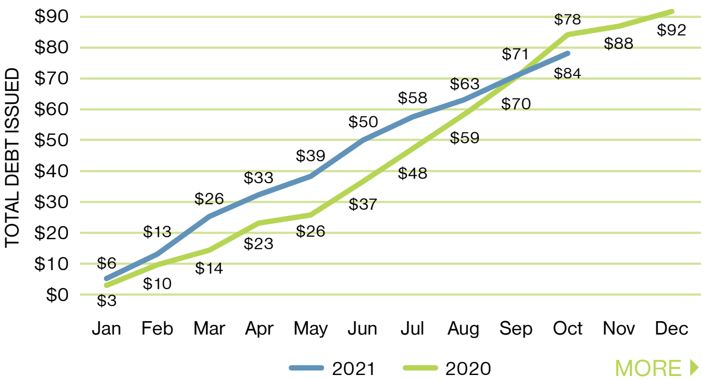
DEBT LINE

Vol. 40, No.12, DECEMBER 2021

California Public Debt Issuance Monthly Data

CUMULATIVE CALIFORNIA PUBLIC DEBT ISSUANCE (IN BILLIONS)[1]



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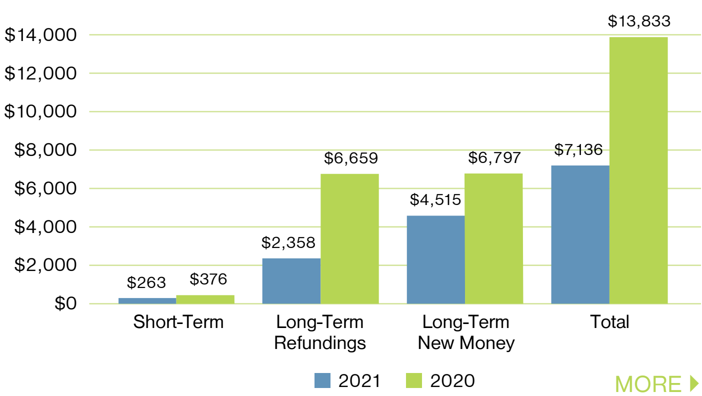
CALIFORNIA PUBLIC DEBT ISSUANCE, OCTOBER (IN MILLIONS)[1]



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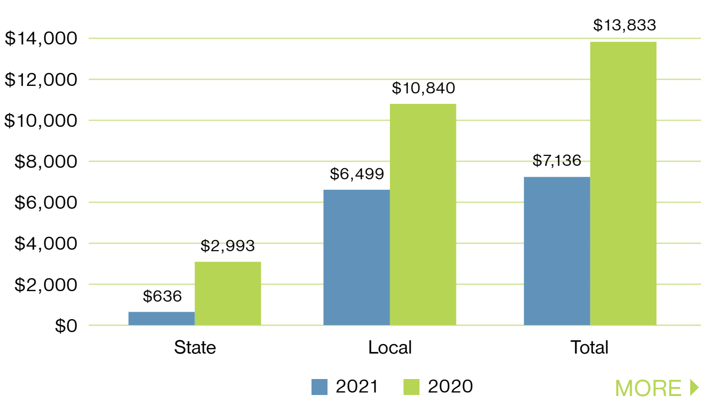
STATE* VERSUS LOCAL DEBT ISSUANCE, OCTOBER (IN MILLIONS)[1]



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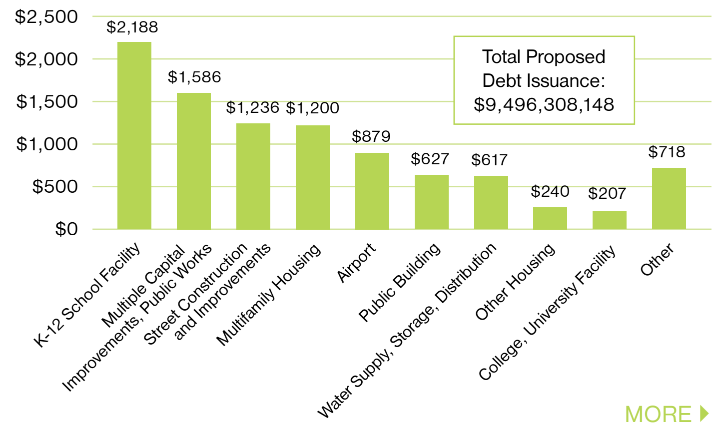
* State issuers include the State of California, its agencies, commissions, authorities, departments and The Student Loan Corporation.

[1] Data may not include issuances reported after the 22nd day of the following month.

REPORTS OF PROPOSED DEBT ISSUANCE RECEIVED
10-16-2021 THROUGH 11-15-2021, BY PURPOSE (IN MILLIONS)



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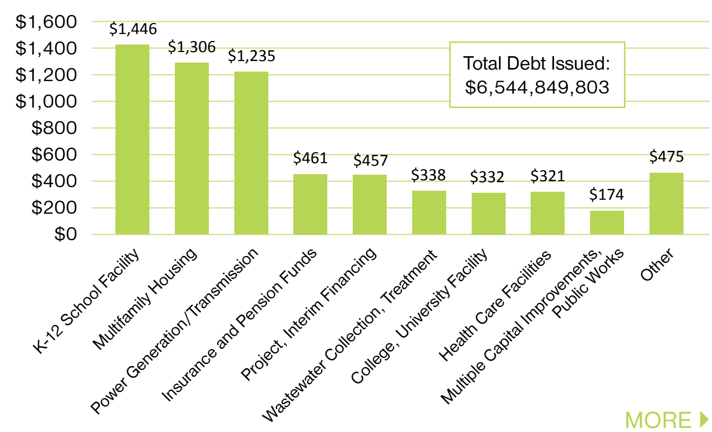
TOTAL REPORTS OF FINAL SALE RECEIVED
10-16-2021 THROUGH 11-15-2021, BY PURPOSE (IN MILLIONS)



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More detailed debt issuance information is available in the monthly *Debt Line Calendar*.

