



## Joint Meeting of the MNAA and MPC Finance, Diversity & Workforce Development ("Finance") Committees

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December 13, 2023

# Call to Order

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December 13, 2023

# Board Chair Status Report

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- Adams and Reese LLP December 11, 2023, memo; received December 12, 2023
- July – October 2023 Finance Committee Actions (5 items)

# Public Comment

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Tennessee Code Annotated, Title 8, Chapter 44, Part 1

MNAA Policy ID: 33-007, Public Comment Policy, effective July 13, 2023

4 Public Comment Requests Received

- Jon Cooper, Holland & Knight
- Saul Solomon, Klein Solomon Mills
- George H. Cate III, Bradley Arant Boult Cummings LLP
- Jim Murphy, Bradley Arant Boult Cummings LLP

## Public Comment

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- All requested to speak on Agenda Item II
  - July – October 2023 Finance Committee Actions (5 Items)

# Approval of Minutes

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1. October 11, 2023, Minutes of the Joint Meeting of the MNAA & MPC Finance, Diversity & Workforce Development (“Finance”) Committees
  - Adams and Reese LLP December 5, 2023, memo; received December 11, 2023
  - Adams and Reese LLP recommended specific motion and staff affidavits
2. November 8, 2023, Minutes of the Joint Meeting of the MNAA & MPC Finance, Diversity & Workforce Development (“Finance”) Committees

# Chair's Report

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Andrew Byrd

Finance Committee Chair

# Items for Approval

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December 13, 2023



- Short Term Credit Facility - 3<sup>rd</sup> Amendment to Note Purchase Agreement with Bank of America, N.A.
  - Resolution 2023-12

## Item for Approval

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Marge Basrai, CPA, CGMA, CM  
EVP, Chief Financial Officer

# Note Purchase Agreement Background

- On January 7, 2019, MNAA entered into a Note Purchase Agreement (NPA) with Bank of America (BofA) to provide short-term cash flow funding for MNAA's capital projects during early stages of construction:
  - Commitment to make advances up to \$300 million
  - Variable rate interest rates (taxable and tax exempt) based on LIBOR or its successor index
  - Commitment term of 5 years, terminating every two years unless renewed, with initial maturity date of 3 years
  - 15 bps or 0.15% commitment fee until 50% (\$150 million) is drawn
- On November 26, 2019, MNAA executed the First Amendment of the NPA with BofA:
  - Increased commitment amount to \$400 million
  - Added accordion feature to increase/decrease commitment amount from base amount of \$100 million as needed

# Note Purchase Agreement Background

- On December 1, 2021, MNAA executed the Second Amendment of the NPA with BofA:
  - Decreased commitment to \$300 million
  - The accordion feature added in the First Amendment was removed
  - New maturity date for the NPA of January 7, 2024
  - With the LIBOR publication ceasing on June 30, 2023, and due to market conditions at the time, the interest rates and indices were updated as follows:

Interest Rate Type	Original Interest Rate	Amended Interest Rate
Tax-Exempt Interest Rate	80% of 1 Month LIBOR + 33 bps (0.33%)	80% of BSBY + 42 bps (0.42%)
Taxable Interest Rate	1 Month Libor + 40 bps (0.40%)	BSBY + 52 bps (0.52%)

- Commitment fee increased to 20 bps (0.20%) from 15 bps (0.15%) until 50% (\$150 million) is drawn

# Third Amendment to Note Purchase Agreement

- MNAA discussed a new short-term credit facility with PFM, Financial Advisors
- Recommendation to begin negotiations directly with BofA for a new NPA given current market conditions and excellent results/flexibility from BofA
- New NPA considered a new issuance of debt, which is time consuming to execute and most likely not able to be completed prior to maturity date of January 7, 2024
- MNAA and BofA have agreed to an extension of the maturity of the notes and the commitment expiration date not to exceed one year, January 7, 2025
  - All other terms of the NPA remain the same
  - Will allow time to complete negotiations, prepare documents, and obtain Board approval

# Third Amendment to Note Purchase Agreement

- Terms under the Third Amendment:

Available Commitment	\$300,000,000
Maturity Date/Mandatory Tender Date	January 7, 2025
Tax-Exempt Interest Rate	80% of BSBY + 42 bps (0.42%)
Taxable Interest Rate	BSBY + 52 bps (0.52%)
Commitment Fee	Available Commitment > 50% = 20 bps (0.20%) Available Commitment ≤ 50% = 0 bps (0.00%)

