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Austerity Age Fades as Road Work Pushes Atlanta to Borrow.

For the first time since 2001, Atlanta is seeking voter approval to sell bonds for infrastructure.
For years, black nets underneath downtown Atlanta's 106-year-old Courtland Street bridge kept broken concrete from hitting cars and pedestrians below — and regularly snagged on the roofs of trucks.

Now, for the first time since 2001, Atlanta is seeking voter approval to sell bonds for infrastructure, including a replacement for the derelict span. If approved on March 17, officials say the $250 million would begin addressing $1 billion of needed improvements to roads, traffic signals and other public works.

"We have maintenance that's been put off for years and years and years," said Richard Mendoza, commissioner of the Public Works Department. "The $250 million is what we are able to afford without raising property taxes."

Atlanta's decision is part of a shift for American states and cities as the economy expands at the fastest pace in over a decade: They're using the taxpayer credit card again. After a budget-cutting push led governments to pay off debt by the most on record, the $3.6 trillion municipal-bond market may grow this year for the first time since 2010 because of borrowing for construction projects.

Critical Stage

State and local governments are expected to sell $357.5 billion in debt this year, an increase of $9.4 billion from 2014, according to a survey of 14 investment banks released last month by the Securities Industry and Financial Markets Association, a New York-based group that represents Wall Street.

"The infrastructure in this country is reaching a critical stage in its degree of performance," said Phil Fischer, head of municipal-bond research for Bank of America Merrill Lynch in New York. At a certain point, he said, "infrastructure is not optional."

America's governments would need to spend about $3.6 trillion through 2020 to put everything from roads and water to sewers and electricity networks into adequate shape, according to a 2013 report by the Reston, Virginia-based American Society of Civil Engineers.

Atlanta may seize on interest rates close to a 50-year low to chip away at projects put on hold as the housing-market crash and recession led it to raise taxes and cut spending.

Rating Raised

Its finances are now on the mend. Standard & Poor's in June raised Atlanta's rating three steps to AA, its third-highest rank. In October, Moody's Investors Service changed its outlook on the city to positive, indicating it may lift the grade from Aa2, also the third-highest rating.

When the city of 448,000 last sold bonds in October, 10-year securities yielded 2.3 percent, about

0.2 percentage point more than benchmark debt, according to data compiled by Bloomberg.

“Atlanta was hit hard by the recession and by foreclosures, but we believe they have rebounded nicely,” said Dan Close, a senior vice president at Nuveen Asset Management in Chicago, which manages two Georgia municipal bond funds with a combined $388 million in assets.

The Atlanta real-estate market has revived since 2012, when it had the nation’s second-highest rate of foreclosures. Home repossessions are now back to pre-recession levels, which has lifted property-tax rolls.

Falling Concrete

Atlanta’s backlog of infrastructure work includes replacing the Courtland bridge, which spans city streets, alleys and parking lots near Georgia State University.

The city took the nets beneath it down more than a year ago and began patching the underside instead. The temporary fix will need to be repeated in three or four years if the bridge isn’t replaced, said Michael Ayo, bridge engineer for the city.

The draft list of projects also includes a new indoor swimming complex to replace one that was closed in 2012 because the 90-year-old warehouse it was built upon was in danger of collapsing.

“We’re not untypical of major cities,” said Mendoza, the public works commissioner. “We have not kept pace with the investment needed in infrastructure.”

The city plans meetings over the next two months to pitch its plan to the public.

Residents may be an easy sell. Voters already signed off on many of the proposed projects when they voted two years ago in favor of a one-cent-per-dollar sales-tax increase to pay for them. The measure, which was metropolitan Atlanta’s first attempt to deal with its infrastructure needs as a region, failed because city voters were outnumbered by suburbanites who opposed it. The bond sale doesn’t face that hurdle.

Atlanta Mayor Kasim Reed began talking about selling bonds after the sales tax failed. If successful, it could become the first of a series, said Mendoza.

“This bond is intended to be the first down payment to address the backlog,” he said. “Maybe we’ll do another $250 million in five years.”

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