

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, September 15, 2014. Mayor Peggy Dunn presided.

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

Councilmembers Absent: None

Staff Present: Scott Lambers, City Administrator Chris Claxton, Parks & Rec Director
Patty Bennett, City Attorney Cindy Jacobus, Asst. City Clerk
Deb Harper, City Clerk

Others Present: Leawood Chamber of Commerce Staff/Board:
Kevin Jeffries, President/CEO Dr. Gregory Peppes
Amy Tysseling Monty Spradling
Len Corsi Caryn Clements

**Consideration of Funding Economic Development Position with
Leawood Chamber of Commerce**

Mr. Lambers stated disagreement with the funding request from the Chamber for their proposed Economic Development Specialist position and pointed out he believes the Chamber should cover position cost from its current funding. He does not believe the City should be required to give a cash payment to the Chamber for Taste of Leawood or for the Mayor’s State of the City speech. Currently, the City has budgeted \$100,000 to the Chamber, which is a 10% increase over 2014, that has no specific use requirements. The \$100,000 that is in the 2015 budget should be sufficient for those activities. The City has been funding the Chamber since 2006.

Mayor Dunn clarified that what has been approved is a 10% increase from the Chamber’s 2014 allowance, which results in \$100,000. Mr. Jeffries’ memo indicated how the allowance has been used.

Councilmember Filla asked how many other cities have an Economic Development Council [EDC], their functions, reporting structure, liaison, and if there was a need to create an Economic Development Board. Mayor Dunn stated no one from the City is on the EDC Chamber Board and that Dr. Peppes sits on the Economic Board of the Chamber. Councilmember Rezac said that while none of the Councilmembers sit on the Leawood Chamber Economic Development Board, several have attended their meetings.

Councilmember Filla asked what role the City would have to be more active with businesses. Councilmember Osman stated when he was Economic Development Director, he hosted a Mayor's Breakfast attended by City staff, City Council and business leaders.

Mayor Dunn stated the Chamber's proposal is to have the Economic Development Specialist position report to them. She further stated that every City of the First Class in the area has an Economic Development Board, except Prairie Village. All the other cities in Johnson County have an EDC.

In regard to cities that have EDC, Councilmember Cain asked if the EDC is associated with the Chamber or if EDC is part of City staff. Mayor Dunn replied they are not part of the City staff and that they are a separate entity from the Chamber. Mr. Lambers stated they typically are a separate entity and it is not uncommon for a City to have a Chamber of Commerce and some sort of EDC that functions in the same fashion, with activities directed by the Chamber. They may be housed in the Chamber and report to the City. Most cities provide a grant for the EDC and the Chamber.

Councilmember Filla asked how the EDCs are populated. Mr. Lambers replied that a Chamber would select 10 to 12 persons, and every two years these members rotated between Chamber and EDC (total of 30 to 40 persons in rotation). Mayor Dunn stated Leawood had an Economic Development staff person before the Chamber was started. She understands from other Mayors, that both Mayor and City Administrator/Manager sit on the EDC.

Councilmember Rawlings asked about Leawood's 800 undeveloped acres and how many of these acres are zoned commercial, agriculture or residential. Mr. Lambers replied the majority of these acres are zoned mixed-use or commercial. South Leawood has about 100 acres that will become residential. The corner of 151st and Mission could be zoned either way. Mayor Dunn stated the 135th Street Corridor has about 600 acres, and the bulk of it is owned by one person.

Councilmember Rezac asked about the agreement with the Chamber put in place in 2006 and the impetus/the intent at that time, and if the partnership has worked as intended. Ms. Bennett stated the City was budgeting and funding the Chamber since 1999, and the 2006 agreement was put in place because the legislature passed a statute that made certain reporting requirements on the Chamber unless they were under contract with an entity. Mr. Jeffries stated that while he did not know the legal impetus behind it, he felt it was important that it was done.

Councilmember Azeltine asked about the difference between the 2006 and 2007 agreements. Ms. Bennett replied that 2007 was a renewal of the agreement with a different funding dollar amount.

Councilmember Cain inquired about the history of the Chamber and Chamber Board. Mr. Jeffries replied he was hired by the Chamber Board, who was selected by the business members of the Chamber. He continued by stating the Chamber Board consists of 15 elected members, 3 advisory members (one from each school district in Leawood) and Mayor Dunn. The Chamber has 3.5 support staff that are not part of the Chamber Board.