- Per Bond Counsel (Hawkins Delafield & Wood LLP) no new TEFRA hearing or Authorizing Resolution is required for the Third Amendment

Staff requests the Finance Committee recommend to the Board of Commissioners that it:

- 1) Approve MNAA Resolution No. 2023-12, which authorizes both the extension of the maturity of the notes and the commitment expiration date for a period not to exceed one year, in the NPA with BofA
- 2) Authorize the President and CEO to execute the Third Amendment to the NPA with BofA

# Staff Recommendation

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- Amendment to Fraport Sublease
  - Pyramids of Nashville, LLC Extension

## Item for Approval

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Colleen Von Hoene  
Associate Principal, The Paslay Group

# Amendment to Fraport Sublease with Pyramids of Nashville, Inc.

## Background:

- The term of the Lease and Concession Agreement with Fraport Tennessee, Inc. (Fraport) commenced on February 1, 2019, and expires January 31, 2029. For sublease terms that extend beyond January 31, 2029, MNAA must become a party to the sublease so that all rights & obligations of the sublease attach to MNAA at the expiration of Fraport's Lease and Concession Agreement.
- Fraport has a sublease with Pyramids of Nashville, Inc. for a restaurant that opened on June 5, 2021, with a term that expires on January 31, 2029.
- The Pyramids sublease provides an option to extend the term to a full ten years from the Date of Beneficial Occupancy, subject to Fraport and MNAA approval. Fraport has requested to exercise the extension option based on the following:
  - The additional term provides more time for the tenant to amortize its construction costs, which were among the highest construction costs/square foot for airport food and beverage tenants.
  - The ten-year term is consistent with industry standards for food and beverage locations.



Staff requests the Finance Committee recommend to the Board of Commissioners that it:

- 1) Approve the sublease amendment between Fraport, Pyramids of Nashville, Inc and MNAA
- 2) Authorize the Chair and President & CEO to execute the sublease amendment

# Staff Recommendation

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- BNA West Development – Revised LOIs
  - SF Aviation, LLC
  - HCA Management Services, L.P

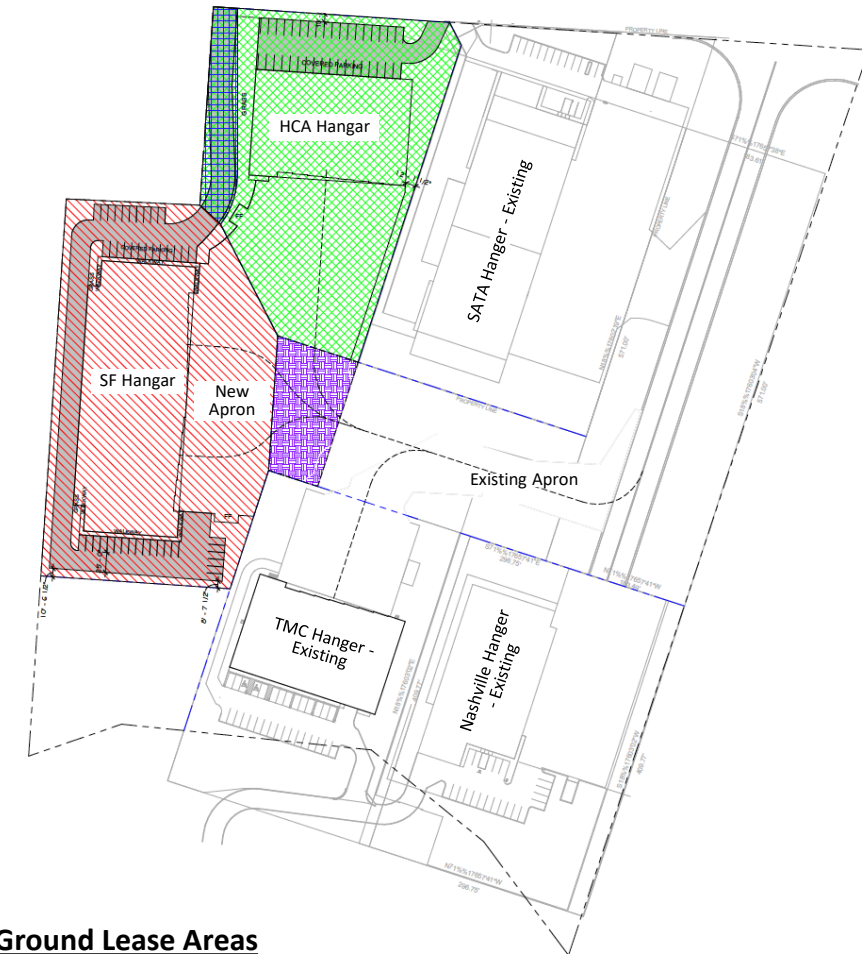
## Item for Approval

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Carrie R. Logan, C.M.

