City of Las Vegas

Agenda Item No.: **45.**

AGENDA SUMMARY PAGE

CITY COUNCIL MEETING OF: NOVEMBER 3, 2010

DEPARTMENT: CITY MANAGER'S OFFICE
DIRECTOR: ELIZABETH N. FRETWELL ☐**Consent** ☒ **Discussion**

SUBJECT:
ADMINISTRATIVE:

Discussion and possible action regarding the Seventh Amendment to extend the Project Management and Consulting Agreement and reduce fees by and between City Parkway V Inc., City Parkway IV A, Inc., Office District Parking I, Inc., and Newland Real Estate Group, LLC, for parcels located in Symphony Park at the intersection of Grand Central Parkway and Bonneville Avenue - Ward 5 (Barlow) [NOTE: This is a companion item to Council Item 46]

Fiscal Impact

☐ **No Impact** ☐ **Augmentation Required**

☐ **Budget Funds Available**

Amount:
Funding Source:
Dept./Division:

PURPOSE/BACKGROUND:
Since December of 2005, the City of Las Vegas through its affiliate companies (City Parkway V, Inc., City Parkway IV A, Inc., and Office District Parking I, Inc.) has contracted with Newland Real Estate Group, LLC, (formerly known as Newland Communities) to perform project management work related to Symphony Park. Because of the progress made in developing Symphony Park, including the current development commitments, the city desires to modify its consulting arrangement and scope of work for Newland. This Seventh Amendment accomplishes the following: (1) extends the term of the agreement through June 30, 2011, with one 1-year option at the citys discretion; (2) reduces the direct reimbursable expenses payable to Newland for the remainder of the term; (3) eliminates a 4% fee payable against the sale price of private parcels; and (4) references modified development rights in a related agreement, Third Amendment to Project Management Disposition and Joint Development Agreement, which must be approved in order for the Seventh Amendment to be effective.

RECOMMENDATION:
Approval.

BACKUP DOCUMENTATION:
1. Seventh Amendment to Project Management and Consulting Agreement
2. Disclosure of Principals
3. Submitted at Meeting PowerPoint Presentation by Staff for Items 45 and 46

Motion made by RICKI Y. BARLOW to Approve

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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)

Minutes:
Using the PowerPoint submitted for the record, BILL ARENT, Director, Office of Business Development, gave a brief history on the relationship between Newland Real Estate Group (Newland) and the City of Las Vegas (City). Newland's current role as project manager/developer and the agreement has been amended six times to reflect changes to the Symphony Park Master Plan; the development rights; the fee structures, and the timing of the City's compensation to Newland.

This relationship is complex but has evolved over time. Currently, the scope of work includes project management, marketing, construction coordination and development negotiations. The City adopted a three tiered compensation approach: 1) Newland would be paid, at cost, for staffing and overhead, and the City can defer such costs until private land sales occur, 2) Newland would receive a four percent fee against land sale revenue for private parcel sales in Symphony Park, and 3) Newland received the right to develop four residential blocks in the original 2005 Master Plan.

Newland is paid at cost on a cash basis which is a win-win situation. Newland has since reduced their project management expenses as the scope of work has lessened over time. Today, Newland's current development rights consist of Parcels C, D, F, N and O-1, so with less acreage their development interest has reduced.

COUNCILWOMAN TARKANIAN referred to the Lou Ruvo Brain Institute, which is a non-profit organization. However, with this agreement, she was concerned as to when the City would receive payment from land sale revenues. MR. ARENT explained that there is uncertainty as to if and when Newland would purchase land and close escrow, as there are development risks in attempting to design and fund projects, as well as lease buildings.

