

THE BOND BUYER

Port Authority lease deal will help Newark replace lead pipes

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An amended lease extension agreement between Newark, New Jersey, and the Port Authority of New York and New Jersey will aid the city with its borrowing plan to tackle a lead pipe replacement project.

Mayor Ras Baraka announced Tuesday that Newark is receiving an additional \$155 million from the authority, which operates transportation facilities in the city including Newark Liberty International Airport and Port Newark. The Port Authority's updated 30-year lease provides Newark with a \$5 million upfront payment and \$5 million annually throughout the duration of the agreement.



"We're going to use as much of it as we can possibility can for debt service if not all of it," says Newark Mayor Ras Baraka. **Bloomberg News**

Newark set the deal with the Port Authority five weeks after Essex County announced a \$120 million [bonding plan](#) on behalf of its county seat to fund replacement of more than 18,000 lead pipes blamed for elevated lead levels reported in early August. Essex County's borrowing agreement is expected to cut the time frame for replacing the lead lines to between 24 and 30 months compared to a previous estimate of 10 years.

"We're definitely going to use this money to help us pay the debt service around the \$120 million dollars that we borrowed from the county," Baraka said during a press conference Tuesday. "We're going to use as much of it as we can possibility can for debt service if not all of it."

Baraka stressed that the reworked lease agreement with the Port Authority was in the works long before the August water crisis. More than 1,000 Newark properties have had their lead service lines replaced since August and Baraka said Tuesday he expects most affected homeowners to be taken care of in the next 10 to 12 months if the weather cooperates. Newark, with 277,000 residents the state's most populous, is the only major city in New Jersey that owns and operates its water system, according to Baraka.

"This is probably the most aggressive program that is happening in the entire country," Baraka said. "We're the only city in America that is fixing their lead service lines without the help of anybody else, have raised their own dollars and raised the money to pay the debt service at the same time."

Baraka has aggressively sought more Port Authority revenues since getting elected as mayor in 2014. In 2016 he called for [an audit](#) of the Port Authority in an effort to receive more rent payments from the bi-state transportation agency for Newark Liberty and Port Newark.

The Port Authority issued a statement Tuesday saying that long-term lease extension and resolution of "several outstanding disputes" will help advance "critical infrastructure projects" that include improvements to Port Newark and the replacement of an aging airport AirTrain.

Newark's general obligation bonds are rated Baa2 by Moody's Investors Service with a positive outlook. Moody's [upgraded](#) the city from Baa3 in February ahead of a \$51.1 million GO sale citing the city's improved fund balance levels and tax base growth from economic development projects.