Vice President, Deputy General Counsel

# West Side Private or Corporate Space - Future SPE for SF Aviation, LLC & HCA Management Services, L.P.



### Ground Lease Areas

	HCA Ground Lease Area	102,783 SF
	SFA Ground Lease Area	121,492 SF
	Taxilane Area	14,044 SF
	Access Easement Area	

# West Side Private or Corporate Space

## Property Description:

- SF Aviation, LLC: Development of 2.79 acres of the 5.97-acre parcel of land, approximately 121,492 SF
- HCA Management Services, L.P.: Development of 2.36 acres of the 5.97-acre parcel of land, approximately 102,783 SF

## Key Lease Terms:

- **Effective Date:** Rent commences upon execution of the lease agreement
- **Term:** 18-month construction term, 30-year initial term, one 5-year renewal option (total potential 36.5 years).
- **Base Rent:** \$2.40/sf; 3% annual escalation; FMRV adjustments in year 10 and 20 of initial term
  - Max 110% increase over prior year; No rent decrease
  - Monthly fuel flowage; current rate \$0.08/gallon
  - Easement fee of \$0.50 beginning on the effective date of the lease for the Taxilane B extension (SF Aviation, LLC) and \$0.25 for this tract's share of Taxilane A & B (both tenants); the easement fee includes a 3% annual escalation.
- **Improvements:**
  - SF Aviation, LLC: Minimum \$9M for construction of hangar facilities (approximately 41,000 sq ft), ramp/apron space and fuel farm. Tenant will complete Taxilane B extension and hangar within 18 months of the effective date.
  - HCA Management Services, L.P.: Minimum \$5M for construction of hangar facilities (approximately 25,000 sq ft), ramp/apron space and fuel farm. Tenant will complete the hangar within 18 months of the effective date.

# West Side Private or Corporate Space

## Key Lease Terms (continued):

- **Lease Type:** Triple Net Lease; Property Condition and Pavement Condition Assessments every 5 years
- Tenant has right to lease to affiliate or successor organization with notice to MNAA; other assignments require prior written consent from MNAA
  - MNAA receives 20% of gross transaction value if 10+ years remaining, 15% if less than 10 years remaining but more than 5 years, and 10% if less than 5 years remaining

## Impact:

- Immediate combined revenue source of \$579,590 in year one
  - SF Aviation, LLC: \$291,580.80 in base rent and \$27,177.50 in easement fees, for a total of \$318,758.30
  - HCA Management Services, L.P.: \$260,831.70 in base rent and \$14,152.50 in easement fees, for a total of \$260,831.70
- New assets that will vest in 31.5 – 36.5 years
- SF Aviation, LLC has committed to executing a lease for the entire 5.97-acre tract should the other tenant not execute a lease by January 15, 2024.

- Staff requests the Finance Committee recommend to the Board of Commissioners that it:
  - Approve the terms negotiated between MNAA and SF Aviation, LLC via Letter of Intent; and
  - Authorize the Chair and President and CEO to execute a lease agreement with SF Aviation, LLC consistent with these terms.
  
- Staff requests the Finance Committee recommend to the Board of Commissioners that it:
  - Approve the terms negotiated between MNAA and HCA Management Services, L.P. via Letter of Intent; and
  - Authorize the Chair and President and CEO to execute a lease agreement with HCA Management Services, L.P., consistent with these terms.

