



Music City Center Feasibility Analysis Preliminary Results

November 18, 2009



- Introduction and summary of key findings
- Music City Center event demand and financial analysis
- Analysis of six tax revenue sources dedicated to the project
- Questions/discussion

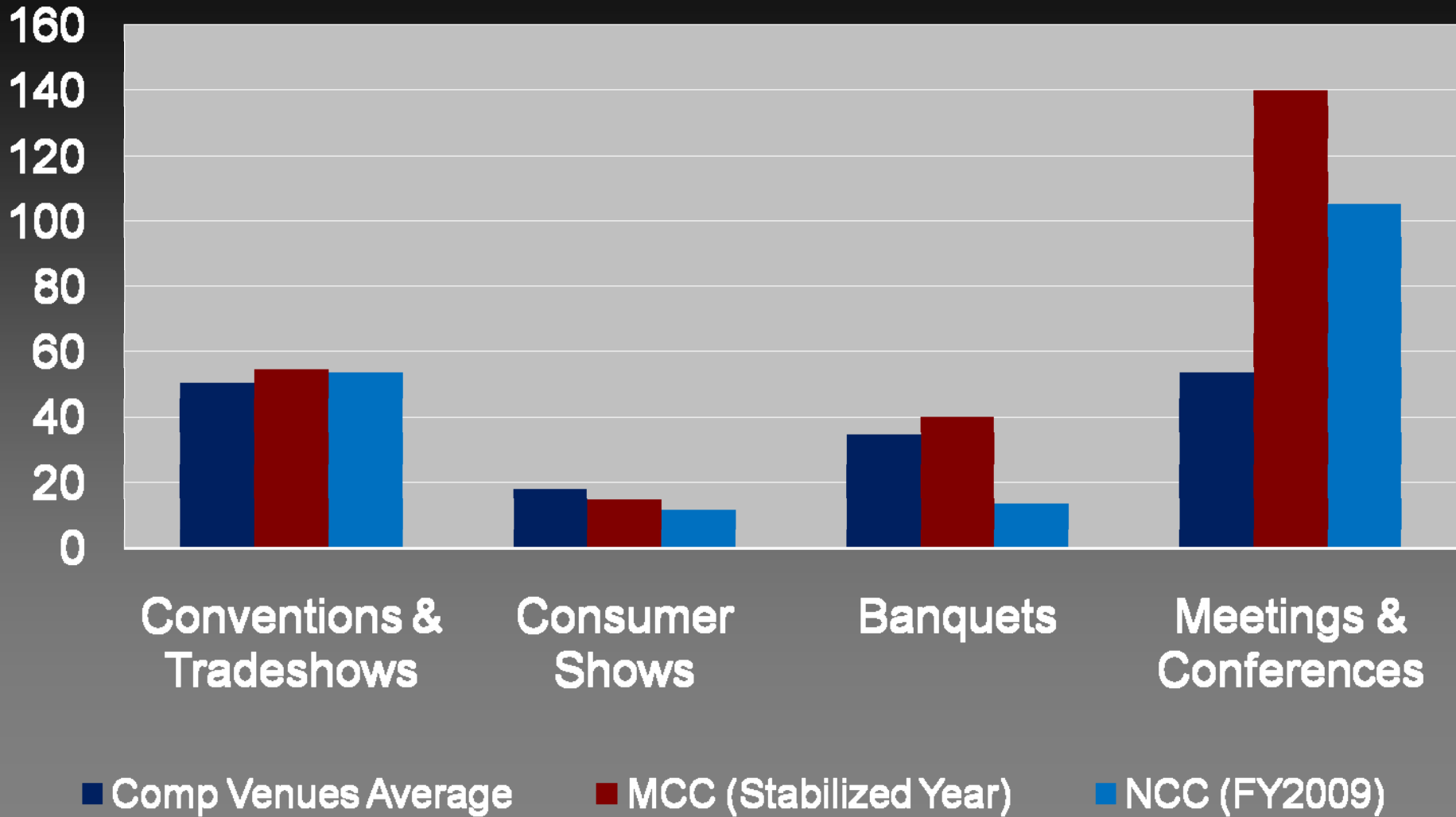
- Event planners
 - high level of knowledge about Nashville
 - positive image of Nashville as a convention destination
 - likely to use destination
- MCC will improve level of visitation
- Normal levels of convention center operating income (loss)
- Diverse sources of capital funding
- Headquarters hotel beneficial to project

