



MEMORANDUM

Date: November 19, 2008
To: Tennessee State Fair Board Members
From: Rod Markin
Re: Highest and Best Future Use Study

Overview

This memorandum presents a summary of our observations, findings and recommendations concerning the highest and best future use(s) of the Tennessee State Fairground site. It represents the culmination of an extensive assessment of the mission, operations and future potential of the Tennessee State Fair and Fairground, as well as in-depth review and analyses of the financial, facility, community and economic realities associated with various options for the future use(s) of the Fairground.

Background

What started out as the racetrack lease driving the potential future use study of the entire Fairground soon evolved into the annual Tennessee State Fair, and its future, being the primary factor of our study's focus and criteria for the future use of the Fairground.

Our initial work plan, conforming to the Request for Proposals issued in the summer of 2007, focused on the potential future use, or re-use, of the Fairground for the express purpose of staging the annual Tennessee State Fair and its year-round operations. Yet, early on in the study process, visionary Fair Board members asked two pertinent questions – “What is the future potential for the annual Tennessee State Fair? And how does the potential future use(s) of the Fairground address the needs of the Fair?”

It was in the answers to these two questions that the full potential future use of the Fairground site began to present itself.

Slide Presentation – This presentation sets the framework for our findings and recommendations.

- Mission and Vision
- Input Process
- Site Characteristics
- Demographic and Economic Factors
- Current Uses of the Fairgrounds
- Competitive Factors
- Racetrack Lease/Operations
- Fairground Trends
- Request for Information
- Assessment of RFI Responses

Options for the Fairgrounds

It is clear to me that, from the perspective of the mission of the Tennessee State Fair, the highest and best future use of the Fairground is dependent on one of two choices that the Board, Metro Government, management and staff and the residents of Davidson County need to make.

Option 1

If the choice is to continue to operate the annual Tennessee State Fair as a **county/regional fair** – yet still produce the best Fair that it can – the current site is probably adequate and appropriate to remain as the Tennessee State Fairground, though changes to both operations and facilities are recommended, including:

- **Consider taking over the racetrack operations.** For the past 5 years, the race operation has been run by an experienced and highly qualified racetrack operator – Joe Mattioli. During his tenure here, Mattioli has increased car counts, added special events and attractions and expanded the marketing and promotion of the weekly racing program. Despite these operational improvements and marketing efforts, increases in attendance levels have been unremarkable – topping out at fewer than 1,400 patrons per race event in 2007.

With the presence of both the Nashville Superspeedway and Music City Raceway in the same market area, as well as increased televising of NASCAR races throughout the year, market demand by racing fans for weekly racing in Nashville may have peaked.

Though I have reservations about the long-term market and financial viability of NASCAR weekly racing at the Fairgrounds; in the near term, by bringing the racing operations in-house, the Board could both insure the control of noise on the surrounding neighborhood and also realize greater net revenues. This could be accomplished for the 2010 race season.

By bringing the racetrack operations in-house, the Fair Board would have a better opportunity to evaluate the overall long-term viability of this revenue center than as currently operated by a 3rd party vendor. If it is later determined that auto racing is truly not financially viable at the Fairgrounds, the racetrack and grandstand area could be redeveloped into other compatible facilities for both the Fair and year-round events and activities.

- ***Contract with a private management company to operate the Fair and Fairground.***

The potential for the Fair and Fairground operations has been greatly hampered by its governance model. Purchasing policies/procedures, internal departmental charges and other governmental requirements of Metro have contributed to an inefficient and ineffective Fair and Fairground operation.

When we started the study in January, not much had changed at the Fairground from the previous 10 years; either in terms of events and activities, Fair programming or staff development. Interviews of management and staff, as well as a review of the operation's financial, program and operational trends revealed that much energy and expense is expended, on an almost daily basis, to comply with Metro requirements – time, effort and money that has often come at the expense of producing and staging the best Fair and year-round operations possible.

In addition, I am concerned that the staff of the Fair and Fairground have lacked leadership with relevant and extensive Fair-industry experience and reputation necessary to inspire, motivate and lead staff in planning and staging the best Fair possible. TSF management and staff have never fully engaged with the greater fair and exposition industry, missing out on valuable educational and program resources that could contribute greatly to an improved Fair and Fairground operation.

By contracting the operations of the Fair and Fairground to a private management company, the restrictive Metro governance would be replaced by experienced and innovative management that could re-energize the Fair and Fairground operations – and greatly enhance the popularity of all events and activities held at the Fairground.

From a financial perspective, based on discussions with private management companies that have successful fairground experience, contracting with private management could result in annual net revenue increases in the \$250,000 to \$500,000 range.

