LiveWork
Master Development Agreement

Presentation to City Council

May 21, 2008

Overview

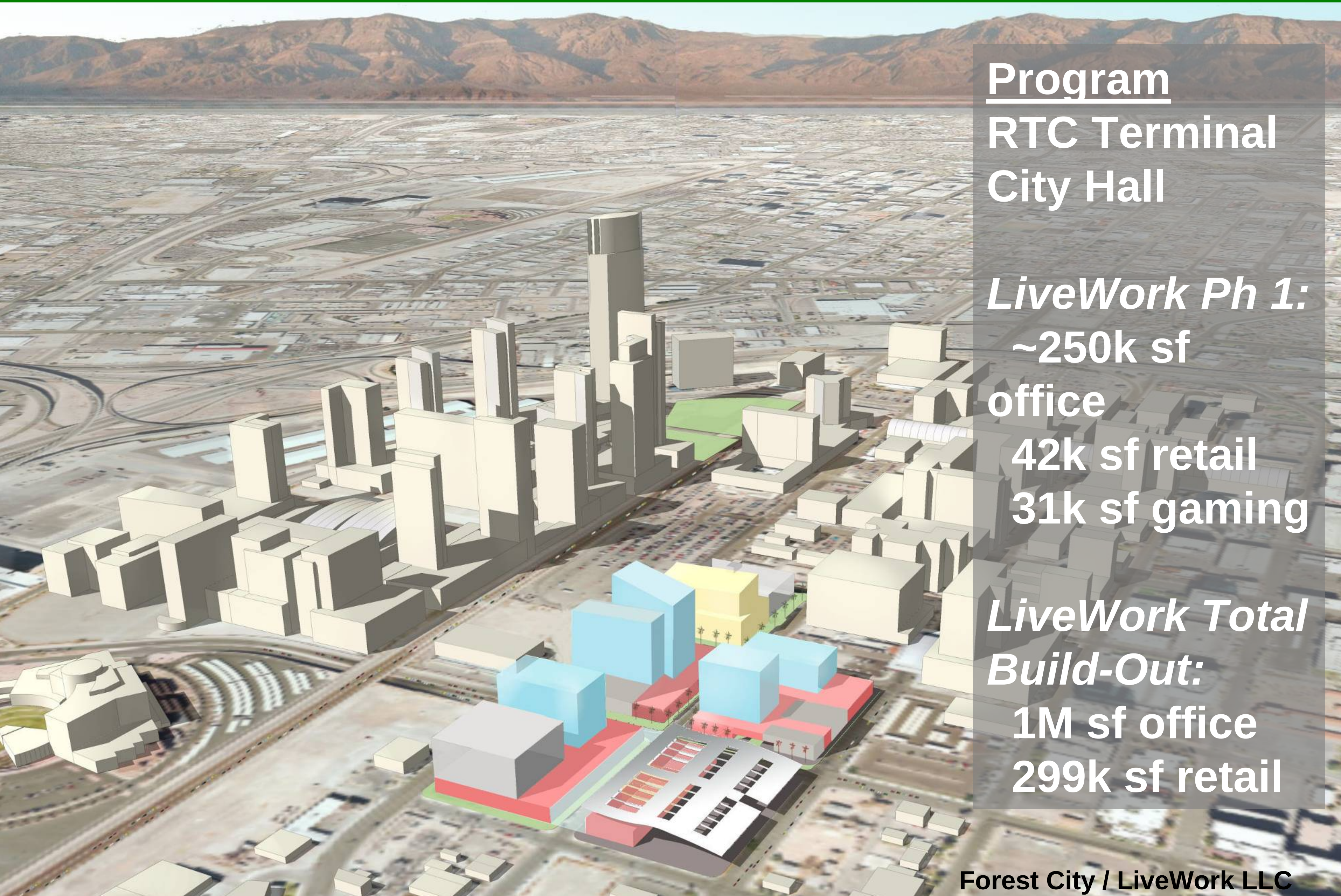
- Development Strategy for City Hall
- Overview of 3 Projects
- City Hall Deal Terms
- City Hall Financing and Approval Process
- Parcel P-Q: Sale and Development Terms
- Block Project Development Terms
- Public Purpose

City Hall: Development Strategy

- Two underlying strategies for City Hall project
  1. *Cost-effective solution for long-term space need*
  2. *Asset Management approach – highest and best use for City-owned assets*

