REJECT THE PROPOSED STADIUM DEAL

By Bob Mendes[1]
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The proposed $2.1 billion stadium deal should be rejected. It's not good for the city or its finances. It's too large of a subsidy with not enough benefit for Nashville.

As chair of the Metro Council's East Bank Stadium Committee, I've had a front row seat for the negotiations. Our committee has compiled an unprecedented amount of information about the proposed deal. You can find our committee materials here.

One of the ground rules for our committee is that we are only gathering information. The committee is not going to vote to approve or disapprove the deal. Our job has been to gather information to allow the public, individual Council members, and our standing committees to deliberate about the proposal.

Now that we are getting closer to a final vote, it's time for me to explain in more detail why I believe the proposal should be rejected.

How to think about the deal?

There are two ways I am approaching this deal – based on big picture vision and based on the numbers.

About vision, I wrote in January 2022:

> "To me, if the financial terms are satisfactory, this project matches up better with a long-term vision. More people will be moving to Nashville whether we like it or not. Having higher density and close in options for where people can live and work is a strong plus. But we'll have to see whether building the East Bank will break the bank, and we'll all be cautious about believing there is a genuine desire to tilt it toward neighborhood and not tourism."

This test still applies. Are the financial terms satisfactory? Are we getting a neighborhood or just more downtown for tourists?

About the numbers, the easiest way to think about the options are to look at stadium costs plus neighborhood costs in two scenarios – one to upgrade Nissan Stadium, and the other to build a new stadium. This is a balance of four numbers – the cost to upgrade Nissan Stadium, the cost of a new stadium, and Metro's spending on a new neighborhood in each scenario.

The Mayor's Office and the team have pushed hard since May 2022 to convince us that the cost of upgrading Nissan Stadium is too high and that we should just ignore

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new neighborhood costs. Don't buy that hype. Instead, compare the combined stadium and neighborhood costs for a new stadium versus a renovation.

Perspectives

Much of this memo talks about the team and the Mayor's Office shifting positions and talking points over the last year. It matters to understand why people shift positions. Sometimes a perspective genuinely changes as more information is gathered. Sometimes wrong impressions due to imprecise language need to be fixed. Sometimes people are mostly good-intentioned but try to slide a general concept by without explaining the nuances. And sometimes, it's just disingenuous.

With the stadium process over the last year, in a some situations, I think claims changed because more was learned. More frequently, there has been aggressive spin that needs to be unpacked and understood. In just a few situations, it's hard for me to see an honest explanation for spin that didn't tell the whole truth.

I will not shy away from describing the shifting positions. Everyone will need to make their own decisions about whether it's just another day in politics, or if it undermines their faith in the deal.

Basic facts

Over the last year, I have been aware of the gap between, on one hand, the full-time communications staff of the Mayor's Office combined with the army of lobbyists and media relations people hired by the team and, on the other hand, part-time Council members with no dedicated staff.

For several of the facts I'll discuss here, the narrative from the Mayor's Office and the team was able to stand for six months or longer before being shown as incomplete or inaccurate. Unfortunately, in the public dialogue about the stadium, once something has been "true" for six months, it's hard to change that perspective even if the "true" fact was actually false from the start.

As I lay out the facts as I know them, I understand that some of them are counter to the official narrative still being pitched by the administration. I'd ask that you keep an open mind and decide for yourself what's right and what's not.

The proposed new neighborhood is tied directly to there being a new stadium.

A year ago, Mayor Cooper argued that the city needs "Nashville's next great neighborhood" to pay for the football stadium. In a January 6, 2022, article, the Tennessean quoted the Mayor:

> "It's going to be important to present to the community a stadium-solve which allows us to not only keep the team and to have a Super Bowl, but that has no burden on the general taxpayer,"

> Cooper said. "A lot of the work that's been going on is then creating Nashville's next great neighborhood around the stadium."

This was the administration's pitch until a few months later, when the media started adding the cost of the stadium and the cost of East Bank infrastructure together to get a price tag around $3 billion. The Scene said this most directly in its May 17, 2022, piece *Mayor's Proposed Stadium District Pushes $3 Billion*. The same day, the Nashville Business Journal also tied the neighborhood infrastructure costs to the stadium.

