

The Potential for Green Public Banking in San Francisco

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Suggested citation

Thomas Hanna, Tom Sgouros, and Halah Ahmad, "The Potential for Green Public Banking in San Francisco," Climate and Community Institute, October 2026,
<https://climateandcommunity.org/research/the-potential-for-green-public-banking-in-san-francisco/>.

Acknowledgments

The authors wish to thank Matt Haugen for his support and Thomas Marois for his expert feedback. We also thank Mary Heglar for editing, Will Fraser for copy editing, and Data4Change for design.

Contents

Executive Summary	2
Introduction	4
The changing face of finance	6
Why San Francisco needs a public bank	10
Potential impacts of the San Francisco public bank	18
Conclusion	24

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Executive Summary

San Francisco's groundbreaking effort to establish a public bank comes at a moment when the city is facing mounting economic, social, and environmental challenges alongside growing dissatisfaction with a financial system that is increasingly concentrated, extractive, and disconnected from local needs. This research brief examines the rationale for a public bank in San Francisco, provides an updated needs assessment, and presents new modeling of the institution's potential impact. The analysis draws on a consultant-produced business plan released in 2023, stakeholder interviews conducted in 2026, and a new impact model developed to test the bank's likely performance and outcomes.

The brief begins by contextualizing the effort to create a public bank in San Francisco within broader changes that have transformed the US financial system over the past half century. Since the 1970s, financialization and banking consolidation have increased the power of large financial institutions, while reducing local control over investment decisions. Our ability to direct our money toward community purposes has eroded. Wealth and financial assets have become increasingly concentrated, while many communities face persistent challenges related to housing affordability, equitable access to credit, and long-term investment in public priorities (such as mitigating the effects of the climate crisis). These trends have generated renewed interest in public banking as a mechanism for redirecting capital toward productive, community-serving purposes and establishing local democratic control over critical financial and investment decisions.

The updated needs assessment in this brief suggests that the core challenges identified in the 2023 business plan remain unresolved and, in several areas, have intensified. Housing affordability has deteriorated further, with a growing share of renters burdened by housing costs and new cost pressures stemming from the city's growing corporate AI sector. Significant racial disparities in business ownership and access to capital persist, particularly for existing and

prospective Black business owners. Meanwhile, San Francisco needs substantial climate-related investments—including funding for emissions reductions, clean energy infrastructure, climate adaptation, and sea-level-rise resilience—all while confronting increased fiscal constraints and reduced support from the federal government. Collectively, these needs represent billions of dollars in unmet financing demand that existing private financial markets have not adequately addressed.

To evaluate the potential contribution of a public bank, this brief models a conservatively managed institution based largely on the assumptions contained in the 2023 business plan, adjusted for inflation and tested through 1,000 ten-year simulations. Initially, this institution would be a municipal finance corporation that could, potentially, convert to a deposit-taking institution in the future. The model focuses on three high-impact lending areas: affordable housing bridge financing, solar energy lending, and small business loan guarantees. **Across all simulations, the institution remains above key capital thresholds, suggesting it could operate safely while pursuing public-purpose objectives.**

10-Year Modeled Impact

>\$1B

Affordable housing
financing mobilized

5–6K

Affordable housing
units supported

237 MW

Rooftop solar
capacity supported

1,200

Small-business
loans

\$2.3M

Capital returned

On average, the modeled institution generates approximately **\$607 million in housing bridge loans**, leveraging more than **\$1 billion in total affordable housing financing** and supporting the development of **an estimated 5,000 to 6,000 affordable housing units**. It also provides approximately **\$331 million in clean energy loans**, enough to support roughly 237 megawatts of rooftop solar capacity.

In addition, the bank guarantees approximately **1,200 small business loans totaling more than \$60 million**, expanding access to affordable

credit for local enterprises. The model further projects that the bank **returns approximately \$2.3 million to depositors and bondholders** while maintaining prudent risk management practices.

Introduction

For more than 100 years, San Francisco has been one of the world's leading financial centers.¹ It has also built a strong reputation for developing innovative public policies and approaches that aim to advance fairness, sustainability, and shared prosperity. Over the last decade, these traditions have come together in the form of a vibrant and active effort to create a public bank in, by, and for the city.

This public bank campaign is part of a wider movement in California and across the country to reimagine and redesign the role of finance in the lives of local people, families, and communities. More specifically, since the 2008 financial crisis and resulting Great Recession, many communities have shown a growing interest in ensuring that local financial resources support more equitable and sustainable forms of economic development and are deployed through place-based, democratic institutions.

In many cases, this interest has manifested in the form of establishing a public bank—a local financial institution “owned” by all people in a given geographic area and operated in their interest. While conventional in their operations, public banks are radical in their potential impact. Public banks operating nationally and sub-nationally are ubiquitous around the world and throughout history. Current estimates suggest there are around over 900 such public banking institutions globally, with \$55 trillion in total assets.² Hundreds of these are municipal public banks, which hold combined assets of over \$3.5 trillion. Where they exist, they have a proven track record of success—especially relating to supporting economic development, responding to crises (such as the COVID-19 pandemic),

Where public banks exist, they have a proven track record of success—especially relating to supporting economic development, responding to crises and furthering public policy goals.

¹ Z/Yen Group and Long Finance, “Global Financial Centres Index 39 Rank,” accessed September 18, 2026, <https://www.longfinance.net/programmes/financial-centre-futures/global-financial-centres-index/qfci-39-explore-the-data/qfci-39-rank/>.

² Thomas Marois and Ali Riza Güngen, “The World of Public Banks,” *PBP Evidence Brief*, no. 2024/02 (September 2024), Public Banking Project with Climate and Community Institute, McMaster University, https://publicbanking.mcmaster.ca/app/uploads/2024/09/PBP_EB_2024_02.pdf.

and furthering public policy goals (e.g., relating to the climate crisis and the clean energy transition).³

Public Banking at a Global Scale

900+

Public banking institutions
worldwide

\$55T

Total public banking assets
globally

\$3.5T+

Combined municipal public
banking assets

This research brief is intended to provide a concise analysis of the potential benefits of establishing a public bank in San Francisco. It builds on significant work conducted to date by numerous stakeholders, public officials, and consultants. Most notably, it uses HR&A's 2023 *San Francisco Municipal Finance Corporation: Business and Governance Plan and Viability Study* (hereafter referred to as the "business plan") as its main baseline.⁴ Analysis of this business plan was supplemented with additional interviews with local stakeholders conducted in July 2026, and both were used to create and test a model for the potential impact of the San Francisco public bank.⁵ Moreover, in the future this model can potentially be used to assess impacts of the bank under different funding and capitalization scenarios (beyond the ones used in the business plan and this report).