- Implementation of Strategy
  - *Purchase Atrium building for DSC ($200/ft cost vs. $500/ft new construction cost)*
  - *Build-to-suit City Hall building on 2.7 acre site*
  - *Sell existing, 6-acre City Hall site and adjacent 12-acre site to further downtown development*

Proposed LiveWork 5-Block Campus



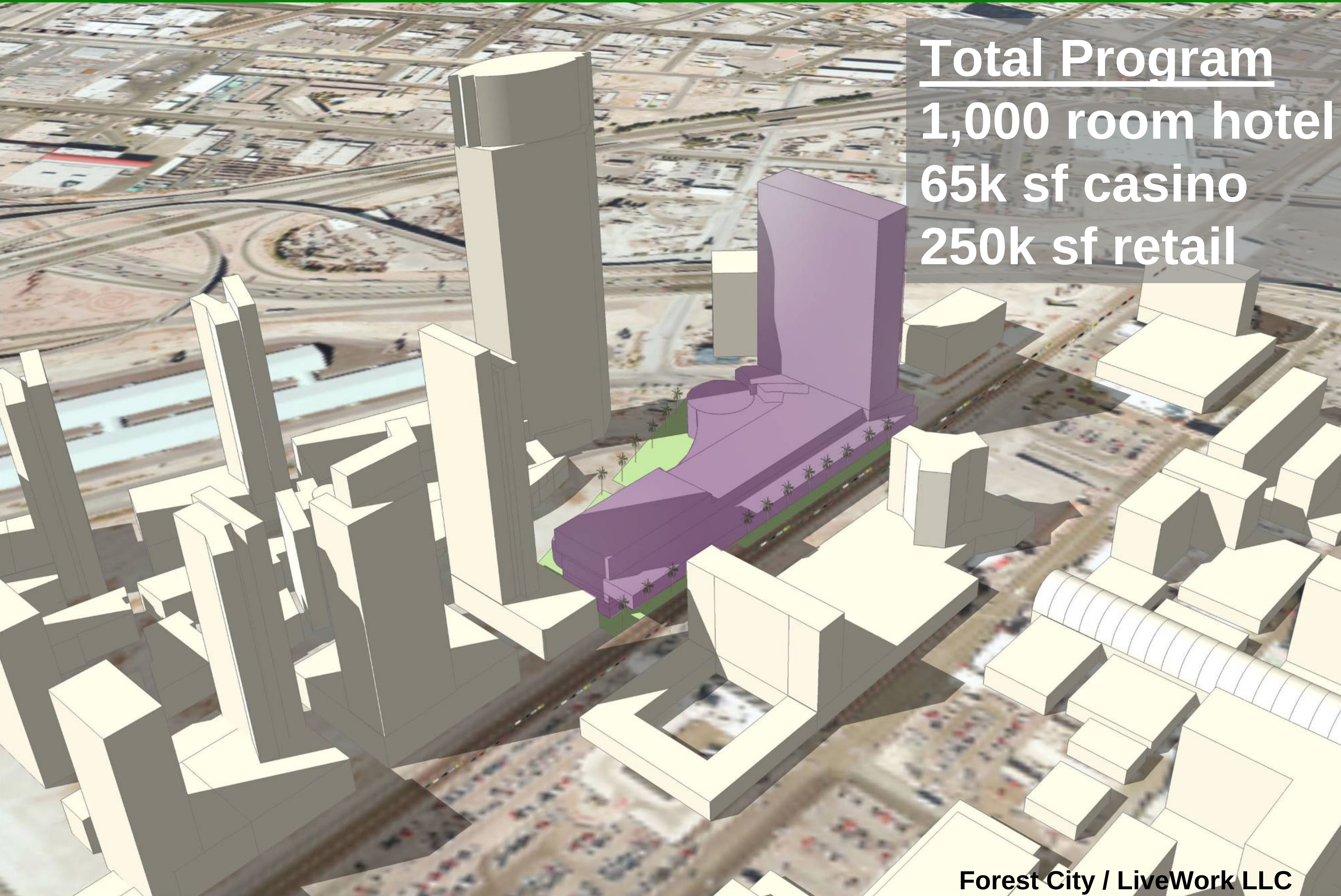
Program
RTC Terminal
City Hall

LiveWork Ph 1:
~250k sf office
42k sf retail
31k sf gaming

LiveWork Total Build-Out:
1M sf office
299k sf retail

Forest City / LiveWork LLC

Proposed Hotel Casino on Parcel P/Q



Master Development Agreement:

