

RatingsDirect®

Summary:

Successor Agency to the Richmond Community Redevelopment Agency, California; Tax Increment

Primary Credit Analyst:

Melissa Banuelos, Dallas + 1 (214) 871 1403; Melissa.Banuelos@spglobal.com

Secondary Contact:

Li Yang, San Francisco + 1 (415) 371 5024; li.yang@spglobal.com

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Credit Profile

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| Richmond Comnty Redev Agy Successor Agy (BAM) | | |
| <i>Unenhanced Rating</i> | A(SPUR)/Stable | Upgraded |
| Successor Agy to the Richmond Comnty Redev Agy rfdg bnds (tax exempt) ser 2021A due 09/01/2036 | | |
| <i>Unenhanced Rating</i> | A(SPUR)/Stable | Upgraded |
| Successor Agy to the Richmond Comnty Redev Agy ser 2021A | | |
| <i>Long Term Rating</i> | A/Stable | Upgraded |

Many issues are enhanced by bond insurance.

Credit Highlights

- S&P Global Ratings raised its long-term rating to 'A' from 'A-' on the Successor Agency (SA) to the Richmond Community Redevelopment Agency (RDA), Calif.'s series 2014A and 2021A (tax-exempt) refunding bonds.
- The outlook is stable.
- The upgrade reflects the SA's merged project area's improved economic metrics with strong assessed valuation (AV) growth resulting in what we consider very strong maximum annual debt service (MADS) coverage, and improvement in our view of the volatility ratio.

Security

A lien on tax revenue the SA receives from time to time in its redevelopment property tax trust fund (RPTTF) generated by the SA's merged project area, net of several liens of senior debt obligations and pass-through payments, secures the existing bonds.

Credit overview

The rating reflects the SA's merged project area's strong AV growth in each of the past five fiscal years, which has led to growth in pledged revenues, resulting in very strong coverage on the bonds while moderating the volatility ratio. The merged project area is located within the City of Richmond; Richmond serves an estimated population of 111,470 in Contra Costa County and is about 16 miles northeast of San Francisco. The local economy benefits from its location in the greater San Francisco Bay Area, giving residents access to the employment opportunities in the metropolitan region. Residential, commercial, and industrial developments have contributed to growth in the merged project area's AV in recent years, with the merged project area AV totaling \$5.7 billion in 2024 and incremental AV totaling \$4.5 billion. Management anticipates continued AV growth with projections between 4%-5% annually given ongoing economic developments.

The volatility ratio, which measures the sensitivity of incremental revenues to overall AV changes, has been declining, primarily due to growth in the merged project area AV. The volatility ratio is moderate, in our view, at 0.22. Based on

pledged revenue collections generated by the merged project area's RPTTF in fiscal 2024, MADS coverage is 4.16x, a level that we consider very strong. We calculate that at the 4.16x MADS coverage and 0.22 volatility ratio, the merged project area could withstand a 59% decline in total AV before coverage falls below 1.0x MADS, but the SA could only withstand a 20% decline in total AV based on the additional bonds test of 1.35x MADS, which would cover the top 10 taxpayers. Given the inability of the SA to issue additional debt except for refunding purposes and its very strong debt service coverage, we believe coverage is unlikely to weaken materially in the near-term.

The rating reflects our view of the SA's:

- Large project area that is primarily residential, with strong median household effective buying income at 111%;
- Low concentration among the merged project area's taxpayers, with the top 10 taxpayers representing 12% of total merged project AV;
- Very strong MADS coverage based on fiscal 2024 RPTTF revenue collections and a moderate volatility ratio of 0.22; and
- A closed lien.

Environmental, social, and governance

We analyzed the SA's environmental, social, and governance (ESG) factors relative to its economy, management, financial measures, and debt and liability profile. We believe the merged project area's tax base has elevated exposure to acute physical risks, with wildfires, sea level rise, earthquakes, and drought. We consider social and governance factors to be neutral within our credit analysis.

Outlook

The stable outlook reflects our view of that the merged project area will continue to experience stable tax base growth, supporting pledged revenue collections, and therefore maintain very strong coverage. We do not expect to change the rating within the two-year outlook horizon.

Downside scenario

We could lower the rating if coverage levels weaken to a level that we no longer consider very strong as a result of significant AV declines or otherwise.

Upside scenario

We could raise the rating should AV continue to grow resulting in stronger MADS coverage.

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

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