

Water needs spurs Apex developers to seek annexation

By Brian Wargo

A group of property owners with the development rights to most of the Apex Industrial Park have petitioned for annexation into North Las Vegas. That's the first step for water lines to be extended to a project that's yet to reach its potential and could help solve the growing scarcity of industrial land in Southern Nevada.

Negotiations have been under way for about 10 months, and city officials are talking with Clark County about an interlocal agreement that would allow the annexation to go forward, says Mike Majewski, North Las Vegas' economic development director.

The city's talks of annexing industrial land 15 miles northeast of downtown Las Vegas comes 19 years after Clark County set aside 21,000 acres, only to have thousands of acres sit undeveloped.

Eighteen months ago, VesCor Development asked Clark County to create a special improvement district to help pay for much-needed infrastructure that property owners contended would have spurred development.

Property owners have spent millions to dig wells and install septic systems, but under VesCor's plan, the county would have issued bonds to extend water and sewer lines about 10 miles and pay for other infrastructure improvements. Property owners, which would have had to go along with the plan, would have repaid the bonds over 20 years with an assessment on their lots.

That never came to fruition and VesCor, which had owned 6,000 acres on the site, defaulted on its loans. Some 3,000 acres reverted back to the original owners, Apex Holding Group, a contingent of Las Vegas investors that includes Mayor Oscar Goodman.

Another 2,000 acres is now controlled by Diamond Construction of Las Vegas and another 700-plus acres is working its way through the bankruptcy process.

Part of the contingent spearheading the annexation talks is Kapex LLC, a group of Las Vegas investors who in 2006 acquired 3,250 acres of the former Kerr-McGee rocket fuel manufacturing plant.

Kapex CEO Adam Titus says the group is looking at North Las Vegas because of its willingness to provide water, sewer, fire and police services.

"We are in a desert, and land is valueless without water," Titus says. "Whoever commits to providing it first, that's where we are going."

After acquiring the land from the Bureau of Land Management, the county sold land to Kerr-McGee, Silver State Disposal Service for a landfill, the Georgia-Pacific Corp., Chemical Lime Co., and Ulysses Corp. A group of private investors bought 10,000 acres, of which it sold 4,000 acres to investors and companies. In April 2005, VesCor acquired the remaining 6,000 acres.

Despite lower land costs, the lack of utilities has kept some companies from turning to Apex.

The valley is in desperate need of industrial space because rising costs are forcing big industrial users to look at alternative markets in Arizona, Utah and Southern California. If more goods have to be shipped into Las Vegas that will push up the cost of groceries and other products, industry analysts said.

Phil Rosenquist, assistant county manager, says it will be up to the property owners to decide what they want, even though the county was responsible for creating the industrial site. He says it's cheaper for water lines to be extended from the North Las Vegas city limits than it is from the unincorporated county.

Extending water lines from the unincorporated county will cost about \$35 million but there wouldn't be a mechanism for property owners to get reimbursed. By extending the lines from North Vegas for about \$25 million, the city could assess property owners for the cost of the lines.

Majewski says an interlocal agreement could be reached with the county within the next six to eight months on master planning areas now in unincorporated Clark County. He says the annexation could be wrapped up in two years.

John Restrepo, the principal of Restrepo Consulting Group, which tracks the industrial market, says it makes sense for Apex to fall under the jurisdiction of North Las Vegas where it will be on the front burner.

"The county has the Strip and other things that are more important to them," **Restrepo** says.

In other real estate and development news, Marcus & Millichap released its 2008 national report that says retail properties in Las Vegas, particularly along the Strip, will benefit from the weak dollar that will attract more international travelers.

Even though retail construction is down, vacancy rates will rise in 2008 even though pockets of Las Vegas remain underserved, including the northwest and Centennial Hills.

It argues that institutional investors will continue to be drawn to the region because of its population growth and long-term economic outlook. Cap rates in high five-year lows in 2007, but they should rebound in 2008, the research firm reported. The average cap rate for all retail properties is projected in the low 7-percent range.

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