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Debt Line publishes articles on debt financing and public fund investment that may be of interest to our readers; however, these articles do not necessarily reflect the views of the Commission.

Business correspondence and editorial comments are welcome.

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DATA-CORNER

Costs of Issuance for California Local Agency General Obligation Bonds January 1, 2015 - June 30, 2021

Jean Shih | Policy Research Unit

The California Debt and Investment Advisory Commission (CDIAC) collects information on all state and local debt authorization and issuance in California. State and local issuers are required under Government Code section 8855(j) and California Code of Regulations sections 6010-6020 to submit debt issuance information, including the costs of issuance, to CDIAC.[1] CDIAC compiles this information in its Debt Issuance Database and makes this information available to the public through the DebtWatch data portal.

This article analyzes the cost of issuance for local agency general obligation (GO) bonds issued between January 1, 2015 through June 30, 2021 (Review Period). The availability of cost of issuance data may assist local agency issuers to better identify, compare, and plan costs associated with future GO bond sales. It is important to note that each bond sale is unique, as well as the associated costs; however, this analysis provides a foundation for determining applicable ranges of costs for GO debt. This analysis does not account for differences in the levels of services provided by members of the financing team. Therefore, differences in fees may be the result of the difference of services provided.

Costs of issuance are the expenses paid by or on behalf of the issuer in connection with the sale and issuance of the debt.[2] These expenses may include but are not limited to the fees charged by the professionals involved in the municipal bond financing transaction, including legal counsel, rating agency, trustee or paying agent, bond insurance premiums, printing and electronic distribution costs, and filing fees. Most commonly, the underwriter's spread, bond counsel fees, and financial advisor fees comprise the largest portion of the total cost of issuance. As a result, this report focuses on these three types of fees.

For the Review Period, there were 2,093 local agency GO bond issuances reported to CDIAC.[3] Figure 1 examines issuance by number of deals and par amount, grouped in $10 million dollar increments. Issuances with par amounts under $10 million

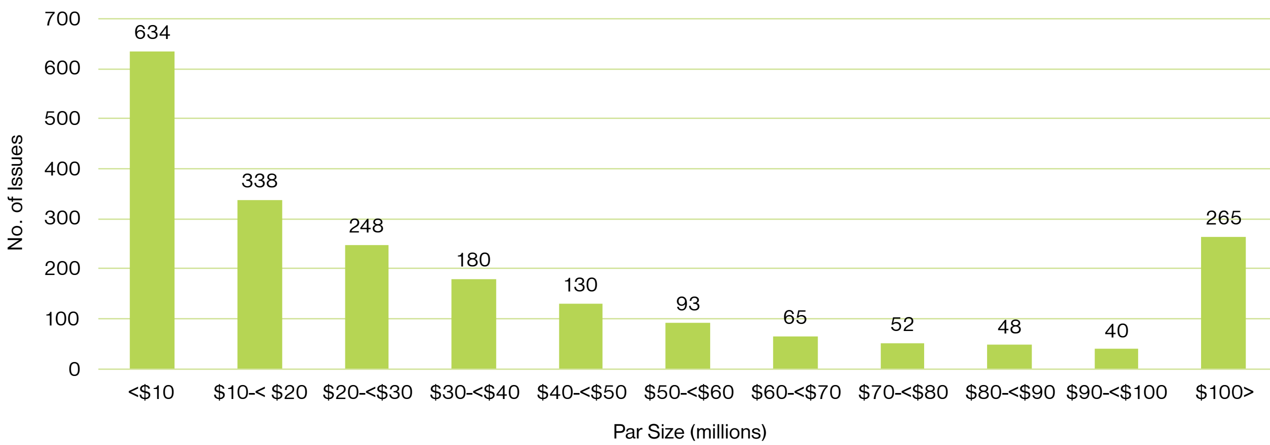
[1] Government Code 53509.5(b) requires any city, county, city and county, school district, community college district, or special district, that issues bonds secured by the levy of ad valorem taxes, to submit an itemized summary of the costs of bond sales to CDIAC. In addition, Education Code 15146(d)(2) requires the governing board of a California school district or community college district to submit an itemized summary of the costs of their bond sale to CDIAC.

[2] *California Debt Financing Guide*, Appendix E. Glossary of Terms, "Costs of Issuance," p. E-17.

[3] This includes all California local agency (GO) bond issuances reported to CDIAC from January 1, 2015 through June 30, 2021, as of November 4, 2021.

FIGURE 1

LOCAL AGENCY GENERAL OBLIGATION BONDS ISSUES, JANUARY 1, 2015 - JUNE 30, 2021, AS REPORTED TO CDIAC



had the highest number of deals with 634, or 30.3% of deals. Deals with par amounts between $10 million and $20 million numbered 338, or 16.1% of all deals. As the par amount continued to increase by $10 million, the number of deals continued to decrease steadily until a par amount of $100 million was reached. All deals with par amounts greater than $100 million were grouped together with a total of 265, or 12.7% of deals.

