

**Minutes**

The City Council of the City of Leawood, Kansas, met for a Special Call Meeting at City Hall, 4800 Town Center Drive, at 5:30 P.M., on Monday, May 19, 2014. Mayor Peggy Dunn presided.

**Councilmembers present:** Debra Filla, Lou Rasmussen, Carrie Rezac, Julie Cain, Tom Robinett and Andrew Osman; Jim Rawlings present via telephone.

**Councilmembers absent:** None

**Staff present:** Scott Lambers, City Administrator  
Franki Shearer, Asst. City Attorney  
Deputy Chief Troy Rettig, Police Dept.  
Richard Coleman, Comm. Dev. Director  
Mark Klein, Planning Official  
Deb Harper, City Clerk

Patty Bennett, City Attorney  
Capt. Kevin Cauley, Police Dept.  
Dave Williams, Fire Chief  
Joe Johnson, Public Works Director  
Dawn Long, Finance Director

**Others Present:**

Peter Hosch, Asst. Vice President, Store Development; HyVee, Inc.  
David Alpert, Leawood Plaza Partner  
Diane Botwin, Owner/Leawood Plaza

- 1. Review of planning process for HyVee Grocery Store and Leawood Plaza; and**
- 2. Continued discussion from May 6, 2013 Work Session regarding Community Development [CID] Application for HyVee Grocery Store located at 12200 State Line Road; and**
  - a. Discussion of ineligible reimbursement requests per the City's CID Policy**
  - b. Discussion of ineligible reimbursement request per the City's IRB Policy**
  - c. Discussion of eligible reimbursement requests per the City's CID Policy**
- 3. Continued discussion from May 6, 2013 Work Session regarding Community Development [CID] Application for Leawood Plaza located at 12200 State Line Road**

Mayor Dunn called the meeting to order at 5:30 P.M. Introductions were made by those present.

**Opening Remarks – Scott Lambers, City Administrator**

Mr. Lambers stated HyVee has indicated they may consider reopening the store. It's important for everyone to know what that planning process would be both for HyVee and also for Leawood Plaza.

Mr. Coleman advised Leawood Plaza and HyVee were built prior to the current LDO [Leawood Development Ordinance], which was passed in 2002. This makes the HyVee a legal, non-conforming structure. It is currently zoned SD-NCR [Neighborhood Retail], but to have a large, big box store under the LDO, it probably would need to be rezoned to SD-CR [General Retail]. If it should have a gas station or other outbuilding with a drive through, it would need an SUP [Special Use Permit]. It would also need a Preliminary Plan, which is part of the rezoning. These things could run concurrently together, but the process would probably take somewhere between 60 and 120 days to complete. The store will also need an SUP as a big box retail because it is over 60,000 square feet. That would require the property to be expanded by 5%. Leawood Plaza is currently zoned the same as Neighborhood Retail. The City would want the Leawood Plaza property rezoned as SD-CR so it would all be in conformance with the same zoning with no spot zoning.

Mr. Hosch expressed HyVee's appreciation for their application to be reviewed and considered from last year. After the City and HyVee were unable to come to terms on the current location, they have focused on relocating their facility to 135<sup>th</sup> and Roe. They currently have that property under contract and have done extensive engineering work and have submitted a plan prior to the moratorium on development. This new location on 135<sup>th</sup> and Roe will allow HyVee to bring a facility that is customary for newer developments. He is uncertain as to whether or not this is something that could be put together at this point in time; as under the existing structure, it would be difficult. He understands and respects the city's concerns with some of their proposal relative to IRB [Industrial Revenue Bond] and some of the reimbursement on interior finishes. It's a challenging property due to the multiple ownerships. It's challenging for HyVee due to the size of the facility, the layout of the facility and knowing that any redevelopment for their purposes and to drive the volume that is needed to make a store successful really needs additional parking versus what the intent of the city is to find more green space within a development. They are interested in discussing these issues, but short of an overall redevelopment, their focus has been and will continue to be 135<sup>th</sup> and Roe. Whether or not HyVee can actually bring that plan for consideration is still in question because the due diligence period actually expires prior to the end of the moratorium. He hopes this will be a collaborative process.

