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Private Money Ready To Build Lake Adair Now

City Bonds Would Repay Only When Finished

Council Meets Again Tonite To Make Decision

By MORRY ZENOFF

The community's questions concerning the Lake Adair project and the multi-million dollar investments related to it were answered in detail last night by representatives of prospective investors plus the founder of the project itself, J. Carlton Adair.

And then they supplied the piece de resistance — the coating on the cake, so to speak, by announcing they had developed yet another idea — and this in order to get the shovels in the ground within 30 days — by stating they will put up the front money and finance the five million dollar construction of the dam and the lake.

Until now, it was assumed the money had to await the city's first annexing the 2,000 acres which lies just adjacent to Vegas Wash, then granting the rights for an assessment district, then putting the bonds up for sale, then selling them and then putting the money to use on the construction.

However, because of the stringent requirements of the municipal bond market and to take the speculation out of the minds of disbelievers, the Port Holiday people are willing to go ahead on private money and then when the lake and dam are completed to the satisfaction of bonding agents,

the city's inspection experts and all others involved — at that time the bonds would be put on the market, sold, and the money paid back to the private investors.

In order to get the show on the road under this exciting change of affairs, the city would first have to give permission to request enabling legislation of the legislature which would not be binding on the city but which would allow for annexation, and allow for an assessment district project to be built thru a negotiated contract with the world famous Utah Construction company.

Before dirt could be shoveled, too, the city would have to agree that when the lake and dam were finished and if all details of construction were done as specified in the contract, then they would agree to allow bonds to be sold and the bond money then turned over to the builders.

The city would own the lake and dam but would lease it to Port Holiday Authority, and would have first rights on all income either from land sales, rents, etc. to the extent of the yearly three to four hundred thousand payment on the bonds.

The visitors explained that by about the same time the dam and lake would be completed there would also be un-

der way many of the buildings and developments planned by the big name investors such as Gulf Oil, General Electric, Brunswick Corporation and possibly a 500 room hotel planned right on the lake itself.

All this, according to the investment advisors, would make it easier to sell the municipal bonds, and possibly at a lower interest rate, than if the bonds were attempted now before anything were built.

Adair explained, in addition to answers to questions previously asked, that the reason for the need of municipal financing and municipal ownership of the lake and dam — were strictly because of the high taxes on non-money producing properties that a dam, roads, lake, sewers, other utilities create to private investors. Municipal properties like all publicly owned projects are non taxable locally, statewide or federally.

The changing of the city's name to CITY OF LAKE ADAIR would come after the lake and dam were completed and arrangement legally for this would be included in the request to the legislature.

Need for a name change was also explained by Adair.

"In order for this project to create the interest we subsequently got, we had to promise that a new city would

be built — so that the world-wide advertising programs of all the companies could concentrate on this creation of a most modern, most completely planned community which both Nevada and the nation will be so proud to have in existence," Adair said.

He felt this community's people would more reasonably understand the name change once the project is completed and they see the 11 miles of shoreline, the 320 acre lake and the attractive dam, so well engineered that it will withstand any flood that could possibly strike it in the next 1000 years.

Utah Construction's experts at last night's meeting got up and confirmed Adair's earlier statement that Utah's participation was now to be as this newspaper printed last week — in the project with both feet. Utah will own close to 20 per cent of the company and is now negotiating to buy acreage for residential construction.

Adair stated that the town will be in operation 29 months from start of construction of the dam and lake bottom.

Included in the bond issue amount will be enough money for the city to put away the first two years of bond payments — into a sinking fund, in order to give the project more time to earn income—if

such happens to happen.

The bond company representative explained that should an emergency come up by national conditions or other causes, it is usually possible for municipalities to arrange for new payment procedures.

Thus — an accelerated plan now replaces the old plan — and the city is not involved with the actual building of the dam and lake — except to have a clerk of construction on hand to make sure materials, labor and construction is according to specifications. The negotiated contract would first pass thru consultant hands to make sure the price was right before the city would accept the property as city owned.

It was pointed out the maintenance of the dam, the lake and the cost of the water would be paid for by Port Holiday. The Colorado River Commission will supply 10,000 acre feet of water at \$40 a million gallon for the first 15 years, \$30 thereafter.