Councilmember Filla complimented the Chamber on their many accomplishments.

Councilmember Rawlings referred to the Chamber memo listing all activity for the last 40 years, with focus on 2013-2014 and tasks for 2015, and what is not being done now in regard to economic development to generate new business in Leawood. He asked what will not be done if the Chamber Economic Development Specialist position is not funded. Councilmember Rawlings pointed out the Chamber has 500 members, some of which are not based in Leawood, who all pay dues. Also, 700 undeveloped acres will be commercial, with developers who have their own processes and may have attracted tenants before development commences. Currently, there is no activity and nothing to sell on the 135th Street Corridor.

Mr. Jeffries replied the Chamber has added thousands of new jobs over the years, and not much is done as is in other cities in regard to traditional business retention activities. The Chamber visits every business to discover their needs, whether the business is a Chamber member or not; a process that does not fit with current Chamber staffing. He does not attend the International Council of Shopping Centers [ICSC] or take out of town consultant trips because he is needed at the Chamber. His counterparts regularly travel and have the opportunity to make relationships. Mr. Jeffries continued by stating he relies upon the Kansas City Area Development Council [KCADC] and the Department of Commerce to make connections. As Leawood adds businesses, there will be more need.

Councilmember Rawlings stated he believes the tasks described are part of Mr. Jeffries position, which require a time management balance. The current request to fund the position is expensive and Councilmember Rawlings inquired who this person would call upon right now. Mr. Jeffries stated the position needs to be in the best interest of Leawood and current draft is the cost to hire a full-time Economic Development Specialist. The new hire would be able to travel, and meet with the Mayor and City Council to determine the types of businesses the City would like to attract. This person would meet with potential developers of the 135th Street Corridor and what types of businesses might be added, as well as call upon existing businesses for feedback. After a two to three month training period, the new hire would start meeting with mixed-use commercial developers, inventory office space and schedule regular calls on businesses.

Mr. Jeffries stated he has been speaking with his contacts and building future relationships. There will be business relocations which will require discussions with the Department of Commerce and various national site consultants to fill empty buildings

Mayor Dunn asked Mr. Jeffries what he would do if the position were filled and his schedule opened up. Mr. Jeffries replied he would perform other Chamber duties, such as maps and programming. He would not facilitate events or perform economic development activities, which would result in \$30,000 less in cost associated with his position. Mr. Jeffries stated that Shawnee has two staff people for EDC, and 20% of the director's time is spent doing administrative tasks for EDC, but this person does not perform economic development work unless it is a large project.

Councilmember Azeltine stated his vision for the position as someone with professional training, who would talk to staff and the property owners, to bring people together. He expressed concern of the implication that Chamber is not using their funding in the correct manner.

Mayor Dunn commented that Mr. Lambers' suggestion of the Chamber covering the position with their current funding is an option, since the Chamber can distribute their budget as they deem appropriate. She also stated based on her research, a compensation of \$100,000 would be nice package to potential hires.

Councilmember Azeltine asked about the process when a City Department Head requests funds for a position. Mr. Lambers replied that first the City evaluates positions that could be reassigned in the current budget before a new request is considered. Councilmember Azeltine stated he has been part of the City's budget process for many years and has never heard that suggestion made to a Department Head, which implies budget may not be used appropriately. Mr. Lambers clarified that a replacement position is accomplished administratively and would only come before the Council for approval if it increases the budget. Councilmember Cain stated that Ms. Claxton has to operate within the Parks & Recreation budget and decide how that budget is distributed. Parks & Recreation has been denied an additional staff person because it is not in budget.

Councilmember Azeltine asked Mr. Lambers if he had an opinion about the position. Mr. Lambers replied if the Chamber can report what would be accomplished, he would not oppose it. He feels development has gone well with the current process and if Mr. Jeffries needs to focus more on other Chamber responsibilities and less on economic development, he accepts that. He feels that eventually economic development for the City will slow dramatically. He has proposed what he considers a reasonable budget for the position, which is broken down into a base position budget and expanded activities.