Ms. Botwin stated her family has owned Leawood Plaza for approximately 14 years. Her desire is to stay at Leawood Plaza and to engage in renovation and redevelopment. The CID [Community Improvement District] is a wonderful opportunity for collaboration between the City and developers, and she believes this center fits within the intent of what the CID Policy was adopted. Her desire is to work with the City and potentially HyVee to find a solution that would work for the neighborhood.

Mayor Dunn stated Mr. Hosch has answered the question regarding the discussion of the ineligible reimbursement request, in saying he respects the City's policy. She asked that the focus be on the possible eligible costs that could have a public-private partnership. It is her understanding there is approximately \$4 million in requests with \$3.5 million from HyVee and \$.5 million from Leawood Plaza. Mr. Hosch stated it would be \$4.5 million from HyVee. The overall proposal under the original submittal was \$16.5 million, which included \$4.5 on the CID. Ms. Botwin said, she has compiled more accurate cost figures for the renovation work and the cost increase. Her budget is between \$.5 and \$1 million.

Mr. Lambers asked for clarification on the mezzanine improvement. It is bundled with the roof razing and other exterior improvements. That interior improvement would not be eligible as well, but since it is combined, he estimated it to be approximately \$200,000-\$300,000. Mr. Hosch believed it would be substantially more, approximately in the \$500,000 range. That is from the base of construction to a second level of space that could be occupied. Under the proposal, the space would be used for offices and some dining area, similar to what they've done with other locations.

Mayor Dunn stated that line item was about \$1.4 million. It could be close to \$1 million that would be exterior. Mr. Lambers added, with regard to the exterior improvements, the City hasn't discussed this part. As the Council has discussed at the previous Work Session with MD Management for Camelot Court, they have determined to what extent of public reimbursement would be considered for exterior improvements. While each application is independent and stands on its own merit and its own issues, obviously, there is always some crossover and similarity as well. As Mr. Lambers stated in his memo, clearly, there is a contrast between this shopping center and Camelot Court, given its current condition and its status of economic activity, a percentage the Council may consider assigning to Camelot Court would more than likely be less than what would be agreed upon for this shopping center. An additional consideration is that this request is for two CIDs within the Leawood Plaza Shopping District, and the Council never conversed as to whether that was acceptable or not. Ms. Botwin is requesting a one cent sales tax for the balance of Leawood Plaza, consistent with Camelot Court. HyVee, on the other hand, is asking for half cent, however, stating they want to retain all the financial proceeds to go to their improvements rather than being used for the entire shopping center. Again, in Camelot Court with Hen House, whatever is collected in sales tax is going toward the entire shopping center improvements.

Mayor Dunn asked Mr. Hosch to address HyVee's corporate policy of the prohibition of exceeding the half-cent and retainage of the sales tax revenue. Mr. Hosch replied when HyVee has been involved in the CIDs, they recognize it's an additional tax that's associated with sales and is borne by the consumers who choose to shop with them. The higher the percentage, the more concerned consumers are going to be about choosing to shop with them, so they have internally chosen not go above the half cent mark. There are certain instances where HyVee is involved in developments, that a CID was not initiated. They were part of a property that was a larger redevelopment where they had no choice on percentage limitations. Those types of developments are not advantageous for HyVee. That's why, when a development or improvement is initiated by HyVee, they hold it at the half cent mark.

In regards to the question regarding the revenue generated from the sales going to the improvements; their goal is to shut these down as soon as possible. Obviously, they're allowed a 22-year life. As soon as the reimbursement is made, that portion of the CID is disassembled that's associated with HyVee, and the tax rate goes back to what it was before. This is something they have done at other locations where they are a part of larger shopping centers, and the recipient of the revenue that they generate. The remainder of the shopping center does the same. If HyVee makes such an investment, the investment is at risk if they are not allowed to achieve those sales goals.

Looking at the line items, they had a large mezzanine redevelopment of about 5,000 square feet above. The estimate is probably more in the \$750,000 range. The number they requested wasn't arbitrary; it was a figure they felt was appropriate and necessary and still at risk of being achievable over the 22-year life based on projections of what could be obtained at this facility. He reiterated they currently have a project on the books at 135<sup>th</sup> and Roe with no incentives being requested. It is a market-driven project that's got more opportunity and allows HyVee to provide the facility that they are successful with, and it stands on its own merit. This was a situation where HyVee was requesting what they felt necessary to remain within this center and this development. It is clear the City's policy didn't allow it. They suggested a different alternative, which also may not be something that is customary within the City of Leawood. Even though their focus has been on 135<sup>th</sup> and Roe, they will be happy to continue the discussion here.