# Staff Recommendation

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- NOTE: 2 votes
  - SF Aviation, LLC
  - HCA Management Services

# Information Items

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December 13, 2023

- BNA Concessions Program Update

## Information Item

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Colleen Von Hoene  
Associate Principal, Paslay Group



## Fraport Terminal Concessions Program

- 2 Food & Beverage locations under construction, scheduled to open in April 2024
  - Prince's Hot Chicken (C/D)
  - Half Moon Empanadas (Conc. B)

# Fraport Concessions Activity

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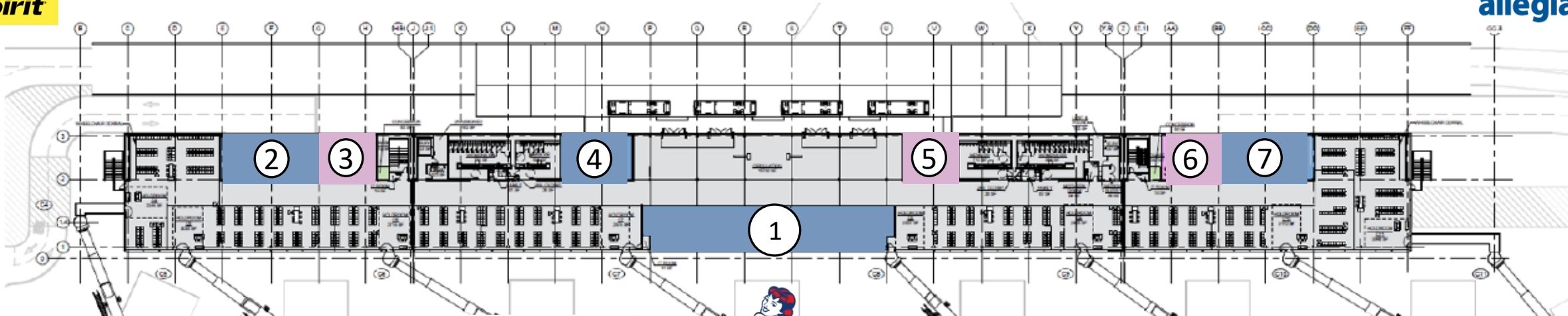
## Paradies Satellite Concourse Concessions Program

- 3 Retail locations open:
  - Distillery District Market
  - Gulch Goods
  - Nashville Supply
- 3 Food & Beverage locations open:
  - TX/MX (opened 10/28/23)
  - Bongo Java (opened 11/10/23)
  - Jimmy John's (opened 11/28/23)
- 1 Food & Beverage location under construction:
  - Fat Bottom Brewery (opening mid-Dec)

## Paradies Satellite Concourse Concessions Activity

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- Penalties:
  - TX/MX - \$60K
  - Bongo Java - \$190K
  - Jimmy John's - \$370K
  - Total to Date - \$620K



Open  
37 days late

Open

Open  
19 days late

Dec

Open

Open

Open  
6 days late

# Satellite Concourse Concessions – Paradies Lagardere Performance

Bongo Java



Jimmy John's





## Joint Meeting of the MNAA and MPC Finance, Diversity & Workforce ("Finance") Committees

Meeting Adjourned

# Items for Ratification

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Supplemental Slides

Reviewed November 6, 2023 & November 8, 2023

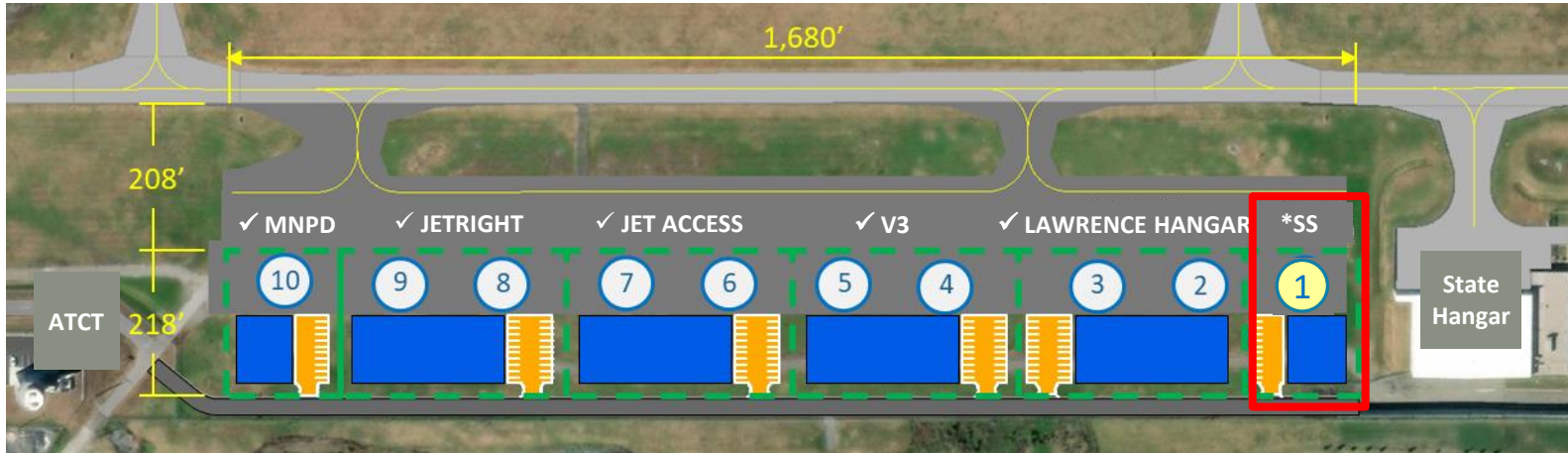
- ① JWN North Development LOI/Lease Terms – Parcel 1 (August)
  - Future Special Purpose Entity (SPE) for Steve Smith
- ② Amendment to Fraport Subleases (August)
  - Titan’s Sports Bar
  - The All Day
  - Nashville Music City
- ③ BNA Westside Development LOI/Lease Terms (September)
  - Future Special Purpose Entity (SPE) for Scott Sohr
- ④ Amendment to British Airways Incentive Agreement (London) (October)
- ⑤ Trademark License Agreement (October)
  - Hotel adjacent to Terminal by Nashville Airport Hotel Partners, LLC

