

2-4-15
Economic Development Land Work Group
Wednesday
10:00 a.m.

Attendees: Skip Alexander, Dennis Anderson, Price Bell, Will Berkley, Buddy Cowgill, Jim Duncan, Melody Flowers, Gina Greathouse, Christy Harris, Wesley Holbrook, Jonathan Hollinger, Chris King, Travis Lane, Derek Paulsen, Kimberly Rossetti, Bill Sallee, Kevin Stinnett, Traci Wade, Chris Westover, Pam Whitaker, Bob Quick, Karen Mundy and Ken Danter

Commissioner Derek Paulsen called the meeting to order at 9:10 a.m.

Buddy Cowgill introduced Ken Danter who gave a presentation entitled *New Paradigms New Strategies*. A copy is attached.

Chris King asked, with the undeniable demographics, why the development lending market is so adverse to mixed-use. Dennis Anderson said they were adverse to all vertical mixed-use because of the failures and vacancies. It is like a golf course. A developer loses money on a golf course or clubhouse but sells his residential for more. The gentleman in Boulder, Co. had all the subsidies and the City gave him a million dollars for upgrades and he built an office building. He had mixed-use beside the river. He had a restaurant which was nice and essentially had to lower the rent to attract them in there to be able to increase his rents to the residents. To provide the lifestyle they have to subsidize or give a better deal to the people providing the retail or food or entertainment in order to get the higher rents. Kevin Stinnett said it was the same with Rupp Arena. Mr. King asked, if you have x amount of space in a strip shopping center and x amount of space in a mixed-use building, why aren't the rents comparable? Mr. Anderson said if they could make money doing it they would. At Townley we have lots of restaurants and they are all making money. We are horizontally integrated. We do get pushback because we have that town center with diagonal parking so the parking is in the rear. We lost Fazzoli's over that. We have this building here with these Mom and Pop things and they have struggled. We are signing a deal in the next few days with Panera. They know how to run their business. Price Bell said there was a better design at the Townley than at the Lex.

Dr. Paulsen said we were talking about a zone class and the zone we have right now and whether or not it needs to be tweaked. It sounds like you are arguing that the way to attract jobs to a city is to have mixed-use at a particular location and not so much about the city but about the development. Mr. Anderson said that people live first and work second. Mr. Bell asked if we had lost anything because we did not have mixed-use shovel ready land. Gina Greathouse said she could not say mixed-use shovel ready but we lose projects all the time because we don't have shovel ready; whether it is for office or industrial or distribution.

Buddy Cowgill asked Mr. Danter if I-75 was a positive or a negative for his location. Mr. Danter said it was an absolute positive with the amount of traffic there. Ms. Greathouse said it was a huge sales pitch. Mr. Danter said the noise was not a significant issue. Mr. Anderson said Lexington was more horizontal mixed-use. That is what has been successful. We have not had the vertical mixed-use. Can we change that trend, how do we change it, and do we even want to change it? For a horizontal mixed-use verses a vertical mixed-use, should the proportions differ? Mr. Danter said he did not see this as being vertical. Three or four floors is as high as you are going to go. We already have three story all over town. It is difficult to look at any market and say this is going to work when it doesn't already exist in the market. But we would never advance anything if we did not go to the next step. What we have seen is a share of people who will gravitate to this type of product. People today are renters by choice. The thing that triggers buying a house is the start of a family. They are making a

lot more money than we ever did and they are moving up to that next level of opportunity. Mr. Anderson asked Mr. Danter if he had looked at our rental market and where we were piling up. Mr. Berkley said in the last 2 or 3 years high end apartments had done very well - \$1500 a month for 1000 square feet.

