



MGM's CityCenter confronts uncertain future

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When Nevada's largest company pushed another \$200 million across the felt on Friday, it added to the stakes of the biggest economic gamble in Las Vegas history.

Resort giant MGM Mirage now has more than 8,500 current and 10,000 future jobs and billions of dollars in assets riding on the outcome of CityCenter, an \$8.7 billion development on the Strip.

The debt payment MGM made Friday keeps the game alive through April, when it could face another decision to bet more and proceed with the project or fold and cut its losses.

"It wreaks havoc on emotions," said blackjack dealer Desiree Hansel, 39, who says a job at CityCenter would allow her and her family to move back to Las Vegas from Florida. "You get excited when you hear good things, sad when you hear bad things."

In addition to staving off a date in bankruptcy court, the payment MGM Mirage made Friday on behalf of itself and CityCenter partner Dubai World is one more high-stakes move that's giving Hansel and all of Las Vegas an opportunity to learn how what happens on Wall Street impacts daily lives throughout Southern Nevada.

"Vegas is getting a significant education in bankruptcy these days and a lot more is on the horizon," said Chuck Moore, senior managing director of Conway MacKenzie, a financial turnaround and restructuring firm in Birmingham, Mich.

The No. 1 lesson Friday was MGM's ability to make the debt payment was great news for Hansel and thousands of others.

"If this project did file for bankruptcy, there is a very high likelihood that work would stop," Moore said. "Once (a project) actually goes bust, the people stop work pretty immediately."

Moore's firm is currently working on the restructuring of Greektown Casino in Detroit. It's similar to what's happening with MGM Mirage in that it simultaneously involves an active gambling company as well as a partially completed construction project.

He says if MGM Mirage, an active gambling company with 10 resorts on the Strip, were to file for bankruptcy, there would be little to no disruption to operations in the short-term.

But the situation would be murkier if CityCenter, a joint venture between MGM Mirage and Dubai World, filed.

Stephen Miller, an economics professor at University of Nevada, Las Vegas, says the fallout of a CityCenter bankruptcy could be devastating. He said if the estimated 8,500 construction workers there were laid off, it would represent an increase in local unemployment of 0.6 percentage points. Another UNLV economics professor, Alan Schlottmann, predicted Friday Southern Nevada's 10.1 percent jobless rate could go up even higher, by a full percentage point, if the project shut down.

There could also be confusion over who would pay unemployment claims, Miller said. That's because many of the workers are in Las Vegas for the project but consider another community as their place of residence.

Moore says sorting out a CityCenter bankruptcy would be "a very big job" and could result in a work stoppage and "an enormous shock wave for the community."

In bankruptcy, there could be a decision to stop the project until the fiscal outlook improves, complete it and put it up for sale, sell it as-is for the buyer to complete or find a way to press forward with the project that keeps it in the hands of the existing partners.

"It would primarily be up to the lenders," Moore said. "That financing typically comes in ahead of all other creditors." The lenders could decide the project is worth more as a finished project and elect to complete it rather than attempt to manage it as a dormant construction site on some of the priciest real estate in America.

"That is a lot of money sitting there not getting any return," he said.

The role of Dubai World, a private development arm of a state in the United Arab Emirates, is another complicating factor.

Dubai World recently sued MGM Mirage in Delaware stating the company's latest quarterly earnings report showed it breached the joint-venture pact.

The lawsuit prompted worries that the \$200 million payment wouldn't come through Friday, leading to a bankruptcy. MGM made the payment without help from Dubai, which was supposed to contribute half.

Moore said it isn't clear what Dubai World hopes to accomplish through the lawsuit and skipping payment. If CityCenter were to go bankrupt, it would be nearly impossible for Dubai to recover the \$6 billion it already committed to joint venture partnership and a stake in MGM Mirage.

Equity holders are last in line for repayment in bankruptcy.

However, a forced restructuring could give Dubai a chance to gain a stronger hold over the project through reorganization.

“If you are going to put money in (a bankrupt operation) it gives you a lot of leverage in structuring a deal the way you want it structured,” Moore said.

Bankruptcy expert Nancy Rappaport at the University of Nevada, Las Vegas, says bankruptcy court could provide the myriad stakeholders in CityCenter an opportunity to settle their claims in one venue, as opposed to lawsuits in multiple jurisdictions.

“The bankruptcy court could get a great overview of what is going on,” Rappaport said. “What they are going to figure out is if there is someone who wants to continue to finance it so we can get it completed.”

If CityCenter were to end up in bankruptcy court, Rappaport said she’d like it to happen in Nevada because the community would have better access to the process and judges in Las Vegas would be uniquely qualified to handle the project, although it is more likely such a filing would occur in Delaware.

“The judges we have in Las Vegas are superb,” she said.

Even if a CityCenter bankruptcy were negotiated in Delaware, Rappaport says it wouldn’t have to be bad for Las Vegas.

She says it might be a chance to regain control of a project that has so many moving parts it is tough to steer, especially in hard economic times.

“Bankruptcy is often a way that things that look hopeless are rethought,” she said. “Yes it is scary. Our economy is scary. But the mere fact of filing is not a disaster. It may be a decent thing.”

Thanks to MGM Mirage’s payment Friday bankruptcy is of the table— for now — meaning the project is still moving forward.

That’s a relief for Hansel, who wants nothing more than to return to Las Vegas and resume a career with MGM Mirage.

“I’m so happy they made their payment,” she said. “We raised our children (in Las Vegas). We want to come back.”

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