

California Public Banks: A New Path For Affordable Housing



Public banks are set to transform California communities by offering low-cost, high-impact credit that drives socially beneficial and economically just development. Imagine a funding source that powers affordable housing through both short-term predevelopment loans and long-term financing—all in partnership with local community banks, credit unions, and Community Development Financial Institutions (CDFIs). By working with local financial experts, these banks keep costs low while tapping into on-the-ground know-how.

Major Benefits:

- **Preserving Affordable Homes.** Flexible credit lines and tailored terms help developers secure properties as permanently affordable through cooperative housing and community land trusts.
- **Crisis Response.** When recession or disasters—like fires, floods, or droughts—strike, public banks can quickly release capital. This supports local relief efforts, including tax-credit rental assistance programs that prevent evictions and foreclosures, ultimately reducing homelessness.
- **Expanding Housing Options.** Financing the “missing middle” for workforce and middle-income housing with long-term, low-interest loans and minimal local equity offers a fresh alternative to high-subsidy, tax-credit models and market-rate financing.
- **Empowering Homeowners.** For those who are “land-rich but cash-poor,” favorable loans for ADU expansions allow families to age in place, securing a steady income stream into retirement rather than fueling speculative house flipping.
- **Diversifying Development.** Minority and women-led developers often struggle to secure capital from Wall Street. Strategic partnerships with CDFIs and local financial institutions enable public banks to direct funds to those truly dedicated to sustainable, community-focused development.
- **Local Autonomy.** As federal government priorities shift, public banks ensure that local resources remain under community control. By prioritizing local decision-making and aligning investments with regional needs, they create a more autonomous and responsive approach to addressing housing and development challenges.

In addition to fueling new affordable housing projects, public banks are committed to preserving existing assets. By offering flexible credit terms and extended lines of credit, these institutions enable developers to acquire properties and transform them into permanently affordable homes through cooperative housing models and community land trusts. This dual strategy not only

stabilizes neighborhoods but also safeguards long-term affordability for communities facing displacement pressures.

Public banks also excel in crisis response and local financial empowerment. When economic downturns or natural disasters strike, they can mobilize capital swiftly to support emergency programs—such as tax-credit rental assistance—to prevent evictions and foreclosures.

A Smarter, Local Approach

By offering a lower cost of capital than bond financing, public banks empower local governments to reclaim revenue that would otherwise flow to distant corporate banks, providing under-resourced regions with a sustainable funding stream that nurtures locally driven, fair development and builds a more vibrant future. With a public mandate and streamlined, centralized processes, these banks create extra credit to spur affordable housing—even in high-cost areas—generating long-term funding for our communities.

Public banks can also play a role in diversifying who fulfills housing development. [“Black developers represent 0.40 percent of the industry, while Hispanic developers represent 0.16 percent of the industry.”](#) [Less than 1.3 percent of the \\$82 trillion currently invested](#) in venture capital and private equity is invested in firms run, owned or founded by women and people of color combined. Housing development firms owned by people of color and women have an extremely difficult time securing capital from Wall Street bankers. With assistance from CDFIs and other local financial businesses, public banks can direct capital to those who have a greater interest in sustainably developing their communities.

Join us as we champion a smarter, local solution to California’s housing crisis—where public dollars work for us, rebuilding neighborhoods and securing a resilient future for all.

Visit capublicbanking.com or reach out to us at info@capublicbanking.com to learn more and get involved!

Resources:

- [Municipal Bank of LA: Housing Solutions and Portfolio Options](#), Jain Family Institute & the Berggruen Institute
- [Resource Booklet](#), California Public Banking Alliance
- [A Technical Summary of Public Banks](#), California Public Banking Alliance
- [Public Banking Movement Resources](#)