Mr. Hosch confirmed with Mr. Lambers their return on investment would be in the 19-20-year range, based upon the \$4.5 million when everything was going to CID.

Mayor Dunn stated the area residents that are present this evening are not generally interested in focusing on 135<sup>th</sup> and Roe. They certainly may shop there if it opens; however, they are mainly interested in the State Line location.

Mr. Hosch confirmed with Councilmember Filla that HyVee would not be interested in remodeling their store on State Line and also opening another store at 135<sup>th</sup> & Roe Avenue. HyVee's interest is at 135<sup>th</sup> and Roe.

Councilmember Filla stated it was her understanding HyVee was working on a creative way to do this as a unit with both the HyVee store and the remainder of Leawood Plaza. However, it appears HyVee has been looking at 135<sup>th</sup> Street and had no intention to leave the current store open.

Mr. Hosch replied HyVee's 'sharpening of the pencil' was to propose another way to bridge the gap. To engage in one CID at one cent is really not something they are able to do. HyVee doesn't carry debt on its property. Ms. Botwin does carry debt on the property. HyVee doesn't commingle their revenue generated by these because, again, their focus is to eliminate the tax on the customer as soon as possible based upon sales. Some of the things that the City would like to have taken place were not things HyVee was able to achieve for multiple reasons, one of which being the debt associated with the property as well.

Councilmember Rezac asked if Mr. Hosch realizes how concerned the surrounding residents are about that HyVee staying open. She sees HyVee as being the decision-maker in the decision to keep it open.

Mr. Hosch confirmed that HyVee has heard the concerns, and appreciate the residents and the customers coming out. It's a very tough decision. An alternative may not be out of the realm of possibility, however, under the original submittal, HyVee doesn't see that as being able to bridge the gap between the City and HyVee, given some of those things that HyVee is not able to do: the one cent and comingling the CID. The center is in a condition that is not representative of what they want to bring to the consumer. There is risk associated with investing that much money when the adjacent property owner on both the north and south sides has unknown intentions. With all those unknowns and some of the limitations, knowing that the proposed Site Plan is definitely not ideal, they have to move through the city approval process creating more parking to be successful based on necessary volumes and employment level. There are challenges under the original proposal that, over the course of time, they start to recognize as maybe insurmountable. Again, HyVee wants to be involved in these conversations, but everybody is uncomfortable with HyVee's proposal. They have some concerns on what takes place overall. These are challenges that are difficult to overcome.

Councilmember Rezac recalled three important issues during the last discussion: half cent versus one cent, the CID policy on interior improvement costs and one CID application versus two. Understanding HyVee's corporate policy about the half cent and that Botwin desires the one cent, if HyVee can't change that part of their policy, she feels they could discuss it as something to allow as an application. Also, using IRB money was never discussed.

Mayor Dunn said when HyVee stated they would be pleased to discuss this issue again, however, the store would still close on June 1<sup>st</sup>. Since the store would have to be closed for remodel, perhaps this closure could be temporary for a remodel. If the City would recognize HyVee's half-cent policy, perhaps the whole cent for the rest of the development could be considered.

Mr. Hosch replied that the original proposal required a closure because it was such an evasive remodel. Another \$750,000 more was just identified that is not able to be addressed through the City's policy. From a legal perspective, you can create multiple CIDs. Ms. Botwin's property surrounds the HyVee parcel but is still one parcel, so he believes that would be achievable. It's a district that acts like its own taxing entity, but that can be administered. If Ms. Botwin chose to increase or decrease that percentage over time, she would have the flexibility to do that. Conceptually, that opportunity is there; it's just bridging the gap on a plan that, once the finer details are reviewed, nobody is going to be extremely comfortable with. City staff viewed their proposal, and there were many issues; diminishing some green space and adding more parking, and there are some challenges there, short of adding an additional \$750,000 or more to the gap that was already there. The original proposal was for closure. Perhaps there is an opportunity long term for a larger redevelopment here that HyVee would entertain. There are other opportunities out there that HyVee would pursue as well because of the challenges.

