



NEWS...

From the Desk of California State Treasurer Fiona Ma, CPA



NOVEMBER 2019

Dear Reader,

Last month the State Treasurer's Office (STO) allocated \$1.8 billion in bonding authority and \$88.2 million in federal tax credits to spur production of 6,442 units of affordable housing. This brings the number of units we have financed during the course of 2019 to 17,360.

But this month's workforce housing news does not stop there. The Governor and Legislature, by approving the Assembly Budget Committee's game-changing AB 101 legislation, allocated another \$500 million to build still more affordable housing.

To get this financing to developers as quickly as possible and spur as much housing renovation and construction as I can, I recently shepherded through a corollary realignment of our regulations. We have also moved to accept applications for tax credits earlier than in previous years.

You can learn more details about all of this on page two.

To follow all the developments on affordable housing involving my office, I invite you to follow me on [social media](#) and the news posted to my [website](#).

In Peace & Friendship,

Fiona

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This newsletter is not intended to be and should not be used for making investment decisions about State of California bonds or notes. Potential investors should always obtain and read the Official Statement published by the State for each issue of bonds or notes.



ABCs of the BCAs

Putting Workforce Housing on a Faster Track

FEATURED BCA

California Tax Credit Allocation Committee (CTCAC)

While upgrading California's credit rating last month, Moody's Investors Service also issued a shot across the bow of the state's high cost of living, warning that it could gradually become "a greater drag on economic expansion if it limits the state's population growth."

High costs are predominantly a barrier to lower income residents, but if costs continue to rise they will start to erode the purchasing power of the state's higher income residents, Moody's points out.

California is struggling with a severe shortage of affordable housing. The gap between demand and supply is large and there are significant regulatory constraints on builders. This is a serious financial burden, particularly for middle-class homeowners and renters. It is also weighing on the economy as it impedes the ability of workers to relocate in order to fill the rising record number of open jobs.

Already, California has the highest share of severely burdened homeowners and the second highest share of severely burdened renters. The state trails only Hawaii in terms of housing affordability, according to the National Association of Realtors. On average, California homes are more than 50 percent less affordable than homes elsewhere across the U.S.

In 2013-2017, the median gross rent nationally stood at \$982 compared to \$1,358 in California, according to the U.S. Census. Over the same period, the median value of owner-occupied homes nationwide was \$193,500 compared to \$443,400 in California.

The high cost of housing plays a role in poverty. Averaged over 2014-2016, California's official poverty rate was 14.5 percent, almost a full percentage point higher than

the national poverty rate of 13.7 percent, according to Moody's (citing U.S. Census data).

Clearly, the future of California residents' health, safety and wealth depends on access to workforce housing that is affordable.

Workforce housing: Generally understood to mean affordable housing for households with earned income that is insufficient to secure quality housing in reasonable proximity to the workplace.

– Wikipedia

With these concerns in mind, shortly after she took office Treasurer Fiona Ma attended 15 housing meetings and public hearings across California. She met with housing specialists, Native American tribe members, homeless advocates, specialists focused on special needs housing, labor unions, non-profit and for-profit developers, investors, and consultants, among others. She learned first-hand what people around the state are thinking about when it comes to the development of additional affordable housing.

Treasurer Ma and her staff within the State Treasurer's Office (STO) are still researching and digesting some of the feedback, but there was general agreement among stakeholders on the need to streamline the process by which tax credits are awarded.

STO staff carefully considered the comments received and finalized a set of recommendations for the [California Tax Credit Allocation Committee](#) (CTCAC) to consider. CTCAC, chaired by Treasurer Ma, adopted the recommended



Treasurer Ma and senior staff members in Riverside, the first stop on what would become a 15-city swing through the state to develop ideas with stakeholders about how to revamp regulations and speed tax credits for workforce housing to developers.

regulatory changes at a meeting in Sacramento on October 28. [The California Debt Limit Allocation Committee](#) (CDLAC), which allocates bonding authority for housing projects and is also chaired by Treasurer Ma, adopted similarly revised regulations on October 16.

The revised regulations will streamline the application process to promote production and improved cost containment efforts. Treasurer Ma anticipates leading a second round of reviews and revisions within the coming year.

Among the notable revisions adopted in October are changes related to the implementation of millions of dollars in additional state tax credits the California Assembly's budget committee included in [AB 101](#) as approved by the Legislature and Governor.

CTCAC administers the federal and state low-income housing tax credit programs. Traditionally CTCAC has administered approximately \$100 million per year in state tax credits. Now, with the passage of AB 101, CTCAC will be providing an additional \$500 million in state tax credits in 2020 specifically targeted to new construction of affordable units. AB 101 sets the stage for similar amounts in future years, depending on the state budget and a willing Legislature.

