

**RESOLUTION APPROVING FY20 CAPITAL
IMPROVEMENT PROJECTS TO THE BRIDGESTONE
ARENA.**

WHEREAS, Powers Management, LLC, (“Powers”) operates and manages the Bridgestone Arena pursuant to the Second Amended and Restated Operating and Management Agreement (“Agreement”) dated July 1, 2012, between the Powers and the Sports Authority of the Metropolitan Government of Nashville and Davidson County (“Authority”), and

WHEREAS, pursuant to Section 8.6 of the Agreement, Powers has submitted a recommendation for capital improvements necessary to insure that the Arena is kept in at least as good of a condition as comparable facilities, as more particularly described in that letter dated November 30, 2018, attached hereto as Exhibit A; and

WHEREAS, pursuant to Section 8.6 of the Agreement approval of proceeding with the recommended capital improvements lies with the Authority; and

WHEREAS, the funding source for any capital improvements projects depends on the borrowing capacity pursuant to the terms of the Revolving Loan Agreement by and between First Tennessee Bank and the Authority dated October, 10, 2012, and the capacity of the Capital Improvement Fund; and

NOW, THEREFORE,

BE IT RESOLVED, that pursuant to Section 8.6 of the Agreement the Authority determines that the following recommended capital improvement projects (as more particularly described in Exhibit A, attached and incorporated herein by reference) are approved, contingent upon available funding:

1. Large Scale Visual/Audio Enhancements – Phases 2 & 3 (\$7,194,353)
 - a. Center-Hung Scoreboard
 - b. Digital Concourse Signage
 - c. Outdoor LED Screens
 - d. In-Bowl LED
 - e. Control Room Equipment
 - f. Cameras
2. Security System (\$1,197,633)
3. Concert Folding Chairs & Storage Carts (\$245,000)
4. Followspots/Spotlights (\$240,000)
5. Wireless Local Area Network (\$200,000)
6. Main Concourse Tile Bases (\$55,000)
7. HVAC Upgrades (\$1,280,155)
8. Electrical Equipment (\$1,015,000)
9. Chilled Water System (\$195,000)
10. Hot Water System (\$145,000)
11. Plumbing Equipment (\$115,000)
12. Ice System (\$100,000)
13. Heat Rejection / Ice Chiller Cooling System (\$25,000)

BE IT FURTHER RESOLVED, that the description of the recommended capital improvement projects, including budget and project scope, shall be provided to First Tennessee Bank pursuant to Section 6.4 of the Revolving Loan Agreement by and between First Tennessee Bank and the Authority dated October 10, 2012.

BE IT FURTHER RESOLVED, that the Authority hereby formally requests that Powers submit periodic updates regarding the status of the implementation of the capital improvement projects and the status of funding for the capital improvement projects approved herein.

Adopted and approved this 16th day of May, 2019.

Chair

ATTEST:

Secretary/Treasurer

RESOLUTION AUTHORIZING THE VICE-CHAIR TO EXECUTE AN AGREEMENT FOR PUBLIC INFRASTRUCTURE DESIGN SERVICES RELATED TO THE NASHVILLE MAJOR LEAGUE SOCCER STADIUM BETWEEN THE SPORTS AUTHORITY AND KIMLEY-HORN ASSOCIATES, INC.

WHEREAS, the Purchasing Agent of the Metropolitan Government conducted a procurement process for the Sports Authority's Request for Qualification #1188657 seeking a firm to provide architectural and engineering professional services for public infrastructure design services related to the Nashville Major League Soccer Stadium ("Stadium"); and

WHEREAS, the Mayor, in consultation with the Evaluation Committee, selected and recommended the engagement of Kimley-Horn and Associates, Inc. to provide such architectural and engineering services, as presented in the Intent to Award Letter attached hereto as Exhibit A; and

WHEREAS, contract negotiations with Kimley-Horn and Associates, Inc. were facilitated by the Purchasing Agent, and attended by the Sports Authority's Executive Director and project managers; and

WHEREAS, after said contract negotiations, the Sports Authority determines that the execution of the resulting Agreement is in the best interests of the Sports Authority and will help to facilitate the purpose for which the Sports Authority was created; and

WHEREAS, the Sports Authority and Kimley-Horn and Associates, Inc. hereto desires to execute the Agreement for architectural and engineering services, attached hereto as Exhibit 1.

NOW, THEREFORE, BE IT

RESOLVED, that the Vice-Chair be, and hereby is, authorized in the name of the Sports Authority to execute and deliver the Agreement in substantially the form presented to the Board; and is, authorized in her discretion to approve such changes in the form, substance and content as may be necessary, her execution and delivery of such Agreement to be conclusive evidence of such approval; and

FURTHER RESOLVED, that the Board has determined that the Agreement, with such changes in form, substance and content thereto approved by the Vice-Chair, is in the best interests of the Sports Authority and will help facilitate the purpose for which the Sports Authority was created; and

FURTHER RESOLVED, that the Vice-Chair be, and hereby is, authorized to perform or cause to be performed, in the name and on behalf of the Sports Authority, to execute and deliver or cause to be executed and delivered by or on behalf of the Sports Authority, such notices, requests, demands, directions, consents, approvals, orders, applications, certificates, agreements, amendments, further assurances or other instruments or other communications, under the seal of the Sports Authority or otherwise, as she deems necessary or advisable in order to carry into effect the intent of the foregoing resolutions, or to consummate the transactions

contemplated thereby, or to comply with the requirements of the filings, applications and documents approved and authorized or contemplated by the foregoing resolutions.

