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Latest Sign of Muni Distress Comes From Kansas City Hotel Bonds.

- **City agency sold nearly $63 million of bonds in 2018**
- **Trustee used reserve funds to make $1.6 million bond payment**

Municipal bonds sold for a large hotel complex in Kansas City, Missouri, are showing signs of stress as the pandemic's impact on the hospitality and convention center industry persists.

The bonds were sold through a local agency in 2018 to help finance the Loews Kansas City Hotel, which opened amid the pandemic in June 2020. The trustee on the debt said it had to take $446,430.90 this month from a debt-service reserve fund to make a $1.6 million bond payment, according to a regulatory filing.

The hotel, located right next to a convention center, was meant to help bolster the city's capacity to host lucrative conventions and events, according to the Economic Development Corporation of Kansas City. The hotel has 60,000 square feet of meeting and event space and 800 guest rooms and will feature an indoor lap pool and spa, its website says.

Bond-financed hotels that cater to convention attendees have been hard-hit by the pandemic, which has reduced hotel occupancy. A January report by the American Hotel and Lodging Association said that little more than half of meetings and events are likely to return in 2022.

The unrated tax-increment financing bonds are secured through revenue from economic activity taxes in the area, including tax revenue from hotel room sales, 2018 bond documents show.

Heather Brown, interim president of the Economic Development Corporation of Kansas City, and Sarah Murov, a spokesperson for Loews, did not have an immediate comment.

The complex, which includes parking, was financed through a variety of funding sources, including two bond sales. The reserve withdrawal affected series B bonds. The proceeds of the nearly $63 million bond sale were used to finance parking and meeting space associated with the hotel.

Municipal bond-finance projects that are most reliant on people congregating will continue to see challenges, said Eric Kazatsky, municipal strategist for Bloomberg Intelligence. He said it's too early to say how the pandemic will alter travel habits longer-term and what the implications will be for municipal borrowers.

"When it comes to malls and when it comes to convention centers and hotels, that behavior pattern has changed," he said. "We just don't know what it looks like going forward."

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