



AGENDA SUMMARY PAGE

CITY COUNCIL MEETING OF: JUNE 4, 2008

DEPARTMENT: OFFICE OF BUSINESS DEVELOPMENT

DIRECTOR: SCOTT D. ALAN

Consent Discussion

SUBJECT:

Discussion and possible action regarding the Termination of Ground Lease and Development Agreement with Option to Purchase for 601 Fremont Street between the City of Las Vegas and 601 Fremont, LLC (Barlow)

Fiscal Impact

No Impact

Augmentation Required

Budget Funds Available

Amount:

Funding Source:

Dept./Division:

PURPOSE/BACKGROUND:

601 Fremont, LLC, has been leasing the building from the city for development of a nightclub and the adjacent parking lot for future development of a boutique hotel. 601 Fremont, LLC, is unable to move forward with its plans due to the negative impact the softening economy has had on the parent company Sunvest Communities, Inc. The termination of the Agreement provides the city with the opportunity to program 601 Fremont as an anchor venue within the Entertainment District, thus being a catalyst for additional growth and development in the area. The Termination Agreement calls for the city to retain the security deposit, which will be used to cover building operating expenses and any necessary repairs or improvements. The Office of Business Development (OBD) is accepting written proposals for the building and property that best compliments the ongoing enhancement of the Fremont East District. The developers forfeited deposits, and any interest that has accrued, will be transferred from escrow account(s) into one city account to establish a seed fund out of which OBD Real Estate staff will operate and maintain 601 Fremont Street as a city asset.

RECOMMENDATION:

Approval.

BACKUP DOCUMENTATION:

1. Termination of Ground Lease and Development Agreement with Option to Purchase
2. Disclosure of Principals
3. Site Map

Motion made by RICKI Y. BARLOW to Approve

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

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

Minutes:

SCOTT ADAMS, Director of the Office of Business Development, referred to a site map and said the property is located in the heart of Fremont Street. The developer is in a difficult situation and has had to focus on working out situations caused by the current market. The City will take back the property, and the developer will be providing the City with a release of indemnification on the property. The agreement covers all the points necessary to protect the City. MR. ADAMS assured the Council that staff intends to be very careful in the selection of a future developer. Several developers have already expressed interest in this property, but staff would prefer to aggressively seek proposals, review those and determine the best development for this site. On behalf of staff, he recommended approval.

In answer to COUNCILMAN REESE'S query, MR. ADAMS replied that staff is hesitant to issue an RFP (request for proposal). COUNCILMAN REESE stated that business owners in the area already belong to the Downtown Business Group and have expressed interest in developing the property. MR. ADAMS advised that an RFP is not being issued, because the building is ready for development and many retailers do not respond to RFPs. The vetting process will be similar, but staff would like to announce proposals without undergoing the RFP process.

COUNCILMAN BARLOW expressed his disappointment, as he was looking forward to this development. He then asked about the Bunkhouse-owner proposal. MR. ADAMS replied that he could not speak about it, due to matters of confidentiality. He assured the Councilman that some very exciting proposals were received, and that staff would focus on ensuring a nice development for this site.

TOM McGOWAN, Las Vegas resident, commended COUNCILMAN ROSS for his decisions on previous matters during this meeting. He questioned the four proposals mentioned and said he had a proposal available for submittal. Also, he questioned the potential rental rates, adding that the success of any project on this site would depend on good entertainment.

MR. ADAMS indicated for COUNCILMAN BARLOW that \$480,000 was put in an escrow account for this property and would be kept for the operation of the facility and potential improvements to bring it up to Code. About \$200,000 worth of construction work was put into the building, but more improvements will be necessary.