Adopted and approved this 16th day of May, 2019.

Chair

ATTEST:

Secretary/Treasurer

Governing Documents

Current:

- Management of Bridgestone Arena by Powers Management:
 - Second Amended and Restated Operating and Management Agreement by and between the Sports Authority of the Metropolitan Government of Nashville and Davidson County and Powers Management, LLC
 - Term: July 1, 2012 – June 30, 2028
- Tenancy and Scheduling Priority of the Nashville Predators:
 - Second Amended and Restated License and Use Agreement by and between the Sports Authority of the Metropolitan Government of Nashville and Davidson County and Nashville Hockey Club LP
 - Term: July 1, 2012 – June 30, 2028

Proposed:

- Management and Funding Responsibility of Bridgestone Arena by Powers Management:
 - Lease Agreement by and between the Sports Authority of the Metropolitan Government of Nashville and Davidson County and Powers Management, LLC
 - Term: July 1, 2019 – June 30, 2049
- Tenancy and Scheduling Priority of the Nashville Predators:
 - Tenancy Agreement by and between the Sports Authority of the Metropolitan Government of Nashville and Davidson County and Nashville Hockey Club LP
 - Term: July 1, 2019 – June 30, 2049

Background Information

Powers Management LLC

- Affiliate of Nashville Hockey Club, LP
- Management company of Bridgestone Arena since 1998
- Manages the arena for both hockey and non-hockey events
- Currently receives Management Fee, Incentive Fee and Performance Bonus (if earned) from Sports Authority

Nashville Hockey Club, LP (dba Nashville Predators)

- Affiliate of Powers Management LLC
- Primary tenant of Bridgestone Arena since 1998
- No responsibility for operation of arena
- Receives no revenues and bears no expenses related to non-hockey events

Benefits of New Agreements to Sports Authority / Metro

- Relieves Metro of any general fund obligations
 - Appropriation was \$3.2 million in F19
- Shifts all operating costs and long-term capital obligations to Powers Management through 2049
 - Estimate of forthcoming capital expenses is \$183 million
- Funding for maintenance, improvement and expansion from in-arena revenue streams (SUC, CIF, and Sales Tax)
- Predators retained as primary tenant through 2049

Lease Agreement with Powers Management, LLC

PROPOSED NEW LEASE AGREEMENT

Capital Improvements

Current:

- Sports Authority is responsible – source: Metro General Fund or Metro Capital Spending Plan
- Current estimate of capital needs from a Sports Authority-commissioned assessment in 2017 is \$183,000,000

Proposed:

- Powers is responsible for arena capital improvements via credit facility. Powers will use proceeds from the new Arena Improvements Credit Facility to pay off existing Sports Authority obligations on CIF loan (approximately \$4,000,000).
- Sports Authority has no financial responsibility for capital expenditures or operating expenses as of July 1, 2019 through June 30, 2049.
- Sports Authority will approve capital projects annually.

PROPOSED NEW LEASE AGREEMENT

Metro / Sports Authority Financial Obligations

Current:

- Net Operating Loss Cap: \$4,341,218
- Management Fee: \$1,000,000
- Incentive Fee: \$3,700,000
- Debt Service: \$1,378,595
- TOTAL: \$10,419,813

Proposed:

- Net Operating Loss Cap: \$0
- Management Fee: \$0
- Incentive Fee: \$0
- Debt Service: \$0
- TOTAL: \$0

PROPOSED NEW LEASE AGREEMENT

Metro / Sports Authority Financial Obligations

Current:

- Sports Authority responsible for all existing and future debt service related to the arena, including a \$10m CIF credit facility (current outstanding balance is \$4m).
- Note – approximately \$3.2m appropriated as subsidy for arena in F19 Metro budget

Proposed:

- Sports Authority is relieved from \$183,000,000 in estimated capital improvement expenses (in addition to current obligations under current Sports Authority CIF credit facility of approximately \$4m).
- Metro General Fund is relieved of \$3.2m annual appropriation.
- All funds received by Powers for maintenance and capital expenditures come from user generated fees (SUC, CIF and Sales Tax).

PROPOSED NEW LEASE AGREEMENT

Seat Use Charge / Capital Improvements Fee

Current:

- SUC: the lesser of 5% of ticket price or \$2.00 (hockey tickets) or \$1.75 (non-hockey events)
- CIF: the lesser of 5% of ticket price or \$2.00

Proposed:

- SUC: (increase to) the lesser of 5% of ticket price or \$3.00 (all events) with permitted increase annually of up to 5% beginning in 2021
- CIF: (increase to) the lesser of 5% of ticket price or \$3.00 (all events) with permitted increase annually of up to 5% beginning in 2021.

