Michael S Barr: Developing communities through public-private partnerships

Speech by Mr Michael S Barr, Member of the Board of Governors of the Federal Reserve System, at the 2026 National Community Investment Conference, Phoenix, Arizona, 24 March 2026.

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Thank you for inviting me here today. Let me also thank those at all 12 of the Reserve Banks, the Board of Governors, and the staff at FedCommunities for their efforts to bring this year's National Community Investment Conference (NCIC) to life, and a special thanks to the San Francisco Fed for hosting the conference here in Phoenix.[1]

Thirty years ago, I visited neighborhoods in the South Bronx alongside then-Treasury Secretary Robert Rubin. Instead of the blighted neighborhoods that for years had attracted such negative attention, we saw new homes, safer streets, small businesses thriving, and a strong sense of community pride. What we saw was the power of public–private partnerships, community development financial institutions, the low-income housing tax credit, and above all, the Community Reinvestment Act (CRA) making a real difference on the ground. That visit reinforced my conviction that public policy could play a meaningful role in supporting private capital coming to underserved neighborhoods and expanding opportunity where it is most needed.

And that's what today's conference is all about.

This is the kind of event that shows the impressive range and diversity of efforts to support communities around the Federal Reserve System and also how much we can accomplish when those efforts are united and coordinated. Like community development itself, the Fed's support of community development is a team effort.

This conference also demonstrates how important community development is in carrying out the Fed's responsibilities. Stronger communities are essential to a healthy economy and a strong and stable financial system, and we advance those objectives through our mission of supporting community development.

As I said, one lesson for me from three decades of working on community development, inside and outside government, is the pivotal role of public–private partnerships. Successful community development requires broad participation. Uniting and activating all of the constituent parts of a community necessarily includes the businesses that provide the jobs, supply the essential goods and services, and are otherwise vital infrastructure of the areas they serve. Aligning the goals of businesses-which play all these roles while also trying to earn a profit-with the rest of the community is furthered when the public and private sectors choose to be partners. Nonprofit community organizations have critical roles to play in bringing local voices to the table, navigating complex community dynamics, providing specialized knowledge of local conditions, and specialized skills for community development finance. Government at the local, tribal, state, and federal levels have key roles to play in providing accountability, incentivizing partnerships by filling critical financing gaps, providing critical infrastructure, and making sure the rules of the road are fair, transparent, and efficient.

In these remarks, I will discuss how the Community Reinvestment Act and the Fed's implementation of it have supported public–private partnership, including four CRA-driven community development efforts lifting up their local economies.

Before I turn to those subjects, and because community development is important to a healthy economy, I would like to touch on last week's meeting of the Federal Open Market Committee, where we discussed recent economic developments and our views on the appropriate path for policy. As you may know, the FOMC decided to hold its policy rate steady for a second consecutive meeting. I supported this decision, and it is my view that we may need to keep rates steady for some time as we assess economic conditions. After cooling last year, the labor market appears to be stabilizing with low levels of job creation, and also low levels of people entering our workforce. We continue to contend with inflation notably above the FOMC's 2 percent goal. Goods inflation escalated over the last year, and non-housing services inflation has remained elevated. While I am hopeful that inflation will fall as the effects of tariffs on prices wane later this year, I would like to see evidence that goods and services price inflation is sustainably retreating before considering reducing the policy rate further, provided labor market conditions remain stable. Moreover, the conflict in the Middle East raises additional risks. Higher oil prices tend to pass through pretty quickly to gasoline prices, and higher gasoline prices can be particularly painful for low- and moderate-income families.

Let me return to public–private partnerships, and their importance to community development, and more broadly. Some of the earliest and most enduring public–private partnerships in America were employed to build our country. It started with turnpikes and toll roads, ferries and bridges, then railroads. Public–private partnerships built the towns that grew up on those rail lines, the drinking water systems and other infrastructure that allowed cities to grow, and the irrigation and other commercial infrastructure that farmers and ranchers needed.

But infrastructure is not just the built environment, it is also the people in a community, and there is a similarly long tradition in the United States of government and industry teaming up to pursue their mutual interest in building stronger communities. This tradition is a recognition that, in a democracy accountable to the people that has also thrived because of free enterprise and entrepreneurship, the public and private sectors can be more effective tackling problems together than they would be working separately. Among other things, government brings resources, but it also confers legitimacy in setting goals and represents a community's commitment to those objectives. Businesses bring resources, innovation, and the ability to assess market needs and move quickly and efficiently to meet them.

As I noted earlier, public investments in community development are supplemented, but just as importantly strengthened, by joining with the private sector as stakeholders. Community development is a team sport-it can't work without broad participation and becomes successively more effective the broader that participation gets. Public–private partnerships are the blueprint for that approach. They are highly effective at maximizing investment in community development, which supports the Federal Reserve's goals of a healthy economy and a strong and stable financial system. And at the Fed, an important mechanism for encouraging that investment is the Community Reinvestment Act.