This research brief is organized into three short sections:

1. **An analysis** of how the banking and finance system has changed over the past 50 years, and how this has affected communities like San Francisco

³ Diana V. Barrowclough and Thomas Marois, eds., *Public Banks and Public Purpose: From Short-Term Crisis Responses to Long-Term Climate Prospects* (London: Routledge, 2026); Thomas Marois, *Public Banks: Decarbonisation, Definancialisation, and Democratisation* (Cambridge: Cambridge University Press, 2021).

⁴ HR&A Advisors, *San Francisco Municipal Finance Corporation: Business and Governance Plan and Viability Study*, prepared for the San Francisco Reinvestment Working Group (San Francisco: HR&A Advisors, May 10, 2023), <https://sfgov.legistar.com/View.ashx?M=F&ID=12189483&GUID=BB6E2B58-7284-4C25-8285-70199518CD06>.

⁵ List of interviewees: Frances Sawyer, Ramsay Stevens, Halah Ahmad, Khalid Samarrae, and Jackie Fielder.

2. **A discussion** of what has changed, and not changed, in San Francisco since 2023 when the public bank business plan was completed—including an updated needs assessment
3. **A presentation** of the new public bank impact model

The changing face of finance

Financialization occurs when financial flows are increasingly diverted away from production and consumption in the real economy, and toward asset markets and the pursuit of capital gains.

Finance and banking are critical components of any economy. They are the means by which businesses, residents, and governments make and receive investments in order to produce and consume goods and services. Ideally, finance and banking should be in service to communities—responding effectively to local needs around employment, housing, business creation, and more. However, over the past 50 years the US economy has undergone a profound process of “financialization”—which has accelerated extraction and instability in communities across the country.⁶

Financialization occurs when financial flows are increasingly diverted away from production and consumption in the real economy, and toward asset markets and the pursuit of capital gains. In the 1950s, US financial assets—stocks, bonds, and other financial instruments—were relatively equal to gross domestic product (GDP). Today, total domestic financial assets are over *five times* GDP.⁷

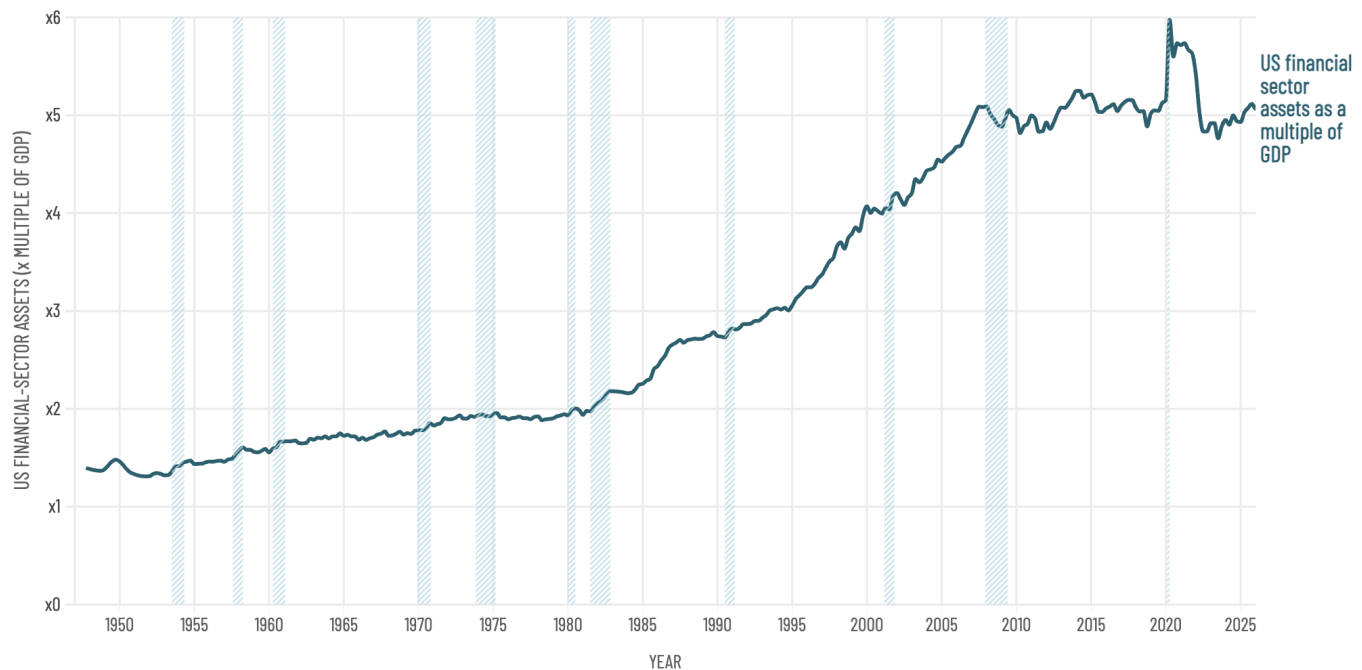
Take the housing market, for instance. For decades, mortgage lending was a relatively simple and productive process that allowed millions of people to own a home and build wealth. However, starting in the 1970s, the financial sector began creating a suite of highly lucrative financial products based on mortgages. This process of financialization of housing turned the ordinary home mortgage loan into an internationally interconnected web of speculative activity that was under-regulated. Housing became a risky financial process,

⁶ Brad Lipton, “What Is ‘Financialization’ and What Is It Doing to Our Country?” Roosevelt Institute, April 22, 2026, <https://rooseveltinstitute.org/blog/what-is-financialization-and-what-is-it-doing-to-our-country/>.

