



Las Vegas

Agenda Item No.: 51.

AGENDA SUMMARY PAGE
CITY COUNCIL MEETING OF: MARCH 18, 2015

DEPARTMENT: CITY MANAGER
DIRECTOR: ELIZABETH FRETWELL

Consent Discussion

SUBJECT:
ADMINISTRATIVE:

Report regarding a summary of public investment on public-private partnerships in the City of Las Vegas and the Redevelopment Area - All Ward

Fiscal Impact

- No Impact Augmentation Required
- Budget Funds Available

Amount:
Funding Source:
Dept./Division:

PURPOSE/BACKGROUND:

At the Las Vegas City Council meeting held on February 18, 2015, Councilman Coffin requested that staff present a report of public-private partnerships and public investment made for each of these partnerships. The report summarizes significant City investment in public-private partnerships for projects in the city of Las Vegas and the Redevelopment Area.

RECOMMENDATION:

Report only; no action required

BACKUP DOCUMENTATION:

Submitted at Meeting - PowerPoint Presentation by Staff for Items 51 and 52

Minutes:

CITY MANAGER ELIZABETH FRETWELL suggested Item 52 be heard at the same time as Item 51 since both items would be covered in one presentation.

DEPUTY CITY MANAGER SCOTT ADAMS announced that the PowerPoint presentation, which only includes summary information, and the backup documentation that was provided to the Council was consolidated into one electronic pdf file so that the public can request this through the City Managers Office or the Communications Department.

DEPUTY CITY MANAGER ADAMS stated that two sets of information requested at a prior Council meeting included a detailed accounting of everything spent on the Cordish project since its inception date, November 4, 2009, and a broader, expanded amount for similar public/private partnerships.

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DEPUTY CITY MANAGER ADAMS presented the report contents via a PowerPoint presentation, which is attached as backup. Footnotes as to what information was excluded and included when compiling the report were stated.

He noted that 86 projects were identified from 1986 to November 2009 that were characterized as public/private partnerships. The project value, public participation and private participation amounts were listed. Although past discussion related to downtown projects, it was believed in order for the public to get an accurate picture of all public/private partnerships, all projects were included. The four projects that were identified outside downtown that were undertaken with similar type agreements that provided for both public/private partnerships were listed with the different categories of funding broken out. A slide listing other major partnerships downtown from November 4, 2009 to present were listed with the same funding categories identified.

COUNCILMAN ANTHONY asked DEPUTY CITY MANAGER ADAMS to explain how the bond for the new City Hall was going to be repaid when originally approved versus how it is actually being repaid today. DEPUTY CITY MANAGER ADAMS indicated that discussions regarding building a stadium and trading property began in 2006/2007 but culminated in 2009 with the execution of agreements. This involved a relationship with Forrest City as the City swapped land that it owned at Symphony Park for the land that sits under City Hall. The City also entered into a Development Agreement with Forrest City to actually build a building for the City. They hired a contractor under a construction manager at risk contract to build it. Through that process, the City was able to get the building built on schedule and dramatically under budget. Considerable dollars were returned back into the City that were originally budgeted for the project. This project was funded with bonds.

CITY MANAGER FRETWELL stated that when the City Hall transaction was made, there was direction from the Council at that time that the City would place any revenues received as a result of that sale in its debt service account to be used to service the debt against the new City Hall building, and that is actually happening.

COUNCILMAN ANTHONY clarified his question. The discussion he remembers was that the funds to repay the bonds were supposed to come out of the Redevelopment Agency (RDA), not the general fund, and today the bonds are being repaid with the general fund. CITY MANAGER FRETWELL indicated that she would have to review the record but there is no way the RDA could have taken on repaying the bonds for City Hall. There was a nexus with the proceeds of the sale transaction and ensuring those proceeds were dedicated to defray the new building costs versus getting used for another new project.

COUNCILMAN ANTHONY reiterated that his recollection is that there would be no tax dollars used to repay the bonds; it would be repaid with tourism improvement dollars and redevelopment dollars. MR. ARENT echoed CITY MANAGER FRETWELLS remarks. The intent was that whatever proceeds were generated from the sale of the former City Hall, the former City Hall garage, the land across the street, as well as any taxes generated from that building since it went from tax-exempt to taxable would be used to help pay for the new City Hall. He does not believe

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a representation was made that those monies would fund the new City Hall 100 percent. The taxes coming in from Zappos, even though coming into the RDA, are being shifted to help with the debt repayment.