In the days around these articles in May, I became aware of a push from the Mayor's communications staff to tell the media that the East Bank and the stadium are two totally separate things. Under this new messaging, each of the stadium and East Bank development supposedly could exist without the other. This prompted me to write this May 18 blog post questioning those claims.

I knew then that the Mayor's Office and the team have bigger bullhorns than I do. As a result, if they were shifting to claim that East Bank development and stadium negotiations are completely separate, I'd have an uphill battle reminding everyone that this messaging was new in May 2022 as a result of some media outlets reporting that the total stadium and East Bank spending was pushing over $3 billion.

Since May 2022, the Mayor also has started to talk about building a new TPAC on the East Bank and we have seen that all the East Bank drawings show PSC Metals as being gone. Conservatively, adding a new TPAC to the East Bank and deleting and remediating PSC Metals would push the approximately $750 million of currently proposed East Bank general obligation bond spending well over $1 billion.

There is no reasonable way to think that a new stadium or a new neighborhood will be built without the other. For this reason, you have to think about the costs of both.

Titans are a backstop on future repair costs – Metro pays first.

At the same time that the administration shifted to claim stadium development and neighborhood development were separate things, they and the team also began a coordinated effort to claim that a new stadium deal would require the Titans to take over the burden of future improvements.

The Titans were quoted in June 2022 saying, "..we want to find a solution with the city to take the taxpayer out of that position and put ourselves in that position so that we can take on that burden." This followed a May 2022 op-ed in the Tennessean by Mayor Cooper where he said, "The Titans will take on the financial responsibility of maintaining the stadium." Unfortunately, this coordinated talking point was misleading.

To be more accurate, the statement should have been, "They Titans will take on the financial responsibility of maintaining a new stadium USING HUNDREDS OF MILLIONS OF TAXPAYER DOLLARS."

For months, the Mayor's Office and the team continued to push the idea that the team is taking Metro "off the hook" for future new stadium improvement costs. Through the summer and early fall, during East Bank Stadium Committees, we pushed back on these claims.

By the time the deal was announced in October 2022, the team shifted to describing its role as a "backstop" for future stadium improvements. While "backstop" is a lot closer to accurate, this still distracts from the reality that the financing plan seeks to ensure that the "backstop" never gets used. If there were any significant risk that the team would have to use a lot of its own money to improve or upgrade the new stadium in the future, I don't think the team would do the deal.

It is also important to mention that the spin job from May through October – the claim that the Titans will pay for future stadium improvements – is still largely viewed as true still today even though the administration and the team pivoted months ago to the "backstop" talking point.

The bottom line is that the stadium deal will rely on hundreds of millions of dollars of public tax dollars for future stadium improvements, with those public funds being administered by the team.

It doesn't cost $1.8 billion for Metro to honor the existing lease.

In January 2022, the dollar amount the team and Mayor's Office leaked to the Tennessean was "up to $600 million in upgrades at the 23-year-old stadium over three seasons." According to that leaked vision, Metro would pay $300 million to honor obligations under the current lease and, according to Titans' CEO Burke Nihill, the team would pay another $300 million to make the facility "world-class." This bears repeating – just one year ago, both the team and the Mayor thought that the price to comply with the current lease was $300 million. And just one year ago, both the team and the Mayor were willing to clearly distinguish between the "amount Metro has to pay under the lease" and the "amount to build the Titans' preferred 'world-class' renovation."

By May 2022, according to the Nashville Scene, the Titan were publicly estimating that "Nashville is on the hook for $1.8 billion in maintenance and renovations." In four months, the supposed Metro obligation under the lease grew sixfold and the parties stopped acknowledging a distinction between the "amount Metro has to pay under the lease" and the team's "preferred 'world-class' renovation."

By the time of the October 17, 2022, stadium deal announcement, the Mayor was still pushing the new higher lease obligation number. His press release to announce the deal terms was entitled, "New Stadium Proposal Relieves Taxpayer Burden of at Least $1.75 Billion."

Ultimately, through the work of the East Bank Stadium Committee, we were able to show conclusively by the end of November 2022 that this talking point was false. There is no credible argument that Metro's obligation under the current stadium lease is anything close to $1.8 billion. Instead, that number is the price of a super-extravagant set of stadium improvements preferred by the team that are well beyond anything required under the current lease.