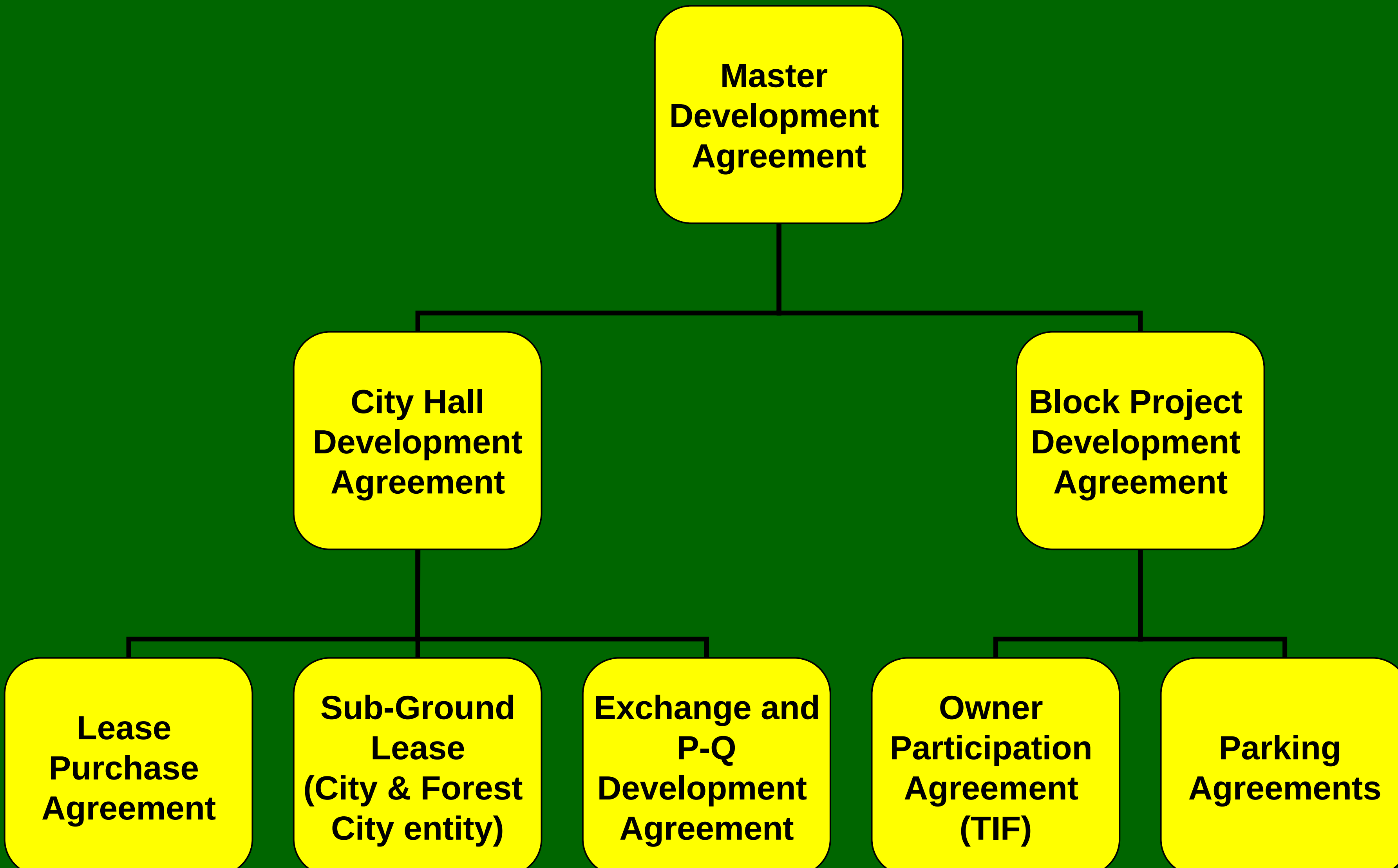
Deal Terms

Master Development Agreement

- Umbrella Agreement for 3 Projects: City Hall, P-Q Development, and Block Project
- Accomplishes 3 tasks:

1. Establishes a 6-month period for Feasibility during which City Hall Design starts
2. Gives the City binding site control of the Queen of Hearts Block
3. Sets a deadline for completing other "Transaction Documents" for all 3 projects

Deal Structure



City Hall Deal: Design & Construction

- City Council has appropriated $5 Million for predevelopment work on City Hall
- Forest City will manage this work for a fee
- JMA Architects as Lead, with Elkus Manfredi
- Predevelopment work: design through partial DDs, utility studies, site investigation, & cost estimating
- Forest City completes work within 6-month Feasibility Period
- Balance of design to be funded by capital funding

