

**THE SPORTS AUTHORITY OF THE
METROPOLITAN GOVERNMENT OF NASHVILLE & DAVIDSON COUNTY**

**Board of Directors Special Called MEETING MINUTES
Tuesday, March 28, 2023 | 10:30 am | First Horizon Park**

Attendees

Members: Cathy Bender (Chair), Frank Harrison (Vice Chair), Emmett Wynn (Secretary/Treasurer), Kim Adkins, Don Deering, Glenn Farner, Melvin Gill, Dan Hogan, Winston Justice, Michael Zerah

Staff: Monica Fawknorton (ED), Valda Barksdale, Bob Lackey, Brandon Little, Melissa Wells, Joshua Thomas (Metro Legal), Lexie Ward (Metro Legal)

Visitors: Diamond Bell (SUN), Kyle Clayton (Preds), Jon Cooper (Titans), Tom Cross (Metro Legal), Adam English (Sounds), Kelly Flannery (Metro Finance), Steve Fortino (Goldman Sachs), Ross Florey (5/3 Bank), Kate Guerra (Titans), Ron Gobbell (GHP), Alex Granchalke (5/3 Bank), Peter Heidenreich (Hilltop Securities), Sean Henry (Preds), Steve Johnson (Hilltop Securities), Jeff Oldham (Bass, Berry & Sims), Jim Pustejovsky (CPS), Ben Reeves (Nashville Soccer), Doug Scopel (Sounds), Jeff Scruggs (Goldman Sachs), Stacy Sonnenberg (Goldman Sachs), Erin Talkington (RCLCo), Matthew Webb (Goldman Sachs), Sam Wilcox (Mayor's Office), Brett A. Withers (Metro Council), Ben Wrigley (CSL International)

Call to Order

Chair Bender called the meeting to order by welcoming everyone to First Horizon Park and thanking the Nashville Sounds for hosting. She also welcomed and recognized Metro Nashville Council Member Brett Withers. She asked all to join in a moment of silence in the wake of the tragic shooting on yesterday at The Covenant School in the Green Hills community.

Consider Approval of February 16, 2023 Meeting Minutes and March 20, 2023 Work Session II Minutes

Chair Bender asked if there were additions or corrections to the February 16, 2023 meeting minutes and the March 20, 2023 Work Session II meeting minutes. There being none, **upon a motion made by Director Farner and seconded by Director Hogan, the board approved the February 16, 2023 and March 20, 2023 minutes.**

Executive Director's Report

ED Fawknorton gave a brief overview of the agenda. She thanked the board members for rearranging their schedules on short notice to attend three meetings within one month, the staff for their detailed efforts in coordinating the meetings, and the facilities for their flexibility in accommodating the additional meetings. She reported that Bridgestone Arena, First Horizon Park and Nissan Stadium have sustained damage from various storms. Metro has opened two FEMA claims for storm damage at First Horizon Park (wind storm) and Nissan Stadium (winter freeze). The Sports Authority is working closely with Metro Legal and the Predators to resolve outstanding insurance claims for damage sustained at Bridgestone Arena. Updates will be presented to the board as they develop.

Finance Committee Report

Vice-Chair Harrison gave the following committee report from the meeting held early:

- A. Minutes of the February 16, 2023 Finance Committee meeting were reviewed and approved.
- B. Consider Approval of a Resolution Approving the FY 24 Capital Improvement Project Plan (CIPP) for First Horizon Park: The Capital Improvement Project Plan (which is an annual requirement per the ballpark agreement) was presented by the Sounds who request the following: 1) Replacement of 760 Concourse Level Padded Bottom Seats at a cost of approximately \$235,700; 2) Extension of protective netting to foul poles at a cost of approximately \$125,000 - \$200,000; and 3) Conversion to LED Field lighting at a cost of approximately \$625,000 - \$685,000. On behalf of the Finance Committee, Vice Chair Harrison recommended approval of the FY24 CIPP. Major League Baseball will conduct a site visit at First Horizon Park to assess and determine requirements specific to the ballpark. The determination will impact capital costs. **Upon a motion made by Director Farner and seconded by Director Justice, the board approved the FY 24 Capital Improvement Project Plan for First Horizon Park.**
- C. The Sounds also presented an update on First Horizon Park including fire panel damage that occurred March 1, 2023 and wind storm damage that occurred Friday, March 3, 2023

