City of Las Vegas

Agenda Item No.: **40.**

AGENDA SUMMARY PAGE
CITY COUNCIL MEETING OF: SEPTEMBER 3, 2014

DEPARTMENT: CITY MANAGER
DIRECTOR: ELIZABETH N. FRETWELL

☐**Consent** ☒ **Discussion**

SUBJECT:
ADMINISTRATIVE:

NOT TO BE HEARD BEFORE 10:00 A.M. - Discussion for possible action regarding the Nonbinding Term Sheet by and between the City of Las Vegas, City Parkway V, The Cordish Companies, and Findlay Sports and Entertainment, LLC, for the exclusive rights to develop parcels in Symphony Park located north of Bonneville Avenue, east of Grand Central Parkway, south of the Ogden Avenue underpass and west of the Union Pacific Railroad - Ward 5 (Barlow)

Fiscal Impact

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

☐ **Budget Funds Available**

Amount:
Funding Source:
Dept./Division:

PURPOSE/BACKGROUND:
Pursuant to the Addendum to Exclusive Negotiation Agreement and Predevelopment Schedule, this Nonbinding Term Sheet outlines the general terms, conditions, and assumptions upon which the City of Las Vegas, City Parkway V, Inc., and a newly formed entity that is indirectly owned and controlled by principals of The Cordish Companies and Findlay Sports and Entertainment, LLC, would finance and develop a new, state-of-the-art stadium designed to accommodate a Major League Soccer team.

RECOMMENDATION:
Approval. If approved, direct staff to negotiate a Master Development Agreement and related documents, as well as direct staff regarding a public outreach plan.

BACKUP DOCUMENTATION:
1. Nonbinding Term Sheet Between City of Las Vegas, City Parkway V, The Cordish Companies, and Findlay Sports and Entertainment, LLC
2. Addendum to Exclusive Negotiation Agreement and Predevelopment Schedule
3. Submitted after Final Agenda Support Letters by Jonathan P. Leleu, Seth Schorr, Irwin Molasky, Robert J. Maricich and Jonathan Jossel
4. Submitted at Meeting PowerPoint Presentation by Staff, David Abrams, Zed Smith, Port Telles, Justin Findlay, Dean House and Melissa Warren, Major League Soccer Pledge Sheet by Justin Findlay, Opposition Letter with Cover by Melissa Letourneau, Letter from Nevada Youth Soccer Association by Lisa Mayo-DeRiso and Email by Councilman Beers

Motion made by RICKI Y. BARLOW to Hold in abeyance to 10/1/2014

City of Las Vegas

Agenda

SEPTEMBER 3, 2014

Passed For: 4; Against: 3; Abstain: 0; Did Not Vote: 0; Excused: 0
RICKI Y. BARLOW, LOIS TARKANIAN, CAROLYN G. GOODMAN, STEVEN D. ROSS; (Against-BOB COFFIN, STAVROS S. ANTHONY, BOB BEERS); (Abstain-None); (Did Not Vote-None); (Excused-None)

Minutes:
MAYOR GOODMAN read the names of people who submitted speaker cards for this matter.

CITY MANAGER ELIZABETH FRETWELL indicated this agreement allows for the continued exploration of a stadium. She went over the accomplishments to date and some of the outstanding components. Since 5/2014 there has been a lot of work done among the new partners to move the agreement forward to this point. At the meeting in May, the Council discussed with The Cordish Companies the need for significant public outreach, which, in her opinion, has not been accomplished, due to the submittal deadlines for this item to make it on this agenda. She understands the goal of keeping downtown successful and safe, while supporting the casino industry; therefore, she is trying to enhance communications with affected parties. There are many details pending, but asserted that many of the significant terms of the deal had been reached. There are other issues that must be discussed, as part of this endeavor, in order to develop a connectivity plan. Significant parking will be needed; however, the impact to businesses downtown has not been addressed.

CITY MANAGER FRETWELL closed with saying that the discussion of building a professional sports stadium has been a long one, and that there are many risks involved, many of which have been mitigated. A contribution of approximately $60 million will be necessary from the developing partner, who has to be bonded. There is no property tax in the mix of financing, but it requires general obligation backed bonding. She noted that at the end of the day, this will be a community project for the community to enjoy. She asked the Council to listen to the compelling presentations and arguments, and then make a sound decision.