By Lorna Kesterson

The Council will decide tonight whether or not proposed legislation, permitting the annexation of the 2175-acre Lake Adair project will be forwarded to the State Legislature for approval.

Last night's council meeting, where the Lake Adair project was discussed for two and-a-half hours, resulted in unanimous approval of the council of recessing the meeting to make the decision tonight, at 8 p.m. Councilmen referred to the fact that they had not had time to study the proposed legislation since they received it only shortly before the meeting. The proposed legislation, covering 40 pages, had been reduced to two pages of explanation by City Attorney Harry Reid.

Both City Manager George Charchalis and Attorney Tom Foley of the Port Holiday Authority, recommended that the legislation reach the hands of legislators as soon as possible.

J. Carlton Adair, speaking for Port Holiday Authority, reminded the Council that the permissive legislation does not require that the Council accept and enact it if they do not find favor with it, later.

One of the main issues of the discussion centered around the fact that the Port Holiday Authority revealed that construction on the dam which would form the lake, would begin almost immedi-

ately with private financing by the construction company, and the City would enter the picture after the completion of the dam with a \$5 million bond issue. As is brought out by questions and answers elsewhere in this newspaper, there could be no third-party participation in the bond issue to secure it, however, should the Port Holiday Authority default in payment, the land and its assets would revert to the city. Adair brought out that those companies involved in the project would undoubtedly secure the bonds rather than lose their investments. A contingency fund would be formed from the \$5 million bond issue to assure payment of the bonds for two years.

Participation by major companies such as General Electric Co., Gulf Oil, Brunswick Corp., Utah Construction and Mining Company, has been assured by Adair as is stated in the questions and answers elsewhere in the newspaper.

Adair said that if the city does not want a new civic center on Lake Adair, which would be given free by the developers to the City, a building site would be made available to the city should it desire to build in the future. Unless the city accepts the building in the beginning, the construction costs would be borne by the City. The present building would also be maintained for the enlarged city.

Adair said that the Port Holiday Authority is a closed corp. and that there are no shares for sale. Utah Construction Company and the Adairs own three-fourth of the stock. He brought out that the project has 320 acre feet of water allocated by the Colorado River Commission.

At the same time the dam is under construction, developers contemplate having a 500 room hotel in the central plaza also under construction, giving evidence enough to justify the sale of bonds.

Adair told the Council that the project would go ahead "with or without the city of Henderson". He said that the tax returns to the city would be astronomical, estimating them to be over \$10 million, and an annual payroll of \$24,000,000.

The change of the City's name would be mandatory, Adair said, although it would not occur until the new city is a reality.

"Once the wedding takes place," Adair said, "there is no chance for divorce."

Dr. Harold Miller asked from the audience what would happen if a national emergency existed such as gas rationing which rendered the authority unable to repay the bonds. A representative of a bonding company explained that the bonding company would probably re-negotiate the contract with the city.

CLAY STILL THE HEAVYWEIGHT CHAMPION!

Here Are Adair's Answers In Detail To City's Questions

1. Engineering Feasibility:

Engineering of the Lake Adair civil works, including the dam, spillways, and all related structures, has been undertaken by the following firms:

Tipton and Kalmbach, Inc., Denver, one of the world's leading specialists in dam engineering.

The Civil Engineering Staff of the Utah Construction and Mining Company, San Francisco and Palo Alto, one of the Six Companies which engineered and built Hoover Dam. This company also built Davis and Parker Dams on the Colorado River and many other great hydro-electric and water projects in the West.

George S. Noite Consulting Engineers, Inc., Palo Alto.

James M. Montgomery Consulting Engineers, Inc., Pasadena and Las Vegas, which firm is also a consultant to the Colorado River Commission and the Las Vegas Valley Water District.

Dr. J. J. Hayes, geologist, San Francisco.

Detailed data has been submitted by the foregoing engineers to the Colorado River Commission, the U.S. Bureau of Reclamation, and the Nevada State Engineer.

To recapitulate a vast amount of engineering findings, which are thoroughly substantiated by documentation prepared by the foregoing we categorically state and warrant that:

A. The Lake Adair basin is a feasible basin and will hold water with a minimum of seepage when the civil works are completed.