Councilmember Azeltine stated that a much different dynamic is involved with Cities of the First Class having a position such as the one presented, and it needs to be considered. He stated that incentives and demographics have helped the City up to this point. Mayor Dunn asked if incentives would be included in the position. Councilmember Azeltine replied that was not the case and he is appalled at money being thrown at companies, such as tax abatements. He pointed out that other cities are being aggressive with incentives, but Leawood has not needed to use them. He stated that demographics could change and Leawood should stay on top of this.

Mayor Dunn pointed out that a current business located at the corner at 119th and Nall had researched and found Leawood had the best demographics in the metro area. Incentives have not been necessary because of Leawood's consistency of message. She pointed out that initiating use of Tax Increment Financing [TIF] or abatements would open the door to other future requests. Councilmember Azeltine stated he is not in favor of TIFs or abatement, but feels the EDC position would be a good tool to remain competitive.

Councilmember Cain inquired of attendees if the amount of money allocated to Taste of Leawood and State of the City was a surprise, and a Chamber profit of \$45,000 on the Taste of Leawood. Mayor Dunn replied it was a surprise to her. Mr. Jeffries clarified that staff time and overhead had not been added to the event expenses; Chamber account is lacking. Mr. Jeffries continued by saying he has now added these costs and after evaluation, has determined that slightly less than 30% of the Chamber programming is funded by the City. For the Taste of Leawood, the Chamber breaks even or at best, a minimum a profit of \$10,000.

Councilmember Cain asked if Mr. Lambers' numbers were still accurate based on that information. Mr. Lambers stated these Chamber activities are intended to promote the community. The purpose is not necessarily to make a profit and may result in a loss, such as many City Parks & Recreation activities. He reiterated that the purpose of the discussion is the \$44,000 difference between City's 2015 budget of \$100,000 and Chamber proposal, and suggested discussing a donation beyond the \$100,000 if desired by the Council.

Mr. Jeffries stated that two separate issues are being discussed: 1) funding the general community development function the Chamber has been doing for years, for example, their \$30,000 website development, and 2) the possibility of an EDC position. He said that if all the City money goes to EDC, it would leave a gap in the Chamber funding. He said that the amount paid for the position would depend upon experience. A person with three years experience would cost \$65,000 and a seasoned individual would be upward of \$80,000 to \$85,000 per year. Benefits and taxes would then add an additional 25% to 30% to the total cost. Mr. Jeffries questioned if perhaps two agreements were needed.

Councilmember Rezac recognized that retention of businesses is an important factor, and the 135th Street Corridor is significant. She asked if the person hired would handle both areas. Mr. Jeffries believed the person hired could handle both and continued by stating after the 135th Street Corridor is built out in 5 to 10 years, all positions will have less to do. He commented that cities that are not land-locked such as Overland Park, Shawnee and Olathe, have funded two positions to cover retention and recruiting, as well as to attend conferences and purchase ads in magazines. He also emphasized that the proposal is for the future of Leawood and the goal of a prospering community.

Councilmember Rezac suggested potentially hiring a part-time position that performs one of the two primary functions while the Chamber performs the other. She stated that retention effort should be the most important focus. Mr. Jeffries replied that it could be an option and that there are some experienced consultants in this field. Mr. Lambers pointed out a part-time position would have to be solely for the Chamber to ensure commitment.

Mayor Dunn pointed out that the City spends \$10,000 to belong to KCADC on an annual basis. KCADC promotes at least 20 counties; they promote a large regional area and are not Leawood-specific.

Councilmember Rawlings inquired if the retention was of Chamber membership or if retention was for businesses that may leave the City. Mr. Jeffries replied that it would be retention of businesses that may leave.

Councilmember Rawlings asked Mr. Corsi if the position gets funded fully how it would help his business immediately and how does he obtain tenants now. Mr. Corsi replied increasing the number of shoppers, new businesses and new ideas would help Leawood grow. Mr. Corsi continued by stating his business has a nice leasing office on-site and potential tenants approach them based on a number of factors. Councilmember Rawlings asked if the position would enhance Mr. Corsi's occupancy rate or the rates of other commercial developments. Mr. Corsi replied the position would have the potential to do that.

Councilmember Azeltine asked Mr. Jeffries if Leawood has the fastest growing Chamber in the Kansas City area. Mr. Jeffries confirmed the Leawood Chamber has been the fastest growing in the area for a number of years, including the current year.

