

# MOTION

AD HOC Job

The nation's only public bank, the Bank of North Dakota, was created in 1919 in a populist wave when farmers there were unhappy with decisions being made by major banks heavily influenced by railroads and out-of-state agricultural interests. Its mission is to promote agriculture, commerce and industry in that state. Furthermore, over time the Bank of North Dakota has provided a variety of financial products to the residents and governments of North Dakota, including low interest student loans, home loans, college savings accounts, scholarships, school construction loans, affordable housing construction and rehabilitation loans, and public construction financing. This financial institution not only provides a model of how cities and states can better utilize their banking needs, services, and deposits to give back to the community, it may also provide the best financial solution to reducing the cost of the creation and rehabilitation of affordable and workforce housing in the City of Los Angeles, while at the same time providing low cost financial services for city residents and local governments within the Los Angeles region and much needed financial services for the cannabis industry.

With the current conflict between federal and state law on the issue of cannabis, financial institutions face significant risk for violating federal law if they offer banking services to cannabis-related businesses. Based on the current guidelines, the required level of transparency, a time intensive customer-financial institution relationship, and risk with being out of compliance with federal guidelines, most large banks and financial institutions have not taken on, or provide financial products to, cannabis-related businesses. Without a solid banking solution, including account services and access to financial products such as loans, the current situation makes it difficult for cannabis entrepreneurs to raise capital and forces most businesses to deal exclusively in cash, creating administrative, logistical, and security challenges. Another result is the current marketplace renders credit card and debit card transactions impossible without a merchant account, and a business must have a relationship with a financial institution or bank to secure a merchant account number. Even under these difficult circumstances, some local banks and credit unions are currently banking the cannabis industry, while others strive to create new institutions and solutions.

According to the Department of Treasury's Financial Crimes Enforcement Network (FinCEN) data released on March 31, 2017, there are 368 banks, credit unions, and depository institutions in the United States offering services to cannabis-related businesses on a very limited basis, with a few exceptions. The Partner Colorado Credit Union with its Safe Harbor Private Banking Program, is one of the few financial institutions that has taken on the cannabis industry's needs, and now reports approximately 80 percent of their monthly business, averaging \$20 million dollars in monthly deposits, is with the cannabis industry or ancillary services related to the cannabis industry. Community banks and credit unions, unlike larger financial institutions, are willing to put in the extra time and effort to comply with the U.S Department of Justice and FinCEN guidelines, requiring onsite visits by bankers that include in depth investigation and documentation, and these smaller institutions with a community focus are more likely to be willing to take on the extra work.

One solution to similar issues being researched by the City of Oakland and the City and County of San Francisco is the creation of a publicly controlled, state-chartered bank to provide financial services to their respective cities, reinvestment in their respective cities, and banking solutions for other local businesses including the cannabis industry.

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**WE THEREFORE MOVE** that the City Council INSTRUCT the City Administrative Officer and the Chief Legislative Analyst (CLA), with the assistance of the Office of Finance/City Treasurer, and the City Attorney, to report back quickly to the Ad Hoc Committee on Comprehensive Job Creation Plan on the feasibility, requirements, legislative barriers, and any other relevant aspects of creating a state-chartered public bank, or other similar such financial institution, named the "Bank of Los Angeles" that would provide banking services to reinvest in the communities, neighborhoods, and residents of the City of Los Angeles primarily through the acquisition, construction, and rehabilitation of affordable and workforce housing, utilizing deposits and providing financial services and products to local businesses, including the cannabis industry.

**WE FURTHER MOVE** that the City Council INSTRUCT the CLA, to report back with a RESOLUTION for the City of Los Angeles to include in its 2017-2018 Federal Legislative Program SUPPORT for HR 2215 (Perlmutter) – The Secure and Fair Enforcement Banking Act of 2017.

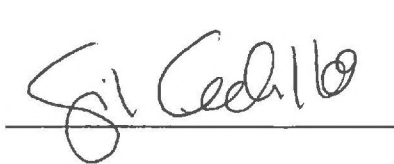

**WE FURTHER MOVE** that the City Council INSTRUCT the CLA, to report back with a RESOLUTION for the City of Los Angeles to include in its 2017-18 State Legislative Program and 2017-2018 Federal Legislative Program SUPPORT and/or SPONSORSHIP of legislation and/or administrative action that would allow for the creation of a state-chartered public bank for the City of Los Angeles.

**PRESENTED BY:**

  
**HERB J. WESSON, JR.**  
Councilmember, 10<sup>th</sup> District

  
**PAUL KREKORIAN**  
Councilmember, 2<sup>nd</sup> District

**SECONDED BY:**

**ORIGIN.**