

2026

Cal IIP: A Proven Tool To Meet California's Biggest Challenges



Executive Summary

The California Dream is slipping out of reach as families across the state struggle with the combined costs of housing, healthcare, childcare, and everyday necessities, and communities work to create jobs and keep local economies stable and competitive.

Addressing this affordability challenge means tackling its biggest drivers. California needs an estimated 1.3 million additional affordable housing units and roughly 1 million new early childhood education and child care slots so parents can fully participate in the workforce. And, because affordability is inseparable from income, the state must support entrepreneurship, the creation of quality jobs, and small businesses in every region.

The Legislature has taken meaningful action to address these challenges by passing reforms and new policies. The challenge is now delivery: making sure those policies actually result in housing being built, child care slots increasing, health care access expanding, and jobs being created.

The question facing California is how to deliver these priorities at scale. How do we get affordable, flexible investment flowing to turn these reforms into results?

The state cannot fund this production on its own—even in normal times, and especially as budget pressures grow. California's task is to bring private and philanthropic dollars off the sidelines and direct it toward public priorities.

Three years ago, through an initial commitment of \$50 million in state funding, California established one of its most effective tools for meeting these challenges head-on, the California Investment and Innovation Program (Cal IIP). Although the program has been an enormous success, its initial funding will soon run out. California must renew its investment in this important economic engine.

Through Cal IIP, the state partners with Community Development Financial Institutions (CDFIs) to unlock private investment, strengthen local economies, and deliver results in communities where traditional financing falls short. CDFIs are mission driven lenders, most of them nonprofits, that exist to finance solutions that meet the needs of low- and moderate-income communities. These trusted local lenders support small businesses, expand housing access, and create jobs in communities across California, from city centers in Los Angeles and Oakland to farming communities in the Central Valley, and mountain towns in the Sierras.

Cal IIP works because it stretches public dollars further. By pairing state investment with private capital, the program delivers outsized returns for California's economy.

The impacts of public investment in CDFIs' are clear. Since the US Treasury began keeping data, CDFIs have made \$28.3 billion in low-cost loans in our state, fueling the economic opportunities, affordable housing, and community services that make our state strong and ensure prosperity is shared in every region.

Scope of CDFI Impact

Since 2005, CDFIs in California have:

- Created or retained over 700,000 jobs
- Enabled almost 3 million healthcare visits, ensuring vital medical care for families and communities statewide
- Built or rehabilitated nearly 180,000 affordable homes, creating stable housing for families
- Funded over 240,000 small businesses loans, driving entrepreneurship at the local level
- Created nearly 260,000 educational and child care slots for young children and their families

Cal IIP helps to further expand these impacts, driving additional public and private investment to meet critical needs.

What we're asking:

Renew funding for the successful California Investment and Innovation Program with a one-time investment over three years of \$50 million in the 2026–2027 state budget.

Cal IIP is already delivering measurable results and the smartest path forward is not to launch new programs, but to invest in proven tools and grow what works. It is a bipartisan, fiscally responsible investment that strengthens California's economy, ensuring growth reaches every corner of the state.

A \$50 Million Investment that Multiplies Impact

At a moment when communities need capital that can move quickly and efficiently, Cal IIP is already built to deliver. A renewed \$50 million investment in Cal IIP will allow California to build on a program that is already delivering results for California families.

Rather than functioning as a traditional grant program, Cal IIP is designed to multiply impact. By partnering with CDFIs, state dollars unlock private investment that would not otherwise reach small businesses, affordable housing developers, and other local community projects.

With renewed funding, Cal IIP will:

- Mobilize hundreds of millions of dollars in private investment
- Support job creation and retention statewide
- Expand access to capital for small businesses and housing projects
- Deliver returns that far exceed the initial public investment

CDFIs are already embedded in the communities they serve and are prepared to deploy capital efficiently and responsibly. Renewing Cal IIP ensures that California continues to benefit from this proven infrastructure, turning public dollars into real economic outcomes.