Councilmember Robinett stated he was not a Councilmember when this occurred last year and has a different perspective on this issue. He feels there is potential to figure out a creative way to get this done in a way that is beneficial to the City, to HyVee and to the balance of Leawood Plaza. The City's current IRB policy is 32 years old and probably should be looked at. He is concerned that most of the comments other than HyVee respecting the City's policy, the City is ready to look at exemptions and maybe modify the policies; however, he isn't hearing the reciprocal. He would like to see Botwin Realty and HyVee work together. Perhaps there could be a CID for a half-cent and a one-cent, with an IRB. For a month now, it has been characterized that the City of Leawood has forced HyVee out. Now, it is being discovered that perhaps HyVee didn't really want to remain at the current location, and their intention was to move to 135<sup>th</sup> Street. He would like to see some give and take on both sides where something can be worked out financially. Perhaps using an IRB is a creative way to finance the \$1 million shortfall.

Councilmember Cain stated she agrees with Councilmember Robinett's comments. She doesn't want to see the HyVee store leave the State Line location. She has viewed the new corporate model; it has a lot of wonderful amenities. She feels it is in the City's and the residents' best interests to get creative and find a way to keep the store on State Line. The idea of a megastore on 135<sup>th</sup> and Roe that would match the latest two stores in the area is not as appealing as an updated store at 122<sup>nd</sup> and State Line.

Councilmember Filla asked HyVee's plan for the State Line property if the store moved to 135<sup>th</sup> & Roe. Mr. Hosch replied it is not Hy-Vee's goal typically to close and not reopen but rather to repurpose that building. Sometimes that is possibly leasing a property to a retailer; other times, it's selling the property. Ms. Botwin has talked about redevelopment or sale of her portion of the property. HyVee has been contacted by those people. A redevelopment of the entire center is an option the property owner would pursue if HyVee is no longer there.

Ms. Botwin stated she has offered to purchase the HyVee portion and she has offered to sell her property to the HyVee. She also wants to find a creative solution to this situation. Perhaps a blended CID level could be reached.

Mr. Hosch stated the plan is to close June 1<sup>st</sup>. HyVee also has to address the current pharmacy customers. There will be a temporary space within the current facility and they are looking at leasing space within the shopping center longer term to still maintain a presence for the pharmacy customers at that location. HyVee is open to solutions. Their proposal to relocate to 135<sup>th</sup> & Roe is something they believe they can be successful with. There are no incentives to bridge any gap. At this location, there are challenges from a financial perspective based on the historic volumes and perceived future volumes after a remodel. This is from experience. The bulk of their budget is spent on remodeling facilities, so they know what sales will do long term when different amenities are added. They are also aware of what happens from a parking perspective when new employees are added. If the proposal last year would have been approved, the store was scheduled for a January closure. The store would have been reopening.

Since they were unable to find a scenario that worked with everybody here, they began to look elsewhere. HyVee feels certain they would have been successful. With the restaurant model added and the employment load that it creates and other departments with amenities, it created parking challenges. HyVee would have had to obtain Special Use Permits based on the size of the facility. The base at these facilities is very large. There is not enough parking to support it and still create enough volume to pay this off and become successful at this location. It's a math problem. The peak customer period is 4:00-6:00 PM Monday through Friday and then Saturday and Sunday from 9:00 to 5:00. A certain number of people have to be moved through the door at certain volumes of transactions to achieve a sales number. If the parking stalls are not there, both because the parking field is too small and additional employees working in service departments, it creates challenges. Some of this is an evolution of HyVee's concept that the amenities that are added further heighten concerns on a parking field here. At 95<sup>th</sup> and Antioch, they have not been the best neighbor because they are parked at 5 per 1,000, and the office park adjacent complains that customers can't find a spot in the parking lot, so they're parking in their development. They are trying to address these parking issues and have worked to try to evolve the footprint and work within the ordinances. The constraints of this property don't allow for that. That's why the viability of the proposal that's on the board is being questioned, because of that footprint and the amenities. HyVee needs to ensure they're not investing \$16.5 million into a site that they can't create enough volume to both pay off the CID and also be successful long term. It's an evolution of the concept and not just finding a different location. It's a challenging location and a challenging scenario.

Mayor Dunn stated approximately one-third of the people that have contacted her are Missouri residents.

