



*Las Vegas*

Agenda Item No.: 55.

**AGENDA SUMMARY PAGE  
CITY COUNCIL MEETING OF: JULY 12, 2006**

DEPARTMENT: CITY MANAGER  
DIRECTOR: DOUGLAS A. SELBY

Consent  Discussion

SUBJECT:  
ADMINISTRATIVE:

Discussion and possible action regarding an Exclusive Negotiation Agreement between City Parkway V, Inc. and Heritage Nevada VIII, LLC, for the development of an industry-specific, office and retail complex on a portion of the Union Park property bounded by Grand Central Parkway, Bonneville Avenue and the Union Pacific Railroad Rail Line, APNs 139-34-110-002 and 139-34-110-003 (Not to exceed \$10,000 City Parkway V, Inc.) - Ward 5 (Weekly)

**Fiscal Impact**

No Impact

Augmentation Required

Budget Funds Available

Dept./Division: Business Development

Amount: Not to exceed \$10,000

Funding Source: City Parkway V, Inc.

**PURPOSE/BACKGROUND:**

Heritage-Nevada VIII, whose sole member is Robert Zarnegin, desires to negotiate with City Parkway V, Inc. and Newland Communities, LLC, for the development of an industry-specific, office and retail complex (Project Splendor) comprising approximately 500,000 square feet of office space, 100,000 square feet of retail space, and structured parking. The Agreement specifies the purchase price and general disposition terms. Final disposition terms will be negotiated during the term of this Agreement, which is 12 months plus one 6-month extension period.

**RECOMMENDATION:**

Approval.

**BACKUP DOCUMENTATION:**

1. Agenda Memo
2. Exclusive Negotiation Agreement

Motion made by OSCAR B. GOODMAN to Approve

Passed For: 7; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 0

LOIS TARKANIAN, LAWRENCE WEEKLY, LARRY BROWN, OSCAR B. GOODMAN, GARY REESE, STEVE WOLFSON, STEVEN D. ROSS; (Against-None); (Abstain-None); (Did Not Vote-None); (Excused-None)

Minutes:

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SCOTT ADAMS, Director, Office of Business Development, went over the information under the Purpose/Background section. He then showed a map of the 61-acre site and added that this agreement pertains to a 5.6 acre area referred to as Block E that was moved 150 feet to the south in order to provide a large site for this immense project, comprising a total investment of approximately \$500 million. A \$200,000 earnest deposit will be put up at the time the agreement is executed, requiring an additional payment of \$200,000, should the developer take advantage of the extension option. Due to the complexity of the project, more time than that permitted under the normal Exclusive Negotiation Agreement (ENA) period will be needed in order to put together the necessary commitments to make this project a reality.

Therefore, as part of the agreement, in order to enter into an extension of the development agreement, the City is requiring the developer to provide 25 percent, or 125,000 square feet, via letter-of-intent agreement. This comprises about half of what is normally needed to finance a project. Within the first twelve months, the developer would also have to submit a definitive, detailed site plan.

The agreement also includes a soft commitment that should negotiations with the Tamaris Group for Block Q not go forward, Heritage Nevada would have the ability to negotiate with the City for future development of that block. Provisions are also included regarding the City's good-faith effort to extend the Nevada Development Authority's foreign trade zone into the project, as well as to assist the developer in marketing the project worldwide.

Through this agreement, staff is proposing that the actual sale price of the property be locked in at \$40 a square foot, with a cap of \$12 a square foot for the City to remediate the property. The sale price is less than the average of \$47 a square foot from three appraisals that were obtained; however, it represents an exorbitant price for major office-development property, because office development projects can only absorb a certain amount of land costs in order for them to be feasible; therefore, staff pushed the envelope on this project in terms of obtaining the maximum value. Hence, at the time the final disposition and development agreement is presented, staff will also present an AB-312 resolution that will resolve the sale price being less than fair market value and make that public disclosure, as required by State law. Lastly, MR. SCOTT noted that staff recommends approval.

ROBERT ZARNEGIN, CEO of Property International Corporation, indicated that his company specializes in acquiring and developing properties throughout the United States, primarily in California. He listed some of the company's projects throughout the United States, including the Peninsula of Beverly Hills, a five-star diamond hotel that is world renowned. Property International Corporation entered the Southern Nevada market with a couple of mixed-use and retail projects located in the Southwest part of Las Vegas and is very proud and excited about expanding into the Las Vegas market through this ENA that will bring a project that will be an icon for not only downtown Las Vegas, but also for the world. The ENA will provide the opportunity to continue to explore the feasibility of a world jewelry center at Union Park. The global economy is rapidly changing the jewelry industry. There will be a perfect marriage between the City of Las Vegas Las Vegas, with its own convention and tourism market, its favorable tax structure and its status as a global destination, and the jewelry industry given its

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need for a central hub from which to operate. The jewelry center, along office and retail components, will add the diversification of Las Vegas and serve as an anchor in Union Park. The industry professionals hired to develop this concept will be working closely with Newland Communities and the City of Las Vegas to further refine the project.

MR. ZARNEGIN thanked the Council for its consideration and firmly committed to continue its relationship with the City, based on mutual trust, integrity and commitment to success.

MAYOR GOODMAN commented that this is a very important day for Las Vegas and wished MR. ZARNEGIN success on this project and is consistent with the vision of the City Council to have a city within a city in the downtown area. The City has been criticized about not developing this parcel quickly, but the development for this parcel has to be won throughout, because it involves the future of Southern Nevada and the many forthcoming projects in and around the 61 acres. Lastly, he noted that the City acquired this property about five years ago for approximately \$500,000 an acre, and MR. ZARNEGIN is purchasing it for \$1.7 million an acre. But sometimes money is not the most important object, as far as the City is concerned, because it has to attempt to make the City a better place.

At the request of COUNCILMAN WEEKLY, MR. ADAMS commented on how the City arrived at the price of \$40 an acre. The 61 acre property has been appraised four times over the last couple of years and those appraisals were at \$16, \$28, \$33, and \$85 a square foot, with the average of those being \$43. And the total purchase price a square foot has been the most significant aspect of the negotiations process with MR. ZARNEGIN. But, with land prices rapidly accelerating, it has been difficult for any developer to pencil an office project in the downtown area. Only high-rise-condominium projects can absorb high land values. Thus, staff had to negotiate a maximum sale price for this property, yet respect the ability of the project to absorb the land cost, and so the price of \$40 a square foot was mutually arrived at. Also, staff believes that, because of the deed covenant on the 61 acres, the Union Pacific Railroad has continuing responsibility for some level of remediation; therefore, the City should be reimbursed the majority of the \$12 cap a square foot.

COUNCILMAN WEEKLY expressed his appreciation to MR. ZARNEGIN and to MS. MURPHY for the presentation he received. As a matter of information, he noted that the City has to be very creative during negotiations in order to help projects succeed. MR. ADAMS added that this is as much an economic development project as it is a redevelopment project, because its success will bring new businesses into the City of Las Vegas.