The total number of deals (2,093) issued during the Review Period represents a total par amount of $104.3 billion. Figure 2 shows the different types of issuers of local agency GO bonds by number of deals, par amount, and percentage of total par amount. K-12 school districts are by far the most frequent issuers with 1,773 (84.7%) GO bond issuances, and the largest issuer type by volume with $70.3 billion (67.4%) issued. Community college districts are the second largest issuer type with 205 GO bond issuances and $23.9 billion (22.9%) issued. These top two issuer types represent over 90% of all local agency GO bond volume issued.

FIGURE 2

LOCAL AGENCY GO BONDS BY ISSUER TYPE
JANUARY 1, 2015 - JUNE 30, 2021, AS REPORTED TO CDIAC

ISSUER TYPE	NO. OF DEALS	PAR AMOUNT	% OF PAR AMOUNT
K-12 School District	1,773	$70,298,820,741	67.4%
Community College District	205	23,928,914,390	22.9
City / County Government	18	2,661,975,000	2.6
City Government	42	2,313,245,089	2.2
Transit District	4	2,005,040,000	1.9
Hospital District	22	1,442,752,647	1.4
County Government	4	813,125,000	0.8
Park & Recreation District	14	468,554,041	0.4
Special District	3	185,000,000	0.2
Water District	4	148,845,000	0.1
Housing Authority	1	22,550,000	0.0
Sanitation District	1	7,524,000	0.0
Fire Protection District	1	4,000,000	0.0
Community Services District	1	792,000	0.0
TOTAL	2,093	$104,301,137,909	100.0%

* Issuer type listed in order by par amount.

** City / County Government refers to the City and County

Figure 3 compares the median underwriter spread, bond counsel fee, and financial advisor fee for select ranges of issue size for local GO bond sales for the Review Period. The median was selected as the preferred measure due to the wide variation in fees within the ranges reviewed. These variations may be a result of a difference in levels of service provided. The data are presented in four ranges by par size to allow for a more uniform distribution and to show the effect of issue size on underwriter spreads, bond counsel fees, and financial advisor fees. The data are categorized by par value with underwriting, bond counsel, and financial advisor fees presented as a dollar amount and dollar per bond (cost per $1,000 par). Unlike underwriter fees, which are predominately based on the issuance's par value, bond counsel and financial advisor fees are predominately transaction based and represent a smaller percentage of par value as the issue size increases.

UNDERWRITER SPREAD

The *underwriter spread*, also known as the underwriter's discount, is the difference between the dollar amount that an underwriter pays the issuer for the bonds and the dollar amount the underwriter receives when initially selling the bonds to investors. There are four components of the spread: the takedown, the management fee, the underwriting risk fee, and underwriter's expenses. The takedown is the sales commission the underwriter receives for selling the bonds and typically comprises the majority of the spread.

Although the underwriter's spread is positively associated with the issuance's par value, the spread per dollar generally decreases as the par amount increases, indicating some economies of scale are achieved with larger issuances. This is more likely due to the fixed components of the spread (such as management fee) representing a smaller proportion of the total underwriter's spread in relation to the takedown in larger issuances. The credit ratings or structure of the bonds also have a significant impact on the demand by investors and has a corresponding effect on the underwriting spread. Bonds that are perceived by underwriters as difficult to sell normally require higher takedowns to compensate for additional marketing efforts as the takedown is the source of commission paid to sales personnel. In addition, varying levels of services provided by the underwriter may also be a factor in the underwriter's spread. These services include banking, financing, or structuring advice (management fee).

BOND COUNSEL FEES

Bond counsel is the legal firm, attorney, or group of attorneys or firms that provides a legal opinion that the issuer is authorized to issue the proposed municipal securities and has met all legal and procedural requirements necessary for issuance, and if applicable, interest paid to bondholders qualifies for tax exemption. Although Bond counsel is retained by the issuer, they represent the interest of the bondholders.

FINANCIAL ADVISOR FEES

Financial advisors are fiduciaries that specialize in assisting agencies in the planning, structuring, and sale of public finance transactions, most often municipal bond offerings. Financial advisors are customarily retained by the issuer and assist the issuer in formulating and/

FIGURE 3

COST OF ISSUANCE - LOCAL AGENCY GO BONDS, MAJOR ISSUANCE COSTS BY PAR VALUE CATEGORY
JANUARY 1, 2015 - JUNE 30, 2021, AS REPORTED TO CDIAC

PAR VALUE CATEGORY	NO. IN CATEGORY	MEDIAN PAR VALUE		UNDERWRITER SPREAD	BOND COUNSEL FEE	FINANCIAL ADVISOR FEE	TOTAL
< $10M	634	$4,897,500	DOLLAR $	$39,836	$30,000	$65,000	$134,836
			$/BOND*	8.13	6.13	13.27	27.53
$10M < $25M	468	$15,432,500	DOLLAR $	$79,625	$43,000	$65,000	$187,625
			$/BOND*	5.16	2.79	4.21	12.16
$25M < $75M	617	$40,000,000	DOLLAR $	$173,200	$59,375	$70,000	$302,575
			$/BOND*	4.33	1.48	1.75	7.56
$75M AND OVER	374	$125,000,000	DOLLAR $	$435,434	$82,750	$77,363	$595,547
			$/BOND*	3.48	0.66	0.62	4.76

Source: CDIAC Debt Issuance Database

* cost per $1,000 par

or exercising a debt financing plan to ultimately obtain the lowest financing costs. The role of the financial advisor may depend on the financial complexity of the transaction as well as workload capacity of the issuer's staff. Often times, financial advisors recommend the method of bond sale (competitive or negotiated), determine the structure of the bonds, advise on the pricing of the bonds, assist in the receiving and confirming of bids in a competitive sale, assist in the closing process of the bond transaction, and invest the proceeds. Some issuers choose to hire financial advisors to assist in an individual debt transaction while others may use the advice of the financial advisor to execute a debt issuance strategy across the agency's debt portfolio and provide continuity among multiple transactions.

