# Expanding Social Housing Through Public Banking

New Economy Project | PUBLIC BANK NYC | NYS COMMUNITY EQUITY AGENDA

To meet the housing crisis head-on, New York must invest deeply in social housing. Social housing is non-speculative, permanently-affordable housing that is owned by the public or under democratic community or tenant control. To get New York on track, we must move away from profit-driven housing finance that ratchets up costs, enriches Wall Street speculators, and fuels displacement in Black and brown communities.

Public banks, created by local governments and chartered to serve the public interest, can expand social housing in New York by channeling needed capital to nonprofit housing developers, community land trusts (CLTs), and other affordable housing providers. Governor Hochul and the NYS Legislature must enact the New York Public Banking Act this session and pave the way for local public banks that will:

- **Provide direct low-interest loans to nonprofit housing developers and CLTs** for acquisition, construction, and rehabilitation of affordable rental and shared-equity housing. Additionally, public banks will help establish a secondary market for social housing loans, creating opportunities for pension funds, foundation endowments, and other investors to support social housing development.[1]
- **Expand the lending capacity of Community Development Financial Institutions (CDFIs) and other responsible lenders.** Across the state, CDFIs are financing shared-equity coops, deeply affordable rental housing, and CLTs. Public banks will partner with CDFIs to significantly increase lending for social housing, through participation loans and by making secondary capital equity investments in CDFI credit unions.
- **Purchase state and municipal bonds to fund social housing.** Public banks can become major buyers of shorter-maturity bonds issued by the NYS Housing Finance Agency, New York City Housing Development Corporation, local and county land banks, and other bonding authorities.[2] In doing so, public banks will lower the cost of borrowing for local governments and recapture interest payments currently extracted by Wall Street investors. Bond yields will grow the public bank's capital base and, in turn, further expand its social housing financing.

## Case Study: Finland's MuniFin

MuniFin is a public bank owned by Finnish municipalities, Finland's public sector pension fund, and the Republic of Finland. "MuniFin's core customers are also its owners, the Finnish municipalities, which benefit from MuniFin financing of domestic public transportation, hospitals, health care centers, schools, child care centers, not-for-profit housing, and homes for those with special needs."[3] In fact, MuniFin is "the main financier of affordable social housing production in Finland," which has made considerable strides toward eliminating homelessness.[4]

**TAKE ACTION:** Tell your state legislators to pass the New York Public Banking Act and give local governments the tools they need to invest in social housing.

[1] Karl Beitel, *Municipal Banking: An Overview* (The Roosevelt Institute, 2016), https://rooseveltinstitute.org/wp-content/uploads/2020/07/RI-Municipal-Banking-Overview-201604-1.pdf.

[2] *Ibid*.

[3] Thomas Marois, *A Public Bank for the Public Interest: Recommendations for the Canada Infrastructure Bank Five-year Review* (Canadian Union of Public Employees, 2022), https://cupe.ca/sites/default/files/cupe_cib_marois_report_2022_e.pdf.

[4] "Finnish System for Affordable Social Housing Supports Social Mixing and Brings Down Homelessness," MuniFin, November 18, 2022, https://www.munifin.fi/whats-new/finnish-system-for-affordable-social-housing-supports-social-mixing-and-brings-down-homelessness/.