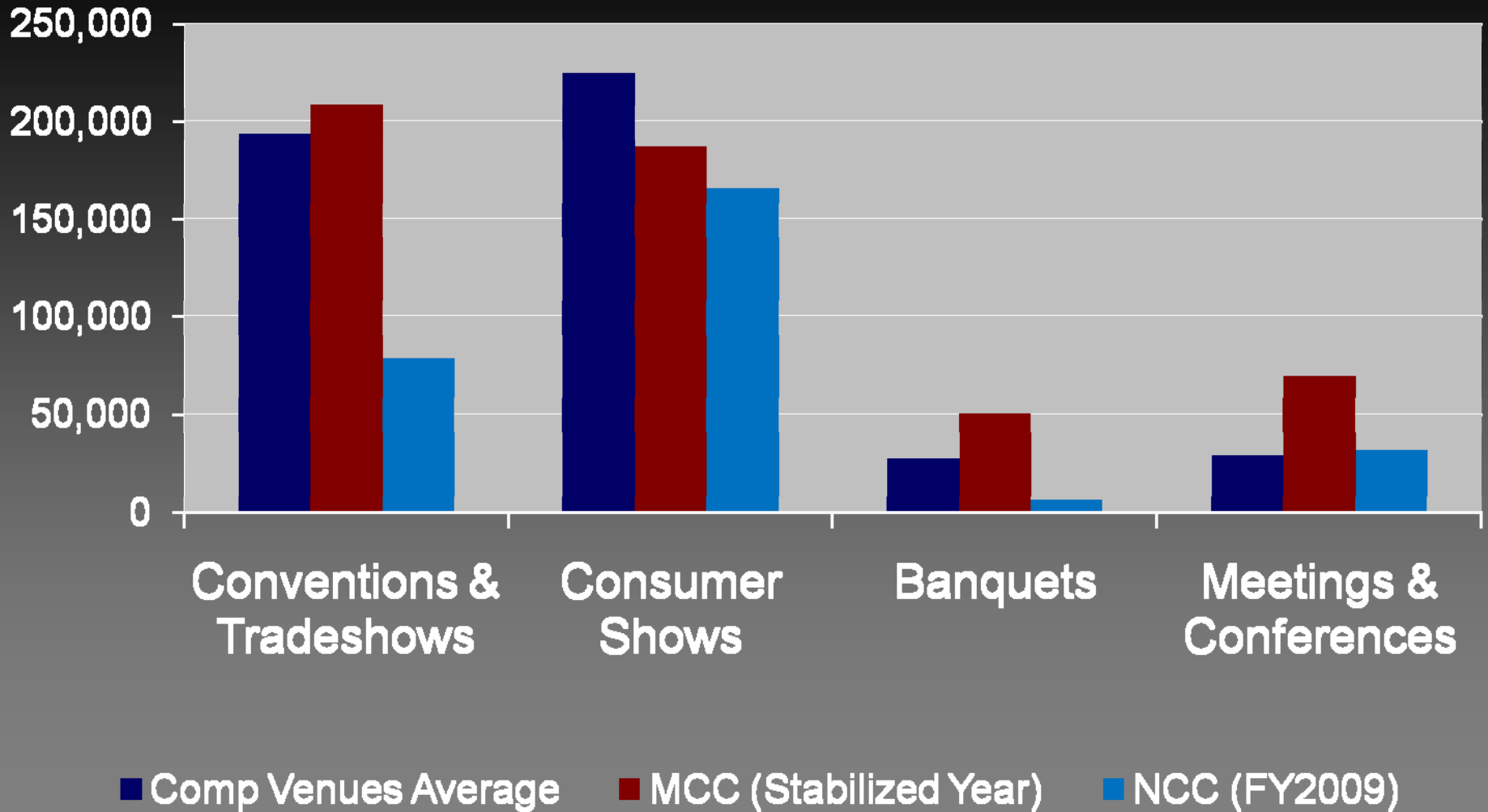
Convention Center Analysis

- Met with NCC management & CVB and other stakeholders
- Inspected proposed development site and surrounding market area
 - Reviewed TVS Design's concept plan drawings
 - Analyzed NCC historical event demand and operations
 - Analyzed a set of 10 comparable convention centers
 - Conducted a survey of event planners
 - Analyzed information on advanced bookings of conventions and tradeshow at the MCC

Event Type	# Events	Average Attendance	Total Attendance
Conventions & TS	55	3,800	209,000
Consumer Shows	15	12,500	187,500