I don't want to belabor this point, but the Mayor's own consultant, VSG, told the Scene that they were not qualified to determine Metro's minimum obligation under the current lease. And if you want a sample of how hard it was to get the proof that $1.8 billion represents a "preferred renovation," you can review the emails in this piece by The Center Square.

Here again though, we see how the bully pulpit is powerful. For nearly six months, the Mayor's Office hammered at the idea that Metro owes $1.8 billion under the current lease. As recently as early February 2023, I heard the Mayor say (and I'm paraphrasing only slightly), "Is the liability $1.8 billion? Is it a billion dollars? I think it is well over a billion dollars." So even now, the $1.8 billion talking point persists despite the fact that Metro has no public assessment or assertion about the true liability under the lease.

What are best guesses about the cost to honor the existing lease?

We know that Metro's obligation under the current lease is definitely not $1.8 billion. And we know that Metro has no public analysis of its minimum obligation under the current lease. What is the cost of the lease obligation then?

There are three data points I consider. First, at the highest level, I believe that billionaires don't become billionaires or stay billionaires by giving away billions. The premise we are being sold is that Metro supposedly owes $1.8 billion on the current lease and the team supposedly is going to accept a Metro contribution of "only" $760 million for the new stadium. This means that I have to believe that the Tennessee Titans are essentially forgiving one billion dollars that Metro owes? Well, I don't believe that.

I'm not trying to insult anyone. I'm just saying multi-billion dollar operations are not in the habit of gifting a billion dollars of value to their business partners. From this perspective alone, the claim that Metro owes $1.8 billion under the current lease was always nonsense.

The second data point recognizes that the best way to determine the value of something is to see what price is agreed on by a willing buyer and a willing seller. If you have ever watched the Pawn Stars reality show, you've seen the guy who walks in the shop thinking his vintage thingamajig is worth $50,000…and fifteen minutes later he walks out having agreed to accept $500. His thingamajig was never worth $50,000 just because he said it was.

On our stadium deal, the best evidence of what Metro owes under the current lease is that the two parties with consultants, lawyers, accountants, and massive budgets agreed that Metro will pay $760 million. That's a pretty good data point about Metro's liability under the current lease.

Third, there is data about what it has cost to renovate other stadiums. The East Bank Stadium Committee received that information in a presentation on November 17, 2022. Here's the list:

Last Major Renovation Comparable Stadiums

Venue	Team	Year Opened	Year Renovated	Renovation Cost Current	Renovation Cost 2023*	Renovation Cost Future	Construction Cost Current	Construction Cost 2020**
Lucas Oil Stadium	Indianapolis Colts	2008	.	.	.	.	$720	$864
State Farm Stadium	Arizona Cardinals	2006	2023	$100	$100	.	$395	$506
Lincoln Financial Field	Philadelphia Eagles	2003	2014	$125	$190	.	$360	$508
Ford Field	Detroit Lions	2002	2017	$100	$144	.	$430	$619
Gillette Stadium	New England Patriots	2002	2023	$225	$225	.	$325	$468
Lumen Field	Seattle Seahawks	2002	.	.	.	.	$360	$518
NRG Stadium	Houston Texans	2002	.	.	.	.	$425	$612
Heinz Field	Pittsburgh Steelers	2001	.	.	.	.	$261	$381
Empower Field at Mile High	Denver Broncos	2001	.	.	.	.	$400	$584
Paul Brown Stadium	Cincinnati Bengals	2000	.	.	.	.	$450	$675
FirstEnergy Stadium	Cleveland Browns	1999	2015	$125	$185	.	$311	$482
Nissan Stadium	**Tennessee Titans**	**1999**	.	.	.	.	**$258**	**$400**
M&T Bank Stadium	Baltimore Ravens	1998	2019	$120	$164	$600	$220	$350
Raymond James Stadium	Tampa Bay Buccaneers	1998	2018	$160	$226	.	$169	$269
Chase Field	Arizona Diamondbacks	1998	.	.	.	$500	$354	$563
FedEx Field	Washington Commanders	1997	.	.	.	.	$180	$290
Bank of America Stadium	Carolina Panthers	1996	2017	$90	$129	.	$187	$309
TIAA Bank Field	Jacksonville Jaguars	1995	2016	$90	$131	.	$145	$247
Coors Field	Colorado Rockies	1995	.	.	.	$200	$197	$335
Progressive Field	Cleveland Guardians	1994	.	.	.	$435	$176	$308
Oriole Park at Camden Yards	Baltimore Orioles	1992	.	.	.	$600	$106	$195
Guaranteed Rate Field	Chicago White Sox	1991	2008	$118	$199	.	$187	$355
Hard Rock Stadium	Miami Dolphins	1987	2017	$350	$503	.	$115	$262
Mean					***$200***	***$467***		$439
Median					***$185***	***$500***		$400

