



Las Vegas

Agenda Item No.: 3.

**AGENDA SUMMARY PAGE
SPECIAL JOINT CITY COUNCIL AND
REDEVELOPMENT AGENCY MEETING OF: DECEMBER 2, 2009**

**DEPARTMENT: CITY MANAGER
DIRECTOR: ELIZABETH N. FRETWELL**

☐ Consent ☒ Discussion

**SUBJECT:
RESOLUTIONS:**

R-23-2009 - Discussion and possible action regarding a City of Las Vegas Resolution consenting to the undertaking of the City of Las Vegas Redevelopment Agency (RDA) regarding the Owner Participation Agreement between the RDA and LiveWork, LLC, FC Vegas 20, LLC, and FC Vegas 29, LLC for the future development of The Block Project, a mixed-use office and retail complex of buildings on a 3-block assemblage between Lewis and Garces Avenues and Main Street and Casino Center Boulevard - Ward 3 (Reese) [NOTE: This is related to Item 4 (RA-19-2009)]

Fiscal Impact

☐

No Impact

☐ **Augmentation Required**

☐

Budget Funds Available

Amount:

Funding Source:

Dept./Division:

PURPOSE/BACKGROUND:

Forest City approached the City of Las Vegas Redevelopment Agency (RDA) to discuss and negotiate an Owner Participation Agreement for the RDA to provide tax increment financing on the project known as The Block Project. The tax increment financing would be used for public improvements related to the project.

RECOMMENDATION:

Approval

BACKUP DOCUMENTATION:

1. Agenda Memo (APN List)
2. Resolution No. R-83-2009
3. Site Map
4. Submitted at Meeting Certificate Purchase Agreement, Lease Purchase Agreement and Indenture of Trust by Staff, The Cordish Company Letter by Councilman Reese and 416 Support Letters by Tom Morley, Laborers Local 872, for Items 3-8
5. Submitted after Meeting PowerPoint Presentation by Staff

Motion made by GARY REESE to Approve

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Passed For: 5; Against: 1; Abstain: 1; Did Not Vote: 0; Excused: 0

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

NOTE: COUNCILMAN ROSS disclosed that he would be abstaining on Items 3 through 8 as he is the Secretary-Treasurer of the Southern Nevada Building and Construction Trades Council, which is currently in negotiations with Forest City to secure union jobs for union members on this project.

Minutes:

All discussion pertaining to Item 50, Bill No. 2009-50, on the regular City Council meeting of 12/2/2009 and Items 3-8 on the Special Joint City Council and Redevelopment Agency meeting of 12/2/2009 took place concurrently and is included in both meetings as part of the final minutes.

MAYOR GOODMAN read City Council Item 50 and presented it to City Council and Redevelopment Agency Items 3-8 and declared the Public Hearing open for all items.

CHIEF DEPUTY CITY ATTORNEY STEPHEN STEED explained that this Bill was passed directly from its introduction at the 11/18/2009 Council meeting to consideration by the Council at this meeting without going to the Recommending Committee meeting. He asked that any reference to that language be removed in a first amendment, and that the public hearing be held at this meeting.

MARK VINCENT, Director of Finance and Business Services, explained that the proposed transactions were contingent upon the ability to sell Certificates of Participation (COPs) bonds. He informed the Council that the sale was extremely successful, most likely due to the Build America Bonds, with the result being three bases higher than originally thought. As a result, the City will be essentially paying general obligation bond rates on a certificate-of-participation-purchase deal. MAYOR GOODMAN replied that the response is extraordinary, given the economic challenges, and reflects the way people think as it relates to Southern Nevada.

MR. VINCENT displayed copies of the COPs Notes Certificate Purchase Agreement, the Lease Purchase Agreement and the Indenture of Trust Agreement which are made a part of the minutes.

COUNCILWOMAN TARKANIAN asked MR. VINCENT to briefly explain how the City of Las Vegas, in comparison to other local governments, is managing its money. MR. VINCENT explained that the basic General Obligation Bonds rate is AA, which is a fairly high investment rate. These bonds are the cheapest bonds that can be sold, pledging the full faith and credit of the City, meaning the City would use whatever means available to repay those bonds, including raising property tax rates if necessary. MR. VINCENT stated that Certificates of Participation were sold that included a non-appropriation clause where the City cannot be forced by the bond holders to raise property tax rates to pay those bonds. Should the economic situation worsen to

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the point of obligating the City to declare bankruptcy, it would be entirely legal to walk away from that bond obligation; however, MR. VINCENT emphasized that that is not the intent of the City.

