

Section 2. Amendments to the Lease may be approved by resolution of the Metropolitan Council.

Section 3. This Ordinance shall take effect from and after its passage, the welfare of The Metropolitan Government of Nashville and Davidson County requiring it.

Analysis

This ordinance approves a ground lease agreement between the Metropolitan Government (“Metro”) and Friends of Shelby Park (“Tenant”) to restore and operate the Naval Building and grounds at 2009 Sevier Street within Shelby Park. The Tenant intends to redevelop the existing Naval Building and immediate surrounding grounds into a mixed-use project containing an event hall, office space, and/or retail and restaurant space, among other improvements, referred to as the “Project.”

The lease term is 360 months, or 30 years, and would be effective upon the date of closing as described below with an option for Tenant to extend the lease up to two times for five additional years each. Tenant would pay \$1 in annual rent for the property.

Tenant would have a three year inspection period to inspect the premises, obtain all necessary permits and approvals for the Project, and to fundraise or obtain financing for the Project. The three year inspection period begins on the date that the lease is approved by the Council and filed with the Metropolitan Clerk. During the inspection period, Tenant may terminate the lease for any reason by providing notice to Metro, with Tenant returning any unused funding provided by Metro. If Tenant intends to proceed with the Project, Tenant would provide written notice to Metro of its intent to proceed under the lease. A failure to provide that notice would constitute an automatic termination of the lease. During the inspection period, Tenant shall deliver a complete set of engineered plans and specifications, which shall detail the work to be performed on the Project in connection with the redevelopment. Metro will have thirty days to respond and provide comments to the proposed plans, and Tenant shall have fifteen days to revise and re-submit them for approval. The lease would close and take effect no later than fifteen business days after the delivery of Tenant’s inspection approval notice.

After the closing, Tenant would be able to begin work on the Project. Tenant agrees to restore the Naval Building and grounds to its original condition following the completion of any tests and inspections. Tenant would be responsible for obtaining any permit, variance, change of zoning, legislation, or order needed to develop the property. Tenant is responsible for the design and construction of the Project and the selection of an architect, engineer and general contractor. Metro has the right to approve these Project officials and each design and construction contract. Tenant will co-sign each contract with the Arts and Business Council of Greater Nashville, Inc., which will sublease part of the premises from Tenant.

Tenant agrees to raise \$6,100,000 through donations or loans to apply to all costs and expenses connected with the design, planning, and construction of the Project. Metro agrees to provide Tenant with an improvement allowance of \$2,500,000 to apply toward Project costs. Metro’s improvement allowance was authorized in the FY23 Capital Spending Plan (RS2023-1978) adopted by the Council on February 21, 2023. This allowance would be distributed once at the beginning of the project and then when Tenant has raised twenty, forty, sixty, and eighty percent of its cost share for the project. No more than 25% of the allowance can be used for planning, design, and consultant costs.

Tenant shall possess the right to develop and operate the premises for retail, restaurant, office and event uses,

including the service and consumption of beer and liquor as permitted. Metro shall work with Tenant to obtain at least two curb cuts that would provide the premises with access to Davidson Street, access for ingress and egress to the premises over any private drivers to ensure that the premises could be accessed via Davidson Street, and connections for all necessary utilities for the development and operation of the premises. Metro is exempt from any taxes on the Project, though would reimburse Tenant for any potential real estate taxes or assessments for the property. Tenant shall provide and maintain commercial general liability insurance of not less than \$1,000,000 during the inspection period and not less than \$2,000,000 before the start of any demolition work. Tenant is also responsible for maintaining fire, extended coverage, vandalism, and malicious mischief insurance on the premises.

Metro is not required to maintain or repair any part of the premises before the closing date, except to protect public safety within Metro's reasonable discretion. Tenant shall maintain the premises following the inspection period and until the project is complete. Tenant is responsible for restoring the premises to its original state if the improvements on the premises are damaged or destroyed, and Metro would not seek rent during that restoration.

Tenant shall have the right to sublease or license any part of the Project as long as Tenant remains primarily liable under the agreement. Metro has the right to approve such subtenants and licensees. Any profits from the subletting or licensing of the premises shall belong to Tenant. Tenant may not assign its interest in the ground lease without prior written consent from Metro.

Fiscal Note: Metro would receive \$1.00 per year base rent from Friends of Shelby Park, Inc., according to the terms of the ground lease agreement. Council approved a \$2.5 million cost allocation to the Naval Reserve Building Renovation (23DS0004) in the FY23 Capital Spending Plan (RS2023-1978).