



Metropolitan Nashville and Davidson County, TN

Legislation Details (With Text)

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Title: A resolution approving a term sheet describing the terms and conditions of the agreements and transactions required to finance, construct, and operate a new, enclosed multi-purpose stadium on the East Bank, subject to the subsequent approval of final agreements, and authorizing the Metropolitan Government to pursue other matters related thereto.

Sponsors: Brett Withers, Kevin Rhoten, Sharon Hurt, Zach Young, Bob Nash, Robert Swope, Russ Pulley, Jonathan Hall, John Rutherford, Courtney Johnston, Gloria Hausser, Larry Hagar, Tonya Hancock, Joy Styles, Nancy VanReece

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Attachments: 1. Term Sheet Exhibit, 2. Amendment A to RS2022-1827, 3. Amendment B to RS2022-1827, 4. Amendment C to RS2022-1827, 5. Amendment D to RS2022-1827, 6. Amendment E to RS2022-1827, 7. Amendment F to RS2022-1827

Date	Ver.	Action By	Action	Result
12/22/2022	1	Mayor	approved	
12/20/2022	1	Metropolitan Council	adopted	
12/20/2022	1	Metropolitan Council	amended	
12/20/2022	1	Public Facilities, Arts, and Culture Committee	approved with amendments	
12/19/2022	1	Budget and Finance Committee	approved with amendments	
12/6/2022	1	Metropolitan Council	deferred	
11/1/2022	1	Metropolitan Council	deferred	
10/25/2022	1	Metropolitan Council	filed	

A resolution approving a term sheet describing the terms and conditions of the agreements and transactions required to finance, construct, and operate a new, enclosed multi-purpose stadium on the East Bank, subject to the subsequent approval of final agreements, and authorizing the Metropolitan Government to pursue other matters related thereto.

WHEREAS, the Sports Authority of the Metropolitan Government of Nashville and Davidson County (the "Authority"), owns approximately 105 acres of land on the East Bank (the "Campus"), on which is located a multi-purpose outdoor stadium currently known as Nissan Stadium (the "Existing Stadium"), which is owned by the Authority and leased to Cumberland Stadium, L.P., an affiliate of the National Football League's Tennessee Titans (the "Team") pursuant to that certain stadium lease agreement dated as of May 14, 1996, as amended, between the Authority, as lessor, and the Team, as lessee (the "Existing Lease"); and

WHEREAS, the Existing Lease requires the Authority and The Metropolitan Government of Nashville and Davidson County (the "Metropolitan Government") to fund the costs of capital repairs and repairs to the Existing Stadium, as detailed in the Existing Lease, through the term of the Existing Lease, which may extend, at the option of the Team, through 2039; and

WHEREAS, the Metropolitan Government has commissioned a study to assess the current physical condition of the Existing Stadium and the range of costs that the Authority and the Metropolitan Government might be required to fund in order to remain in compliance with the terms of the Existing Lease, and that report estimates that such funding requirement has the potential to range from \$1.75 to \$1.95 billion; and

WHEREAS, the Existing Lease prohibits the development of the Campus, in order that the surface parking lots currently located thereon may continue to be utilized for parking for events at the Existing Stadium; and

WHEREAS, the Team has proposed to construct a new enclosed stadium (the "New Stadium") on the Campus, immediately to the east of the Existing Stadium, release the encumbrances on the Campus set forth in the Existing Lease, and upon completion of the New Stadium, dismantle the Existing Stadium; and

WHEREAS, the Authority and the Metropolitan Government expect that the New Stadium can be activated with much greater frequency than an outdoor stadium, and will attract significant sports and cultural events that could not have otherwise been attracted to the City of Nashville; and

WHEREAS, the construction of the New Stadium and the release of the encumbrances of the Existing Lease will afford the Metropolitan Government the opportunity to facilitate the development of the Campus in a manner that meets the goals of the Metropolitan Government to provide affordable housing, parks and green space and transportation and mobility facilities; and

WHEREAS, the Team has proposed a lease arrangement related to the New Stadium under which the Team, as lessee, would bear the risk and responsibility for capital repairs and improvements to the New Stadium, to the extent not funded as described in the Term Sheet (as defined below); and

