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Nashville Stadium Bond Deal Tests Future of Spectator Sports.

- **Local agency selling \$225 million of bonds for soccer stadium**
- **10-year debt early offer at 130 basis points over Treasuries**

America's country-music capital is making a bet on the world's most popular sport.

A Nashville, Tennessee agency is selling \$225 million of bonds to finance the construction of a 30,000-seat Major League Soccer stadium in Music City, anticipating it could be a boon once spectator sports emerge from the pandemic. Local officials have faith that it will: the Metropolitan Government of Nashville and Davidson County agreed to step in if revenue from the stadium isn't enough to cover the debt payments, insulating bondholders from risk.

The project marks the latest twist in what has been a long-running stadium-building arms race among cities seeking to lure professional sports teams or prevent them from moving away. It will represent a test of whether Americans will embrace soccer, a sport that dominates much of the world but lags football, baseball, and basketball in the U.S.

Eric Kazatsky, municipal-bond strategist for Bloomberg Intelligence, said soccer has proven popular in cities such as Philadelphia and he speculated that the Nashville opening in 2022 may benefit from pent-up desire to return to mass gatherings after the pandemic ends.

"I think that people might be surprised at the attendance that they'll get," he said.

Citigroup is offering the taxable bonds to investors at a top spread of 185 basis points over Treasuries, according to a preliminary pricing wire seen by Bloomberg. Ten-year debt is offered with a 130 basis-point spread.

The pricing is "definitely wide" compared to yields on similar rated securities, said Gabriel Diederich, a portfolio manager at Robert W. Baird & Co. "That's often the case for appropriation bonds for non-essential projects."

The MLS, the men's professional soccer league for the U.S. and Canada, has been expanding its footprint. Since 1999, 20 stadiums have been built or renovated for MLS teams and at least seven more will debut in the coming years, according to league spokesman Dan Courtemanche.

"These soccer stadiums provide a terrific environment for fans of MLS clubs and are an important component of the overall growth of the league," he said in an email. Some of them are privately financed and others feature a mix of public and private funding.

Nashville was awarded an MLS team in 2017 in an effort spearheaded by John Ingram, the team's majority owner. But getting the planned stadium off the ground has been mired in controversies, including a dispute this year between the team and Nashville Mayor John Cooper over changes to the terms of the deal. In February, they said the team would cover the full cost of the construction of

the stadium through a cash investment, lease payments, and revenues generated at the stadium, something Cooper said would be a good deal for taxpayers.

The Metropolitan Government of Nashville and Davidson County, however, agreed to backstop the bonds, allowing them to get an investment-grade rating that will reduce the costs of financing. The city-county is pledging non-tax revenues like licenses and fees if the other revenue sources backing the debt, such as the \$1.75 ticket tax during the initial years of the project, aren't enough to cover debt-service costs.

Nashville isn't the first city to extend such support. Bridgeview, Illinois, lent its backing to bonds issued for a stadium for the MLS' Chicago Fire Football Club, only to see its own credit rating slashed into junk when the venture fell short of expectations.

The sport has since made inroads, helped by the strength of the U.S. Women's National Team. Nielsen found in a 2019 report that 47% of adults in the U.S. were interested in the MLS, which is up from 37% in 2012.

The Nashville Soccer Club, which is sharing a stadium with the Tennessee Titans football team, played its first home game in February right before the pandemic shuttered activity in the U.S. It attracted more than 59,000 people, marking "the largest crowd for a soccer match ever in the state of Tennessee," according to the club.

Ian Ayre, the chief executive officer of the team, said it "had a very successful year considering everything we have all endured."

"Our fan base continues to grow significantly and the excitement for our club is palpable throughout the city and region," he said. "Our new home stadium is a key part of our growth."

Monica Fawknorton, executive director of the Metropolitan Sports Authority, the agency that's selling the bonds, said in an email that the stadium will be an economic development opportunity for the city. She said interest in soccer is rising in the region.

"Soccer fans tell us they can't wait for opening day," she said in an email.

But the pandemic has cast uncertainty over the future of spectator sports. Anthony Fauci, the U.S. government's top infectious-disease specialist, told Yahoo! Sports that full stadiums are unlikely until at least the summer of next year.

Nashville's bond-offering documents note the risk that Covid-19 may change attitudes toward attending large gatherings.

"The great unknown is how the public will respond after the pandemic, especially in regards to sports that are not ingrained in the American psyche," said Michael Leeds, a sports economist at Temple University.

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