Disposition and Development Agreement between the City of Las Vegas and Resort Gaming Group, Inc.

City Council Item No. 29
December 1, 2010

Development Opportunity – City Hall Complex

- City Hall Campus will be vacated by March of 2012
- City Hall building itself has re-use opportunities:
  - *Approximately 270,000 gross square feet*
  - *Ample parking in two garages*
  - *Excellent ingress/egress to US-95, I-515, and I-15*
- City of Las Vegas acquired acreage east of Las Vegas Boulevard (“Option Site”) for future development
- Entire site – up to 18 acres including potential ROW vacations – is within Downtown Centennial Plan

City Hall Site and Option Site

Business Retention Opportunity – Zappos.com

- Zappos is expanding rapidly, and is looking for additional space in a corporate campus setting
- Company, through its development partner Resort Gaming Group, has selected the City Hall Site for the development of a new corporate campus
- Four key site-selection parameters were:
  - *Urban, connected campus*
  - *Location to allow Zappos to be in one place*
  - *Location to allow Zappos to grow over time*
  - *Competitive Cost Structure*

Project for Zappos.com

- City is making City Hall Site and Option Site available to Zappos through Resort Gaming Group as Developer
- Purchase by Developer planned by November 2011
- Zappos to occupy initially 100,000 square feet of space following Developer’s purchase of building
- Following final City move-out, Zappos will lease entire City Hall for use as its corporate headquarters
- Zappos, through its Developer, intends to develop Option Site in phases for an expanded corporate campus

Disposition Terms for City Hall Site

- City is selling City Hall Site to Developer for a purchase price of $25 million
- Portion of purchase price – $22 million – is being paid over time through a Promissory Note
  - *$17 million is being paid over a 30-year term at 5.125% interest*
  - *$5 million "balloon" payment due in year 30*
  - *City's Note is subordinated to a Senior Loan – not to exceed $18 million – to handle capital and tenant improvements needed for Zappos move-in*
- Developer responsible for all tenant improvement costs

Key Development Terms for City Hall Site

- Developer needs to approve Due Diligence Items, including:
  - *General Plan Amendment and Rezoning for site*
  - *Resolution finding sale terms for City Hall Site and Option Site meet NRS 268 exemption*
  - *Site Plan approved for Option (Expansion) Site*
- Zappos lease commitment is guaranteed by Amazon.com
- Developer providing “lockbox” commitment to pay City and Senior Lender using net income from Zappos Lease
- Escrow must close by November 15, 2011

City Hall Lease Back Terms (Exhibit I)

- Post-closing, Developer is leasing City Hall back to City
- “Pass-through” lease terms are $1 per year; City pays for its own operating costs and landlord fee of $12,500/month
- City is responsible for “wear-and-tear” upkeep of City Hall campus; Developer covers capital expenses over $30,000
- City is obligated to final move-out by April 1, 2012; failure to move-out will trigger a “work-out” remedy:
  - *City must pay $15 million in damages to Developer ($12 million from Capital Project Fund, $3 million from sale proceeds)*
  - *City recaptures City Hall asset for future use*

Disposition Terms – Option Site

- City and Developer each will appraise site; third, joint appraisal also will be done
- Purchase price set at 85% of average value determined by appraisals; subject to 1.5% quarterly escalator
- Developer may purchase Option Site in two phases, provided first phase is half or more of total site
- Between Stewart and Mesquite, City will be vacating 7th Street and alley between 6th and 7th
- Developer is responsible for all development costs of Option Site for Zappos planned corporate expansion

Economic Development Benefits

- Southern Nevada retains Zappos as a major employer, keeping 1,000 jobs in the community
- Zappos anticipated to continue to grow and hire locally
- Zappos decision to expand in Las Vegas sends bullish signal to other e-commerce firms on our availability of a skilled workforce
- Downtown Site enables Zappos to expand its campus and continue operations in Las Vegas
- Zappos site location will spur additional investment in downtown Las Vegas

Projected Fiscal Benefits to the City

	Gross Revenue	NPV Revenue
City Hall Site Sale Revenue	$ 41,650,453	$ 21,257,028
Option Parcels Sale Revenue	$ 10,857,733	$ 7,453,317
Tax Increment Revenue (Both Sites)	$ 45,061,093	$ 19,596,926
	$ 97,569,279	$ 48,307,271

- *Gross Revenue shows revenue earned over a 30-year period*
- *NPV Revenue shows gross revenue earned on a Net Present Value basis, assuming a 5% discount rate*
- *Option Parcels Sale Revenue shows revenue from sale of the option parcels*
- *Tax Increment Revenue shows Tax Increment earned by the Redevelopment Agency over a 30-year period*
- ***Above revenue offsets the $147 million capital cost of the new City Hall***

Actions Requested Today

- Approve Disposition and Development Agreement (DDA)
- Approve Option Agreement, as exhibit to DDA

- Future City Council Items:
  - *NRS 268 resolutions for City Hall Site and Option Site*
  - *Rezoning and GPA of City Hall Site*
  - *Vacation for 7th Street and Alley between 6th and 7th*
- Future administrative items:
  - *City Hall Lease*
  - *Equalization of business license fees*