Dr. Paulsen reminded everyone, as we start talking about land used, that the purpose of this group is to talk about the zone in the ED land. In 20 years it hasn't done as well as we would like so the idea was to look at it and see what types of things in that land use we might need to tweak. We are also going to talk about other things that may be an impediment such as exactions and how those can be fixed. We have had a lot of good presentation and discussion to this point. Now we need to start moving toward the types of land uses that we might need to talk about: things not included right now or things that are included that we need to make additions to. It is a zone discussion. We are not talking about individual properties but a class of a zone throughout the entire community. The second thing to remember is that the main focus of this zone classification is jobs. In terms of acreage this is our number one amount of land that we have for jobs. When we frame that discussion, how do we make sure the intent is still jobs, how do we bring in those jobs, and how do we attract them. How do the changes in land and other things be focused so we can still attract them. That brings us to part 3 which is why that matters. The key thing to remember about Lexington is that payroll taxes are what pay (about 66%) and what drives our City and provides our services.

Jonathan Hollinger showed several slides (copy of handout is attached). The first was the General Fund which includes everything the City does in terms of services aside from our urban services (trash collection, street lights, sewers) 55% of that is employee withholdings. A small 6% is from property tax. Urban Services Fund is predominately funded by property tax. Kevin Stinnett explained that the property tax was really 6.5 million of the 7 in general fund. The library gets the difference. Mr. Hollinger said at some point there was a lawsuit requiring \$.05 of that to go to the public library. It's really only \$.03 into the City's general fund. Ms. Greathouse asked about the employee (55%) withholdings. She said she thought that number was so much higher. Mr. Stinnett said it was 84% because we lump in employee business tax, franchise fees and premium tax. Mr. Hollinger also showed slides of the payroll taxes and property taxes.

Chris Westover asked if the urban county government had a breakdown by job category. Dr. Paulsen said we did not. Mr. Stinnett said we do have data from the bureau of labor statistics that breaks it down by category and what percent is in the different industries. The hardest part is knowing how many of them are minimum wage. It gives you the median salaries but not the minimum. He said he could send out that link. Mr. Hollinger said that because our rate was flat, the industries that generate the most are our highest employing industries. UK is our biggest employer and is generating most of our revenue. Mr. Stinnett said that 6 of the top 10 are government. Ms. Westover said in terms of job creation, moving forward in terms of expanding, more jobs like that would create more income. Ms. Greathouse said she did not think you could correlate that. It means there are more jobs in that sector but they are not all going to be the highest paying. Lexmark, on the other hand, is one of the top 10 payroll producers and their average wage is going to be way above \$100. Dr. Paulsen said when we talk about jobs and good paying jobs, why it is important from a city's perspective. The higher paying the job, the more we can pay for those services that come with them.

Dr. Paulsen said he had received from some people their comments about the ED land. What are some of the things that are missing or things we can tweak? All ideas are welcome. We will take all ideas and bring them back for next time for a more detailed discussion. We will try to get everyone's ideas and put together in some sort of packet for everyone. Mr. Anderson said he was a big advocate of mixed-use. That is what I enjoy doing. If you put it together it turns out really good. If you just

have piles of stuff, it doesn't work as well. People drive from here to here. You ratchet it up. I would like to have the opportunity to do more things. I would like to see the P-2 uses that are not industrial and not trucking companies or warehousing. I would like to see us get the maximum yield out of our land. That is the way to prevent losing more land. I like density. You talked about 3 and 4 story buildings. We could probably go even further. I know they cost a lot more. There needs to be a residential component. I am very happy with it being attached dwellings. There are a few detached dwellings, townhomes, and garden style apartments. I don't think people mind the interstate. I think they like the convenience more than noise bothers them. They get used to it. People want to live close to where they work. Sosoki did a plan for this 1996. I pulled it out and looked at it and I thought it was a good plan. It was mixed-use. The reasons for mixed-use are insurmountable. I had a little study did on Townley. I need to have it updated and break out the yield. We have looked at the payroll taxes generated. We did Townley on the poor side of town. Many people said I would go broke. We struggled with it because of the demographics. It has given people on that side of town services they never had.