## July – October Board Actions (Finance Committee)

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# ① JWN North Development Parcel 1 - Future SPE for Steve Smith

**Property Description:** One parcel of land for a total of 0.84 acres



## **Key Lease Terms:**

- **Effective Date:** Rent commences upon execution, on or before October 15, 2023
- **Term:** 18-month construction term, 30-year initial term, one 5-year renewal option (total potential 36.5 years)
- **Base Rent:** \$2.70/sf; 3% annual escalation; FMRV adjustments in year 10 and 20 of initial term
  - Max 110% increase over prior year; No rent decrease
  - Monthly fuel flowage; current rate \$0.06/gallon
- **Improvements:** Minimum \$2.5M for construction of a hangar facility (at least 10,000 sq ft)



# ① JWN North Development Parcel 1 - Future SPE for Steve Smith

## Key Lease Terms (continued):

- **Lease Type:** Triple Net Lease; Property Condition and Pavement Condition Assessments every 5 years
- Tenant has right to lease to affiliate or successor organization with notice to MNAA
  - MNAA receives 20% of gross transaction value if 10+ years remaining, 15% if less than 10 years remaining but more than 5 years, and 10% if less than 5 years remaining

## Impact:

- Immediate revenue source of \$98,884.80 in year one
- New asset that will vest in 31.5 – 36.5 years

**Review & Approval:** Staff and the Finance Committee recommended approval to the full Board on August 16, 2023. The Board of Commissioners voted 5 to 0 to approve the terms negotiated between MNAA & future Special Purpose Entity for Steve Smith via Letter of Intent; and authorize the Chair and President and CEO to execute a lease agreement with future special purpose entity for Steve Smith, consistent with these terms.

# ② Amendment 1 to Fraport Subleases with Ferncroft Airport LLC

## Background:

- The term of the Lease and Concession Agreement with Fraport Tennessee, Inc. (Fraport) commenced on February 1, 2019, and expires January 31, 2029.
- If sublease terms extend beyond January 31, 2029, MNAA must become a party to the sublease so that all rights & obligations of the sublease attorn to MNAA at the expiration of Fraport’s Lease and Concession Agreement.
- Fraport has two subleases with Ferncroft Airport, LLC, to which MNAA is a party. Ferncroft requested changes to location names, which were formally approved in Amendment 8 to the Fraport Agreement.

### Original Name

Nashville Music City

The All Day

Titans Sports Bar

### New Name

The Music City Shop

Kitty Hawk Eat and Drink

The Titans Press Box

## Review & Approval:

Staff and the Finance Committee recommended approval to the full Board on August 16, 2023. The Board of Commissioners voted 5 to 0 to accept and authorize the Chair and President and CEO to execute the amendments to the subleases between Fraport, Ferncroft Airport, LLC and MNAA.

