City of Las Vegas

Agenda Item No.:

AGENDA SUMMARY PAGE

CITY COUNCIL MEETING OF: MARCH 2, 2011

DEPARTMENT: CITY MANAGER
DIRECTOR: ELIZABETH N. FRETWELL ☐Consent ☒ Discussion

SUBJECT:
ADMINISTRATIVE

Report by Palmer City-Core Union Park Hotel, LLC, on the status of the hotel market nationally and locally, the feasibility of financing for the 371 room, four-star full-service condominium and hotel and the hotel segment in general for Parcel G in Symphony Park (APN 139-34-110-009) - Ward 5 (Barlow)

Fiscal Impact

☐ **No Impact** ☐ **Augmentation Required**
☐ **Budget Funds Available**

Amount:
Funding Source:
Dept./Division:

PURPOSE/BACKGROUND:
Palmer City-Core Union Park Hotel, LLC, a Nevada limited liability company, entered into a Disposition and Development Agreement with City Parkway V, Inc. on March 19, 2008, which was amended on February 3, 2010. The terms of the agreement require the developer to make a presentation to City Council if they intend to exercise their Extension Options.

RECOMMENDATION:
Report only, no action required.

BACKUP DOCUMENTATION:
Site Map

Minutes:
No motion required. A report was given.

BILL ARENT, Director of Economic and Urban Development, stated this matter involves a follow-up report, as part of the amendment last year to the agreement entered into in 3/2008 with Palmer City-Core. The amendment made to the agreement last year allowed two 1-year extensions in consideration of the anemic economy.

RICK KAUFMAN, President of City-Core Development, the managing member of City-Core Hospitality, which is the managing member of Palmer City-Core Union Park Hotel, LLC, reported on the subject matter, except the condominium market, as the market for new, for-sale high-rise condominiums is perhaps non-existent, even though the interest rates are low. Consequently, the Palmer group no longer intends to offer a condominium product as part of its hotel.

The national market is experiencing fragmented failures in some markets and in some areas of stabilization. Many hotels throughout the country are facing foreclosure due to the loans taken to renovate properties before the economic crisis.

In comparing the 2009 to the 2010 Las Vegas market, visitor volume increased 2.7 percent, with the largest gains made in the budget and mid-market levels of travel. Although new room inventory was added, significant market was lost on the low-end transient market level. City-wide occupancy dropped 1.1 percent and was complimented by a 2 percent increase in ADR (American Depository Receipt), which grew just 98 cents in 2010. This represents a 29 percent decrease from 2007, leaving the ADR at under $94 a night. All segments struggle to maintain ADR, which is somewhat skewed because of resort-fees.

Las Vegas experienced a 14 % decrease in conventions and meetings held. This is a major concern and a key indicator that the luxury travel segment has not recovered. It is believed that occupancy has bottomed in the Las Vegas market. Room rates also remained flat from 2009 to 2010, and there is a lack of discretionary spending by Las Vegas visitors.

Banks are starting to cautiously lend money again, but not for the construction of new hotels in Las Vegas, and probably will continue this trend until the economy improves. Yet construction prices have not fallen drastically.

In summary, the 2011 outlook for the Las Vegas luxury market is that the convention and meeting market will be stronger, that occupancy levels will grow primarily and room rates will follow slowly and, if the overall economy improves, the FIT (fully independent traveler) and RevPAR (revenue per available room) will increase at a higher rate.

Regarding the property on Site G in Symphony Park, MR. KAUFMAN indicated that although the Palmer group would like to start construction as soon as possible, the hotel and economic situation needs to improve before that can happen.

COUNCILWOMAN TARKANIAN requested a copy of the report be sent to her.

COUNCILMAN WOLFSON inferred from the presentation that Las Vegas will recover slowly.