

City of Vancouver, Washington, Downtown Redevelopment Authority
Continuing Disclosure Statement
June 15, 2020

Vancouver Conference Center and Hotel
Project Revenue Refunding Bonds and Sales & Lodging Tax Refunding
Revenue Bonds, Series 2013

For a description of the terms of the above-referenced Project Revenue Refunding Bonds (“Project Bonds”) and Sales & Lodging Tax Refunding Revenue Bonds (“Tax Bonds”), including the security and sources of payment, please see the Official Statement, dated as of June 19, 2013. The Official Statement is available at the following internet address: <http://emma.msrb.org/> The Bonds refunded bonds that financed the acquisition and construction of a conference center and hotel in Vancouver, Washington (the “Conference Center”). The Conference Center is managed by Hilton Hotels. The Bonds were issued by the Downtown Redevelopment Authority (the “Authority”).

Project Refunding Revenue Bonds

The Conference Center experienced a significant and sudden decrease in revenue in late March 2020 reflecting significant restrictions on activities, gatherings and travel imposed by Washington State Governor Jay Inslee in response to the coronavirus outbreak. These restrictions have adversely affected both business and personal travel, conference activity, and dining out (the Conference Center includes an upscale restaurant). Some of the restrictions were reduced in early June and occupancy levels have slowly recovered from the lowest levels in April. However, the Authority is unable to determine when or to what extent the lodging and travel industries and conference activity will improve locally and regionally or when and to what extent revenues from the Conference Center will rebound.

Net revenues from the Conference Center were insufficient to fully fund the debt service account for the Project Bonds payment coming due on July 1, 2020. On June 1, 2020, the amount in the debt service account was \$817,562. The debt service payment due July 1, 2020 is

\$861,806. The Authority is scheduled to transfer the remaining amount due of \$44,244 from the Authority Reserve Fund pursuant to the terms of the Amended and Restated Trust Indenture, dated as of June 1, 2013 (the “Trust Indenture”), between the Authority and the bond trustee (the “Trustee”).

The Authority anticipates Conference Center net revenues for the remaining period in 2020 will not be sufficient to fully fund the January 1, 2021 debt service payment on the Project Bonds in the amount of \$1,770,231. If that is indeed the case, the Trustee will notify the Authority and the Authority will draw on the Authority Reserve Fund to make up any shortfall. As of May 31, 2020, the Authority Reserve Fund balance was \$4,626,868.

The shortfall in Conference Center net revenue has required \$1,252,303 to support operations through May 31, 2020. The shortfall in operations has come from transfers from the Contingency Fund held by the Trustee. The Contingency Fund balance was \$2.0 million on February 29, 2020 and after the transfers to support operations the balance as of May 31, 2020 was \$747,797. In addition to the remaining balance in the Contingency Fund the Trustee holds \$2.5 million in the Cash Trap Fund which is also available to support Conference Center operations. An analysis of net income and cash flow completed by the Authority suggests that reserves should be adequate to cover operations, necessary capital replacement and Project Bond debt service through 2021 assuming a slow but steady recovery in the local economy and hospitality industry.

The City of Vancouver (the “City”) provided a limited credit enhancement with respect to the Project Bonds pursuant to the Amended and Restated City Payment Agreement, dated as of June 1, 2013 (the “City Agreement”), between the City and the Authority. The City Agreement includes an undertaking by the City to provide amounts each year up to the annual Project Revenue Refunding Bond debt service (the “City Reserve Guaranty”) to the extent that available revenues from other sources are insufficient to fully fund required deposits into the debt service account for the Project Bonds established pursuant to the Trust Indenture. The Authority does not anticipate the need for the City Reserve Guarantee in 2020 or 2021.

Sales & Lodging Tax Refunding Revenue Bonds

The Authority receives dedicated lodging tax revenue from the City of Vancouver per the City Agreement. The Authority also receives dedicated sales tax revenue from the Vancouver Public Facilities District (“City PFD”) per the terms of a payment agreement dated December 1, 2003 and amended June 27, 2013 (the “City PFD Agreement”). The Authority has pledged both revenue sources as security for the Tax Bonds.

As of June 11, 2020, the Authority has revenue on hand to pay 99 percent of the Tax Bond debt service payments through January 1, 2021. The Authority has \$1,718,665 in its Tax Bond debt service account. The interest only payment due on July 1, 2020 is \$304,925. The principal and interest payment due on January 1, 2021 is \$1,434,925. The Authority’s dedicated tax revenue has averaged \$329,438 per month in 2020. Despite an expected reduction in dedicated revenue beginning in July 2020 the Authority expects its dedicated tax revenue for the remainder of 2020 will exceed the \$21,186 needed to fully fund the Tax Bond debt payments through January 2021.

The full amount of the 2021 Tax Bond debt payment obligation is \$1,783,350 including an interest only payment of \$276,675 due on July 1, 2021 and a principal and interest payment of \$1,506,675 due on January 1, 2022. The total 2021 Tax Bond debt payment obligation represents approximately 41 percent of the Authority’s 2019 dedicated tax revenue. Again, despite an expected reduction in the Authority’s dedicated tax revenue, the Authority expects its dedicated tax revenue to exceed the amount required to pay Tax Bond debt service through 2021 assuming a slow but steady recovery in the local economy and hospitality industry.