

Public Bank East Bay

November 2021

publicbankeastbay.org

What is a public bank?

A **financial institution owned by public entities**, such as a city/county/region.

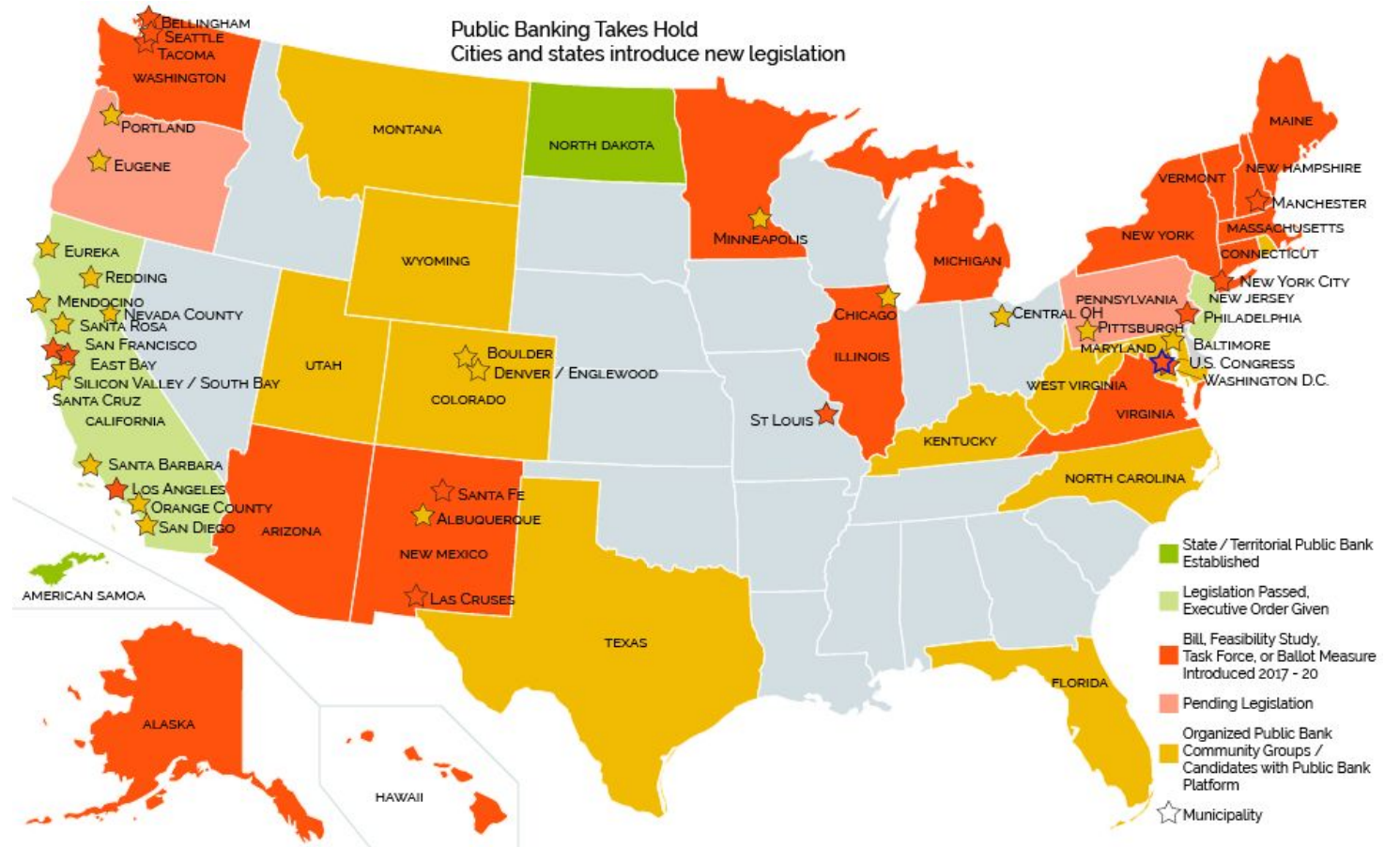


Why now?