Dollars in millions. *Estimated from PPI commodity data for construction-maintenance and repair of nonresidential buildings. **CPI for all urban consumers.
Mean and median excluding stadiums with no reported renovation costs.

Source: See page 12 of this presentation.

These three data points are not specific enough to identify the exact amount of Metro's lease obligation. For me, they indicate a current lease obligation less than $1 billion, and probably much less than that.

The new stadium is not free to the "general taxpayer."

Even with all the dedicated revenue streams for a new stadium, there are direct costs to Metro taxpayers to build the new football stadium. For example, the State of Tennessee will contribute $500 million directly. Since Metro is 10% of the population of the State, at least 10% ($50 million) can be considered a direct cost to Metro taxpayers.

Then, as a result of the State offering Metro the $500 million last year, this year, the State is having to offer $350 million to Memphis to upgrade its sports facilities. Nashville's 10% of that is another $35 million. Any balancing of costs cannot ignore this substantial direct cost to Nashville residents to build a new stadium. It's not free to taxpayers as claimed by the administration.

Sometimes, when I mention this point, someone will remind me that these are state dollars and don't impact the Metro government. That's true. But from the perspective of our Davidson County taxpayers, either way, it's $85 million of their tax dollars being spent directly on sports stadiums.

The new neighborhood is not free to the "general taxpayer."

The proposed new stadium financing plan requires Metro to pay for the costs of building a new neighborhood around the stadium. The term sheet also requires Metro to provide 2,000 parking spaces. This cost is not included in the $2.1 billion stadium site construction costs. If these spaces are provided in structured parking decks, I estimate the cost to be no less than $25,000 per spot — or at least $50 million of addition cost to Metro. The team would keep all of the revenue from these 2,000 parking spaces for all events held in the new stadium.

In addition to the cost of the parking spaces, the term sheet obligates Metro to pay all “Campus Infrastructure” costs. The term sheet does not identify a cost for this.

These large costs – where we don’t know the dollar amounts yet – further undermine the idea that the stadium deal is free to taxpayers. And, as discussed earlier, none of these costs take into account the possibility of buying PSC Metals and repairing environmental damage at that site.

The existing stadium revenue streams will support substantial borrowing.

The Mayor’s Office ignores that there are existing revenue streams available to help pay to upgrade Nissan Stadium. For this reason, a hypothetical $500 million upgrade wouldn’t require Metro to issue $500 million of new general obligation bonds.

The Mayor’s Office has provided an analysis of revenue sources for a new stadium. They broke it down between existing revenue sources and new ones. That analysis shows that *existing revenue sources for Nissan Stadium will generate $445.1 million in revenue between now and the end of the current lease, if extended, in 2039*.

