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California Munis for Police, Teacher Housing Show Cracks.

- **Local agencies sold as much as $10 billion of the bonds**
- **Deals were highly levered and rely on high occupancy**

High-yield municipal bonds issued to finance housing for police officers, teachers and nurses in California are showing signs of strain.

Mira Vista Hills Apartments, a 280-unit rental complex in the Bay Area city of Antioch, disclosed in a Friday filing that it didn't meet a debt-service coverage ratio required by investors. At least four other complexes, known as "workforce housing," have drawn on reserves since the start of 2023 to help pay their debt, according to securities filings.

About $8 billion to $10 billion of munis — all in a speculative category without a credit rating — have been issued in California to convert market-rate apartments into affordable housing for middle-income households, according to research firm Municipal Market Analytics. Seven of the nation's 10 priciest housing markets are in the state, according to the National Association of Realtors.

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Bloomberg Markets

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