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Moody's Raises Newark's Credit Outlook To Positive.

Ratings firm cites development projects, better financial management; it maintains Baa3 rating for New Jersey's largest city

Moody's Investors Service has raised its rating outlook for Newark to positive from negative, citing ongoing development projects and improving financial management in New Jersey's largest city.

Newark Mayor Ras Baraka said the change marked the first time in eight years that the city received a positive credit-rating outlook.

Newark's credit rating for its general-obligation bonds remains unchanged at Baa3, Moody's lowest investment grade rating, although the positive outlook indicates an upgrade is possible in one to two years.

The city has been downgraded four notches by Moody's since June 2010, when its credit-rating was A2 with a negative outlook.

The city's finances and economy are still in a "challenged state" with poverty, crime and budget strains continuing to pose problems, Moody's said in a report published Thursday.

Newark, the state's largest city with a population of more than 280,000, has long relied on state aid to stay afloat. But recent interest by developers seeking to capitalize on ample vacant land and easy access to New York City has helped the city's tax base, which expanded for two consecutive years for the first time since the recession and reached \$16 billion in 2017, according to Moody's.

"That was key to us, seeing the economic growth translate into tax base growth," said Orlie Prince, vice president and senior credit officer at Moody's. "There was no need to rely on short-term borrowing to get through the fiscal year, which for us was a telling sign that things were on the mend."

Newark's Mr. Baraka said in a statement that Moody's outlook represented "confirmation of our progress in restoring the city's financial health" through efforts such as recruiting new businesses, hiring more police officers, expanding affordable housing and improving the city's roads.

Newark's liquidity has improved from 2014, when it had a cash deficit by Moody's calculations. The city ended 2016 with \$64.8 million in operating cash, representing 9.8% of revenues, Moody's said. The ratings firm said it will watch for continued improvements in budget management and sustained economic development in considering whether to upgrade the city's credit rating.

Also on Thursday, New Jersey Gov. Chris Christie signed legislation authorizing a multi-billion dollar tax-incentive package for Amazon if it builds its second headquarters in New Jersey. Mr. Christie has proposed Newark as the ideal location, and the city has offered up to \$2 billion in tax abatements and wage-tax waivers to lure the online retailer. The state, through its Economic Development Authority, has offered up to \$5 billion in tax incentives over 20 years if Amazon creates 50,000 new jobs.

Mr. Christie, a Republican, will leave office Tuesday after eight years in Trenton. He will be replaced by Gov.-elect Phil Murphy, a Democrat.

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By Kate King

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