



Las Vegas

Agenda Item No.: 41.

AGENDA SUMMARY PAGE
CITY COUNCIL MEETING OF: MAY 19, 2010

DEPARTMENT: OFFICE OF BUSINESS DEVELOPMENT

DIRECTOR: BILL ARENT

☐ Consent ☒ Discussion

SUBJECT:

BEYANT ITEM - Discussion and possible action regarding a Real Estate Lease Agreement between 601 Fremont, LLC, and the City of Las Vegas for the property located at 601 Fremont Street within the Fremont East Entertainment District, APN 139-34-611-018 - Ward 5 (Barlow)
[NOTE: This item is related to Council Item 43 (R-25-2010)]

Fiscal Impact

☐
☐

No Impact

☐ Augmentation Required

Budget Funds Available

Amount:

Funding Source:

Dept./Division:

PURPOSE/BACKGROUND:

601 Fremont, LLC, wishes to lease the 48,740 square foot, three-story vacant building and adjacent parking lot located at the southeast corner of Fremont Street and 6th Street for the purpose of developing retail, restaurant and entertainment venues that support the economic growth in the area. The tenant responded to a Request for Proposals (RFP) initiated by the Office of Business Development, and the city began negotiating with 601 Fremont, LLC, when the first selected RFP winner voluntarily declined to move forward. The lease term is for 30 years with one 15-year extension and provides the tenants with a purchase option once all the initial development requirements have been met. The annual rent is \$233,000 with a 1 percent rent escalation each year beginning in year seven of the lease.

RECOMMENDATION:

Approval

BACKUP DOCUMENTATION:

1. Real Estate Lease
2. Disclosure of Principals

Motion made by RICKI Y. BARLOW to Approve

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

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

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Minutes:

BILL ARENT, Director, Office of Business Development (OBD), reported on the application process and pointed out key business terms to ensure the project is built and ensure its long term success. The City purchased 601 Fremont Street, whereby a third of 1.24 acres is occupied by commercial and the remainder is surface parking. In the summer of 2008, OBD initiated a Request for Proposal (RFP) and after the first respondent dropped out, OBD started negotiations with 601 Fremont, LLC for a 30-year term lease with one 15-year extension and a purchase option. The reason for the long-term lease is because the developer and operator are willing to make a significant upfront capital investment, and they need to be able to recoup that capital investment. OBD negotiated rent starting in the seventh year at an annual payment of \$233,000 per year.

MR. ARENT explained that there is abatement of rent during the first six years with an opportunity to put in the capital investment. A security deposit is required of \$116,500 at concept approval and an additional \$116,500 due 90 days thereafter. The concept plan is due 90 days after the effective date of the lease. The tenant will be responsible for all taxes and Special Improvement District (SID) payments. There is an \$800 fee which this property contributes to the Fremont East streetscape and improvements. The tenant is required to have a retail/restaurant and night club on the ground floor and remaining floors may be redesigned for mixed use. The purchase option has a specified price of approximately \$46 million and will allow the developer to complete another phase at a later date. The property is located within the heart of the Entertainment District and the Downtown Gaming Corridor. The developer envisions doing a non-gaming hotel. This is a no-risk agreement with no upfront costs. On addition, the agreement is a performance based lease, and after concept approval, tenants must show proof of construction financing. OBD received a term sheet from a preferred lender for the developer, and after the term of lease, the developer and tenant must show proof of construction financing. Additionally, they will have nine months from the effective date of the lease to finish these improvements. He commended his staff, SHANI COLEMAN, Senior Economic Development Officer, who negotiated the lease; once the lease has better terms today than with the previous developer.

TERRY CAUDILL, 7042 Terra Avenue, appeared with CARLOS ADLEY, who is the creative genius in bringing the Hollywood vibe to downtown Las Vegas. He is very dedicated to downtown and sees this as an opportunity to contribute something positive to the area. MAYOR GOODMAN explained that MR. CAUDILL is the owner of the Four Queens Hotel and Binions and would not be involved in this project unless he believed in its success.

MR. ADLEY stated he is very excited about the project and consider themselves pioneers in restoring old classics. As the process continues, the goal is to provide a comfort level on both sides. They are bringing in some of the top notch nightclub owners from Los Angeles, CA, and an announcement will be made on what the concept will be.

COUNCILMAN WOLFSON verified that the original Tommys Hamburgers is located in California.

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COUNCILMAN ANTHONY recalled working as a police officer in the old building, so he looks forward to seeing the results.

COUNCILMAN BARLOW stated that this definitely will be an exciting venue. He has visited the facility at Binion's and seen its renovations. MR. ADLEY replied that there is a vested interest in downtown and one of the main projects is a complete renovation of Binion's. Many do not want to visit the Strip, so he wants to bring back an experience that has been lost and give people a reason to stay in the downtown area. Right now he cannot disclose much information due to confidentiality restrictions but invited everyone to tour the site.

COUNCILMAN BARLOW asked how a tavern or a supper club plays into the future and any possible obstacles. MR. ARENT responded that after the lease is signed, there are 90 days for concept approval, another 90 days for financing and approval and 180 days for construction approval, then proceed with the City's regulatory process. For the entertainment use, there is a tavern limited license, which the City Council has approved as a privileged license. This building was not designed for a restaurant or nightclub, but rather a retail center. In order to recoup its investment for the upfront capital cost, the developer is willing to invest more money than a private partner. MR. ADLEY added that he is ready to come time to do what is necessary to connect this site to the Fremont Street Experience.

MR. ARENT indicated that substantial repairs will be necessary to make the building suitable for long-term use. The prior developer grappled with trying to capture the immediate need but wondered if it made sense to invest so much money.

COUNCILMAN BARLOW expressed appreciation to the developer for investing this type of money given the state of the economy.

COUNCILWOMAN TARKANIAN confirmed that it would bring back the old ambience of Binions.