

**Minutes**

The City Council of the City of Leawood, Kansas, met for a Special Call Meeting, 4800 Town Center Drive, at 6:00 P.M., on Monday, February 18, 2019. Mayor Peggy Dunn presided.

**Councilmembers Present:** James Azeltine, Jim Rawlings, Julie Cain, Andrew Osman, Debra Filla, Mary Larson, Lisa Harrison and Chuck Sipple

**Councilmembers Absent:** None

**Staff Present:** Scott Lambers, City Administrator  
Richard Coleman, Community Dev. Director  
Dawn Long, Finance Director  
Debra Harper, City Clerk  
Patty Bennett, City Attorney  
Mark Klein, Planning Official  
Cindy Jacobus, Asst. City Clerk

**Others Present:** Curtis Petersen, Polsinelli PC, 6201 College Boulevard, Overland Park  
Trip Ross, Cadence Commercial Real Estate, 7939 Floyd Street, Overland Park  
Victor Regnier, Los Angeles, California  
Bob Regnier, 3400 W. 119<sup>th</sup> Street, Leawood  
Len Corsi, 5809 Rockhill Road, Kansas City, Missouri  
Jeff Greenstein, 3501 W. 92<sup>nd</sup> Street, Leawood  
Jay Senter, Shawnee Mission Post, 4121 W. 74<sup>th</sup> Street, Prairie Village,  
David Twiddy, Kansas City Star  
Kevin Jeffries, President, Chief Executive Officer and Director of Economic  
Development, Leawood Chamber of Commerce

**Review Community Improvement District [CID] Application  
for Ranch Mart North Shopping Center,  
located at 95<sup>th</sup> Street & Mission Road**

Mayor Dunn welcomed and thanked attendees, and introductions with affiliation were made.

Mr. Lambers stated this is the second Community Improvement District [CID] application received by the City. The City's first CID application was for Camelot Court, which set the bar for the City to use to evaluate the effectiveness of this development tool. Staff has conducted a technical review to determine compliance with the City's CID Policy. The application is not signed because the applicant is requesting a deviation to allow reimbursement for costs that would be incurred prior to establishment of the CID.

Mr. Lambers stated he had encouraged the applicant to not sign in accordance with this request. The CID could be in place by May, so the deviation would for a very short timeframe, and their request to deviate from City Policy does not seem unreasonable.

Mr. Lambers stated the goal of the meeting would be Council agreement on how to move forward. The Final Development Plan must be approved first and would go the Planning Commission once they go through the Board of Zoning Appeals in regard to another deviation. CID review is concurrent with the Final Plan, and the Final Plan and CID come to the same Governing Body meeting for approval. Council needs to decide if this is how to proceed or if another Governing Body Work Session is needed to satisfactorily work out details. Based on his review, the intent of the application and the application is consistent with policy and something the City has waited for, a catalyst, and the Governing Body should consider moving forward.

Mr. Lambers confirmed to Councilmember Harrison the CID application requests a CID Sales Tax of 1% with a 22-year term of Pay-As-You-Go Financing. Reimbursements can be paid and the obligation met ahead of term, which is what occurred with Town Center Crossing. Town Center Crossing greatly benefited from sales generated by the Apple Store. He estimated the Ranch Mart North CID was unlike that of Town Center Crossing and would likely take 22 years, depending on the type of tenants, service industries or retailers, and the amount of sales tax generated.

Mr. Lambers confirmed to Councilmember Cain that Mr. Petersen would elaborate on the types of prior reimbursements being requested.

Councilmember Harrison asked if the requested 1% CID Sales Tax was negotiable, perhaps using just one-half a cent or a fraction of a cent. Mr. Lambers stated the maximum CID Sales Tax is 1% per City Policy; State statute maximum is 2%. The applicant would prefer to have 1% to ensure they receive maximum eligible reimbursement. The applicant's mortgage deal interest rates can rise before locked in.

Councilmember Osman asked if the State eliminates the grocery sales tax, could the 1% CID Sales Tax be collected. Mr. Lambers stated if the grocery sales tax was eliminated, the City would not have the option to piggyback CID Sales Tax. He has talked with Senator John Skubal and advised him if the grocery sales tax goes to 0%, cities cannot piggyback any taxes. If the grocery sales tax was just lowered, the City could piggyback CID Sales Tax. There would also be significant loss in revenue to the State if the grocery sales tax is lowered. Mayor Dunn pointed out cutting the grocery sales tax was part of Kansas Governor Laura Kelly's campaign platform.

Mr. Lambers confirmed to Councilmember Sipple the total sales tax burden in the proposed CID would be 9.8%, not over 10%.

Mr. Lambers confirmed to Councilmember Azeltine that he endorses the CID application in its present form.