How Cal IIP Achieves an 8:1 Return on Investment

Cal IIP's strength lies in its ability to leverage public investment.

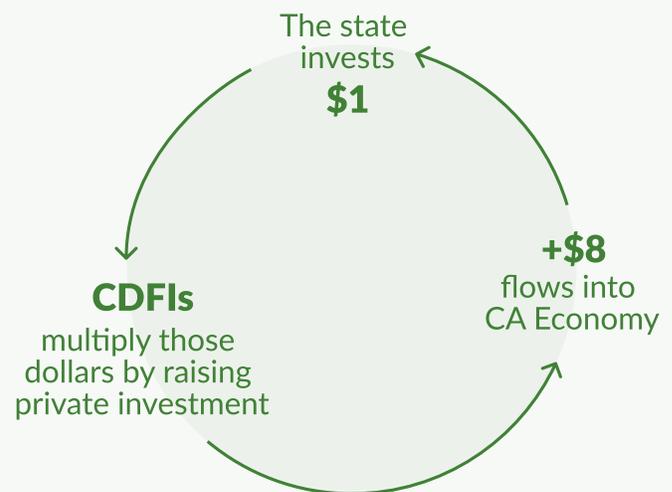
“So how does this leverage work — and what can California expect in return?”

Rather than operating as a traditional grant program, Cal IIP channels funding through CDFIs, which then combine state dollars with private capital from banks, foundations, and investors. This blended approach dramatically increases the scale of impact.

Because CDFIs have strong underwriting standards and accountability mechanisms, Cal IIP dollars are used responsibly while achieving scale. And, by supporting CDFIs working in tribal, rural, suburban, and urban communities, Cal IIP makes sure Californians in every district can access the resources they need to build homes, grow businesses, and expand essential services.

This is why Cal IIP consistently delivers one of the strongest returns of any economic development investment in the state.

In simple terms:



This model:

- Reduces risk by sharing responsibility across public and private partners
- Attracts capital that would not otherwise be invested
- Ensures funds are deployed by lenders with deep local knowledge

What Cal IIP Delivers for California Communities

Cal IIP investment translates directly into outcomes Californians care about.

Housing

CDFIs invest in projects that help expand the housing supply, stabilize neighborhoods, and reduce long-term pressure on housing costs — particularly in communities underserved by traditional lenders.

Small Business

Small businesses are the backbone of California's economy, but many face barriers to accessing affordable capital that they need to launch or expand their business. Cal IIP provides flexible financing through CDFIs that helps entrepreneurs start, grow, and sustain businesses, driving local economic activity and long-term resilience.

Jobs

By supporting small businesses and community development projects, Cal IIP helps create and retain jobs across California. These investments strengthen local economies, support working families, and ensure that economic growth reaches communities often left out of traditional financing.

Health Care

Cal IIP strengthens access to affordable, community-based health care by supporting CDFIs that finance clinics, behavioral health providers, and other essential services. These investments help providers expand capacity, modernize facilities, and operate sustainably, reducing long-term strain on emergency systems and public health budgets.

Child Care

Cal IIP supports working families by financing child care providers through CDFIs, helping them expand capacity, improve facilities, and remain financially viable. Access to affordable child care enables parents to participate in the workforce and supports the stability of local businesses and economies.

Impact in Practice & Why Renewal Matters

Since its launch, Cal IIP has demonstrated that strategic public investment can unlock meaningful economic opportunity.

ICA Fund used Cal IIP funds to scale its Seed Capital investments— \$50,000 or smaller micro-equity infusions for entrepreneurs who complete its accelerator program. The vast majority of ICA's clients are women and people of color, in an industry where women, Black, and Latino founders each receive less than 3% of traditional venture capital investment.

Housing Trust of Silicon Valley used the Cal IIP funds to provide early stage, long-term investment to build and preserve affordable housing. The grant funds will be leveraged with private investment to create more equitable communities by financing mission-aligned, multifamily developments that create affordable housing options for our most vulnerable neighbors.

