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City Approves DDA for World Jewelry Center

By [Brian K. Miller](#)



project rendering

LAS VEGAS-The Las Vegas City Council this week approved a disposition and development agreement with Robert Zarnegin for the development of World Jewelry Center, a 1.2-million-sf development in the city's new Union Park district. The project includes 815,229 sf of for-sale office space, 139,052 sf (98 units) of ultra-luxury condominiums in a 50-plus-story tower and 225,000 sf of retail space and structured parking.

The DAA calls for Zarnegin's Heritage-Nevada VIII LLC to acquire the 5.9-site for the project by August 2009 and to commence construction by October 2009, though it can use two six-month extensions to push that deadline back to October 2010. The purchase price for the land is \$10.3 million. The estimated cost of the project is \$927 million. As part of the development deal, Heritage-Nevada VIII will receive for 20 years a 50% rebate of the increased taxes it will pay based on the increased value of the land due to the development.

Before Heritage-Nevada VIII can acquire the land it must prove to the city that it has all the necessary equity and debt commitments in place to develop World Jewelry Center. Before it can obtain debt financing, it will have to pre-sell a significant portion of the tower's space. The project's day-to-day manager Bill Boyajian tells GlobeSt.com that he has letters of intent for about one-third of the office space. The residential units have not yet been marketed for sale.

"Our 2008 will be about signing up more buyers; there will be a lot of travel for us this year," says Boyajian, a former president of the Gemological Institute of America. "We'll be attending 25 different jewelry trade shows around the world, getting the name out there. There are about 15,000 to 20,000 jewelry manufacturers and dealers around the world and our building will hold between 400 and 500 of them. Robert [Zarnegin] is very confident."

To date, about two-thirds of the companies have signed up for the minimum amount of space in building, 1,000 sf. The current asking rate is approximately \$800 per sf. The plan is to start converting the LOIs into hard contracts later this year. In April, Boyajian told GlobeSt.com he expects a high conversion rate.

"The hard part is getting people in the industry--[people] who usually make commitments via verbal agreements and handshake--to sign on the dotted line, even a non-binding letter of intent," he said. "The good news is that while it is harder on the front end, it should result in a higher conversion rate than is normal. I'm hoping [to convert] 80% not 50%."

The asking price for the residential units will be about double that rate, Boyajian says. "This will be ultra-luxury, penthouse type product on the building's top 10 floors," he says. "Owners will have their own private lobby and elevator bank."

As for the retail, Boyajian says at least 40 of the companies that have signed LOIs for commercial condominium space in the tower are "very interested" in setting up a business-to-consumer storefront at the development. "I think the retail will be a no-brainer," he says.

"This will be a one-of-a-kind jewelry industry hub in the western hemisphere," Boyajian says. "With a magnificent tower comprising both wholly owned, class A office condominiums and ultra-luxury residential condominiums, a retail center open to the public, advanced security systems, and a designated Foreign Trade Zone, jewelry business leaders will have many strategic advantages, with the added benefit of the Las Vegas location."

The foreign trade zone designation, secured in September, means significant savings for major jewelry industry players, thereby enhancing the center's appeal as a place from which to operate. Trade and customs consultant Tommy Berry, owner of PointTrade Services told GlobeSt.com in the that being an FTZ means jewelry makers can import raw goods into to the building and then add value in cooperation with other tenants in the building without paying duties. After that, the product may be exported back out of the US without paying any duties at all or may enter US commerce at a reduced duty rate.

To be operated by the Nevada International Trade Corp. on behalf of the WJC, the FTZ also will allow companies to save on the administrative costs of importing by not having to pay merchandise processing fees or user fees and not having to pay a broker per shipment. Additionally, due to the tremendous amount of intermodal freight that goes in and out of Las Vegas, the industry also will be able to save on freight rates.

"With the building, housing, manufacturing and processing facilities, the Foreign Trade Zone opens up all kinds of legal opportunities for having lower duty rates," said Berry, who has been acting as a consultant to the WJC. "There are hundreds of saving ideas in general as an FTZ, but this will be a pretty neat application for it."

The development site is located near South Grand Central Parkway, W. Charleston Boulevard and Interstate 15. Other project completed, under way or planned in the city's 60-acre Union Park redevelopment area include the Lou Ruvo Brain Institute, the Smith Center for the Performing Arts, the Charlie Palmer Hotel, and the Access Medical-Kimpton Hotel projects.