Mayor Dunn stated after the applicant presentation by Mr. Petersen, if there was consensus by the Council, then Staff would further review the application against the Leawood Development Ordinance. Mr. Lambers stated the planning process is separate from the CID application, so financing is not within the Planning Commission's purview. This is the reason the City requires Final Plan approval first acknowledging LDO compliance, then CID approval, because the applicant is acknowledging LDO compliance as much as possible.

Councilmember Harrison asked what types of improvements were made with the Camelot Court CID. Mr. Lambers confirmed parking lot, façade, landscaping, lighting, some external wall improvements and monument signs. Per policy, the CID is not to be used for interior improvements, only exterior improvements, and this is where discussions with Hy-Vee broke down. Camelot Court is required to maintain their landscaping, and the Council is provided an annual Staff Report evaluation for all landscaping in the City.

Councilmember Sipple inquired if construction of a brand new building is within the scope of the CID and if this has been done before. Mr. Lambers stated that currently the City's only CID is Camelot Court, and new building is within scope. CID items permitted by State statute are endless, including security and daycare, and the City's Policy allows only some of these items.

Mayor Dunn pointed the Camelot Court CID application had been presented to the Council by Mr. Curtis Petersen's Father, John Petersen.

Mr. Petersen stated he would present on behalf of the owner, Ranch Mart North, LLC, along with other sister affiliates that own the center. In brief, he would provide a recap of Mr. Lambers' comments, project status, construction timing and financing, along with a short video of fresh conceptual views. The video has been viewed by tenants and media.

To-date, the Planning Commission and Governing Body have approved rezoning and Preliminary Plan; the Final Development Plan has been filed with a Planning Commission with a meeting date of March 26; a legal interpretation in regard to a trash enclosure has been scheduled for the February 27, 2019 Board of Zoning Appeals meeting; and CID has been filed. Once Planning Commission minutes are available about one month after the meeting, then would come before the Council as early as April 15 to marry-up with the CID. Moving from approval to construction, construction drawings would be submitted and permits requested/issued. Construction would begin in mid-to-late Summer 2019 and all-in-one phase construction would be complete mid-to-late Summer 2020.

Mr. Petersen presented several historic photographs of Ranch Mart North, followed by the short video created by Mr. Ross. Mr. Petersen pointed out the video depicts mature landscaping of the plants to be used. Highlights are the pharmacy drive-through, grocery pick-up area, open plaza area at the convergence of three entry points, three art areas, flower box planters and two-story mixed use building consisting of office space above retail. The former Seasonal Concepts space would contain the new tenant "Meat Mitch", a restaurant similar to "Char Bar" in Westport.

Councilmember Filla noted the video provided a glimpse of improved traffic patterns of the center near the McDonalds.

Mr. Petersen confirmed to Councilmember Cain that red not blue bricks would be used for pavement demarcation.

Councilmember Harrison asked if there had been a change in façade from the prior drawings which felt more modern and monochromatic. Mr. Petersen stated the façade had been embellished and refined, but no major changes were made. He offered to display photographs and still scenes from the 3-D video.

Councilmember Sipple asked if all trees would be new or if some existing trees would be used. Mr. Petersen stated some of the existing trees would be saved, especially around the site perimeter, and identified in the Landscaping Plan.

Councilmember Filla asked if Gordon Dental was happy with the proposed façade. Mr. Petersen stated most tenants are pretty happy with the proposed improvements.

Mr. Petersen stated the applicant is requesting a 1% CID Sales Tax, the maximum allowed by City Policy and all that is needed for the project. He stated Mr. Lambers and Ms. Bennett did their job and questioned if the initial CID sales tax could be lower; the applicant had slightly padded the percentage. As the result of a number of meetings and since the applicant will undertake a large amount of risk and incur financing cost, which can hopefully be paid back in two decades, 1% is the bottom line.

Mr. Petersen displayed and referred to the chart provided as the last page of the CID application. He stated CID reimbursement would be capped at \$13,457,441. Total cost of improvements would be \$46,957,196. The project is similar to Camelot, but has differences including an aggressive overall redevelopment with two new buildings, one of these being 1,000 sq. ft. and located in the courtyard. The second would be a new two-story mixed use building on the west end where the bowling alley was located, having a net of 10,000 sq. ft. of leasable space and total office space of 14,000 sq. ft., about the same overall square footage as present. Other enhancements are \$1 Million for burial of power lines and the common courtyard.

Mr. Petersen closed his overview with five notes, as follows:

1. For any project involving an old, historic set of buildings, it could be argued the CID was for deferred maintenance. This would be absolutely valid if the CID was used to fix the roof or paint. Such items are not in the CID. The CID is for redevelopment, not renovation.

Mayor Dunn pointed out roof improvements are not allowed per the City's CID policy.

