Fairgrounds Fee Study
Prepared for
Fairgrounds Nashville
Nashville, TN

Prepared by
December 2023

STRATEGIC
VENUE
STUDIES

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Ms. Laura Womack
Executive Director
The Fairgrounds Nashville
401 Wingrove Street
Nashville, TN 37203

December 8, 2024

RE: Fairgrounds Nashville Fee Study

Dear Ms. Womack:

Strategic Venue Studies is pleased to present the following Fee Study for Fairgrounds Nashville. According to our engagement, this analysis includes an analysis of historical Fairgrounds operations, a comprehensive study of competitive and peer venues, and market-based recommendations for future event rental fees and other event service charges. The attached report explains the methods used to prepare this study and discusses the results.

I certify that Strategic Venue Studies has no interest in the Fairgrounds or any other property discussed in this report. Employment and compensation are not contingent upon the findings. This study is subject to the comments made throughout this report and to all assumptions and limiting conditions set forth herein. The findings presented in this report reflect the analysis of primary and secondary sources of information. Strategic Venue Studies utilized sources deemed to be reliable and reasonable but cannot guarantee their accuracy.

I have enjoyed working with you and your team on this study and would be pleased to be of further assistance in the interpretation and application of the findings.

Sincerely,

Strategic Venue Studies

Catherine Sarrett
President

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1. Executive Summary

Introduction to the Assignment

Fairgrounds Nashville ("Fairgrounds") is an event and entertainment complex located approximately five miles from Downtown Nashville. Home to the Nashville Fair, and the Nashville Flea Market, the Fairgrounds contain other venues that host a variety of public and private events, including an Expo Center with approximately 105,000 square feet of function space. The Fairgrounds engaged Strategic Venue Studies ("SVS") to prepare an assessment of the current Expo Center rental and event service fees. The purpose of this study is to understand the Expo Center's current fee structure and how revenues are generated through event rentals at the Expo Center. Through this analysis and a study of competitive and comparable peer venues, SVS recommends a proposed fee structure for the upcoming 2024-25 fiscal budget and future years. The proposed fee structure Includes a realistic implementation plan that provides an opportunity to cover operating costs while also considering the needs of the Fairground's charter mandates and its legacy clients.

Qualifications

SVS provides specialized expertise in performing market and feasibility studies for meeting, recreation, and entertainment facilities. SVS President, Catherine Sarrett, has completed hundreds of assignments throughout the world analyzing the feasibility of event facilities, convention and conference facilities, performing arts centers, sports venues, tourism attractions, and museums. Ms. Sarrett's experience includes market feasibility studies, operations studies, development planning, appraisals, financing recommendations, and economic impact analyses.

Project Methodology

In accordance with the proposed scope of services, the SVS performed the following tasks:

- Collected and analyzed data on historical Fairgrounds operations;
- Compiled data on competitive event venues in and around Nashville, TN;
- Compiled data on peer fairgrounds and stand-alone convention centers in comparable metropolitan markets throughout the United States;
- Prepared recommendations for venue rental, equipment rental, and event service fees;
- Prepared an analysis of operating expenses in the detailed financial data from multiple venues in the SVS database and made recommendations for the allocation of the Fairgrounds' overhead expenses; and
- Forecasted the financial operations of the Fairgrounds given the implementation of the recommended fees and expense allocation.

SVS collected and analyzed all of the information contained in this report. We sought out reliable sources and deemed information obtained from third parties to be accurate and reasonable. Forecasts are subject to all the assumptions and limiting conditions stated in this report.

Fairgrounds Nashville

The Fairgrounds serves as one of the primary public venues in Nashville for festivals, consumer expos, trade shows, sporting events, concerts, and other civic and private events. The site houses a variety of indoor and outdoor amenities and function spaces, including:

- An Expo Center
- A Show Arena
- Parking Sheds
- Outdoor areas including a courtyard, fair park, canopies, and parking sites, and
- The Nashville Fairgrounds Motor Speedway

In addition, the Fairgrounds site also contains Geodis Park, a 30,000-seat Major League Soccer stadium and home to Nashville SC.

Municipally owned by the Metropolitan Council of Nashville and Davidson Governments ("Metro"), the Fairgrounds is operated as an enterprise fund of Metro. The following figure presents are aerial view of the Fairgrounds.

1.1 Aerial View of Fairgrounds Nashville

Source: Google Earth

Local Market

The 36th largest metropolitan market in the U.S., Nashville, Tennessee has a population of 1.3 million. Since the early 1990s, Nashville has maintained a population growth rate near 2% annually. This growth rate has decreased since the Covid pandemic but remains above the national average rate.

During the pandemic, Nashville experienced significant declines in its tourism sector, contributing to an overall decline in Nashville's GDP of 2.5% from 2019 to 2020. Post-pandemic recovery in Nashville has been one of the strongest in the country. From February 2020 through June 2023, Nashville had a GDP growth rate of 10.4%, ranking the city 4th among the 52 largest metro areas, behind Austin, TX, Dallas, TX, and Raleigh, NC.

The primary convention and event facility in Nashville is the Music City Center. Located in downtown Nashville, the Music City Center houses over 500,000 square feet of Class A exhibit, banquet, and meeting space. Attracting over 500,000 event attendees from throughout the world, the Music City Center hosts major conventions, business conferences, and trade shows in addition to large community events. Other event infrastructure in Nashville includes large convention hotels, including the Gaylord Opryland Resort and the Omni Nashville Hotel. Other stand-alone event venues, such as arenas, performance centers, museums, and restaurants house large event spaces suitable for banquets and small exhibitions. The following figure presents the local event infrastructure in the Nashville market with a capacity of at least 1,000 attendees.

1.2 Local Meeting and Event Infrastructure

Venue Name	Type	Indoor Event Capacity*
Nissan Stadium	Sports Venue	20,000
Bridgestone Arena	Sports Venue	20,000
Music City Center	Convention/Expo	20,000
Gaylord Opryland Hotel	Convention Hotel	15,000
Nashville Municipal Auditorium	Sports Venue	9,700
Fairgrounds Nashville Expo Center	**Convention/Expo**	**7,310**
Grand Ole Opry	Theater	4,400
Omni Nashville Hotel	Convention Hotel	2,700
Ryman Auditorium	Theater	2,362
Renaissance Nashville Hotel	Convention Hotel	2,250
Musicians Hall of Fame and Museum	Museum	2,000
Frist Art Museum	Museum	2,000
Grand Hyatt Nashville	Convention Hotel	2,000
JW Marriott	Convention Hotel	1,580
Ole Red	Restaurant/Club	1,200
City Winery Nashville	Restaurant/Club	1,200
Redneck Riviera	Restaurant/Club	1,000
The Bridge Building	Event Space	1,000
B.B. King's Blues Club	Restaurant/Club	1,000
Vanderbilt University	University	1,000
Events on Cannery Row	Event Space	1,000

* Does not include outdoor seating for sports and concert venues.
Source: Respective Venues

With multiple convention hotels and the Music City Center housing Class A convention and banquet space, the Fairgrounds Expo Center is uniquely positioned as the cost-effective option for medium-sized consumer and trade shows as well as local events that require a large amount of flexible flat floor function space.

Historical Fairgrounds Operations

The Fairgrounds completed a major renovation of its site in September 2019, opening a newly constructed Expo Center with three halls and subsequently closing multiple older event buildings. Approximately six months after the Expo Center opened, the Covid pandemic necessitated the temporary closure of the entire Fairgrounds. Reopening took place in phases with the Flea Markets resuming operations in May of 2021 and the Fairgrounds Expo Center reopening in October of 2021. As a result, fiscal year 2023 (July 2022 through June 2023) represents the most recent full year of operation of the Expo Center.

The following figures present the event demand and financial operations of the Fairgrounds Expo Center in fiscal year 2023.

1.3 Fairgrounds Expo Center Event FY 2023

	2022-23
Events	
Public Expos	46
Trade Shows	9
Concert & Entertainment	2
Sports & Competitions	9
Other	8
Flea Markets	12
Fair	1
	87
Event Days-Including Move in/out	
Public Expos	222
Trade Show	33
Concert & Entertainment	7
Sports & Competitions	26
Other	19
Flea Market	50
Fair	24
	381

The Fairgrounds enjoys a relatively high occupancy rate and continues to grow its base of business with new events joining recurring Legacy Events.

1.4 Fairgrounds Expo Center Operations

EVENT REVENUE	2023	% of Rev
Expo Hall Rental	$703,983	30%
Other Rental	101,215	4%
Flea Market Booth Rental	779,607	34%
Event Equipment/Supplies	149,221	6%
Event Food & Beverage	201,736	9%
Other Food & Beverage	26,102	1%
Event Parking	225,294	10%
Other Parking	104,928	5%
Miscellaneous	32,804	1%
Total	**$2,324,890**	**100%**
EVENT EXPENSE		
External Event Services	$62,858	3%
Total	**$62,858**	**3%**
OPERATING INCOME (LOSS)	**$2,262,032**	**97%**
OTHER REVENUE	**2023**	
Lease Revenue	$200,000	9%
Advertising	20,800	1%
Total	**$220,800**	**9%**
UNALLOCATED EXPENSE		
Salaries	$1,032,870	44%
Benefits	350,179	15%
Utilities	480,172	21%
Contract Services	64,268	3%
Administrative	328,539	14%
Internet & Telecom	116,339	5%
Parking Staff	59,168	3%
Repair & Maintenance	78,949	3%
Equipment & Supplies	144,157	6%
Insurance	213,504	9%
Depreciation	1,348,836	58%
Total	**$4,216,981**	**181%**
TOTAL NET INCOME (LOSS)	**($1,734,150)**	**-75%**
TOTAL NET INCOME (LOSS) WITHOUT DEPRECIATION	**($385,314)**	**-17%**

Throughout the country, many event venues are still experiencing the long-term effects of the Covid pandemic as events and attendance figures slowly rebound to pre-pandemic levels. The operating loss of $385,000 is slightly higher than the $158,000 loss in fiscal year 2019, before the pandemic.

Peer Venue Analysis

An analysis of peer fairgrounds, and expo centers provides a basis for understanding the Fairgrounds' relative competitive position in the events market and for developing rental rate recommendations for the Fairgrounds.

In addition to the local sports, entertainment, and event venues discussed above, the Fairgrounds competes directly with two nearby agricultural centers: The Williamson County Ag Expo Park in Franklin, TN ("Ag Expo Park") and the James E. Ward Agricultural Center ("Ward Ag Center") in Lebanon, TN. Both venues offer event and meeting spaces for event rentals. SVS has also identified convention and expo centers throughout the state of Tennessee and neighboring states that may compete with the Fairgrounds for touring public expos and entertainment.

Venues in Groups 1 and 2 are used to establish the Fairground's relative competitive position in the regional event market.

A third group of venues in this study includes peer fairgrounds and expo centers in medium to large metropolitan areas throughout the United States. These 12 venues do not compete directly with the Fairgrounds but have a similar market presence in their local economies. Comparing their rental and service fee structures and event booking policies can be informative when developing rate recommendations for the Fairgrounds.

The following figure presents a list of the venues we analyzed for this study.

1.5 Competitive and Peer Event Venues

Group 1 Venues	Location	Total Function Space (sf)
Competitive Fairgrounds surrounding Nashville		
Fairgrounds Nashville	**Nashville TN**	**104,958**
Williamson County Ag Expo Park	Franklin TN	84,090
James E. Ward Ag Center	Lebanon TN	22,620
Group 2 Venues	**Location**	**Total Function Space (sf)**
Competitive Regional convention and expo centers in Tennessee amd surrounding states		
Von Braun Center	Huntsville AL	149,056
Chattanooga Convention Center	Chattanooga TN	144,740
Sevierville Events Center	Sevierville TN	128,932
Gatlinburg Convention Center	Gatlinburg TN	95,424
Knoxville Expo Center	Knoxville TN	95,100
Owensboro Convention Center	Owensboro KY	75,246

1.5 Competitive and Peer Event Venues (continued)

Group 3 Venues	Location	Total Function Space (sf)
Comparable State and County Fairgrounds in Metropolitan Markets		
Ohio Expo & State Fair	Columbus OH	448,600
Oklahoma City Fairgrounds	Oklahoma City OK	425,972
New York State Fairgrounds	Syracuse NY	364,600
Portland Expo Center	Portland OR	328,500
Mountain America Expo Center	Sandy UT	243,000
Freeman Coliseum & Expo Hall	San Antonio TX	198,250
North Carolina State Fairgrounds	Raleigh NC	178,196
Minnesota State Fairgrounds	St. Paul MN	159,127
South Carolina State Fairgrounds	Columbia SC	110,071
Expo Idaho	Boise ID	75,000
Greater Jacksonville Agricultural Fair	Jacksonville FL	42,600
Douglas County Fairgrounds	Castle Rock CO	29,000

Source: Respective Venues

In terms of exhibit and multipurpose space, the Fairgrounds compares favorably to the competitive sets (Groups 1 and 2), housing one of the largest expo halls in the group and capable of competing effectively for public expos and sporting events. However, the Group 2 venues also house ballrooms, breakout meeting rooms, and adjacent hotel rooms making them capable of hosting a wider variety of events, including regional conventions, conferences, and social food and beverage functions.

For public expos and other flat-floor events that do not require a traditional ballroom or breakout meeting space, the Fairgrounds Expo Center offers one of the largest exhibition spaces in the region. The Fairgrounds' location in Nashville creates further advantages with both market size and access. With approximately 2.1 million residents, the Nashville metro population is significantly higher than that of the Fairgrounds' closest competitors in Knoxville, Chattanooga, and Huntsville, making it an attractive venue for event organizers looking to generate attendance from the local population.

Unlike the competitive convention and event centers presented in Groups 1 and 2, the Group 3 venue most closely resembles the operations and event profile of the Fairgrounds. Most host an annual State or County Fair with a variety of exhibit-based events booking throughout the year. Some house a large, multi-functional expo center, while others have several buildings on site that can host exhibitions and other flat floor events.

