
San Francisco Facing Steep Revenue Hit Finds Willing Bond Buyers.

San Francisco is expecting that its deficits from the virus-related downturn will be even greater than the $1.3 billion over two years it had projected in March. That didn't dissuade investors from buying its bonds Thursday.

The technology hub sold $196 million in general-obligation bonds, with one-year notes yielding 6 basis points less than benchmark. The highest yields were 2.27% on 4% coupon bonds maturing in 2035, according to data compiled by Bloomberg. San Francisco sold the debt to refund higher-costing securities.

The reception showed how investors are picking winners and losers among local governments hit by the pandemic in the $3.9 trillion municipal-bond market, which has yet to return to normal amounts of sales. While San Francisco warned in offering documents that it expects to update the projected budget gaps as early as May 8 and that "the magnitude of such larger shortfalls is uncertain," buyers are betting that the AAA-rated city would fare better than other localities lacking its resources.

Eric Friedland, director of municipal research at Lord Abbett & Co LLC, pointed to San Francisco's large reserves and its property-tax base — a significant component of revenue — which is less volatile than sources such as sales taxes. He also noted that it's home to technology jobs that "are well suited for social distancing."

"San Francisco is positioned very well in this period," Friedland said by phone. "We see strong resilience for the city."

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