



## AGENDA MEMO

**CITY COUNCIL MEETING DATE: May 21, 2008**

**DEPARTMENT: City Manager**

**ITEM DESCRIPTION: Discussion and possible action regarding a Master Development Agreement .... for 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 Wards 3 and 5 (Reese and Barlow)**

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1. On April 2, 2008, the City (City Parkway V, Inc. and City of Las Vegas) entered into a Memorandum of Understanding (MOU) agreement with the developer (FC Vegas 20, LLC, FC Vegas 39, LLC, and LiveWork, LLC) which set forth how the City Parties and the Developer intended to develop real property known as the Queen of Hearts Block, Parcels P and Q in Union Park, and four additional City blocks (Blocks A, B, C, and D) located near Main Street and Bonneville Avenue.
2. Since the MOU was approved, the City Parties have transferred ownership of Parcels P and Q in Union Park to affiliate entities City Parkway IV A, Inc. and Office District Parking I, Inc. As a result, the parties to this Master Development Agreement are: City Parkway IV A, Inc., Office District Parking I, Inc., the City of Las Vegas, (City Parties) and FC Vegas 20, LLC, FC Vegas 39, LLC, and LiveWork, LLC (the Developer). The terms of the Master Development Agreement are comparable to the MOU terms, except as noted in this Agenda Memo.
3. The City will have a 6-month feasibility period during which the City will prepare certain design work, site investigations, and construction cost estimates in order to determine the feasibility of designing, constructing, and operating City Hall on the Queen of Hearts block. For the design work, the Developer is contracting with JMA Architects. Elkus Manfredi Architects (Elkus) also is working on the design as a subcontractor of JMA. The City will be paying for the initial design work through \$5 million appropriated previously by the City Council for the project.
4. As identified in the Feasibility Period Budget, the Developer will earn a negotiated fee for managing the City's predevelopment work, including the design work by JMA and Elkus.
5. The parties agree to a purchase price of \$40,250,747 for Parcels P & Q. This price is below two recent appraisals. Justification of the purchase price below the fair market value imputed from the appraisals is contained in the Resolution which is a companion agenda item. The price for the Queen of Hearts Block is \$33,170,000.
6. The Master Development Agreement, like the MOU, specifies that the Developer will have an option to purchase Parcels P & Q via a property exchange, plus paying to the City the full Price Difference in-kind by providing a Fire and Metro substation on Parcels P & Q or other consideration acceptable to the City. The term of this option is three years and starts on the date by which City Hall is completed (projected at June 30, 2011).

# City of Las Vegas

7. After the feasibility period expires (November 21, 2008), the City will seek capital funding for the balance of design costs and construction costs via Certificates of Participation (COPs) in a lease. The City would lease the building for a 30-year period. Forest City Enterprises would construct the building. The City's rent payment schedule would fix rent at \$2 million per annum for a maximum of five years. The accrued rent would be amortized over the balance of the lease.
8. The final debt schedule for the COPs will be taken back to City Council for authorization within after the end of the feasibility period.
9. Approval of City Hall financing using the Certificates of Participation (COPs) in the lease requires the same process as if Forest City financed the debt. The COPs and the corresponding Lease-Purchase Agreement will require a supermajority vote of City Council, approval by the Clark County Debt Management Commission, and approval by the Nevada Department of Taxation.
10. The City has binding site control of the Queen of Hearts Block, in the event that either (a) the Developer defaults or decides not to proceed during the Feasibility Period, or (b) the City and Developer can not reach agreement on the Transaction Documents, or (c) the City can not proceed with COPs and requires a different means of financing City Hall. If any of these events occur, then the City would have the option to purchase the Queen of Hearts Block for the price of \$33,170,000. In having this purchase option, the City's expenditure of \$5 million for predevelopment work is not at risk. The Purchase Option would require the City to notify the Developer in writing within 180 days after the Option Period starts and to submit an earnest deposit of \$250,000 for purchase of the site.
11. The Master Development Agreement contains an Exclusive Negotiating Agreement (ENA) as an exhibit, which would give the Developer back-up rights to develop Union Park Parcels C, D, E, F, G, with same terms as existing agreements. This enhances the ability of the Developer to attract a gaming partner for Parcels P and Q, given the assurance that property north of Symphony Park will be developed on or before Parcels P and Q.