Agenda Item No.: **51.**

AGENDA SUMMARY PAGE
CITY COUNCIL MEETING OF: MAY 21, 2008

DEPARTMENT: CITY MANAGER
DIRECTOR: DOUGLAS A. SELBY

☐**Consent** ☒ **Discussion**

SUBJECT:
ADMINISTRATIVE:

Discussion and possible action regarding a Master Development Agreement by and between City Parkway IV A, Inc., Office District Parking I, Inc., FC Vegas 20, LLC, FC Vegas 39, LLC, and LiveWork, LLC, for contemplated transactions involving Union Park Parcels P and Q, the Queen of Hearts Block, and real property owned by LiveWork, LLC, located near Main Street and Bonneville Avenue ($5,000,000 Capital Project Funds City Facilities) - Wards 3 and 5 (Reese and Barlow) [NOTE: This item is related to Council Item 64 (R-27-2008)]

Fiscal Impact

☐ **No Impact** ☐ **Augmentation Required**

☐ **Budget Funds Available**

Amount: $5,000,000
Funding Source: Capital Project Funds - City Facilities
Dept./Division: Finance/ Financial Services

PURPOSE/BACKGROUND:
On April 2, 2008, the Developer (LiveWork, LLC, FC Vegas 20, LLC, and FC Vegas 39, LLC) entered into an agreement with City Parkway V, Inc., and the City of Las Vegas to specify transactions needed for the development of the sites stated above. This Master Development Agreement specifies the framework for binding commitments from the City and the Developer. The City agrees to fund the first $5 million of funds needed for the design of a new City Hall building on the Queen of Hearts Block and secures a purchase option for the site in the event a final agreement is not reached. The Developer and the City intend to complete the agreements for the contemplated transactions within six months. Capital funding of City Hall will require further approvals as explained in the agenda memo.

RECOMMENDATION:
Approval.

BACKUP DOCUMENTATION:
1. Agenda Memo
2. Master Development Agreement
3. Disclosure of Principals
4. Public Purpose Impact Analysis
4. Site Map - Union Park Parcels P and Q
5. Site Map - Queen of Hearts Block
6. Site Map - LiveWork Las Vegas
7. Submitted after meeting - Hardcopy of PowerPoint presentation by staff

Motion made by GARY REESE to Approve

Passed For: 7; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 0
LARRY BROWN, RICKI Y. BARLOW, LOIS TARKANIAN, STEVE WOLFSON, OSCAR B. GOODMAN, GARY REESE, STEVEN D. ROSS; (Against-None); (Abstain-None); (Did Not Vote-None); (Excused-None)

NOTE: COUNCILMAN WOLFSON disclosed that he owns property five blocks east of the subject site but any impact will not differ from other property owners, so he would vote on the item.

Minutes:
MAYOR GOODMAN read Items 51 and 64 to be heard together. SCOTT ADAMS, Director of the Office of Business Development, noted that it was important to discuss both Items 51 and 64 together, as Item 64 involves the resolution to satisfy AB 312, which is required under State law any time real estate is disposed. The public purpose of this presentation makes the findings that will be placed on record for these requirements.

MR. ADAMS and BILL ARENT, Redevelopment Manager of the Office of Business Development, alternated in narrating a detailed PowerPoint presentation for this project. A copy is included in the minutes. MR. ADAMS started with slides 1-8, MR. ARENT then presented slides 9-18 and MR. ADAMS resumed the presentation with slides 19-26.

MR. ADAMS clarified that under the initial Memorandum of Understanding (MOU), the developer was going to finance the City Hall. However, staff researched it further and found that it could be done cheaper through Certificates of Participation (COPs) as opposed to the developers cost of funds and interest rate.

Regarding the tax increment financing (TIF) on the Parcel P/Q, COUNCILMAN BROWN asked if it would be done by a separate City resolution. MR. ADAMS replies that it would require separate actions by the City Council and the Redevelopment Agency (RDA) to provide and receive funding to go from the RDA into the project to defray lease costs. This has been done on many of the bonds in the past, such as for parking garages. MR. ADAMS confirmed that staff has reviewed the RDA statutes, which broadly define what can be done and how the funds can be utilized. He pointed out that there will be an opinion from the Attorney General, as lenders will also want to make sure that this is an airtight transaction.

In answer to COUNCILMAN BROWNS query as to support of this project by the RDA versus the General Fund, MR. ARENT stated that it would be difficult to forecast the General Fund to 2016, but it is a secondary source of funds to offset capital costs, should the need arise.