The Group 3 venues serve as the basis for the Fairgrounds rate analysis that follows. These venues are most comparable in function and event profile. In addition, each of the Group 3 venues is in one of the top 105 metropolitan markets in terms of population size and serves as a second-tier venue for the market which also has a convention center.

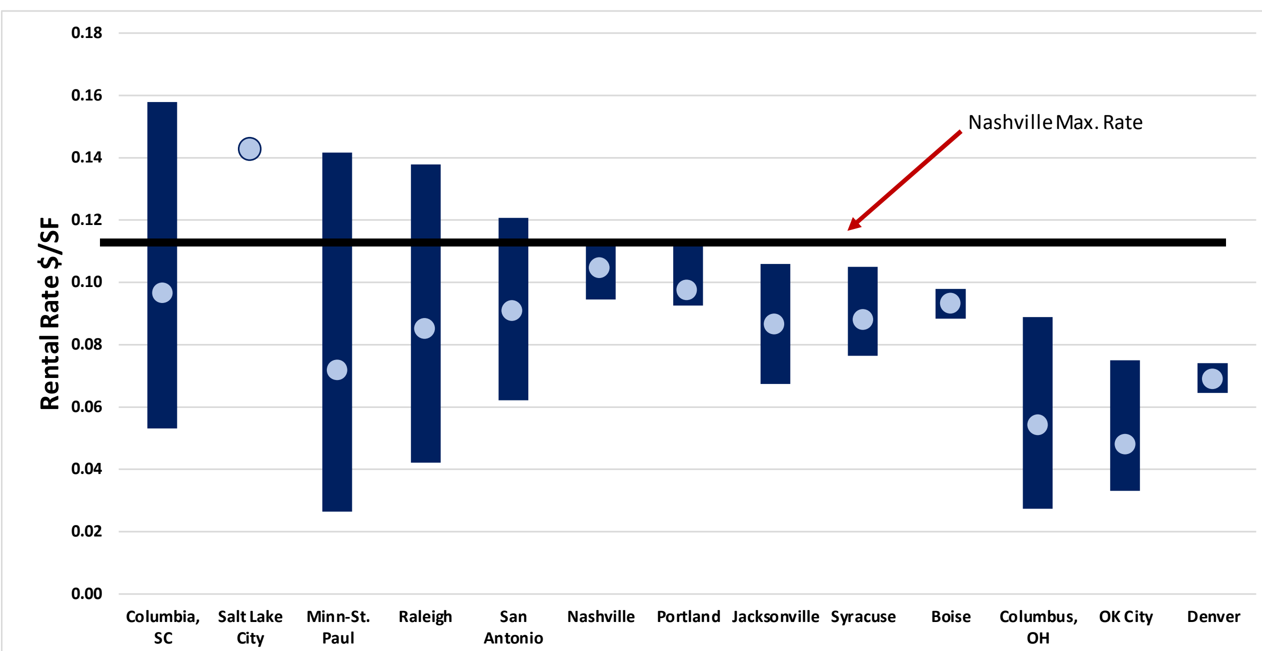
Each of the peer fairgrounds and expo centers publishes its facility rental rates and fees for rentals and other event services. SVS collected this data to compare with the Fairgrounds' current fee structure and inform fee recommendations.

The following figure presents a summary of the peer venues with their exhibition sizes and the average published rental rates. The figure that follows provides a graphical comparison of the high, low, and average rental rates for each peer venue.

1.6 PEER VENUE RATE ANALYSIS

Metro Population Rank	Venue	Metro Market	Total Exhibit Space (SF)	Largest Contiguous (SF)	High Rental Rate ($/SF)	Low Rental Rate ($/SF)	Average Rental Rate ($/SF)
72	South Carolina State Fairgrounds	Columbia, SC	110,071	40,000	0.153	0.058	0.097
47	Mountain America Expo Center	Salt Lake City	243,000	243,000	0.142	0.142	0.142
16	Minnesota State Fairgrounds	Minn-St. Paul	159,127	50,000	0.137	0.031	0.072
42	North Carolina State Fairgrounds	Raleigh	178,196	95,000	0.133	0.047	0.085
24	Freeman Coliseum & Expo Hall	San Antonio	198,250	159,450	0.116	0.067	0.091
36	Fairgrounds Nashville	Nashville	104,958	104,958	0.109	0.099	0.105
104	Portland Expo Center	Portland	324,000	328,500	0.109	0.099	0.097
37	Greater Jacksonville Ag Fair	Jacksonville	42,600	27,700	0.101	0.072	0.086
91	New York State Fairgrounds	Syracuse	364,600	110,000	0.100	0.081	0.088
77	Expo Idaho	Boise	74,970	74,970	0.093	0.093	0.093
32	Ohio Expo & State Fair	Columbus, OH	448,600	155,000	0.084	0.032	0.054
41	OKC Fairgrounds	OK City	425,972	201,000	0.070	0.038	0.048
19	Douglas County Fairgrounds	Denver	29,000	29,000	0.069	0.069	0.069

1.7 RANGE AND AVERAGE DAILY RENTAL RATES OF PEER VENUES



Source: Respective Venues

Of the peer venues operating as Enterprise Funds, the most comparable to the Fairgrounds in terms of market size and venue size are the Minnesota State Fairgrounds and the North Carolina State Fairgrounds. While the Fairgrounds' average rental rate is higher, these two venues charge rates 22% and 26% higher for the use of their higher-quality event spaces.

In addition to the active event days, most events require at least one day to move in their event and additional time to move out. The Fairgrounds currently charges $500 for a full move-in or move-out day. This fee is not charged if the event moves in after noon on the day before the event start date or moves out before noon on the day after the conclusion of the event. While some of the peer venues include move-in and move-out days with their rental fee, the most common policy is to charge 25% to 50% for a non-event day. The Fairgrounds currently charges approximately 10% to 18% for a full move-in or move-out day.

Most events that rent event spaces also require a combination of furniture, exhibit booths, crowd control, audio-visual equipment, electrical service installations, and other furnishings and equipment to produce their events. Rentals and charges for event services can be a significant source of event revenues.

The Fairgrounds' published rates for event services and labor fees are consistent with the peer venues. Other venues also publish rates for a variety of other event services, including event staff, electricians, and security, suggesting the opportunity to expand the service revenue collected from events.

Other sources of event revenues include food and beverage sales and parking fees. The Fairgrounds' contracted food service delivery system is consistent with other venues. Food and beverage commissions are also in line with other venues that use outside vendors for concessions and catering. While some of the peer venues offer free parking, the per-vehicle parking rates at the Fairgrounds are consistent with other venues that charge for parking.

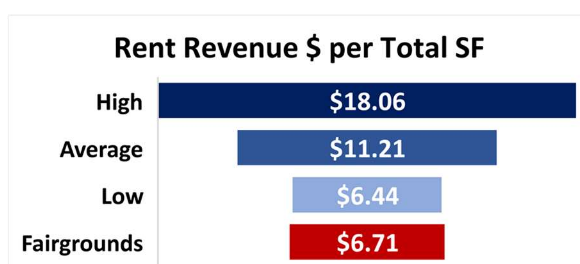
The peer venue analysis suggests market-based opportunities to increase event revenues through modest increases in daily rental, and event service fees. Additional revenues can be secured through higher and more consistent fees charges for non-event days.

Rate Recommendations

The peer venue analysis identifies the opportunity to increase event revenues through higher event rental fees, higher and more consistent charges on non-event days, higher equipment rental rates, and identifying additional sources of event service revenue. To quantify and inform reasonable recommendations, SVS supplemented the peer venue data with aggregated financial data from ten convention and expo centers in the SVS database.

The following figure presents aggregate data on rental revenue collected per square foot of available function space. The data, from multiple years, has been inflated to 2023 dollars for comparison purposes.

1.8 Rent Revenue vs Rentable Space -2023$



Source: Respective Venues

The above figure further suggests that there is room for the Fairgrounds to increase facility rental revenue.

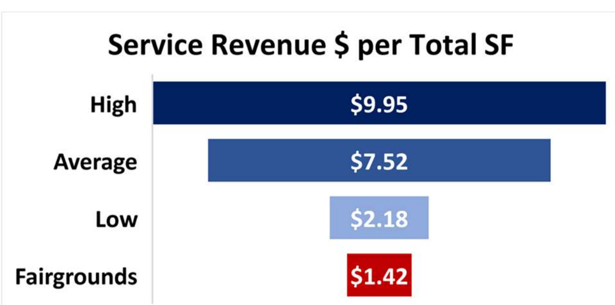
Increases in rental revenue can be accomplished through the following two recommendations.

1. An 8% increase in current published rental rates of the Expo Center. The model assumes that event discounts will continue such, as a 20% discount for weekday events.

2. An increase in the fee for move-in and move-out days to 50% of the published daily rental rate. Partial day move-in and move-out days should be charged a prorated daily rate.

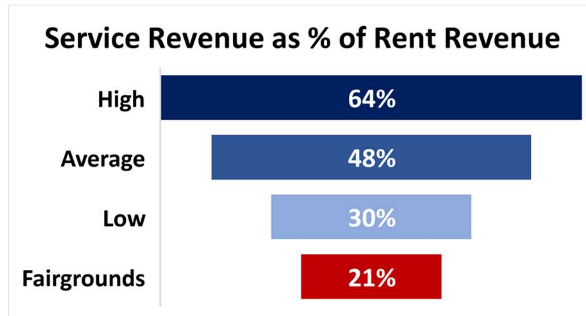
The following figures present service revenue metrics for the aggregate venue data as compared to historical data for the Fairgrounds. Revenues associated with the Nashville Flea Markets are not included in the figures.

1.9 Event Service Revenue vs Rentable Space -2023$



Source: Respective Venues

1.10 Event Service Revenue as % of Rent Revenue



Source: Respective Venues

The aggregate data demonstrates that other venues are able to generate significantly more revenues from event service fees as compared to the Fairgrounds. We recommend increasing existing equipment and event service fees by 5%; and identifying additional sources of event service charges to bring the total event service revenue (event rentals + additional event services) to 30% to 40% of event rental revenue, depending on the type of the event.

Financial Operations

The SVS financial model is based on the most recent complete fiscal year, fiscal year 2023. We also use demand and financial data from fiscal year 2022 to help inform model parameters of fixed and variable operating expenses.

In developing future event and attendance projections, we have used available data from actual bookings for fiscal year 2024. Information provided by the Fairgrounds shows 11 more events in fiscal year 2024 than booked in fiscal year 2023 (the base model year).

The proposed rate increases are phased in over two years. In addition to rate and fee recommendations, an annual inflation rate of 3% is applied to both revenues and expenses.

1.11 Fairgrounds Nashville Operating Pro Forma in Inflated Dollars

INFLATED DOLLARS	Historical		Stablization Period			
	2023	2024	2025	2026	2027	2028
EVENT REVENUE						
Expo Hall Rental	$703,983	$791,100	$999,300	$1,211,400	$1,243,700	$1,281,000
Other Rental	101,215	101,200	104,200	107,400	110,600	113,900
Flea Market Booth Rental	779,607	779,600	803,000	827,100	851,900	877,500
Event Equipment/Supplies	149,221	157,500	166,300	175,400	180,700	186,100
Additional Event Services	0	0	79,700	123,200	169,200	174,300
Event Food & Beverage	201,736	227,200	234,000	241,000	248,300	255,700
Other Food & Beverage	26,102	26,100	26,900	27,700	28,500	29,400
Event Parking	225,294	251,400	259,000	266,700	274,700	283,000
Other Parking	104,928	104,900	108,000	111,300	114,600	118,000
Miscellaneous	32,804	21,900	22,600	23,300	24,000	24,700
Total Operating Revenue	**$2,324,890**	**$2,460,900**	**$2,803,000**	**$3,114,500**	**$3,246,200**	**$3,343,600**
EVENT EXPENSE						
External Event Services	$62,858	$70,700	$72,800	$75,000	$77,200	$79,500
Allocated Event Services Cost	0	0	306,500	315,700	325,200	334,900
Total Operating Expenses	**$62,858**	**$70,700**	**$379,300**	**$390,700**	**$402,400**	**$414,400**
OPERATING INCOME (LOSS)	**$2,262,032**	**$2,390,200**	**$2,423,700**	**$2,723,800**	**$2,843,800**	**$2,929,200**
OTHER REVENUE	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Lease Revenue	$200,000	$200,000	$200,000	$200,000	$200,000	$200,000
Advertising	20,800	20,800	21,400	22,100	22,700	23,400
Total Non-Operating Revenue	**$220,800**	**$220,800**	**$221,400**	**$222,100**	**$222,700**	**$223,400**
UNALLOCATED EXPENSE						
Salaries	$1,032,870	$1,078,200	$998,400	$1,028,300	$1,059,200	$1,091,000
Benefits	350,179	365,500	338,500	348,600	359,100	369,800
Utilities	480,172	501,200	416,700	429,200	442,100	455,300
Contract Services	64,268	66,200	55,100	56,700	58,400	60,200
Administrative	328,539	293,600	302,400	311,400	320,800	330,400
Internet & Telecom	116,339	115,900	96,300	99,200	102,200	105,300
Parking Staff	59,168	69,300	71,300	73,500	75,700	78,000
Repair & Maintenance	78,949	81,400	83,800	86,300	88,900	91,600
Equipment & Supplies	144,157	157,600	131,000	134,900	139,000	143,100
Insurance	213,504	229,000	235,900	243,000	250,300	257,800
Depreciation	1,348,836	1,348,800	1,348,800	1,348,800	1,348,800	1,348,800
Total Indirect Expense	**$4,216,981**	**$4,306,700**	**$4,078,200**	**$4,159,900**	**$4,244,500**	**$4,331,300**
TOTAL NET INCOME (LOSS)	**($1,734,150)**	**($1,695,700)**	**($1,433,100)**	**($1,214,000)**	**($1,178,000)**	**($1,178,700)**
TOTAL NET INCOME (LOSS) WITHOUT DEPRECIATION	**($385,314)**	**($346,900)**	**($84,300)**	**$134,800**	**$170,800**	**$170,100**

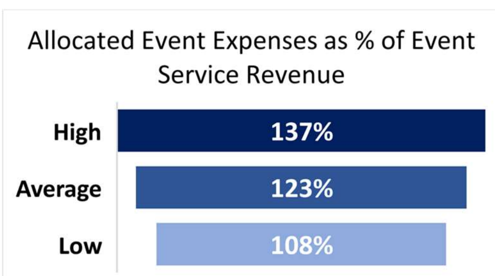
Overhead Expense Allocation

Beginning in fiscal year 2025, the above figure reflects a proposed allocation of staffing costs and other indirect expenses. Each event that books a venue utilizes a venue's staff, utilities, and other resources, such that a certain percentage of the operating expenses can be allocated to event operations rather than to general overhead.