VENETTA APPELYARD, Finance Director, stated that the interest payments received from Resort Gaming Group (RGG) and property taxes netting approximately \$427,000 per year are being put in the debt service fund to help defray the cost of the debt service. The City is also receiving about \$2 million per year in BABs (Build America Bonds) credits which helps in reducing the debt service. The difference is being paid with general fund monies.

COUNCILMAN ANTHONY expressed that he did not think that the agreement the City entered into with Forest City/LiveWork OPA should be included as development has not yet occurred. DEPUTY CITY MANAGER ADAMS stated that this was included to show that an agreement existed, just like what the City previously had with World Market Center, the Premium Outlet Mall, the IRS Building and many others. CITY MANAGER FRETWELL clarified that no value was attributed to this line item, so it did not impact the numbers on the slide.

At the request of COUNCILMAN ANTHONY, DEPUTY CITY MANAGER ADAMS explained the City's involvement with the Metroplex. DEPUTY CITY MANAGER ADAMS stated that the City has entered into a number of agreements through the years where the City has had partnerships where private entities and nonprofits have built facilities on property owned by the City under a lease to those entities and staff attempted to identify as many of those as possible. For the purposes of disclosure, he stated that he was not sure all were identified, as the City owns a lot of land and has entered into many partnership agreements with different entities.

MR. ARENT presented information to address COUNCILMAN ANTHONY'S request to provide a full accounting of expenses for the arena and stadium under partnership agreements with The Cordish Companies and Findlay Sports and Entertainment. He provided some background information and context for the public and for those Council members that were not sitting on the Council when the original agreements were completed.

He noted that the relationship with The Cordish Companies formally started in November 2009, when they were trying to build an arena and planned retail at the former City Hall campus. The City was under a binding contract with The Cordish Companies when it was approached by Zappos thru an intermediary, Andrew Donner of RGG, expressing interest in the former City Hall campus. The City saw this as an incredible opportunity to change all of downtown, so it asked The Cordish Companies if they would move to Symphony Park. Since the Symphony Park location included less acreage and did not have the potential for gaming, as did the former City Hall site, there was a value difference.

Through a lot of discussions, City staff and the City Attorneys office convinced The Cordish Companies to move to Symphony Park and offered consideration of a Planning Fund to address not only the additional expenses incurred in figuring out how to build their proposed project on a new site but also in consideration for the value difference.

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The Council approved a Planning Fund at that time to fund The Cordish Companies \$2.4 million; half to be paid monthly over a two-year period, and the remaining half was to go into the project, or if parted ways, that balance would be paid to The Cordish Companies. An initial feasibility fund in the amount of \$150,000 was also approved to help with the early design work.

In December 2010, the City negotiated with RGG an upfront payment of \$3 million cash, with the thought process being that that \$3 million could be used as an offset for the payment payable to The Cordish Companies. Council instead directed that the money be used towards the new City Hall.

A slide was presented that included the Cordish Planning Fund, which has been paid out. The City's costs associated with consultants, appraisals and travel were listed, as was the Planning Fund credit which offset some of these costs. MR. ARENT provided the breakdown of monies paid to each of the various consultants. Except for the invoices that are just now being processed due to the expiration of the agreement with Cordish/Findlay, the monies listed have been paid out. Expenses related to the development of a Tourism Improvement District (TID) were presented. Although the stadium project is gone, a TID is still being pursued to fund a garage to benefit downtown and Symphony Park. Economic and Urban Development staff time related to the stadium was tracked over the last 18 months, and the salary and benefit amounts for that time were presented. This does not include staff time from ancillary departments. Total costs of both the stadium and TID is \$3,132,876.