SUMMARY

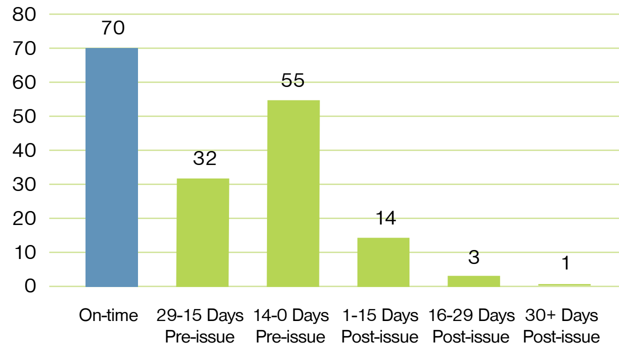
This review of the most common costs of issuance associated with local GO bond issuance is intended to inform local government issuers of the range of costs associated with past issuance. Although each debt issuance is unique and varies in its complexity, an overall look at the median cost of issuance can provide a useful foundation for determining appropriate ranges of costs for local agencies considering future GO debt issuance.

For addition information on costs of issuance and the roles of underwriters, bond counsels, and financial advisors, please refer to CDIAC's *California Debt Financing Guide* at www.treasurer.ca.gov/CDIAC.

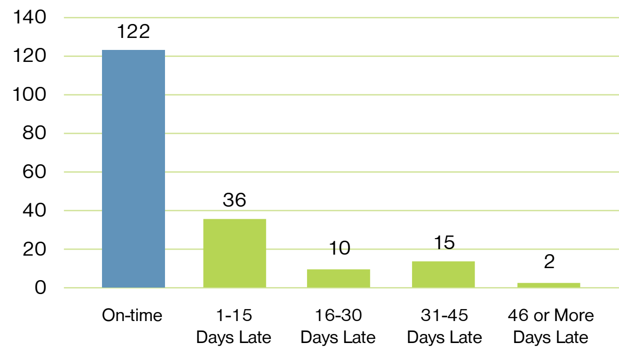
Information on recommended practices for selecting an underwriter, bond counsel, and financial advisor can be found on the Government Finance Officer Association (GFOA) website at www.gfoa.org.

TIMELINESS OF SUBMITTAL OF REPORTS

REPORTS OF PROPOSED DEBT ISSUANCE (RPDI)[1]
RECEIVED OCTOBER 2021



REPORTS OF FINAL SALE (RFS)[2]
RECEIVED OCTOBER 2021



DATA UNIT ACTIVITY OCTOBER 2021

- ✓ RECEIVED AND PROCESSED **175** RPDI
- ✓ RECEIVED AND PROCESSED **185** RFS
- ✓ RECEIVED **367** MARKS-ROOS YEARLY FISCAL STATUS REPORTS FOR FY 2020-21
- ✓ RECEIVED **385** MELLO-ROOS YEARLY FISCAL STATUS REPORTS FOR FY 2020-21
- ✓ RECEIVED **297** ANNUAL DEBT TRANSPARENCY REPORTS FOR FY 2020-21*

[1] California Government Code Section 8855(i) states that the issuer of any proposed debt issue of state and local government shall, no later than 30 days prior to the sale of any debt issue, submit a report of proposed issuance to the commission by any method approved by the commission.

[2] California Government Code Section 8855(j) states that the issuer of any debt issue of state or local government, not later than 21 days after the sale of the debt, shall submit a report of final sale to the commission by any method approved by the commission.

* As of 11/22/2021, a total of 564 Annual Debt Transparency Reports had been filed for the FY 2020-21 reporting period.

Annual Debt Transparency Report Reminder: SB 1029 Reporting Requirements

With SB 1029 effective January 1, 2017, state and local agencies are now required to report to CDIAC annually on all debt issued.[1] The Annual Debt Transparency Report (ADTR) must be submitted to CDIAC on or before January 31st of each year, for each issue of debt, until such debt is no longer outstanding or the proceeds of the debt have been fully spent, whichever is later. The ADTR requires issuers to report on the balance of the issuer's authorization to issue the debt, the amount of principal paid, the amount of debt outstanding, and qualitative and quantitative information on how debt proceeds are spent.

This ADTR filing requirement is not retroactive. "ADTR reportable" issues are those that were reported to CDIAC on a Report of Final Sale on or after January 21, 2017. An ADTR must be submitted to CDIAC by January 31st of each year following the end of the July 1 to June 30 reporting period during which the debt was outstanding. For the purpose of classifying issues as outstanding in any given reporting period, CDIAC is using the reported settlement date as the date the debt is initially outstanding.[2] **The next ADTR filing deadline is January 31, 2022**.

CDIAC has developed an online system, accessible through the CDIAC website to facilitate the annual submission of the ADTR. The CDIAC Data Collection and Analysis Unit (Data Unit) will provide a list on CDIAC's reporting page of all ADTR-reportable debt identified in the CDIAC database for the reporting period July 1, 2020, through June 30, 2021 by October 25, 2021. The list will contain the following information:

- CDIAC Number
- Issuer
- Project
- Debt Type
- Principal
- Issue Date
- Purpose of Issuance
- Year of Issue (Fiscal Year Ending 6/30)
- Most Recent Prior Year ADTR Received (Fiscal Year End)

Accessing the online filing form will require the CDIAC Number and the ID Number (i.e., password) that was provided at the time of initial filing. If you do not have the ID Number, it will be necessary to contact the Data Unit to provide you with that number.

