



LOS ANGELES NEEDS A PUBLIC BANK

Public banking serves as a powerful tool to keep taxpayer dollars in local communities. Cities and counties currently hold billions of dollars of public money in Wall Street banks. Legally, these banks control this money and can use it for strictly profit-motivated purposes, without regard for environmental impacts, social good, or betterment of the local economy that provided the funds. Their investments prioritize harmful industries including private prisons, weapons manufacturers, fossil fuel pipelines, and other investments that place profit over small local businesses, regional infrastructure such as public housing and recreation, and care for the planet. These too-big-to-fail banks engage in risky and fraudulent practices similar to or worse than those that crashed the global economy in 2008.

The Bank of Los Angeles provides a public option for handling the City's finances. Los Angeles taxpayers currently pay Wall Street banks over \$100 million in fees and over \$1.3 billion in interest yearly. This money could instead be reinvested in communities rather than siphoned by big banks who receive billions in city deposits virtually interest-free.

The Bank of Los Angeles, capitalized with the deposits that the city now parks in Wall Street banks, will be a key engine for economic recovery—helping people and small businesses rebuild post-pandemic. Public banks, like all banks, are able to multiply the impact of their capital by leveraging it up to ten times in loans. They provide the most efficient means for deploying funds quickly to help recovery efforts, such as the low-interest loans to small- and medium-sized businesses, and reinvestments in historically marginalized frontline communities.

As a wholesale, or “banker’s bank,” the public bank would not have physical branches, ATMs, or any of the associated brick-and-mortar costs of traditional retail banks. The LA municipal bank would create a partnership with community banks and credit unions to provide services to businesses and consumers. Through this type of public bank, we can cut our borrowing costs in half while doubling the power to invest in our own communities.

The Bank of Los Angeles will be accountable to Los Angeles communities—answerable to the people, not private shareholders.

RESOURCE BOOK

bit.ly/cpbabook

Twitter + IG + FB
@publicbankla

publicbankla.org



THE PUBLIC BANK OF LOS ANGELES WILL:

- **Strengthen Our Community** -- The Bank of Los Angeles will leverage funds up to 10x. \$150 million capitalization translates to \$25,000 loans for 10,000 businesses, and start-up funding for 50,000 units of housing (~\$1m predevelopment loan = 50 units). Money spent at a small business stays in the local economy and builds wealth locally. Flexible low-interest loans to affordable housing developers will allow them to move quickly to buy and preserve existing affordable housing.
- **Invest in a Sustainable Future** -- The Bank of Los Angeles will align the city's money with its values. Implementing a green transportation network requires long-term, low-cost targeted investments in infrastructure. Building 50,000 units of affordable housing is only possible with streamlined and efficient financing for each unit. Public pension funds that invest locally multiply wealth across generations.
- **Bake-in Democracy and Equity** -- The Bank of Los Angeles will be owned and run by the public. Its democratic governance will center the needs of low-income communities of color in its operational mandate and its long-term strategy. By creating a transparent, public platform to guide the use of city funds, the LA public bank will be both a tool for civic engagement and participatory budgeting.

BUSINESS AS USUAL IS NOT WORKING:

- The City of Los Angeles spends more than \$2 billion of city funds to invest in petrochemical companies and multi-national banks. **Our City is supporting private profits at a public cost.**
- Municipal bonds are a historically safer investment than even triple-A rated commercial debt (Moody's). If the City issued and purchased its own debt, it would save as much as 50% on its debt-related expenses, rather than exporting taxpayer money to large corporations. **The City's "fiduciary duty" is to invest locally.**



BUSINESS AS USUAL IS NOT WORKING (cont.):

- A single affordable housing development built in the City needs as many as 12 different sources of capital to buy and build on a site, often from different local public agencies. Complicated financing makes affordable housing more expensive and regularly causes project delays. **Los Angeles needs to streamline and centralize the financing of affordable housing.**
- Small and micro-businesses, especially those run by people of color, do not have the same access to loans as large businesses, and are often neglected altogether. Black business owners were twice as likely to shutter their business during the pandemic. **Federal and state regulation does not create enough incentive for banks to serve the needs of low-income communities.**
- The City of Los Angeles does not have a banking relationship with the federal government, making it completely dependent on the commercial banking network to finance itself. This is more expensive, and less predictable, in an emergency. **The Bank of Los Angeles will build public financial infrastructure the City can rely on.**

NEXT STEPS FOR THE LA PUBLIC BANK:

The California Public Banking Act creates a series of steps for cities and regions receive a public bank charter. A local agency must conduct a study to assess viability and develop a business plan for the proposed public bank, and then granted approval from the state's regulatory agency.

On October 5, 2021, Los Angeles City Council unanimously voted to approve a motion calling for the study and planning of a public bank for the city of Los Angeles. The city will soon release an RFP for consultants who will author a viability study and business plan for a proposed bank. The motion requires the consultants to engage directly with Angelenos to set the priorities and principles of their financial institution. The plan formed by the consultant will constitute the city's application to the state for a bank charter, thereby eventually authorizing the formation of the LA public bank.