COUNCILMAN ANTHONY thanked MR. ARENT, stating that it was important for the public to see what was spent on this project. He commented that it appeared the only people that won were the consultants. He thinks the public should be pretty disappointed that \$3.1 million was spent on something that the City has nothing to show for. MAYOR GOODMAN objected stating COUNCILMAN ANTHONY was campaigning and the accuracy is that there are many pluses. The benefit and economic boom in filling City Hall is tremendous. She asked COUNCILMAN ANTHONY to stay clear to the report and not tell the public that the City has lost money. COUNCILMAN ANTHONY asked MR. ARENT if the City had anything as a result of spending \$3.1 million.

MR. ARENT replied that the City has TID work which is still moving forward which would result in a 1,200-space parking garage if approved. He noted that with any project that is negotiated, there are out-of-pocket expenses. The City incurred the Planning Fund expense when Zappos approached the City.

MAYOR GOODMAN stated that it is important to recognize that the \$3.1 million was basically an investment to further redevelopment and bring in new business. MR. ARENT pointed out that there is some inherent value in the \$36,000 traffic study that was done, as it not only looked at the impact the stadium would have but also the traffic impact from all upcoming development. He also noted that there is value in the consulting expenses that were not stadium specific.

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MAYOR GOODMAN asked if there was a number associated with the redevelopment and economic boost that has occurred. MR. ARENT stated that that information had not been compiled, as staff tried to adhere to the specific request of COUNCILMAN ANTHONY. He did note that in speaking recently with TODD KESSLER, that they had hired a third-party consultant to look at the economic impact and some of the spin-off benefits of the Downtown Project. He could ask MR. KESSLER or someone from the Downtown Project to report on that impact if desired. MAYOR GOODMAN indicated that was not necessary, as one can tell what the economic benefit has been.

COUNCILMAN BARLOW agreed stating that what has transpired downtown is evident. Dollars need to be spent to revitalize downtown. In order to move the City forward, private partnerships need to be developed and tax dollars spent on behalf of all of the residents. He was elected to bring economic development to the Ward in which he represents.

If the monies spent to date had not been spent, the current picture of downtown would be very different. And that support needs to continue to further growth and finish the vision for the area. The City should not be careless in its approach but that is why money is spent to hire the professionals to help guide the process so that when spending tax dollars, it is based on research.

There is still a lot of work to be done, including building an infrastructure so that all roads lead to downtown. It is a shared responsibility between the government and the private sector. COUNCILMAN BARLOW stated that he is not here for political play but is passionate about the Ward he represents and wants to be known for bringing economic development into an area where it did not exist before. There cannot be an imbalance between Wards; the success of one Ward is vital to the success of the other Wards.

COUNCILMAN COFFIN stated that without the public/private partnerships, the city of Las Vegas may be on the same path as to what occurred in Detroit. Years ago, the focus moved away from downtown due to the more affordable land outside of downtown. Based on the information presented, he does not believe any money was wasted.

In response to COUNCILMAN COFFIN'S inquiry if the City had ever given away title to land, MR. ARENT explained that land has frequently been conveyed at no cost as an incentive to spur private investment and development. COUNCILMAN COFFIN asked MR. ARENT if anyone would have invested their own money in the oil-soaked railroad property. MR. ARENT stated that the property sat vacant and dormant for several decades, so history would suggest that no one would. There were private groups that tried to acquire the land directly from the railroad on their own but no one ever succeeded. It would be unusual for someone to do it completely on their own given the level of investment required to clean up the site and install the infrastructure, roads and utilities.

COUNCILMAN COFFIN commented that the means of reaching the goals has been forgotten. The city is beginning to prosper because of the investment it has been willing to make. He is sad that this has become a political issue but he can separate issues from politics.

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COUNCILMAN ANTHONY thanked CITY MANAGER FRETWELL, DEPUTY CITY MANAGER ADAMS and MR. ARENT, as they provided exactly what he wanted. He did not request this information to start an argument but rather to be transparent and let the people know what was spent on the stadium. MAYOR GOODMAN said this statement is what she was looking for instead of telling the public that the stadium was a waste of money.