Expense allocation is a valuable tool to help determine the overall profitability of an event and assist in negotiating rents, event service fees, and other terms when booking events.

The aggregate financial data shows that not all allocated expenses are recouped. Overhead expenses allocated to events are typically greater than the amounts actually collected as event services.

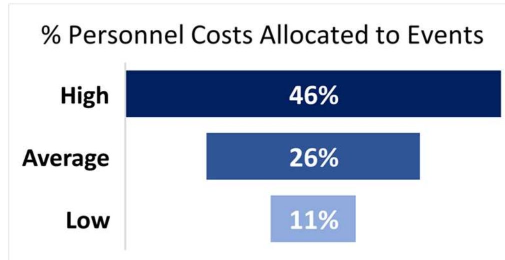
1.12 Allocated Expenses Ratios



Source: Respective Venues

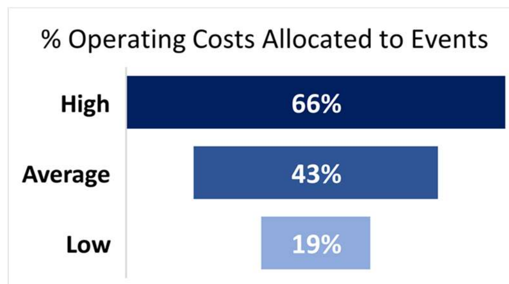
How venues allocate their operating expenses and in what proportions varies. The following figures present percentage allocations of personnel costs and total operating expenses for the aggregate data.

1.13 Allocated Personnel Costs



Source: Respective Venues

1.14 Allocated Operating Costs



Using the above industry data, SVS has developed an overhead allocation plan based on some initial assumptions and metrics. In the base scenario, the Fairgrounds would allocate approximately $140,000 in personnel costs and $152,000 in other expenses to events, representing 10% of personnel costs and 19% of other expenses.

The following figure demonstrates the changes in allocated operating costs as we change the percentage of event service revenue and the percentage of allocated personnel costs.

1-15 SENSITIVITY ANALYSIS OF ALLOCATED OVERHEAD EXPENSES

		Personnel Costs Allocated				
		$70,100	$105,100	$140,200	$175,200	$210,200
		5%	7.5%	10%	12.5%	15%
Allocated Event Expenses/Event Service Revenue	105%	$195,500	$160,400	$123,400	$90,300	$55,300
	110%	$211,500	$176,400	$141,400	$106,300	$71,300
	115%	$227,500	$192,400	$157,400	$122,400	$87,300
	120%	$243,500	$208,400	$173,400	$138,400	$103,300
	125%	$259,500	$224,500	$189,400	$154,400	$119,300

Allocated overhead expenses can include the costs to provide a variety of services to events. The following figure presents a list of expenses that can typically be allocated to events.

1.16 TYPICAL OPERATING EXPENSES ALLOCATED TO EVENTS

Labor/Wages	Services	Equipment/Supplies/ Misc
Event Staff	Utilities	Outside Equipment Rentals
Event Set-up Staff	Cleaning	Cleaning Supplies
Stagehands	Waste Removal	Linens
Ticket Sellers	Event Advertising	Event Décor
Electrician	Event Security	Damages
Parking Staff	Police	Licenses
Sales Staff Commissions	EMT	Postage/Shipping
	Internet/Phone Service	Event Insurance Premiums
	Audio-Visual Service	Credit Card Fees
		Ticketing Fees

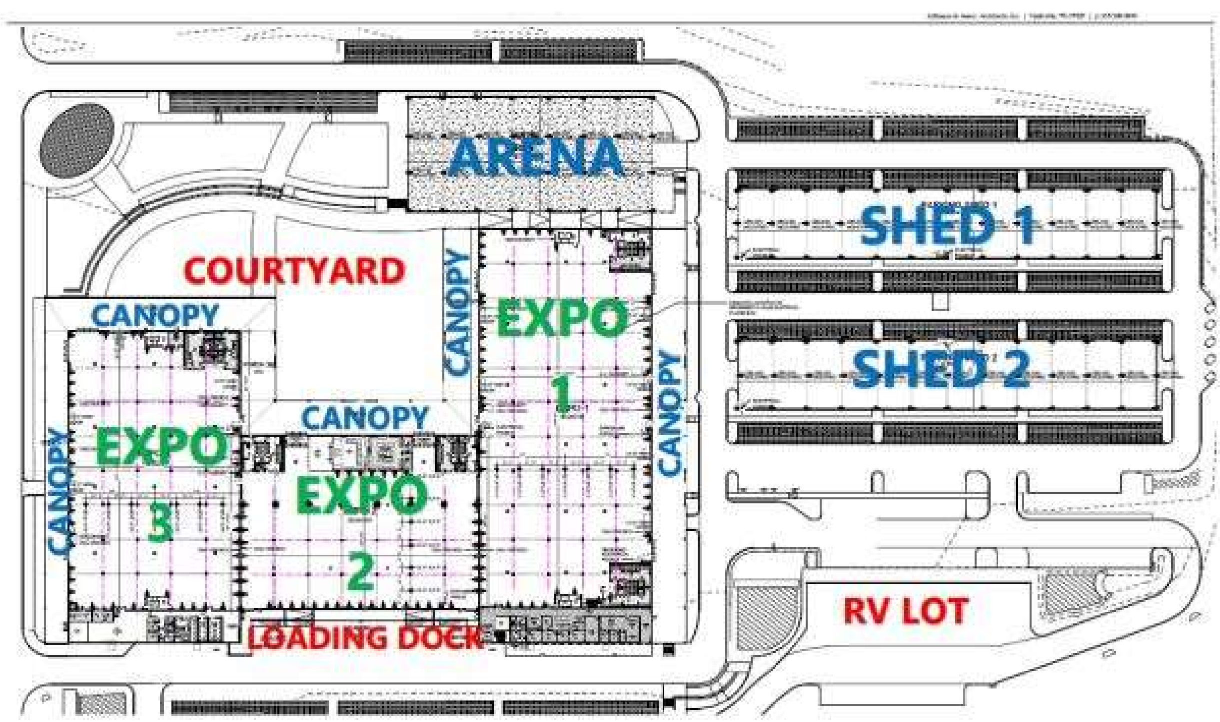
2. HISTORICAL FAIRGROUNDS OPERATIONS

The Fairgrounds completed a major renovation of its site in September 2019, opening a newly constructed Expo Center with three halls and subsequently closing multiple older event buildings. Approximately six months after the Expo Center opened, the Covid pandemic necessitated the temporary closure of the entire Fairgrounds. Reopening took place in phases with the Flea Markets resuming operations in May of 2021 and the Fairgrounds Expo Center reopening in October of 2021. As a result, fiscal year 2023 (July 2022 through June 2023) represents the most recent full year of operation of the Expo Center.

Historical event and financial data from pre-Covid and partial closure years will be presented in this study, but the primary base year used throughout the analysis is fiscal year 2023.

The following figure presents the site plan of the Expo Center and surrounding event infrastructure at the Fairgrounds.

2-1 FAIRGROUNDS EXPO CENTER SITE PLAN



Source: Nashville Fairgrounds

Historical Event Demand

The Fairgrounds provided a summary of the venue's historical event demand for calendar year 2022 through future bookings in calendar year 2025. This demand data includes event name, dates, expo halls utilized, and whether the event is an annual recurring event ("Legacy Event") or a new event to the Fairgrounds. To the extent available, the fairgrounds also provided an estimated event attendance for events occurring in fiscal year 2023. Based on this information, SVS categorized events into standard event categories that are described below and will be used throughout the remainder of this report. Historical event and attendance levels fluctuate year to year due to a variety of factors. While the Fairgrounds Expo Center was fully open throughout fiscal year 2023, the lingering effects of the Covid pandemic cancellations and potentially permanent shifts in industry demand remain.

The following figure presents the event demand at the Fairgrounds Expo Center for fiscal years 2022 through 2025.

2-2 Fairgrounds Expo Center Events (FY 2023 - 2025)

	Fiscal Years		Preliminary
	2022-23	2023-24	2024-25
Events			
Public Expos	46	54	46
Trade Shows	9	5	4
Concert & Entertainment	2	2	3
Sports & Competitions	9	14	9
Other	8	7	4
Flea Markets	12	12	12
Fair	1	1	1
	87	95	79
Event Days-Including Move in/out			
Public Expos	222	171	171
Trade Show	33	12	12
Concert & Entertainment	7	4	12
Sports & Competitions	26	41	24
Other	19	17	12
Flea Market	50	41	48
Fair	24	20	24
	381	306	303

Source: Nashville Fairgrounds

At the time of writing this report Fiscal year 2023 events and fiscal year 2024 events through October 2024 have already occurred. Additional events may book the venue in fiscal years 2024 and 2025 while other events currently on the books may become lost business.

The Fairgrounds event profile is typical for a community fairgrounds. Regularly occurring events include the annual Nashville Fair and the monthly Nashville Flea Market. Third-party and Metro rentals account for the remainder of events with SVS event categories described below.

Public Expos – Public Expos are ticketed public events such as public sales, home and garden shows, car shows, festivals, and other exhibit-based ticketed events that attract local and regional attendees. Public expos can be hosted by corporations, civic groups, business associations, educational institutions, and private event organizers.

Trade Shows – Tradeshows provide a means for wholesalers and retailers to transact business with industry buyers. As such, tradeshows are exhibit-oriented events in which people display and demonstrate products. Trade shows are not typically open to the general public.

Concerts & Entertainment – This category includes music concerts and other ticketed entertainment events that draw a spectating audience.

Sports & Competitions – Sports and Competition events include marital arts, boxing, and other mat-based sports tournaments and demonstrations. This category can also include table games, robotics, and gaming events.

Other Events – Other events include a variety of local-oriented facility rentals such as school functions, exams, blood drives, health screenings, entertainment, charity functions, government meetings, and other civic uses.

Of the nearly 90 events held at the Fairgrounds in fiscal year 2023, public expos comprised more than half of the events and the majority of active event days. Bookings for fiscal year 2024 indicate growth in the total number of events, led by increasing public expo bookings and sports & competition events.

Historical Financial Operations

The Fairgrounds provided data on historical financial operations for the fiscal years 2019 through 2023. The financial data separates revenues and expenses attributed to the annual State/Nashville Fair and those attributed to other activities at the Fairgrounds, identified as the Corporate Sales Program. For the purpose of this study, SVS used the Corporate Sales Program financial data to evaluate revenues and expenses attributed to event rentals. SVS made further modifications to the data by removing all unrealized gains, unrealized losses, and fund transfers so that the operating statement reflects the operating activities of the Fairgrounds.

The expo center industry does not use a standardized set of accounting principles for reporting financial performance. Convention and expo center operators employ a variety of accounting methods. Financial statements from different expo centers organize revenues and expenses differently. However, a few major revenue and expense categories are common to most facilities. The financial operating model presented in this section organizes venue operations according to these primary revenue and expense categories. Therefore, the financial operating projections presented below are organized differently than the historical financial operating statements provided by the Fairgrounds.

The following figure presents the restated historical financial operations. A description of each revenue and expense line item follows.

