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A Silver Lining for a Hotel Developer



Isaac Brekken for The New York Times

Structural issues forced the developer of the Harmon hotel to shorten the building and cancel more than 200 condos. Aaron Auxier had sold three units there.

By FRED A. BERNSTEIN
Published: March 14, 2009

EVEN in flush times, CityCenter was an ambitious undertaking. Sprawling over 67 acres on the Las Vegas Strip, it was to contain four hotels, one of them with more than 4,000 rooms, and hundreds of condominiums offering hotel services.

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CityCenter Land LLC

The Harmon is part of the CityCenter project on the Las Vegas Strip; above is the original rendering, with the Harmon at the intersection at lower right.

The owners — **MGM Mirage**, the publicly held casino operator, and Dubai World, an investment arm of the Dubai government — have together spent nearly \$9 billion on CityCenter, which they hope to open by December.

But the demand for hotel rooms in Las Vegas has softened in the economic downturn, and MGM Mirage, which is controlled by the financier **Kirk Kerkorian**, is struggling to raise funds to complete the project. The company said in a recent filing with the Securities and

Exchange Commission that it might default on some of its loans later this year.

And so it may seem fitting to some observers that one of the hotel towers at CityCenter — the Harmon — will be 20 stories shorter than expected.

Designed by the London architects Foster & Partners as a 49-story building, the Harmon has instead topped out at 28 floors. More than 200 condo units, which were to fill the higher floors, have been scrapped, according to Alan Feldman, a spokesman for MGM Mirage.

Building inspectors discovered last summer that metal rods inserted into the structure's

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concrete beams to strengthen them were positioned incorrectly. Moving the rods, called rebar, to their correct locations would have required extensive demolition and rebuilding. The company decided to stop at 28 floors, a height that the existing structure could safely support, Mr. Feldman said.

He says the building would have been built as planned had it not been for the structural problems. But the financial savings derived from the downsizing — an estimated \$200 million, according to Mr. Feldman — couldn't have come at a better time for MGM Mirage, which is trying to renegotiate its debt.

Indeed, it may be hard for MGM Mirage to show that it was damaged by the loss of the upper floors of the Harmon. Shortly after the decision to shorten the building was announced, MGM Mirage's chairman, James Murren, told The Associated Press: "It takes pressure off of selling more condominiums; it takes pressure off of occupying more rooms."

Citywide, hotel occupancy in December 2008 was down nearly 10 percent from the previous December, according to the Las Vegas Convention and Visitors Authority, even as average room rates fell 14 percent.

Joe Greff, an analyst at [JPMorgan](#) who follows the gambling industry, said: "Every single option to improve the capital structure of MGM Mirage is on the table."

Those options, he said, included the possibility that CityCenter won't be finished; that it will be completed later than expected; or that MGM Mirage will sell all or part of its ownership in CityCenter.

Aaron Auxier, an agent with the Shapiro & Sher Group who sold condominiums in the Harmon, said that canceling the condos was good for Las Vegas developers, including MGM Mirage, because "it removed inventory" at a time of oversupply.

Mr. Auxier said he had sold three units at the Harmon, including a round penthouse that brought \$2,400 a square foot. Altogether, according to MGM Mirage, nearly half of the 200 Harmon condos had been sold, at prices starting at \$1.3 million. According to Mr. Auxier, the buyers received their deposits back as soon as the decision not to build the condos was announced.

[Cesar Pelli](#), who designed the largest of the CityCenter hotels — the 4,000-room, 61-story Aria — said he had never heard of a skyscraper being shortened because of construction problems. Mr. Pelli has designed some of the world's tallest buildings, including the Petronas Towers in Malaysia.

He said the real surprise wasn't that a mistake was made, but that it wasn't caught until the building was nearly half-finished.

Rebar errors were also discovered at the Veer Towers condominiums, also a part of CityCenter. There, the local building officials allowed the builders to strengthen the columns by encasing them in fiberglass "jackets"; the buildings have reached their full height of 37 stories.

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