Mr. King said that horizontal mixed-use was a very slippery slope. I am a fan of Townley. I think it is a really neat development. But when you break it down, other than the fact that you did a unified design and some things in terms of design of the housing to make it the new urbanism style, it is still a segregated use. You have the apartments over here and the hotel there and the single family over there. The 60's iteration of that is Nicholasville Road between Zandale and New Circle. You have commercial and apartments and single family. We have to understand there is an element of all this that has to involve quality design above and beyond. I have heard a lot of developers argue that their project was mixed-use. Mr. Stinnett said an example of that slippery slope was Polo Club. We have a lot of friction over there with the neighborhood. It is the only Rite Aid in town that closes at 11:00 p.m. You have apartments next to \$200,000 and \$300,000 homes. Mr. Cowgill said those were not planned developments. You need the flexibility to put the hot things in but you also have to blend it all together and that gets into the design phase. The boys that do it right spend money on the designing of it. How that can work from the standpoint of our City working with me and Dennis – I don't know how that works. I agree with you Chris. It is design.

Mr. Anderson said that Chris (King) is not allowed to discriminate by saying he can do it but she can't. Mr. King said he had seen a lot of developments start but economic situations forced sales and we don't control that. I'm not arguing the ideas but just saying something is good because it is mixed-use – there has to be more than that. There is a mixture of uses in close proximity. We see that all the time.

Dr. Paulsen said what Dennis has is functional mixed-use. It doesn't have to be on top of each other. Chevy Chase is the same way. I can walk to those places. It is not a job center. It is a residential neighborhood and the residential things that support it. That is another important thing to remember here. What is the main focus? In Chevy Chase the main focus is residential and the services that are walkable and attractive to people like the schools, churches, grocery stores, and restaurants. If the main focus was jobs and not residential, what would that mixed-use look like. How would that function and what would that ratio be. Would it be as attractive? Would it work as well? When we talk about this, I'd like to see those developments that are jobs focused and mixed-use, and how they function as opposed to the residential ones. That main focus is a key in how we talk about this. Chevy Chase is very attractive. Townley works well but your main focus is residential. Where are those locations that main focus is non-residential mixed-use. How are those centers or developments working? How successful have they been?

Dr. Paulsen reminded the group that we were looking at this from a zone perspective and not about those locations. Even though we have the 3 property owners here, we have to look at this more about the zone. Once these properties are done we still have that zone. We may rezone something

some other place as ED. Those same rules will apply in those areas. As we move forward, ED is not going to go away. That is why we are here. To not make it go away, but to tweak it so it will work in the future. It is an important discussion, not what is right there, but how that zone works or does not work.

Mr. Anderson asked, if and when more land was added, would they still use the same perimeters and the same categories. Mr. King said that was a subset of the 64,000 dollar question. Mr. Anderson said they have had this land for 18 years and nothing has happened. Mr. King said there were a lot of complex reasons for that. Dr. Paulsen said that was why we were here. If we are talking about changing the focus of the zone, that is a zone change. What we are talking about here is not that. We are talking about what is with that existing zone and how we tweak that existing zone so we make it successful. I don't think all of it is land use based. That is why we are going to talk about the exactions and other issues. I don't think we are foolish enough to believe that if we get the land uses right, it's all going to work when we are talking about jobs. One of the other things we need to do, shovel ready and other things, how do we address those issues. If we are talking about changing the entire focus of the zone, that is not what we are here about. It is more about the things we need to adjust to make sure the ED is successful. If we are talking about changing its major focus, that becomes a zone change. Mr. King said that is a Comprehensive Plan amendment. If you focus to residential verses job creation which is out of the universal land that we have inside the urban service area, the community made a decision that this is to be jobs land and primarily job land from potentially higher income type jobs. That is part of what we are exploring. This is a great conversation. How in a modern world would residential integrate to that. If all of a sudden the focus shifts, what we are really doing here is not a text amendment it is a Comprehensive Plan amendment and a rezoning.