2-3 HISTORICAL FAIRGROUNDS OPERATIONS

			Impacted by Covid Pandemic Closures							
	2019		2020		2021		2022		2023	
EVENT REVENUE		% of Rev		% of Rev		% of Rev		% of Rev		% of Rev
Expo Hall Rental	$0	0%	$6,584	0%	$0	0%	$413,274	27%	$703,983	30%
Other Rental	894,829	31%	434,115	24%	101,493	53%	138,003	9%	101,215	4%
Flea Market Booth Rental	1,298,912	45%	815,924	45%	34,078	18%	413,731	27%	779,607	34%
Event Equipment/Supplies	89,491	3%	29,460	2%	2,257	1%	106,429	7%	149,221	6%
Event Food & Beverage	171,748	6%	134,166	7%	18,549	10%	130,937	9%	201,736	9%
Other Food & Beverage	18,092	1%	41,962	2%	17,190	9%	31,266	2%	26,102	1%
Event Parking	261,013	9%	219,425	12%	26,880	14%	171,153	11%	225,294	10%
Other Parking	169,137	6%	113,030	6%	(10,327)	-5%	88,661	6%	104,928	5%
Miscellaneous	8,135	0%	7,036	0%	886	0%	11,922	1%	32,804	1%
Total	$2,911,357	100%	$1,801,703	100%	$191,005	100%	$1,505,376	100%	$2,324,890	100%
EVENT EXPENSE										
External Event Services	$69,955	2%	$43,490	2%	$0	0%	$20,469	1%	$62,858	3%
Total	$69,955	2%	$43,490	2%	$0	0%	$20,469	1%	$62,858	3%
OPERATING INCOME (LOSS)	$2,841,403	98%	$1,758,213	98%	$191,005	100%	$1,484,907	99%	$2,262,032	97%
OTHER REVENUE	2019		2020		2021		2022		2023	
Lease Revenue	$0	0%	$0	0%	$200,000	105%	$202,000	13%	$200,000	9%
Advertising	12,417	0%	12,432	1%	21,700	11%	20,800	1%	20,800	1%
Total	$12,417	0%	$12,432	1%	$221,700	116%	$222,800	15%	$220,800	9%
UNALLOCATED EXPENSE										
Salaries	$996,335	34%	$1,026,153	57%	$881,834	462%	$978,624	65%	$1,032,870	44%
Benefits	398,629	14%	389,448	22%	378,178	198%	364,293	24%	350,179	15%
Utilities	771,324	26%	564,615	31%	483,992	253%	475,231	32%	480,172	21%
Contract Services	112,217	4%	111,161	6%	10,097	5%	61,122	4%	64,268	3%
Administrative	313,626	11%	314,953	17%	277,292	145%	295,842	20%	328,539	14%
Internet & Telecom	159,341	5%	129,022	7%	119,407	63%	109,304	7%	116,339	5%
Parking Staff	69,955	2%	43,490	2%	0	0%	20,469	1%	59,168	3%
Repair & Maintenance	124,386	4%	62,601	3%	62,921	33%	112,818	7%	78,949	3%
Equipment & Supplies	119,816	4%	104,469	6%	51,010	27%	113,400	8%	144,157	6%
Insurance	139,418	5%	127,138	7%	161,627	85%	181,939	12%	213,504	9%
Depreciation	369,974	13%	1,176,675	65%	1,405,514	736%	1,374,311	91%	1,348,836	58%
Total	$3,575,021	123%	$4,049,726	225%	$3,831,872	2006%	$4,087,353	272%	$4,216,981	181%
TOTAL NET INCOME (LOSS)	($721,202)	-25%	($2,279,080)	-126%	($3,419,167)	-1790%	($2,379,647)	-158%	($1,734,150)	-75%
TOTAL NET INCOME (LOSS) WITHOUT DEPRECIATION	($351,228)	-12%	($1,102,405)	-61%	($2,013,653)	-1054%	($1,005,336)	-67%	($385,314)	-17%

Source: Fairgrounds Nashville, restated by SVS

In fiscal year 2019, prior to the Covid pandemic closures, the Fairgrounds had not yet opened the Expo Center facility. Operations in this year yielded a $158,000 loss, not including depreciation. Covid closures drastically impacted operating income, yielding higher net losses, despite the opening of the Expo Center. Over the first full, post-Covid year of operation, the Fairgrounds had a net loss of $385,000

Event Revenues

Event revenues include a variety of services as detailed below.

Expo Hall Rental—The Fairgrounds collects rental fees from event planners, promoters, and private organizations that rent the Expo Hall to host their events. The Fairgrounds has published the following rental rates for the daily use of each hall.

2-4 Expo Hall Rental Rates

Venue	Daily Rental Rate ($) FY 2023	FY 2024
Expo Hall 1	4,800	5,040
Expo Hall 2	2,600	2,730
Expo Hall 3	3,200	3,360

Source: Fairgrounds Nashville

Expo Hall Rental revenue begins with the opening of the Fairgrounds Expo Center in September 2019 (fiscal year 2020). Covid pandemic closures significantly impacted the next few years.

The Fairgrounds instituted a 5% rate increase for fiscal year 2024. Most events require additional use days for moving in and moving out of the expo halls which is included in the Expo Hall Rental revenue. The Fairgrounds charges $500 for any full move-in/out days. This fee can be waived if an event moves in after noon the day prior to the event start date or moves out before noon on the day after the conclusion of the event.

Other Rental—Other rental revenue includes the rental of Fairgrounds buildings and event spaces prior to the opening of the Expo Center and the rental of the Motor Raceway Facility, Show Arena, Sheds, Canopies, and other outside areas. Other Rental revenue may be for a stand-alone event in these areas or as a part of an event hosted in the Expo Center. The Fairgrounds has the following published rental rates.

2-5 Other Rental Rates

Venue	Daily Rental Rate ($) FY 2023	FY 2024
Fair Park	7,500	7,875
Canopies 1-6	200-500	210-525
Courtyard	750	787.50
Sheds	1,500	1,575
Show Arena	1,500	1,575
Expo Lots	750	787.50

Source: Fairgrounds Nashville

Flea Market Booth Rental—The Fairgrounds collects Flea Market Booth Rental from organizations and individuals who rent space during the monthly Nashville Flea Markets. Following Covid pandemic closure, the Nashville Flea Market resumed operations in May 2021 (fiscal year 2021).

Event Services—Event Services include the fees charged to event tenants for electric service, furniture, and equipment rentals. The Fairgrounds has the following published rates for these services.

2-6 Event Service Rates

Item	Advance Rate ($)	Day of Rate ($)
110 Electric Floor Box	40	50
220 Electric Floor Box	75	105
Wall/Floor Outlet	15	20
Staging	30	40
Metal Chairs	2	2.50
Banquet Chairs	2.75	3.50
Cones	5	7.50
Loading Carts	25	30
Corded Mic	50	60
Wireless Mic	90	110
Pipe & Drape Panel	$3 to 4 per LF	
Pipe & Drape Booth	40	50
Podium	30	35
Bleachers	150	200
Tables	10	12
Round Tables	30	40
Ticket booth	150	200
Barricades	25	30
Forklift Service	$65 per Hour	

Source: Fairgrounds Nashville

Outside of the hourly forklift services in the above figure, the Fairgrounds does not currently charge event organizers for the Fairgrounds staff or contracted service labor required for an event. Similarly, the Fairgrounds does not currently identify or charge event organizers for utility, broadband, or wireless services.

Event Food & Beverage— Events that use the Fairgrounds Expo Center also arrange for food service for their attendees during their events. This food service can include catering which can range from coffee breaks associated with a meeting to a full dinner associated with a banquet. Public expos, trade shows, and sporting events often generate concessions revenue. The Fairgrounds contracts with D&D Events to provide food service to events. The food & beverage revenues above reflect a 34% commission on concessions and a 16% commission on catering.

Other Food & Beverage— Other food and beverage revenues are collected from events held by the promoter at the Motor Speedway. The revenue reflects a 15% commission on concessions.

Event Parking—The Fairgrounds charges event attendees for on-site parking. The base rate is $10 per vehicle, which is subject to change for certain events.

Other Parking—Other Parking revenues reflect parking fees collected during the monthly Nashville Flea Market.

Direct Event Expenses

Direct event expenses are costs incurred by the Fairgrounds that can be directly related to the delivery of events and/or the generation of event revenues.

Typical direct event expenses in the event venue industry include event services costs, such as equipment and furniture rentals, event labor, utilities, and contracted service fees that are passed through to the event organizer. Other direct event expenses are related to costs of goods sold and other expenses related to food and beverage sales. These costs are typically presented as a percentage of the revenue earned in each category.

SVS identified Temporary Staffing directly related to specific event rentals (i.e. not related to the Nashville Flea Market or Fair) to comprise the **External Event Services** figure presented above. Other Temporary Staffing costs remain as Indirect Expenses, reclassified as Parking Staff costs.

Other Revenues

The Fairgrounds also collects other revenues that are not directly associated with individual events held at the venue.

Lease Revenue—The Fairgrounds collects payments for a ground lease with Nashville Soccer Holding.

Advertising—Advertising revenue includes revenue from the sale of fixed advertising signage and event sponsorships.

Other Revenue—Other revenue includes miscellaneous revenue, data processing fees, and fees collected for miscellaneous event-related services, such as decorating. Because this category should contain only non-event revenues, for future financial projections presented in this report, SVS has transferred $11,500 of event-related revenue in this category to rent or event equipment/supplies, as appropriate.

Indirect Expenses

Indirect expenses include all other operating expenses that cannot be attributed to a specific event or the delivery of event service revenue. Often referred to as overhead costs, indirect expenses do not directly contribute to the generation of event revenues. A brief description of each indirect expense line item follows.

Salaries— Salaries include the regular and overtime pay for permanent full and part-time employees dedicated to administration, marketing, building operations, and other functions of the Fairgrounds.

Benefits— Benefits include the employer portion of social insurance payments, group insurance premiums, and pension savings plans.

Utilities— Utility expenses include electricity, gas, water, and stormwater fees.

Contract Services— Contract services include charges for software consultant fees, security services, medical services, and other professional services.

Administrative — Administrative expenses include the day-to-day facility expenses, such as office supplies, staffing costs, advertising costs, printing, subscriptions, and other miscellaneous professional services and fees. This category also includes the Local Cost Allocation Plan (LOCAP) reimbursement that the Fairgrounds pays for centralized services in finance, human resources, IT, and other general services.

Internet & Telecom— Internet and telecom costs include payments for the Fairground's internet and telephone services.

Parking Staff— The Fairgrounds regularly retains temporary staff to assist with event parking. It occasionally hires external staff to assist with the grounds and other maintenance.

Repair & Maintenance — This category includes refuse disposal, pest control services, and other repair and maintenance services that would be considered routine repairs and upkeep of the facilities.

Equipment & Supplies—This category includes items such as consumables, chemicals, parts, and other small equipment required to support and maintain the operations of the facility. It also includes safety, construction, auto maintenance supplies, and equipment rentals.

Insurance — Insurance costs include premiums for liability and property damage policies.

3. PEER VENUE ANALYSIS

An analysis of peer fairgrounds, and expo centers provides a basis for understanding the Fairground's relative competitive position in the events market and for developing rental rate recommendations for the Fairgrounds.

Evaluating peer venue sizes and financial characteristics that are relevant to the success of each peer venue provides an assessment of the relative strengths and weaknesses of Nashville and the Fairgrounds and are used to inform market-based recommendations.

For this analysis, SVS researched and evaluated three groups of peer venues.

1) In addition to the local sports, entertainment, and event venues discussed in chapter one, the Fairgrounds competes directly with two nearby agricultural centers: The Williamson County Ag Expo Park in Franklin, TN ("Ag Expo Park") and the James E. Ward Agricultural Center ("Ward Ag Center") in Lebanon, TN. Both venues offer event and meeting spaces for event rentals.

2) SVS has also identified convention and expo centers throughout the state of Tennessee and neighboring states that may compete with the Fairgrounds for touring public expos and entertainment. In this chapter, we directly compare the Fairgrounds with the event function spaces and supporting infrastructure of six competitive expo centers.

   Venues in Groups 1 and 2 are used to establish the Fairground's relative competitive position in the regional event market.

3) A third group of venues in this study includes peer fairgrounds and expo centers in medium to large metropolitan areas throughout the United States. These 12 venues do not compete directly with the Fairgrounds but have a similar market presence in their local economies. Comparing their rental and service fee structures and event booking policies can be informative when developing rate recommendations for the Fairgrounds.

The following figures present the lists of the competitive and peer event venues considered in this study.

3.1 Competitive & Peer Venues

Group 1 Venues	Location	Total Function Space (sf)
Competitive Fairgrounds surrounding Nashville		
Fairgrounds Nashville	**Nashville TN**	**104,958**
Williamson County Ag Expo Park	Franklin TN	84,090
James E. Ward Ag Center	Lebanon TN	22,620
Group 2 Venues	**Location**	**Total Function Space (sf)**
Competitive Regional convention and expo centers in Tennessee amd surrounding states		
Von Braun Center	Huntsville AL	149,056
Chattanooga Convention Center	Chattanooga TN	144,740
Sevierville Events Center	Sevierville TN	128,932
Gatlinburg Convention Center	Gatlinburg TN	95,424
Knoxville Expo Center	Knoxville TN	95,100
Owensboro Convention Center	Owensboro KY	75,246
Group 3 Venues	**Location**	**Total Function Space (sf)**
Comparable State and County Fairgrounds in Metropolitan Markets		
Ohio Expo & State Fair	Columbus OH	448,600
Oklahoma City Fairgrounds	Oklahoma City OK	425,972
New York State Fairgrounds	Syracuse NY	364,600
Portland Expo Center	Portland OR	328,500
Mountain America Expo Center	Sandy UT	243,000
Freeman Coliseum & Expo Hall	San Antonio TX	198,250
North Carolina State Fairgrounds	Raleigh NC	178,196
Minnesota State Fairgrounds	St. Paul MN	159,127
South Carolina State Fairgrounds	Columbia SC	110,071
Expo Idaho	Boise ID	75,000
Greater Jacksonville Agricultural Fair	Jacksonville FL	42,600
Douglas County Fairgrounds	Castle Rock CO	29,000

Source: Respective Venues

Competitive Local Fairgrounds – Group 1

While not in Nashville, both Ag Expo Park and the Ward Ag Center are within 30 miles of downtown Nashville, and therefore, offer a competitive option to event organizers in the region.

The type, size, and divisibility of function spaces in an expo and event center have a direct impact on the type and quantity of events it can host. Critical for several types of events such as public expos, tradeshows, and sporting events, the amount and quality of exhibition space determines the size and type of exhibit-based events that a venue can accommodate.

The following figure presents details on each competitive venue, including exhibit space, and breakout meeting spaces.

3.2 Function Spaces – Group 1

Venue	City	ST	Function Space (SF)	Exhibit & Multipurpose	Contiguous Exhibit	Meeting	Max Capacity
Maximum				**104,958**		**4,500**	**7,310**
Fairgrounds Nashville	Nashville	TN	104,958	104,958	104,958	0	7,310
Williamson County Ag Expo Park	Franklin	TN	84,090	80,000	45,000	4,090	4,181
James E. Ward Ag Center	Lebanon	TN	22,620	18,120	18,120	4,500	1,500
Minimum				**18,120**		**4,090**	**1,500**
Average			**70,556**	**67,693**		**4,295**	**4,330**

Source: Respective Venues

The competitive agricultural centers presented above offer significantly smaller exhibit hall capacities than those of the Fairgrounds Expo Center. Ag Expo Park has the 4,180-seat Callicott arena with the 45,000 square-foot arena floor serving as the primary exhibit space. A 35,000-square-foot concourse can also be rented as exhibition space. The Ward Ag Center offers the 18,000-square-foot Made in Tennessee Building. Unlike the Fairgrounds, both the Ag Expo Park and Ward Ag Center house a small meeting room that is available for rental for larger events and smaller stand-alone functions.