City Hall Deal: Site Control

- City has long-term ground lease with Developer
- After City Hall is built, first 3 years of ground rent (June 2011 – June 2014) are at $1 per year
- At end of 3 years, City can acquire site by:
  - *(A) Completing the Property Exchange for P-Q, or*
  - *(B) Purchasing the property for $33,170,000, or*
  - *(C) Long-term ground lease at market rent*
- City has back-up Purchase Option, if Developer defaults or if Lease-Purchase is not approved
- With site control, $5M predevelopment not at risk

City Hall Deal: Financing

- City intends to finance soft costs and hard costs through a Lease-Purchase Agreement
- Financing is same as in MOU, except City (not Developer) will use COPs
- Lease-Purchase Agreement is for 30-year term
- City can use COPs or alternate funding source for parking
- Lease-Purchase approval requires review by City, Debt Management Commission, and NV Taxation
- City will be seeking AG opinion on Lease-Purchase

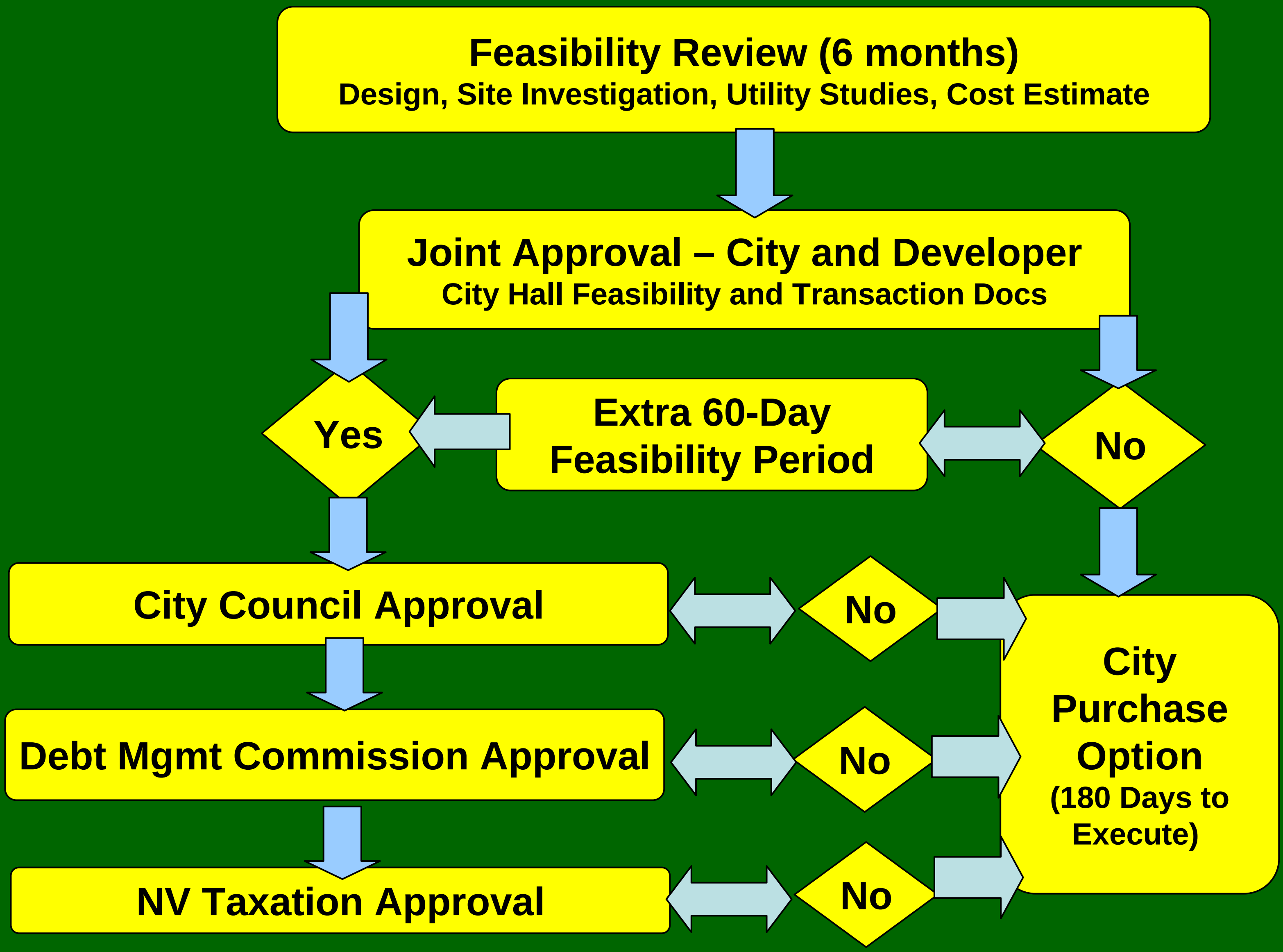
City Hall Financing: Conceptual Terms

Year	Estimated Payment	Reduced Payment	Accrued Rent Portion
1	$10 M	$2 M	$8 M
2	$10 M	$2 M	$8 M
3	$10 M	$2 M	$8 M
4	$10 M	$2 M	$8 M
5	$10 M	$2 M	$8 M
Total Accruals			$40 M + interest

Options at end of rent accrual period:

1. Continue Lease-Purchase Agreement, amortize accrual
2. Pay off accrual using land sale proceeds
3. TIF from P-Q covers roughly half of lease payment

City Hall: Approval Process



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Deal Terms: Parcel P-Q

Parcel P-Q: Sale Terms

- Developer Option for Property Exchange starts at City Hall completion, and ends after 3 years (2011-2014)
- To execute Exchange, Developer must procure a gaming partner and show ability to proceed
- Purchase Price for P-Q is set at $40,250,747, Queen of Hearts at $33,170,000
- After Exchange, Developer’s payment to City of the Price Difference will be offset by cost of building a Metro & Fire Substation on P-Q

Parcel P-Q: Development Terms

- Exchange and Parcel P-Q Development Agreement will specify final development terms
- Developer must build a 1,000 room hotel-casino or other program agreeable to the City
- City expects Developer to start construction on P-Q within 5 years of COPs approval (by 2014)
- City is in process of limiting nonrestricted gaming rights within Union Park to P-Q
- Agreement will include right of first negotiation for Parcels C, D, E, F, and G