COUNCILWOMAN TARKANIAN remarked that the City of Las Vegas also ranks well as far as the percentage of use of the monies. MR. VINCENT agreed and stated that in looking at the debt per capita, the City ranks the lowest or the second lowest in the State of Nevada.

BILL ARENT, Director of the Office of Business Development, narrated a PowerPoint presentation to update the Councilmembers on this matter. He summarized that building plans for City Hall were approved by the reviewing agencies within the City, as well as the utility companies, and is essentially permit-ready and prepared to move forward, subject to the Council's vote. If approved, MR. ARENT stated that the City could proceed with closing on the financing and he estimated construction could be underway at the beginning of 2010.

MR. ARENT explained that the parking garage for the City Hall could be financed separately, using medium term obligation, it has already been sold. The design process is near completion and would mirror the construction of the City Hall. To ensure that the project is built on time and on budget, the City secured a qualified maximum price. Referring to the PowerPoint, he provided information on the funding/budget recap, noting that the total of funding sources exceeds the estimated total project cost, resulting in a surplus of \$10.8 million. MR. ARENT recommended the budget savings be held in reserve for the future. He commended Whiting Turner and Forest City for working on behalf of the City to keep the project at a reasonable cost.

MR. ARENT referred to the Master Development Agreement previously approved by the City Council, which established the framework for the City Hall development agreement, the lease/purchase agreement, the exchange and P-Q development agreement and the owner participation agreement. He noted that the City has no advance cash investment on the private development; the private development and private equity and debt will make those payments.

MR. VINCENT explained that when the process started over a year ago, the City experienced one of the worst-case scenarios relating to the upper limit of rates of 7.5 percent and assumed that for a seven-year period, the City could issue up to \$267 million dollars worth of debt. Today, the City is contemplating issuing \$185 million worth of debt. MR. VINCENT spoke of the General Obligation Revenue Bonds initially being the cheapest bonds, before Build America Bonds were made available. He acknowledged that this has been a very difficult process, but the key to making this happen was enlisting the help of a team of underwriters, attorneys, bond counsel and financial advisors.

MR. VINCENT briefly described various funding options and stated that supplemental funding had been considered to reduce payments to \$2 million a year; but it was determined that that would not be cost worthy. Referring to the PowerPoint, he went over corrections needing to be made and briefly described the pros and cons as listed on the Option Selected COPs/BABs slide.

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CHIEF URBAN REDEVELOPMENT OFFICER SCOTT ADAMS, referring to the Risk Analysis slide, addressed the repeated query on what would happen if Forest City were to withdraw from the deal. The contract with Forest City is assignable; therefore, the City would step in and continue to build City Hall as if Forest City were still involved.

Another concern has been the instability of land values, so to address this concern, the City required the swap to occur up front. With the closing and completion of City Hall, sites would be exchanged. This guarantees the equity from Parcel P-Q against the City Hall site and further guarantees the City would receive a \$7 million difference in value. MR. ADAMS stated that in the event there is a problem, there are long-term leases to back up the swap. He emphasized that the City Council, as a party to the transaction, has the power to oversee all land-use control changes on Parcel P-Q.

With regard to the financing, it was structured to provide from four to seven years after the closing of COPs to allow for an economic recovery before realizing the affect of full payments on this transaction. MR. ADAMS pointed out that there is the risk of pledging future General Fund revenues; however, there is a Redevelopment Agency (RA) Interlocal Agreement to ensure that as the downtown redevelopment program finishes and creates new tax increment financing (TIF) revenues, the Redevelopment Agency will be able to pick up more of the lease payments. He remarked that the probability of that occurring is very high, given the continued success and momentum of redevelopment in the downtown area.