Larger exhibition and multipurpose spaces allow the Fairgrounds to accommodate events with greater attendance and exhibition needs. In addition, the Fairgrounds Expo Center has three halls that can be rented separately or combined into one large space. The Fairgrounds' flexibility to suit an event organizer's needs and the ability to host multiple simultaneous events give the Fairgrounds a distinct competitive advantage over the smaller agricultural centers in the region

Competitive Regional Venues – Group 2

The Group 2 venues include small to medium-sized convention and expo centers throughout the state of Tennessee and the surrounding states.

Several large convention centers, such as the Music City Center in Nashville and the Kentucky Exposition Center in Louisville are not considered in this analysis. While the Fairgrounds may compete with these and other major convention venues for certain events, they have a national event and attendee base and a vastly different event profile.

The following figure presents details on each of the competitive regional venues, including exhibit spaces, ballrooms, breakout meeting spaces, and adjacent hotel rooms.

3.3 FUNCTION SPACES – GROUP 2

			Function Space (SF)	Exhibit & Multipurpose	Contiguous Exhibit	Ballroom	Meeting	Adjacent Hotel Rooms
Maximum				**107,562**		**64,236**	**25,580**	**343**
Von Braun Center	Huntsville	AL	149,056	81,900	81,900	64,236	2,920	0
Chattanooga Convention Center	Chattanooga	TN	144,740	100,800	100,800	18,360	25,580	343
Sevierville Events Center	Sevierville	TN	128,932	107,562	107,562	19,290	2,080	234
Fairgrounds Nashville	Nashville	TN	104,958	104,958	104,958	0	0	0
Gatlinburg Convention Center	Gatlinburg	TN	95,424	66,910	66,910	17,064	11,450	182
Knoxville Expo Center	Knoxville	TN	95,100	78,600	78,600	8,100	8,400	0
Owensboro Convention Center	Owensboro	KY	75,246	44,096	44,096	26,304	4,846	258
Minimum				**44,096**		**8,100**	**2,080**	**182**
Average			**113,351**	**83,547**		**25,559**	**9,213**	**254**

Source: Respective Venues

In terms of exhibit and multipurpose space, the Fairgrounds compares favorably to the competitive set, housing one of the largest expo halls in the group and capable of competing effectively for public expos and sporting events. However, this group of venues also houses ballrooms, breakout meeting rooms, and adjacent hotel rooms making them capable of hosting a wider variety of events, including regional conventions, conferences, and social food and beverage functions.

For public expos and other flat-floor events that do not require a traditional ballroom or breakout meeting space, the Fairgrounds Expo Center offers one of the largest exhibition spaces in the region. The Fairground's Nashville location creates further advantages with both market size and access. With approximately 2.1 million residents, the Nashville metro population is significantly higher than that of the Fairground's closest competitors in Knoxville, Chattanooga, and Huntsville, making it an attractive venue for event organizers looking to generate attendance from the local population.

COMPARABLE PEER VENUES – GROUP 3

The Group 3 venues are fairgrounds and expo centers in medium to large metropolitan areas throughout the United States. These 12 peer event venues may not directly compete with the Fairgrounds, but a study of these analog venues provides information on the building program and the corresponding rental fees that can assist when evaluating fees charged by the Fairgrounds.

The following figure presents details on each peer venue, including the total and contiguous exhibit space housed in each venue.

3.4 FUNCTION SPACES – GROUP 3

Venue	City	ST	Exhibit & Multipurpose	Exhibit Divisions	Contiguous Exhibit
Maximum			**448,600**	**6**	**328,500**
Ohio Expo & State Fair	Columbus	OH	448,600	6	155,000
Oklahoma City Fairgrounds	Oklahoma City	OK	425,972	6	201,000
New York State Fairgrounds	Syracuse	NY	364,600	6	110,000
Portland Expo Center	Portland	OR	328,500	5	328,500
Mountain America Expo Center	Sandy	UT	243,000	5	243,000
Freeman Coliseum & Expo Hall	San Antonio	TX	198,250	4	159,450
North Carolina State Fairgrounds	Raleigh	NC	178,196	4	95,000
Minnesota State Fairgrounds	St. Paul	MN	159,127	6	50,000
South Carolina State Fairgrounds	Columbia	SC	110,071	4	40,000
Fairgrounds Nashville	Nashville	TN	104,958	3	104,958
Expo Idaho	Boise	ID	75,000	3	75,000
Greater Jacksonville Agricultural Fai	Jacksonville	FL	42,600	2	27,700
Douglas County Fairgrounds	Castle Rock	CO	29,000	1	29,000
Minimum			**29,000**	**1**	**27,700**
Average			**208,298**	**4**	**124,508**

Source: Respective Venues

Unlike the competitive convention centers presented in Group 2, the Group 3 venue most closely resembles the operations and event profile of the Fairgrounds. Most host an annual State or County Fair with a variety of exhibit-based events booked throughout the year. Some house a large, multi-functional expo center, while others have several buildings on site that can host exhibitions and other flat-floor events.

When compared with the group, the Fairground's total exhibit space is well below the median, but in terms of the size of the contiguous exhibit space, the Fairgrounds is closer to the average.

The above Group 3 venues serve as the basis for the Fairgrounds rate analysis that follows. These venues are most comparable in function and event profile. In addition, each of the Group 3 venues is in one of the top 105 metropolitan markets in terms of population size and serves as a second-tier venue for the market which also has a convention center.

PEER VENUE ANALYSIS

The ownership and management structure of a public assembly venue dictate the goals of the venue's operation, its funding, and the pricing strategy required to achieve those goals. The peer venues represent a variety of ownership and management structures. Like the Fairgrounds, some operate as an Enterprise Fund of the State or County government. Some are departments or commissions that with operating losses funded through lodging taxes or general revenues. Others are self-supporting nonprofit organizations that either own the fairgrounds property or manage a government-owned property through a long-term management agreement.

The following figure presents this information for each peer venue along with available operating financial data for a recent fiscal year. Some key takeaways from this analysis follow.

3.5 Peer Venue Ownership, Management, and Financial Operations

Venue	Owner	Manager	Annual Fair	Funding Sources	Operating Revenue	Operating Expenses *	Operating Income/ (Loss)	Source
Mountain American Expo Center	Salt Lake County	Private Manager: ASM Global	None	Lodging Taxes/ Tourism, Recreation, Cultural, and Convention (TRCC) Special	Not reported	$5.3 mil	Not reported	Salt Lake County CAFR FY 2022
Portland Expo	Oregon Metro Government	Metropolitan Expo Recreation Commission	None	Lodging Taxes through MERC & General Revenue Bond Fund	Not reported	Not reported	($5.0 mil)	Oregon Metro Budget FY 2023
South Carolina State Fairgrounds	SC Agriculture & Mechanical Society	SC Agriculture & Mechanical Society	South Carolina State Fair	Nonprofit / Self-supporting	$9.7 mil	$5.6 mil	$4.1 mil	501c3 Form 990 FY 2022
Expo Idaho	Ada County	Board of Directors / County Staff	Western Idaho Fair	County Enterprise Fund / Self Supporting	$7.0 mil	$6.1 mil	$0.9 mil	Ada County CAFR FY 2022
Freeman Coliseum & Expo Hall	Bexar County	Community Arena Board	None	1.75% Transient Lodging Tax & 5% Short-term Rental Tax	Not reported	Not reported	Not reported	Community Arenas Board
New York State Fairgrounds	NY State Dept of Agriculture	NY State Dept of Agriculture	NY State Fair	State Special Enterprise Fund ($7 mil state subsidy in 2023)	$16.3 mil	$22.7 mil	($6.4 mil)	FY 2024 budget syracuse.com
Greater Jacksonville Ag Fair	Greater Jacksonville Ag Fair Assoc.	Greater Jacksonville Ag Fair Assoc.	Jacksonville Agricultural Fair	Nonprofit / Self-supporting	$1.5 mil	$1.1 mil	$0.4 mil	501c3 Form 990 FY 2021
North Carolina State Fairgrounds	NC Dept of Ag & Consumer Services	NC Dept of Ag & Consumer Services	NC State Fair	Non-major Enterprise Fund / Self-supporting	$15.1 mil	$11.6 mil	$3.5 mil	North Carolina CAFR FY 2022
Minnesota State Fairgrounds	MN State Agriculture Society	Fair Board	MN State Fair	Quasi-State Agency / Self-supporting	$64.6 mil	$51.4 mil	$13.20	MN State Fair Annual Report FY 2022
Douglas County Fairgrounds	Douglas County	Douglas County Fair Board / County Staff	Douglas County Fair	Culture and Recreation Dept.	Not reported	Not reported	($2.6 mil)	Douglas County CAFR FY 2022
Ohio Expo & State Fair	OH Exposition Commission	OH Exposition Commission	OH State Fair	State General Revenue Fund	$15.8 mil	$16.50	($0.7 mil)	OH Exposition Commission Budget FY 2024
OKC Fairgrounds	City of Oklahoma City	Oklahoma State Fair Inc.	OKC Fair	City grants funded by Lodging Taxes ($1.5 mil in 2022)	$19.5 mil	$20.2 mil	($0.7 mil)	501c3 Form 990 FY 2021

* Operating Expenses do not include depreciation.

- In general, fairgrounds and expos that operate as a state or county department or otherwise rely on regular government subsidies from general funds or special revenue funds like lodging taxes, have operating losses.

- Fairgrounds and expos that are enterprise funds or quasi-agencies have sufficient operating revenues to cover operating expenses with a modest operating income.

- Nonprofit organizations that operate fairgrounds and expos range from having significant operating surpluses to requiring annual assistance from tax collections.

- Except for the NY State Fairgrounds, venues that host a large State or County Fair each year tend to require lower subsidies or operate a profit.

As an enterprise fund of the Metro Government, the Fairground's ownership and management structure most closely resembles that of Expo Idaho, the Minnesota State Fairgrounds, the New York State Fairgrounds, and the North Carolina State Fairgrounds.

PEER RATE ANALYSIS

Each of the peer fairgrounds and expo centers publishes its facility rental rates and fees for rentals and other event services. SVS collected this data to compare with the Fairgrounds' current fee structure and inform fee recommendations.

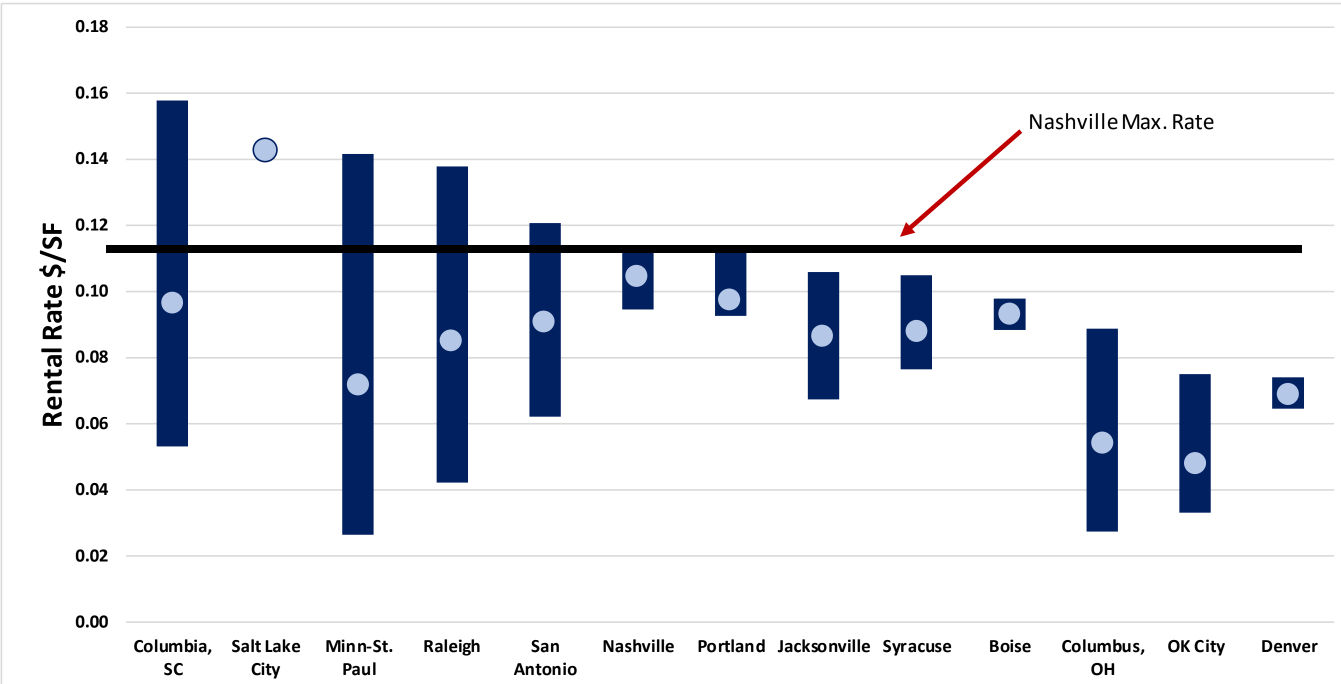
The following figure presents a summary of the peer venues with their exhibition sizes and the average published rental rates. The figure that follows provides a graphical comparison of the high, low, and average rental rates for each peer venue.