To request that another individual or party, such as an outside financial service provider or advisory firm, handle the filing of the ADTR, contact the CDIAC Data Unit at CDIAC_Issuance@treasurer.ca.gov or (916) 653-3269. DL

[1] "Debt" as defined in California Code of Regulations (CCR) Title 4, Division 9.6, §6000 (Effective 4/1/2017).

[2] "Settlement" means the transfer of the assets or rights-to-use from Creditor to Issuer in exchange for delivery of the instruments or evidence of indebtedness from the Issuer to Creditor (CCR Title 4, Division 9.6, §6000). The date of settlement as such generally coincides with the delivery date of bonds, or the closing date of a lease, loan, or similar debt transaction.

Summary of the 2021 CDIAC *Bond Buyer* Pre-conference

Kelly Joy | Policy Research Unit

On October 18, the California Debt and Investment Advisory Commission (CDIAC) hosted its 20th annual pre-conference to *The Bond Buyer*'s California Public Finance Conference. CDIAC held three sessions at the Pre-conference featuring this year's theme of "Obstacles and Opportunities at the Intersection of Public Finance and the Housing Crisis."

The Pre-conference began with introductory remarks from Gabriel Petek, California's Legislative Analyst (LAO) who serves as the non-partisan fiscal advisor for the California Legislature. Mr. Petek's presentation was followed by two panel discussions with industry professionals and two keynote presentations.

The first session panel discussion featured Justin Cooper, Partner at Orrick, Herrington & Sutcliffe LLP; Richard Gentry, President & CEO of the San Diego Housing Commission (SDHC); and Jeree Glasser, Northern California Vice President at the Jamboree Housing Corporation. The panelists discussed strategies and talking points related to "Gaining Ground in the Affordable Multi-family Housing Segment."

Richard Gentry from SDHC also joined the conversation for the second session and panel discussion about the "Development and Finance of Accessory Dwelling Units" (ADUs), along with Robert Larkins, Managing Director for Loop Capital Markets; and Jacky Morales-Ferrand, Housing Department Director for the City of San Jose.

The third session had a theme of "Planning for the Housing Surge," and featured three panelists: Eileen Gallagher, Managing Director at Stifel, Nicolaus & Company, Incorporated; Louis Mirante, Legislative Director for California YIMBY; and Tim Seufert, Managing Director at NBS.

The keynote speakers for this year's Pre-conference were California State Treasurer Fiona Ma and California State Senate Majority Leader Robert Hertzberg. Both of this year's keynote speakers discussed California's current housing crisis as well as some promising new policy strategies for increasing housing affordability within the state.

Although each session had a distinct focus, there were themes that emerged throughout the Pre-conference. Every panelist and presenter spoke to the intense challenges in California's current housing market and an urgent need for more housing, especially affordable housing. There were also themes of optimism from many panelists. Several panelists commented about positive changes due to recent legislation and a perceived political awareness at the state level to prioritize increasing the supply of affordable housing and tackling the challenges that are leading to high housing costs in California. More information about the topics and discussions from CDIAC's 20th annual Pre-conference to *The Bond Buyer*'s California Public Finance Conference is included below in more detail. Replays of the entire Pre-Conference program are accessible from CDIAC's education event page.

INTRODUCTORY PRESENTATION: "CALIFORNIA'S HOUSING CHALLENGES IN CONTEXT"

After an introduction from Mike Ballinger, Publisher of *The Bond Buyer*, and Robert Berry, Executive Director of CDIAC, Gabriel Petek's presentation provided context for the extent of and explanation for the intense challenges in housing production and affordability in California. Mr. Petek referenced an LAO report entitled California's High Housing Costs: Costs and Consequences and talked about important conditions related to housing in the state. For example, Californians spend more on housing as a percentage of their income than the rest of the nation. Although the poverty rate in California is similar to other states, California's poverty rate is much higher when accounting for cost of living. Low-income households have the hardest rent burden; however, middle-income households also have challenges affording housing in California. High housing costs have directly contributed to the homeless crisis in the state, which has the largest population of people experiencing homelessness in the country as well as one of the largest rates of homelessness per capita.

Mr. Petek also spoke about factors that have contributed to especially high costs of housing. Housing prices have continued to accelerate because demand for housing has outpaced housing supply, which has been limited for several decades. High construction and land costs (especially in coastal areas), local opposition to new housing development, and overuse of challenges to the California Environmental Quality Act (CEQA) are some reasons that have been cited for housing scarcity, especially affordable housing. According to Mr. Petek, the amount of housing that is ultimately constructed is far below what is needed, and California should be building twice as much housing to keep pace with consumer demand. Housing demand in coastal areas is especially impacted and the excess demand has led to "spillover" in the form of higher housing costs in inland areas as well.

Although limited housing supply in California over several decades has led to excess housing demand and high costs of living, Mr. Petek noted some recent major actions taken by the State that may catalyze housing production. In 2017, the Legislature passed a housing package of 15 bills with the intention of addressing high housing costs. In addition, the State has adopted a larger role in addressing homelessness and the high costs of housing over the past few years, and billions of dollars have been allocated in recent State budgets for these efforts since fiscal year 2018-19. Mr. Petek noted that there has been a growing consensus and stronger political will among lawmakers to tackle the challenges of housing supply, affordability, and homelessness in the state.

