

Terre Haute Redevelopment Dist., IN 2011A Bond Rating Lowered To 'BBB+' On Permissive Additional Bonds Test

June 3, 2019

CHICAGO (S&P Global Ratings) June 3, 2019--S&P Global Ratings lowered its long-term rating to 'BBB+' from 'A-' on Terre Haute Redevelopment District, Ind.'s series 2011A tax-increment revenue bonds. The outlook is stable.

"The rating revision is based on a clarification of our understanding of the additional bonds test (ABT) and an increased risk this presents, compared to prior reviews," said S&P Global Ratings credit analyst John Sauter. More specifically, we now understand the ABT permits additional parity tax-increment financing (TIF)-backed debt without meeting any coverage requirements if the additional debt also pledges either ad valorem property taxes or local income taxes. We feel this ABT makes future coverage less predictable and introduces into the TIF analysis a certain level of operating risk related to the city. We also feel that the risks of the ABT have heightened as the city's credit conditions deteriorated since prior reviews (evidenced by the underlying rating being lowered to 'BB' from 'BBB+'), and that the TIF pledge is no longer commensurate with the previous 'A-' rating.

The bonds are secured by TIF revenues from the city's Central Business District Urban Renewal Tax Allocation Area.

"The stable outlook reflects our view that the allocation area will remain steady, as it anchors Terre Haute's downtown business district and is one of the stronger areas of economic activity in the city," added Mr. Sauter. Therefore, we also expect pledged revenues will remain stable, and continue to provide very strong coverage of debt service. It also reflects our expectation that the city will not significantly dilute coverage through additional debt.

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