The first application deadline for developers to apply for the new state tax credits under the proposed regulations is November 15 – two months earlier than originally scheduled. Once reviewed by staff, the applications will go to CTCAC's members for a vote of approval on January 15.

The newly approved regulations require winning projects to be "shovel-ready" within 180 days of tax credit allocation and favors projects that maximize the number of new

Tax Credits Have Spurred 16,842 New Housing Units for Low-Income Families Thus Far in 2019

Treasurer Fiona Ma in mid-October announced that committees she chairs have voted to allocate tax-exempt bonds and tax credits to finance the building and rehabilitation of [6,442](#) affordable housing units. The total number of units financed this year now stands at 17,360 units -- 16,842 of them are for low-income individuals and families.

The tax-exempt bonds totaling \$1.8 billion and approved by the California Debt Limit Allocation Committee (CDLAC) in October act as an incentive to build affordable housing by lowering the costs for developers. There are a total of [58 projects](#) being financed, including 53 that also received federal tax credits from the California Tax Credit Allocation Committee.

The projects are located in 19 counties, including Los Angeles, San Diego, Orange, Riverside, Santa Clara, Alameda, Sacramento, Contra Costa, San Francisco, Shasta, San Joaquin, Monterey, Sonoma, San Mateo, San Joaquin, Napa, Santa Barbara and Imperial.

ABCs of BCAs Cont'd

housing units produced under the tax credits allocated. This will ultimately fast-track housing production.

By acting quickly through CTCAC to devise and align critical new regulations with the actions of the legislature and governor, the state is now in an excellent position to support the more rapid development of affordable housing statewide.

The STO has already received feedback from the developer community that there is keen interest in these new tax credits and that there is a high likelihood the program will be oversubscribed.

This is good news for Californians and represents one more important step toward solving the demand for more affordable housing in California.

Cost of Living Index – California vs. US¹

[Housing](#) is the biggest factor in the cost of living difference between California and the national average found elsewhere.
The median home price in California is [\\$552,800](#).

Cost of Living	United States	California
Overall	100	168.6
Grocery	100	107.2
Health	100	92.8
Housing	100	293.1
Utilities	100	102.4
Transportation	100	146.5
Miscellaneous	100	103.7
Median Home Cost	\$231,200	\$552,800

¹According to [BestPlaces](#). An amount below 100 means California is cheaper than the US average. A cost of living index above 100 means California is more expensive.

BCA News in Brief

ScholarShare

[ScholarShare 529](#), which happens to be celebrating its 20th anniversary, has been awarded a prestigious gold rating from Morningstar Inc. The rating makes California's plan one of the four top college savings plans in the nation – joining Virginia's Invest529, Illinois' Bright Start College Savings, and Utah's my529. Morningstar, which evaluates mutual funds, wrote that all the gold plans stood out "for their low costs, strong stewardship, and exceptional investment options."

CPCFA / CalCAP

The California Air Resources Board (CARB) is proposing a significant increase to the 2019-2020 budget of the State Treasurer's Office [California Pollution Control Financing Authority](#) (CPCFA), which will translate into the financing of about 15,000 new heavy-duty truck purchases through the California Capital Access Program (CalCAP) On-Road Truck Loan Assistance Program. The program helps small business truckers and fleet owners comply with CARB's In-Use Truck and Bus Regulation that will result in 2,810 tons of NOx and 207 tons of ROG emission reductions. The Treasurer's CalCAP On-Road Truck Loan Assistance Program is anticipating unprecedented demand in future years, as we continue our 10-year partnership aimed at encouraging truck owners to upgrade their heavy-duty trucks to meet current emissions standards. Treasurer Ma recently announced the landmark program has now financed 25,000 cleaner-burning diesel trucks, the equivalent of removing 4 million passenger cars from the road and 145 tons per year of toxic particulate matter.

Note: Each month we will be sharing information on one of our BCAs and explain how the programs behind the acronym are enhancing the lives of Californians all across the state -- and how you, your family, or your business can share in, and contribute to, California's prosperity.



The Purrfect Chili

Meet the people in the State Treasurer's Office whose public service inspires us and is making a difference.