Regarding Parcels C, D, F, N and O-1, MR. ARENT reviewed for the Council each land sale price and schedule under Newlands current development rights versus the proposed amendments. Rather than paying Newland a cash four percent fee on land sales, the City will use equity in the land from Parcel C to compensate Newland. In order to close on Parcels C or N, Newland must present a development and financing plan. Newland can use a portion or all of the land sale proceeds for Parcels C and N as a cap against soil and groundwater remediation costs, if required by a risk assessment. The City will commit to give Newland exclusivity for residential development in Symphony Park via a deed restriction. The City will keep a termination right on Parcels D, F and O-1 to be able to respond to market opportunities. In comparing the economic benefits to the City, these amendments would reflect a lower net benefit to the City, but the City would reduce remediation expenses and increase its flexibility with development.

With the existing agreement, Newlands development plan consists of residential. Given the fact that the residential market has changed, Newland has the right to acquire each of the aforementioned parcels by a certain date. Upon close of escrow, Newland would have to pay the City land sale revenue. Because the developmental process is complex and there is a timing issue for building residential, the schedule is staggered.

MR. ARENT pointed out that as development occurs and the master plan changes, it is only right to reconsider development on the northern end of Symphony Park. Having that flexibility makes sense, given how the economy changes and future opportunities for private development.

MR. ARENT thanked RITA BRANDIN, Newland, VP-Development Director, and her team for their input on managing Symphony Park.

For COUNCILMAN BARLOW, MR. ARENT explained the proposed amendment again, specifically the removal of the cash four percent fee on land sales and the costs involved for each parcel. The amendment would give the City more development flexibility on some of the parcels. Newland would have the opportunity to purchase Parcel C with the caveat that Newland would only get a remediation credit from the City up to the land sale price. Newland has agreed to a price escalation, ranging from two to eight percent.

COUNCILMAN BARLOW asked about the status of Parcels L and O-2 as there is Newland residential on each of those parcels. MR. ARENT explained that a recent amendment waived Newland's right to develop these two parcels in its entirety. So, Newlands rights relate to Parcels C, D, F, N and O-1, and the City has the right to develop Parcels L and O-2 but a development and financing plan must be submitted. A safeguard has been implemented to protect the City and Newland, whereby if Newland purchases Parcel C for $1 and sells above market value, the City has interest in that sale over a fixed amount, up to $6 million. The selling price of Parcel C would be based upon its value, so Newlands focus should be to purchase for development rather than for profit. The City keeps their termination rights for Parcels D, F and O-1.

COUNCILMAN ROSS recognized the state of the economy and gave credit to Newland for being steadfast with the City. Newland has caught the Citys vision for Downtown Las Vegas. He also thanked MS. BRANDIN for her assistance and looked forward to seeing a positive change with respect to the economy.

COUNCILMAN BARLOW agreed that with the proposed amendments, the City would have more flexibility to make any necessary adjustments before the actual build out phases from 2011-2017, if amended as such. MR. ARENT reiterated a big benefit to the City is having additional land to take advantage of development opportunities.

MR. ARENT summarized his presentation by indicating the proposed amendments to the existing agreement. The recommendations included: a) amend the existing performance management agreement and the disposition development agreement to revise Newlands compensation schedule and development rights, b) adjust purchase prices to resolve project management compensation and to increase the likelihood of development in near term, c) reduce the Citys risk on payment of remediation expenses as a backstop ceiling against reimbursement from Union Pacific, d) retain Newland as Project Manager through June 2011 at a reduced cost and e) retain Newland as Development Partner in Symphony Park with increased flexibility to pursue alternate development.

COUNCILMAN BARLOW thanked Newland for their efforts and is excited about this area being developed. He also thanked MR. ARENT, management and staff that were involved in bringing this project to fruition. He extended a special thanks to MAYOR GOODMAN for his foresight and vision.

COUNCILWOMAN TARKANIAN reiterated that this is a wonderful project, but urged staff to watch the development on these parcels because it is very complicated and the interests of the City and its citizens must be protected.

MAYOR GOODMAN stressed that he could not have accomplished what he has without the support of his colleagues. He predicted that this community will be greatly impressed with the inner-city of Las Vegas. He gave credit to COUNCILMAN BARLOW for his part in shaping this development and others in Ward 5.

After the vote, MAYOR GOODMAN greeted the third grade classes in the audience.