⁷ Board of Governors of the Federal Reserve System, “Domestic Financial Sectors; Total Financial Assets, Level/(Gross Domestic Product*1000),” graph, FRED, Federal Reserve Bank of St. Louis, accessed October 14, 2026, <https://fred.stlouisfed.org/graph/?q=WAtK>.

lucrative for some, that almost collapsed the world economy during the 2008 financial crisis and its aftermath.

US Financial Assets Have Grown from x1.2 to Over x5 GDP Since the 1950s



Note: Shaded areas indicate U.S. recessions.

Source: Board of Governors of the Federal Reserve System (US); U.S. Bureau of Economic Analysis via FRED®

In a financialized economy, wealth and power (both economic and political) flow upwards and concentrate in a small group of hands. This occurs primarily through the ownership, consolidation, and deployment of financial assets—the profits from which are then used to acquire more assets, wealth, and power. Those who have money (the capital-rich) use it to simply make more money (often at the expense of the capital-poor, that is, the rest of us).

It is no coincidence that as the US economy has become more financialized, income and wealth inequality has increased. Wealth inequality had been at a low point toward the end of the New Deal to Great Society era. Between 1987 and 2026, the number of billionaires worldwide rose from 140 to 3,428, and their collective net worth increased from \$850 billion to \$20.1 trillion (in 2026 dollars)—a 2,265

When financial speculation goes wrong and things like banks fail, taxpayers are on the hook for costs.

percent increase.⁸ While billionaire wealth has increased dramatically, average hourly earnings for “production and nonsupervisory workers” in the United States—which includes around *80 percent of US workers*—have barely risen since the 1970s when adjusted for inflation.⁹

Crucially, this process of concentrated and unequal wealth accumulation becomes increasingly disconnected from the actual production of goods and services that communities need and desire. As the International Monetary Fund (IMF) warned in 2012—echoing many other historical studies—high levels of financialization are associated with weaker economic growth and negative social returns.¹⁰ Moreover, in many cases ownership and control of financial assets does not produce new wealth but extracts wealth from others in the economy. Examples include rising rents, utility bills, and bank charges, or through share buybacks, mass layoffs, and real estate speculation. When financial speculation goes wrong and things like banks fail, taxpayers are on the hook for costs.

Connected with this process of financialization, the banking system has become increasingly consolidated and disconnected from local communities. In 1975, there were 14,384 banks across the United States; by 2025, this had fallen to just 3,806. California peaked at 484 banks in the late 1980s, while today it has a mere 110.¹¹ While this consolidation has not necessarily impacted the number of bank branches, it has significantly decreased local banking options and accelerated the extraction of wealth from local communities into the

⁸ Sean Kilachand, “Forbes History: The Original 1987 List Of International Billionaires,” *Forbes*, March 21, 2012, <https://www.forbes.com/sites/seankilachand/2012/03/21/forbes-history-the-original-1987-list-of-international-billionaires/>; Chase Peterson-Withorn, Grace Chung, and Matt Durot, “World’s Billionaires List,” *Forbes*, accessed October 15, 2026, <https://www.forbes.com/billionaires/>.

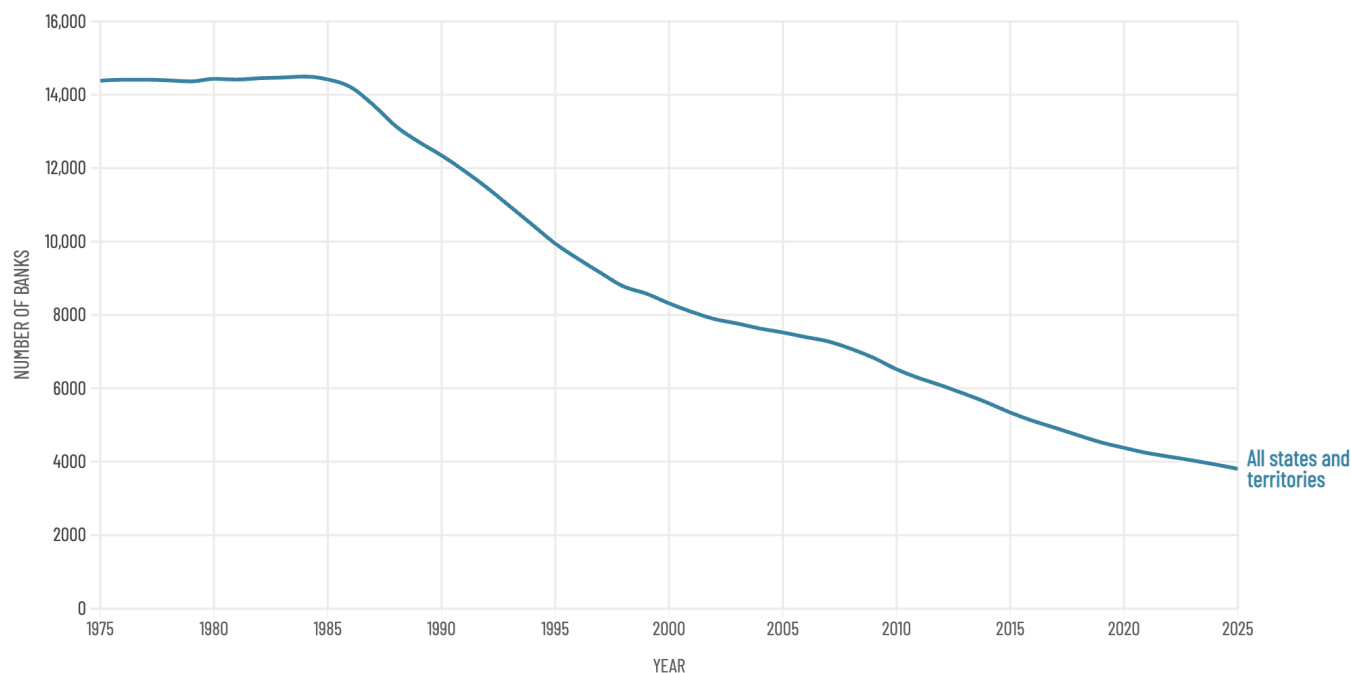
⁹ In 1975, average hourly earnings for this class of worker were \$31 in inflation-adjusted 2026 dollars. In September 2026, average hourly earnings for this class of worker were \$32.60. US Bureau of Labor Statistics, “Average Hourly Earnings of Production and Nonsupervisory Employees, Total Private (AHETPI),” graph, FRED, Federal Reserve Bank of St. Louis, accessed October 14, 2026, <https://fred.stlouisfed.org/series/AHETPI>.