WHEREAS, the State of Tennessee (the "State") has approved a contribution of up to \$500 million to assist in the funding of the New Stadium; and

WHEREAS, the proposed terms and conditions of the financing, construction, operation, and capital maintenance of the New Stadium, and the dismantling of the Existing Stadium, are set forth in that certain Term Sheet attached hereto as Exhibit A (the "Term Sheet"); and

WHEREAS, the Metropolitan Council wishes to provide its approval of the financing, construction, and operation of the New Stadium on the terms and conditions set forth in the Term Sheet, subject in all respects to final approval of the Metropolitan Council, such approval to be considered upon the presentation to the Metropolitan Council of final financing, development, lease and other certain other agreements described in the Term Sheet.

NOW, THEREFORE, BE IT RESOLVED BY THE METROPOLITAN COUNTY COUNCIL OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY, that:

Section 1. The proposed terms and conditions of the financing, construction and operation of the New Stadium, and the dismantling of the Existing Stadium, set forth in the Term Sheet attached hereto as Exhibit A are hereby approved by the Metropolitan Council, subject in all respects to final approval of the Metropolitan Council, such final approval to be considered upon the presentation to the Metropolitan Council of final financing, development, lease and other certain other agreements described in the Term Sheet. The officers of the Metropolitan Government are hereby authorized, empowered and directed to take all such steps as may be necessary to cause the negotiation and preparation of such final agreements.

Section 2. All acts of the Metropolitan Mayor, the Director of Finance and any other officer of the Metropolitan Government that are in conformity with the purposes and intent of this Resolution shall be, and the same hereby are in all respects, approved and confirmed as may be necessary or appropriate in order for the Metropolitan Government to comply with the terms hereof.

Section 3. All resolutions in conflict or inconsistent herewith are hereby repealed to the extent of any such

conflict or inconsistency.

Section 4. This Resolution shall take effect from its adoption, the welfare of the Metropolitan Government requiring it.

Analysis

This resolution approves a term sheet related to the financing, construction, and operation of a new, enclosed multi-purpose stadium on the East Bank. The resolution will approve the term sheet subject to final approval by the Council of the final financing, development, lease and other agreements described in the term sheet. The resolution also authorizes Metropolitan officers to take the necessary steps to cause the negotiation and preparation of the final agreements. Approval of the resolution will not obligate the Metropolitan Government to undertake any future approvals contemplated in the term sheet.

The term sheet is not a binding obligation on the Metropolitan Government, the Sports Authority, by its terms, and is anticipated as being utilized solely for the purpose of facilitating ongoing discussions for the proposed transaction. It contemplates that if, in connection with the non-binding term sheet, either party expends funds on the stadium project it does so at its own risk. The non-binding term sheet covers a broad set of topics of the stadium project including: designation of parties; description of the project; location of the stadium site; development of the stadium, including procurement procedures and pre-development expenses; funding responsibilities; budget costs; financing contributions; a plan for application of excess revenues; a plan for funding future capital improvements; parking facilities; campus development; status of current stadium during construction; anticipated approval needs.

Designation of the Parties

The expected parties to the various stadium project transactions will be the Sports Authority, the Metropolitan Government, the Club (Tennessee Football, Inc.), and StadiumCo, a to-be-formed entity anticipated to be under common control with the Club. Although not explicitly identified as a party in the term sheet, presumably the State of Tennessee will be a party to some necessary component of the transaction in order to effectuate the use of its contribution to the cost of the stadium project.

Description of the Project

The term sheet contemplates the construction of a new enclosed stadium to replace the existing stadium. According to Exhibit 1, the stadium will seat approximately 60,000 people and will have features and amenities consistent with other new NFL stadiums. It will be located on the land generally bounded by Russell Street, Interstate Drive, South Second Street and Shelby Avenue. Exhibit 3 generally depicts the anticipated location site. The north and south sides of the stadium are designated as the Stadium Village. The Stadium Village will be developed by Metropolitan Government except for installation of on-site utilities which will be funded by StadiumCo. The remaining portion of the site on which the current stadium and related parking lots are located will be considered the Campus. Once the new stadium has been completed, the existing stadium will be demolished, and the property will be graded and prepared for development.