Kasey O'Connor, the indefatigable Legislative Director for State Treasurer Fiona Ma, proudly displays her blue ribbon after winning the annual STO chili cook-off on October 17. Her very spicy dish bested a field of nine other STO employee-contestants and won her the right to assign the donations raised by the cook-off to a charity of her choice. Kasey picked [Itsie Bitsie Rescue, Inc.](#) The Citrus Heights animal rescue was started by Pam Dumas and daughter

Danielle in 2012. The first official intake was a little orange tabby named Poodywoo who was adopted by a member of the National Guard. Today, the number of Itsie Bitsie's kitten rescues exceeds 400 each year. Adoptions are held every Saturday and Sunday from 12-to-5 pm at PetSmart off Fairway Drive in Roseville. Congratulations Kasey! And thanks for sharing your purrfect recipe for helping a deserving community organization.



Ask Fiona

Dear Fiona,

I recently saw a post on your Facebook page about a free seminar for veterans your office hosted. I am a veteran looking to build a business. Unfortunately, I am unable to attend your seminar. Could you please share what resources are available to help start and grow my business?

Sincerely,
Adam

Dear Adam,

Access to capital is essential to getting your business off the ground. The Small Business Administration (SBA) offers a number of resources to veterans like yourself to help you access capital and prepare for business opportunities. SBA's "Lender Match" service is a free online referral tool that connects business owners with lenders. Qualified veterans and military members, including military spouses, may receive a waiver of the up-front guarantee fee on SBA Express Loans. The SBA also offers business plan workshops, mentorship, and entrepreneurial education and training courses that feature customized curriculums, in-person classes, and online courses to give veterans the training to succeed in their business ventures. To learn more about the resources available for veterans, please contact a local SBA office. There are [Veterans Business Outreach Centers](#) (VBOCs) and [SBA District Offices](#) located across the country. For more information, please visit the SBA website at www.sba.gov/business-guide/grow-your-business/veteran-owned-businesses.

Additionally, my office offers the California Capital Access Program (CalCAP) for small businesses. This program encourages banks and other financial institutions to issue loans to small businesses that have difficulty obtaining financing. If you are interested in learning more about this program, please contact CalCAP's program managers at (916) 654-5610, or via email at CalCAP@treasurer.ca.gov. You can also get more information at the CalCAP website: <https://www.treasurer.ca.gov/cpcf/calcap/sb/index.asp>

Sincerely,
Fiona



Have a Question for the Treasurer?

Readers:

Send your questions for California State Treasurer Fiona Ma via email to:
AskFiona@treasurer.ca.gov

Address letters to:

California State Treasurer Fiona Ma
Post Office Box 942809, Sacramento, CA 94209-0001



Top Billing

A monthly update on key legislation for Treasurer Ma

Treasurer Fiona Ma and her legislative team this year actively engaged on over 70 bills. She sponsored 21, supported another 27, and provided technical assistance on 25.

Most of the bills advanced to Governor Gavin Newsom's desk and were signed into law. They addressed critically important issues dealing with, among other things, affordable housing, economic development, aging and long-term care, advanced manufacturing/recycling, and the cannabis industry.

The Legislature, currently on recess, reconvenes on January 6, 2020. The Treasurer and her team look forward to building on the successes of 2019 and continuing a productive collaboration with the Legislature and Governor Newsom in 2020.

California Recycling Market Development Act

Assembly Bill 1583, Susan Talamantes Eggman
(D-Stockton) <https://a13.asmdc.org/>

Establishes the California Recycling Market Development Act. This bill extends the sunset for the Recycling Market Development Zone Program and the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) advanced manufacturing program by five years to 2026. *(Signed into law.)*

Universal Assessment / No Wrong Door

Assembly Bill 1287, Adrin Nazarian (D-North Hollywood) <https://a46.asmdc.org/>

Creates within the state's Master Plan for Aging, a more efficient, streamlined one-stop shopping for vital health services for older adults and disabled Californians who currently have trouble navigating California's fragmented system. *(Signed into law.)*

Online Retailers Sales Tax: Expansion to Marketplace Facilitators

Assembly Bill 147, Autumn Burke (D-Marina del Rey) <https://a62.asmdc.org/>

Extends sales tax to online marketplace facilitators/retailers and requires them to collect and remit state and local sales taxes on behalf of third-party sellers. *(Signed into law.)*

Tax Deductions on Ordinary Business Expenses for Cannabis Businesses

Assembly Bill 37, Reginald Byron Jones-Sawyer Sr. (D-Los Angeles) <https://a59.asmdc.org/>

Allows cannabis businesses to receive the same state income tax deductions as regular businesses on ordinary business expenses for each taxable year beginning on and after January 1, 2020. *(Signed into law.)*

Financial Institutions for Cannabis

Senate Bill 51, Robert M. Hertzberg (D-Van Nuys)