PROPOSED NEW LEASE AGREEMENT

Distributions of New Arena Account Proceeds

Current:

- Not Applicable

Proposed:

- Priority #1: To Sports Authority: Required Authority Allocations (debt service on Ford Ice bonds, obligations under agreement with SEC, and operational expenses of Sports Authority)
- Priority #2: To Powers: Arena Maintenance Fee
- Priority #3 (jointly):
 - To Metro: Various Metro debt obligations (representing 50% of hockey sales tax collections)
 - To Powers: Management Incentive Fee (up to 15% of the Arena Maintenance Fee)
- Priority #4: Remainder after distributions 1-3 to be deposited in Capital Reserve Account to be used for debt service and maintenance expenses.

PROPOSED NEW LEASE AGREEMENT

Powers Obligations

Current:

- Powers must maintain commercial general liability insurance of \$25 million as well as liquor and employer liability insurance.
- Powers indemnifies Sports Authority for damage or injuries resulting from its operation of the arena.
- Required to provide annual report of civic events.

Proposed:

- Consistent insurance and indemnity provisions.
- Must maintain arena to standards of Comparable Facilities and commensurate with NHL standards (currently a responsibility of Authority).
- Must prepare and submit annual Capital Asset Management Plan (CAMP)
- Powers and its Affiliates will be required to continue to demonstrate civic impact similar to current levels.
- Powers will provide Sports Authority rent free space for board meetings and will have the benefit or 10 days of rent-free use of the arena for Authority events.

PROPOSED NEW LEASE AGREEMENT

Tenants

Current:

- Sports Authority manages and is responsible for maintenance, repairs, etc.
- Current leases for Register of Deeds, CVC, Sirius, Sports Hall of Fame

Proposed:

- Powers assumes all leases with Tenants and related responsibilities (contingent upon assignment of the leases)

PROPOSED NEW LEASE AGREEMENT

Taxes

Current:

- Powers is responsible for business taxes and taxes on their personal property.

Proposed:

- Existing Arena Structure: No change in responsibility for existing arena; if Powers has to pay a leasehold tax in any year, the amount paid will be offset in the following year via reduced distributions to Metro and increased distributions to Powers.
- Future Developments: Any future external developments by Powers to the arena that create tax liability would be paid by Powers with no reimbursement from Sports Authority.

PROPOSED NEW LEASE AGREEMENT

Prohibited Uses

Current:

- Not Included

Proposed:

- Essentially the same as the MLS Stadium Lease
- Any use that results in a nuisance;
- Any use or purpose that violates Applicable Law or other use restrictions approved for the Premises by the Metropolitan Government;
- Obscene advertisements and signs;
- Any sexually oriented business;

PROPOSED NEW LEASE AGREEMENT

Prohibited Uses

Current:

- Not Included

Proposed:

- The sale of drug paraphernalia;
- Industrial/Warehouse uses; and
- A massage parlor (provided that massage services may be offered by a licensed massage therapist as a part of a health, beauty, fitness or sports medicine operation).

PROPOSED NEW LEASE AGREEMENT

Tenancy Agreement with Nashville Hockey Club LP

PROPOSED NEW TENANCY AGREEMENT

Early Termination/Owner Guarantees

Current:

- Early Termination: Team owes \$10,000,000 plus 50% of outstanding Capital Debt
- Liquidated Damages Amount: \$35,000,000 reduced by \$2,000,000 each year beginning July 1, 2012, with floor of \$10,000,000
- Owner Guarantees: Maximum of \$15,000,000 (collectively)

Proposed:

- Powers is fully responsible for Capital Improvements Credit Facility, even if Lease and / or Tenancy Agreement is terminated (Powers obligations under credit facility will significantly exceed the combination of current lease obligations of Early Termination Reimbursement, Liquidated Damages and Owner Guarantees).

PROPOSED NEW TENANCY AGREEMENT

Services/Equipment Supplied by Authority

Current:

- Services Supplied by Authority:
Authority, at its sole expense, shall cause the manager to provide event related staffing for all home games.
- Equipment Supplied by Authority:
Authority responsible to provide items necessary to host home games:
Zambonis (2), dashboards/glass, penalty boxes, player boxes, scorer boxes, scoreboards, spectator safety net, goals and standards.

Proposed:

- Services Supplied by Authority:
No services supplied by Authority.
- Equipment Supplied by Authority:
No services supplied by Authority.

PROPOSED NEW TENANCY AGREEMENT

Rights / Ownership / Location

Current:

- Team Rights to Revenues: Exclusive rights to all revenues generated from hockey games and other team events.
- Ownership Requirement: Team and Powers are under common and identical ownership.
- Location Requirement: Team must remain in Nashville and name of team must include “Nashville”.

Proposed:

- Team Rights to Revenues: Same
- Ownership Requirement: Same
- Location Requirement: Same

PROPOSED NEW TENANCY AGREEMENT