	Revenue Sources Specific to Stadium Construction and Debt Service					
	Existing Revenue Sources					
	100% Metro In-Stadium Sales Tax	100% State In-Stadium Sales Tax	Minus: State Holdbacks	Net In-Stadium Sales Tax	Water/Sewer PILOT	Ticket Tax	Total Existing Revenue Sources
Footnotes:	(1)	(1)				(2)	
2023	$ 4,804,000	$ 11,743,000	$ (3,350,000)	$ 13,197,000	$ 4,000,000	$ 3,780,000	$ 20,977,000
2024	4,948,120	12,095,290	(3,500,000)	13,543,410	4,000,000	3,780,000	21,323,410
2025	5,096,564	12,458,149	(3,300,000)	14,254,712	4,000,000	3,780,000	22,034,712
2026	5,249,461	12,831,893	(3,300,000)	14,781,354	4,000,000	3,780,000	22,561,354
2027	5,406,944	13,216,850	(3,300,000)	15,323,794	4,000,000	3,780,000	23,103,794
2028	5,569,153	13,613,355	(3,200,000)	15,982,508	4,000,000	3,780,000	23,762,508
2029	5,736,227	14,021,756	(3,200,000)	16,557,983	4,000,000	3,780,000	24,337,983
2030	5,908,314	14,442,409	-	20,350,723	4,000,000	3,780,000	28,130,723
2031	6,085,563	14,875,681	-	20,961,245	4,000,000	3,780,000	28,741,245
2032	6,268,130	15,321,951	-	21,590,082	4,000,000	3,780,000	29,370,082
2033	6,456,174	15,781,610	-	22,237,784	4,000,000	3,780,000	30,017,784
2034	6,649,860	16,255,058	-	22,904,918	-	3,780,000	26,684,918
2035	6,849,355	16,742,710	-	23,592,065	-	3,780,000	27,372,065
2036	7,054,836	17,244,991	-	24,299,827	-	3,780,000	28,079,827
2037	7,266,481	17,762,341	-	25,028,822	-	3,780,000	28,808,822
2038	7,484,475	18,295,211	-	25,779,687	-	3,780,000	29,559,687
2039	7,709,010	18,844,068	-	26,553,077	-	3,780,000	30,333,077
2040	7,940,280	19,409,390	-	27,349,670	-	3,780,000	31,129,670
2041	8,178,488	19,991,671	-	28,170,160	-	3,780,000	31,950,160
2042	8,423,843	20,591,422	-	29,015,265	-	3,780,000	32,795,265

Source: See the last page here.

When you are balancing the amount of Metro general obligation bonds required for a new stadium versus an upgraded stadium, you cannot ignore the fact that the existing Nissan Stadium revenue streams will generate $445.1 million in revenue through 2039 to support an upgrade.

The State giveth and the State taketh

Over the last year, deal proponents have argued that, with so much funding and so many dedicated revenue sources from the State of Tennessee, it would be foolish to not use every penny of it.

I'll gloss over the fact that every professional economist in America thinks this argument is wrong. Economists instead are quick to point out that there is not unlimited tax revenue in a jurisdiction. Just because you raise "tourist taxes" doesn't mean tourists have any more money to spend when they come to town. People don't have another $100 to spend just because you tax them another $100. Creating dedicated revenue streams siphons off available tax revenue that could be used for other government purposes.

For now though, let's ignore the experts who study these things for a living and focus on the risk of relying on the State of Tennessee for substantial dedicated revenue streams.

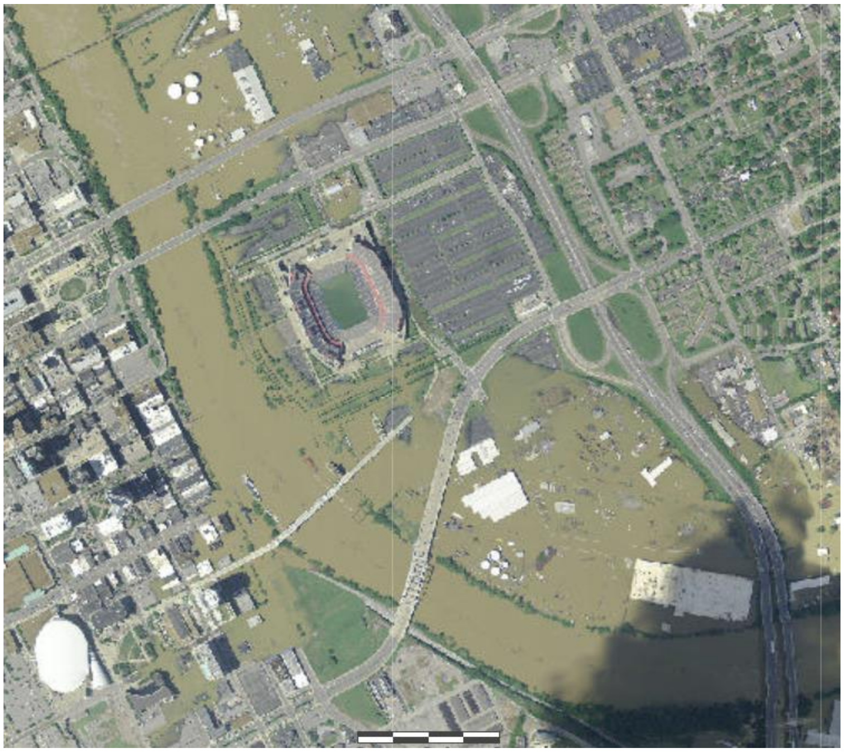
Our convention center, the Music City Center, is funded largely by dedicated sales tax and hotel occupancy tax. There are the same two primary revenue sources that would support a new football stadium. At the time of publication, there is a state bill pending to fully terminate this dedicated revenue for the convention center. Although the Speaker of the House has questioned whether the State may legally remove the convention center dedicated funding, he is clear that the Metro government should not be benefiting from these funding sources.