¹⁰ Jean-Louis Arcand, Enrico Berkes and Ugo Panizza, “Too Much Finance?” IMF Working Paper WP/12/161 (Washington, DC: International Monetary Fund, 2012), <https://www.imf.org/external/pubs/ft/wp/2012/wp12161.pdf>.

¹¹ Federal Deposit Insurance Corporation, “Historical Bank Data,” FDIC BankFind Suite, accessed September 18, 2026, <https://banks.data.fdic.gov/bankfind-suite/historical>.

hands of a few massive Wall Street financial institutions and their investors.¹²

Consolidation of the US banking system, 1975–2025



Source: Federal Deposit Insurance Corporation (FDIC), Historical Bank Data, 1975–2025.

Financialization is neither a natural or neutral phenomenon. Rather, it is the consequence of a set of deliberate policy choices made by people and politicians over an extended period of time to the benefit of the already capital-rich. Since the 1970s, the finance and banking industry has chipped away at the strong regulatory regime that had been enacted after the 1929 financial crisis. Their efforts included the 1994 Riegle-Neal Interstate Banking and Branching Efficiency Act and the 1999 Financial Services Modernization Act (Gramm-Leach-Bliley Act). These policy choices allowed banks to grow in both scope and scale, and were extremely lucrative for financial institutions and their investors. But they also distorted the financial market by introducing

¹² Banking “deserts” do exist in many communities.

more risk, reducing oversight, and creating incentives for speculative (and often outright fraudulent) money-making activities.

When the market came crashing down in 2008, more finance-friendly policy choices were made, not the least of which involved the socialization of financial risks and the privatization of profits. The Bush administration responded with the Emergency Economic Stabilization Act of 2008, a massive, publicly-funded bailout package that saved most of the big banks and stabilized the financial system. While the creditors and investors of the imperiled large financial institutions were saved by the government, many others were not so lucky. Companies closed their doors, workers lost their jobs, people lost retirement savings, and home values crashed. Deprived of revenue, many municipalities were forced to sell public assets to patch their dramatic deficits, in moves that stripped city budgets of major revenue sources for decades to come. The combination of job losses and homes going “under water” (meaning that the value of a property became less than the amount owed in debt) led to a wave of foreclosures. Millions of people lost their homes—and thousands died.¹³

Why San Francisco needs a public bank

The modern public banking movement in the United States emerged from the 2008 financial crisis and Great Recession. The government bailouts were deeply unpopular and contributed to the subsequent emergence of populist socio-political movements on both the right (the Tea Party) and left (Occupy Wall Street).¹⁴ Within these broader

¹³ Justin Feldman, “Suicides during the Great Recession in the United States, Canada and Europe,” The Journalist’s Resource, Shorenstein Center on Media, Politics and Public Policy, Harvard Kennedy School, June 25, 2014, <https://journalistsresource.org/economics/suicides-during-great-recession-united-states-canada-europe/>.

¹⁴ David N. Bass, “Tea Partiers Rally Against Bailouts,” *The Carolina Journal*, April 13, 2009, <https://www.carolinajournal.com/tea-partiers-rally-against-bailouts/>; Michael Ray, “Tea Party Movement,” *Britannica*, last updated August 27, 2026, <https://www.britannica.com/topic/Tea-Party-movement>; Joanna Walters, “Occupy America: Protests Against Wall Street and Inequality Hit 70 Cities,” *The Guardian*, October 8, 2011, <https://www.theguardian.com/world/2011/oct/08/occupy-america-protests-financial-crisis>; Ed Rampell, “Revisiting the Protest Movement that Shook the One Percent,” *The Progressive Magazine*, December 16, 2025, <https://progressive.org/latest/revisiting-the-protest-movement-that-shook-the-one-percent-rampell-20251215/>.

formations, activists from across the ideological spectrum began to gravitate toward public banks as an institutional alternative to both financialization and the large Wall Street financial institutions responsible for the crisis and its aftermath.

Public banks are place-based financial institutions that are, at least in theory, owned by all people in a certain area. They are usually managed by banking professionals and governed indirectly by the public through government agencies (although more direct forms of democratic governance do sometimes exist). As such, they are distinct from for-profit commercial banks, membership-based banks (such as credit unions), and community banks. Public banks exist throughout the world, including in the United States where the highly successful Bank of North Dakota was an early inspiration for public banking advocates following the Great Recession.

In San Francisco, public banking advocates have developed a plan to create a municipal finance corporation (MFC) that would, potentially, convert to a public commercial bank (which would take city and/or individual deposits) in the future. The City and County of San Francisco retained consultants—HR&A Advisors, Inc., The Findley Companies, and Contigo Communications—to prepare a business plan, which was released in May 2023.

The business plan identified a “large gap in the local financial market” driven primarily by a long-term failure to provide equitable financing and banking opportunities for the city’s diverse communities and families—especially its low-income communities and communities of color.¹⁵ As discussed above, this failure is due, at least in part, to the process of financialization that has reduced local control over financial activities and fueled wealth extraction from communities. It is also due to longer patterns of racism and discrimination in the private financial market, including in home and business lending.

The market gap identified in the business plan “amounts to billions of dollars a year” and includes

¹⁵ HR&A Advisors, *San Francisco Municipal Finance Corporation*, 4.