<https://sd18.senate.ca.gov/>

Creates a limited-purpose state charter for privately funded banks to service licensed cannabis businesses with the goal of providing alternative banking opportunities for the cash-only cannabis industry. *(Continued to next session.)*

Name Translation on Ballot Materials

Assembly Bill 57, Evan Low (D-Silicon Valley)

<https://a28.asmdc.org/>

Standardizes the way names are translated into character-based languages on the California ballot. *(Signed into law.)*



The Vault

Calendar of recent and upcoming public finance activities and bond sales

September 5

Various Purpose General Obligation Bonds and Various Purpose General Obligation Refunding Bonds (Approx. \$2.4 billion)

The \$2,405,320,000 sale included \$1.741 billion of refunding bonds to refinance previously issued bonds under 24 different bond acts for debt service savings, and converts \$250 million of variable rate bonds to a fixed rate. The refunding is expected to save taxpayers \$690 million over the next 20 years (or \$588 million on a present value basis). Final yields to investors ranged from a low of 1.07% for a 2020 maturity with a 3% coupon to a high of 2.72% and 2.07% for 2049 maturities with 3% and 5% coupons, respectively. The all-in true interest cost was 2.54%.

September 17

State Public Works Board Lease Revenue Refunding Bonds, 2019 Series B (\$60.9 million)

There were 11 bids from broker-dealers, with UBS Financial Services Inc. submitting the winning bid at an all-in true interest cost of 1.837%. The refinancing of bonds issued in 2006-2007 will result in a savings of \$15.7 million to taxpayers over the next 14 years (or \$14.4 million on present value basis.)

October 16

Federally Taxable Various Purpose General Obligation Bonds and Various Purpose General Obligation Refunding Bonds (Approx. \$1.13 billion)

The bonds were sold via two separate competitive bids, the first was for \$680.13 million of bonds to provide funds for voter-approved projects and programs. The bonds attracted 11 bids from broker-dealers, with BofA Securities submitting the winning bid at an all-in true interest cost of 2.359%. The second was for \$457.4 million of refunding bonds to refinance previously issued GO bonds. The refunding bonds attracted 10 bids from broker-dealers, with Morgan Stanley & Co. submitting the winning bid at an all-in true interest cost of 2.39%. The refinancing will result in a savings of \$37.8 million to taxpayers over the next 20 years (or \$31.6 million on present value basis).

October 29

State Public Works Board Lease Revenue Bonds, 2019 Series C (\$313.3 million)

Proceeds will provide funding for two (2) departments: Department of Forestry and Fire (CalFire) to fund the Lone Academy Dormitory project; and Department of Corrections and Rehabilitation (CDCR) to fund: (1) the

Riverside County Jail project; (2) the Santa Barbara County Jail project; (3) the Tulare County Jail project; (4) the Sutter County Jail project; and (5) various CDCR Health Care Facility Improvement Program projects. Loop Capital Markets LLC and Siebert Cisneros Shank & Co., LLC served as joint senior managing underwriters, with Alamo Capital serving as co-senior manager. In addition, there were also 11 co-managers to round out the syndicate. The all-in true interest cost was 2.599% and final yields to investors ranged from 1.08% in 2020 to 2.29% in 2044.

November 19

California Health Facilities Financing Authority: No Place Like Home Program Senior Revenue Bonds (Social Bonds - Federally Taxable)

(Approx. \$500 million)

Proceeds will provide funding to the Department of Housing and Community Development's No Place Like Home Program, which aids in the acquisition, design, construction, rehabilitation, preservation and operation of permanent supportive housing for persons who are experiencing homelessness, chronic homelessness or who are at risk of chronic homelessness, and who are in need of mental health services.

Week of November 11

Various Purpose General Obligation Bonds and Various Purpose General Obligation Refunding Bonds (Approx. \$800 million)

Proceeds will provide permanent financing for projects funded with commercial paper notes and refinance previously issued bonds at lower interest cost.

December 5

IBank, California State Teachers' Retirement System (CalSTRS) Headquarters Expansion Lease Revenue Bonds, Series 2019 (Green Bonds)

(Approx. \$300 million)

Proceeds will fund the acquisition, design, construction and equipping of an expansion to the CalSTRS headquarters facility in West Sacramento.

More information about the upcoming fall bond sales can be found at [BuyCaliforniaBonds.com](https://www.buycaliforniabonds.com).

The bond issuances described above (including the amounts and timing thereof) are preliminary and subject to change or cancellation based on market conditions or other factors as determined by the State Treasurer.



