

PUBLIC BANK LA: AFFORDABLE HOUSING

JFI/Berggruen *Housing Solutions and Portfolio Options* Brief

The Municipal Bank of Los Angeles (MBLA) will support the city's broader infrastructure, housing, and sustainability goals. In the report, [Municipal Bank of LA: Housing Solutions and Portfolio Options](#), the Jain Family Institute (JFI) and the Berggruen Institute outline the capacity of the proposed Municipal Bank of Los Angeles (MBLA) to increase affordable housing, pursue parallel mandates to build community wealth and repair historical harms to underserved communities while achieving cost savings for the city and long-term financial sustainability for the bank.

The California Public Banking Act ([AB 857](#)) requires the MBLA to work with existing financial institutions and community development organizations to address gaps in affordable housing finance.

Present Context of Affordable Housing: Challenges & Opportunities

Los Angeles faces a severe affordable housing crisis; almost half of households spend more than 30% of their income on housing. Despite the need to add over 250,000 affordable homes by 2029, the city is only on track to add 51,000.¹ Today, numerous challenges need to be overcome to finance new affordable housing production and preservation. To bridge the shortfall, the city must radically accelerate the pace of housing production by reducing the complexity and difficulty in assembling capital stacks that add up to fully funded projects. The Municipal Bank of Los Angeles could play a significant role in addressing these challenges.

The Role of the MBLA: Solutions & Recommendations

There are several ways that the MBLA could facilitate the production and preservation of additional affordable housing:

1. **Developer Pre-Underwriting & Construction Contractor Prequalification:** Most affordable housing projects don't move beyond the predevelopment stage, meaning no construction even takes place. It's a well-known gap that the market has been unable to bridge. The MBLA is uniquely positioned and equipped to establish organizational-level underwriting ahead of each individual project with a trusted set of local developers to reduce timelines and minimize duplications. Expanding upon the [California Public Works model](#) for contractor pre-qualification could mitigate risks involved in construction lending.
2. **Rapid Acquisition Fund:** Establishing a revolving rapid acquisition fund to provide short-term (1-5 year) financing for the acquisition and preservation of land and housing for affordable housing development

1. When specific data for the City of Los Angeles is unavailable, county-level statistics are used to provide a comprehensive overview.

would allow affordable housing developers to compete in the current rapid pace of real estate transfers. This type of fund has broad support among housing advocates in Los Angeles. With an initial rapid acquisition fund of \$13.5 million, this loan product could finance \$129 million in acquisition-rehabilitation projects, quickly preserving 471 affordable units per year.

1. **New Construction Loans:** Offering construction period loans to housing developers or to partner public agencies developing new affordable housing at a lower interest rate than private equity investments (reducing risk through developer pre-underwriting or contract prequalification) would significantly reduce construction costs and expand total affordable housing production. With an initial fund of \$18 million, this loan product can fund over \$170 million in new construction projects, or 404 new affordable housing units annually, based on three-year loan terms.
2. **Recapitalization of Existing Subsidized Multifamily Housing:** Homes lose their affordability status if the necessary upkeep repairs aren't made. Offering recapitalization loans to affordable housing developers to fund the needed repairs and upgrades to their properties would prevent the displacement of affordable units. With an initial investment of \$2.25 million, this loan product could fund over \$21 million for at least 707 affordable units per year.
3. **Low- and Moderate-Income Homebuyer Mortgage Assistance:** Taking over, scaling, and expanding the City's low- and moderate-income home purchase assistance program would help more qualified residents buy homes and prevent displacement.
4. **Homeowner Accessory Dwelling Unit (ADU) Creation Assistance:** Offering shared appreciation loans to homeowners to help them finance the construction of ADUs would increase the housing supply.

Affordable Housing Solutions

Pre-Underwriting & Contractor Prequalification	Rapid Acquisition Fund	New Construction Loans
<p>The MBLA can facilitate affordable housing development by establishing organizational-level underwriting with local developers. By prequalifying contractors and streamlining timelines, this approach minimizes delays and optimizes project efficiency.</p>	<p>To address the rapid pace of real estate transfers, the MBLA could create a revolving rapid acquisition fund. This fund would provide short-term financing for the acquisition and preservation of land and housing, ensuring that affordable housing developers can compete effectively in the current market.</p> <p>With an initial investment of \$13.5 million, this fund could finance \$129 million in acquisition-rehabilitation projects, preserving 471 affordable units annually.</p>	<p>Offering construction period loans at lower interest rates than private equity investments would significantly reduce construction costs and increase total affordable housing production.</p> <p>With an initial fund of \$18 million, this loan product could fund over \$170 million in new construction projects annually, creating 404 new affordable housing units.</p>

Recapitalize Existing Housing	Homebuyer Mortgage Assistance	ADU Creation Assistance
<p>To prevent the displacement of affordable units, the MBLA could provide recapitalization loans to fund necessary repairs and upgrades to existing subsidized multifamily housing.</p> <p>With an initial investment of \$2.25 million, this initiative could fund over \$21 million for at least 707 affordable units per year.</p>	<p>Expanding the city's low- and moderate-income home purchase assistance program would enable more qualified residents to purchase homes, thereby preventing displacement and promoting community stability.</p>	<p>Providing shared appreciation loans to homeowners for the construction of accessory dwelling units (ADUs) would increase the housing supply and contribute to affordable housing solutions in Los Angeles.</p>

These proposals do not replace additional actions Los Angeles can take to address this urgent crisis. Enacting the City of Los Angeles Department of Housing and Community Investment’s proposals for legislative changes, establishing a housing finance agency, expanding the Housing Crisis Act of 2019, and recapitalizing housing development programs like the Affordability Housing Managed Pipeline to pilot new affordable housing programs would further increase the impact of the MBLA.

Projected Outcomes

Together, the proposed products and initial capitalization level can facilitate projects at **more than double** the level that the City currently funds annually.² Better terms and capital with lower interest rates will reduce the overall cost of housing projects, helping to close the financing gap and allowing City dollars to go further. The proposed products and programs could create or preserve **over 1,700 affordable housing units annually**, reversing the trend of declining affordable housing production in Los Angeles since 2017.

2.Assumes 45% of overall MBLA portfolio is dedicated to its affordable housing mandate.