BILL ARENT, Director of Economic and Urban Development, DAVID ABRAMS with the Strategic Advisory Group, PORT TELLES, The Cordish Companies, JUSTIN FINDLAY and DEAN HOUSE, Findlay Sports and Entertainment, LLC, and MELISSA WARREN, Faiss Foley Warren Public Relations, shared in making a PowerPoint Presentation.

MR. ARENT presented Slides 1-12: The Project; The Project Site: Symphony Park; Stadium Funding Model: Private Funding, Public Funding; Senior Bonds, All Sources and City Risk Mitigation.

MR. ABRAMS went over his experience in the sports and entertainment business before taking over the PowerPoint Presentation and presenting Slides 13-16: Risk Mitigation; Strategic Advisory Group, Private and Public Investment Comparisons; Mitigating City Risk - MLS Financial Health and Deal Structure.

MR. ARENT interjected and noted that the City is only interested in this project with the commitment of a major league soccer team.

Regarding room tax revenues, which is a general purpose fund, CITY MANAGER FRETWELL pointed out that the City is retiring bonds this year, so that funding is not dedicated toward any ongoing operations.

On behalf of BLAKE CORDISH, who could not be present due to a medical emergency, ZETH SMITH assured the Council that The Cordish Companies is committed to this project, and he provided a brief history on the The Cordish Companies, which has been previously involved in public/private partnerships for many years, with the past ten years in sports arenas. What is exciting with Las Vegas is the tremendous opportunity with the timing and ongoing development in Symphony Park. Bringing a sports brand to downtown Las Vegas comes at the right opportunity and will be a catalyst for future development downtown and the existing entertainment venues.

MR. TELLES thanked the Mayor and Council and staff for their patience, as well as all the fans for their support. He then presented PowerPoint Slides 17-22 on Stadium Design and Impacts, Stadium Design and Planning, Urban Design and Fan Experience, State of Art Stadium, Economic Impacts (AECOM Analysis) and Total Cash Investment Analysis Public vs. Private. He noted that the newspapers have reported an inaccurate amount of funding on the part of the City, which will initially invest $14 million, with a total cash investment of $60 million and $250 million from the private sector.

In response to the question of whether a major league soccer team will work locally, MR. TELLES answered that people are responding with their support, physically and financially. He dispelled the rumor that there is an intent to build a live district and assured the Council that this development will not compete with existing development, but add to it. He asserted that there is a need for the public/private partnership because the vast majority of community assets work well as public/private partnerships, such as The Smith Center and Fremont Street Experience. He stressed that The Cordish Companies is in a race with other cities to secure a professional team. He asked the Council to send a strong message to the league by supporting this item.

MR. FINDLAY presented PowerPoint Slides 23-29 on The MLS Opportunity, The Opportunity: Major League Soccer and - Franchise Available, MLS in Las Vegas: A Huge Success (pointing out that with minimal advertising he has received 5,400 season ticket requests and 21 suite pledges, for which he submitted a list of names); Stadium Even Mix and Event Mix and Stadium Revenue.

MR. HOUSE presented PowerPoint Slide 30 and 31 on Community Benefits. He paused from the presentation and emphasized how interested Major League Soccer is in moving this project forward.

MS. WARREN covered PowerPoint Slides 32-34 on Next Steps, Project Timeline and Public Outreach Plan.

MR. ARENT resumed the PowerPoint presentation and detailed Slide 35 regarding Todays Council Action and Next Steps.

SETH SCHORR, Downtown Grand, TIMOTHY CARLTON, Carpenters Union, Local 897, RUBEN KIHUEN, Nevada State Senator, ANDRES RAMIREZ, Ramirez Group, TODD KESSLER, President of the Downtown Alliance, RICH WORTHINGTON, President of the Molasky Group Companies, TED HEARTWELL, 25-year Las Vegas resident, JESUS LOPEZ VERDUZCO, Spanish radio host, JOHN FISH, AMY FONTS, PHILLIP GARCIA, Manager of American Outlaws, ATTORNEY JON LELEU, representing World Market Center, DARREN ENNS , representing Southern Nevada Building and Construction Trades Council, and KEVIN LUNA expressed their support of this project because they believe it will bring revitalization opportunities to Las Vegas and is a great return to the City on its investment. They pointed out that a major league soccer team would be great for Las Vegas and bring a different type of entertainment for families. The forecast for future development in this community will support a soccer stadium.

