

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, November 7, 2016. Mayor Peggy Dunn presided.

Councilmembers Present: Chuck Sipple, Jim Rawlings, Julie Cain, Andrew Osman, James Azeltine, Debra Filla, Dr. Steven Kaster and Lisa Harrison

Councilmembers Absent: None

Staff present: Scott Lambers, City Administrator Patty Bennett, City Attorney
Debra Harper, City Clerk

Others Present: Kevin Jeffries, Chief Executive Officer and President, and Director of Economic Development, Leawood Chamber of Commerce
Ben Biller, Board Chair, Leawood Chamber of Commerce
Amy Tysseling, Secretary, Leawood Chamber of Commerce

Review Chamber of Commerce's Annual Economic Plan

Mayor Dunn called the meeting to order and introductions with affiliation were made.

Mr. Jeffries distributed a "2017 Draft Leawood Economic Development Council [EDC] Plan" to supplement the "2016 Activities Summary Report as of 11/1/2016" provided in the meeting packet, addressing the topics of objectives, target markets, activities to promote objectives, business retention, business attraction, redevelopment and possible additional areas of interest/support.

Mr. Jeffries stated 2016 was a good year and he was pleased with the highlights in the Activity Summary Report. A goal of tonight's meeting would be to ensure the Chamber's plan of work is consistent with City's goals and objectives for economic development. He reviewed select highlights and provided additional information as follows:

Marketing Activities

Published two issues of *Look to Leawood* magazine in 2016, one in February and one in August. Many positive comments were received on this tool to promote Leawood, which was distributed along Ward Parkway, Tomahawk Creek Parkway and also to most residents. The Chamber wanted to ensure C-level executives who make decisions on where to site their businesses received the magazine. Production cost was \$4,000 to \$5,000 for 20,000 copies for the twice-a-year publication. The cost was mostly paid by advertisers and the magazine could potentially bring opportunities of a far greater value.

Councilmember Harrison thought the magazine was great idea that focuses on community, and it would not be in competition to the monthly *Leawood Lifestyle* magazine. She suggested the magazine be supplied to the chief executives of the 50 to 100 top employers in the metropolitan area. The magazine could also be distributed in nearby cities such as Omaha, Nebraska, or St. Louis, Missouri, along with a personal invitation for Mr. Jeffries to provide a tour of available properties. Mayor Dunn stated Leawood should not be perceived to poach businesses from other cities.

Oversaw the construction of the EDC website, leawoodedc.org, which was recently connected to the City's website. This website lists available commercial properties in Leawood. Networking within the real estate community can provide early insight into possible property leads and future business plans.

Will host a global entrepreneurship week coffee kick-off event in conjunction with KCSOURCELINK, a project of the Kauffman Foundation, at Foo's in Ranch Mart. Foo's is soon to be rebranded as Foo's Café.

Ranch Mart

Ranch Mart leasing and sales are no longer handled by Otto Westerfeld. A new company, Cadence, associated with the Fishman and Lane-4 companies, will be handling in the future. Cadence will also be assisting Ranch Mart owner Mr. Bob Regnier with the sale and development of his 135th Street property.

For Phase 1, Gordon Dental will be relocating from their outgrown Club La Femme Nall Building and the Foot Spot, now in a temporary space near Foo's, will be moving to their new space within the center. The ribbon cutting for the Foot Spot is scheduled for December 8, 2016 and all are invited to attend.

A potential Phase 2 tenant may require a minor modification of the plan. Phase 2 construction will begin in 90 days or a revised plan will be submitted for the development. There is also potential for a new retail/medical occupant from Springfield, Missouri. This is very preliminary; no lease negotiations in progress at this time.

Mr. Jeffries stated Ranch Mart is utilizing a small company, A.B. Bradley Construction, and progress is slow. There is no completion date; worked was planned to be conducted in four or five phases. Mr. Lambers stated as long as progress is seen over 18 months, permits will continue to be issued and reinvestment would be encouraged. Previously, the owner had sought tenants before initiating work.

Work is planned for the south side of the Overland Park Ranch Mart that faces residential.

Mr. Jeffries will make inquiries and provide information as to whether Ranch Mart may reconsider sidewalks on 95th and Mission. There are currently no sidewalks at the McDonald's corner, which is a concern for pedestrian traffic from school and to businesses. Mr. Lambers and Mayor Dunn confirmed the original CID plan had included sidewalks and Mr. Lambers added the CID was so modest it did not trigger the requirement for sidewalks. However, major improvements did trigger the requirements, but he recommended and Council approved that undergrounding of power lines would be required in excess of limited CID funding so that sidewalk work could take place. Ultimately, Ranch Mart decided to go in a different direction.

Recruiting, Redvelopment & Retention Activities

The ability to retain expanding businesses or recruit new office users is constrained by a limited supply of Class A building space. Building classification refers to the level of finish, not physical building size. Class B office space is generally older space with older amenities, below \$20 per sq. ft. A Class B building can be refurbished to become a Class A building, usually at a high cost. Examples of this would be the exteriors of the Capitol Federal Building at 95th and Nall and the Fred Pryor Building on Shawnee Mission Parkway.

