

Music City Center Update- Minutes  
August 4, 2009

**Attendees-** Sean Anderson, Wayne Bennett, Amy Byrd, Mandy Buchholz, Keith Crowe, Don Dotson, Bob Downing, DJ Farris, Toy Fuson, Sue Jeffers, Steve Kenagy, Davis Lamb, Matt Ligon, Bill Marrero, Devin McClendon, Emil Mongeon, Kathie Moore, Allen Murphey, Jan Nichols, John Nichols, Lois Silagi, Ann Skiera, Mort Stein

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Guest Speaker- Butch Spyridon (President/CEO Nashville Convention and Visitor's Bureau)  
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CVB website- <http://www.visitmusiccity.com>

Music City Center (MCC) website - [www.nashvillemusiccitycenter.com](http://www.nashvillemusiccitycenter.com)

#### Economic Impact of the Tourism Industry

- Over 11 million visitors travel to Nashville each year
- Second largest industry in Davidson County (20% of residents work in a tourism-related field)
- Generates \$1.6 billion in wages per year
- Nashville visitors spend an estimated \$4 billion per year
- Tourism taxes account for 8.5% of Davidson County's tax revenue
- In 2007, the tourism industry generated \$278 million in state and local taxes in Davidson County
- Revenue from tourism saves Nashville households more than \$1,000 per year in taxes
- Average daily spending by visitors:
  1. Tourists- \$100 per day
  2. Business travelers- \$180 per day
  3. Convention attendees- \$280 per day
- During fiscal year 2008, Nashville hosted 223 conventions (\$106 million economic impact)

#### Current Convention Center

- Opened in 1987
- Bonds issued to pay for construction were retired in 2006
- Slightly less than 120,000 square feet of meeting space
- Credited with revitalizing downtown Nashville. Prior to opening, the immediate area contained numerous vacant buildings and adult entertainment businesses
- Will remain in operation after construction of the MCC. A lease agreement with the Renaissance Hotel runs through 2017.

## Why does Nashville need a new convention center?

- Nashville is the 25<sup>th</sup> largest U.S. city in terms of its tourism industry. The existing convention center is ranked 115<sup>th</sup> in terms of size.
- Nashville currently competes for 25-30% of the national convention business. Constructing the MCC will enable Nashville to compete for over 75% of the national convention business.
- Due to the limited size and design of the current convention center, it is virtually impossible to book multiple conventions at the same time. Currently, seven days must be blocked out for a 3-day show (2 days for move-in, 3-day convention, and 2 days for move-out)
- Since 1999, Nashville has lost 298 convention bookings due to inadequate facilities and/or space. Losses are estimated at \$564 million.
  1. In 2008, lost 13 convention bookings worth an estimated \$17 million
  2. In 2009, lost 11 convention bookings worth an estimated \$11 million

## Music City Center (MCC)

- Since March 2008, over 200,000 room-nights and 20 separate conventions have been pre-booked. Expected to exceed 300,000 room-nights booked before construction begins in early 2010.
- Project Funding- per a Private Act passed by the state legislature, NO property tax proceeds can be used to pay for the MCC project
- Revenue streams earmarked to pay for construction
  1. \$.02 of the \$.05 hotel/motel tax
  2. Additional \$.01 increase to the Davidson County hotel/motel tax
  3. \$2 tax applied per room, per night across Davidson County
  4. 1% rental-car tax (local residents and long-term rentals are exempt)
  5. \$2 airport departure fee
  6. The creation of a Tourism Development Zone (TDZ) will redirect any increases in property and/or sales tax collections from within the MCC campus
- Project Cost- cannot exceed fixed cost of \$635 million
  1. Construction (hard) - \$419 million
  2. Construction (soft) - \$71.5 million
  3. Utilities- \$10 million
  4. Land Acquisition- \$55 million
  5. NES substation relocation- \$27 million
  6. Contingencies- \$52 million
- Building Footprint
  1. Once complete, the MCC will be bordered by Broadway, 8<sup>th</sup> Avenue, 5<sup>th</sup> Avenue, and an extended Korean Veterans Blvd.
  2. 7<sup>th</sup> Avenue will be closed
  3. 6<sup>th</sup> Avenue will run underneath the facility

- Project Timeline
  1. Design- about 60% complete
    - Facility will be a Silver LEED-certified, with a green roof among other sustainable design characteristics
  2. Land Acquisition- on June 2, 2009, the Metro Council authorized up to \$75 million to begin land acquisition efforts (29-6 vote)
    - Several parcels have already been acquired
    - A total of 44 property owners own land in the 15-acre building footprint
    - Land values are based on February 2008 appraisals
    - Estimate 50% of final purchase prices will be decided by the court system
    - MDHA will have the power of eminent domain
  3. Financing- complete by December 2009. The ability to sell bonds is essential for the project to move forward.
  4. Groundbreaking scheduled for early 2010. Estimate 30-36 months to complete construction. Open in January 2013.

#### Features/Amenities of the MCC

- Over 1.2 million square feet of total space
- Exhibit Hall- 370,000 square-feet of space (no columns on exhibit floor). The current convention center has 119,000 square feet of exhibit space.
- Ballroom- 60,000 square feet, located on the top floor. Once built, the ballroom will be the largest in Tennessee.
- Total of 36 loading docks (current facility has only 6)
- Hotel
  1. Additional \$350 million investment
  2. 1,000+ rooms
  3. Phelps Portman was selected as the hotel developer.
  4. Hotel operator hasn't been determined, but is narrowed to either Marriot or Hyatt. A decision is expected within the next few months.
  5. Operating arrangement hasn't been determined, but likely to be some form of public/private partnership.
  6. After the MCC hotel is complete, there will be roughly 4,000 hotel rooms in the immediate downtown area. This area extends to Loew's Vanderbilt off West End Avenue.

#### Other Comments

- A Speaker's Bureau formed to promote the MCC has given more than 100 presentations over the past year to various organizations and groups
- Thirty-five (35) organizations have officially endorsed the project
- Competition with existing convention centers
  1. Opryland Hotel
    - Will only compete for 10-15% of potential bookings at MCC
    - Opryland must continue to be successful for the MCC to succeed.
  2. No direct competition with facilities in Franklin or Murfreesboro

- There was initial disagreement regarding the location of the MCC. The East Bank and Gulch were considered as viable options. The current location was eventually chosen based on the intent to maximize the infrastructure and businesses already in existence.
- Transportation Issues
  1. Routing 6<sup>th</sup> Avenue under the MCC will help alleviate congestion
  2. 50% of convention attendees travel to Nashville by air, 50% by vehicle
  3. Southwest Airlines has helped to promote Nashville's convention business
  4. Light-rail line from the MCC to the airport has been discussed
- The Nashville convention market is association-driven, not corporate driven.
- Even with a larger convention center, the goal is not to seek the huge shows that typically go to Las Vegas, Washington DC, or Chicago. The MCC will enable Nashville to book an increased number of small to medium-sized conventions at the same time.
- The Nashville hotel industry is experiencing a 12-14% decrease in sales.
- Economic Impact of the MCC
  1. Construction of the facility will create over 2,000 temporary jobs.
  2. 1,000 permanent employees will be needed to staff the facility.
- Similar convention facilities take 3-5 years to reach their full potential.