Meetings & Conferences	140	500	70,000
Banquets	40	1,250	50,000
Other	20	1,500	30,000
TOTAL	270		546,500

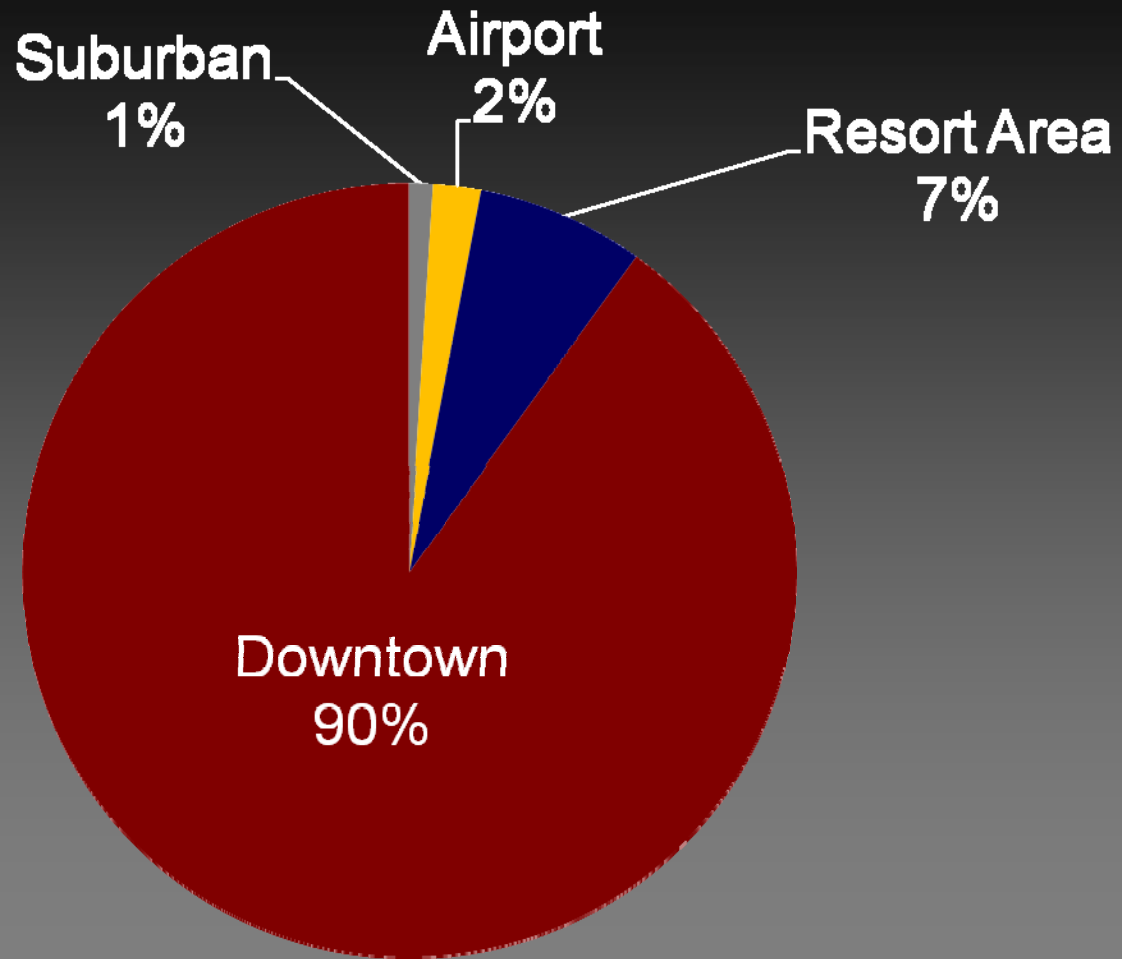
- America's Center (St. Louis, MO)
- Austin Convention Center (Austin, TX)
- Baltimore Convention Center (Baltimore, MD)
- Charlotte Convention Center (Charlotte, NC)
- Ernest N. Morial Convention Center (New Orleans, LA)
- Henry B. Gonzalez Convention Center (San Antonio, TX)
- Indiana Convention Center (Indianapolis, IN)
- Minneapolis Convention Center (Minneapolis, MN)
- Kentucky International Convention Center (Louisville, KY)
- Raleigh Convention Center (Raleigh, NC)