B. The Lake Adair net evaporation when the Lake is full, and exposing approximately

320 acres of water surface, is calculated by Tipton and Kalmbach not to exceed 1,250 acre-feet per annum. This includes the credit for the reduction of phreatophytic losses. According to the resolution of the Colorado River Commission of Nevada on November 10, 1966, a certified copy of which reposes in the City Manager's files, an authorization of 10,000 acre-feet per annum was made to the Authority. The price of this water is to range between \$40 an acre-foot initially down to \$30 an acre-foot in later years. Thus you can see that the maximum cost to the authority for water losses through evaporation would not exceed \$50,000 per annum, or less than \$137 per day. I note in the minutes of the committee meeting on January 23 that Mr. Harry Polk stated that our water loss would exceed \$5,000 a day. As you can see, Mr. Polk has exaggerated this loss by \$1,775,000 per year.

C. Hydrologic studies of the 1,600 square-mile drainage area of Las Vegas Valley indicates that the maximum precipitation which might occur over the area could possibly produce a peak discharge of as much as 98,000 cubic feet per second. The spillways and fuse plugs have been designed to contain these floods within a rise of three feet and the Lake has been designed to accommodate a maximum rise of five feet. All structures will be built at 1,405 feet or higher.

D. The contaminated waters of Las Vegas Wash will be diverted under Lake Adair by means of a seventy-two inch reinforced-concrete bypass conduit. Thus, Lake

Adair will only contain water drawn down from the Southern Nevada Water Project which makes the Lake absolutely safe for unlimited body contact involved in the swimming or any of the other aquatic sports.

E. The final working drawings of the dam will be subject to the approval of the City Engineer of the City of Henderson, or any competent professional engineer employed by the City to check these drawings, and it must pass the scrutiny of the Nevada State Engineer. The engineering feasibility must also be approved by all of the financial institutions whose investments are in any way affected by the engineering feasibility of the civil works. Thus, the City of Henderson has absolute assurance that the civil works will be unsurpassed in safety, durability, and total reliability.

2. How Firm are the Commitments of Major Corporation Participants?

Mr. Joseph K. Allen, Vice President (Real Estate), and Mr. George P. Sealy, Director of Corporate Development and Assistant Treasurer of the Utah Construction and Mining Company, are here tonight, just as they have attended prior sessions, to confirm without equivocation the financial participation of that company in the Lake Adair project. Three of the five members of the Authority's executive committee are officers of the Utah Construction and Mining Company.

This company plans to purchase for additional cash common shares to increase its ownership to an even nineteen percent of all the issued

and outstanding stock in the Authority.

We are negotiating with Utah Construction and Mining Company purchase land from the Authority for the purpose of making very large additional investments for development. The purchase agreements now being drafted call for the acquisition of original parcels of waterfront and walled-town property and also include an option arrangement whereby the Utah Construction and Mining Company may purchase additional residential property but on a basis requiring a series of cost escalations.

On October 3, 1966, the Consumer Electronics Division of the General Electric Company issued a letter of intent to the Authority covering its projected investment in a community communications, entertainment, and educational complex, involving radical new technologies which will involve a maximum investment at the full development of the Lake Adair site of a sum expected to surpass \$24,000,000. The Authority accepted this proposal on October 7 and copies of these documents have been filed with the City Manager. This first-of-a-kind facility will be publicized through world-wide advertising by the General Electric Company.

Negotiations with other divisions of the General Electric Company are now in progress.

A paragraph in a Tabet column appearing in one of last week's editions of the Las Vegas Sun, in which it was asserted that the General Electric Company was not an investor in this project and

was only interested in selling household appliances to the developers, is an absolute untruth and is totally unsupported by the facts. Norman L. White, who is one of the incorporators of Port Holiday Authority and a director, is also an officer of both the Las Vegas Sun and KLAS-TV. We have asked Mr. White to find the source of this false statement and to take corrective action in the newspaper. Mr. White is present here this evening.

As a matter of fact, I state for the record that we have never yet had any negotiations of any kind with any of the appliance divisions of the General Electric Company. Curiously, the only appliance manufacturer to have any conversations with us looking to future sales in this category is Westinghouse Electric Company, through an intermediary, and we have not pursued the matter with them.