SESSION 1: "GAINING GROUND IN THE AFFORDABLE MULTI-FAMILY HOUSING SEGMENT"

The first panel featured Justin Cooper from Orrick, Richard Gentry from SDHC, and Jeree Glasser from Jamboree Housing Corporation. The panelists weighed in on the various challenges to increasing the supply of multi-family housing and discussed some innovative approaches that have recently been employed to increase supply. Mr. Cooper began with an overview about housing investment in the municipal market, including how affordable housing financing is project-based and usually utilizes one of only a few debt types, which commonly include enterprise-revenue bonds and private activity bonds.

All of the panelists spoke on specific obstacles and challenges in California's housing market, especially the lack of housing supply. Ms. Glasser noted that there have always been challenges that have limited the supply of housing in California, including the overuse of CEQA challenges and the entitlement and approval processes for housing development. She also noted that the private activity volume cap has been oversubscribed at times, which can exacerbate timing for planned projects and discourage developers and financiers from building additional housing supply. Mr. Gentry spoke about the many different layers of "lasagna financing" that are now needed to bring an affordable housing project to fruition, and that it often takes partnerships from multiple public and private entities to be successful.

Ms. Glasser also spoke on how the needs for housing vary across the different regions in California. She suggested that, although policies are often shaped around coastal areas where there is more demand, there are affordable housing needs almost everywhere in the state. She spoke to the importance of considering the Regional Housing Needs Assessment (RHNA) for individual communities and formulating plans that meet their specific needs. Ms. Glasser also spoke about the prevalence in homelessness across the state and the unique challenges in creating additional supply of permanent supportive housing for vulnerable individuals who are experiencing chronic homelessness.

The panel also discussed the pros and cons of factory-built housing. Overall, it seems like there is a range of quality and cost, and that it is possible for some communities and developers to achieve cost savings. Mr. Gentry pointed out that although cost savings is extremely important, cost savings is different from value. Spending a bit more in some cases can lead to not only a higher quality product but may also potentially result in less local opposition. Ms. Glasser noted the importance of community and resident "buy in" for successful project implementation, and how the population and property type can require different strategies for engagement with the community. Mr. Gentry similarly noted that there is often opposition to affordable housing projects, but it is important to weather the criticism and continue moving affordable housing projects forward for the community.

SESSION 2: "OPPORTUNITY IN OUR OWN BACKYARDS: DEVELOPMENT AND FINANCE OF ACCESSORY DWELLING UNITS"

The second panel discussion focused of the benefits, challenges, and recent changes for development and financing Accessory Dwelling Units (ADUs) and featured Richard Gentry from SDHC, Robert Larkins from Loop Capital Markets, and Jacky Morales-Ferrand from the City of San Jose. The panel began with a quick introduction from Mr. Larkins who provided a definition of an ADU. ADUs have been called by many names including "granny flats" and are independent living structures that have their own entrance, bathroom, and kitchen area. ADUs can be detached from or attached to a primary residential structure, and they can be conventionally built on site, modular, or factory built. ADUs have a range in size, cost, and quality, and the median cost to build an ADU is $150,000 dollars. Recent statutory changes have loosened previous limitations on zoning and have made ADU construction easier and more prevalent in California.

Mr. Gentry explained some of the key takeaways from the SDHC report "Accessory Dwelling Unit Pilot Program: Lessons Learned for San Diego Homeowners," published in October 2021. SDHC owns over 4,000 housing units in the San Diego region and began a pilot program to build five ADUs on its existing properties as part of its 2021 ADU pilot program. The report outlines key takeaways and lessons learned, including: assembling a team of experienced professionals for the design, permitting, and construction of the ADU; using permit-ready plans for significant time and cost savings; considering factors that can significantly impact cost (such as fee waivers for smaller units, for example); preparing for factors that can significantly impact the project's timeline; and considering manufactured units as an option to reduce time and cost per square foot without compromising quality or design.

Jacky Morales-Ferrand gave a perspective from the City of San Jose about how ADUs have contributed to the supply of housing in the community. Ms. Morales Ferrand described the current deficit in affordable housing according to the City of San Jose's RHNA, and the challenges with high housing costs and limited housing supply. Ms. Morales-Ferrand also explained that the political will to increase the supply of housing is an important factor that has supported the construction of additional housing in the City. For example, one staff member for the City is dedicated to ADUs, and other programmatic elements such as expedited reviews and universal checklists have also streamlined the process for building ADUs in the region. The City also provides examples of pre-approved plans for ADUs, but there is a need for more plans, as some residents have space constraints and/or other unique needs that require modifications to existing plans. Ms. Morales-Ferrand noted that the City of San Jose has seen a large surge in ADU supply after streamlining the approval process, and further explained that the goal is to have 1,000 ADUs constructed within a year. Some households that have not been interested in the ADU program thus far have expressed that they are still facing some confusion about the process, find it too expensive to construct an ADU, fear an increase in property taxes, or simply don't want an ADU because they fear becoming a landlord and/or a loss of privacy on their property. The City of San Jose proposed a $20,000 forgivable loan after five years if the rent for the ADU was capped at a level that made it an affordable housing unit. Some initial feedback on the forgivable loan program suggested that the loan amount wasn't high enough for many people and/or that the five-year time span was too long, especially given that market-rate housing goes for much higher rates. Ms. Morales-Ferrand suggested an improvement on the initial program concept would be to increase the size of the loan to $50,000. In addition, more community outreach and education efforts as well as a vetted list of contractors might help residents feel more comfortable with building an ADU on their property.

