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N.J. Mega Mall, Other High-Risk Muni Deals at Make-o--Break Year.

- **Speculative projects easily financed in market hunting yield**
- **Developers now facing openings, interest payments in 2019**

This year is the moment of truth for risky projects across the U.S. and the municipal-bond investors who bet big on them.

New Jersey's massive new shopping mall and a California rice-to-lumber facility are some of the projects financed in the $3.8 trillion market that are supposed to start operating or are scheduled to make payments to bondholders in 2019. It has been a great time to sell unrated debt because investors have been willing to take on more risk in return for higher yields. Soon, the buyers will find out if it was a worth it.

"Borrowers were coming out with deals that had weak covenants, more speculative plans, optimistic projections, and in categories that have not historically done so well," said Bill Black, senior portfolio manager for City National Rochdale, who oversees a $1.2 billion high-yield municipal fund. "In 2019, it's going to be interesting to see what happens."

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By Amanda Albright

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