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CityCenter Funding No Longer in Question

By [Brian K. Miller](#)

LAS VEGAS-MGM Mirage and Dubai World said late Wednesday they have resolved their differences and received the \$1.8-billion secured credit facility from lenders necessary to complete and open CityCenter, a \$10-billion mini-city between MGM's Bellagio and Monte Carlo resorts on the Las Vegas Strip. Anchored by the 4,000-room Aria hotel-casino, the multi-tower development remains on schedule to open for business during the fourth quarter, according to the partnership.

The revised partnership agreement and financing plan has Dubai World and MGM Mirage funding their remaining \$800 million in equity contributions to CityCenter through letters of credit, and for Dubai World to reimburse MGM Mirage for the equity payments it made to lenders on behalf of the partnership while the two were litigating.

Another key term of the partnership agreement has MGM Mirage now "responsible for completion costs to the extent net condominium proceeds are less than \$243 million and for completion costs in excess of the current budget of \$8.5 billion." MGM says that until CityCenter is completed any obligation in this regard "will be supported by the assets of Circus Circus Las Vegas and certain adjacent land through a completion guarantee."

Terms of the CityCenter credit facility also were amended. The interest rate on the facility is now two full points higher and the facility now matures on June 30, 2012. The interest rate is "pay in kind" through September 2010, according to MGM Mirage, "with additional periodic margin increases through the term of the facility."

In addition, MGM Mirage and Dubai World agreed that condominium proceeds of up to \$250 million may be used to pay for construction costs, and; 30% of net condominium proceeds in excess of \$250 million will be applied to reduce outstanding borrowings under the credit facility. The remaining 70% would be available as distributable cash upon CityCenter satisfying certain performance criteria. Also, certain financial covenants were modified to provide CityCenter with greater flexibility during its first 18 months of operations.

CityCenter has been under construction since 2005. If the project remains on track, it will open in stages between October and December 16, when the 4,000-room Aria hotel-casino is scheduled to open. Executives said the 500,000-square-foot Crystals retail component will be between 65% and 70% booked by the time it opens and that of the \$1.6 billion in contracted condominium sales it expects to close on at least 75% of that total.

Sales revenue from some 2,700 condos was initially expected to total \$2.7 billion, but the recession has left approximately half of the units unsold and a construction mistake killed plans for a couple of hundred condos that were planned above the Harmon Hotel.

The total development cost for CityCenter is now approximately \$10.5 billion, which includes \$6.9-billion in guaranteed maximum price contracts minus \$500 million in planned savings, \$1.8 billion in other construction costs not included in the GMPs, and approximately \$1.7 billion for the land plus \$300 million in financing costs and \$200 million in pre-opening expenses.

Evercore Partners served as financial advisor to MGM Mirage during the process and Moelis & Company and Perella Weinberg Partners served as financial advisors to Dubai World. Legal counsel for MGM Mirage included Morrison & Foerster and Glaser, Weil, Fink, Jacobs, Howard & Shapiro LLP. Dubai World's legal advisors were Paul, Hastings, Janofsky & Walker LLP and Quinn Emanuel Urquhart, Oliver & Hedges.

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