Mr. Larkins discussed recent regulatory changes that have contributed to the production and availability of ADUs in local communities. In September 2021, Governor Newsom signed 31 bills related to affordable housing and ADUs. This legislation included the creation of a new Housing Accountability Unit within the California Department of Housing and Community Development (HCD) to provide technical assistance to local jurisdictions and enforce compliance requirements with RHNA goals. In addition, the recent affordable housing package created a $100 million fund at the California Housing Finance Agency (CalHFA) to provide grants of up to $25,000 to income-qualified homeowners to build ADUs on their properties. Although some specific local ADU design standards can still be imposed, local ordinances must comply with the new laws set at the state level, and local ordinances are subject to HCD review and enforcement. Local ordinances can no longer include minimum lot size requirements, and ADUs under a certain size are exempt from some impact fees. Local governments also can no longer limit the number of bedrooms in an ADU. More detailed information about the recent changes and current standards for ADU production and approval are available in HCD's ADU Handbook.

SESSION 3: "PLANNING FOR THE HOUSING SURGE"

The final panel featured Eileen Gallagher from Stifel, Louis Mirante from California YIMBY, and Tim Seufert from NBS. These panelists spoke about recent policy changes that have begun to lead to an increase in affordable housing production as well as the subsequent financing demands that can be expected for this type of infrastructure in the future. Louis Mirante from California YIMBY began the session by giving an overview of California's housing shortage, which is estimated to be about 3.5 million housing units. Mr. Mirante also explained why he feels more optimistic than before about increasing the supply of housing in the state. The Legislature recently passed a package of bills meant to increase the stock of affordable housing, and the Governor signed these bills in September 2021. Bills include Senate Bill (SB) 9, which allows lot splits and duplexes where single-family housing was previously the only option; Assembly Bill (AB) 602, which reforms impact fee assessments to reduce the burden to creating new housing units; and SB 10, which allows local jurisdictions to zone for more housing density in areas that are urbanized and/or well connected to public transit. Mr. Mirante also commented that the Legislature is continuing to think through the policy levers it can pull to alleviate the housing shortage in the state by providing financial support for housing and homelessness through direct funding as well as bond financing. For example, SB 5 of the 2021-22 regular legislative session, currently called "The Affordable Housing Bond Act of 2022," proposes using bond funds to expand affordable housing access in California if it becomes law.

Tim Seufert from NBS noted ways to implement housing goals in California and offered examples of successes seen at the local level. Mr. Seufert offered suggestions for implementing housing goals at the policy level, some of which included reducing the time and effort required to achieve the necessary permits for housing developments, increasing the options for low- and moderate-income housing, and setting goals for many types of development (infill, greenfield, etc.). He also explained the similarities and differences between raising revenues through community facilities districts (CFDs), development impact fees (DIFs), assessment districts, parcel taxes, and other structures such as EIFDs, property-related fees, etc.

Eileen Gallagher from Stifel followed with an application of the concepts covered by the other panelists through notable case studies seen in California. Examples included the San Francisco Transbay CFD, Sacramento's Aggie Square project, San Francisco's Mission Rock and Fremont Warm Springs CFD. These projects used various strategies to finance the infrastructure and housing projects that fulfilled their specific goals and needs.

KEYNOTE 1 WITH CALIFORNIA STATE TREASURER FIONA MA

California State Treasurer Fiona Ma addressed pre-conference attendees at the first keynote presentation of the day, where she discussed why increasing housing affordability is of paramount importance in the State. Treasurer Ma explained that California's supply of housing has faced critical challenges over many years, including factors that were present in the Great Recession as well as extreme conditions exacerbated by the COVID-19 pandemic. Treasurer Ma referenced external studies that have concluded that California's main challenge in housing affordability stems from insufficient housing supply across the state. The housing supply shortage has led to a crisis with three distinct elements, rising rents and home values, homelessness, and the younger generation priced out of the market for affordable housing.

Treasurer Ma went on to describe some of the work that the State Treasurer's Office has been doing in partnership with other State agencies to develop a framework for the "California Dream for All Program." The concept for the California Dream for All Program was passed as AB 140 in July 2021 as part of Governor Newsom's California Comeback Plan. The intended goals of the California Dream for All Program are to address homelessness and to make housing and homeownership more affordable in the state. The Program is expected to be funded with a blend of public and private funds, and the funding structure will also include conditions that do not expose the State to a high risk of loss. Eligibility factors will include income limits and limits for home prices. The initial framework for the California Dream for All Program is expected to be developed in early 2022. Anyone interested in the latest news on the California Dream for All Program and other updates from the California State Treasurer's Office can sign up to receive the monthly STO newsletter.

KEYNOTE 2 WITH STATE SENATE MAJORITY LEADER ROBERT HERTZBERG

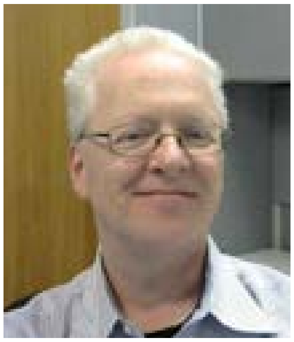
State Senate Majority Leader Robert Hertzberg spoke at the second keynote session and stressed the importance of housing affordability and housing ownership, which has become increasing out of financial reach for many Californians. Senator Hertzberg also introduced attendees to a multi-billion-dollar general obligation bond initiative that he compared to a modernized approach to a "GI Bill for home ownership" that could provide a potential funding source for the California Dream for All Program. The funds from this bond initiative would provide opportunities for "silent second" mortgages for qualified first-time home buyers that are repaid when the home is sold. A major goal of this program would be to build wealth for Californians for whom homeownership is too much of a financial burden without additional financial support. In addition, it could also help make housing more affordable with consistent payments over many years with a fixed interest rate instead of being forced to keep up with continuously increasing rents. Senator Hertzberg said he hopes the funding source will qualify for the ballot and be approved by voters in November 2022.