CRA as a Foundation for Public-private Partnerships

The CRA was enacted to ensure that banks lend to households and businesses in lower-income communities, yet its vision of building stronger communities was always broader than that. The law also gives banks credit for supporting a broad range of lending, investment, and services to low-income communities, including by supporting community stakeholders, recognizing that these partnerships are a highly effective way to support communities. By law, the Federal Reserve implements the CRA through its regulation and supervision of banks, issuing rules that interpret the statute and evaluating banks' records of meeting the credit needs of their communities as part of the supervisory process.

For banks, effective CRA partnerships with public and other private-sector stakeholders bring in new customers, strengthen their base of existing customers, and develop knowledge and expertise that will support more lending and investment in the future. For the public sector, these partnerships greatly expand the community's financial capacity. With prudent program design and financing structure, a relatively small public investment can attract significant private capital.

The CRA fosters a variety of different types of projects, including those leveraging low-income housing tax credits (LIHTC), the New Market Tax Credit (NMTC) program, and partnerships with community development financial institutions (CDFIs).

The NMTC program, which I helped to develop at the Treasury Department, was designed as a public–private partnership to mobilize all elements of a community. The program's success hinges on how it combines government, community groups, and businesses working towards a common goal of economic growth.[2] Investments can be made in a wide range of business-manufacturing, housing, education, childcare, technology, health, and more. In the 25 years of the program, it has been successful at leveraging private dollars in areas that need it the most. According to the most recent award year with data available, each dollar invested by the government in the program generates an average of more than eight dollars in private investment.[3]

The CRA and the NMTC work hand in hand to bring meaningful investment into communities that have too often been overlooked. The Community Reinvestment Act ensures that banks meet the credit needs of low- and moderate-income neighborhoods, creating accountability and a clear expectation that financial institutions serve the whole community. The New Markets Tax Credit builds on that foundation by offering a powerful tax incentive to investors who finance businesses, health centers, grocery stores, and other critical projects in those same communities. Together, the CRA provides the regulatory commitment, and NMTC program provides the financial incentive-aligning public policy with private capital to drive job creation, expand essential services, and strengthen neighborhoods for the long term.

Similarly, the low-income housing tax credit has been a fundamental resource for financing affordable housing for 40 years. When banks invest in LIHTC developments, they not only receive tax credits, but they can also earn CRA consideration for supporting housing in underserved areas. Together, the CRA creates the expectation to invest, and LIHTC provides the tool to do it-leveraging private capital to build safe, stable, and affordable homes that strengthen families and communities. LIHTC provides state and local agencies with approximately $10.5 billion in annual budget authority to issue tax credits for the acquisition, rehabilitation, or new construction of rental housing targeted to lower-income households.[4]

There are many examples of CRA-driven public–private partnerships that have addressed the unique needs of communities around the country. There are four I would like to highlight now.

Many underserved communities face a complex set of challenges that must all be addressed for any to improve, and one project in Philadelphia shows how the CRA is especially effective in encouraging public–private partnerships that take this comprehensive approach. The Sharswood neighborhood of North Philadelphia faced decades of redlining before the CRA and remains one of the poorest in the city. For years, Sharswood was a federally designated "food desert," medically underserved area, and "severely distressed community." Led by the Philadelphia Housing Authority, the $50 million Sharswood Ridge project includes workforce housing, green space, and retail, including a grocery store, bank branch, and urgent care medical clinic. The project has been financed with a New Markets Tax Credit, loans from the housing authority and Philadelphia Industrial Development Corp, and redevelopment assistance from the State of Pennsylvania. In addition to local crowdfunding from private investors, a critical role is being played by banks that purchased NMTC equity and provided additional CRA-aligned capital.

Public–private partnerships, motivated by the CRA, have shaped communities and have also led to innovations in the design, manufacturing, and financing of affordable housing. In the Rio Grande Valley of South Texas, construction of modular homes was often judged too costly by traditional manufacturers. Recognizing this, a nonprofit housing developer partnered with a nonprofit design firm to manufacture and finance its own line of modular homes to help address housing supply issues in the community. This effort, called Dreambuild, started in the Rio Grande Valley and received funding from a national bank to partner with other nonprofit organizations to serve areas of persistent poverty and rural communities in Texas, Kentucky, Tennessee, and Arkansas. Partnership with the private sector has been essential to the programs' ability to scale up in this way. Many Dreambuild homes built in South Texas are financed through a for-profit, stockholder-held CDFI owned by 12 banks and other organizations.