3.6 PEER VENUE RATE ANALYSIS

Metro Population Rank	Venue	Metro Market	Total Exhibit Space (SF)	Largest Contiguous (SF)	High Rental Rate ($/SF)	Low Rental Rate ($/SF)	Average Rental Rate ($/SF)
72	South Carolina State Fairgrounds	Columbia, SC	110,071	40,000	0.153	0.058	0.097
47	Mountain America Expo Center	Salt Lake City	243,000	243,000	0.142	0.142	0.142
16	Minnesota State Fairgrounds	Minn-St. Paul	159,127	50,000	0.137	0.031	0.072
42	North Carolina State Fairgrounds	Raleigh	178,196	95,000	0.133	0.047	0.085
24	Freeman Coliseum & Expo Hall	San Antonio	198,250	159,450	0.116	0.067	0.091
36	Fairgrounds Nashville	Nashville	104,958	104,958	0.109	0.099	0.105
104	Portland Expo Center	Portland	324,000	328,500	0.109	0.099	0.097
37	Greater Jacksonville Ag Fair	Jacksonville	42,600	27,700	0.101	0.072	0.086
91	New York State Fairgrounds	Syracuse	364,600	110,000	0.100	0.081	0.088
77	Expo Idaho	Boise	74,970	74,970	0.093	0.093	0.093
32	Ohio Expo & State Fair	Columbus, OH	448,600	155,000	0.084	0.032	0.054
41	OKC Fairgrounds	OK City	425,972	201,000	0.070	0.038	0.048
19	Douglas County Fairgrounds	Denver	29,000	29,000	0.069	0.069	0.069

Source: Respective Venues

3.7 RANGE AND AVERAGE DAILY RENTAL RATES OF PEER VENUES

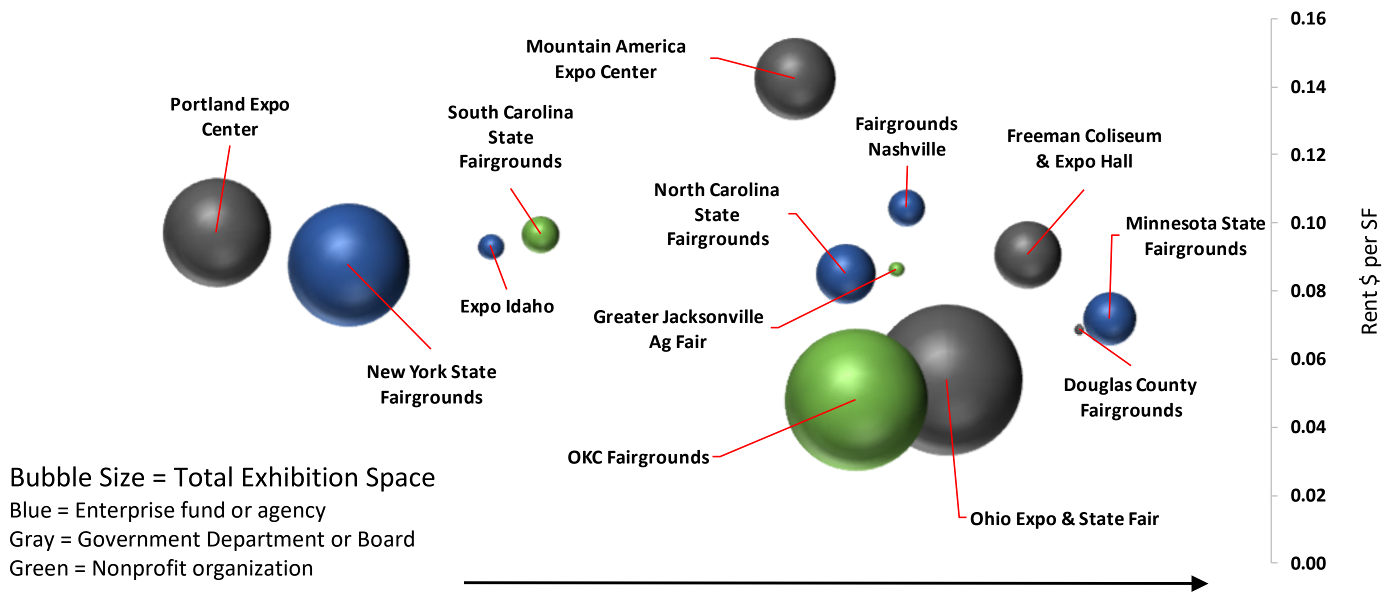


Most of the peer venues have multiple spaces for rent. The average rental rates at the peer venues range from approximately $0.05 per square foot to over $0.14 per square foot.

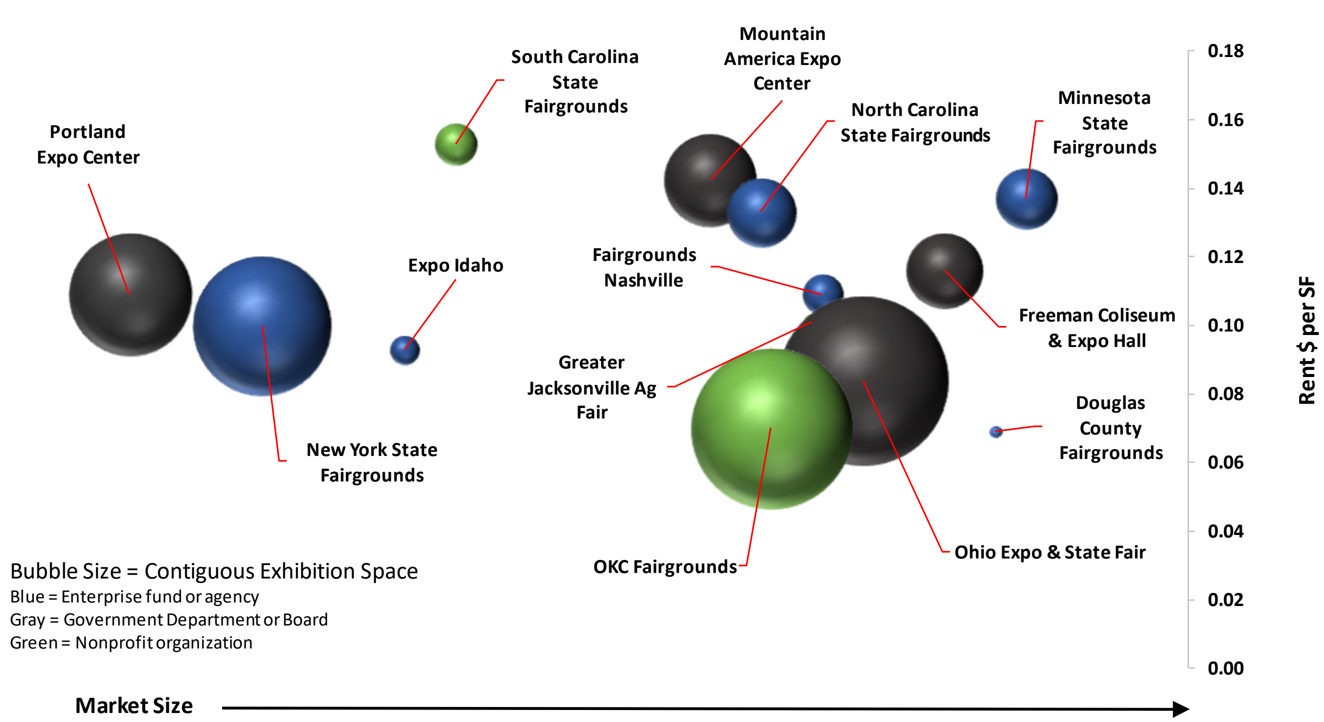
While the Fairgrounds has the second highest average rental rate when compared to the peer venues, it is common for fairgrounds to have a variety of event buildings and spaces with varying levels of age, quality, and amenity. As demonstrated above, fairgrounds in Columbia, SC, Raleigh, NC, and St. Paul, MN charge significantly higher rates for their more modern and higher-quality spaces.

In addition to market factors, rental rates can also be dictated by the management and operating structure of a facility and its overall operating mission. The following figures compare the average and maximum rental rates with facility sizes, market sizes, and operating structures.

3.8 Average Rental Rate vs. Market Size and Total Exhibition Space (SF)



3.9 Maximum Rental Rate vs. Market Size and Total Exhibition Space (SF)



One of the smallest of the peer venues, the Fairgrounds is one of five that operates as an Enterprise Fund or Government Agency intending to have a self-supporting operation. Several of the peer venues operate at a significant annual deficit and are supported through general funds or dedicated tax revenue streams, such as lodging taxes.

Of the peer venues operating as Enterprise Funds, the most comparable to the Fairgrounds in terms of market size and venue size are the Minnesota State Fairgrounds and the North Carolina State Fairgrounds. While the Fairgrounds' average rental rate is higher, these two venues charge rates 22% and 26% higher for the use of their higher-quality event spaces.

Other Event Revenue Sources

This section compares other potential sources of event revenue, including non-event day rental, food and beverage sales, equipment rentals, and event services. For comparison purposes data from all three peer venue groups is included, where available.

In addition to the active event days, most events require at least one day to move in their event and additional time to move out. The Fairgrounds currently charges $500 for a full move-in or move-out day. This fee is not charged if the event moves in after noon on the day before the event start date or moves out before noon on the day after the conclusion of the event. An analysis of event revenues from fiscal year 2023 shows that 16 events paid a move-in/out fee.

The following figure presents available information on non-event day fee policies of the competitive and peer venues.

3.10 Non-Event Day Fee Policies

Venue	Non-Event Day Fee Policy
Fairgrounds Nashville	**$500 per day. Waived if event does not use the full day**
Expo Idaho	33% of daily rental rate
Freeman Coliseum & Expo Hall	50% of daily rental rate
Greater Jacksonville Ag Fair	50% of daily rental rate
Minnesota State Fairgrounds	1 move-in and 1 move-out day include with rent
New York State Fairgrounds	50% of daily rental rate
North Carolina State Fairgrounds	Non-event days are discounted, rate not specified
Portland Expo Center	One free day per event day (maximum of 3 days)
South Carolina State Fairgrounds	varies by event space, 25-50% of daily rental rate
Von Braun Center	60% of daily rental rate

Source: Respective Venues

While some venues include some move-in and move-out days with the rental fee, the most common policy is to charge 25% to 50% for a non-event day. The Fairgrounds currently charges approximately 10% to 18% for a full move-in or move-out day.

Food and beverage sales during an event are another source of direct event revenues. Food service can range from concessions at a public expo to a fully catered meal at a meeting or charity event. The Fairgrounds contracts with a third-party food service company and earns a commission on sales. Other venues employ a variety of methods for food service delivery as shown in the following figure.

3.11 Food & Beverage Service

Fairgrounds Nashville	**Contracted caterer, 34% commission on concession, 16% on catering**
Douglas County Fairgrounds	Open catering with 10% commission
Expo Idaho	In-house catering & concessions
Freeman Coliseum & Expo Hall	Contracted caterer, 15% commission
Greater Jacksonville Ag Fair	Events must provide their own catering
Minnesota State Fairgrounds	List of approved food service vendors
New York State Fairgrounds	In-house or preferred vendor with 12% commission
North Carolina State Fairgrounds	Open catering
Ohio Expo & State Fair	In-house catering & concessions
OKC Fairgrounds	In-house catering & concessions
South Carolina State Fairgrounds	Open catering with 10% commission
Von Braun Center	In-house catering & concessions

Source: Respective Venues

The Fairgrounds' contracted food service delivery system is consistent with other venues. Food and beverage commissions compare favorably with other venues that use outside vendors for concessions and catering.

Ancillary event revenues can also be earned through event parking. Below is a summary of attendee parking fees for the competitive and peer venues.

3.12 Event Attendee Parking Fees

Venue	Parking Fees
Fairgrounds Nashville	**$10 per vehicle**
Expo Idaho	Free parking
Freeman Coliseum & Expo Hall	$10-$20 per vehicle
Minnesota State Fairgrounds	Free parking
New York State Fairgrounds	Free or 20% commission to venue
North Carolina State Fairgrounds	Free parking
South Carolina State Fairgrounds	$5 per vehicle
Von Braun Center	$10 per vehicle

Source: Respective Venues

While some venues offer free parking, the per vehicle parking rates at the Fairgrounds are consistent with other venues that charge for parking.

Equipment Rentals and Event Services

Most events that rent event spaces also require a combination of furniture, exhibit booths, crowd control, audio-visual equipment, electrical service installations, and other furnishings and equipment to produce their events. Rentals and charges for event services can be a significant source of event revenues.

SVS researched and collected data on competitor and peer rental and event service fees. Not all venues publish these rates. The following figure presents a summary of available service and rental fees compared to rates currently charged at the Fairgrounds. The figure presents a mix of competitive and peer venues presented in this chapter. The second figure presents published rates for equipment and services not listed by the Fairgrounds.

3.13 COMPARED EVENT LABOR AND SERVICE FEES

	Nashville	South Carolina	Oklahoma City	Von Braun Center	Expo Idaho	NY State	MN State	Douglas County	Ohio Expo	Gatlinburg
Equipment										
110 Electric Floor Box	$40	$20		$40	$25			$25		
220 Electric Floor box	$75	$40		$100	$80	$86				
Wall/Floor Outlet	$15									
Staging	$30			$2.20/SF	$50	$725		$15/section	$400	
Metal Chairs	$2	na	$1		$1		$2		$1	
Banquet Chairs	$3	na	$3	$1				$1	$2	$3
Cones	$5					$3	$4			
Loading Carts	$25									
Corded Mic	$50		$50	$20		$36				
Wireless Mic	$90		$75	$85		$86				$100
Pipe & Drape Panel	$3-4/LF							$15		$2/lf
Pipe & Drape Booth	$40									
Podium	$30		$25	$25			$50		$15	$100
Bleachers	$150		$200		$50	$183	$200	$25	$150	
Tables	$10	na		$13	$5		$10		$8	$25
Round Tables	$30	na	$7	$13			$10			
Ticket booth	$150	$40			incl	$122	$100			
Barricades	$25				$10		$30			$25
Hourly Labor										
Forklift Service Hourly	65	60		450/day	50	86	90		35	300

Source: Respective Venues

3.14 Other Event Labor and Service Fees

	Nashville	South Carolina	Oklahoma City	Von Braun Center	Expo Idaho	NY State	MN State	Douglas County	Ohio Expo	Gatlinburg
Other Equipment										
Portable PA			$100	$135	$50		$20			$300
Turnstiles		$15								
Traffic Barricade		$3	$5			$10.15	$5			
Metal Bench		$3	$7			$10.15	$12			
Picnic Table		$6	$12			$10.15	$25			
Rope Standard			$5							
Stanchion			$7	$8			$5			$10
Dumpster (6yd)					$120		$200			
Other Hourly Labor & Services										
Electrician Hourly		$60	$80		$90	$71	$110		$37.75	
Event Labor								$45	$30	
Security			$40	$32			$25			$27
Attendant/Usher			$15	$25		$30	$16			
Ticket Seller			$17	$25			$18			
Audio-Visual										
Wired Broadband			$450	$450		$223				$100
Wireless Add-on			$300	$750	$125	$101				$250
Paging			$100			$228				
Telephone Line			$200	$300						

Source: Respective Venues

The Fairgrounds' published rates for event services and labor fees are consistent with the peer venues. Other venues also publish rates for a variety of other event services, including event staff, electricians, and security, suggesting the opportunity to expand the service revenue collected from events.