Mr. Lambers asked if HyVee has an example of redeveloping an entire shopping center around a grocery store. Clearly, given the age of the shopping center, it has been indicated it may be razed. The buildings are old. The CID is a vehicle by which the razing costs would be paid for by the CID, so they essentially would be starting off with a green field with the cost of demolition being paid for by the taxpayer subsidy. Given the size of the tract of land and what is trying to be accomplished elsewhere, there would be an opportunity to do so and work with the City to accomplish that.

Mr. Hosch answered that involves more than two property owners. There is a third owner at that location as well. HyVee is not a development group, so they understand what the volume could be to pay down certain CID reimbursable expenses, but there's got to be additional retail to add to that as well. HyVee has been involved in other shopping centers that have been redeveloped. The store at 95<sup>th</sup> and Antioch is an example where HyVee is the grocery store portion of it; the outlots are separate ownership with TIF financing. He is uncertain if TIF financing is available for this issue, as he is unaware of the underlying financing of the remainder of the shopping center.

Mr. Lambers stated Core First Bank is leasing the property. The property owners contacted him and advised they would be willing to be a participant either by staying involved or selling the property if there was a major redevelopment opportunity.

Mr. Hosch confirmed with Councilmember Cain that the new location at 151<sup>st</sup> and Blackbob was a situation with a property that had gone through some financial trouble, so HyVee purchased a larger tract at a rate that was close to what they would have purchased their own personal tract; then they sell off those parcels. They are not developing them.

Councilmember Rezac asked about HyVee's new concepts that have been implemented and if HyVee would consider concepts for smaller-scale stores, similar to Walmart and the Walmart Neighborhood Center; and if HyVee would feel compelled to put all of those amenities into their stores, or stick to some of the essentials and fit into that size of facility.

Mr. Hosch stated that would be a question for their Operations Team regarding the smaller store. HyVee's focus is really on their service departments, which are all those added amenities to a standard grocery store. When those are moved, you take away what is a point of difference of their company. That was their intent here: to fit it into a smaller facility, something smaller than what they are building for new locations. That's something that can take place. Pleasantly enough, these concepts and new amenities are very successful. They're also very heavily employee-focused. HyVee recognized the challenges from a parking perspective before any of these concepts were in place, and then after they were implemented over the course of a year's discussion, they've exceeded their expectations and what HyVee believes to be the employee counts associated with those. Going to a smaller facility with limited departments is something they would not entertain. Regarding how much space they would need, their piece is about 5 acres. Even if they did a smaller facility in the 65,000-ft. range, that would be considered small to HyVee. To achieve the appropriate parking, they would still need the bulk of the property. The current 95<sup>th</sup> & Antioch store is a similar site parcel; with 15,000 sq. feet of retail, including a bank and two smaller retail buildings. On a smaller store, they would not need the entirety of it; it would not be like 135<sup>th</sup> and Roe where they are looking at a larger parcel because they would need additional retail to make the finances work.

Mr. Hosch confirmed with Councilmember Filla their proposal at 135<sup>th</sup> & Roe is a 90,000 sq. ft. store. They would be taking down 15 acres that has a convenience store associated with it.

Mr. Lambers inquired if the gas stations would be a required component. Mr. Hosch stated they were 100% committed to this project, and were moving forward. Over the course of time, they recognized some of the challenges or further recognized some of the challenges with the location. The Fuel Saver program is something that developed and evolved subsequent to their proposal. This has been a very successful program. A high percentage of transactions are associated with this program. It has made the convenience store piece of their developments much more important. The question of having a gas station on State Line Road on the Kansas Side poses its own challenge due to the tax difference. He thinks it probably would be required; however, they would have to take a really hard look at it due to the tax difference on fuel. It almost eliminates the benefit, which is difficult.

Mayor Dunn stated they currently have a gas station at their store in Prairie Village and asked if the need for 69 more parking spaces they stated they needed last year was still accurate. Mr. Hosch stated that store faces challenges due to the taxing issue. The 69 stalls were reflected in the proposal. As these amenities are rolled out, it continues to offer them challenges. They were concerned that 69 parking spaces would be insufficient. The City Planning staff had concerns on the parking layout. They were uncomfortable with the 69 spaces before they knew the employment base necessary for these amenities and the traffic. These challenges have increased from the proposal a year ago. That is why the conversation is probably more about if they would entertain an overall redevelopment. They could review it, however, this proposal with this layout is not one HyVee thinks would be successful due to challenges they have created themselves with some success and knowing that the City's policy from a layout perspective would be contrary to that as well.