MAYOR GOODMAN asked COUNCILMAN REESE to read a letter by PORT TELLES, Development Director of The Cordish Company, that had been sent to COUNCILMAN ANTHONY, a copy of which is made a part of the backup. In response to the question posed to MR. TELLES as to how important is it to get the present City Hall site for the development of the arena and entertainment center downtown, MR. TELLES states in the letter it would be prudent to expedite that portion of the feasibility analysis that recommends the removal of the current City Hall building to make the site available for the arena to augment The Cordish Company's involvement in the full build-out of the development.

As CHIEF URBAN REDEVELOPMENT OFFICER ADAMS continued, he mentioned that at the time the land swap was being considered, staff looked at the prospect of expanding the existing City Hall in order to maximize the City's real estate assets. He emphasized that the project extends beyond just a new City Hall because it entails a new redevelopment program for downtown. By building a new City Hall at a new location, it would serve as a catalyst for the five blocks of the LiveWork Las Vegas development planned by Forest City.

In closing, CHIEF URBAN REDEVELOPMENT OFFICER ADAMS provided a brief description of the Items 3-8 on the Special Joint City Council and Redevelopment Agency agenda and Item 50 on the City Council agenda, referred to as the COPs ordinance.

MAYOR GOODMAN stated that this transaction, if approved, will be the keystone to a new downtown, in conjunction with what has already been developed on the west side of the railroad tracks at Symphony Park. The Mayor emphasized the importance of approving this undertaking

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as it will generate \$4 billion worth of construction in the downtown and create over 13,000 jobs. MAYOR GOODMAN announced that, if approved, construction of the new City Hall will start in 1/2010.

MAYOR GOODMAN introduced LISA CLARK, a young woman who had coffee with the Mayor, that shared with him that her husband was in the building trade and was soon to be laid off from his job because the City Centre project was complete. She agonized at the prospect of her husband being without a job and worried about providing for the needs of her family. MS. CLARK implored the Council to approve this undertaking as it would have a positive effect not only for her family, but also for others who are in the same situation. MAYOR GOODMAN understood and stated that the bottom line is to preserve and protect the public good.

COUNCILMAN REESE stated that when this process started, many people voiced their concerns. Members of the local unions and trades came forward and expressed support because they realized how important this is and how this would benefit them with regard to job opportunities. COUNCILMAN REESE stated that it is equally important for those citizens to know that each member of the Council supports them and the project.

MAYOR GOODMAN mentioned that there were many stakeholders in the audience that are in support of this project.

COUNCILWOMAN TARKANIAN acknowledged that this project will create much needed jobs. With regard to labor contracts, she emphasized that it is important that local workers are hired for the jobs that are created by these transactions as the City is doing this primarily for the residents of the City of Las Vegas.

She also asked MR. VINCENT to clarify that if any monies are to be distributed from the General Fund, approval by the Council would be required first. MR. VINCENT replied that the project is fully funded and, with the Certificates of Participation, an item would be placed on the agenda for approval to fund the annual lease payments. He added that much has gone into budgeting for this project as conservatively as possible, so the deal was structured so that there would be three years of capitalized interest and four years of interest only, presuming that during that period of time, at least one or more of the existing projects will bear fruit and produce jobs.

COUNCILMAN ANTHONY cited the reasons why he continues to oppose this matter. The new City Hall project was contemplated four years ago, when the economy was good and no one expected a recession. But taking on a debt of \$350 million for 30 years in the current state of the economy is too risky. At the time he took office, he was repeatedly told that no money would be expended from the General Fund and that redevelopment money would be used for the lease payments. However, that representation has changed, and for a period of time, money will be paid from the General Fund. He remarked that the current City Hall meets the needs and, most importantly, is paid for. With the anticipated move of the Las Vegas Metropolitan Police Department (Metro), there will be more than adequate space for employees. Everything that has been discussed and has occurred tells him that things are going to get worse. He emphasized that

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new debt should only be incurred to fund some of the critical capital projects that were postponed.

COUNCILMAN BARLOW stated that during the many neighborhood meetings in Ward 5, one of the major points discussed and shared was that the RDA would be the key component of coming up with the monies and that the General Fund would be minimally impacted. He asked for an explanation for the purpose of the service funds grant. MR. ADAMS replied that those funds are available to support the phone system, equipment for KELV, etc., and were budgeted in order to provide the same level of support for the new City Hall as has been for the existing City Hall.

