

Nashville airport deal launches \$3 billion capital program

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With a revved-up economy driving up passenger demand, Nashville launches a nearly \$3 billion airport capital development and expansion program this week.

The Metropolitan Nashville Airport Authority will price \$807.7 million in subordinate bonds Thursday as the first market financing for the capital plan.



This rendering shows how the terminal will look after improvements are completed at Nashville International Airport.

Metropolitan Nashville Airport Authority

BofA Securities, previously Bank of America Merrill Lynch, is the book-runner.

Bond proceeds will finance a portion of costs associated with the authority's market-driven multi-phased capital improvement program dubbed BNA Vision for Nashville International Airport.

The fixed-rate, tax exempt deal will be issued in two parts: \$535.9 million subject to the alternative minimum tax and \$271.77 million of non-AMT debt.

Both series have serial and term bonds and 35-year maturities.

The bonds are rated A-plus by Kroll Bond Rating Agency, A by Fitch Ratings and A2 by Moody's Investors Service. All have stable outlooks.

Marge Basrai, chief financial officer, said current low rates make it a good time to issue the authority's first subordinate bonds.

"In looking at our large capital program we wanted to preserve our senior lien rating for the future," she said. "Right now the market is very good for issuing subordinate bonds."

The authority has \$206.3 million of outstanding senior lien bonds. They are rated AA-minus by Kroll, A1 by Moody's, and A-plus by S&P Global Ratings.

Basrai, who has traveled to several states giving investor presentations, said investors have been receptive to this week's deal as well as plans for future bond issues.

The authority's current plan is to issue \$904 million of bonds in 2021 and \$726 million in 2023.

The increase in passengers at Nashville's airport has been so great the past few years that the airport authority accelerated expansion plans, Basrai said.

The BNA Vision capital plan was based on the expectation that the airport would hit 22 million annual passengers by 2041. But recent yearly growth has indicated that the airport could reach 22 million in around 2023, she said.

"We actually accelerated the number of passengers by 17 to 19 years earlier than what we thought just a couple of years ago," Basrai said. "We were, in calendar 2018, one of the fastest-growing of the top 35 airports in the country."

NIA saw nearly 9 million passengers, a 16.1% year-over-year increase from 2017. The medium-hub facility serves a 14-county area. Southwest Airlines is the dominant carrier.

Nashville, the country music capital of the world, saw an estimated 15.8 million tourists in 2018, up 5% from the year before.

"It's a very hot town," Basrai said, adding that new companies have also been attracted to the city. "We keep seeing growth continuing." Tennessee has no personal state income tax.

Amazon recently announced plans to open an operations center. Other incoming businesses include AllianceBernstein and Ernst & Yong. Mitsubishi Motors announced in June that the company's North American headquarters would move from California to Franklin, Tennessee, about 20 miles south of Nashville.

The BNA Vision plan will revive and expand the airport's fourth concourse, enlarge the existing ticketing lobby and baggage claim, and renovate existing space in the central terminal.

The plan also calls for six new domestic aircraft gates to increase capacity and attract new airlines, installation of new dining and retail options, a central utility plant, the addition of 200,000 square feet of new space at the north and south ends

of the terminal, four new baggage claim carousels, and renovating 136,000 square feet of existing terminal space.

PFM Financial Advisors LLC is the authority's financial advisor. Hawkins Delafield & Wood LLP is bond counsel. Greenberg Traurig LLP is disclosure counsel.

Co-managers on the deal are FHN Financial Capital Markets. JPMorgan, Ramirez & Co., Raymond James, Siebert Williams Shank & Co., and UBS.

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