Mayor Dunn stated there seems to be a glimmer of hope with Ms. Botwin's offer and asked if this would be possible. Mr. Hosch stated it's not out of the realm of possibility, however, he didn't think it was something HyVee wanted to endeavor. They would not be looking to buy additional property. If she has a development group that has interest in redevelopment of the entire property, they would be happy to entertain that. If she or a group had a proposal, HyVee would entertain it, if it makes sense. It appears that their other proposal is not going to be very well received. HyVee will try to continue to pursue that as well and just play those cards out as they fall.

Mr. Lambers said there is possibly an opportunity in providing assistance, as he understands HyVee would not want to invest money into a concept, nor would Ms. Botwin. He feels the City could at least try to come up with a concept that could be a starting point so someone could see what could be achieved here. The only viable solution would be redevelopment. For the City to become a partner in just creating a concept could work, provided both parties want to participate.

Mr. Hosch stated they would be willing to review anything, whether it's a site planning with staff or overall redeveloping. Again, unfortunately, the store is closing June 1<sup>st</sup>. Currently, HyVee has an application on file at 135<sup>th</sup> and Roe. HyVee would need to pursue that if they have the ability to extend their due diligence period. If there are proposals made in the existing location, they will entertain those.

Mayor Dunn asked if Mr. Hosch could speak to the pharmacy remaining open. Mr. Hosch stated there will be no lapse in service for the pharmacy. HyVee Construction will be in the facility putting up a temporary wall for a period of time until hopefully negotiations on a lease are complete for the former Blockbuster space. The temporary pharmacy in the store would probably operate through September 1<sup>st</sup>, knowing permitting needs to happen to redo the space in the Blockbuster. Since they are negotiating the terms, there could be a lengthy period of time they would operate in that location. It will be seamless. It will be a construction zone for a very brief period while a temporary wall is in place.

Councilmember Osman stated no one wants to lose HyVee. He has frequented this store for a number of years. He has seen a similar issue in the area of 86<sup>th</sup> & Mission Road between the developer, residents and the Shawnee Mission School District. This is a prime example of an area that needs to get redeveloped, whether HyVee stays or leaves. The City has a fiduciary responsibility to citizens, to property owners and to the City to determine what is best for the community, both short term and long term. It is very important to establish policies, show no favoritism and determine what is important. The City needs to review its policy so the next developer that comes into play at any property has terms and conditions. If Ms. Botwin settles, she's not going to know what sort of CID policy is in place. She may get more or less than Camelot Court or Ranchmart. The next person will use that as a precedent, and the City will be back to square one. These properties could sit vacant because developers might not want to come in without knowing what staff will say and what the City will approve. The City's current IRB policy is 32 years old. The City could be revising its current CID policy.

In the next couple weeks, when other areas are reviewed and considered, the City needs to be cognizant of what has occurred, and how the City will work forward to building a better Leawood.

Councilmember Azeltine stated in regard to Mr. Hosch's comments about it being on the budget but not sure if it will work this year, if it would work a year ago, it will work now. Since he's sat on the Council, this issue seems to have engendered more confusion and others. There's been discussion about IRBs, CIDs, LDO. CIDs are done on a "pay as you go" basis, meaning the City will not borrow money as part of the CID. Upgrades made with CID money generally make properties compliant with our current development ordinance. Unless you shop at the shopping center or the store that is getting the CID, it costs you absolutely nothing. It has no impact on the financial standing of the City, its budget or AAA credit rating. The money collected by CID sales tax goes to the Kansas Department of Revenue and then comes back to Leawood. From there, the money is distributed to the developer to pay for qualified and certified expenses associated with the upgrade or remodel. If the City doesn't reach a consensus about this CID, the City loses approximately \$300,000 a year in sales tax revenue. If the City passes it, in a set of remodels, it would gain an additional \$60,000 a year in additional incremental sales tax revenues. The HyVee CID in question costs the City absolutely nothing and does not impact the City's taxing capacity. Just two years ago, the state gave a subsidy to AMC to relocate their headquarters to Leawood. Leawood recently lost one of its biggest employers (CBIZ) to KCMO due to another giveaway. Overland Park's Prairie Fire has many millions in subsidies being doled out to ensure its success. He feels the City has two choices as a Governing Body. One is to raise the expense reimbursement level to the City Administrator's suggestion of 80-85% to 100%, including reimbursement of internal improvements, which is against the Policy, however, there are parts of the Policy that supersede that. The other choice is to keep that at 80-85% reimbursement and to issue an IRB, which is a bond where money is borrowed to pay for expenses, and a sales tax exemption is given by the state, county and city. HyVee's second proposal would have done just that and made up that \$1 million gap on their internal improvements. He is willing to do either one of those things. The City adopted the CID Policy over 18 months ago and still hasn't approved a CID application. He feels the policy needs to be simple, concise and clear so the developer knows what to expect.