COUNCILMAN BARLOW asked about the tax credits for the BABs, and MR. VINCENT, referring to a document that was not submitted, reviewed the amounts. The total of principal and interest for the combined bonds is \$481 million, minus BABs credits of \$101.5 million and minus capital interest of \$20 million for a total of net debt service of \$352 million over 30 years.

COUNCILMAN WOLFSON asked how much funding has been allocated toward capital projects over the last five to ten years. MR. VINCENT replied that approximately five percent of the General Fund over the past several years has been allocated. COUNCILMAN WOLFSON emphasized that for many years the City has been spending money to generate revenue and jobs. In closing, the Councilman stated that this project is a golden opportunity that many other cities would love to have.

COUNCILMAN BARLOW expressed his support of this project because it will have a positive domino-effect on the community and because his constituents are more concerned about job creation than anything else.

COUNCILWOMAN TARKANIAN stated that she changed her initial opposition to this project after doing the research and realizing the benefits it will bring to the community. She read a support letter from DON SNYDER, of The Smith Center for the Performing Arts, wherein he states that a new City Hall will operate more efficiently and cause a smaller carbon footprint and will create a synergy with Symphony Park that could ignite a series of development projects to serve as the cornerstone to the completion of the Council's vision for the City of Las Vegas. The Councilwoman added that the City is highly criticized for not operating like a business, but it should now be commended for acting like a business by taking a chance on its assets.

ATTORNEY CHRIS KAEMPFER appeared with DIMITRI VAZELAKIS of Forest City. ATTORNEY KAEMPFER read conditions for the unsigned labor agreement. He added that between now and 12/31/2009, Forest City and the building trades will negotiate in good faith and enter into and sign a project continuation agreement. Additionally, the project will be contracted to only union contractors, with the exception that contracts of \$50,000 or less may be contracted with minorities, disadvantaged or others who may not be union. ATTORNEY KAEMPFER remarked that the building trades enthusiastically accepted the fact that there may be non-union minority contractors working on this project. He further added that all City-contracted work

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must be exempt by law. ATTORNEY KAEMPFER strongly emphasized that Wards 1, 3 and 5 will receive, as stated in the agreement, a hiring priority for the work to be done on City Hall.

MR. VAZELAKIS stated that he has worked diligently with COUNCILMAN BARLOW on an inclusion program for minority groups in this project.

Due to the time constraints, MAYOR GOODMAN asked for those in the audience who favored the project to stand, and approximately 50 people stood in support.

COUNCILMAN REESE asked CITY ATTORNEY BRAD JERBIC to explain to the audience the reason for hurrying through the discussion portion of Item 50. CITY ATTORNEY JERBIC stated that on the advice of the bond counsel, public comment should be allowed pertaining to the ordinance.

DEAN FLETCHER, President of the International Association of Firefighters Local 1285, opposed this proposal because representations indicate that some monies will be spent from the General Fund, contrary to previous discussions. He commented on the Return on Investment Analysis conducted in 2008. MR. FLETCHER commended COUNCILMAN ANTHONY for voicing his objection to the project.

STAN WASHINGTON reminded the Council that he continues to have discussions on minority participation requirements, which previous projects have never truly considered. He noted that he too tears up when he sees the condition of West Las Vegas.

RICHARD WILLIAMS, representing the Carpenters Union, appeared in support.

TEDDY RUSSELL, Las Vegas resident, expressed his opposition.

JACK MALLORY, Painters and Allied Trades District Council 15, stated that approximately 1,300 members residing in Wards 1, 3 and 5 are currently out of work. He asked the Council to uphold its promise that when private interests fail, government will be there to help the people.

JUNE INGRAM, Charleston Neighborhood Preservation, agreed with COUNCILMAN ANTHONY and opposed this project because she believes the existing City Hall is sufficient for City operations.

TOM MORLEY, representing Laborers Local 872, was optimistic that the proposed City Hall project will create and provide jobs for the unemployed laborers that are currently out of work. MR. MORLEY submitted approximately 400 support letters.

MAYOR GOODMAN declared the Public Hearing closed for City Council Item 50 and Special Joint City Council and Redevelopment Agency Items 3-8.