- \$1.3 to \$2.4 billion per year (through 2030) for affordable housing development;
- around \$1.3 billion per year (through 2040) to implement the city's Climate Action Plan; and
- "several tens of millions of dollars annually" for local business lending.¹⁶

Annual financing gaps by sector

\$1.3-2.4B

Affordable housing
Per year through 2030

~\$1.3B

Climate action
Per year through 2040

\$10Ms

Small-business lending
Per year

Echoing numerous other reports, the business plan recognized a growing crisis in the city's housing market.¹⁷ In particular, the high cost of housing was causing many families—especially Black and Hispanic families—to spend a large, and increasingly unsustainable, portion of their income on rent.¹⁸ This was coupled with noticeable racial inequities in terms of rental waiting lists, rental fees, homeownership rates, and overcrowded dwellings. The business plan suggested that a public bank could help to address some of these problems at various stages of its development by providing patient and equity-like capital, short-term financing, gap financing, credit enhancements, loan and other guarantees, downpayment assistance, and homeowner assistance.

In the three years since the business plan was released, there has been no indication that the problems in San Francisco's housing market have improved. If anything, they have worsened. For instance,

¹⁶ HR&A Advisors, *San Francisco Municipal Finance Corporation*, 4–5.

¹⁷ Marjon Saulon, "How San Francisco Bay Area Residents Are Confronting a Persistent Housing Crisis," American Communities Project, August 3, 2021, <https://www.americancommunities.org/chapter/how-san-francisco-bay-area-residents-are-confronting-persistent-housing-crisis/>.

¹⁸ HR&A Advisors, *San Francisco Municipal Finance Corporation*.

the business plan used 2019 data that suggested around 35 percent of San Franciscans who rent were housing-burdened, meaning they spend more than 30 percent of their income on housing. Data from 2024 indicates that this has risen to 38 percent of San Franciscans.¹⁹ Moreover, an August 2026 report from the City's Office of the Controller found that rents for vacant apartments jumped by 14 percent in the second quarter of 2026 and housing prices rose by "double-digit rates."²⁰ According to Zillow, as of the end of September 2026, housing prices increased by 15.5 percent year-over-year in San Francisco.²¹ Multiple news reports attributed these increases to an "AI investment boom" that threatens to greatly exacerbate the city's housing affordability problems.²² As more capital flows into San Francisco-based AI companies, their investors and workforces have more income to use for home purchases, which drives up costs given the tight supply.

In terms of small businesses and local economic development, the business plan identified serious racial and economic inequalities and suggested that this "highlights a lack of equal economic opportunities and social mobility in the City."²³ In particular, the percentage of employer businesses owned by Black and Hispanic residents was lower than national averages (1.5 percent versus 2.5 percent and 3.5 percent versus 5.5 percent, respectively). The business plan identified a lack of access to financial services along with a legacy of racial bias as contributing factors, and suggested that a public bank could begin to address these issues by providing growth capital (for loans between \$350,000 and \$1 million), startup capital (at levels of between \$50,000 and \$100,000), lines of credit, credit enhancements, and marketing funds.

¹⁹ Metropolitan Transportation Commission and Association of Bay Area Governments, "Housing Affordability," Vital Signs, last updated June 2026, accessed September 18, 2026, <https://vitalsigns.mtc.ca.gov/indicators/housing-affordability>.

²⁰ City and County of San Francisco, Office of the Controller, *Status of the San Francisco Economy: 2026 Second Quarter* (San Francisco, August 3, 2026), https://media.api.sf.gov/documents/Status_of_the_San_Francisco_Economy_202602.pdf.

²¹ "San Francisco, CA Housing Market," Zillow Homes Value Index, Zillow, accessed October 14, 2026, <https://www.zillow.com/home-values/20330/san-francisco-ca/>.

²² Samantha Delouya, "A million dollars over asking: AI wealth is fueling housing market frenzy in San Francisco," *CNN*, last updated August 17, 2026, <https://www.cnn.com/2026/08/17/economy/sf-real-estate-ai-wealth>; Jennifer Ludden, "AI wealth is creating a 'mansion shortage' and upending San Francisco's housing market," *NPR*, September 1, 2026, <https://www.npr.org/2026/09/01/nx-s1-5930432/ai-san-francisco-housing-market-real-estate>.

²³ HR&A Advisors, *San Francisco Municipal Finance Corporation*, 10.

Racial and ethnic disparities in San Francisco business ownership, 2023



Note: Population shares are approximate. White ownership figures are shown for 2023 only.

Source: National Center for Science and Engineering Statistics, US National Science Foundation, and US Census Bureau, "Annual Business Survey: Statistics for Employer Firms by Race for the U.S.: 2023."

As with affordable housing, there are no signs that the disparities in small business ownership have improved since the business plan was released. Using data from 2019, the business plan found that 1.5 percent of employer businesses in San Francisco were owned by Black people, who made up 6 percent of the city's population. It found that 3.5 percent were owned by Hispanic people, who made up 16 percent of the city's population. Data from 2023 shows little improvement in these ratios: 1.3 percent (out of a population of around 5 percent) for Black people and 5.3 percent for Hispanic people (out of a population of around 16 percent).²⁴ By contrast, 59 percent of employer businesses were owned by white people, who made up just 37 percent of the city's population.²⁵

In other words, while there has been a small improvement in Hispanic business ownership, Hispanic business owners remain severely underrepresented compared to Hispanic weight in the city's population. The percentage of Black-owned businesses has fallen in tandem with the city's Black population. And white-owned businesses

²⁴ Figures calculated by dividing the number of employer firms for each race/ethnicity by the total number of firms. National Center for Science and Engineering Statistics, US National Science Foundation, and US Census Bureau, "Annual Business Survey: Statistics for Employer Firms by Race for the U.S.: 2023," Economic Surveys, ECNSVY Annual Business Survey Company Summary, table AB00MYCSA01C, 2025, accessed October 15, 2026, <https://data.census.gov/table/ABSCS2023.AB00MYCSA01C?q=AB00MYCSA01C&q=050XX00US06075>; National Center for Science and Engineering Statistics, US National Science Foundation, and US Census Bureau, "Annual Business Survey: Statistics for Employer Firms by Ethnicity for the U.S.: 2023," Economic Surveys, ECNSVY Annual Business Survey Company Summary, table AB00MYCSA01B, 2025, accessed October 15, 2026, <https://data.census.gov/table/ABSCS2023.AB00MYCSA01B?q=AB00MYCSA01B&q=050XX00US06075>.

