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## Pittsburg redevelopment bonds downgraded

By Rick Radin  
Contra Costa Times

Posted: 04/12/2011 08:14:29 PM PDT

Updated: 04/13/2011 06:07:24 PM PDT

PITTSBURG -- A major bond-rating agency has lowered the rating of three sets of city redevelopment bonds, saying the redevelopment agency has barely enough property tax revenue to cover its obligations following three years of losses in property values.

Fitch Ratings dropped the ratings on the bonds valued at a total of \$320.6 million.

Fitch lowered one set of bonds, worth \$153.1 million, to 'BB+' from 'A,' which places them "below investment grade," said Karen Ribble, senior director with Fitch in San Francisco.

It downgraded a second set worth \$139.9 million to 'A' from 'A+' and a third worth \$27.6 million to 'BBB' from 'A'. Those ratings remain investment grade.

"Their property tax income has gone down, so there's less margin between their revenue and their debt service, and it could fall further," Ribble said.

A lower bond rating can make it harder for a city or redevelopment agency to borrow money, but that's a moot point because Pittsburg can't pursue any new redevelopment.

The city elected to take a so-called poison pill from the state in 2010 that prohibited new redevelopment spending as a penalty for declining to make \$21 million in required tax payments to the state to help balance the budget.

City Manager Marc Grisham was not surprised by the downgrade, saying he thinks Fitch made the decision based on the real estate market.

"Fitch can't see into the future," Grisham said. "They have to take their

snapshot when they take their snapshot."

Grisham said Fitch did its report without having access to the latest real estate sales data and before Pittsburg obtained a three-year letter of credit from Boston-based State Street Bank & Trust Co. guaranteeing the bond payments would be made in the event of a default.

He cited a \$45 million reserve fund the agency can draw on if revenues fall short of payment obligations, although he does not anticipate having to take that step.

"If we dipped into the rainy day fund, we could dip into it for a long time," he said. "Even if we had a 5 percent decline per year in valuation for the next three years, we would have only used about \$9 million of the \$45 million."

Grisham said he also anticipates help from rising real estate values.

"Houses in Pittsburg are selling and selling for more than their assessed value currently is," he said.

Contra Costa Assessor Gus Kramer said he sees no evidence the real estate market is recovering but agreed it's possible.

"We're seeing real estate values bouncing all over the place, which is usually a sign of a market bottoming or reaching its peak," Kramer said.

Fitch disagreed with the city in its analysis of the redevelopment agency's ability to make the

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payments but expressed confidence in the reserve fund being sufficient to cover the difference.

"The tax increment will be insufficient to pay both bond debt service and (required) pass-through payments (to schools)," according to the analysis.

Fitch has "a gloom and doom approach to California," Grisham said. "If you do an analysis of Pittsburg (alone), you come to different conclusions."

**Contact Rick Radin at 925-779-7166.**



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