- **Private banks hold billions of tax dollars**, charging **enormous fees** and investing in projects that **don't align with the public's priorities**.
- There is a **severe lack of funding** for affordable housing, underserved small businesses, and green energy infrastructure
- COVID-19 has decimated our local economies and **recovery capital is limited**.

Public Banks are being initiated across the nation!

- The CA Public Banking Alliance includes 10 local chapters statewide
- In 2019 the **Public Banking Act** (AB 857) was passed creating the legal pathway for public banks in CA
- Introduction of the federal Public Banking Act in Oct 2020
- Eight states and 16 cities across the US



Public banks exist around the world

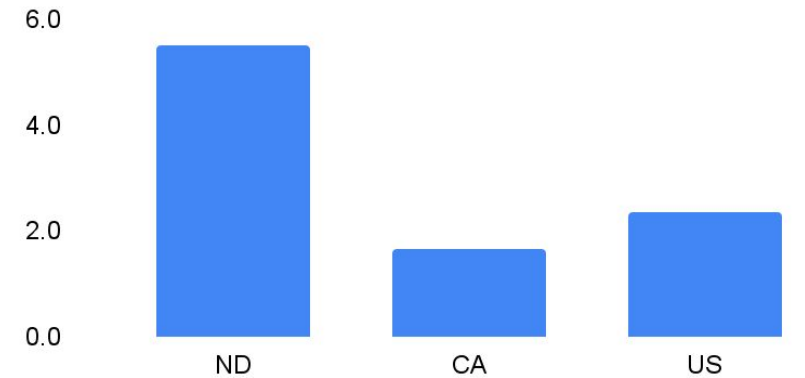
- One third of banks worldwide are publicly owned
- In Germany, the Sparkassen network was key to fuel the investment boom into renewable energy infrastructure
- In the U.S. the Bank of North Dakota has successfully operated for over 100 years



The Bank of North Dakota

- **Supports a vibrant ecosystem of local banks** in North Dakota to provide small business and community development loans
- **Higher return on investment** than Wall Street Banks, bringing \$1B+ to the state over first 100 years
- **Fewer economic losses** and **faster recovery** from the 2008 & 2020 recessions than any other state

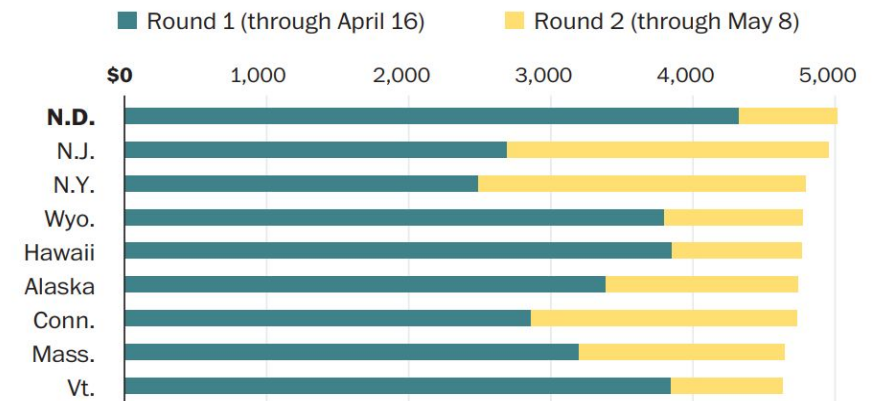
Bank branches per 10,000 people by state



Source: [FDIC Deposit Market Share Reports](#)

PPP relative to the size of each state's workforce

Payroll Protection Program loan awards per worker in the state

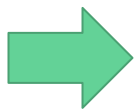


Source: SBA Labor Department; [Washington Post](#)

How does a public bank work?

Public Banks **partner** with existing local financial institutions *by design*

- AB 857: Section 16, Division 5. 57604: public banks **cannot compete with existing local financial institutions**, but must lend only through partnership with them
- The public bank will be a **wholesale bank** that leverages public funds for the benefit of the community
- The public bank will operate with a **social mission** that prioritizes lending to borrowers in low-income communities that are underserved



The public bank strives to bring in **additional lending** to currently underserved borrowers by leveraging public funds and partnering with local financial institutions

How it would work practically



Land Trust Loan Application

East Bay Land Trust approaches local bank for a \$10M loan to purchase properties for community use.



