

MOODY'S

RATINGS

Rating Action: Moody's Ratings upgrades Vancouver WA's Downtown Redevelopment Authority's 2013 Sales and Lodging tax bonds to A1

30 Sep 2024

New York, September 30, 2024 -- Moody's Ratings (Moody's) has upgraded the Vancouver Downtown Redevelopment Authority, WA's (DRA) Conference Center Project Sales and Lodging Tax Refunding Revenue Bonds, Series 2013 to A1 from A2. As of December 31, 2023, the Vancouver DRA had about \$45.8 million in debt outstanding, of which about \$11.8 million is affected by this rating action.

The upgrade to A1 concludes a review for possible upgrade initiated on July 24, 2024, in conjunction with an update to the US Cities and Counties Methodology.

RATINGS RATIONALE

The upgrade to A1 from A2 reflects the strong maximum annual debt service coverage (MADS), which is projected to remain strong given the improving revenue trend in the pledged revenues. The A1 rating is two notches below the city's issuer rating (Aa2), to incorporate the "broader" pledged revenues becoming more narrow five years prior to the final maturity of the bonds. The pledged revenue base currently consists of both the "broad" City sales and use tax and the County sales and use taxes, along with the more "narrow" City lodging tax. However, the City and County sales and use taxes are set to expire in March 2026 and March 2028, respectively, prior to the bonds maturing in 2034 (January 1), leaving only the narrower pledged lodging tax revenues available to cover debt service until the bond's final maturity. While debt service steps down when the sales taxes expire, the sole reliance on the lodging taxes for the last five years of debt service is a credit weakness. The rating also incorporates the overall satisfactory legal structure including a monthly set-aside of gross revenues until the debt service fund and supplemental reserve fund are filled.

RATING OUTLOOK

We do not assign outlooks to local governments with this amount of debt outstanding.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Upgrade of the city's issuer rating
- Increases in the city's lodging taxes that provides robust coverage of above 4x

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Downgrade of the city's issuer rating
- Material decline in debt service coverage to below 2x

LEGAL SECURITY

The Vancouver DRA Sales and Lodging Tax Refunding Revenue Bonds, Series 2013 are secured by a City of Vancouver PFD 0.033% sales and use tax, a Clark County Public Facilities District PFD 0.033% sales and use tax and a City of Vancouver 2% lodging tax. The agreements in place for the Sales taxes imposed by the City PFD will expire March 2026 and the Sales tax imposed by the County PFD will expire March 2028. Bond debt service steps down accordingly.

PROFILE

Vancouver, WA is located 160 miles south of Seattle (Aaa stable) and 15 miles north of Portland, OR (Aaa stable). The city's population is roughly 190,000.

The Downtown Redevelopment Authority serves as a citizen advisory body to the Vancouver city council. Members of the Board serve four-year terms which may be extended. The city's Chief Financial Officer serves as the Executive Director of the authority, with financial, administrative, and legal support provided by city staff.

METHODOLOGY

The principal methodology used in this rating was US Cities and Counties published in July 2024 and available at <https://ratings.moodys.com/rmc-documents/425429>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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