Dr. Paulsen said we would gather all the things and put them out there next time and have a more thorough discussion of how those things work. That is why I was asking Ken and others as well. One of the key parts of this is at what percentage of residential and mixed-use does that focus of the zone change from jobs related to something else. If it is 40% non-jobs, or 45% or 50% it is not jobs anymore. That is a very important part of this discussion. What other types of uses are supportive that make a jobs mixed-use kind of area work. In terms of what types of things you would want to see that do make that jobs core area attractive and more successful. I don't think anyone is going to disagree that ED has not been a big success. That is why we are here. To figure out how to tweak it, not just from a land use standpoint but from other aspects as well.

Skip Alexander said that one observation was that the two main parcels are isolated because of the interstate. Hamburg is a destination for a lot of folks. If we put our hospital or a portion of our hospital out there, why do I want to get my people in a car and drive around over at Hamburg? Infrastructure wise, there ought to be some kind of pedestrian/bike bridge across. Dr. Paulsen said Brighton East Trail goes underneath it. Mr. Alexander said it was just transportation: getting people from one point to another. There are a lot of resources in Hamburg and a lot of things I don't think Buddy and them are going to build. We are sure not going to build them. I would envision in 10 years a lot of our people are going to live out there. It's going to trickle down. Getting in between that interstate is a big issue. It is a big barrier but I think it can be overcome. I think we are missing a chance.

Dr. Paulsen said it was not all residential zoned. Mr. King said that would be a good thing for next meeting's agenda: the geography and challenges and opportunities. Dr. Paulsen said Hamburg would work against you as well. You are not going to get a grocery store there because you have one on the other side. Some of those retail and other services will look at it. We get this argument all the time. People ask why we haven't put a grocery store downtown. Kroger will tell you they feel they

are servicing that area quite well from the one off New Circle Road. That will be an impediment in terms of some of those types of mixed-used on that other side.

Mr. Cowgill said there is a difference between Dennis' location and our location, from the stand point of what's around it. Do you put the same types of businesses in our location that you would put in Dennis' location? I don't know if we want to talk about that or just make everything all one. The sites are dramatically different. Any new ED sites would probably be more different.

Ms. Greathouse said they were here to try and find some land. I don't care if it is ED land or I-1 or P-1. We need to try and address the needs of the clients we are trying to recruit. Until 3 or 4 years ago we didn't approach you all about the ED land because it was difficult to use but we also weren't out of industrial land. We approach Dennis and Buddy about ED projects but that is not what they want. We are forced to do that as a potential opportunity. Sometimes Coldstream doesn't want to lease the land. A new building has come on the market so we are in a little better situation for office projects but in the end we are still strapped for office spaces. If you will build a building, we will fill it up for you. Mr. King said we could go 90 feet under the current zoning. Ms. Greathouse said that was not very high for a signature office building. Mr. Cowgill asked why we had a limit. Mr. King said that was exactly the kind of things we are here to discuss. He explained why the limit was originally imposed. Mr. Anderson suggested we also explore density. Dr. Paulsen asked if it might be informative to have UK talk about Coldstream and some of their experiences. George Ward might be asked to talk to the group.

Dr. Paulsen said 20 years ago this was what we thought was the right thing to do. Things are very different. We see that with downtown. What people are looking for from a job standpoint has changed. How do we update that and make that work? That is the goal here. I don't want it to be just about the land use but that is an important part. There are other components of this as well. Mr. Cowgill asked about the timeframe for this committee to complete this project. Dr. Paulsen said he expected we would talk about this next time and then the exactions. He asked everyone to send him their comments and they will bring them to the next meeting for discussion.

The next meeting will be Thursday, February 26, at 9:00 a.m.

The meeting adjourned at 11:45 a.m.

The next meeting will be at 9:00 a.m. on February 26 in the Planning conference room.

The meeting adjourned at 11:45 a.m.

(All attachments available for review upon request)