²⁵ National Center for Science and Engineering Statistics, US National Science Foundation, and US Census Bureau, "Annual Business Survey: Statistics for Employer Firms by Race for the U.S.: 2023."

These investments would focus on reducing the city's climate impact and mitigating the effects of the climate crisis, while also applying an equity lens in order to address disparities in who is impacted by both pollution and the climate crisis.

remain significantly overrepresented compared to white weight in the city's population.

The third major line presented in the business plan is green lending. Specifically, the plan envisioned the MFC serving as "San Francisco's 'green bank,' a mission-driven financial institution that uses public funds to make and incentivize green investments."²⁶ These investments would focus on reducing the city's climate impact and mitigating the effects of the climate crisis, while also applying an equity lens in order to address disparities in who is impacted by both pollution and the climate crisis. To help the city meet its climate and equity goals, the business plan suggested that the bank could provide short-term loans and lines of credit for building upgrades (including electrification, energy efficiency, and EV charging) as well as provide financing for electric vehicle infrastructure (especially as it relates to buses and public vehicle fleets).

In 2023, most people—including the authors of the business plan—assumed that there would be significant sources of federal funding flowing to cities and states to address the climate crisis and accelerate a transition to clean energy. This includes the Inflation Reduction Act's \$27 billion Greenhouse Gas Reduction Fund (GGRF). However, following the second election of Donald Trump, in 2025 Congress repealed unspent funding for the GGRF.²⁷ While some of that repealed funding is being contested in court, more generally the federal government has indicated that it is unlikely to provide significant new climate funding in the near future.

At the same time, San Francisco's climate and energy needs have only accelerated. In 2026, the city released an updated Climate Action Plan, which envisions the city reaching net-zero emissions by 2040 along with a host of other environmental and climate-related goals. As with previous plans, it anticipates a funding need of up to \$21.9 billion to achieve these goals. Concurrently, the report identifies

²⁶ HR&A Advisors, *San Francisco Municipal Finance Corporation*, 4.

²⁷ US Environmental Protection Agency, "Greenhouse Gas Reduction Fund," last updated September 9, 2026, accessed September 18, 2026, <https://www.epa.gov/aboutepa/greenhouse-gas-reduction-fund>. In August 2026, a federal appeals court ruled that the EPA's effort to clawback \$20 billion in grants awarded by GGRF was unlawful. However, at the time of writing, these funds are still frozen pending the EPA's potential appeal to the US Supreme Court. See: Jonathan Stempel, "Trump's EPA Was Wrong to Terminate Billions in Climate Grants, US Appeals Court Rules," *Reuters*, August 4, 2026, <https://www.reuters.com/business/energy/epa-cannot-block-billions-climate-grants-us-appeals-court-rules-2026-08-04/>.

shifting financial conditions in the city that may make funding more difficult—specifically, a looming budget shortfall of up to \$1.2 billion by 2029.²⁸

San Francisco's climate and fiscal challenges

\$21.9B

Climate Action Plan
Funding needed by 2040

\$1.2B

Budget shortfall
Projected by 2029

\$13.5B

Waterfront resilience
Estimated investment needed

The financial needs identified in the Climate Action Plan are likely only a fraction of what the city will need to mitigate and adapt to the climate crisis in the coming years.

Moreover, the financial needs identified in the Climate Action Plan are likely only a fraction of what the city will need to mitigate and adapt to the climate crisis in the coming years. For instance, the city is also actively planning to defend its extensive coastline and vulnerable infrastructure against anticipated sea level rise. A recent plan suggests that this could cost \$17.8 billion, which would have to come from a combination of federal, state, city, and private sources.²⁹ A public bank could, potentially, provide bridge financing, short-term lending, and loan guarantees that could help facilitate and assemble the larger, longer-term funding that this type of project will need. It might also collaborate with the California Infrastructure and Economic Development Bank (IBank) to co-finance, in the public interest, larger community resilience projects.

In short, San Francisco's need for green lending and investment has not diminished since the business plan was released, and a public bank would still play an important role in achieving the city's climate goals. This is specifically acknowledged in the 2026 Climate Action Plan, which includes a section on the possibility and potential of a Green Bank with service delivery provided through the proposed MFC.³⁰

²⁸ San Francisco Environment Department, "San Francisco's Climate Action Plan 2026," 2026, <https://www.sfenvironment.org/climateplan>.

²⁹ Jacobs Engineering, "Recommended Plan Highlights," Port of San Francisco, August 2026, https://www.sfport.com/sites/default/files/2026-08/260817_Highlights%20Document_Rec%20Plan.pdf.

³⁰ San Francisco Environment Department, "San Francisco's Climate Action Plan 2026," 102.

Lastly, the 2023 business plan indicated that one of the principles of the MFC would be “community wealth building” (CWB), a rapidly growing paradigm in economic development that “transforms local economies based on communities having direct ownership and control of their assets.”³¹ In practice, this means developing community-based institutions (such as cooperatives, community land trusts, community development corporations, social enterprises, etc.), connecting them with local public and nonprofit institutions, and integrating both into wider efforts to create more democratic, sustainable, and equitably prosperous local economies.

While not specifically addressed in the business plan, a San Francisco public bank could help catalyze CWB by providing financing to democratic organizations across all three of its primary business lines:

- **Local enterprises:** worker cooperatives, employee stock ownership plan (ESOP) companies, and social enterprises
- **Affordable housing development and homeownership:** community land trusts, limited equity cooperatives, and resident-owned communities
- **Green investments and environmental justice:** public, community, and cooperative clean energy facilities and installation/maintenance

Additionally, if and when the bank becomes a deposit-taking institution, it could become an entity in which anchor institutions such as hospitals and universities place funds to support their own CWB and community empowerment initiatives—thus doubling the potential impact of CWB efforts in the city.

Funding and supporting these types of democratic and community-based organizations and approaches could help the San Francisco public bank leverage its economic and social impact. For instance, funding shared-equity housing models can make affordable housing investments permanent rather than a temporary subsidy.

