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Dubai World Offers Up CityCenter Solution

By [Brian K. Miller](#)

LAS VEGAS-Dubai World is offering up a multi-billion plan to complete and open CityCenter late this year as planned, sources say. The Dubai government-owned conglomerate is a 50-50 partner with MGM Mirage in the landmark, \$10.5-billion multiple-tower development next to the Bellagio on the Las Vegas Strip.

Sources familiar with the negotiations reportedly told the *Wall Street Journal* for its Saturday edition that Dubai World, MGM Mirage and the project's lenders could ink a new agreement that would give the 67-acre, 7,000-unit hotel-condo casino-resort project a \$3-billion injection, thereby ensuring it opens in the fourth quarter as planned. Additional details, such as any concessions the developers would need to make, were not provided. Bank of America is the administrative agent on MGM Mirage's senior credit facility and represents the lenders in negotiations.

Dubai World came up with the plan after recently filing a lawsuit against MGM alleging breach of contract and mismanagement, and seeking to get out from under its remaining funding requirements for the project. The current arrangement calls for Dubai World and MGM Mirage to come up with an additional \$800 million between them in order to access a \$1.8-billion facility that would be used to pay for project completion and pre-opening expenses.

While the relationship between Dubai World and MGM has been strained as of late, each understands that a bankruptcy would hurt them both equally. The lenders have an interest in the project's success as well. 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.

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, despite financing for condo-hotel room purchases having being largely unavailable.

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. 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.

Also on Friday, MGM Mirage won a waiver from lenders that allows it to pay \$70 million and avoid a bankruptcy filing, according to *Bloomberg*. The agreement is related to last month's agreement that allows MGM to make a \$200-million payment that was supposed to be split between it and Dubai World, which is challenging its obligation in court. Bank of America did not respond to a

request for comment, the news service reported, and George Dalton, Dubai World's general counsel, declined to expound on the \$3-billion completion plan.

"We cannot comment on specifics of our discussions but we continue to be fully committed to completing CityCenter and we continue to work with our partners and the lenders to seek a solution," he reportedly said.

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