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## California Munis in Trouble.

California's high-yield municipal bonds, intended to fund housing for essential workers like police officers and teachers, are under financial stress. The state issued between $8 billion and $10 billion in speculative municipal bonds to convert existing apartments into affordable housing for middle-income families, but these projects are now struggling due to rising interest rates and declining occupancy.

Local agencies often borrowed beyond the purchase price, assuming high occupancy would cover expenses, but that assumption has proven risky as the economic landscape shifts. The bonds, many of which were sold when interest rates were historically low, now face significant challenges as financial conditions tighten.

Experts are increasingly doubtful about the sustainability of this workforce-housing model, which has not yet been tested across different economic cycles.

**Nasdaq**

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