



## AGENDA MEMO

**CITY COUNCIL MEETING DATE: November 19, 2008**

**DEPARTMENT: City Manager**

**ITEM DESCRIPTION: Discussion and possible action regarding a First Amendment to the Master Development Agreement and a First Amendment to Queen of Hearts Purchase Option Wards 3 and 5 (Reese and Barlow)**

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1. On May 21, 2008, the City Parties (City Parkway IV A, Inc., Office District Parking I, Inc. and City of Las Vegas) entered into a Master Development 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. The City Parties and Developer have agreed on development terms and schedules for a new City Hall project on the Queen of Hearts Block; a new hotel-casino to be built on Parcel P-Q in Union Park; and a mixed-use office, civic, and retail development to be constructed on Blocks A, B, C, and D.
3. On behalf of the City, Forest City Commercial is managing design and predevelopment, with architecture being provided by JMA Architecture Studios and Elkus Manfredi Architects. To date, the City has funded \$5 million for design costs. To complete the design and to relocate existing transmission lines from the site to an off-site location, the City is requesting appropriation of an additional \$5.1 million. This will complete design through construction documents, including obtaining a guaranteed maximum price contract for construction.
4. The total construction budget for City Hall is \$150 million, of which \$137 million is allocated for the office building, and \$13 million is allocated for an off-site garage. To date, Forest City has managed the design so that the building is on budget. Forest City is in the process of engaging a Construction Manager At-Risk for construction cost estimating and construction. (The City is using this same process for the Smith Center for the Performing Arts.) The financing source requires that State prevailing wage rates be paid for the construction.
5. Prior to January 23, 2009, the Developer and the City must approve physical due diligence for the P-Q Site and for the Queen of Hearts Site. The Developer and the City also have to approve two contingency items: (1) approval of non-restricted gaming operations for the gaming-eligible portion of Parcel P-Q in Union Park (while restricting gaming on other parcels in Union Park), and (2) approval of COPs (Certificates of Participation) financing for City Hall. Contingency approval is required by May 22, 2009. After May 22, either of the parties may terminate the Master Development Agreement after notifying the other party and negotiating in good faith for an additional 60-day period.

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6. If the Developer meets the target dates set forth in the amended schedule (Exhibit C-1 of the First Amendment to Master Development Agreement), then the anticipated schedule for construction of City Hall would be from June 2009 through June 2011.
7. At the completion of City Hall construction, the City intends to purchase the underlying land for the City Hall project using a real property exchange (Exchange) whereby the Developer and the City will exchange the Queen of Hearts site for Parcel P-Q in Union Park. Following contingency approvals, the Developer has agreed to make a binding commitment to proceed with the Exchange by placing the Queen of Hearts property in escrow. This is important because (1) it assures the City that it can use its in-kind investment in Union Park, rather than cash, to buy the site; and (2) it shifts the land carry cost of the Developer from the Queen of Hearts site to Union Park, thereby transferring the risk of developing Parcel P-Q from the City to the Developer.
8. Upon close of escrow for the Exchange, the City will receive in-kind development consideration from the Developer in the amount of \$7,080,747. This consideration may include a combination of environmental remediation costs for Parcel P-Q, acquisition of air rights over the Union Pacific rail line for future construction of a pedestrian bridge, and a fire station to be constructed as part of the hotel-casino development on Parcel P-Q. The City will secure the Developer's performance on these items through a covenant running with the land.
9. If the Exchange does not occur, then the City may exercise a fixed-price purchase option whereby the City could purchase the Queen of Hearts site for the stated purchase price of \$33,170,000. This purchase option protects the City's investment in design and predevelopment for the City Hall project in the event that the Exchange does not occur.
10. Prior to construction commencement for City Hall, the Developer (on the City's behalf) will be relocating existing transmission lines from the Queen of Hearts site to existing rights-of-way on the Western side of Main Street. The Developer also will relocate the existing transmission lines for the two City blocks between Garces Avenue and Clark Avenue, east of Main Street (Blocks A and C). The City will absorb the entire up-front expense, not to exceed \$2 million. The Developer will reimburse the City for the pro-rata share (\$666,667 per block) of the transmission relocation cost for Blocks A and C, concurrent with the development of each block.
11. Per the First Amendment to the MDA, the City will reimburse the Developer for its legal fees incurred after November 1, 2008 for achieving the desired gaming entitlement on Parcel P-Q, not to exceed \$200,000. The City will make this reimbursement using a credit against the Developer's liability of the first \$666,667 utility reimbursement.
12. Concurrent with this Amendment, the City is requesting approval to initiate the process of issuing Certificates of Participation (COPs) in the Lease-Purchase Agreement for financing

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the City Hall capital cost of construction. The City is sizing the COPs issue to generate \$137 million in net proceeds for construction. (A structured parking garage for City Hall will be financed separately.) The approval and sale of COPs is a 4-month process which requires review and approval by the Debt Management Commission and by the Nevada Department of Taxation. The lease payment (debt service) schedule has been set to keep the first 5 years at or below \$2 million annually.

13. The Developers hotel-casino project on Parcel P-Q will be a minimum of 1,000 rooms. The Developer intends to apply for and achieve entitlements prior to the end of the contingency period (May 22, 2009).
14. The Developer intends to develop a Block Project over multiple phases. In order to receive a full tax increment financing (TIF) rebate from the City of Las Vegas Redevelopment Agency, the Developer has agreed to start construction on Phase 1 of the Block Project within 1 year after City Hall construction commencement, or within two additional 1-year options. (This would place the construction start between July of 2010 and July of 2012 if City Hall construction stays on schedule.)
15. This Agenda Item approves the First Amendment to the Master Development Agreement and the First Amendment to Queen of Purchase Option to effectuate the above terms.
16. The remaining terms of the Block Project and the Parcel P-Q hotel-casino project will be specified in several Transaction Documents which are in draft form and which will be reviewed and approved by both parties (including City Council) prior to the City closing on the COPs financing, which is anticipated to occur no later than May of 2009.