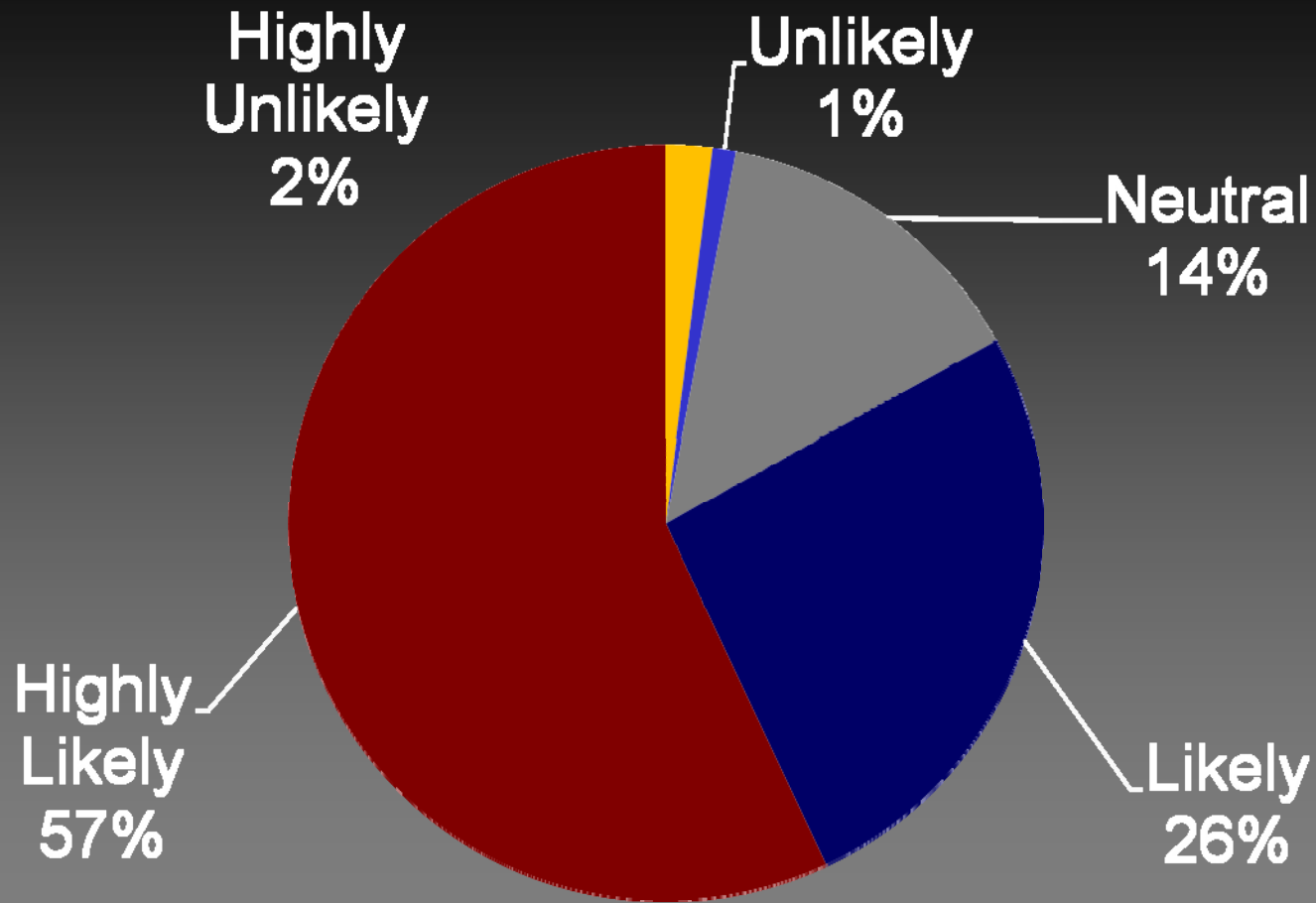


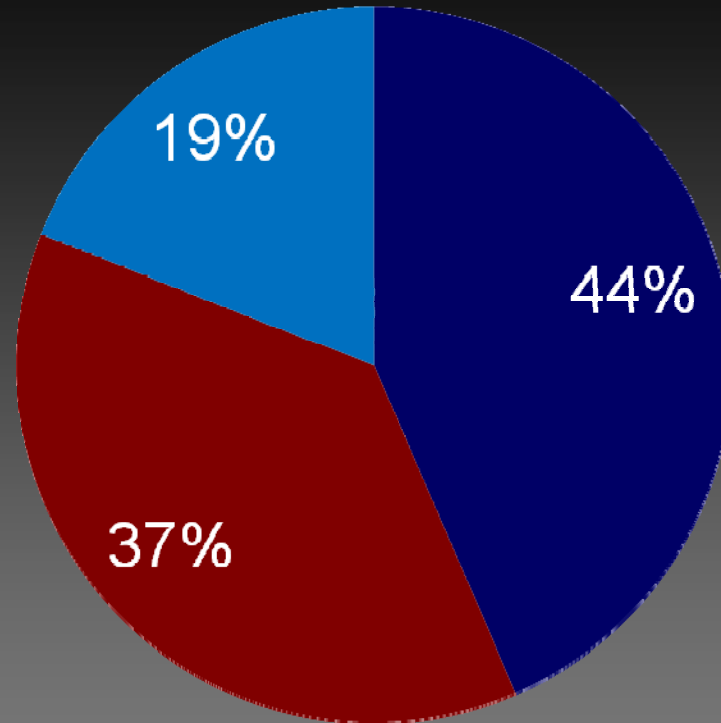


- E-mail survey of event planners considered to be potential users of the MCC
- Received 133 responses of 677 verified e-mail addresses (20% response rate)
- 80% of respondents plan conventions or meetings, close to 40% plan tradeshow
- 95% of survey respondents plan national or international events; 36% plan regional events

