Nashville's
Tourist Development Zone

Major financial proposals can involve dozens of legal documents, bond agreements and technical terms. This article is intended to explain the proposal in plain English — not to persuade, but to explain exactly what the TDZ is and what changes metro is discussing enacting given the State's authority to do so.

1. How Did We Get Here?

Before we can understand today's proposal, it helps to understand how Nashville got here.

1987	Nashville Convention Center opens. Metro uses general obligation bonds for roughly $46 million of construction costs.[1]
2004	A Metro study recommends significant convention center expansion.
2006	A second study proposes a new convention center capable of hosting all but the largest 25% of conventions.
2007–2009	The State authorizes new convention-center funding tools, including hotel-related charges, rental and airport transportation taxes, campus sales-tax diversion and a Tourist Development Zone.
2009	State law authorizes Metro to create the Convention Center Authority (CCA). Metro Council creates the CCA and shifts convention-center financing and operations to it.
2010	The CCA issues $623 million of revenue bonds to build the Music City Center.[2]

One important decision came in 2009: Metro chose to stop issuing GO bonds for convention-center purposes. That preserved General Fund bonding capacity for schools, parks, public safety, infrastructure and other Metro priorities.

Why It Matters

The Music City Center was intentionally financed through a separate Convention Center Authority and dedicated tourism-related revenues rather than primarily through Metro's traditional GO debt.

1 General obligation (GO) bonds are backed by Metro's full faith and credit and taxing power - most notably property taxes - rather than a dedicated project revenue stream.

2 Revenue bonds are repaid from specific pledged revenues - in this case tourism-related revenues - rather than from property-tax-backed GO debt.

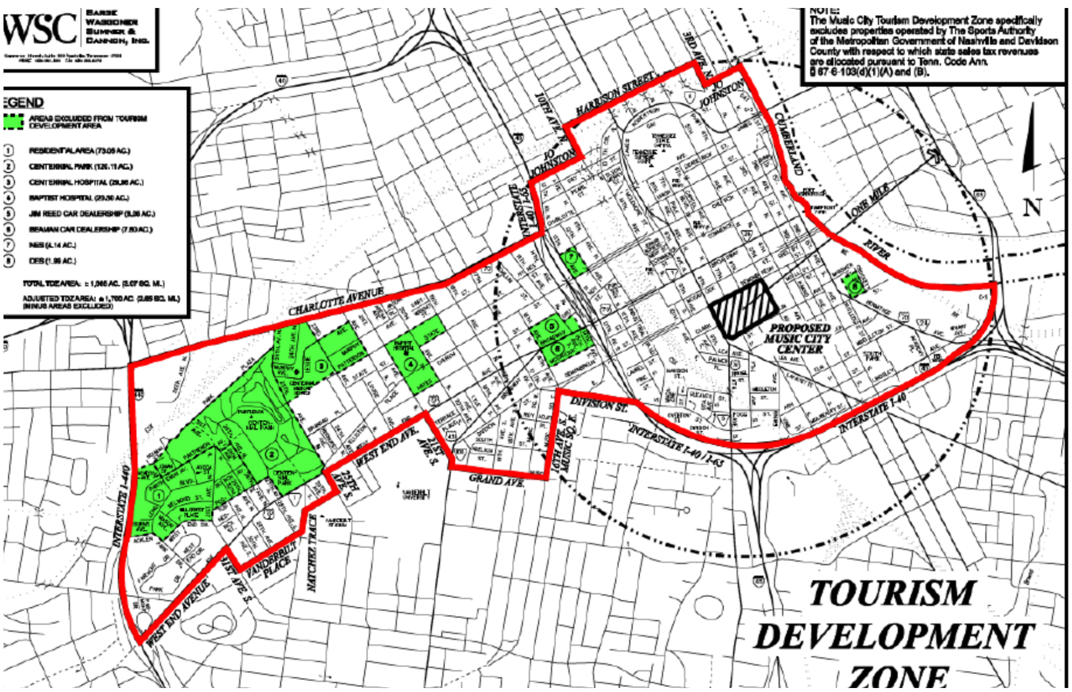
2. Why Was This Financing Structure Created?

The easiest way to understand the structure is to separate what the State does, what Metro does, and what the CCA does.

STATE	METRO COUNCIL	CCA
Authorizes the financing tools and the uses allowed under state law.	Implements that authority locally by approving the ordinances and agreements.	Issues its own revenue bonds, operates the convention center and receives the dedicated revenues.

That distinction matters. State legislation authorizes Nashville to use these revenue streams and specifies their uses; it does not, by itself, make Metro use them. Metro Council had to act locally when the original financing was put in place, and Council must act again to implement the updated framework.

The Tourist Development Zone (TDZ) is one part of that financing plan. It is a defined area in which a calculated portion of state and local sales-tax growth can be dedicated to the convention-center financing structure.



Tourist Development Zone boundary

WHY IS THE TDZ SO LARGE?