Review: East Bank Stadium Project Financing Plan & Documents

Chair Bender recognized the Metro team to present the East Bank Stadium Project Financing Plan and documents. Deputy Mayor Sam Wilcox requested a moment of silence and prayer for the families impacted by the tragic events that occurred in Nashville at Covenant School.

Metro Finance Director Kelly Flannery introduced new Metro Stadium Financing consultants joining her at the presenter's table: Ben Wrigley (Stadium Feasibility Consultant, CSL International); Erin Talkington (Development Consultant, RCLCo.) and Jeff Scruggs (Underwriter, Goldman Sachs). Mr. Wrigley reported that CSL is an advisory group specializing in market and financial evaluation for new or redeveloped stadiums. They have worked with 31 of the 32 NFL teams in conducting new stadium studies including looking at comparable stadium benchmarks and market penetration. The proposed new stadium is expected to have a seating capacity of 60k with 122 luxury suites and 8,400-8,700 club/loge seats. It is projected that the new enclosed stadium will increase its annual events from 33 annually to 48 including multiple performances by an artist/group with the potential for residency concerts. Nashville is an entertainment destination that boasts the 2nd most stadium concerts per capita in the U.S.

Ms. Flannery noted that the Metro Finance team has been working to structure the financial package with several priority goals including: 1) meeting the \$760m funding commitment; 2) minimizing the amount of bonds with the non-tax revenue pledge; 3) allocating excess revenues to prepay bonds; 4) to backstop no more than 20-30% of the transaction; and 5) ending the water sewerage annual pledge of \$4m (pledge will end December 31 of the year when the new stadium opens).

Ms. Talkington shared that RCLCo is a 55-year-old real estate consulting company which focuses on financial strategies for sports adjacent real estate development. The proposed state authorized 130-acre Sales Tax Capture Zone includes the Stadium Campus and Station East development (current truck stop) which will provide 50% of sales tax from hotel and retail spending to the new stadium project. The proposed development includes hotels, affordable and market rate housing, parks and green space. Metro anticipates selecting a master developer for the first portion of campus development sometime this year; 2027 is the anticipated delivery year for the first portion of campus development.

Mr. Scruggs noted that Goldman Sachs is the leading underwriter to the sports market and led Metro's Convention Center financing in 2010. There are five parties who are engaged in the transaction process: 1)

the rating agency; 2) the bond insurers who will give the bond a higher rating resulting in a lower cost; 3) investors; 4) Sports Authority as the bond issuer; and 5) Metro Government. Revenue streams for bond structure include hotel occupancy tax, net in-stadium sales tax, water sewer pilot which ends when new stadium opens, ticket tax/team rent and development sales tax. Projected level-debt-service payments (equal annual principal & interest payments, similar to a 30-year mortgage) are anticipated to begin sometime after 2028.

The following questions and responses were asked/given during the work session:

Q1: What was the strategy in reaching the 20% backstop and how does it impact the rating? Is the goal of the backstop to lower the debt service? (Director Justice)

A: The goal is to get the backstop to zero, however, it is doubtful that the revenue stream will sufficiently support the entire debt service. Additionally, if we include a backstop, we will obtain a much better rating grade. Note that the backstop will only be used if we are unable to secure an investment grade category and if it provides a boost in minimizing the cost (Mr. Scruggs)

Q2: What are your interest rate assumptions? (Director Farner)