COUNCILMAN ROSS shares COUNCILMEN BARLOWS and COFFINS passion about what has been done, as he remembers years of trying to get things moving in the right direction. The previous Council made some difficult choices and demonstrated bold leadership. COUNCILMAN ROSS noted that the Downtown Project has infused \$350 million into downtown, but that was not included in the presentation, as they did not ask the City for help. CITY MANAGER FRETWELL confirmed her understanding that Downtown Project is amongst the top 15 taxpayers in downtown. MR. ARENT said the RDA tries to attract \$10 in private investment for every \$1 spent, which has been accomplished over past years. This is aggressive since usually the goal is to try to attract \$5 for every \$1 spent.

COUNCILMAN ROSS expressed how important it was to recognize that if the City had not invested over the years, there would not have been a \$2.5 billion investment from the private sector. MR. ARENT said while it would be improbable that the City's investment caused 100 percent of the private investment, the facts support that if not for the City's investment, at least a substantial portion of private investment would never have occurred. It is also important to note that until the City started investing heavily in downtown through infrastructure and through public/private partnerships, the downtown hotel properties were not putting capital dollars into their property. He used the Lady Luck as an example which had been closed for years. A group came in and invested \$100 million in acquiring the property and another \$100 million in capital investment to fix the building up. It is now a performing asset and contributing to downtown. COUNCILMAN ROSS said the City has to demonstrate that type of leadership moving forward.

MR. ARENT confirmed for MAYOR GOODMAN that the City's Quick Start and Visual Improvement Programs were included in the figures presented. The report did not include those projects that were 100 percent privately funded where no partnership agreement existed with the City, such as the Downtown Project and many of the large residential projects. The picture would look significantly different if those numbers were included. MAYOR GOODMAN commented that it may be interesting to look at those numbers.

Of the \$925 million in public participation, COUNCILMAN COFFIN asked how much of that was cash out of pocket for the City. MR. ARENT said on average about \$30 million per year. DEPUTY CITY MANAGER ADAMS concurred stating it is largely a bond investment. MR. ARENT stated that the \$85 million bond issuance the RDA did in 2009 and the \$101 million in car rental taxes bonded are included in that total.

COUNCILWOMAN TARKANIAN commented that no one can dispute that tremendous improvements have been made in downtown but she feels the City made a mistake sticking with Cordish as long as it did. Her personal opinion is that that caused the City to lose some money

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and momentum. With the stadium issue dead, the City needs to focus on the next golden opportunity, which is the medical school, anticipated to bring \$1.1 billion to the economy. She believed the medical school will bring far more money and jobs to diversified workers than the stadium ever would have. MAYOR GOODMAN acknowledged that everyone is working very hard and is focused on bringing the medical school to Las Vegas.

COUNCILMAN BARLOW stated as a board, they support the medical school but implored the entire Council to look at the downtown as a global opportunity. They must not be one-sided and must keep in mind that there are going to be opportunities where there is 100 percent private investment, 100 percent public investment and a mixture of public/private investment. He will not take a cookie cutter approach but will be considering each opportunity on a case-by-case basis with the global mindset to connect all roadways that will lead into downtown to make it a truly wonderful experience.

COUNCILWOMAN TARKANIAN stated a great job has been done in downtown, but there are taxpayers in other Wards who want their problems addressed. COUNCILMAN BARLOW asked that it be looked at from the perspective of what has been done as a Council. The reason the RDA exists is for Wards 1, 3 and 5. RDA 1 started the process and then was expanded into RDA 2 after additional needs were brought forward. Support needs to continue in Wards 2, 4 and 6 but every tool available within the RDA must be utilized to revitalize the depressed areas in Wards 1, 3 and 5. The Council has to continue to ensure the core of the City, which is downtown, thrives to make for a seamless experience when moving from the interior to the exterior of the boundaries. COUNCILWOMAN TARKANIAN agrees that downtown must thrive but it is time to look at other areas.

COUNCILMAN COFFIN stated that there is a fundamental misunderstanding where RDA money comes from. It comes from a sliver of the taxes generated downtown. The majority of RDA money is spent where it is raised. COUNCILMAN BEERS respectfully disagreed with COUNCILMAN COFFIN. While property tax increment is the funding for the RDA, it is redirected from core government services throughout the valley as determined by the people expressing themselves through the legislative process.

MAYOR GOODMAN stated that this was a good report and would like to eventually see a report on the private investment.