The CRA also helps to build the capacity of CDFIs and deploy needed capital for small businesses in underserved areas. CDFIs-such as community development loan funds, credit unions, and banks-specialize in financing small businesses and projects in areas that traditional lenders often overlook. When banks provide capital to CDFIs through loans, equity investments, deposits, or grants, those activities can receive CRA consideration. That support increases the capacity of smaller CDFIs to lend, allowing them to deploy more flexible, mission-driven capital to small businesses in underserved neighborhoods. In this way, the CRA not only promotes direct bank lending, but also strengthens the financial intermediaries that are often best positioned to reach entrepreneurs who lack access to conventional financing.

As an example of this, Appalachia Community Capital, or ACC, is a CDFI created to help other CDFIs in the region increase small business lending. It helps raise funds from regional and national sources that its small CDFI member organizations might struggle to access individually. ACC was initially funded by the federal–state Appalachian Regional Commission, private foundations and several national banks. As it has grown, ACC has attracted more small and regional banks and now over 25 banks are supporting its operation, providing the large majority of its funding. These banks recognize the contributions that Appalachia Community Capital is making over a large and traditionally underserved region, and the CRA recognizes this support in its role encouraging banks to promote lending in underserved areas.

Reviving struggling communities usually requires identifying and focusing on the most promising assets in those communities. The fourth example took place in a part of downtown Memphis that had experienced decades of disinvestment, leveraging several large hospitals and medical colleges as anchor institutions to create the Memphis Medical District Collaborative. The goal of the Collaborative was to create a thriving recreational, commercial, and residential community for some of the 30,000 people who commute to the anchor institutions every day. The Collaborative is a public–private partnership that also includes several national foundations, a regional CDFI, the City of Memphis, and regional banks. Developers have been attracted to the area by access to capital from the CDFI, spurring new development and redevelopment of long abandoned buildings into activated spaces. Private–sector support has been so strong, in fact, that this is a successful public–private partnership with limited public-sector funding, although the City of Memphis is an active participant.

I've seen work like this first-hand all around the country as I've visited the Reserve Bank Districts. I've listened to bankers and local entrepreneurs come together in Clarksdale, Mississippi. I've seen affordable housing built by tribal government and new mortgage lending by banks on the Flathead Reservation in Montana. I've seen Working Cities[5] in East Harford, Connecticut, and community-based learning in Portland, Oregon. I've witnessed the transformation, innovation, and entrepreneurial spirit of Detroit, Michigan, and the grit and determination of community development professionals in South Dallas, Texas. Entrepreneurs in Charlotte, North Carolina told me about the importance of CDFIs, as did leaders in Kansas City, Missouri, and Omaha, Nebraska. I've seen what public–private partnerships mean for employment and small business growth in Cleveland, Ohio, and I've seen a business incubator in Atlanta, Georgia, make a real difference to their local community. Here in Arizona, just yesterday I visited with entrepreneurs in Mesa and Tempe who told us about the key role of community engagement to their success, by partnering with local community development corporations. This good work is happening all over the country, in urban, rural, and tribal communities, and in every Reserve Bank District.

The projects and funding approaches that I have described today are some of many examples that capture the versatility of public–private partnerships, which can be structured in ways that best fit the circumstances, and the particular strengths and challenges of different communities. I believe this flexibility is also one of the reasons that the CRA has been so effective in fostering public–private partnerships. I find these examples inspiring, both in the very measurable good they are doing for people in the communities they serve, and in the creativity and innovation they demonstrate.

I am excited to see the community development field build on the momentum behind this creativity and innovation for the next 30 years. I imagine we will have new examples that will broaden the group of stakeholders in this work even further. Advancements in technology like artificial intelligence, which I have spoken about extensively over the last several years, have the potential to fuel innovation, efficiency, and scale even further in these investments. We can work together to ease the barriers to identifying and scaling the most effective models for community investment. Everyone in this room and all of you who are listening around the country have critical roles to play. I'm looking forward to seeing where you take us next. Thank you for all the work you do.

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[1] The views expressed here are my own and are not necessarily those of my colleagues on the Federal Reserve Board or the Federal Open Market Committee.

[2] For a discussion of the NMTC as a public–private partnership, see Michael S. Barr, "Supporting Investment in Communities: The First 25 Years of the New Markets Tax Credit," speech at the 2025 Fall New Markets Tax Credit Conference, New Orleans, Louisiana, October 23, 2025.

[3] U.S. Department of the Treasury, "Community Revitalization by Rewarding Private Investment (PDF), CDFI Fund Fact Sheet, October 2022.

[4] U.S. Department of Housing and Urban Development, Low-Income Housing Tax Credit (LIHTC): Property and Tenant Level Data, data set.

[5] See Federal Reserve Bank of Boston, "Working Cities Challenge: Connecticut, East Hartford."