Pinnacle II, the former CBIZ building, is available although individual spaces have fairly expensive rent, compared to new construction, of approximately \$28 per sq. foot. The building will come back onto the market when the lease expires three years after CBIZ's move [2015], but based on building design/configuration, it is not expected it could be broken into a multi-tenant building. One of the reasons for CBIZ's relocation was a company division had been sold and this required that floor to be separate and secure from the rest of the building at an estimated cost of \$1 Million. The Governing Body previously approved adding decks to the multi-level parking garage which is a positive. Several large single-use potential tenants have looked at the building, one of these being CoStar, a Commercial Listing Company, but they decided to locate in Richmond, Virginia. Office space at 89th and State Line Road will open up with Select Quote's move to the KC Merchandise Mart in Overland Park. Business trends of mergers and acquisitions impact office space needs.

AMC will be adding 100 jobs at their headquarters in the next year. AMC has leased 20,000 sq. ft. of office space in Park Place, lease term unknown, and they will probably look to acquire additional space. UMB may be no longer interested in placing a facility on the VanTrust-owned land. Banks are moving away from brick and mortar buildings.

Councilmember Azeltine stated business retention calls should continue as they are very important to gain information.

Comparative Firm & Job Growth

The number of Leawood firms and jobs, 2012 to 2016, based on County Economic Research Institute [CERI] data, are presented in bar charts on Pages 2 and 3 of the Activities Summary Report. The chart on Page 2 shows substantial growth in Leawood Firms from 2015 to 2016, based on CERI models that may use building size and unverified building occupancy assumptions. The chart on Page 3 for Leawood Jobs probably does not reflect a reduction of 500 CBIZ jobs and may also be overstated by 500 to 1,000 jobs, if CERI models use building occupancy assumptions. Concise, real-time data can be difficult to obtain.

Trends and Opportunities

CrossFirst Bank may be expanding. They have three current locations and may be a potential fit for the Pinnacle II Building or to build on Tomahawk Creek Parkway. Euronet and Bukaty Company are growing rapidly. Ascend Learning is also growing. The Chamber will be contacting our major headquarter operations employers semi-annually to stay actively engaged in regard to their future office needs.

Conference attendance provides insight into trends. As learned at a recent conference, 400 sq. ft. micro-apartments are well-received in large gateway expensive housing markets like San Francisco, but in the Midwest people still prefer two-bedroom apartments. It is important to continue to have affordable two-bedroom living space for employees. The Kansas City market is well-poised in this regard.

Urban Land Institute research now suggests the Millennials generation wants to live in suburban rather than downtown urban areas, but they demand walkability to amenities such coffee shops and drug stores. Major employers around the country are moving towards a mixed use concept to support this need, similar to plans adopted by the City. Successful places have walkability and we need to educate developers in regard to walkability and mixed use.

The Chamber received positive comments from businesses contacted along Tomahawk Creek Parkway indicating their employees were very happy about area amenities, improvements and walkability to businesses such as restaurants, cleaners, drug stores and Hen House. In response to Mr. Jeffries inquiry, Mr. Lambers stated he hoped the amount of sales tax generated by the Camelot Court Shopping Center would return to the level prior to construction, but some of the businesses are not typical high sales tax generators and also consumer shopping patterns may have changed in the interim. Mr. Jeffries noted the liquor store has enjoyed a huge increase in sales, having rebranded and an agreement with Balls Foods that should liquor laws change, the wall between their locations could be removed.

Priorities

Priorities include Ranch Mart sidewalks, former Hy-Vee location, possible Community Improvement District [CID] for Town Center Plaza, and increased communication between the City and the Chamber. Promoting relationships and networking will continue to help identify future business plans.

Mr. Jeffries confirmed to Councilmember Filla that energy for planned street fairs at Town Center Plaza had diminished after the ownership change. Town Center Plaza is now 20 years old and eligible for CID. Mr. Jeffries will continue to work with the owner on future plans, including walkability, with feedback from the Governing Body. Councilmember Rawlings noted pedestrian traffic surrounding the theatre could be emphasized.

Mayor Dunn stated Town Center Plaza would need to come to the Governing Body to consider a CID. Mr. Lambers stated he has had conversations with Town Center Plaza General Manager Mr. Leonard Corsi in regard to CID Policy and prior experience. Per policy, the City does not finance projects, funding is for exterior rather than interior improvements, and the plaza would need to be brought up to Leawood Development Code [LDO] requirements. Some of the LDO changes needed for approval of a CID may include screening or modification of roof-top equipment, landscaping and pedestrian access points. The owner could consider an aggressive change of use for the under-utilized north side of the plaza, probably to office rather than residential, which would generate additional visitor traffic.