MAYOR GOODMAN verified with MR. ARENT that Forest City would have to develop Parcel P/Q in order to make a profit, and he noted that the property was purchased by the developer. The City did not contribute any land. MR. ADAMS indicated that the developer is taking a considerable risk. MR. ARENT interjected that it is a good motivator to make the block project work, better than any incentive the City could ever offer, and the properties are already on the Citys tax roll.

MR. ADAMS noted approximately $4.1 billion would be invested and the projects would yield about $20 million in TIF. With that, Council, acting as the RDA and City Council, can direct those funds into the area of their choice, including payment for the new City Hall.

COUNCILMAN REESE thanked MR. ADAMS and MR. ARENT for great presentations. He agreed that it was time for a new City Hall. He believed this site and the numerous investments will help pay for the new City Hall, adding that it is important to reunite the departments and bring about a family atmosphere. He also commended the Mayor on his leadership in the redevelopment of downtown. Contrary to the naysayers, he is confident in the partnerships formed.

COUNCILMAN WOLFSON commented that this project is probably one of the most sophisticated projects and real estate transactions ever presented to Council. Aside from the Attorney General and the outside bond counsel, the Councilman inquired as to whether or not staff consulted with others that have experience in these types of sophisticated deals. MR. ADAMS responded that a deal structuring consultant was not hired for this project. However, staff had access to outside counsel, who is a transaction attorney. He believes that the City has been represented well, and overall, a fair deal has been negotiated.

In looking at the overall project, COUNCILMAN WOLFSON agreed with MR. ADAMS comments relative to the components of the deal but asked if there was a downside. MR. ADAMS answered that there is always a risk with the inherent market, as it impacts a macro environment nationally and is not controlled by the City.

COUNCILMAN BARLOW commended MR. ADAMS and MR. ARENT on their detailed presentations. This development will entice other developments within downtown, increase tourism and create employment opportunities. With the proposed deferred payment schedule, the City will have the opportunity to restructure and capture funding in other areas to assist in the repayment of the loan. He questioned what would happen with the current City Hall should the deal fall through. MR. ADAMS replied that having the option agreement was critical; the worst case scenario is that a new City Hall can be built on the Queen of Hearts site and/or the City-owned Parcel P/Q, which could be sold. However, he was confident that the developer would follow through with its commitments.

Upon COUNCILMAN BARLOWS request, DEMETRI VASALAKIS, Forest City, stressed that this is a serious commitment, with the ultimate goal being the development of Parcel P/Q. The risks involve the cost of construction, the market and his business relative to economics and rising costs. On behalf of DAVID MITCHELL, LiveWork Las Vegas, who was present, MR. VASALAKIS pointed out that the fact they own the land is a huge responsibility. MR. MITCHELL added that his incentive, in addition to owning the land, is the P/Q site.

COUNCILWOMAN TARKANIAN commented that she received many calls from the public expressing disappointment regarding her previous vote for approval on this project, which has been one of the most difficult votes she has ever made as a member of the City Council. Initially, she felt it was inappropriate to enter into such an agreement, given the state of the economy and a plan as complex and difficult to understand. However, after further review with staff, receipt of additional information and the opportunity to speak with individuals that were highly respected and conservative fiscal experts outside of staff, her opinion changed. Although the need for a new City Hall is not an immediate one, a more efficient, capacious building will be needed in the future. In addition, she agreed with the deferred payment plan, TIF financing and with COUNCILMAN REESE that bringing more departments together under one roof will consolidate the Citys services and save monies. With the information and the overall presentations, she was sure that due diligence had been exercised by staff and commended staff on the presentations made.

COUNCILWOMAN TARKANIAN felt it was critical for Council to receive quarterly reports relative to the progress of the proposed developments and asked that this be incorporated into the motion.

COUNCILMAN BROWN believed this project is part of the renaissance happening downtown and fits into the vision for downtown. It would be a lost opportunity if not acted upon. He applauded all the participants involved with this project and supported the development. The project will create a downtown that will bring people back into the City.

MAYOR GOODMAN recalled how certain areas of downtown were desolate but, upon the City acquiring the 61-acre parcel, many jumped on the train and development began, such as the World Market Center. He believed this development will create great opportunities for the City. He appreciated the Councils remarks, constituents concerns and staff for their steadfast commitments.

COUNCILMAN REESE did not believe it was necessary to impose a condition requiring quarterly reports, as MR. ADAMS already gives monthly project reports to Council. He thanked the representatives for being in attendance.