

Minutes of the Joint Meeting of MNAA and MPC
Finance/Administration/Properties Committees



Date: December 11, 2019 Place: Nashville International Airport Board Room
Nashville, Tennessee

Time: 9:20 a.m.

Committee Members Present: Amanda Farnsworth, Chair; Bill Freeman, Vice Chair;
Bobby Joslin; and John Doerge

Committee Members Absent: None

Others Present: Jimmy Granbery; Doug Kreulen; Cindy Barnett; and
Angela Edwards

I. Call to Order

Chair Farnsworth called the meeting of the MNAA and MPC Finance, Administration, and Properties (FAP) Committee to order at 9:23 a.m., pursuant to Public Notice dated December 6, 2019.

II. Approval of Minutes

Chair Farnsworth stated there were no Minutes to approve due to the November 13, 2019 meeting of the FAP being cancelled for lack of a quorum.

III. Chair's Report

Chair Farnsworth had no Chair's Report.

IV. Items for Approval

A. Hangar 14 and Adjacent Parcel Land Development (Sky Harbour, LLC)

Mr. John Corbitt, AVP, Real Estate, briefed the Committee on this item. Staff requested that the FAP Committee recommend to the Board of Commissioners that it approve the proposed lease terms between Sky Harbour, LLC (Tenant) and MNAA (Landlord), for purpose of developing a premium box hangar campus to enhance the General Aviation community and to increase revenue to MNAA.

Staff provided the FAP Committee a staff analysis for Hangar 14 and Adjacent Parcel Land Development prior to the meeting.

Mr. Corbitt stated a Notice of Availability (NOA) was issued November 5, 2018. Three proposals were received. Negotiations with Sky Harbour began in April 2019. Sky Harbour proposes to develop and lease approximately 4.7 acres of improved land, on which existing Hangar 14 resides, and an adjacent parcel of approximately 11.05 acres of land surrounding Hangar 14 for a total of 15.75 acres.

Sky Harbour will keep Hangar 14 and will construct a total of ten new hangars. One 36K square foot Part 135/MRO Hangar, three 7.3K square foot hangars, and six 13K square foot hangars. Total new hangar space will be 137,880 square feet. There will be approximately 200K square feet of new or improved ramp/apron space.

Mr. Corbitt reported the key terms of the deal and presented a map of the property to be leased. The benefits to the Authority are:

- 66% increase in rental revenue from Subject Property (\$352,344 to \$584,676) in Year 2
- \$17M minimum commitment in initial capital improvements in 24 months
- 137,880 combined sf of newly constructed facilities
- ~ 200,000 sf of new/improved ramp & apron space
- Increase in fuel flowage fees as a result of increased aircraft operations
- Enhanced customer service & ability to meet the region's growing demand for private/corporate aircraft
- Total lease term value (50 year) = \$80.7M
- Net Present Value of cash flow at 7.25% = \$11.1M

After questions and discussions, a motion was made by Commissioner Doerge and seconded by Vice Chair Freeman to approve the proposed lease terms between Sky Harbour, LLC and MNAA, for the purpose of developing a premium box hangar campus to enhance the General Aviation community and to increase revenue to MNAA. The motion carried by vote of 4 to 0.

B. Fraport Subleases

Ms. Margaret Martin, VP, Chief Development Officer, briefed the Committee on this item. Staff requested that the FAP Committee recommend to the Board of Commissioners that it:

- 1) approve two (2) subleases for the terminal concessions program; and

- 2) approve one (1) sublease for the terminal concessions program so that all rights and obligations attorn to MNAA at the expiration of Fraport's master agreement.

Staff provided the FAP Committee a staff analysis for the two subleases for the terminal concessions program and a staff analysis for one sublease so that all rights and obligations attorn to MNAA at the expiration of Fraport's master agreement prior to the meeting.

Ms. Martin gave an overview of the three subleases for approval. Two of the three were previously approved by the Board, however, since approval, concepts have changed. Ms. Martin brought it to the attention of the Committee as Fraport finalizes negotiations with potential tenants, concepts are subject to change prior to final execution of the sublease and any future subleases brought before the Committee and Board for approval will clarify that.