The Consumer Electronics Division's commitment to Port Holiday Authority is completely documented and is incontestable.

The City Manager has in his files certified copies of the recorded instruments covering the arrangements that Gulf Oil Corporation has with Port Holiday Authority. Gulf has already advanced \$300,000 and is obliged to build automotive and marine service and fueling facilities which must be of a "show-case" character, and each of the former cannot cost less than \$80,000, which is well over double the national average for first-class urban installations. In addition to a small number of sites available to Gulf for lease at nominal rentals as a consideration

for the loan of funds on a long-term basis requiring no repayment until 1971, additional sites may be leased or they may be purchased at a cost of \$50,000 each and the aforesaid grant may be repaid in this way.

Gulf will promote its association with the Lake Adair development through aggressive national advertising.

Mr. Owen M. Powell, Director of Real Estate for Gulf Oil Corporation, is planning to be here tonight if he is able to leave Pittsburgh in time.

The support of the Brunswick Corporation and its Owens Boats, Mercury Engines, MacGregor Sports Equipment, Zebco Fishing Tackle, Red Head Shooting Equipment, Union Skate, and Bowling and Billiard Divisions is documented in a letter from Marvin M. Komen, Manager of Market Planning and Research, of that corporation on January 19, 1967. Mr. Komen, in his letter, also emphasizes the advertising and promotional support which the entire corporation and all of its participating divisions will give to the Lake Adair project.

Mr. Komen expresses his regret for being unable to get out of the abominable weather of Chicago to be with you here this evening.

Investment bankers interested in supporting this venture are Boettcher and Company of Denver, Goodbody and Company of New York, Taylor and Company of Beverly Hills, and Refsnes, Ely, Beck and Company of Phoenix. Representing this group here tonight are Alfred A. Wiesner and Elmer G. Longwell, of Boettcher and Company; both are partners

and municipal securities specialists of that firm.

3. Can the City of Henderson Expect a Third-party Guarantee of the Authority's Proposed Bonded Indebtedness?

The answer is unequivocally "no." In the first place, loan-term agreements, now in effect between the several participants in the Lake Adair project and lending institutions from which they have borrowed money, prohibit third-party contingent liabilities. To request such a guarantee is without precedent in this State, is unacceptably burdensome, and actually negates the advantages of an improvement district financing program. I venture to assert that, in the history of this State, there has never before been a proposed improvement district so potentially capable of repaying its obligations and whose assets now and in the future are so far in excess of the total anticipated bond liability.

4. Financial Perils to the City of Henderson:

In the event that an improvement district is organized under the charter of the City of Henderson to build those civil works which relate to the dam and the creation of Lake Adair, involving a sum in the order of \$6,000,000, what perils confront the City of Henderson? As Mr. Longwell on two different occasions when addressing civic leaders of this city stated, it is inconceivable to his firm that the Lake Adair project, with the participants that it has in it, could fail. Mr. Longwell also asserted that his firm had been associated with the development of this project almost since its inception.

First, let us emphasize that an assessment bond lien takes precedence over and is senior to any other encumbrance that may be placed upon all or any fraction of the property, including first deeds of trust.

The modus operandi in handling the debt service on the contemplated bond issue is as follows:

A. Port Holiday Authority would lease the dam and the Lake and would be responsible for all debt service thereon in that its rent payment would be structured to match the total cost of debt service when due.

B. The Authority would be additionally responsible for all maintenance and operating costs, including all water charges which, of course, would embrace evaporation and seepage losses.

C. Port Holiday Authority's leasehold responsibilities hereunder would be secured by all of its general credit and all of its assets including all lands retained by it.

D. All property, including the improvements to be made by the General Electric Company, Gulf Oil Corporation, Utah Construction and Mining Company, Brunswick Corporation, Port Holiday Authority, and any other corporations, partnerships, or individuals, would be subject to assessments against their holdings if any deficiency existed in the payments by the Authority on its Lake and dam rents. Thus, all investors in this project, in order to preserve their investments in such an eventuality, would be obliged to pay those assessments or lose their respective investments. It is for this reason Please Turn Page