2. Tenants are on-board, with nearly full support by all. Many have been tenants for a long time and are local, and there is no effort, plan or intention to push out any tenants. Some tenants might choose move on, but all tenants are appreciated. Meat Mitch would be a new tenant and the new building would be open to new tenants.

3. The ownership group will incur debt and debt-service costs over time, and assume risk, with the hope sales will result in positive economic investment. No City money, bonds or notes would be used and there would be zero risk to the City.
4. There have been three previous attempts at CID. The ownership group wants a quality project for years to come. Mr. Ross has a close relationship with Price Chopper and experience with grocery-anchored shopping centers. Price Chopper has seen the quality and scale of the proposed plans as a credible opportunity to undergo massive interior renovation. A total “gut” job is planned to occur in phases so the store can remain open during their renovation, but construction work needs to commence within a few weeks to be complete by the start of the next holiday season. For the record, Price Chopper will not disrupt store operation during the holiday season, and construction would need to be complete by November 1, 2019.
5. Meat Mitch would provide an immediate impact. The barbeque restaurant is highly sought after and conversations about the location started some time ago. They really cannot wait any longer and want to get a start this Spring and be open late Summer 2019.

Mr. Petersen stated in the total \$46 Million budget there are costs that would be expended on Price Chopper and Meat Mitch, and the entire proforma is built around budget. Millions of dollars will be spent on the Price Chopper interior and exterior, and on Meat Mitch, which is not requested for CID reimbursement. For the millions of dollars spent before the CID is approved, we want to be able to take receipts and prove expenditure, rather than having these disappear before the CID is approved. He stated there is a 50/50 test, and gave the example that Staff may say a receipt presented would be reimbursed 50% private and 50% CID.

Councilmember Filla summarized the applicant wants the start date for private investment only to begin now, and that does not impact the other CID column.

Mr. Petersen confirmed the start date of the CID Sales Tax must start on the 1<sup>st</sup> date of a calendar quarter, but needed to research the start date requested in the application, but it would be in 2020 not 2019.

Councilmember Azeltine questioned what would be included for Price Chopper and Meat Mitch, before the CID is possibly approved, and if those expenses are part of City ordinance and LDO-compliant. Mayor Dunn stated interiors are excluded per the City’s CID Policy. Mr. Petersen stated the CID is for the items totaling \$13 Million, and Price Chopper and Meat Mitch expenses are not part of the CID and will never be reimbursable. Camelot Court CID had some engineering expenses that were handled in a similar manner.

Mr. Petersen confirmed to Councilmember Azeltine there would be no debt-issuance by the City and the City’s name would not be carried on any bonds or notes as an obligator. Mr. Petersen stated private financing will be used, one large mortgage and not bonds, and the “and/or” language used in Item 3 of the CID Petition is boilerplate to provide an option to the City if desired.

Councilmember Sipple stated by his calculation, the CID is 28.5% of total construction costs. Mr. Petersen stated the Camelot Court CID was 26% of their construction costs. Mayor Dunn stated the Camelot percentage was revised slightly upward to that percentage with recent parking lot improvements.

Councilmember Cain asked if other tenants were planning sizable interior improvements. Mr. Ross stated that the Hallmark Store already has and some are planning on a smaller scale. Mr. Petersen this would be the time and there may be a domino effect throughout the center. Any tenant space that opens up might be refreshed.

Mr. Petersen confirmed to Councilmember Harrison that the Price Chopper is owned by Cosentino, who also own the Price Chopper at 103<sup>rd</sup> and State Line Road, and that Meat Mitch will be a tenant, not an owner.

Councilmember Azeltine asked about the “additional information to be provided” stated in Item 8 of the CID application, if any improvements would be made to the McDonalds, U.S. Post Office or cemetery, and why the application certification and agreement are unsigned drafts. Mr. Petersen stated additional information could be supplied as requested. Mr. Ross stated there would be landscaping at the McDonalds and at the Post Office. Mr. Lambers stated documentation is unsigned because the applicant is requesting an exception to policy for construction discussed in the overall budget. If the Council approves the exception, applicant will sign the documents.

Councilmember Azeltine confirmed Councilmember Sipple’s calculation of CID’s percentage of 28% of the total project cost. He pointed out the \$1 Million contingent portion of the application is about 7% to 7.5% of the application.

Councilmember Rawlings stated he had seen contractors reviewing plans in the Price Chopper. He asked what the Council needs to do to approve and let them proceed. Mr. Petersen stated Price Chopper is acutely aware of the importance of this Work Session. Mr. Coleman stated the Final Plan has not been approved, but the applicant could start interior work with permits. Mr. Ross stated documentation for Price Chopper permits is nearly final. Councilmember Azeltine agreed as long as there was no outstanding significant information to be provided in Item 8.

