

State Considers Investment in New, Enclosed Stadium Team Talking Points / March 29, 2022

State, Nashville, and Titans created a partnership 26 years ago.

- They made the smart bet that bringing the NFL to Tennessee would benefit everyone over the long-term, and that bet paid off. That partnership brought significant positive impact to Tennessee over the last 26 years.
- But the stadium is aging and was not constructed to withstand the test of time.
- The State's willingness from last year to share stadium and campus revenue for stadium capital expenditures and infrastructure has always been vital to the future of the stadium. Without it, the project was not sustainable.

How did we get here today?

- For the last 18 months, the Titans worked toward a renovation refining plans and getting cost estimates.
- Final estimates came back in February that indicated the costs would be nearly double what was expected bringing us close to what it could cost to actually build a new stadium. Inflation threatens to further push those numbers higher.

The Titans started exploring other options, including the possibility that a new, modern stadium might be a better choice for the long-term.

- The Titans and City will continue working scenarios, and they will be the primary funding sources. The Titans are preparing to put a major private investment to the stadium, and their conversations with the City are going well.
- A key question the impact of having a covered stadium which would increase opportunities to host major events like the Super Bowl, NCAA Final Four, Wrestlemania, College Football Playoffs, and other year-round events.

Preliminary data suggest construction alone will support 15,000+ jobs and bring \$160M in direct and indirect state sales taxes over the 3-year construction timeline

- Materials purchased: \$44M
- Construction activities / direct sales tax: \$81M
- Construction activities / indirect state sales tax: \$40 million
- 15,000+ jobs earning wages of \$1 billion+

A covered stadium could lead to an increase of approximately 33 events (ranging from major to minor) per year.

- Super Bowl, Major College Sports, Wrestlemania with direct and indirect financial impact to the State
- Hosting marquee events also leads to a jump in in-state sports betting
 - State could collect \$1-1.5 million in taxes for each major event based off of sports betting activity alone

A new, mixed-use campus around the stadium is estimated to bring significant impact to the state over a 30-year period.

- 19,000+ jobs earning wages of \$18 billion
- \$744M+ of state sales tax on direct sales and services

While we have to continue analysis of stadium and financing options and economic impact due diligence, we appreciate the State's willingness to invest in the future.

**Senate Finance, Ways, and Means Q&A following Finance & Administration
Commissioner Butch Eley's Responses**

- 1) **Does the proposal that's before us make any revisions or changes to the legislation we passed last year?** (Sen. Jack Johnson)
Commissioner Eley: No. All the provisions you passed last year helped put them on the same playing field as other professional sports entities, so it doesn't change any of that.

- 2) **The proposal is to authorize the administration to issue \$500 million in bonds, but it doesn't necessarily mean that those bonds will be issued. What processes and what criteria would the administration use to determine whether to issue those bonds?** (Sen. Jack Johnson)
Eley: We must keep in mind that all we are authorizing this in order to signal that it is the intent of the state to issue these bonds. However, before we issued and initiated these bonds, we would want to know more about what exactly is in there and how it would play out. The bonds would still have to come before the funding board before they were initiated. There will be another opportunity to look at this before the final funding goes into effect. We believe that because of inflation, now is a good time to signal to the Titans that it is our intent to do this so that they can continue their process. We certainly have an opportunity to not go forward if this doesn't play out in a way we think is prudent.

- 3) **The fiscal assumption is very difficult to surmise because we don't know what the Titans will build and what type of sales tax revenue would be generated, but they used a figure of around \$10 million. If we appropriate \$55 million, it's not only not accretive to the state of Tennessee or positive from a revenue standpoint, but it will very possibly cost us money, meaning that we are ultimately subsidizing that. There are a lot of assumptions built into this, but in order for us to contemplate this, we need to have an idea of revenue collection and an expectation of what that debt service is going to be.** (Sen. Johnson)
Eley: Of course, a GO bond has the full support of the state, and that is the important thing we wanted to demonstrate in this budget. I think \$55 million is, as you point out, a very conservative estimate, because the cost of the interest in bonding would be much less than 6%—even less than 2%, I think. So that number will ultimately be much less than \$55 million. I think it will be closer to the \$20 million range. You are correct that we don't know exactly what will be there, but I think a new stadium in a different location will provide an opportunity for more mixed-use type of development that will service the development needs of the east Nashville community, and at the same time raise additional funding to cover the debt. We are not only considering that, but also all of the things that they will be able to do with the stadium that will provide additional revenue. The economic impact of those events goes beyond just the boundaries of the stadium and the parking lot. There is a lot of revenue generated, and we feel like the overall economic benefit to the state is far more beneficial to the state than not.

- 4) **Should we not wait to get a clearer picture from the Titans of their plans and potential revenue collections before we make a commitment to authorize the administration to issue \$500 million in bonds?** (Sen. Johnson)
Eley: We felt like moving sooner rather than later to stake our claim and express what the state of Tennessee would be willing to do in order to expedite or incentivize this investment would save us dollars in the long run. If we waited a year or two or longer, the cost to the state could be much more, so we felt it better state our intent now and put us in a position to determine what direction we'd like it to take, all with the understanding that we do not have to issue these bonds if we determine that it is not a good investment for the state.