When the TDZ was created, no one knew how successful downtown Nashville or its tourism economy would become. The State drew a larger boundary so the financing structure could capture enough revenue even if growth was more dispersed or slower than expected. In practice, the vast majority of the revenue still comes from the downtown core. The TDZ boundary is established in state law and can only be changed by the State, not by Metro Council.

State authorizes. Metro implements.

That was true when the original financing structure was created, and it is true again with the 2026 legislation.

3. Where Does the Money Come From?

The TDZ sales-tax calculation gets most of the attention, but it is only one part of a package of tourism-related revenue streams.

Revenue stream	What it is	SUNSET / END DATE UNDER PRIOR LAW	SUNSET / END DATE UNDER 2026 FRAMEWORK
TDZ revenues	Relative incremental state + local sales-tax growth in downtown TDZ	~2033 under prior formula	Extended through 2043
Campus sales-tax diversion	State + local sales tax at MCC, Omni and Renaissance	Earlier of 30 years or retirement of 2010 bonds	Extended through 2058
3% hotel taxes	Hotel tax dedicated to CCA	As needed for CCA capital/operations	No change
$2 room charge	Per occupied room charge	Through retirement of CCA bonded debt	May continue through life of expansion/refunding bonds
Rental car tax	1% rental-car revenue surcharge	Through retirement of CCA bonded debt	May continue through life of expansion/refunding bonds
Airport departure tax	$2 contracted-vehicle airport departure tax	Through retirement of CCA bonded debt	May continue through life of expansion/refunding bonds

Important distinction

The TDZ increment and the campus sales-tax diversion are two different revenue streams. The campus diversion applies to sales tax collected at the Music City Center, Omni and Renaissance; the TDZ uses a growth calculation across the larger downtown zone.

The State's 2026 action is merely authorization. Metro must approve the local legislation and Intergovernmental Agreement to continue these revenue streams under the updated structure; otherwise the applicable streams sunset under existing law.

4. How Does the TDZ Sales Tax Work?

Metro is diverting some local sales-tax growth. But Metro does not give up all sales tax generated inside the TDZ.

First, the base year matters. The TDZ's base year is the fiscal year ended June 30, 2012. The local-option sales-tax revenue from that base year continues to flow to Metro's General Fund every year.

Under the 2026 formula, annual local sales-tax growth inside the TDZ is split between Metro and the CCA based on how TDZ growth compares with Metro-wide growth.

Example	If Metro-wide sales tax grows 3% while TDZ sales tax grows 9%...
Metro keeps	1/3 of that year's TDZ growth (the 3% Metro-wide growth rate).
CCA receives	2/3 of that year's TDZ growth (the remaining 6%).
If Metro grows faster	If Metro-wide growth exceeds TDZ growth, Metro receives 100% of that year's TDZ sales-tax growth.

Common misconception: "Metro gives up all the sales tax in the TDZ."

It does not. Metro keeps the base-year local sales tax every year and retains some — or, depending on relative growth, all — of future local sales-tax growth.

The 2025 numbers help put this in perspective. Metro's General Fund received about $83.1 million in local option sales tax tied to the TDZ, while about $12.0 million of local option sales tax was allocated to the CCA. The State allocated about $83.6 million of state sales tax to the CCA.

$83.6M STATE SALES TAX allocated to CCA (87.4%)	$12.0M LOCAL SALES TAX allocated to CCA (12.6%)
METRO STILL RECEIVED ABOUT $83.1M IN 2025 LOCAL OPTION SALES TAX FROM THE TDZ.	

5. Where Does the Money Go?

The money follows a defined order. It is not simply collected and then available for any purpose.

1	**Tourism Tax Revenues**	Dedicated tourism-related revenues enter the financing structure.
2	**Debt Service**	Upcoming bond payments and required debt-service reserves are funded first.
3	**CCA Operating Reserve**	Up to the prior two years of operating expenses.
4	**CCA Capital Reserve**	$20 million annually, increasing 3% each year.
5	**Metro Public Safety**	$21 million annually, increasing 3% each year, during the TDZ allocation period.
6	**Excess Revenues**	Directed through the statutory process for significant events and other authorized TDZ/event uses.

Why It Matters

The order is the point – usually referred to as the "waterfall". Debt service and required reserves come first. The public-safety allocation and statutory uses follow the structure established in the 2026 law. Annual public-safety and excess-revenue transfers tied to the TDZ allocation cease when that allocation ends in 2043.

The 2026 legislation also allows $300 million of available CCA cash to be transferred to the East Bank Development Authority for public infrastructure, including roads, bridges, utilities and related improvements.

6. What Actually Changes?

The proposal does not create a brand-new financing system. It updates and extends the existing structure.