Development of the Stadium

The new stadium will be developed in accordance with a yet to be determined Project Development Agreement, whose parties will be the StadiumCo and the Sports Authority. The development agreement will cover the obligations of the parties with respect to administering and managing the design, development, and construction of the project. It is anticipated that StadiumCo will take on the primary responsibility of the

administration and management of the project subject to Sports Authority oversight. StadiumCo will be required to follow applicable procurement codes set forth in Chapter 4.46 of the Metro Code of Laws in selecting architects, construction managers, other professionals, and in all other aspects of construction and design.

The demolition of the existing stadium, removal of debris, and fill/grading will be included in the budgeted costs. The parties will agree to a base stadium plan that covers the designated set of stadium design and related documents. This plan will guide planning, development and construction milestones and cannot be amended without Sports Authority approval.

Funding Responsibilities

The term sheet anticipates that the total cost of the stadium project will be \$2,100,000,000. The Sports Authority will contribute \$760,000,000 toward the cost of the new stadium. The funding will come from the proceeds of a revenue bond or series of bonds. The State of Tennessee will contribute \$500,000,000 (note the State of Tennessee is not a party to the term sheet) pursuant to an incentive agreement, the details of which are not yet provided. StadiumCo/Club will be responsible for the remaining funding anticipated to be \$840,000,000. StadiumCo/Club will also be responsible for any cost overruns.

The Club intends to waive any claim it has for reimbursement of capital expenses for the existing stadium, approximately \$32,000,000. And, at the time of the issuance of the Sports Authority revenue bonds, StadiumCo (or the Club) will pay off the outstanding stadium bonds, approximately \$30,000,000.

Details of the funding responsibilities will be set forth in a Project Funding Agreement between the Sports Authority and StadiumCo.

Budget Costs

The anticipated total cost of the stadium project is \$2,100,000,000. StadiumCo will be responsible for any cost overruns, except those caused by project scope amendments requested by the Sports Authority. The budgeted cost is intended to include the following:

- cost of the stadium site preparation,
- cost of demolishing the existing stadium,
- cost to remove all debris and levelling of the demolition site,
- costs associated with preserving access to the existing stadium during the construction of the new stadium, and
- third party design and pre-construction costs including project management, cost estimating and similar expenses.

Budgeted costs are not intended to include respective parties' attorney and other consultant fees or expenses incurred prior to execution of agreements.

Financing

The Sports Authority will issue its revenue bonds in the amount of \$760,000,000. While the revenue bonds are not a debt obligation of the Metropolitan Government, the issuance of the revenue bonds requires Council approval. It is intended that the revenue bonds will be issued on a revenue-only basis - in other words, the revenue bonds will not be backed by other support from the Metropolitan Government like a "non-tax revenue" pledge. This could change based on market conditions at the time of the issuance.

There are five primary sources of payment for the Sports Authority revenue bond debt:

- *stadium sales tax revenues* - state and local sales taxes collected at the stadium are directed to the Sports Authority - authorized by T.C.A. § 67-6-103(d) and § 67-6-712(c), respectively;
- *hotel tax revenues* (subject of pending Council legislation BL2022-1529) - will add 1% to the total hotel occupancy tax collected in the county - authorized by T.C.A. § 67-4-1415;
- *ticket tax revenues* - \$3 per ticket to NFL games at the stadium - this continues the ticket tax rate that is currently assessed for NFL games at the existing stadium -- T.C.A. § 7-3-202(b) authorizes a tax not to exceed 10% of the amount charged to attend an event at a municipal stadium;
- *rent revenues* -- \$3 per ticket sold to non-NFL events; and
- *new sales tax revenues from the yet-to-be designated 130-acre area* - 50% of state and local sales tax collected within the designated area will be directed to the Sports Authority for debt service on the new enclosed stadium - authorized by T.C.A. § 67-6-103(d).

The designation of the 130-acre area will require Council approval and subsequent approval from the State.