A: Our assumption is based on today's interest rate environment and a stress test which considers rates increasing between 25, 50 or 75 basis points. (Scruggs)

Q3: What is the impact of insuring the bonds and how is the credibility of the insurers measured? (Chair Bender)

A: Bond insurance (a one-time cost) can only be used legally upon signing a certificate indicating that it will result in cost savings. There are only two bond insurers remaining and both have an AA rating. (Scruggs)

Q4: Is the proposed financial structure the best structure for securing the lowest debt service? (Justice)

A: Securing bond insurance and backstopping some portion of the debt will provide a best cost scenario. If we implement a 100% backstop it will provide the absolute lowest possible cost. (Scruggs)

Q5: With regards to the hotel occupancy tax, does the financial structure assume a 2% growth based on the 2022 ticket tax spike? How does the growth rate from 2005 to 2023 impact assumptions? Does the assumption indicate that our new normal is based on one year of hotel occupancy growth? (Hogan)

A: We are assuming a 2% growth based on the 2022 ticket tax collections rebounding to 31.9% higher than 2019 levels as additional events were held at the stadium in 2022 plus we have seen consistent annual growth (Flannery) Based on conversations with the rating agencies, 2020 and 2021 are considered an anomaly whereas 2019 and 2022 are more practical. Nashville's growth has historically exceeded the 2% growth; however, for conservative purposes, rating agencies will assume a 2% growth rate. Any excess revenue can be used for an early debt retirement (Scruggs)

Q6: Why wouldn't Metro fully back the bonds and secure a debt service as low as possible? (Justice)

A: When looking at long term financial obligations, Metro takes into consideration future financial projects, the credit quality of a transaction and whether there is an economic advantage to backstopping a project. (Flannery) Additionally, there may be other Metro transactions that are more in need of a backstop based on their credit worthiness and revenue streams. (Scruggs)

Q7: Based on previous feasibility studies, has the group been able to advise other cities on how a project's revenue will benefit the socially and economically disadvantaged communities? (Gill)

A: The scope of work for the groups present today focuses on determining the economic impact on the development of a new stadium. (Flannery) Those type of studies are not in line with the services that we

engage in. (Wrigley) A transaction of this magnitude can possibly generate additional revenue to provide the city's leader with an opportunity to appropriate funds that will have a direct benefit on the city (Talkington)

Q8: I was hoping to hear how disadvantaged areas in other cities have benefited from projects you were involved in. (Gill)

A: The most important thing we are doing in this transaction is to alleviate the city of a massive \$1.8b unfunded liability. In creating new revenue streams for the city, it allows city leaders to invest in a variety of projects at their discretion. (Wilcox) The Impact Fund includes revenue that the Metro Council can delegate at their discretion including allocating funds to income disparity communities. The Titans' One Community Program addresses sixteen programs including the digital divide, investing in community centers & affordable housing. We are happy to address this at a future meeting. (Kate Guerra, VP Marketing & Communications, Titans)

Q9: What is the vision for the affordable and market rate housing and how will it generate funding for the city? Who will be responsible for ensuring mixed income housing? (Bender)

A: Currently the area is only benefiting parking patrons. The goal for the initial phase is mixed income including low-income housing to ensure it is a community that welcomes all at a variety of price points. Projecting retail sales is challenging. The city will be responsible for ensuring that the developer will create a variety of price point housing. (Talkington) The process will require approval by Metro Council (Flannery)

Q10: Nashville's penetration range for club/loge seats is 8,400-8,700. Why is the new stadium slated for only 7,107? (Bender)

A: The club/loge seats will be in a much better and coveted location near the 50-yard line and will allow for some level of player interaction and proximity to a lounge. The 50-yard line space is very limited real estate and the level of scarcity offers assurances of ticket sales and pricing flexibility. At some point another study will be conducted to survey whether there is a demand for additional club/loge seats. (Wrigley)

Chair Bender thanked the group for their presentations and welcomed the Metro Team to the presenter's table.