Councilmember Filla likes Mr. Lambers' suggestion, which is to see what Ms. Botwin's needs are for existing tenants and HyVee's needs are to do the store that is desired. If the area had to be razed to the extent that both of the business enterprises could move forward, the City has staff that would work on that. Once the plan is finalized, hopefully there would be a developer available. The City can find that partnership and that leverage to determine the next step of equitably supporting the business development to the extent of supporting others.

Councilmember Rezac wanted to clarify that since the CID policy was adopted, the City has only had one discussion with HyVee. At that work session the Council asked HyVee to return with a different proposal. Recently, the City received a CID application for Camelot Court. The City approved the CID Policy, and is ready to implement it, and currently having discussions on how best to use it.

Councilmember Cain stated the Council thoughtfully crafted the CID Policy. In the discussion with HyVee last year, the only area that the Council was not in favor of was the \$1 million for the interior improvements, which is not included in the CID policy. Information that has been stated and printed in the media on this issue has been incorrect.

Councilmember Osman stated what remains the same is that the demographics in that area are great, pulling from both sides of State Line with a core, loyal group of people. The business model of grocery stores has changed. What was profitable 20 years ago is not the same because distributors are cutting back, requiring the amenities. The center at 83<sup>rd</sup> and Mission Road is an older center. Hen House added extra services and increased the footprint. They created a CID mechanism that changed the overall aesthetics. Now, people walk to the center. They changed the model of the residents where people are now reinvesting down the street and coming back to buy homes. New restaurants are in the area. An increase of approximately 30% in sales has occurred in that area since the remodel.

Mayor Dunn stated it was her hope this evening to discuss eligible costs and possibly obtain a consensus from the Council. The City Administrator's idea of conducting a discussion between HyVee, Ms. Botwin and the third owner sounds like a better possibility, given more review of the site constraints. Mr. Hosch stated it is a plausible thought. HyVee is willing to entertain different options. He believes an overall redevelopment is the only way HyVee would entertain staying at this location. He is uncertain if the economics are achievable. They will be happy to review that, while trying to pursue the other opportunity that is on the books. There are a number of issues from an economic perspective as well that are probably not appropriate for a setting such as this, however, HyVee is interested in having those discussions.

Mayor Dunn asked when HyVee reviews all of this information, to keep the residents' in mind. There are many, many more that have signed the 'Save HyVee' petition, and that have called and emailed her. The customer base is beyond loyal, and they really love the location on State Line. It's important to them, and to the city. She extended her appreciation for HyVee to work at this.

Mr. Lambers stated Mr. Hosch has been very honest and straightforward that their focus is on 135<sup>th</sup> Street, but he has also been straightforward in recognizing that their application is problematic out there because of the fact that the Council is moving forward to a Mixed-Use concept and does not include the concept of large, big box retail. However, they are going through the planning process. This is a concurrent process where the City staff works with HyVee and Ms. Botwin. They can move forward with their plans. It's reasonable to expect there will not be two HyVeEs. The time frame for both of these processes to be completed is 3-4 months.

Mr. Hosch stated obviously, the development moratorium on 135<sup>th</sup> Street expires in 60 days. He is uncertain if they will be able to extend their purchase agreement. The other property owner is now in an awkward position here as well. The bank has a very large vested interest there with quite a bit of debt associated with the roadway improvements they're paying on an annual basis. They were quite interested in a development that would take that burden off the bank long term.

Councilmember Rawlings stated it has been hard to follow the conversation, as it was cutting in and out on the phone.

Mayor Dunn expressed her appreciation to all the residents and HyVee customers who came to the meeting.

There being no further business, the meeting was adjourned at 7:10 P.M.

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Deb Harper, CMC, City Clerk