- ***Landscaping, beautification and some buildings upgrades/replacements may be needed.*** Entry gates, landscape buffers and clear delineation of Walsh Road would enhance the overall “curb appeal” of the grounds. One of the biggest drawbacks of the existing exhibition buildings are the low ceiling heights and columns, especially in the Creative Arts Building. Though significant improvements have been made to the interior finishes and physical connections of the exhibit buildings, the ceiling heights preclude larger indoor exhibits and uses – both during the Fair and for non-Fair events.

Estimates of landscaping, irrigation and entry gates could range between \$1.3 million and \$2 million. The cost of correcting ceiling heights in the Creative Arts and Agriculture Buildings could range between \$4 million and \$5.5 million.

- ***Creation of a Tennessee State Fair Foundation.*** Like many fairgrounds around the country, the Tennessee State Fair is in need of continual improvements and upgrades to its facilities. Non-profit foundations have helped fairgrounds to raise funds for specific improvements, new building projects and educational programs. The Iowa State Fair Blue Ribbon Foundation is one of the most successful in the country.

Option 2

If the choice is to re-invent the Tennessee State Fair as a **true State Fair**, the current site and buildings/structures are inadequate. Initial alternatives to address the needs of land, layout and buildings/structures in this scenario involved either (1) moving to another site and constructing new facilities or (2) making significant changes to the existing site layout, buildings and structures.

However, after further review of the current Fairground site size, configuration and topography, it was determined that this site will be inadequate for a re-invented Tennessee State Fair – one capable of attracting more than 350,000 patrons. Of its 117 acres, just over than 30 percent is comprised of Browns Creek, lower parking area, flood zones and unusable steep slopes and embankments and other unusable parcels – leaving only about 80 acres for Fair programming and upper level parking.

Based on the potential attendance of a re-invented Tennessee State Fair (350,000 to 500,000), the minimum site acreage is estimated to range between 225 and 380 acres. HOK Smith Forkner prepared general cost estimates to construct a new fairground to accommodate a re-invented Tennessee State Fair, based on industry standards for similar state fairgrounds. The estimated costs (exclusive of land acquisition and off-site development costs) range between \$64 million and \$77 million.

Equally important to the re-invention of the Tennessee State Fair is a wholesale change in its governance. As a true State Fair, the creation of the governance model must include a number of entities – Metro, the Governor's office, Department of Agriculture, Department of Environment and Conservation, Tennessee Wildlife Resources Agency, University of Tennessee Extension and 4-H, FFA, Tennessee Farm Bureau and other key stakeholders. As an example, the governance model could take one of two forms:

- **Fair Authority** – consisting of representatives of key stakeholders from throughout the State of Tennessee. The Florida State Fair is an example of a Fair Authority.
- **Division of Current State Department/Agency** – creating a unique entity that would operate under the Department of Agriculture or other State agency. Examples of this type of governance model include:
 - Illinois State Fair – Department of Agriculture
 - Kentucky State Fair – Kentucky Tourism
 - Oregon State Fair – Oregon Parks and Recreation

Regardless of the governance structure, the re-invented Tennessee State Fair must be more “state” focused in its educational programming, competitive exhibits, sponsorships and attendance appeal.

Should the Fair be relocated, the highest and best future use of the current Fairground site would be as a mixed-use/commercial development. This use best addresses the issues of (1) neighborhood compatibility, (2) fiscal benefits to local and state governments, and (3) possible impetus for invigoration of growth/development of the South Nashville area.

As for the motor sports and entertainment development proposed by Tennessee Motor Sports Conservancy, two key factors make up the basis for my opinion to rank it below other mixed use developments. First, the market factors I cited earlier do not support their proposal of a 3,000 average attendance at NASCAR Weekly Racing Series and a 10,000 average attendance at special events like All American 400 and NASCAR Camping World Series. Second, I believe that the proposal to redevelop the Fairground site into a motor sports and entertainment complex would receive significant push-back by the neighboring residents and that resistance would make it politically untenable.

Funding of a New Fairground

For any possible redevelopment of the existing Fairground site, and assuming that Metro would re-invest in a new fairground for a re-invented Tennessee State Fair, it would be important that Metro not only receive the highest market value for the existing site, but also dedicate some portion of future property taxes or other development fees to the capital costs and/or operations of the new Tennessee State Fair and Fairground. Other funding sources for a new home for the Tennessee State Fair would include the State of Tennessee and donations from major stakeholders and possible naming rights sponsorships.

Conclusion

Regardless of which option is selected – either operate the Fair as a county/regional fair (yet the best Fair that it can be) or re-invent the Fair into a true state fair – significant changes are needed in the governance, operating model and facilities for the Fair and Fairgrounds. Both options have challenges, as well as opportunities. The current financial and economic crisis will undoubtedly impact the timing of moving forward with either option. Given these constraints, a phased process that moves from Option 1 toward Option 2 may be a good decision of the future Tennessee State Fair and Fairground.



Rod Martin