Local Bank Offer

Local Bank underwrites the loan and is willing to lend \$5M at 5% interest over 30 years



Public Bank Partnership

PBEB co-underwrites the deal and participates with \$5M and buys down the first year of interest payments to cut down overall interest costs



The money starts to work for our community

Land Trust receives \$10M loan at 3% over 30 years.

How the Public Bank can help our communities

- **Invest** public money locally in infrastructure, affordable housing, and small businesses
- **Develop** a vibrant, sustainable and regenerative local economy through partnering with local financial institutions
- **Restore Equity** by prioritizing loans to underserved communities
- **Divest** public funds from Wall Street and **Reduce** the cost of banking services and local government debts
- **Create Accountability** through a bank board with a majority of community representatives



Our model and next steps

Our Model for the Public Bank East Bay

Funding

- **Owned and capitalized** by Alameda County and the cities of Oakland, Berkeley and Richmond as founding members
- **Takes only municipal deposits** from cities, counties, and semi-governmental agencies like BART or EBMUD

Lending

- **Partners with local financial institutions** like credit unions, Community Development Financial Institutions (CDFIs) and community banks to expand their loan programs
- **Mission-driven loan policy** based on the values of racial equity, environmental sustainability, and democracy

Oversight

- **Regulated by state and federal agencies** with the same standards as any commercial bank (FDIC insurance, collateralization of municipal deposits)
- **Governed** by an independent board of directors with a mix of community representatives, city/county officials, and finance experts

Our Progress

- In 2019, we were part of a statewide, grassroots organizing effort that **passed AB 857 - the California Public Banking Act.**
- We are working with two consultants to **complete a viability study in collaboration with financial directors** from Oakland, Berkeley, Richmond, and Alameda County.
- We have **hired banking attorney Gary Findley to write our business plan** once the viability study is approved.
- We have **raised ~\$120k from foundations, allied organizations, and private donors.** Budget referrals are being prepared in Richmond and Berkeley for **\$250k.**
- We have the **support of over 50 community organizations** and the majority of councilmembers in Oakland, Berkeley and Richmond.

Endorsements

AFSCME Council 57

Allen Temple Baptist Church

Asian Pacific Environmental Network

Bay Area Organization of Black Owned Businesses

Beacon Presbyterian Fellowship

California Nurses Association/National Nurses Unite

Causa Justa/Just Cause

Climate Workers

Code Pink

Commonomics USA

Community Development Finance

Dellums Institute for Social Justice

Diamond Neighbors for Racial Justice

EBASE: East Bay Alliance for a Sustainable Economy

East Bay Democratic Socialists of America

East Bay Housing Organizations

Ella Baker Center for Human Rights

Empowered Investments/Mehul Thakker

First Presbyterian Church of Berkeley

Friends of the Earth United States

Golden Gate Community Association

Green Party of Alameda County

Harborside Health Center

Housing and Economic Rights Advocates

Idle No More SF Bay

In the Public Interest

John George Democratic Club

Kehilla Community Synagogue Economic Justice Committee

Local Clean Energy Alliance

Movement Generation: Justice and Ecology Project

North Oakland Restorative Justice

Oakland Climate Action Coalition

Oakland Education Association

Oakland Green Party

Oakland Justice Coalition

Oakland NAACP

Oakland Tenants Union

People's Community Market

Phat Beets

Planting Justice

Project Equity

Public Banking Institute

Scraper Bike Team

SEIU 1021

Showing Up for Racial Justice (SURJ) Bay Area

Sierra Club Employee Alliance, UAW Local 2103

Socialist Alternative Bay Area

Strike Debt Bay Area

Sunflower Alliance

Sunwalker Energy

Sustainable Economies Law Center

Urban Strategies Council

Wellstone Democratic Renewal Club

Short Term

- Getting County buy-in (with your help!)
- Raising funds for the bank's Startup Costs (~\$2.4M)

Next Steps

Long Term

- Depositing in the Public Bank

Questions?

Appendix

Startup Costs

We have covered our operating costs for 2021.
100% of the funding we receive goes toward
establishing the Public Bank East Bay.