We need to keep our eye on this because the football stadium term sheet, at page 13, says that the Metro government would get up to $25 million per year from the new stadium 130-acre sales tax capture zone. Recent events show that there is now a serious risk that the State will one day snatch this revenue from the stadium. If that happened, Metro would find itself a few years down the road having to fill a $25 million per year budget hole.

The State's threats with the convention center should make everyone nervous about whether Metro will be able to get $25 million per year from the stadium tax capture zone, as described in the term sheet.

It's all floodplain

In Nashville's 2010 flood, the only part of the East Bank that stayed dry was the footprint of the proposed new football stadium. Everything else was underwater.



If the Metro government has figured out how to raise the entire East Bank out of the floodplain or if Metro has studied the impact of a raised East Bank on downtown or down river, that information hasn't been shared with me.

Getting the land back

The team and the mayor make a big deal about how the new stadium deal will return some of the land around Nissan Stadium to Metro's control. They argue the development rights for this land have enormous value and, therefore, getting the land back for Metro is valuable.

I don't buy this argument. Falling back on market economic principles, we know the Titans have not developed the land even though they have had the right to do so. Why would they not develop the land? If the development rights are so enormously valuable, why have they passed on that? Of course, you know the answer. It's the Pawn Stars situation again – our thingamajig (i.e., the development rights) is only valuable if you invest in substantial restoration (i.e., someone builds a street grid with utilities in a recently-flooded floodplain next to a navigable waterway). Without the substantial restoration, the value of our thingamajig is impaired.

The land around the stadium has value. But the administration does the public a disservice when it talks as if there is only profit to be made for the city while glossing over the large development costs and risk that comes with a project this large.

The Titans' ownership ranks low on wealth, by NFL standards

The Titan's ownership is regularly ranked as having among the lowest net worth among NFL owners. In a recent ranking, they came in as #25 out of 32, with an estimated net worth of $1.6 billion. For comparison, the top ten owners in the league all have a net worth over $10 billion, with #1 coming in at $59.8 billion.

This wealth disparity among league owners matters. When you look at the spectacular stadiums in the league, they were built largely or entirely with private money from team owners. And in each case, the owners who are building spectacular stadiums have ten or more times as much wealth as the Titan's ownership.

How do the options compare?

The Mayor's Office has not provided enough numbers to do a complete cost-benefit analysis. I believe that building a new stadium and the required new neighborhood will cost more Metro general obligation bond debt than renovating Nissan Stadium. Once the spin is stripped away and once you focus on the cost to build a new neighborhood in a floodplain, the costs of the new stadium proposal are too high.

When I blend in the cost to Metro taxpayers for the State's $500 million contribution and the risk of the State changing the financing rules in future years, the balance weighs even more in favor of upgrading Nissan Stadium.

Are there other alternatives?

When confronted with these arguments, the administration often falls back on suggesting there are no other options. That's not true.

The current lease goes through 2027. The team has not yet exercised its right to extend the lease to 2039. The team might decide to not extend their lease. I'm not suggesting they should leave. But we have to remain aware that the NFL has previously left Houston, Baltimore, St. Louis, Oakland, Los Angeles, and San Diego. We should not ignore that precedent or be afraid of it.

The team also could decide to bring in a new partner so that they can afford to pay for their preferred renovation or a new stadium. There is no reason for state and local taxpayers to provide the largest public subsidy in the history of U.S. professional sports. That's not a place where Nashville should be a leader.

Conclusion – I cannot support the current proposal.

For all these reasons, I think the financial terms are not good enough and I think the financing plan will force the area more toward tourism than being a neighborhood. I cannot support the current new stadium proposal. I hope the Mayor's Office and the team go back to the drawing board and find a better path.