approval. The lease has been signed; however, she felt they should take this opportunity to update the center to look integrated and more modern.

Mr. Book stated they plan to begin the project as soon as possible and complete it all at once, not in phases.

Mayor Dunn confirmed when the CID Policy was approved, their goal was to have 100% participation in the district; however, some developments are not able to accomplish this and could be considered on a case-by-case basis.

Councilmember Azeltine asked if there had been any discussion between the two parties to submit only one application. Mr. Petersen replied this is a unique small shopping center with two sets of business plans and two different owners; however, they both have the same common goal.

Hy-Vee Presentation – Pete Hosch

The bulk of the Hy-Vee project addresses the front façade. The structure will be raised to accommodate additional day lighting and a spiral staircase leading up to a mezzanine level for a dining area. The front drive will be re-aligned with improvements to the parking lot. There will be minimal expansion on the back facade that will include some additional dock areas and storage space. The store will include a health market with bulk foods, pharmacy, health and beauty care, produce, expanded floral department, Starbucks, expanded bakery and cheese departments, deli and prepared food options, and traditional meat and frozen foods departments. The focus of the store is on fresh presentation with chef demonstrations and cooking classes. Hy-Vee is in dire need of this remodel. This store was an acquisition of a previous food store that never opened. This Hy-Vee has not performed to their expectations. Ms. Botwin has indicated she needs a 1% CID sales tax; Hy-Vee Corporate will not go beyond 0.5% and want to reserve the ability to shut it down, if necessary.

Councilmember Filla asked why the square footage or scale of the shopping center is a factor for revenue. Mr. Lambers replied Hy-Vee is the largest sales tax revenue generator of the center. If Hy-Vee was a part of this district, there would be enough revenue to do the types of things that are being done in Camelot Court, such as architectural features, a plaza area, etc. Ms. Filla understood the bank does not generate sales tax; however, she felt they should be part of this discussion since they stand to benefit from some of the improvements. She suggested they also take into consideration whether citizens will benefit from this CID.

Mr. Petersen stated the total cost of the project is \$16.5 Million, which has been broken down in detail. \$12 Million is being invested by Hy-Vee to earn through a 0.5% CID sales tax, up to \$4.5 Million. \$1 Million of this is intended for interior remodel and equipment and have requested they have the right to reimburse that small percentage. These improvements need to be made for continued viability of the center. Mr. Hosch concurred, stating they will not be able to continue to operate in this fashion.

Councilmember Rasmussen asked if Hy-Vee becomes successful and the owners decide to sell if the CID would continue for the remaining years or would cease. Mr. Hosch replied their intent would be to keep the facility if it becomes successful. Mr. Lambers stated as an example; if costs were incurred in the certified \$4.5 Million and they have reimbursed \$3.5 Million and decide to sell, the City is under obligation to continue the reimbursement. Mr. Hosch confirmed their goal is to be successful enough to have the CID retire as soon as possible.

Mr. Hosch stated they plan to entice customers with coupons to return to the store once it is completed.

Councilmember Rezac stated she was not in favor of asking taxpayers to pay for upgrades and renovations of buildings, particularly, the interior. She felt it should be up to the owners to maintain and upgrade their buildings. There is a benefit to subsidizing costs for improvements around the building that benefit the public, such as landscaping, lighting, walkways, etc.

Councilmember Rawlings asked if the owners could fund the \$1 Million for the interior. Mr. Hosch stated this is a very lean project with Hy-Vee running a risk by investing \$16 Million and not knowing the outcome.

Mr. Hosch confirmed they will need to hire additional employees because of the service departments.

Community Director Richard Coleman confirmed the parking has been revised to give back green space; however, staff has not yet reviewed it. Mr. Petersen replied they are required to bring a revised plan to Planning for approval, as well as for rezoning. He confirmed the square footage is 63,668. Mr. Hosch noted parking should increase by 69 spaces.

Councilmember Azeltine stated the main point behind a CID or any benefit district is to pull together common interests and economics and felt by separating a single entity, it would defeat this purpose and set a bad precedent. He was not convinced the two parties had made an effort to come together as one district. Mr. Petersen replied statutorily this must be two districts unless there is an agreement on the sales tax, in which Hy-Vee Corporate will not go beyond the 0.5%. If there is concern this could be precedent setting, the City could change its CID Policy to include conditions that all entities of a center could submit separate applications; however, they must be approved and operated as one district. Hy-Vee is the major anchor for this center. Mr. Petersen stated they would review this and present a proposal to possibly work something out between both parties and the City.

Mayor Dunn stated the \$1 Million for interior remodel and equipment was not in line with their CID Policy and felt if this was allowed it could be precedent setting. She noted the City has received CID requests; however, to date, none have been approved.

Mayor Dunn received consensus from the City Council to *not* allow \$1 Million to be used for interior remodel and equipment. Councilmember Bussing requested to see this in context of a larger plan for consideration.

There being no further business, the work session was adjourned at 7:25 P.M.

Pam Gregory, Recording Assistant City Clerk