Rebuilding After Wildfires

Treasurer Ma is prepared to help meet the rebuilding needs of communities devastated by wildfires, including the Kincadee and Tick fires. The Treasurer can direct more investment dollars into local community banks, credit unions, and other financial institutions to benefit areas around the state impacted by the fires. Depositing state funds in community banks can specifically aid in recovery lending. All eligible financial institutions that may be interested in receiving additional deposits to help in their local communities are encouraged to call the Treasurer's Office Time Deposit Program at 916-653-3147.

In addition, the California Pollution Control Financing Authority whose board the Treasurer chairs, acted swiftly to increase the funding amount the California Capital Access Program makes available to lenders willing to approve loans for small businesses located in areas affected by the fires. For quick information contact CalCAP staff at 916- 654-5610 or calcap@treasurer.ca.gov.



The Ma Squad



Treasurer Ma presenting at the San Diego Housing Federation's 29th Annual Affordable Housing and Community Development Conference. The event brings together hundreds of developers, builders, architects, lenders, property managers, service providers, elected and agency officials, staff, residents, and community and business leaders to share innovative approaches to affordable housing, community, and economic development.



Treasurer Ma delivers comments during a groundbreaking ceremony for the Martin Luther King, Jr. Behavioral Health Center in Willowbrook (Los Angeles County). The Treasurer chairs the California Health Facilities Financing Authority (CHFFA) board, which approved a \$40 million grant under the Investment in Mental Health Wellness Act of 2013. The grant is funding 16 new crisis residential treatment beds for the facility.



STO External Affairs outreach team colleagues representing ScholarShare, CalSavers, and CPCFA, providing information and resources at the Asian Small Business Expo held at the Quiet Cannon Conference & Event Center in Montebello.



Northern California STO External Affairs shares information on programs at the 2019 Women Veteran Alliance's Unconference in Monterey. He was joined by program outreach teams from the STO representing ScholarShare, CalSavers, and the California Pollution Control Financing Authority (CPCFA). The Alliance provides support and resources to women who served in the military.



Treasurer Fiona Ma and senior staff members in Naples, Florida attending the annual national conference of the National Association of State Treasurers (NAST). The California State Treasurer's Office (STO) is hosting NAST's 2020 national conference next year in San Diego. The educational conferences give state finance officials and their staff opportunities to meet and discuss matters of mutual concern, as well as exchange information regarding best practices and innovative policies.



The Ma Squad



Treasurer Ma and California Alternative Energy & Advanced Transportation Financing Authority (CAEATFA) Executive Director Deana Carrillo (far right) visit the Trademark Brewery in Long Beach. Business owners Sterling and Ilana Steffan received a CAEATFA sales tax exclusion award of more than \$156,000, allowing them to purchase \$1.8 million in equipment and launch their business.



Treasurer Ma tours rPlanet Earth in Vernon, the only vertically integrated PET plastic recycling manufacturer in the world. The visit was part of a day-long up-close and personal tour of rPlanet Earth and three other innovate manufacturing businesses -- General Dynamics-NAASCO in San Diego, Edwards Lifesciences in Irvine, and Trademark Brewing in Long Beach. Collectively, the four received more than \$33 million in sales tax exclusions through the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA), whose board the Treasurer chairs. CAEATFA promotes high-tech and green manufacturing and recycling, providing select businesses with 100-percent sales and use tax exclusions on purchases of qualified tangible property over three years. A bill authored by Assemblymember Susan Eggman and supported by Treasurer Ma, extending the program another five years, was recently signed into law by Gov. Gavin Newsom.



Treasurer Ma cohosting the Long Beach Small Business Workshop with Long Beach Mayor Robert Garcia at Studio One Eleven. The event showcased the many state and local business resources and access-ways to capital available to small business owners. It included useful programs available through the Long Beach Economic Development Center and Small Business Majority. In the photo with the Treasurer are Los Angeles County Assessor Jeffrey Prang (left) Assemblymember Patrick O'Donnell (second from right), and Senator Lena A. Gonzalez (right).



Treasurer Ma receiving the Kheir Clinic 33rd Anniversary Fundraising Dinner Leadership Award. From left to right: Chief Executive Officer Erin Pak, LA Health Care Plan Deputy Chief Medical Officer Dr. Alexander Li, and, to the right of Treasurer Ma, Kheir Board Member Carolina Castillo. The dinner raises funds for the Korean Health Education Information and Research Center. Kheir, based in Koreatown in Los Angeles, operates five service sites and provides 60,000 clinic visits to more than 12,000 patients annually. (Photo: Kheir Center)