

# Public Bank East Bay

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Viability Study Overview

[publicbankeastbay.org](http://publicbankeastbay.org)

# Our Model for the Public Bank East Bay

## Funding

- **Owned and capitalized** by Alameda County and the cities of Oakland, Berkeley and Richmond (and other jurisdictions that join in time) as founding members
- **Takes only municipal deposits** from cities, counties, nonprofits and special district 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 regeneration, 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

# Viability Study

High-level summary

- Build mission-aligned lending portfolio of ~\$250MM over first 10 years
- Support eligible borrowers with flexible loans and lines of credit at 2-4%
- Leverage only 1-2% of available cash and investments of participating governments
- Reach profitability in year 3 and return competitive returns on investments of 1-1.5% while growing slowly and sustainably



# Viability Study - **Proposed Funding**

## **Capitalization**

- \$40MM by initial four agencies (<0.5% of total assets invested)
- Potential for growth by including other cities and counties in the future

## **Liabilities**

- Short-term (1-3 year) bonds purchased by local governments
- Grow investments from ~\$100MM in year 1 to ~\$200MM in year 10 (1-2% of total assets refinanced and/or diverted from Wall Street bond purchases)
- Potential for growth through deposits from special district governmental agencies (BART, EBMUD, etc.) and/or non-profits

# Viability Study - Proposed Lending

Public Bank East Bay will provide loans and flexible lines of credit at 2-4% for:

## Affordable Housing

~\$500MM/year market opportunity

- Short-term financing for pre-development, preservation, and property acquisition
- Help navigate government bureaucracy
- Lending to land-trusts & other non-standard structures

## Small Businesses

~\$30MM/year market opportunity

- Partner with CDFIs through lines of credit, loan participation programs and other risk-sharing programs
- Build out secondary market for micro-loans
- Act as public face and referral agency for mission-oriented lenders

## Green Energy

~\$10B market opportunity

- Finance building electrification programs (e.g. through partnership with public utilities)

## Municipal Finance

~\$350MM/year market opportunity

- Invest in municipal bonds,
- Possibly underwrite small issue bonds.

# Tentative Timeline

## Fall 2022

- Complete draft business plan and governance plan and submit for regulatory comment
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## Fall-Winter 2023

- Finalize board candidates and recruit executive leadership
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## Winter 2023

- Receive comments from FDIC and CDFPI on draft business plan
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## Winter-Spring 2023

- Hire CEO and finalize application based upon comments received
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## Summer 2023

- Submit Public Bank charter application
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## '23 - '24

- Regulatory review process and approval
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## Spring 2025

- Public Bank East Bay begins operations.

## **This Resolution:**

1. Approves the viability study as mandated by AB 857.
2. Notifies other founding agencies (Richmond & Berkeley) and Alameda County of the City of Oakland's approval.