Rural Community Assistance Corporation (RCAC) used a Cal IIP grant to partially fund four water infrastructure loans totaling \$2.7 million, supporting \$8.3 million in total projects. These investments ensure safe drinking water in rural areas, bridging gaps in environmental justice and community well-being in California.

Economic Justice Fund used its Cal IIP grant award to fund their equitable Opportunity Loan Initiative that provides affordable alternatives to predatory payday lending and helps low-income Californians rebuild credit.

Westwater Financial, a Native American CDFI in Sonoma, makes emergency loans to help people overcome challenges like a car breakdown or an unexpected job loss. Federal funding cuts in the last year forced Westwater to lay off staff and even consider closing. However, a recent Cal IIP grant for small and emerging CDFIs will allow them to continue meeting urgent needs in their community.

Low-Income Investment Fund (LIIF) and Capital Impact Partners (CIP), supported by Cal IIP, financed the 560 Virgil project in Los Angeles. This 40-unit Single Room Occupancy (SRO) development houses formerly unhoused individuals and preserves affordability for longtime residents. With a \$3.525 million loan and a \$100,000 Cal IIP-backed loan loss reserve, CIP mitigated risks to finance a project that many traditional lenders would deem too risky.

Renewing Cal IIP ensures this impact continues.

A \$50 million, three-year investment in the 2026–2027 state budget will allow California to:

- Preserve a proven economic development tool
- Continue leveraging private capital at scale
- Deliver inclusive economic growth efficiently and responsibly

Cal IIP is working. Renewing funding is a common-sense step to keep it working for California.

Frequently Asked Questions

What are CDFIs?

CDFIs are mission-driven lenders that exist to finance the needs of people and communities that are underserved by the traditional financial system. CDFIs are certified by the United States Department of Treasury, ensuring that their lending serves low-income people. Most certified CDFIs in California are nonprofit loan funds, but there are also CDFI-certified credit unions, banks, and venture capital funds.

What do they do?

CDFIs make loans that address some of California's biggest public policy challenges. Those include loans to build or rehabilitate affordable housing; to start and grow small, local businesses; and to provide critical community services such as child care, medical care, or nutritional assistance.

Who do they serve?

Under their federal certification, CDFIs are required to primarily serve a community development mission. For most CDFIs, that means a majority of their lending directly benefits low-income individuals and communities. Other CDFIs may serve defined populations, including Native Americans or people with disabilities.

Where do CDFIs work?

CDFIs work everywhere in the state, serving urban, rural, and tribal communities. CDFIs made loans in 56 of the state's 58 counties in 2023, the most recent year for which federal data is available. On average, counties each received over \$35 million in CDFI investments.

Do other states have CDFI programs?

Yes. Cal IIP is a national model for how states can ensure a robust community development financial system, but a number of other states have developed their own CDFI programs in recent years. Those include Michigan, Virginia, Washington, New York, and Pennsylvania.

Frequently Asked Questions

Why Do CDFIs exist? How is their lending different from other financial institutions?

Unlike commercial financial institutions, CDFIs have a mission to benefit low-income communities. That means they provide responsible, affordable loans to people and projects that aren't well served by traditional banks. CDFIs pair their loans with advisory services, helping businesses to grow and communities to address critical needs.

Which state agency administers Cal IIP?

Cal IIP is administered by the State Treasurer's Office, as a program of the Capital Programs & Climate Financing Authority (CPCFA). CPCFA has so far issued three successful Cal IIP grants rounds between 2024 and 2026.

Who is eligible to receive a grant from Cal IIP?

Cal IIP eligibility is open to all federally certified CDFIs doing a minimum volume of lending in California. It is a formula based grant, making it simple and cost-effective for the state to administer. A unique feature of Cal IIP is that a portion of the total grant pool is reserved for "small and emerging" CDFIs, to seed new lending to address unmet community needs.