IVANNA CANCELA, Political Director with the Culinary Union, Local 226, PAUL MORADKHAN, Las Vegas Chamber of Commerce, ATTORNEY JENNIFER LAZOVICH, representing the Premium Outlet Mall, ATTORNEY RUSSELL ROWE, representing Boyd Gaming, Four Queens and Fremont Street Experience, expressed concern about the impact of this project on the community, given that public dollars will be used. MR. MORADKHAN stated there are many financial details that have yet to be considered and made available to the public for transparency purposes. He suggested the City be very cautious in this endeavor. ATTORNEY LAZOVICH brought up the existing issue of insufficient parking in the downtown area and how a stadium might impact parking for downtown businesses, stressing that The Cordish Companies representatives must have discussions with all impacted businesses, not just the World Market Center. ATTORNEY ROWE indicated his clients concerns about the use of public financing for a project that is not as important as other necessary projects in the City and the exclusion of the Entertainment District. He asked that the entertainment venues be removed from the Exclusive Negotiating Agreement.

MAYOR PRO TEM CAM WALKER of Boulder City disclosed that he sits on the Las Vegas Convention and Visitors Authority, on Las Vegas Events and the Debt Management Commission and noted that he was representing himself. He pointed out that this matter concerns a non-binding agreement that sends a clear message to an entity that will be watching the Councils action. He reminded the Council that the Thomas and Mack Center greatly impacted this community, but in a positive way and has been a catalyst to the future of entertainment and events in Southern Nevada. It was the start of something the resort properties are catching up to. The Thomas and Mack Center was built on subsidies, just like Sam Boyd Stadium and the Reno Events Center. This stadium will be the same type of catalyst for the community, with partial public funding. He urged the Council not pass up the opportunity to bring professional sports to Southern Nevada.

LISA MAYO-DeRISO, Nevada Youth Soccer Association, GARY CRASHON and MICHAEL TURLEY expressed their opposition to this project due to the use of public funds that could be used to make park improvements and to provide for the homeless in the City. MS. MAYO-DeRISO added that public monies should be used to offset the increase in park fees for soccer leagues. MR. CRASHON stressed that any Council member who votes for this matter should be impeached. MR. TURLEY could not understand how the City could issue bonds when a tax increase was recently requested to fund more cops. A stadium will require public infrastructure, which will have to be paid for with taxpayer dollars. He argued that given low attendance at the UNLV football games, the numbers given to support a soccer team do not jive.

STANLEY WASHINGTON, Las Vegas resident, agreed with MR. FINDLAY that soccer is the number one sport in the world and that a major league soccer team would benefit the community, but he would like the Council to ensure employment for West Las Vegas residents who reside in Ward 5, where the stadium would reside.

MICHAEL RITNER said he is working with MR. WASHINGTON on a model for the City on sustainability and diversity and felt strongly that the students should be involved in the case studies and the virtual construction plan as is being done in Los Angeles, California, on many projects to assess risk management.

CINDY LAKE, District D candidate, MELISSA LETORNEAU, Southern Nevada Watchdogs, expressed their support of the stadium, but without the use of public dollars; it should be financed solely by the private sector.

COUNCILMAN COFFIN discussed with MR. TELLES that this ENA was entered into in early 2011 and the Mayor at that time was more interested in bringing a National Basketball Association team, but there has been a sparked interest in soccer recently. When the ENA was entered into, The Cordish Companies looked at financing options and the public/private model seems more successful and common for these types of ventures. A pro forma has not been done on ticket prices or on lower ticket sales.

MR. ABRAMS interjected that the question on private versus public investment is a question that frequently comes up in these types of ventures. He pointed out that in the 70's almost all stadiums were financed with general obligation debt. In the 80's, with the advent of premium seating, the cost rose to a more dramatic level and cost could not be borne solely by public dollars. In the 90's, with media attention, the size of the structures increased, so the cost had to be shouldered by both private/public investments. In the 2000s, with entertainment venues, the cost has become increasingly large to be able to construct a stadium as a single venture. While soccer does not have the same costs as a National Football League, it is still quite expensive.

COUNCILMAN COFFIN asked if this proposal could go forward with the City merely providing the land. MR. TELLES indicated that MLS teams make an average of anywhere from losing to making $2 million a year in revenue. So the investment in the team is being bought with equity, with the understanding that the team is not going to make much money. If the stadium would have to be privately financed, the financial model does not make sense. In looking across the nation at rents teams pay, there is no question that this proposal includes a high rent for Findlay, in fact, the highest rent payer, at approximately a $3.5 million range, unlike other stadium renters that pay $300,000 to $600,000 a year.

