



Las Vegas

Agenda Item No.: 6.

AGENDA SUMMARY PAGE

REDEVELOPMENT AGENCY MEETING OF: SEPTEMBER 5, 2018

DEPARTMENT: ECONOMIC AND URBAN DEVELOPMENT

DIRECTOR: WILLIAM ARENT

SUBJECT:

RA-21-2018 - Discussion for possible action regarding a Resolution consenting to the Owner Participation Agreement between the RDA and WMCV Phase 3 SPE, LLC for the development of an exposition, tradeshow, event and convention center (Project) located at 475 South Grand Central Parkway (Ward 5) parcels 139-33-611-014, -022, -023, and 139-33-511-011, -012 and -004, 139-27-110-005) utilizing the Tax Increment Financing incentive in the amount of \$30,000,000 (RDA Special Revenue Fund) - Redevelopment Area 1 - Ward 5 (Crear) [NOTE: This item is related to Council Item 60 (R-48-2018)]

Fiscal Impact

☐

No Impact

☐ **Augmentation Required**

☐

Budget Funds Available

Amount: \$30,000,000 net present value

Funding Source: RDA Special Revenue Fund

Dept./Division: Economic and Urban Development

PURPOSE/BACKGROUND:

This Project, located in front of and attached to the World Market Center (WMC) parking structure, will expand the existing World Market Center campus and provide new meeting room space for additional downtown Las Vegas conventions. The Project is required to be not less than 300,000 gross square feet, comprised of expo/convention space, and meeting space and support functions. WMC will provide funding for estimated construction costs of \$76,000,000 (not including land value of \$17,000,000), with the RDA reimbursing a portion of those costs through the Tax Increment Financing incentive. The Developer will be responsible for all costs of operations, and maintenance of the Project. The Developer will pay Nevada prevailing wage rates for construction, and will comply with the Redevelopment Agency's Employment Plan.

RECOMMENDATION:

Approval

BACKUP DOCUMENTATION:

1. Resolution No. RA-21-2018
2. Public Purpose Impact Analysis
3. Site Map
4. Submitted at Meeting - PowerPoint Presentation

Motion made by CEDRIC CREAR to Approve

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Passed For: 7; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 0

CEDRIC CREAR, MICHELE FIORE, BOB COFFIN, CAROLYN G. GOODMAN, LOIS TARKANIAN, STAVROS S. ANTHONY, STEVEN G. SEROKA; (Against-None); (Abstain-None); (Did Not Vote-None); (Excused-None)

Minutes:

BILL ARENT, Director of Economic and Urban Development, stated ATTORNEY JONATHAN LELEU and KIM RIECK, General Counsel, were appearing on behalf of the project sponsor and owner. MR. ARENT stated he was excited to present this project because it is the culmination of a lot of work, and he thanked BRENDA HUGHES, Sr. Economic Development Specialist, DEPUTY CITY ATTORNEY NICK NIARCHOS as well as MR. RIECK, MR. LELEU and ROBERT MARICICH, CEO, World Market Center (WMC).

MR. ARENT stated this project continues downtown redevelopment and plants the seed for additional buildings to be built downtown in the hospitality industry. He noted a term sheet was presented to the Redevelopment Agency (RDA) on April 4, 2018 outlining the business terms for the transaction between the RDA and WMC. Those terms have not changed, the City's participation is the same and the owner would like to move forward.

This is a critical project because downtown Las Vegas is underserved for convention and meeting space, and it is important to attract new businesses and industries. Downtown weekday occupancy is lacking due in part to not having business visitors coming to a full-service convention center. This project will not only help WMC with their core business, but it will also provide the space for year-round visitation.

MR. ARENT displayed a rendering of the future expo space which will be developed in conjunction with the existing buildings and integrated into one campus. WMC is currently moving through the entitlement process for a 315,000 square-foot project which exceeds the minimum requirement of 300,000 square feet of space as outlined in the contract.

Using the attached PowerPoint presentation, MR. ARENT pointed out the most important slide was the Expo Occupancy Performance Metrics. He reviewed statistics from the April 2018 report by Applied Analysis relating to the facility being utilized over 70 percent of the year which has the potential of being occupied 260 days per year. People predominantly coming in from out of town will have a huge economic and fiscal impact on the city and downtown.

He noted the one change with the funding model was an increase in construction costs due to the currently very active market. However, the RDA's partner is willing to provide that additional funding through its own resources. The City's participation of \$30 million through tax increment financing (TIF) notes from the RDA remains the same. When including the land being provided by WMC, this project is over \$100 million, with construction and design costs estimated at \$89 million.

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MR. ARENT reviewed the project financing which creates a zero-risk model for the RDA. He explained the RDA was not providing any funding up front for the design or construction or long-term for the operations. The mechanism for funding is through the taxes coming into the RDA directly from the property, both from the existing building and the new expo center, and then being rebated back to the developer in the form of a promissory note until \$30 million on a Net Present Value is repaid to WMC.

He thought it important to note if the project does not move forward, the RDA is not out any money. The downside of this is if taxes are lower than projected, then the RDA will pay less as the rate is capped at 82 percent. If the taxes are higher than projected, the note will be repaid faster, but either way the cap is \$30 million.

Referencing the anticipated \$97 million downtown economic impact, he noted the payback of the \$30 million will occur fairly quickly through visitor spending.

MR. ARENT named the benefits of the project which include getting a new convention center that can be used year round, the RDA is funding 28 percent or less than one-third of the project, it helps WMC which is one of the biggest businesses and the largest taxpayer in the city continue to grow, it puts construction workers to work at the State prevailing wage rate and requires through the contract following local hiring and diversity practices.