- 5) **Has it been proposed when this new stadium would be completed?**
Eley: We don't have a clear answer. They are interested in proceeding as quickly as possible, but it would be a multi-year construction process. (Sen. Dawn White)

- 6) **Has metro government stated what their commitment to this project would be?**
Eley: They have not. My understanding is that they are having discussions with Titans' ownership and that they are interested in finding a solution that would allow them to participate. To reiterate, any investment on our part is contingent upon ownership and the city stepping up with a larger investment of its own. The majority of the investment should come from those two entities. (Sen. White)

- 7) **Why \$500 million? Is that a figure that we chose or that the Titans asked for?** (Sen. Haile)

Eley: I'm sure they would have taken more, but it is our figure. It is a number we determined based on the costs we've observed from NFL facilities in Buffalo, Las Vegas, and elsewhere, considering what the team or the city would provide. We think this is an amount that we think is feasible and that we can receive a positive return on.

8) **Will we need to pass specific legislation, or can we pass this as part of the budget?** (Sen. Joey Hensley)

Eley: It has to be part of this budget and would not require a separate piece of legislation.

9) **Would this give the state any ownership of the stadium or is the stadium privately owned by the Titans?** (Sen. Hensley)

Eley: This would be a grant. The actual stadium is owned by the Nashville Sports Authority, and the Titans have a long-term lease on the property.

10) **If the state did not issue this money, is it your understanding that they would not go forward with this project?** (Sen. Hensley)

Eley: That would be a question for them, but it would make it very difficult for them to proceed.

11) **What will the total cost be? I've read somewhere between \$1.2 and \$2 billion.** (Sen. Hensley)

Eley: I think that is in the ballpark.

12) **Why couldn't we have this discussion last year? At least a discussion of the possibility of this project?** (Chairman Bo Watson)

Eley: From our perspective, we didn't know this piece last year.

House Finance, Ways, and Means Q&A following Finance & Administration Commissioner Butch Eley's Responses

What will the NFL and Titans contribute to this? What is overall ROI of this project? What's the breakdown? Is there a commitment from the Titans and ownership? Around the stadium, will it be like the Smokies stadium/Wrigleyville? (Rep. Jason Zachary)

ELEY: We believe that by being able to invest this 500M, this project will more than return it. The additional dollars that result as they develop that area around stadium, we will retain 50% of that new revenue that comes off of it. Our intent is to utilize those new tax dollars to pay off the bond over time. That funding is in place already and as that project develops and begins collecting taxes, we'll get our share of that and put it towards the debt service.

The Titans will be the "last dollar" on this, that's why it's an advantage for us to do this now because we've set our parameters now and the city and Titans will have to step into the remainder of that.

I don't want to speak for the Titans, the reality is they have the development rights for that area around stadium due to their lease with Sports Authority, so they'll determine what the development will look like. But yes, we expect development similar to what you're describing that will generate sales tax revenue that make our investment worthwhile.

A new stadium is better than a renovation because the old facility can still operate and generate taxes while the new one is being built. (Rep. Patsy Hazelwood)

What is our bonded indebtedness now and how will this bond increase impact that? (Rep. Brandon Hawk)

Eley: 1.5% of our total revenues. It's low, one of lowest in country if not the lowest. Adding this additional amount of bond will only increase that still to below 2%. This isn't a big needle mover at all. 1.7-1.8% range. Won't impact our bond rating.

This budget has really grown and expanded and I'm having a hard time explaining to my constituents why we're granting money to the Titans and some of these other things that we really "want" versus what we "need." We're spending money like Washington and we're supposed to be one of the most fiscally conservative states in the country. Can you give me advice on what to say to my constituents? If we have an economic slowdown, are we going to wish we could go back in time and having extra money sitting in the rainy-day fund? (Rep. Brandon Ogles)

Eley: I can't imagine how we would have a more fiscally conservative budget than the one that we're proposing here, and reason is over the entire history of our state I don't think up until last year we never didn't spend all of the recurring revenue dollars that were out there. Whatever additional revenues that were recurring we budgeted all of those dollars to be spent. 243M dollars last year that could have been spent we spent on non-recurring items. This year, with additional revenues that have come in through being conservative in how we invested, of 8B or so new \$ that have flowed into our coffers, we spent 5.7 of that on non-recurring spending items. I think those dollars are being put in places that will pay dividends in coming years, like capital investments and projects. We've got several billion dollars in deferred maintenance of buildings that continue to deteriorate. All that's going to do is save us \$s in the future. **Not doing something doesn't save us money.** Holding back recurring spending, that money is sitting in our bank account when we go into next budget cycle.

This is a new stadium? What will happen to current stadium? (Rep. Larry Miller)

Eley: My understanding is that it will be torn down and this new stadium will take its place.