Conclusions

The Fairgrounds competes for its events with local event venues that range from major convention centers and convention hotels to restaurants and clubs with banquet space. The Fairgrounds is unique in the market, offering a relatively large exhibition space that is competitively priced for local event organizers and nonprofits. Regional competitors include two smaller agricultural centers and several similarly sized convention centers in Tennessee and surrounding states. Although competitive for some events, these venues are in dissimilar markets and have different roles in their local economies. As such, they do not make for compelling analog venues to compare rental rates and fees.

A third set of peer venues is comprised of fairgrounds and expo centers in medium to large metropolitan markets. Many of these venues have similar governance to the Fairgrounds and offer the best opportunity for comparisons of rental fees and other event revenue sources.

The peer venue analysis suggests market-based opportunities to increase event revenues through modest increases in daily rental, and event service fees. Additional revenues can be secured through higher and more consistent fees charges for non-event days.

The following section provides an analysis of industry metrics to develop reasonable recommendations for the proposed rate increases.

4. Rate Recommendations

In this section, SVS presents market-based recommendations for future event rental and event service charges. This section also addresses the allocation of indirect operating expenses from general overhead to event expenses.

A review of historical operations coupled with an analysis of competitive and peer venues indicate that current Expo Center flat daily rental rates at the Fairgrounds can be modestly increased. The Fairgrounds can also earn additional rent revenue by increasing fees and more regularly charging for event move-in and move-out. Finally, event revenues can be further bolstered by identifying and charging for event services provided to clients.

Event service revenues have corresponding costs required to provide those services. For most convention and expo centers, the costs allocated to providing these servers are typically greater than the revenue generated from clients. SVS has developed a Fairgrounds overhead cost allocation model by analyzing detailed financial statements from its database on convention and expo centers.

This section uses previously presented data on historical operations of the Fairgrounds and peer venue rates and fees. This data is supplemented by aggregated financial data from ten convention and expo centers in the SVS database. These venues represent a wide range of markets with a mix of population size, economic breadth, and destination appeal. No single facility or market can be considered a direct comparable to the Fairgrounds in Nashville, but data from a large set of venues provides evidence of industry norms for revenue and expense ratios and other useful metrics. We use this aggregate financial data throughout this section.

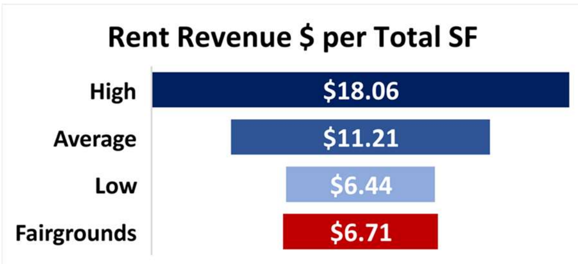
Expo Hall Rental

The analysis of the Fairgrounds in the previous section indicates that other facilities in comparable metropolitan markets are charging higher rental rates than the Fairgrounds. Notably, the Minnesota State Fairgrounds in St. Paul, MN, and the North Carolina State Fairgrounds in Raleigh, NC, both operate as enterprise funds and both charge higher rental rates. The Fairgrounds' highest daily rental rate is currently 18-20% lower than that charged in St. Paul and Raleigh.

Opened in 2019 with modern amenities, the Fairgrounds Expo Center offers event spaces not found in other event venues in Nashville and the surrounding region. Compared to the other venues with large, flat floor spaces, such as the Music City Center and Nashville's convention hotels, the Fairgrounds is a low-cost option for public expos and trade shows. Compared to other venues, including agriculture centers in nearby Lebanon and Franklin, the Fairgrounds offers significantly more contiguous space as well as multiple expo halls, allowing for both larger single events and the ability to host multiple simultaneous events.

The following figure presents aggregate data on rental revenue collected per square foot of available function space. The data, from multiple years, has been inflated to 2023 dollars for comparison purposes.

4.1 Rent Revenue vs Rentable Space -2023$



Source: Respective Venues

The above figure further suggests that there is room for the Fairgrounds to increase facility rental revenue.

Increases in rental revenue can be accomplished through the following two recommendations.

1. An 8% increase in current published rental rates of the Expo Center. The model assumes that event discounts will continue, such as a 20% discount for weekday events.

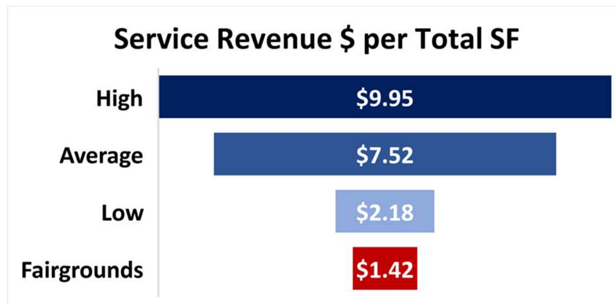
2. An increase in the fee for move-in and move-out days to 50% of the published daily rental rate. Partial day move-in and move-out days be charged a prorated daily rate.

Event Service Revenue

The revenue earned from events services at the Fairgrounds is currently limited to furniture rentals, equipment rentals, and electric installation. Event service revenue can include a variety of fees charged to tenants for services that could include business services, audiovisual technical assistance, set-up and takedown of function spaces, cleaning services, security services, electricity, and other utilities.

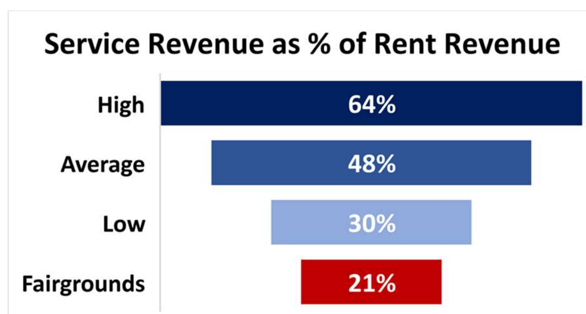
The following figures present service revenue metrics for the aggregate venue data as compared to historical data for the Fairgrounds. Revenues associated with the Nashville Flea Markets are not included in the figures.

4.2 Event Service Revenue vs Rentable Space -2023$



Source: Respective Venues

4.3 Event Service Revenue as % of Rent Revenue



Source: Respective Venues

The aggregate data demonstrates that other venues are able to generate significantly more revenues from event service fees as compared to the Fairgrounds.

To develop recommendations for event service revenues, SVS calculated the current ratio of service to rent revenue for each type of event and set a future goal to be more in line with industry averages. We recommend that total event service fees (Event Rentals + Event Services) range from

30% to 40% of rent depending on the type of event.

The following section provides a more detailed calculation of projected rental fees and event service fees, leading to a projected statement of financial operations for the Fairgrounds.

5. Financial Operations

This section presents a projected statement of financial operations for the Fairgrounds. Using a proprietary financial model, we have based the projections on the following:

- Increasing the daily rental fees charged by the Expo Center by 8%, in addition to any inflationary adjustments,
- Increasing full-day move-in/out fees to 50% of the daily rental fee,
- Increasing existing equipment and event service fees by 5%; and
- Identifying additional sources of event service charges to bring the total event service revenue (event rentals + additional event services) to 30% to 40% of event rental revenue, depending on the type of event.

The SVS financial model is based on the most recent complete fiscal year, fiscal year 2023. We also use demand and financial data from fiscal year 2022 to help inform model parameters of fixed and variable operating expenses. The above recommendations are phased over two years.

In addition to the above recommendations, an annual inflation rate of 3% is applied to both revenues and expenses.

Demand Model

In developing future event and attendance projections, we have used available data from actual bookings for fiscal year 2024. Information provided by the Fairgrounds shows 11 more events in fiscal year 2024 than in fiscal year 2023 (the base mode year).

5-1 Fairgrounds Event Demand

	Fiscal Years	
	2022-23	2023-24
Events		
Public Expos	46	54
Trade Shows	9	5
Concert & Entertainment	2	2
Sports & Competitions	9	14
Other	8	7
Flea Markets	12	12
Fair	1	1
	87	95

Source: Fairgrounds Nashville

Base Event Revenue Model

The SVS financial model uses a series of revenue assumptions based on floor area utilization or attendance. Floor area utilization is measured in Gross Square Foot Days (“GSFD”)—the amount of floor area rented times the number of days it is rented not including move-in and move-out days Attendance is measured on attendee days which is the number of individual daily visits to an event.

We summarize the operating revenue assumptions for the base scenario, fiscal year 2023, below. All dollar figures are presented in 2023 dollars. A brief description and discussion of financial model assumptions follow.

5-2 BASE OPERATING EVENT REVENUE ASSUMPTIONS (2023 DOLLARS)

Type	Expo Hall Rental per GSFD	Event Equipment/Supplies per GSFD *	Event Food & Beverage per Attendee	Event Parking per Attendee
Public Expos	$0.083	$0.016	$1.50	$1.66
Trade Shows	0.085	0.0145	1.50	1.66
Concert & Entertainment	0.072	0.018	1.50	1.66
Sports & Competitions	0.073	0.011	1.50	1.66
Other	0.075	0.027	1.50	1.66

Expo Hall Rental reflects the actual rent revenues collected in fiscal year 2023, including non-event day rentals and any discounts. The Expo Hall rental in the model is approximately 15% to 30% lower than the published rental rate for 2023.

Event Equipment/Supplies revenue represents fees collected for furniture rentals, exhibit booths drapes, and other existing event rentals and services.

Event Food and beverage sales are the per-attendee commissions collected for food and beverage sales during Expo Hall events.

Event Parking sales are the per-attendee fees collected for parking during Expo Center events.

PROPOSED FUTURE REVENUE MODEL

Using the recommendations presented above, SVS made the following modifications and additions to the revenue model.

Future **Expo Hall Rental** reflects the already applied 5% increase for fiscal year 2024. An additional 8% increase is phased in over the next two years.

Non-event day Rental for move-in and move-out days reflects an increase of the daily fees to 50% of the fiscal year 2024 daily rental fee per non-event day rental. The model assumes that, after a two-year phase-in period, all events will pay this fee and that any partial days will be prorated. The following figure presents the estimated non-event day rental fees The fees presented below represent the full amount of non-event day rental charged based on the historical number of non-event days required by event type.

5-3 NON-EVENT DAY RENTAL FEES (2023$)

Type	Non-Event Day Rental per Event
Public Expos	$4,010
Trade Shows	2,900
Concert & Entertainment	5,000
Sports & Competitions	2,190
Other	1,710

Future **Event Equipment/Supplies** revenue reflects a 5% increase to existing rental rates phased in over two years.

Additional Event Service revenue would provide a means for the Fairgrounds to recoup some of the expenses associated with hosting events. As detailed in the previous section, SVS recommends a goal of event service fees (Event Rentals + Event Services) ranging from 30% to 40% of rent depending on the type of event. The following figure presents the calculations to achieve the recommended Additional Event Service revenue per square foot by event type.

5-4 ADDITIONAL EVENT SERVICE REVENUE (2023$)

Event Type	Projected Daily Rent per SF *	Current Equipment / Supply Revenue as % of Rent	Goal % of Rent Revenue for all Event Services	Current Equipment / Supply Revenue per SF	Projected Add'l Event Service Revenue per SF
Consumer Shows	0.096	17%	35%	0.016	0.018
Trade Shows	0.111	14%	35%	0.016	0.023
Concert & Entertainment	0.074	22%	40%	0.016	0.013
Sports & Competitions	0.062	13%	35%	0.008	0.014
Other	0.128	31%	42%	0.040	0.014

* The projected daily rent is after proposed increase and net of discounts.

OTHER REVENUE

The Fairgrounds will continue to host Flea Markets and other events that do not use the Expo Center. The model, therefore, includes the following fixed and variable expenses related to the Nashville Flea Market, speedway, and other events that solely use the arena, sheds, and outside event spaces. Details on these revenue line items are presented in Section 2 of this report.

Other Rental—$101,200

Flea Market Booth Rental—$62,900 per event

Flea Market Event Equipment/Supplies—$2,070 per event

Other Food & Beverage —$26,100 revenue sharing

Other Parking (Flea Market)—$8,740 per event

In addition to the above event-related revenues, other revenue collected by the Fairgrounds includes lease revenue from Nashville Soccer Holdings, advertising revenue, and miscellaneous non-event-related revenues. The annual Nashville Fair also contributes revenues to the Fairgrounds operation.

BASE DIRECT EVENT EXPENSE MODEL

Direct event expenses include event services costs which are either directly related to the delivery of an event service or allocated to an event from overhead expenses. Existing event labor costs include External Event Services to assist Fairgrounds staff with events. Based on 2023 historical data, SVS has identified approximately $106,500, found in the journal entries, that is directly related to Expo Hall events and not related to the Flea Markets or speedway events. We have modeled these expenses as 15% of Expo

Hall Rental revenue and assume that this percentage will remain consistent in future years.