✓ **Revenue streams continue**	TDZ through 2043; campus sales-tax diversion through 2058; specified room, rental-car and airport charges may continue through the life of expansion/refunding bonds.
✓ **Remaining 2010 bonds are refinanced**	The refunding keeps the original 2043 maturity while eliminating Metro's non-tax-revenue backstop.
✓ **Omni incentive is prepaid**	CCA will prepay the remaining Omni incentive rather than continue the existing annual payment schedule.
✓ **Expansion bonds are issued by CCA**	The initial expansion bonds are expected to be CCA obligations, not Metro GO bonds.
✓ **$300M goes to East Bank public infrastructure**	Available CCA cash may fund Marine/Cowan, James Robertson Parkway, pedestrian bridge, utilities and other public infrastructure.
✓ **New reserves are established**	Operating reserve up to two years of expenses; capital reserve begins at $20M annually with 3% growth.
✓ **Public safety receives dedicated funding**	Metro receives $21M annually, increasing 3% each year, during the TDZ allocation period.
✓ **Excess-revenue rules change**	The 2026 law creates a statutory process for significant-event and other authorized uses of excess revenues.

7. What Does Metro Give Up — and What Does Metro Receive in Return?

This is the question that deserves the full picture. Yes, Metro allocates some local sales-tax growth to the CCA. But Metro continues to receive sales-tax revenue from the TDZ and receives other direct financial value in return.

METRO COMMITS	METRO RECEIVES
Continue the dedicated tourism-related revenue structure for the authorized periods.	Base-year local option sales tax every year, plus a share — or sometimes all — of future TDZ local sales-tax growth.
Allocate a calculated portion of local TDZ sales-tax growth to the CCA.	$21M annually for public safety, growing 3% each year during the TDZ allocation period.
Maintain the local ordinances supporting the pledged tourism revenues while bonds remain outstanding.	Continued CCA PILOT payment; $300M of East Bank public infrastructure funded without Metro GO debt; removal of Metro's non-tax-revenue backstop.
Continue the updated financing framework and related tourism-revenue commitments.	CCA prepays the remaining Omni incentive, eliminating the related Metro General Fund non-tax-revenue backstop and improving Metro's cash-flow exposure.

FINANCE'S DIRECT ANNUAL COMPARISON

Public safety funding	**+$21.0M**
CCA PILOT payment	**+$14.1M**
East Bank debt service avoided	**+$23.0M**
Total direct benefit identified by Finance	**+$58.1M**
Less: local TDZ sales tax allocated to CCA	**−$13.7M**
NET DIRECT BENEFIT IDENTIFIED BY FINANCE	**+$44.4M**

Looking at the whole picture

Looking only at the local sales-tax allocation tells only part of the story. Finance's analysis compares that allocation with the direct payments and debt-service avoidance Metro receives. These figures are Finance's estimates, not a guarantee of every future year's result.

8. What Is Council Actually Voting On?

State law authorized the new framework. Council's action is what implements it locally.

RS2026-2135 **Intergovernmental Agreement**	Approves the agreement between Metro and the CCA. Metro agrees to levy, collect and remit the local tourism revenues for the updated durations. CCA agrees to prepay Omni, issue refunding and initial expansion bonds, pursue the expansion as determined by its board, and transfer $300M to EBDA following bond pricing.
BL2026-1493 **Updating Ordinance**	Updates the Metropolitan Code to conform local law to the 2026 state legislation and the revised convention-center financing framework. In plain English, it enacts locally what the State has authorized.

The proposed agreement also provides that amendments, renewals or extensions may be approved by Council resolution. Bond issuances themselves are CCA obligations and, according to Finance, require State Funding Board approval and Metro Finance Director sign-off rather than a separate Council bond vote.

Important to Note

The State can authorize the tools, but Metro Council decides if Metro will participate in the updated local financing framework. The State legislation alone extends the TDZ and Campus Sales Tax for the stated uses. Council action is not needed there. It's the other revenue streams that must be extended and directed by Council action. This distinction matters.

Points to Remember

1	The financing structure was designed to keep convention-center debt largely separate from Metro's traditional GO borrowing.
2	State law authorizes the revenue tools. Metro Council must act locally to implement them.
3	The TDZ is only one revenue stream. The financing package also includes campus sales tax, hotel taxes, room charges, rental-car tax and airport transportation tax.
4	Metro does not give up all sales tax in the TDZ. It keeps the local base year and retains a share — or sometimes all — of future local TDZ growth.
5	The 2026 law extends or authorizes extensions of several existing revenue streams; it does not simply create a new tax.
6	The proposal refinances the remaining 2010 bonds, removes Metro's non-tax-revenue backstop, allows CCA expansion financing, and has the CCA satisfy the remaining Omni incentive.
7	Metro receives $21M annually for public safety with 3% growth, and the framework allows $300M of CCA cash for East Bank public infrastructure.
8	Finance's direct comparison estimates $58.1M in annual benefits versus $13.7M of local TDZ sales tax allocated to CCA — a $44.4M net direct benefit under its analysis.

Important: This is a package

The financing framework authorized by the state and now before metro council is a package - **Metro cannot select individual provisions to accept while rejecting others**.

If metro does not approve the framework, the benefits tied to it do not move forward either - including the $21 million annual public safety payment, $300 million for east bank public infrastructure, removal of metro's financial backstop and satisfaction of the remaining Omni incentive.

Council can accept or reject the package, but it cannot keep the benefits without the corresponding commitments.