The MNAA Board of Commissioners previously approved two such sublease agreements, with Nashville Hospitality Partners, LLC (NHP) and Host International, LLC (Host). Since those approvals, two concepts have been added to the NHP sublease. Those are The Urban Juicer and Uncle Nearest Bar. There have been no other changes to the NHP sublease since Board approval.

Two concepts have changed on the Host sublease since approval. Arrington Vineyards has been added (removing La Hacienda) and Starbucks Reserve has changed to Starbucks. There have been no other changes to the Host sublease since Board approval.

The third sublease for approval for BNA Concessions, LLC is for Three Casks. This is one location. This sublease needs approval so that all rights and obligations attorn to MNAA at the expiration of Fraport's master agreement which ends in 2029. This sublease's end date is June 2030.

After questions and discussions, a motion was made by Commissioner Joslin and seconded by Vice Chair Freeman to approve the NHP, Host and BNA Concessions subleases, so that all rights and obligations attorn to MNAA at the expiration of Fraport's master agreement. The motion carried by vote of 4 to 0.

V. Information Items

A. Fraport Transition Update

Ms. Linda Macey, AVP, Revenue Development, briefed the Committee on this item. Construction has begun and Fraport is on target to open two new concepts in December 2019. Those are Arts District Market located on Concourse A and NaSah's Nail Salon located on Concourse C.

In January, seven new concepts are set to open and three more are set to open in February. In 2020, the total number of concepts to be opened is 51. Ms. Macey stated a summary/overview of the Master Concession Contract with Fraport will be coming to the Committee and Board in January 2020 as requested at the November Board of Commissioners meeting. President Kreulen stated staff would give the Commissioners a break down of retail, food, beverage and services in the upcoming summary as well.

This item was presented for information purposes only with no action required.

B. Real Estate Development Update

Ms. Martin briefed the Committee on this item. The first update was on the 75-acre non-aviation development at BNA. Three proposals were under evaluation by MNAA staff. All three proposals submitted utilize the full 75 acres. Staff hopes to bring a proposal for approval to the Board in May 2020.

The next update was the 32-acre aviation development at BNA. Five proposals were received. Interviews were being scheduled with four of the five proposers to assist in evaluation. One of the five proposals was for an FBO, however, the NOA stated BNA was not looking for another FBO at this time and the proposer was notified they were not under consideration. This is a more challenging site to develop as easements for an access road and easements for utilities will need to be developed. Staff hopes to bring a proposal for approval to the Committee and Board in May or June 2020.

Atlantic Aviation (Atlantic) is an FBO currently operating on BNA property. Atlantic reached out to MNAA staff to extend its lease term in exchange for a significant capital investment in the property as well as fair market value increase in annual rent. Staff hopes to provide a recommendation to the Committee and Board in February 2020.

The next update was on the assignment of the JWN FBO lease. MNAA received a formal request from Corporate Flight Management (CFM) to assign its lease at JWN to Modern Aviation. The minimum standards in the lease are being reviewed by staff and staff will provide a recommendation to the Committee and Board in January 2020. Questions and discussions ensued among the Commissioners and staff in order to make the best decision for JWN as it is a different airport now than it was when the original lease was executed.

This item was presented for information purposes only with no action required.

C. Series 2019 Bond Update

Ms. Marge Basrai, VP, Chief Financial Officer, briefed the Committee on this item. Ms. Basrai reported she spent a lot of time attending Investor Road Shows last week in order to market the bonds and promote investor relations. On December 2, 2019 the bonds were offered at \$770M at fairly aggressive prices because the supply in the market was very high. During the two-hour sale window, \$4.2B of orders were received which was 5.5x oversubscribed. Over 90 different accounts placed orders which provided great diversity of investors.

Based on this demand, the bonds were repriced. Spreads were tightened 2-15 bps for the Non-AMT bonds and 2-12 bps for the AMT bonds from the original offer. Overall total net cost was 3.52%. The Subordinate Bonds were priced very close to where the senior bonds would have priced. Based on strong demand, the deal was upsized by \$150M for a total par amount of \$920M. The Bonds are expected to close on December 17, 2019. Everyone on the bond team was very happy with the results.

Chair Farnsworth congratulated Ms. Basrai on a job well done.

This item was presented for information purposes only with no action required.

VI. Adjourn

There being no further business brought before the FAP Committee, Chair Farnsworth adjourned the meeting at 10:04 a.m.



Amanda C. Farnsworth, Board Secretary