# ③ BNA Westside Development - Future SPE for Scott Sohr

Amended  
December 2023

**Property Description:** Development of 5.15 acres of the 5.97-acre parcel of land and the extension of Taxilane B

## **Key Lease Terms:**

- **Effective Date:** Rent commences upon execution of the lease agreement
- **Term:** 18-month construction term, 30-year initial term, one 5-year renewal option (total potential 36.5 years)
- **Base Rent:** \$2.40/sf; 3% annual escalation; FMRV adjustments in year 10 and 20 of initial term
  - Max 110% increase over prior year; No rent decrease
  - Monthly fuel flowage; current rate \$0.08/gallon
  - Easement fee of \$0.50/sf beginning on the effective date of the lease for the Taxilane B extension and this tract's share of Taxilane A & B; the easement fee includes a 3% annual escalation.
- **Improvements:** Minimum \$14M for construction of hangar facilities (approximately 66,000 sq ft), ramp/apron space and fuel farm. Tenant will complete Taxilane B extension and first hangar within 18 months of the effective date and the second hangar within 30 months.



# ③ BNA Westside Development - Future SPE for Scott Sohr

## Key Lease Terms (continued):

- **Lease Type:** Triple Net Lease; Property Condition and Pavement Condition Assessments every 5 years
- Tenant has right to lease to affiliate or successor organization with notice to MNAA
  - MNAA receives 20% of gross transaction value if 10+ years remaining, 15% if less than 10 years remaining but more than 5 years, and 10% if less than 5 years remaining

## Impact:

- Immediate revenue source of \$579,590 in year one
- New asset that will vest in 31.5 – 36.5 years

## Review & Approval:

- Staff and the Finance Committee recommended approval to the full Board on September 20, 2023. The Board of Commissioners voted 6 to 0 to:
  - Approve the terms negotiated between MNAA and future Special Purpose Entity for Scott Sohr, via Letter of Intent; and
  - Authorize the Chair and President and CEO to execute a lease agreement with future special purpose entity for Scott Sohr, consistent with these terms.

## ④ Amendment to British Airways Incentive Agreement (London)

**British Airways Service:** Daily Service to London, England (Heathrow)

### **British Airways Incentive (London), Board Approved June 16, 2021**

- Per the Air Service Incentive Plan (ASIP), approved by the Board on November 2, 2020, MNAA entered into a new 2-year incentive with British Airways for non-stop service to London (Heathrow) effective December 9, 2021.
  - Year 1: 100% abatement of landing and facility fees; \$100,000 marketing funds
  - Year 2: 100% abatement of landing and facility fees
  - Monetary approved maximum incentive \$2M

### **Recommended Incentive Amendment:**

- Extend Term from expiring on December 8, 2023, to February 29, 2024, to recognize the period in which no flights occurred due to the reemergence of the pandemic (February 2022 - May 2022).
- Raise the maximum available incentive from \$2M to \$2.5M, due to increased flight activity and increased rates and charges

### **Review & Approval:**

- Staff & the Finance Committee recommended approval to the full Board on October 18, 2023. The Board of Commissioners voted 6 to 0 to approve funding for the proposed amendment to the British Airways LOA including extend the term to February 29, 2024, and increase the cap of landing and facility fee abatements to \$2.5M; and authorize the Chair and President & CEO to execute the Letter of Agreement (LOA) Amendment by and between MNAA and British Airways outlining the specific terms of the proposed incentive amendment.

# ⑤ Trademark License Agreement - Nashville Airport Hotel Partners, LLC

## Description:

- Project Lease Agreement contemplates the use of BNA® in the name of the hotel and a restaurant concept.
  - Hotel: “Hilton BNA Nashville Airport Terminal” and “Hilton BNA”
  - Restaurant: BNA Sky Pavilion
- The use of the BNA word mark and logo will be submitted as support for MNAA’s application to register the BNA marks for hotel and restaurant services.

## Trademark License Agreement Terms

- Gratis license, based on the provisions of the existing Project Lease Agreement.
- Seven-year terms, which auto renew.
- Tenant is required to follow MNAA quality and brand standards

**Impact:** Allows MNAA to file additional trademark applications and continue to build the BNA brand.

## Review & Approval:

- Staff and the Finance Committee recommended approval to the full Board on October 18, 2023. The Board of Commissioners voted 5 to 0 (1 recuse) to approve the terms negotiated between MNAA and Nashville Airport Hotel Partners, LLC (the “Tenant”) via the trademark license agreement and authorize MNAA Staff and the Board of Commissioners to execute a trademark license agreement between MNAA and Tenant.