Business Plan	\$ 250,000
Board Member Vetting & Recruitment	380,000
Staff Salaries	650,000
Legal and Consulting	250,000
Technology, Fixed Assets, & Misc. Fees	815,000
TOTAL	\$2,345,000

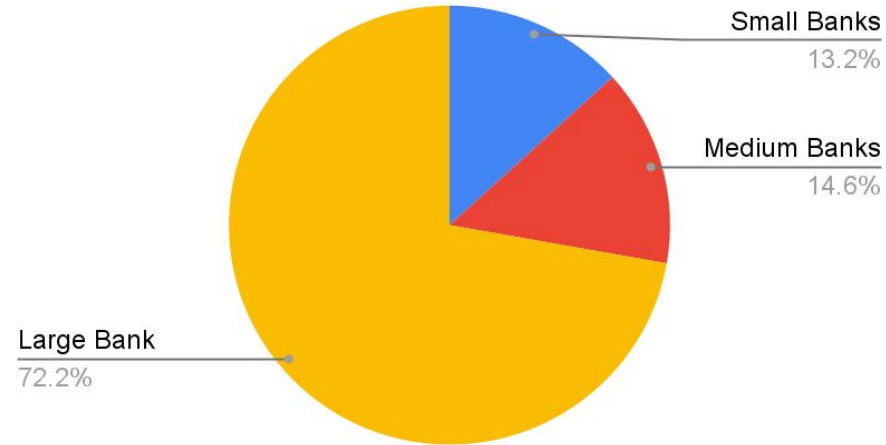
**Community based,
equitable governance** is at
the core of our proposal for
the Public Bank East Bay

- **Board of Directors** representing the needs of the community the bank aims to serve:
 - Community leaders
 - Banking experts
 - City and County officials
- **Loan Policies** with progressive metrics around:
 - Racial equity
 - Environmental sustainability
 - Fair and equal access to capital

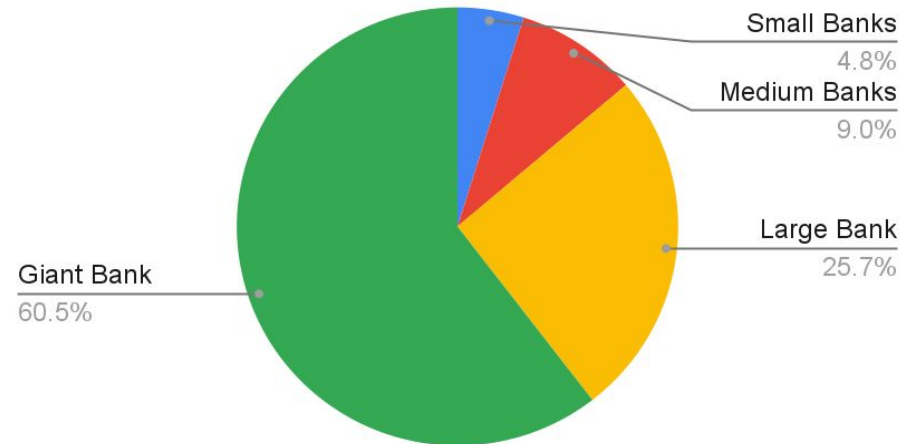
Wall Street banks have dramatically increased their share of US deposits over the last two decades.

Today, only 6 banks control more than 60% of CA deposits

Share of CA Deposits, 1994



Share of CA Deposits, 2020



Source: [FDIC Deposit Market Share Reports](#). “Small Bank”: Assets less than \$1.2Bn, “Medium Bank”: Assets between \$1.2Bn and \$10.2Bn, “Large Bank”: Assets between \$10.2Bn and 100.2Bn, “Giant Bank”: Assets above \$100.2Bn.

1 out of 5 community banks have disappeared in California over the last 25 years

no. of banks in CA



➔ Fewer community banks and credit unions lead to fewer loans for small businesses, housing and infrastructure in the local communities

Source: [FDIC Deposit Market Share Reports](#). “Small Bank”: Assets less than \$1.2Bn, “Medium Bank”: Assets between \$1.2Bn and \$10.2Bn, “Large Bank”: Assets between \$10.2Bn and 100.2Bn, “Giant Bank”: Assets above \$100.2Bn.