StadiumCo will administer the sales of personal seat licenses on behalf of the Sports Authority and these funds will be deemed part of the Sports Authority contribution to the stadium project costs.

StadiumCo may finance its contribution to the project with owner equity, secured loans, NFL financing and/or other loans and contributions. While StadiumCo may secure loans for its contribution it will be prohibited from utilizing the new stadium as security. All StadiumCo financing will be included in the Project Funding Agreement.

Plan for Application of Excess Revenues

On an annual basis, if the designated revenues exceed the amount required for debt service payments they will be distributed, in order, as follows:

1. Any excess of the ticket tax revenues and rent revenues will be placed in a maintenance and repairs fund to be used for non-operating maintenance and non-capital repairs;
2. The lesser of any excess remaining will be available for the use of the Metropolitan Government:
 - a. The total excess amount;
 - b. The 130-acre area sales tax;
 - c. An amount equal to the debt service for stadium related costs such as stadium related parking or other stadium related public improvements; or
 - d. \$25,000,000;
3. Any excess of in-stadium sales tax revenues and hotel tax revenues will be placed in a stadium capital expenditure reserve fund to fund capital repairs;
4. To the extent that there is a remaining excess amount, it will be deposited in a surplus fund to be used for the capital repairs fund, to retire Sports Authority bonds, or used for other lawful purposes of the Sports Authority. It is anticipated that this provision will be more fully detailed in the final agreements.

Plan for Funding Future Capital Improvements

Except for the use of the excess revenue funds for capital repairs, as described above, StadiumCo will be responsible for all capital repairs, replacements, and improvements to the new stadium. StadiumCo will be required to make such improvements to keep the new stadium in a first-class condition compared to other first-class NFL stadiums of a similar age. It is anticipated that the agreements will contain a reasonable standard to

give consideration to things such as the remaining life of the stadium, remaining term of the lease, and conditions unique to the area such as climate, local laws and regulations.

With respect to the existing stadium, once the transaction agreements are executed, the Sports Authority will not be obligated to fund any capital improvements to the existing stadium except for those needed for public safety or to maintain the stadium in a condition to play NFL games.

StadiumCo will be required to maintain a capital asset management plan which will guide planning of routine and preventative maintenance, provide a 10-year forward looking summary of annual needs and capital expenditures, and summary of reasonably expected capital needs in 10-year increments for remainder of the lease term.

Parking Facilities

It is anticipated that the Sports Authority, StadiumCo and the Club will execute a Parking Facilities Agreement with respect to development, use, revenues, operating expenses, and capital expenses for parking facilities. The term sheet indicates that the Authority will be responsible for providing a minimum of 2,000 parking spaces and will be responsible for capital maintenance and repair for the spaces. StadiumCo will receive all revenues from the spaces in connection with their events - revenues in connection with TSU games and CMA Fest will be allocated according to their respective lease terms.

It is anticipated that the Stadium Village area will accommodate parking spaces for the players, VIPs, and others as may be agreed upon in the agreements so long as it doesn't impede on the ability for Metropolitan Government to develop the property.

Campus Development

In anticipation of the Metropolitan Government's development of the Campus outside of the new stadium site, as depicted in Exhibit 3 to the term sheet, including the Stadium Village, the parties will enter a Site Coordination Agreement to address the collaboration needs. Council approval of the Site Coordination Agreement will likely be required. The development should not interfere with the operation of the new enclosed stadium. Metropolitan Government will be responsible for all design, construction, and infrastructure.

Fiscal Note: The total estimated cost of the Stadium Project is \$2,100,000,000. The contribution towards the costs is \$500,000,000 from the State of Tennessee, \$760,000,000 from the Metropolitan Government of Nashville and Davidson County and \$840,000,000 from Tennessee Football, Inc, d/b/a Tennessee Titans. Metro's contribution to the cost will be from state and local tax collections related to the sales within the existing stadium and new stadium; an additional 1% hotel occupancy tax; ticket tax revenues, rent revenues; state and local tax collections related to the sales within an area of up to 130 acres contiguous to the new stadium to be designated by Metro and approved by the State.