COUNCILMAN COFFIN asked if financing models for other privately-financed soccer stadiums throughout California have been looked at. MR. ABRAMS stated that California is a different model in its ability to put the money forward to pay for professional sports. COUNCILMAN COFFIN stated that a stadium is being built in the Sacramento area without public financing. MR. TELLES countered that the citys contribution in that case is anticipated at $240 million toward infrastructure improvements for the Kings stadium.

COUNCILWOMAN TARKANIAN commended staff for its hard work on this matter. She feels that Findlay being a part of this venture is an asset, because it is a local company. While the City took a big risk on the Smith Center, it has been a good investment. However, she noted her disappointment in The Cordish Companies for not doing sufficient public outreach, and, as an elected official, she must see strong support from the public, and they must have access to information that has not been made available. There is a need for full transparency in this matter as originally represented to the public.

Given the number of briefings and all the information he has received, COUNCILMAN ANTHONY said that when he was first elected, he was opposed because his constituency was against publicly funding an arena. Nevertheless, he supported entering into an ENA with The Cordish Companies, and then with Findlay. Even though this is not binding, he has received overwhelming responses against a publicly funded arena; his constituents feel it should be fully funded by the private industry.

COUNCILMAN ROSS said these discussions remind him of the discussions made at the old city hall. He went to the national little league championships, where naysayers acquired a different attitude after the stadium was built in Portland, Oregon. He reminded everyone that this pertains to a non-binding agreement. He hopes that in the next three months The Cordish Companies and Findlay Sports and Entertainment can demonstrate the public's support for this project. This is a huge opportunity for the entire Southern Nevada Region. He asked for support, in order to have the many outstanding discussions, including with the downtown stakeholders, to make this a reality. COUNCILMAN ROSS read a letter he submitted as backup from Irwin Molasky as well as others in support.

At COUNCILMAN ROSSS request, MR. HOUSE briefly went over his experience in building stadiums, such as the one in Salt Lake City, Utah, and noted that the community owns the athletic teams. He feels this is a good use of public dollars, given that the asset will be owned by the constituents. The league and the sport is viable.

COUNCILMAN ROSS pointed out how the community came together in supporting the Mountain Ridge Little League baseball team, and he believes the same will happen with a soccer team. This is a case in which government needs to invest in order to bring opportunities and jobs for locals.

COUNCILMAN ROSS discussed with CITY MANAGER FRETWELL that there is a risk, but 1.5 times coverage and outside reserves will be required as part of the deal in order to deal with any shortfall; this is an essential part of the model. COUNCILMAN ROSS pointed out that Findlay is also taking a big risk on its investment; $146 million, so the City would not just hand over money. He enumerated some of the benefits that would be brought to the community in revenue, construction jobs, room rentals, etc.

COUNCILMAN BEERS submitted an email he read from his constituent GUY HOBBS, Hobbs, Ong and Associates, regarding the lack of a detailed pro forma for this project in order to thoroughly analyze the financing for this project. The Councilman noted that the addendum that was approved in May required a number of documents with a term sheet. He feels that the main problem in this matter is the inability to meet the deadlines outlined. However cool a soccer team may be, it does not spark economic development. Investing in this through bonds would be a big cost, as the City still carries about a $2 million yearly expense for parcels in the 61 acres. He emphasized that there is an interested party who has publicly claimed to have the wherewithal to build an arena, and it would probably be the fastest way to bring an MLS team downtown. For these reasons, he could not support this matter.

COUNCILMAN ROSS asked CITY MANAGER FRETWELL what would happen should this endeavor fail within five years and the team leaves. CITY MANAGER FRETWELL indicated that the worse-case scenario would be the City being left with an annual $8 million debt service, which is approximately two percent of the General Fund, and $3 million ideally covered with proceeds. Should the team and stadium fail, the City would have to tap into outside reserves. Staffs intentions include requiring terms for relocation, and other protections. MR. ABRAMS interjected that teams have failed, but more than likely the league would sell the team. So while the deal includes financial controls into the bond structure to allow time to resolve any mitigating issues, there are also scenarios where there would be revenue-producing venues in the stadium.

COUNCILMAN ROSS discussed with CITY MANAGER FRETWELL that should this item not go forward, the relationship with The Cordish Companies terminates, and Forest City would have six months to propose a development plan for this site. The window of opportunity for this MLS team would be severely impacted, and it would be difficult to open a stadium by the desired date with a new player.