³¹ The Democracy Collaborative, “Community Wealth Building,” accessed September 18, 2026, <https://www.democracycollaborative.org/community-wealth-building>.

Supporting worker cooperatives can enhance the economic multiplier effect that is already well documented with regular local business lending. At the same time, as public banks develop technical expertise and capacity, they become knowledge banks capable of further supporting local authorities and communities.

Potential impacts of the San Francisco public bank

Once established, the leadership of the new San Francisco public bank will be empowered to make many business decisions within the parameters established by the city charter and other governing documents. Therefore, it is impossible to test all potential impacts of the bank in advance. At present, we must rely on many of the assumptions and evaluations presented in the 2023 business plan, which evaluated a variety of loan types and markets, and provided a ranking of those lines of business, according to their risk and potential impact.

For the purposes of this brief, we have chosen three of the higher-impact lines: bridge lending for housing construction, construction capital for solar energy projects, and loan guarantees for small businesses. We assume, as the authors of the business plan did, that these loans are being made in participation with some other lender, who is largely responsible for the acquisition and marketing costs. We further assume that the bank—initially structured as an MFC—will be able to fill out its portfolio and that the limits on its lending will be the financial limits, rather than inadequate demand.

- **Housing:** We assume housing bridge loans cover between 25 to 35 percent of a development's project cost, that the bank covers 60 percent of the loan amount, and that the average term of the loan is 18 months. We assume a default rate of 4 percent.
- **Energy:** We assume the bank funds 50 percent of the project cost and the average term of the loan is five years. We assume a default rate of 2 percent.

- **Business lending:** We assume the bank offers a guarantee on 100 percent of a loan or line of credit, in exchange for a fee of two points of the guaranteed amount, which lowers the interest rate on business credit. We assume a default rate of 5 percent.
- **Interest rate spread:** We assume the bank earns 2 to 2.3 percent more on the loans it makes than it pays on its bonds and deposits.

Proposed funding and transition to a public bank

YEAR 1	YEAR 2	YEAR 3	YEAR 4
\$20M	\$10M	\$10M	\$20M
Capital investment	Capital investment	Capital investment	Capital investment
\$6M	\$24M	\$20M	
Short-term debt	Short-term debt	Short-term debt	Deposits enabled
MFC established	Additional funding	Additional funding	Depository bank transition

Note: Year 1 capital investment is \$20 million before startup expenses (\$19.5 million net). Figures reflect original business-plan assumptions, before the 20% inflation adjustment applied in the subsequent modeling.

The business plan postulates a \$20 million initial investment in the MFC, translating to \$19.5 million after startup expenses, then \$10 million in year two and \$10 million in year three. It also assumes \$50 million in funding in the form of short-term debt, with \$6 million in year one, \$24 million in year two, and \$20 million in year three. Becoming a depository bank in year four accompanies both a further \$20 million increase in capital investment from the city as well as the ability to accept deposits, mainly from government agencies and large nonprofits.

We have increased all the dollar amounts in the business plan by 20 percent to account for inflation since 2022. Using all these assumptions, we developed a model of the bank and ran a simulation of it for ten years, 1,000 times. The variation between these runs is

largely in the size and impact of credit defaults. Using a model does not account for losses by simply allocating reserves but by actually simulating the defaults and booking them. Despite this, at the end of year 10, the bank came out safely above the important capital ratios in every test. This result reflects our assumption of very conservative bank management.

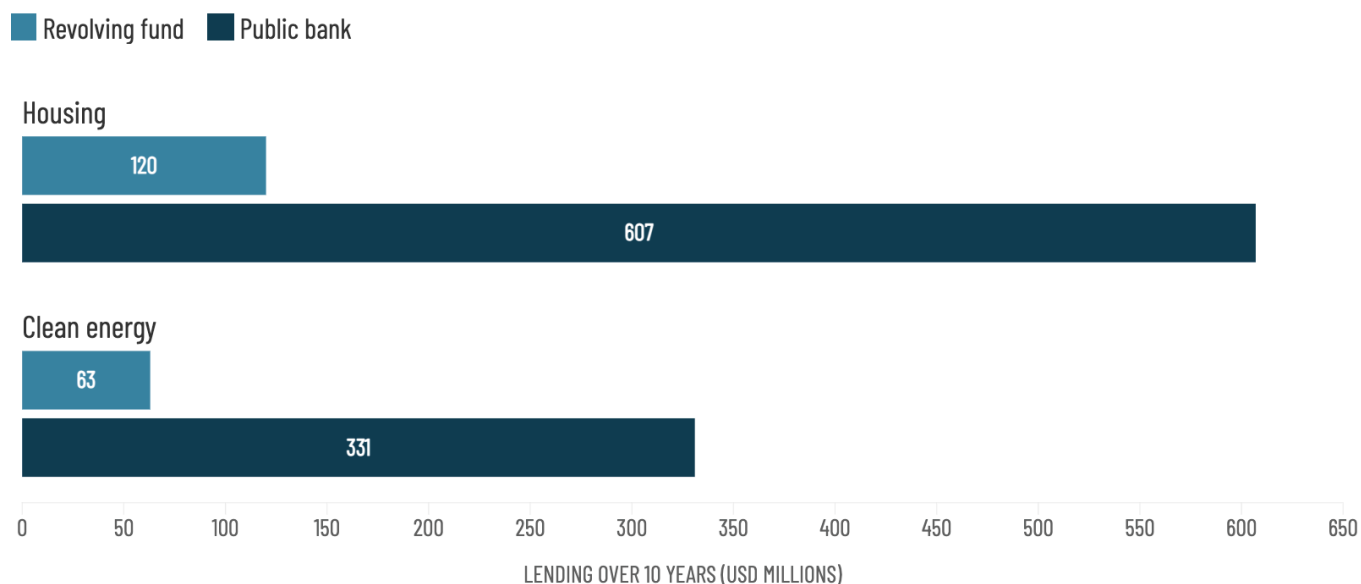
In our model, the bank averages the following over the course of those ten years of operation:

- It makes \$607 million in housing bridge loans. Including the loans leveraged from participating lenders, this amounts to more than \$1 billion in lending, potentially providing financing for 5,000 to 6,000 affordable units.
- It makes \$331 million in energy loans. Assuming 50 percent participation and using industry-standard benchmarks, this amounts to about 237 megawatts of rooftop solar capacity.
- It guarantees 1,200 small business loans, totaling more than \$60 million.
- It returns about \$2.3 million to the depositors and bond holders.

