BILL NO. BL2018-1291 (SLEDGE & VERCHER) – This ordinance, as amended, would declare a portion of the parcel located at 300 Rains Avenue (the Fairgrounds Nashville) surplus and approve the execution and delivery of a ground lease between the Metropolitan Board of Fair Commissioners (Board) and Nashville Soccer Holdings Development LLC (NSH).

As recently amended in March 2018 by Ordinance No. BL2018-1054, Metro Code of Laws Sec. 2.24.250.H now requires any property owned by Metro that is to be leased for a term greater than fifty (50) years to be declared surplus prior to the lease taking effect. Additionally, in August 2018, the Council adopted Ordinance No. BL2018-1282 revising requirements for appraisals of Metro-owned property prior to disposition, with the aim to include prospective values that may result from anticipated changes in entitlements such as zoning classifications. Pursuant to these new requirements, the Finance Department submitted a revised appraisal to all members of Council on Wednesday, August 29, 2018, listing a prospective value of $20,735,000.

The term of the ground lease under consideration would begin on the Commencement Date and continue for ninety-nine (99) years. The site would be delivered to NSH no later than June 30, 2019. NSH would pay to the Board a minimum annual rent of two hundred thousand dollars ($200,000), for the full term of the lease, increasing five percent (5%) every ten years after the 30th year. The lease payments would be offset by the amount of any parking revenues remitted to the Board with respect to non-Soccer Events at the stadium. Development would occur at the sole expense of NSH and the mixed used development would have a project cost of not less than $150,000,000.

The lease would prohibit certain uses of the property, as follows:

1. Any use that creates, causes, maintains, or permits a public or private nuisance;
2. Any use that violates any applicable law or a special use permit or other use restrictions currently in effect;
3. The sale or commercial display of any obscene sign or advertisement;
4. Any sexually oriented business as defined in Chapter 6.54 of the Metro Code of Laws;
5. The sale of paraphernalia or other equipment or apparatus which is used primarily in connection with the illegal taking or use of drugs;
6. A shooting gallery, target range, vehicle repair facility, warehouse, convalescent care facility or mortuary, or any assembly, manufacture, distillation, refining, smelting or other industrial operation or use (alcohol distilleries or breweries connected with a restaurant would not violate this provision); and
7. A massage parlor or tanning parlor.

Future amendments to the lease would become effective after approved in writing by NSH and the Board and upon approval by resolution of the Council.

The Board of Fair Commissioners and the Planning Commission have approved this ground lease.

Fiscal Note: Although the development costs are expected to be no less than $150,000,000, no part of this would be paid by Metro. There is also no property tax abatement associated with this development.

The developers have agreed to pay Metro 50% of any parking revenues that result from non-Soccer events at the stadium over the next 30 years. The amount of the shared parking revenues would be allowed as an offset to the lease payments.

The original lease proposal for the 10 acres per this agreement called for payments of $200,000 per year for a term of 30 years. This has now been changed to a term of 99 years. Also, the $200,000 lease payments would increase by 10% every 10 years after the first 30 years.

The total payments per the original lease proposal would have been $6.00 million over 30 years. However, the total present value of these payments would be less. The amount of the present value would depend on the assumed interest rate. As an example, $200,000 per year for 30 years with an interest rate of 5.1% would have a present value of $3.19 million.

The total payments per the amended lease proposal would be $22.82 million over 99 years. The total present value of these payments, assuming the same rate of 5.1%, would be $4.20 million. Therefore, the amended lease payments over 99 years would have a present value of $1.01 million more than the original proposal.