MR. FINDLAY clarified that Findlay Entertainment would be out of the equation with another developer should this matter be denied. He noted that other companies have expressed interest but have not had serious talks with interested parties. He affirmed that extensive public outreach will be done because he wants the community to support his substantial investment.

COUNCILMAN ROSS suggested holding this matter for two weeks to get the feel of the constituency.

MAYOR GOODMAN asked CITY MANAGER FRETWELL if she could work with MS. WARREN on a sufficient deal that can be voted on by December. CITY MANAGER FRETWELL indicated that staff will do what is necessary; however, she suggested monthly formal presentations to finalize the details because a general deal is not sufficient. If the vote at this meeting is to continue to pursue a development agreement, the major framework is done, and further communication will center on the terms in order to be able to move forward. The same type of energy that was dedicated to the construction of a new city hall will be devoted to this $200 million deal. She assured the Council that staff will be able to deal with this heavy lift. She thanked all those involved for their hard work and emphasized that it takes an investment to bring growth and revenue.

MAYOR GOODMAN said she does not want to pass up this opportunity. This term agreement has been reached and it needs the next piece. This is the biggest lift for the Hispanic community and the entire community. The Mayor's Cup has drawn millions, and she believes a professional team will draw even more people to the stadium. Las Vegas is a place of reinvention and is ever changing. It is recovering from a huge recession, and this is an opportunity for more growth downtown and to fill hotel rooms. She hopes that staff will be instructed to go forward with the development agreement.

COUNCILMAN BARLOW thanked everyone for their comments. Reflecting on what makes a great city, he opened the Citys website and read the Citys vision and realized that the common denominator of world class cities is entertainment, such as the Smith Center in the downtown area. The excitement of an arena downtown has caused someone to purchase the Moulin Rouge; all of it tying to major development and risk-taking. Decisions in matters such as this one are not easy for the Council, as it is elected to serve the citizens of the City of Las Vegas, but there would be no risk in voting yes today. It would only allow time to move forward to the December date with all the information necessary to make an informed decision. Understanding all the concerns, he asked his colleagues to support him, at least until all the information is acquired. He made a motion for approval, with four directions to staff.

COUNCILWOMAN TARKANIAN stated that she could not move forward until her constituents had the opportunity to provide input. She was hoping this matter would be held in abeyance. COUNCILMAN BARLOW understood her concern. MAYOR GOODMAN discussed with CITY ATTORNEY BRAD JERBIC that holding this matter would not affect anything. COUNCILMAN BARLOW withdrew his initial motion for approval.

MAYOR GOODMAN asked if staff if two weeks would be sufficient time. CITY MANAGER FRETWELL recommended a one-month delay in order to give staff more time to negotiate and afford time for community meetings. Staff will have the terms sheet at the 10/1/2014 Council meeting.

COUNCILMAN COFFIN said that according to the terms, the agreement expired 9/1/2014; therefore, he asked why another month should be given. CITY ATTORNEY JERBIC advised that there are three sections on Page 3 of the Addendum that govern what can be done, and he read those sections but noted that the agreement is still active and this matter could be held until 10/1/2014.

COUNCILMAN COFFIN stated that he has heard great arguments for why this matter should be researched further. He noted that in January he voted against The Cordish Companies because he did not feel it delivered what it promised. Given that delays continue, he could not support the motion.

MR. ABRAMS commented that Sacramento does not have a stadium for an MLS team yet, and his research shows that all recent construction of stadiums has been done with some public investment. He pointed out that the league votes like the Council and a yes vote of the Council will send a positive message. COUNCILMAN COFFIN said he still did not regard this business venture as being good for the constituency.
COUNCILMAN BEERS remarked that he was voting against holding this matter any longer because there is someone that has been working with MLS and has the money to invest. He believes the opportunity to secure an MLS team lies with another company.

MAYOR GOODMAN asked if a 30-day delay will put a stop. MR. HOUSE indicated that it is critical to bring the development agreement at the same time. He offered to have a representative of the League appear before the Council.

COUNCILMAN BARLOW reiterated his desire to hold this matter in order to allow COUNCILWOMAN TARKANIAN the opportunity to hold informational meetings with her constituents, as well as the opportunity for him to meet with certain people and gather more information.

MAYOR GOODMAN thanked all those present who participated.

RECESS: 12:46 - 1:05 P.M.