REPORT OF THE
CHIEF LEGISLATIVE ANALYST

DATE: August 27, 2018

TO: Honorable Members of the City Council

FROM: Sharon M. Tso
Chief Legislative Analyst

CF #: 17-0831
Assignment No: 18-08-0778

PUBLIC BANK FRAMEWORK AND EXISTING HOUSING AND ECONOMIC DEVELOPMENT FUNDING PROGRAMS

SUMMARY

Motion (Wesson-Krekorian, CF 17-0831), introduced July 26, 2017, and subsequent actions of the Ad Hoc Committee on Comprehensive Job Creation Plan (Jobs Committee) requested a number of reports on the feasibility, requirements, legislative barriers, and potential models for establishment of a Municipal Bank of Los Angeles (MBLA), as well as an overview of existing City programs that may already accomplish the goals of a public bank.

The Jobs Committee held a hearing on February 28, 2018, to consider reports by the Chief Legislative Analyst (CLA) and City Administrative Officer (CAO) concerning issues associated with the formation of a public bank in Los Angeles. The CLA report evaluated models for public banks, public banking activities in other jurisdictions, quasi-banking services currently offered by the City, and issues associated with the formation of a public bank. The CAO report evaluated infrastructure financing practices. At the conclusion of the meeting, the Jobs Committee instructed the CLA to report on the following:

- Information concerning gaps in available financial services (Section I);
- An evaluation of gaps in existing City programs that provide quasi-banking services to City residents (Section I);
- A preliminary analysis of Community Reinvestment Act (CRA) data for both commercial and home loan activity (Section I);
- A review of potential actions to align City services to address gaps in existing quasi-financial services (Section II); and
- A summary of changes to local, State, and federal law that would be necessary to form an MBLA (Section III).

This report reviews gaps in banking services for individuals in Los Angeles; presents CRA data for housing and small businesses, which show a lower rate of lending in certain geographic areas of the City; and identifies gaps in City services related to banking services and proposes several program enhancements that could improve banking services for City residents, as well as areas for additional program development.

The report also summarizes local, State, and federal laws and regulations that would need to be revised to allow for the formation of an MBLA.

Finally, an update of public banking activities in other jurisdictions requested in previous actions by the Jobs Committee is provided (Section IV). Most notably, the U.S. territory of American Samoa recently formed a public bank to provide services in that region following the withdrawal of commercial banking services. Also, the City has placed a measure on the November 2018 ballot that would amend the City Charter to allow for the establishment of a public bank by the City.

RECOMMENDATIONS

That the City Council:

1. Request the Commission on the Status of Women and instruct the Housing and Community Investment Department (HCID) to evaluate and report on actions to improve the participation of unmarried female heads-of-households in banking services;

2. Instruct HCID to report on actions to improve the participation of Black and Hispanic households, and households earning less than $75,000, in banking services;

3. Instruct HCID to reevaluate and report on development and implementation of a City Service Card program that would offer debit card-type financial services;

4. Instruct the Economic and Workforce Development Department (EWDD) to report on the extension of BusinessSource Center services to support new businesses through financing and start-up;

5. Instruct the Office of Finance (Finance) to convene the Banking Development Districts Task Force and report within 180 days on options and actions necessary to form such districts;

6. Instruct Finance to report on the feasibility of including a requirement that banking services contractors provide no-cost public workshops regarding personal banking; and

7. Instruct the Chief Legislative Analyst to continue to monitor and report on State legislation concerning public banking; actions by governmental entities in other states concerning public banking; and other legislative or regulatory actions related to public banking.

FISCAL IMPACT

There is no impact to the General Fund associated with this report.

DISCUSSION

On July 26, 2017, Motion (Wesson-Krekorian, CF 17-0831) was introduced instructing the City Administrative Officer (CAO) and the Chief Legislative Analyst (CLA), with the assistance of the Office of Finance/City Treasurer (Finance), and the City Attorney, to report 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." The public bank would provide banking services to reinvest in the communities 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.

At its February 28, 2018 meeting, the Jobs Committee considered reports by the Chief Legislative Analyst (CLA) and City Administrative Officer (CAO) concerning issues associated with the formation of a public bank in Los Angeles. The CLA report evaluated models for public banks, public banking activities in other jurisdictions, quasi-banking services currently offered by the City, and issues associated with the formation of a public bank. The CAO report reviewed infrastructure financing processes. At the conclusion of the hearing, the Jobs Committee adopted the following recommendations:

1. Instruct the CLA, with the CAO, Finance, the Economic and Workforce Development Department (EWDD), and the Housing and Community Investment Department (HCID), to identify gaps in financial services, credit availability, finance institution responsibility, or other financial capacity or accountability measures and recommend solutions to address any identified gaps.