WHAT'S NEXT?

CDIAC will continue to offer additional trainings and seminars in the coming months, including CDIAC's Public Funds Investment Essentials training, which will be hosted through a partnership with the California Municipal Treasurers Association in January 2022. CDIAC is also planning to host a three-day Debt Essentials training in the spring of 2022.

A full list of upcoming seminars and trainings is available on the CDIAC Education webpage. Updates to CDIAC programming are also shared online through the CDIAC listserv. We hope you will consider joining us for our upcoming events in the future. DL

New Addition to CDIAC



RANDY AUER was appointed as a Staff Services Analyst in the Data Unit in November of 2021. He has over 20 years' experience assisting clients with data requests, developing software, training colleagues, and providing technical support and customer service. In addition, Randy's software development experience will prove beneficial as CDIAC's new online filing interface is currently under development. DL

Regulatory Activity Calendar

NOVEMBER 2021

4 The Securities and Exchange Commission (SEC) proposed a rule and form amendment to update filing requirements under their Electronic Data Gathering, Analysis, and Retrieval ("EDGAR") system. This rule would mandate the electronic filing of most documents currently permitted under Regulation S-T. Proposed rule.

4 The SEC proposed amendments to rules to convert the filing of certain applications, confidential treatment requests, and forms from paper to electronic submission. Proposed rule.

12 The Internal Revenue Service (IRS) released revisions to Form 8039-CP, *Return for Credit Payment to Issuers of Qualified Bonds* and related draft instructions. The IRS is updating the form and instructions to accommodate electronic filing. Community Updates.

18 The SEC published proposed amendments to the electronic recordkeeping and production of records requirements applicable to broker-dealers, security-based swap dealers, and major security-based swap participants. Press Release.

18 The SEC published proposed Exchange Act Rule 10c-1 which would require lenders to provide material terms of securities lending transaction to a registered national securities association, such as the Financial Industry Regulatory Authority. The registered national securities association would then make the material terms of the securities lending transaction available to the public. Press Release.

30 The Municipal Securities Rulemaking Board (MSRB) extended the time to comply with completing the Series 54 examination. This brief extension pushes out the November 12, 2021, compliance date to November 30, 2021, in the MSRB's efforts to facilitate the remote proctoring of the Series 54 examination MSRB Notice.

DECEMBER 2021

15 Effective date for the requirements of Governmental Accounting Standards Board (GASB) Statement No. 98, related to *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. The new term and acronym replace instances of comprehensive annual financial report and its acronym CAFR in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Status Update.

JANUARY 2022

4 Comments due on MSRB's draft of compliance resources for regulated entities that include brokers, dealers and municipal advisors. The resources are to enhance the understanding of existing regulatory standards applicable to regulated entities when pricing new municipal securities. MSRB Notice.

31 Effective date for the SEC's Filing Fee Disclosure and Payment Methods Modernization effort that amends most of its fee-bearing forms and schedules to modernize filing fee payment methods. SEC Fact Sheet.

MARCH 2022

31 The IRS's revenue procedure 2021-39 regarding qualified private activity bonds was extended on October 4, 2021, through March 31, 2022, due to the COVID-19 pandemic. Community Update. DL

SAVE THE DATE

CDIAC Webinars, Seminars, and Conferences

JANUARY 2022

JANUARY 26, 2022

Intermediate Public Funds Investing
in Collaboration with CMTA
Montebello, CA
Investment Series Page

JANUARY 27, 2022

Advanced and Applied
Public Funds Investing
in Collaboration with CMTA
Montebello, CA
Investment Series Page

APRIL 2022

Municipal Debt Essentials
Information to be Announced

Webinars, Seminars, and Conferences

JANUARY 2022

JANUARY 28, 2022

Committee on Assessments, Special Taxes
& Other Financing Facilities
Annual Meeting
Newport Beach, CA
www.castoffonline.com

FEBRUARY 2022

FEBRUARY 16-18, 2022

California Society of Municipal
Finance Officers
Annual Conference
San Diego, CA
www.csmfo.org

MARCH 2022

MARCH 3-4, 2022

National Association of Bond Lawyers
NABL U Presents: The Institute
(Members Only)
Miami, FL
www.nabl.org

MARCH 23-25, 2022

Government Investment
Officers Association
2022 GIOA Conference
Las Vegas, NV
www.gioa.us

MARCH 29-APRIL 1, 2022

California Association of
School Business Officials
Annual Conference & California
School Business Expo
Sacramento, CA
www.casbo.org

APRIL 2022

APRIL 20-22, 2022

National Association of Bond Lawyers
NABL U Presents The Essentials
Denver, CO
www.nabl.org

MAY 2022

MAY 3-6, 2022

California Municipal Treasurers
Association
Annual Conference
Newport Beach, CA
www.cmta.org

JUNE 2022

JUNE 5-8, 2022

Government Finance Officers Association
GFOA's Annual Conference
Austin, TX
www.gfoa.org

JUNE 7-10, 2022

California Association of County
Treasurers and Tax Collectors
Annual Conference
San Diego, CA
www.cacttc.org

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Organizations may submit information on future educational seminars, meetings, or conferences by emailing cdiac_education@treasurer.ca.gov. Publication of announcements is subject to space limitations.