The business plan outlines a fairly conservative public bank, both in its operation and establishment. The bank will not lend more than it can afford to risk, or accept more funding than it can use. However, while it is important to run the bank in a conservative fashion, this does not mean shying away from all risk in lending. Rather, it means making sure the bank has capital ratios and loss reserves adequate to withstand the inevitable losses, as we have done in our model. This kind of financial strength will give the bank the ability to act where others cannot and thus give it the greatest impact, especially in low-income communities. Traditional banks often choose to simply avoid the perceived risks that, rightly or wrongly, come to be associated with such communities. Building a bank resilient enough to look beyond those risks to the merits of a proposed loan is an important public service to those communities and the city as a whole.

The funding for the bank consists of both the capital appropriated and invested into it, as well as short-term bonds and deposits. That second category, the bank's liabilities, is how a bank maximizes the utility of the first. If we imagine the same sums appropriated (discussed above), but only to a revolving fund that has no other source of funding, after a decade of operation, the city would see around \$120 million in additional housing credit extended and \$63 million in energy loans. That is less than a fifth of what is possible as a fully operational bank.

A public bank could generate five times more lending than a revolving fund



Source: Climate and Community Institute

While conservative operation is important, it is not clear that a conservative size is as important. Does a small size equate to less risk? Obviously, the less ventured, the less risk, but also the less that could be gained. The 2023 business plan envisioned a bank small enough to be uncontroversial, envisioning that it would, over time, develop into something more weighty. However, as documented above, the need for a public bank in San Francisco is substantial. There are many important economic, geographic, and demographic sectors that remain underserved and underinvested in an economy

supported only by private banks. It is worth considering whether modest ambitions are, in fact, the less risky course of action.

There are valid public policy motivations for creating and supporting a public bank, and taking those issues seriously means considering whether the real risk to the city is that the bank anticipated in the business plan is too small. To enlarge the vision, all of the numbers involved in the operation of the bank scale in a linear fashion. That is, investing twice as much money in the bank would result in a bank twice as large. The limiting factors are demand for lending and the supply of deposits.

The potential supply of deposits is ample. According to recent financial statements, the City and County of San Francisco and its associated agencies hold current assets of more than \$12 billion, mainly in bank deposits and bonds.³² The projections here would occupy \$250 million of that, or less than 2 percent. Though the bank has an interest in avoiding concentration risk, there is considerable room to increase the deposits anticipated by the business plan simply by ensuring that the bank handles more of the City's current assets. Beyond the City's own treasury, there are several other potential investors in bank liabilities, including area banks, investment funds, foundations, and endowed institutions. Though marketing these deposits might initially be an obstacle, there seems little financial upper bound to the supply of potential funders.

Lending demand is another story. As the size of a bank increases, it eventually becomes more challenging to fill out its loan portfolio. However, the bank described in the 2023 business plan and here would make relatively small-scale housing and energy loans. Larger investments in those categories not only exist, but will probably become important components of the city's future housing and energy strategy. Because some of that lending would potentially be for longer terms, direct lending from the bank might not be the optimal strategy. However, a thriving public bank would offer many other options: perhaps by pursuing a capital growth strategy to guarantee larger bonds, perhaps by partnering with other city

According to recent financial statements, the City and County of San Francisco and its associated agencies hold current assets of more than \$12 billion, mainly in bank deposits and bonds.

³² Office of the Controller, Greg Wagner, "Annual Comprehensive Financial Report, Year ended June 30, 2025," City and County of San Francisco, CA, accessed October 15, 2026, <https://media.api.ssf.gov/documents/ACFR-2025.pdf>.

By keeping capital circulating within the local economy, partnering with existing local lenders, and focusing on areas that are underserved by traditional financial institutions, a public bank can help expand access to affordable housing, support local business development, accelerate climate investments, and strengthen community wealth building initiatives.

institutions, or perhaps by accepting longer-term investments instead of the short-term notes and deposits currently anticipated.

In other words, leaving aside political considerations, there is both a need and a mechanism for increasing the size of the bank—and thus enhancing its potential economic, social, and ecological impact.

Conclusion

San Francisco faces escalating economic, social, and ecological challenges that a business-as-usual approach to finance cannot adequately address. Housing access and affordability continues to deteriorate, small business ownership remains marked by significant racial and economic disparities, and there is growing concern that the city's ambitious—and necessary—climate and infrastructure goals might be imperiled by both policy changes and fiscal constraints. At the same time, broader national and international patterns of financialization and banking consolidation continue to limit local control over critical financial and investment decisions.

A public bank cannot immediately solve all these challenges. However, it can provide San Francisco with a powerful new public institutional tool to align financial resources with public priorities. By keeping capital circulating within the local economy, partnering with existing local lenders, and focusing on areas that are underserved by traditional financial institutions, a public bank can help expand access to affordable housing, support local business development, accelerate climate investments, and strengthen community wealth building initiatives.

The modeling presented in this brief suggests that even a relatively modest and conservatively managed institution—launched initially as an MFC—could generate substantial economic, social, and environmental benefits over its first decade of operation. Through housing finance, clean energy lending, and small business support, the bank would leverage public resources to unlock significantly larger pools of investment while maintaining prudent financial safeguards. Importantly, these impacts would not be one-time public

expenditures but part of a revolving system capable of producing benefits year after year.

Ultimately, the question facing San Francisco is not whether there is a need for greater investment in housing, local enterprise, climate resilience, and community wealth building. On this, the evidence is clear and uncontroversial. The real question is whether San Francisco is willing to create the financial infrastructure necessary to meet those challenges at the scale they demand. A local, democratically-governed, professionally-managed public bank offers one promising path forward.