Councilmember Azeltine pointed out the Chamber is supposed to provide a separate accounting of receipts and expenditures within 90 days after the fiscal year and asked Mr. Jeffries if this had been done. Mr. Jeffries replied it had not, but the Chamber provided monthly and an annual report to Mayor Dunn. This process had not been previously questioned and this discussion is a reminder of responsibilities. Mr. Jeffries agreed the Council needs to receive statements.

Councilmember Azeltine asked about a letter from Nancy McCauley in regard to a business owner's concern that Leawood ordinances are not current and competitive with neighboring communities. Mr. Jeffries replied the company in question employs thousands of people worldwide and this company is struggling with parking. The parking ratios around the country are changing, and current and potential tenants are looking for larger ratios.

Councilmember Azeltine asked if an EDC employee would periodically address City Council and provide updates. Mr. Jeffries confirmed that would occur.

Councilmember Filla questioned if Mr. Jeffries could reallocate responsibilities and/or change the emphasis of his staff; if retention were added, could the Chamber continue with the same headcount. Mr. Jeffries replied the new hire would report to a separate Board, even if there is only one economic development position. Mr. Jeffries would plan to not attend KCADC moving forward. Beyond that, he would need time to investigate new possibilities.

Mr. Lambers stated he his preference to have the position, revisit how to budget, and try for one year without a Board, to avoid any feeling of obligation moving forward. He asked for discussion to focus on the two proposed budgets and stated he was willing to move from City's suggestion of \$65,000 to \$70,000, increase amount of cost of benefits based on the higher salary, plus add in one year attendance at ICSC.

Mayor Dunn added the City of Olathe's EDC position is a one-year term and has to be approved every year. She felt it would be difficult to terminate someone every year. Mr. Lambers the person hired will need to accept that the salary can only be appropriate for the current budget year (one year), as required by state law.

Mayor Dunn asked Mr. Jeffries if the \$100,000 would be more valuable going toward the EDC employee or the way it has been used in the past. She also asked about the large sponsorships of the Chamber fund.

Mr. Jeffries replied that the sponsorships fund 70% and the City funds 30% of the programming activities regarding community and economic development. He stated the money from the City is not accounted for separately, but could be in the future.

Mayor Dunn pointed out if part-time employee were hired, the \$100,000 funding from the City could be used to cover the cost of that employee, plus community development activities as the Chamber deemed appropriate.

Mr. Jeffries pointed out that the \$9,000 increase from the City over 2014 funding would not cover a part-time position and the Chamber already has the City's funding. To use part of that money to fund even a part-time position would require re-evaluating of current allocations.

Mayor Dunn stated the \$12,500 for State of the City could be removed from the budget. Mr. Jeffries stated that it would be 30% of the \$12,500 and that was an option. Mayor Dunn pointed out she did not want the citizens to support this.

Mr. Lambers reminded that in regard to City budget planning, there are a limited number of Work Sessions left in the year. He asked if the Council would consider his verbal proposal: position salary of \$70,000 and adjusted benefits cost, for a total of \$120,000 to hire a full-time Economic Development Specialist. This would be a maximum cap, with no additional funding for community development. To put in place the additional \$20,000 needed over the \$100,000 in the City's 2015 budget, the City would need to wait until after the start of 2015 and then generate a budget amendment.

Mr. Jeffries asked how activities that promote Leawood dining, shopping, parks, recycling days and boards would then be funded. Mr. Lambers replied that would need to be through Chamber members. Councilmember Cain stated the City's \$120,000 would be for the Chamber to fund the position and any of their activities possible. She stated the perception of a funding increase could be positioned in a positive way. Councilmember Filla stated that part of the current budget will become tasks the new hire would start performing.

Mr. Jeffries pointed out that dedicating that much of a budget to a person who only focuses on EDC would be difficult. He said that he and Mr. Lambers could work on the allocation. Mayor Dunn pointed out that with Mr. Lambers' verbal proposal, salary could be \$80,000, plus consideration of \$20,000 for benefits, totaling \$100,000.

Councilmember Rezac requested improved communication between the Chamber and the City Council. Mr. Jeffries stated his goal is what the Council finds most beneficial.

Mayor Dunn stated the current budgeted City funding of Chamber is \$100,000. Mr. Jeffries has been requested to revise his budget, and once ready, return for a meeting with the City.

There being no further business, the Work Session adjourned at 7:25 P.M.

Deb Harper, CMC, City Clerk

Cindy Jacobus, Assistant City Clerk