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Deal, Waivers Loom for CityCenter, MGM Mirage

By [Brian K. Miller](#)

LAS VEGAS-A deal is reportedly in the works that would keep MGM Mirage's multi-billion-dollar CityCenter development funded and on track to completion later this year. The \$10.5-billion development, under construction since 2005 between its Bellagio and Monte Carlo casino-resorts on the Las Vegas Strip, has MGM Mirage struggling to service \$13.5 billion in debt amid the recession.

MGM on Friday put up another \$70 million to fund current CityCenter construction costs but more hurdles loom. It needs to find another \$200 million in the next two weeks and a total of \$800 million by mid-May in order to access the remaining \$1.8 billion in lenders' committed financing and complete CityCenter and open on schedule later this year. Its 50-50 partner in the project, Dubai World, is suing in order to get out from under its obligation to split the remaining required equity commitment, forcing MGM to cover its share of the last two payments to lenders.

If not extended or negated by a new deal, senior lenders' waivers from certain financial covenants will expire on April 29 and May 15, initiating defaults that would force MGM Mirage and CityCenter Holdings LLC to file for protection from its creditors under Ch. 11 of the US Bankruptcy Code.

Investor Carl Icahn and private equity fund Oaktree Capital Management have acquired hundreds of millions of MGM Mirage bonds and are now proposing a restructuring that would involve swapping debt for equity and be done in concert with MGM's majority shareholder Kirk Kerkorian, according to [Reuters](#).

The deal still needs the OK from lenders, with whom MGM Mirage has had a strong partnership. On a recent conference call with analysts MGM Mirage executives said its relationship with its senior lenders is unique in that they have been with the company for more than a decade and also have been major underwriters of its bonds.

Other potential alternatives to bankruptcy include selling assets such as MGM Grand in Detroit and Beau Rivage in Mississippi. A supposed deal with Colony Capital recently broke down, according to published reports.

"MGM is determined to make CityCenter a success and we continue to review with our partners all options to keep CityCenter fully funded," MGM Mirage CWO Jim Murren said Friday in a prepared statement. "We are continuing to engage in constructive discussions with our senior lenders and the CityCenter lending group and we appreciate the support of the involved parties."

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. A fully operational development is expected to employ upward of 10,000 people.

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, plus approximately \$1.7 billion for the land,

\$300 million in financing costs and \$200 million in pre-opening expenses.

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. For previous stories on MGM and CityCenter, click on one of the following headlines:

[Dubai World Offers Up CityCenter Solution](#)

[Crown Ltd. Denies Being in CityCenter Recap Talks](#)

[Report: Colony Capital Mulls CityCenter Stake](#)

[MGM Mirage Covers Partner's CityCenter Co-Pay](#)

[MGM Mirage Calls Dubai World Suit 'Without Merit'](#)

[Dubai World Sues Troubled MGM Mirage](#)

[MGM Mirage Completes Treasure Island Sale](#)

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