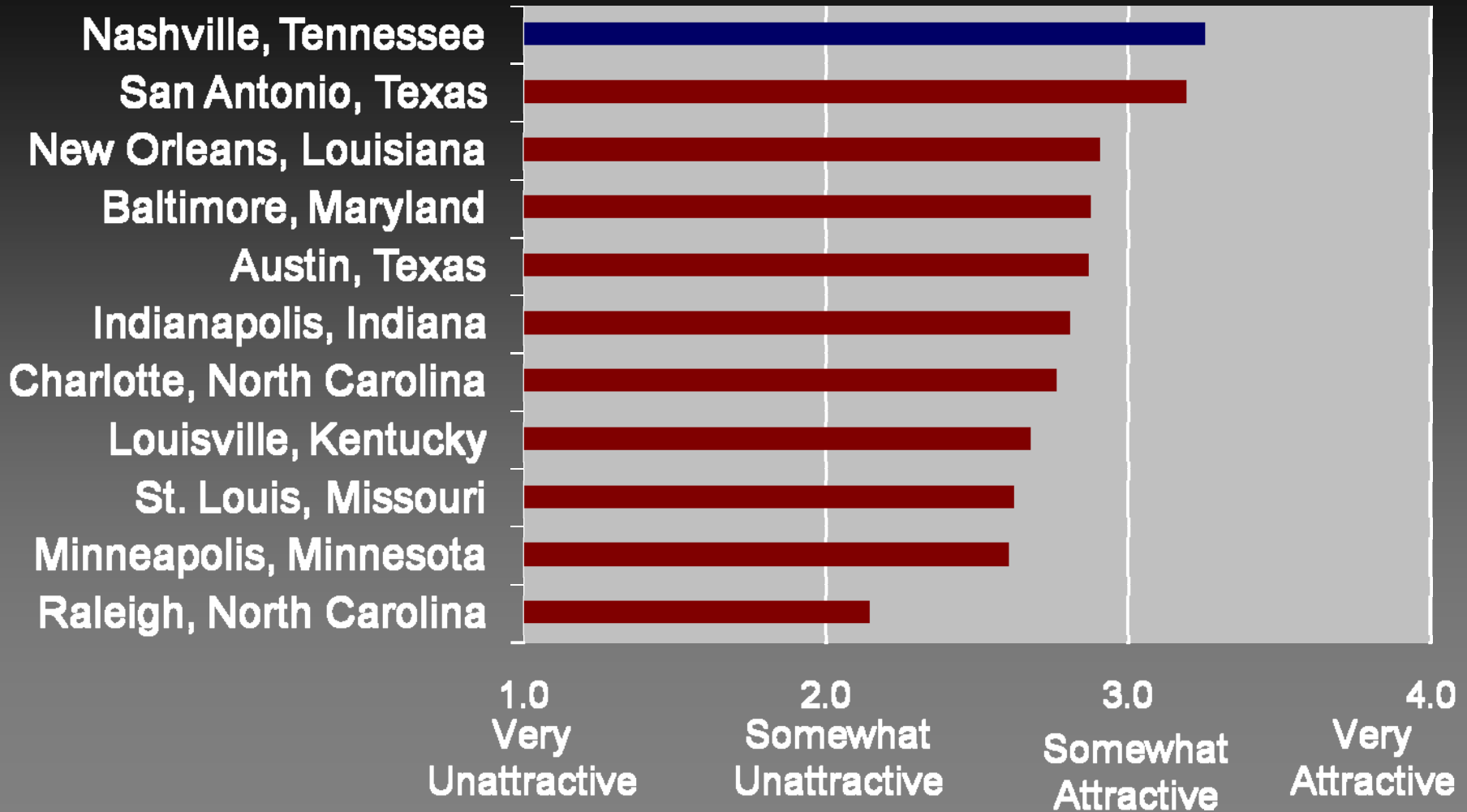
Overwhelming Preference for Downtown Locations







- **Definitely increase our use of a convention center in Nashville**
- **May increase our use of a convention center in Nashville**
- **No effect on our decision**



Performance Indicator	MCC Stabilized Forecast		Average Comparable Venues
	2015-16	2008 Dollars	
Total Operating Revenue	\$ 26.2 M	\$ 22.0 M	\$ 16.1 M
per exhibit hall event	\$ 244 K	\$ 216 K	\$ 221 K
per all events	\$82 K	\$ 73 K	\$ 99 K
per attendee	\$ 40	\$ 36	\$ 27