Mr. Petersen confirmed to Councilmember Filla the Johnson County Waste Water project is expected to be complete in about 30 days. Kansas City Power & Light would underground power lines when the center project begins in the Summer. Mr. Ross stated the General Contractor for the project will determine the order of façade work, probably done by section. Mr. Petersen stated more construction details would be known in April or May.

Councilmember Filla asked if any of the stores would need to close or be relocated, and if work would be done on Foo’s Fabulous Café or O’Neill’s Restaurant. Mr. Petersen stated no stores would need to close and the Foot Spa would be relocating because it is currently located in the area planned for the open courtyard. There is a list of interior “warm” improvements that would be part of the \$10 Million for tenant space in the total cost of improvements; these would not be reimbursable by the CID Sales Tax. Mr. Ross stated the batting cages in the former bowling alley would be closing, and the two-story building would be an empty shell.

Councilmember Osman acknowledged project dedication shown tonight compared to years past, and the work done by Johnson County Waste Water to correct the sewers in advance. He stated support of Mr. Lambers and starting the clock now rather than in a couple of months, so City Staff can identify improvements that are included in the CID and to be very clear when a cost is not to be reimbursed.

Councilmember Osman shared that during improvement projects at Corinth in Prairie Village and Camelot Court, there was significant disruption. Hen House sales suffered at Corinth with spot renovation; in contrast Hen House at Camelot Court decided at the last minute to close during construction. He offered there may be an advantage to close to quicken a massive renovation and hasten the start sales tax generation. In regard to Meat Mitch, restaurant peak season is right before the holidays, while the months of January and February are typically the least busy. Foo's and O'Neill's would provide some, but quite a bit less, of sales tax revenue. Mr. Petersen stated Cadence has quite of bit of project experience and Cosentino would need to make their own decision. He shared a personal experience that two weeks ago, when temperature was 17 degrees with snow cover, Char Bar restaurant in Westport was very busy despite the inclement weather. Meat Mitch may not suffer business-wise.

Councilmember Osman stated many Ward 1 residents live, shop and own businesses in Ward 1, including the owners of Meat Mitch and O'Neill's. Mayor Dunn attested that residents throughout Leawood and broad metro area visit Ward 1.

Councilmember Filla asked for instruction on how to proceed with the exception. Mr. Lambers stated if the Council consensus was to provide for the exception, documentation would be brought for formal adoption at the next Council meeting. Mayor Dunn reminded a comment was made that some interior work can move forward since that is not effected by the CID.

Mr. Petersen revisited the anticipated CID Sales Tax start date and stated the applicant wants the CID Sales Tax to start July 1 or October 1, after entire construction is complete in 2020. Ms. Bennett stated the City's Budget Manager, Kathy Byard, would review and determine the start date of the CID Sales Tax. She pointed out advance timing is needed to go before the Council.

Councilmember Cain asked if a start date in 2020 would negate the need for accelerated payments. Mr. Petersen stated there is bifurcation between when the CID is approved and when the ordinance says the CID Sales Tax would start. Mayor Dunn pointed out the CID must be in place before any pay-as-you-go reimbursements can be made.

Councilmember Sipple asked if customers would see differences in the sales tax rate of Ranch Mart in Overland Park and Ranch Mart North in Leawood. Mr. Lambers stated Ranch Mart in Overland Park has a CID. Mayor Dunn stated improvement to the south side of Ranch Mart in Overland Park made 10 years ago did not utilized a CID; a CID was used for the recent backside improvements only. Mr. Petersen stated that CID was for 1%, and estimated this brings the total sales tax charged in Ranch Mart in Overland Park to 10%. He would need to verify and could provide this information.

Mayor Dunn stated work at Ranch Mart North has been eagerly anticipated by both the Council and center tenants for a long time. The project is exciting, would greatly improve the corner, and the ownership group should receive the benefit of reinvestment.

Councilmember Azeltine reiterated that terms of CID reimbursement and establishment of the CID must be according to statute. Mayor Dunn stated there would not be actual reimbursement prior to CID start, just allowance that costs be countable.

Councilmember Cain stated the project is beautiful and magnificent. Mayor Dunn expressed desire for the landscaping shown in the video. Councilmember Rawlings suggested the passage of time and many discussions have given the project a whole new ambience and to be proud of.

Mayor Dunn thanked Mr. Victor Regnier for traveling from California to attend the meeting and for his architectural skills on the project. She expressed appreciation that the project would be complete in a single phase in one year, as previous discussions were about phased construction taking seven to nine years.

There being no further business, the meeting was adjourned at 7:12 P.M.

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Debra Harper, CMC, City Clerk

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Cindy Jacobus, Assistant City Clerk