Event Services Costs—Event services costs are the costs incurred by the facility for client-reimbursed expenses such as production costs, security, utilities, event staffing, cleaning, advertising, and event set-up. We estimated event service costs as a percentage of gross event service revenue based on historical operations.

Base indirect/Unallocated Expenses

The model uses a blend of fixed costs and variable percentages of operating revenues to project the Fairgrounds' indirect operating expenses. Due to the recent opening of the Expo Center in 2019 and the subsequent closure due to the Covid pandemic, we base indirect expense assumptions on two years of historical revenue and expense data and other industry standards. In the current Fairgrounds operation, all indirect expenses remain unallocated to events. Indirect expense assumptions are summarized in the figure below. A description of these expenses is presented in Section 2 of this report. All dollar figures are presented in 2023 dollars.

5-5 Indirect/Unallocated Operating Expense Assumptions (2023$)

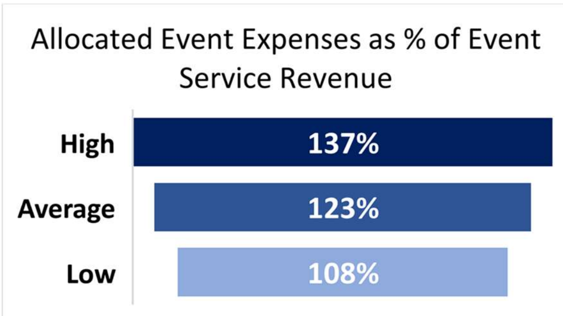
Expenditure	Variable Percentage			Fixed Expense
UNALLOCATED EXPENSE				
Salaries	9.0%	*of*	Total Operating Revenue	$826,580
Benefits	34%	*of*	Salaries	
Utilities	1.5%	*of*	Total Operating Revenue	449,670
Contract Services				64,300
Administrative				285,000
Internet & Telecom				112,500
Parking Staff	8.5%	*of*	Expo Hall Rental	
Repair & Maintenance				79,000
Equipment & Supplies	5.3%	*of*	Total Operating Revenue	23,800
Insurance	5.3%	*of*	Total Operating Revenue	93,200

Overhead Allocation Analysis

All event venues incur regular operating expenses to manage and market the business and to operate and maintain the facility. Full-time staff, utilities, and repair and maintenance costs are often the largest operating expenses. Each event that books a venue utilizes a venue's staff, utilities, and other resources, such that a certain percentage of the operating expenses can be allocated to event operations rather than to general overhead.

Expense allocation is a valuable tool to help determine the overall profitability of an event and assist in negotiating rents, event service fees, and other terms when booking events. As discussed above, venues are able to recoup some of these costs for each event and directly charge them as event services. As shown in the figure below, the aggregate convention/expo center data shows that not all allocated expenses are recouped. Overhead expenses allocated to events are typically greater than the amounts actually collected as event services.

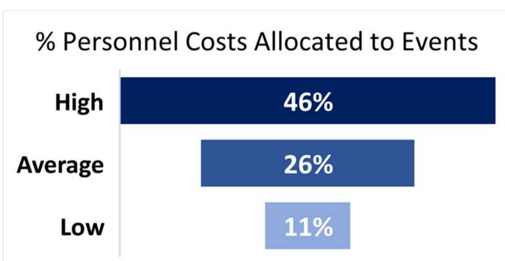
5.6 Allocated Expenses Ratios



Source: Respective Venues

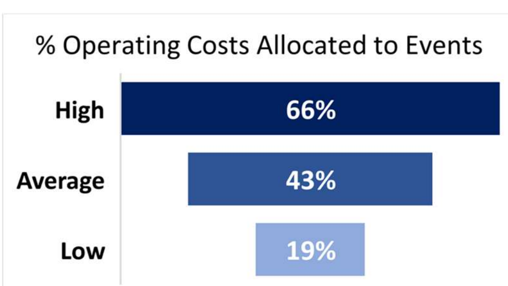
How venues allocate their operating expenses and in what proportions varies. The following figures present percentage allocations of personnel costs and total operating expenses for the aggregate data.

5.7 Allocated Personnel Costs



Source: Respective Venues

5.8 Allocated Operating Costs



Source: Respective Venues

Overhead Allocation Recommendations

SVS has developed an overhead allocation plan based on some initial assumptions and metrics.

A sensitivity analysis that modifies these assumptions is presented later in this section.

Based on the aggregate data presented above, we initially set an allocated expense goal of 115% of event service revenue.

5.9 Expense Allocation Goal

Projected Event Service Revenue	$320,180
Allocated Expense Goal %	115%
Allocated Expense Goal $	$368,210

To allocate approximately $368,000 in overhead expenses to events, we can remove the amount that the $71,000 that is already identified as External Event Services.

5.10 Expenses Left to Allocate

Allocated Expense Goal $	$368,210
Allocated Event labor	$70,650
Remaining to Allocate	$297,560

The remaining $298,000 left to be allocated can be distributed among several indirect expense line items, including Salaries, Benefits, Utilities, Contract Services, Internet, and Equipment and supplies.

Based on the aggregate data and estimates from the Fairgrounds, we set the percentage of personnel costs to allocate to events at 10%, leaving approximately $157,000 in other expenses to allocate as shown in the figure below.

5.11 Non-Staff Expenses to Allocate

Remaining to Allocate	$297,560
10% of Staff Salaries & Benefits	$140,160
Remaining to Allocate	$157,400
Total Utilities+Contract+Internet+Equip/Supp	$816,340
Percentage to Allocate	19%

We reach the allocation goal by allocating 19% of each of the remaining expense line items to events.

Operating Pro Forma

The financial projections that are presented below include all recommendations discussed in this report. The model implements a 2-year phased introduction of rate increases and new fees.

The following figure presents a 5-year financial projection in inflated dollars. For this analysis, we assume an annual inflation rate of 3% applies to both revenues and expenses.

5-12 FAIRGROUNDS NASHVILLE OPERATING PRO FORMA IN INFLATED DOLLARS

INFLATED DOLLARS	Historical		Stablization Period			
	2023	2024	2025	2026	2027	2028
EVENT REVENUE						
Expo Hall Rental	$703,983	$791,100	$999,300	$1,211,400	$1,243,700	$1,281,000
Other Rental	101,215	101,200	104,200	107,400	110,600	113,900
Flea Market Booth Rental	779,607	779,600	803,000	827,100	851,900	877,500
Event Equipment/Supplies	149,221	157,500	166,300	175,400	180,700	186,100
Additional Event Services	0	0	79,700	123,200	169,200	174,300
Event Food & Beverage	201,736	227,200	234,000	241,000	248,300	255,700
Other Food & Beverage	26,102	26,100	26,900	27,700	28,500	29,400
Event Parking	225,294	251,400	259,000	266,700	274,700	283,000
Other Parking	104,928	104,900	108,000	111,300	114,600	118,000
Miscellaneous	32,804	21,900	22,600	23,300	24,000	24,700
Total Operating Revenue	**$2,324,890**	**$2,460,900**	**$2,803,000**	**$3,114,500**	**$3,246,200**	**$3,343,600**
EVENT EXPENSE						
External Event Services	$62,858	$70,700	$72,800	$75,000	$77,200	$79,500
Allocated Event Services Cost	0	0	306,500	315,700	325,200	334,900
Total Operating Expenses	**$62,858**	**$70,700**	**$379,300**	**$390,700**	**$402,400**	**$414,400**
OPERATING INCOME (LOSS)	**$2,262,032**	**$2,390,200**	**$2,423,700**	**$2,723,800**	**$2,843,800**	**$2,929,200**
OTHER REVENUE	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Lease Revenue	$200,000	$200,000	$200,000	$200,000	$200,000	$200,000
Advertising	20,800	20,800	21,400	22,100	22,700	23,400
Total Non-Operating Revenue	**$220,800**	**$220,800**	**$221,400**	**$222,100**	**$222,700**	**$223,400**
UNALLOCATED EXPENSE						
Salaries	$1,032,870	$1,078,200	$998,400	$1,028,300	$1,059,200	$1,091,000
Benefits	350,179	365,500	338,500	348,600	359,100	369,800
Utilities	480,172	501,200	416,700	429,200	442,100	455,300
Contract Services	64,268	66,200	55,100	56,700	58,400	60,200
Administrative	328,539	293,600	302,400	311,400	320,800	330,400
Internet & Telecom	116,339	115,900	96,300	99,200	102,200	105,300
Parking Staff	59,168	69,300	71,300	73,500	75,700	78,000
Repair & Maintenance	78,949	81,400	83,800	86,300	88,900	91,600
Equipment & Supplies	144,157	157,600	131,000	134,900	139,000	143,100
Insurance	213,504	229,000	235,900	243,000	250,300	257,800
Depreciation	1,348,836	1,348,800	1,348,800	1,348,800	1,348,800	1,348,800
Total Indirect Expense	**$4,216,981**	**$4,306,700**	**$4,078,200**	**$4,159,900**	**$4,244,500**	**$4,331,300**
TOTAL NET INCOME (LOSS)	**($1,734,150)**	**($1,695,700)**	**($1,433,100)**	**($1,214,000)**	**($1,178,000)**	**($1,178,700)**
TOTAL NET INCOME (LOSS) WITHOUT DEPRECIATION	**($385,314)**	**($346,900)**	**($84,300)**	**$134,800**	**$170,800**	**$170,100**

Sensitivity Analysis

Projections show smooth growth over time. However, event bookings and attendance cycles are not always smooth. Unpredictable local and national economic factors can affect business. We recommend interpreting the financial projections as a mid-point of a range of possible outcomes over a multi-year period rather than relying on projections for any one specific year.

In the base scenario, the Fairgrounds would allocate approximately $140,000 in personnel costs and $152,000 in other expenses to events, representing 10% of personnel costs and 19% of other expenses. The following figure demonstrates the changes in allocated operating costs as we change the percentage of event service revenue and the percentage of allocated personnel costs.

5-13 SENSITIVITY ANALYSIS OF ALLOCATED OVERHEAD EXPENSES

		Personnel Costs Allocated				
		$70,100	$105,100	$140,200	$175,200	$210,200
		5%	7.5%	10%	12.5%	15%
Allocated Event Expenses/Event Service Revenue	105%	$195,500	$160,400	$123,400	$90,300	$55,300
	110%	$211,500	$176,400	$141,400	$106,300	$71,300
	115%	$227,500	$192,400	$157,400	$122,400	$87,300
	120%	$243,500	$208,400	$173,400	$138,400	$103,300
	125%	$259,500	$224,500	$189,400	$154,400	$119,300

Allocated overhead expenses can include the costs to provide a variety of services to events. The following figure presents a list of expenses that can typically be allocated to events.

5.14 Typical Operating Expenses Allocated to Events

Labor/Wages	Services	Equipment/Supplies/ Misc
Event Staff	Utilities	Outside Equipment Rentals
Event Set-up Staff	Cleaning	Cleaning Supplies
Stagehands	Waste Removal	Linens
Ticket Sellers	Event Advertising	Event Décor
Electrician	Event Security	Damages
Parking Staff	Police	Licenses
Sales Staff Commissions	EMT	Postage/Shipping
	Internet/Phone Service	Event Insurance Premiums
	Audio-Visual Service	Credit Card Fees
		Ticketing Fees

6. LIMITING CONDITIONS AND ASSUMPTIONS

In addition to our contractual terms and the assumptions detailed throughout this report, our analysis and report are subject to the following limiting conditions and assumptions.

1. This analysis has been prepared for the Fairgrounds Nashville ("Client") for its decision-making purposes associated with budgeting and financial decisions related to the Fairgrounds operation. This report should be used in whole and not in part, nor should it be used for any other purposes.

2. This report is restricted to use by the Client and may not be relied upon by any third party for any purpose, including any matter pertaining to financing.

3. Although this analysis includes findings and recommendations, all decisions in connection with the implementation of such findings and recommendations shall be the Client's responsibility.

4. Possession of this report by a third party does not carry with it the right to publication. The report should solely be used by the Client for its intended purpose only.

5. This analysis does not constitute an audit or an opinion of value or appraisal in accordance with generally accepted audit standards. Any estimates or ranges of values were prepared to illustrate current and potential market conditions.

6. The analysis performed was limited and, as such, we do not warrant that our estimates will be attained, but they have been developed based on information obtained during our market research and are intended to reflect reasonable expectations.

7. In the preparation of this report, we have utilized primary and secondary sources of information that are deemed to be accurate and reasonable. No information provided to us by others was audited or verified and was assumed to be correct. We can assume no liability resulting from misinformation.

8. Estimates and analyses regarding the projected performance are based on trends and other assumptions. Some assumptions will not materialize, and unanticipated events and circumstances may occur. The actual results may, therefore, vary from those described in this study, and those differences may be material.

9. We have not knowingly withheld any pertinent facts that may influence current and anticipated market conditions, but we do not guarantee that we know all factors that might influence facility operations. We take no responsibility for any events or circumstances that occur after this report.

10. The quality of facility management has a direct effect on economic performance. This analysis assumes responsible and competent ownership and management. Any departure from this assumption may have a significant impact on the findings of the projections detailed in this report.

11. The figures and projections presented in this report were generated using mathematical calculations carried out to three or more decimal places. The final estimates are subjective and may be influenced by our experience and other factors not specifically outlined in this report. For simplicity in presentation, most numbers have been rounded and may be subject to small rounding errors.

12. Unless otherwise noted, we assume that there are no encroachments, zoning violations, or building violations encumbering the subject facility. We further assume the subject facility to be in full compliance with all applicable federal, state, local, and private codes, laws, consents, licenses, and regulations (including a liquor license where appropriate), and that all licenses, permits, certificates, franchises, and so forth can be freely renewed or transferred to a purchaser.

13. Existing and pending legislative, archeological, or ecological matters were not considered.