Metro's Bond Counsel Jeff Oldham (Bass Berry & Sims PLC) reported that he would walk the Authority through the Development and Funding Agreement, State Funding Agreement, the Intergovernmental Agreement and the PSL Agreement. He noted that the proposed financing schedule is as follows: April 2023 Seek Metro Council & Sports Authority document approval; May/June 2023 Bond Resolution to Sports Authority for approval; Summer 2023 Bond Closing; and Spring/Summer 2024 Bond proceeds released. As a reminder, the funding resources include \$760m in Sports Authority Revenue Bonds; \$500m from the State; revenue from PSL sales, and the balance of budget and overruns from StadCo.

On April 4 the Sports Authority will meet for a final Q & A session and to vote. Upon approval, a Resolution will be brought forward for execution.

Q11: What was the reason for issuing GO bonds when financing the current stadium? (Bender)

A: Those GO bonds were issued by the state, not Metro nor Sports Authority. However, in 1996 Metro did issue GO bonds to acquire the land and it has been repaid in full via a portion of stadium sales taxes.

Q12: How can we obtain a copy of the RFP? (Gill)

A: It is a public record. For clarity purposes an RFQ is a Request For Qualification while a RFP is a Request For Proposals. The RFP is typically followed by an RFQ. The RFQ helps to narrow down firms who are best qualified to perform the services. At this point a RFQ has been issued for stadium development services. Also, under the Development Agreement the team is required to comply with Metro's rules of procurement in all firm selection and hiring aspects. (Tom Cross, Metro Deputy Law Director)

Q13: Does the Titans have a supplier diversity program? It is my understanding that the Titans have started hiring for services pertaining to the new stadium project. If so, have they complied with Metro's rules of procurement? What is the process for ensuring socially and economically disadvantaged entities are given an opportunity to participate on this stadium project? (Gill)

A: Yes, to both, in addition we are engaging Metro's non-discrimination program. In order to stay in step with the timeline set for the stadium to open, an RFP has been issued for AOR. An evaluation committee has been established which includes ED Fawknorton and Metro's Planning Director Lucy Kempf. We are also using Metro's Diversified Business Enterprise Program and we are relying on Metro's procurement guidelines to ensure we are complying. (Jon Cooper, Titans Attorney)

Q14: For the services you have procured thus far, have they been competitive? (Gill)

A: Yes, the RFP was distributed worldwide. For the Architect of Record (AOR) there is a narrow scope of firms who can perform the services.

Q14b: How narrow? (Gill)

A: To date we have received four proposal submissions which are confidential under state law and cannot be disclosed until the award has been offered. Included in the RFP is a section requiring applicants to describe and explain their DBE participation; this section will be evaluated as part of the process. The AOR is the only procurement currently in process. (Cooper)

Q15: How will you identify socially and economically disadvantaged companies and entities to have an opportunity to participate on this project? (Gill)

A: We will follow Metro's procurement guidance as they maintain a list of qualified and eligible firms (Cooper)

Q16: Does the NFL have standards for supplier diversity? (Gill)

A: We are unsure but will research and follow up with an answer. (Cooper)

Facility Questions

There were no questions presented for the facilities.

Adjourn

Chair Bender announced the next board meeting is scheduled for 10:30am on Tuesday April 4 at Geodis Park at which time it is anticipated that a vote on the East Bank Stadium Project plans and documents will be presented to the board. She reminded all that the Metro Team has offered individual session for any board member who so desires.

Respectfully submitted, Valda Barksdale, The Metro Sports Authority

YouTube Link: <https://www.youtube.com/watch?v=wUpfdTRgiW4>

<https://metronashville.sharepoint.com/sites/SportsAuthority/Shared Documents/P-Drive-Sports Authority/SA BOARD/SA Board Materials/FY23/2023 April 4 Board Meetings/Minutes 2023 Mar 28 BOD FINAL.docx>