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Deal Terms: Block Project

Block Project: Development Terms

- Block Project calls for 1M square feet of office space and retail over several phases
- Phase 1 Office Building must match amount of office space in City Hall project
- Developer and City agree on Bonneville-Clark couplet alignment
- Parties need to resolve terms for property needed for Couplet and for air rights development
- Developer will be seeking 82% TIF rebate to assist with financing public parking in Block project

Public Purpose:

Economic Development Potential
and Fiscal Impact

Public Purpose – Development Impact

Public Purpose: Economic Development

- Union Park Parcel P/Q
  - 1,000-room Hotel Casino
- LiveWork Las Vegas
  - Multi-Phase Mixed Use
  - Office, retail, parking
- CIM/ Lady Luck
  - Lady Luck Rehab/ Post Office Block
  - Hotels, retail, parking, Mob Museum
- City Hall/ Former Arena Site
  - Est. Value of $72 M
  - High density development potential

Public Purpose: Fiscal & Economic Impact

Project	Private Invest.	Annual TIF	Perm. Jobs
Parcel P-Q	$1.2 B	$5 – 6 M	1,000
LiveWork LV	$0.9 B	$3 – 4 M	5,068
CIM/Lady Luck	$1.2 B	$5 – 6 M	4,013
City Hall/Arena Site	$0.8 B	$3 – 4 M	3,360
	$4.1 B	$16 – 20 M	13,441

Public Purpose: AB 312 Resolution

- Proposed sale price of P-Q is below 2 most recent appraisals: $48,845,000 & $62,540,000
- Sale to private party below appraised value meets economic development exemption
- Fiscal and Economic Impact far exceeds contribution from City - 15 year NPV of Tax Increment for a $1B hotel-casino is $48M
- Using Property Exchange is a Win-Win: City acquires site without cash outlay & gets Developer commitment for $1B project

Why Now?

- Capitalize on the private development of 45 acres as a way to finance City Hall
- Projected City Hall opening in 2011, full rent payment deferred until 2016
- The expected economic recovery within 3-5 years will support City Hall payments
- Avoid increases in future construction costs

Summary

- City Hall project satisfies City’s long-term space needs *and* maximizes use of City assets
- Property Exchange is a Win-Win for City and Developer
- P-Q tax increment – projected at $5M annually – offsets future capital costs of City Hall
- Block Project redefines downtown Office market, <u>at no up-front risk to the City</u> – TIF support comes as a rebate after Developer performs
- Developer’s return is based on performance

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