Councilmember Osman stated a CID is a great tool to bring centers up to current standards, but on the main building of Hawthorne Plaza in Overland Park which just completed a remodel, their Johnson County property tax assessment increased 33%, from \$19.7 Million to over \$26 Million. This is not a City tax increase and this information was available on-line. To appeal an appraisal involves time in the court system and attorney fees. Tenants are hit with a larger monthly tax bill on top of rent, and the landlord is responsible to pay assessments on any center vacancies. Tenants need to know about the future improvement plans for a center to budget accordingly.

Discussion/Request for Governing Body Priorities

Councilmember Osman questioned if there would be a significant increase in the value of commercial property assessments in the City for next year. Developers are attempting to bring in upscale retailers and many retailers are very wary of how Johnson County assesses taxes. There have been lawsuits in other cities in regard to developer's estimated taxes, pre-and-post renovations. Camelot Court will be reassessed next year. An assessment increase of \$5 to \$10 per sq. ft. would be significant for small and medium-sized retailers, and they may not be able to afford. There is a cost-benefit to renovation and increased sales that is difficult to determine. Hen House's 20,000 sq. ft. increase in size and the addition of a liquor store will result in more taxes.

Councilmember Filla questioned how much more upscale retail can be supported. There are many great retailers in the 119th Street area, but on a recent visit she did not see much foot traffic. Councilmember Azeltine stated that PrairieFire and Corbin Place have created sufficient consumer opportunities in that area; Leawood's development of 135th Street is not urgent. Mr. Jeffries agreed with Councilmember Azeltine and he stated near-term successful tenants in that area would be neighborhood services like restaurants or a coffee shop, rather than massive retail. Also, there is a demand in that area for development of a \$400,000 to \$500,000 maintenance-provided community for empty-nesters.

Mr. Jeffries plans to follow-up with a land sales person with an interest in 135th Street. The Chamber seeks direction from the City and how to direct energies in regard to 135th Street development.

Councilmember Cain continues to support open communication as a priority and there is no possible reason why this should not happen. There will be two new Councilmembers assigned as liaisons to the Chamber next year, so any actions that can mitigate their learning curve would be beneficial. A staff member may need to be present at meetings. We want to do our best and be able to address issues. Mr. Jeffries stated a formal orientation process for liaisons could be helpful. Mr. Jeffries thanked Mr. Lambers for meetings which are very helpful.

Councilmember Sipple requested Mr. Jeffries and his staff continue to work on refining statistics and metrics for yearly comparison. Mayor Dunn noted the annual City Report prepared by the Community Development Director Richard Coleman contains information about businesses. Mr. Lambers stated the City obtains information on new businesses, but not information on jobs, through the planning and signage processes.

Mr. Lambers stated the City's measurement for retail sales activity is sales tax, but that is not without the chance of error. Some businesses think they are located in Leawood, when they are actually located in another city, requiring corrections for paid taxes and to the City's 10-year revenue model. A few years ago, there was a use tax issue involving Sprint. Recent Hen House construction reduced sales tax revenue.

Mr. Lambers advised the City is in negotiation with Camelot Court to sell a portion of City property to the west for 60 to 70 spaces to alleviate parking. The parking would be used primarily for employees who are temporarily parking there now. Camelot Court plans to amend their CID to cover a portion of the project. He will ensure the City is adequately compensated and the sales contract to acquire the property would need Governing Body approval. Thereafter, a revised final plan would go through the planning process.

Mayor Dunn would like to see activity with regard to Leawood Plaza Center, which was her highest priority a year ago; residents would like to see something there. Mr. Jeffries stated the center has some deed restrictions and space is difficult to lease without an anchor tenant. As agreed in discussions with Mr. Lambers, the center needs to be scrapped for a fresh start. An interested party would like to do this and to redo the traffic flow. Mr. Lambers stated costs would be eligible for a reimbursement through a CID. Another advantage would be utilities currently on-site, but they may not be adequate depending on tenant needs. Mr. Jeffries stated a plan would need to be developed to handle the data center located under the old bank. There are about 10 tenants open in the plaza currently. Mr. Lambers stated a press release had been issued about the recent Hy-Vee pharmacy robbery; no one was hurt.

Councilmember Azeltine stated the Hy-Vee Center was a high priority. Mr. Jeffries stated when built, the St. Luke's micro-hospital may spur activity in the area. There may be interest in turning the center into Class A office space, which is favored by the nearby residents. Mr. Lambers does view the area at least once a week to monitor external condition of the facility and ensure there are no potential code violations. The center is not a blighted area, but rather a vacant shopping center that is being maintained.

Mr. Lambers stated the trends Mr. Jeffries brought back from conference attendance confirm Leawood is on the right track with mixed use development with minimum use percentages for retail, office and residential for a one half and flexible use for the other half, even though some developers have been resistant to the mix/percentages. He noted apartments being built in the Kansas University area have three-bedrooms, each with their own bath.

Mr. Jeffries stated next year the Chamber's reporting would be scheduled in October rather than November. Both Mayor Dunn and Mr. Jeffries thanked attendees.

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

Debra Harper, CMC, City Clerk

Cindy Jacobus, Assistant City Clerk [Transcription]