Performance Indicator	MCC Stabilized Forecast		Average Comparable Venues
	2015-16	2008 Dollars	
Total Operating Loss	\$ 2.6 M	\$ 2.2 M	\$ 2.2 M
loss per event	\$8.0 K	\$ 7.1 K	\$ 21.0 K
loss per attendee	\$ 3.94	\$ 3.48	\$ 2.37

Financial Operations in a Stabilized Year	2015-16
Operating Revenue	\$ 25.6 M
Operating Expense	28.1 M
Operating Income (Loss)	\$ (2.6) M
Capital Maintenance, Insurance and Operating Contingency	(2.3) M
Net Parking Revenue*	4.0 M
Total Net Income (Loss)	\$ (0.9) M

*Source: Haas Parking Analysis adjusted for fiscal year

Tax Analyses

- Hotel/Motel – 3% of 6% tax total dedicated to project financing
- Hotel/Motel Tax Surcharge – \$2.00 per occupied room night
- Airport Departure Tax – \$2.00 per contracted vehicle
- Vehicle Rental Tax – 1% of gross rental charges
- MCC Campus Tax – redirection of state (5.5%) and local sales tax (2.25%) on hotel and MCC sales
- Tourism Development Zone (TDZ) Increment

- FY 2009 actual taxable gross revenue provide starting point for projections
- Estimate changes in:
 - Supply – available room nights
 - Demand – available room nights (including induced demand from new convention center)
 - Price – effective average daily room rate
- Calculate tax revenue based on 3% tax rate
- Calculate surcharge based on \$2.00 per taxable room night (\$1.71 effective rate or per occupied room night).

Year	Room Taxes*	Surcharge
2013	\$14.8 M	\$9.7 M
2018	\$19.6 M	\$10.8 M
2023	\$22.4 M	\$11.3 M

Reflects the intergovernmental agreement with Gaylord, which allows redirection of revenues from 1% of the room tax rate to support the proposed Gaylord expansion. HVS estimates these amounts at \$1.2 M in 2013, \$1.7M in 2018, and \$2.0 M in 2023.

- Vehicle Rental Growth rates based on historical averages
- Airport Departure Tax based on estimated growth in passenger counts

Year	Airport Departure	Vehicle Rental
2013	\$0.37 M	\$1.07 M
2018	\$0.39 M	\$1.21 M
2022	\$0.42 M	\$1.37 M

- Redirection of sales taxes generated by MCC and the headquarters hotel:
 - State (5.5%)
 - Local (2.25% less administrative fees)
- Second hotel may be included if and when it is built (not included in current estimate)
- Components of tax separately estimated
 - Taxable gross revenue of hotels
 - F&B and event services (non-labor) at MCC
 - Parking
 - Retail

Year	Hotel	MCC	Parking	Retail	Total
2013	\$3.7 M	\$0.3 M	\$0.2 M	\$0.1 M	\$4.3 M
2018	\$6.3 M	\$1.5 M	\$0.6 M	\$0.6 m	\$9.0 M
2023	\$7.3 M	\$1.7 M	\$0.7 M	\$0.6 M	\$10.3 M

- Redirection of sales taxes
 - State 5.5%
 - Local 2.25% (less administrative fees)
- To the extent the growth rate in the TDZ exceeds the growth rate in the Davidson County as a whole
- Base year to be established in 2012 for first year of redirection in 2013
- Differential in growth rate is nearly impossible to predict in any given year
- HVS assumed MCC facilities would drive differential

Growth rate in the TDZ sales taxes	5.0%
Growth rate in County sales taxes	<u>- 2.5%</u>
Differential	<u>2.5%</u>

Taxes Generated in TDZ	\$100,000,000
Times Differential	<u>X 2.5%</u>
Redirected Sales Taxes	<u>\$2,500,000</u>

Year	State Sales Taxes	Local Sales Taxes	Total
2013	\$ 3.1 M	\$ 1.3 M	\$ 4.4 M
2018	\$ 7.1 M	\$ 2.9 M	\$ 10.0 M
2023	\$ 9.0 M	\$ 3.6 M	\$12.6 M