He read excerpts from the contract relating to the focus on minority-owned, women-owned and disabled-veteran owned enterprises to participate in the construction and use of the City's diverse business directory. Additionally, International Market Centers (IMC) will ensure its construction manager coordinates the job fair through the office of the Councilperson for Ward 5 which will be provided at no cost to job applicants and will provide a forum for applying and interviewing for positions on the project. The Employment Plan for the construction phase is also required because it is a large project, and they want to get as much participation as possible from interested contractors.

MR. ARENT stated what the members were considering for approval was the owner participation agreement which is the contract controlling the financing vehicle for TIF. The agreement also oversees the prevailing wage rate requirement for construction as well as the Employment Plan. He noted the developer has an aggressive timetable with construction to start in early 2019 and completion in mid-2020.

MR. RIECK, WMC, thanked the members for giving their attention to this project. He noted they are well along in the design of the project and anticipate appearing before the Planning Commission on September 11, 2018. A Request For Proposal was sent out to five contractors, a vetting session was conducted last week, and they expect to narrow it down to two or three and then go to bid. Construction should commence the first part of February 2019.

CHAIR GOODMAN asked about the number of construction jobs anticipated; MR. RIECK responded approximately 400.

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MR. LELEU referenced discussions he and the Mayor had in 2010 about the center being closed 50 weeks out of the year. Many conversations have taken place since then, they have been working on this for a very long time and are very excited about bringing the first and only convention center to the downtown area and to see what other development it will spur.

CHAIR GOODMAN also thanked KERRIE KRAMER, Fennemore Craig, stating this has been an eight-year pursuit. She asked if the use of the facility would be entirely controlled by IMC. MR. RIECK confirmed stating they have hired a former employee of the Sands Expo Center to head up their team, and that person is working with a variety of users. Twice a year during their markets, the facility will be occupied by their tenants, and the remainder of the year, it will be occupied by show organizers and others. At this point, there is a lot of interest for both conventions and corporate events.

CHAIR GOODMAN asked as the owner/operator if they would be going across the country to solicit trade and accessory shows or did they plan to wait for them to come to them. MR. RIECK stated they are doing both; they are marketing through a variety of organizations and having this hit the press has generated a lot of inquiries. CHAIR GOODMAN requested that locals receive a discount.

MR. ARENT stated their partner recognizes that community events are important, and with Cashman Center closing, they agreed to provide for nine event days during the year for nonprofit and other community groups; not consumer shows where a fee is charged, but true community events. They have already sponsored a number of events, such as the Science Festival, and staff is appreciative and grateful to their partner for that. CHAIR GOODMAN was also thankful for that because people also ask about where they can go.

MR. LELEU stated he neglected to thank CHAIR GOODMAN for all of the conversations and CITY MANAGER SCOTT ADAMS, MR. ARENT and others; the staff has been fantastic throughout the process, which has not been easy. He also thanked MEMBER CREAR for his patience. They have worked very hard since April to get the project to where it needs to be, and he hoped they made everyone proud. CHAIR GOODMAN stated one can feel the excitement and energy and what this project is going to be spurring.

MEMBER CREAR thanked MR. ARENT, MR. RIECK and MR. LELEU for working with his office to make sure the project moves forward. There are a number of ancillary businesses looking to come into Ward 5 and Symphony Park and new development in the hotel corridor that was contingent upon this project. As the project moves forward, he asked about a return on investment for the residents of Ward 5. Those dollars could be reinvested in the community to build a lot of things, one of which is jobs.

MEMBER CREAR noted the unemployment rate in Ward 5 is 15 percent versus five percent in other parts of the city which puts them at a disadvantage. He stated the City needs to work diligently with the community, the Chamber of Commerce and others to ensure there are subcontractors available to take advantage of the construction jobs. He noted there are not many

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permanent positions though because many of the convention jobs are on-call on an as-needed basis. He referenced Ward 5 Works which is the creation of a strategy to provide businesses qualified individuals to work. He does not want the residents to have to drive 30 to 40 minutes outside of the ward just to go to work; a great work/life environment needs to be created within Ward 5.

He stated he was happy to see that one of the contractors bidding for this job is a minority-owned company. He looks forward to working with WMC and asked that they keep in mind jobs and opportunities for the citizens of Ward 5 and throughout the city.

MEMBER SEROKA thanked the gentlemen for bringing a wonderful project to the community which he thought would be great for the city, downtown and the whole community. He gave a shout out to MEMBER CREAR for the job fair that is going to take place and which includes veterans and offered his assistance in making that successful. MEMBER CREAR stated there are approximately 1,000 homeless veterans throughout the city, and they are working on plans to eradicate that and provide opportunities for veterans to receive the services that they need; one of which is to provide jobs.

MEMBER CREAR asked about the reinvestment in Ward 5 once the \$30 million is repaid. MR. ARENT explained once the \$30 million is paid back to WMC, the tax money returns to the RDA. If that occurs prior to 2046, which is when the RDA expires, the TIF comes into the agency for other projects in the area which includes a good portion of Ward 5. He also noted the taxes coming into the RDA from any spinoff projects is new money that can be used for new projects in the redevelopment area, which is probably the biggest direct benefit to the RDA.

In response to a question by MEMBER CREAR relating to the TIF rebate, MR. ARENT explained the 82 percent would go to zero once the \$30 million is repaid.

CHAIR GOODMAN thanked everyone.

See Items 3 and 7 for related discussion.