2. Instruct the CLA, with the CAO, Finance, EWDD, HCID, and City Attorney, to develop a coordinated strategy to expand and enhance financial services to City residents and businesses through current programs, including enhancement of existing housing and economic development financial resources; financial information and education programs; research and monitoring of private banking practices, including analysis of Community Reinvestment Act data; and identification of alternative banking, financing, and investment programs and practices.

3. Instruct the CLA, with the assistance of other departments, to conduct an annual review of the Community Reinvestment Act data and report to Council with their findings and recommendations on partnering with banks to provide additional financial services to Los Angeles residents.

4. Instruct the CLA to report with a list of state, federal and charter law changes that would be needed in order to move forward with the creation of a municipal bank and any other steps that would be necessary, particularly for a bank that can take deposits and provide financial services to City residents.

5. Instruct the CLA, with the CAO, Finance, EWDD, and HCID, for each of the financial services and programs that the City wishes to have available for itself or its residents, to identify (1) which the City can accomplish within its existing authority; (2) which could be accomplished with modifications to the City's authority, short of creation of a municipal bank; and (3) which would necessitate the creation of a municipal bank.

This report addresses these actions. In addition, City staff continue to monitor activities related to public banking in other jurisdictions. This report provides information on the formation of a new public bank in the U.S. territory of American Samoa, as well as efforts to evaluate public banking in other jurisdictions not previously considered by the Jobs Committee.

I. GAPS IN FINANCIAL SERVICES

One of the possible functions of a public bank would be to address gaps in financial services that exist in the region for residents, businesses, or governmental agencies. A review of available data for the City suggests that many City residents lack banking services, as discussed below. Data have not been identified yet concerning gaps in financial services for businesses, but staff continue to conduct research in this area. This section ends with a short review of the availability of financial services to governmental entities.

Personal Banking Services

Banking Deserts
According to a 2015 study by Neighborhood Data for Social Change (NDSC), nearly 600,000 residents in 46 of the 272 neighborhoods across Los Angeles County do not have access to a single bank or credit union, meaning nearly one in five neighborhoods in Los Angeles County does not have local access to any financial institution. Figure 1 demonstrates the number of banks and credit unions throughout the City.

The absence of banks and credit unions in a geographic area is known as a "banking desert," an area that lacks sufficient access to financial institutions for its residents. Residents in these areas are forced to go without the use of banks in their daily lives, and cannot easily deposit a paycheck, take out loans with reputable institutions, or write checks to pay for everyday expenses.

The "2015 FDIC National Survey of Unbanked and Underbanked Households" (2015 FDIC Survey) states that in 2015, seven percent of U.S. households were "unbanked," meaning that no one in the household had a checking or savings account. An additional 19.9 percent of U.S. households were "underbanked," meaning that the households had an account at an insured institution but also obtained financial services and products outside of the banking system.

The FDIC Survey provides data for the Los Angeles-Long Beach-Anaheim metropolitan statistical area (Los Angeles MSA) as well. The 2015 survey indicates a 2.2 percent increase in the number of underbanked households in the Los Angeles MSA. In 2013, the highest rates of underbanked and unbanked households are in the following demographic groups:

-- Black and Hispanic Households

-- Households earning less than $30,000 (unbanked) and households earning less than $75,000 (underbanked)

Of particular note, unmarried female-headed households have the highest unbanked and underbanked rates in the region, with 19.4 percent unbanked in the 2015 survey, a 1.9 percent increase over 2013. Targeted outreach efforts through a City program could be implemented to address the banking service needs of unmarried female-headed households. A summary dataset for the Los Angeles MSA is provided in Attachment A.

Alternative Financial Services

Many banking desert residents are only able to cash their paychecks through Alternative Financial Services (AFS). AFS offer certain financial services outside of the scope of a larger banking institution. These include payday lending services, which advance short-term loans to recipients to be paid back on the recipient's next payday, and check cashing services, which allow checks to be cashed without the use of a bank account.

However, these services have been known to charge their customers high service rates relative to financial institutions. According to Bank on Los Angeles, a citywide collaborative initiative, check-cashing stores can charge a customer up to five percent of the check amount. A 2008 report from the Brookings Institution found that a full-time worker without a checking account could potentially save as much as $40,000 during their career by relying on a lower-cost checking account instead of check-cashing services.

The use of AFS also creates a cycle of obtaining new loans to pay off older debts. A 2014 report by the Consumer Financial Protection Bureau states that more than 80 percent of payday loans are rolled over or followed by a new loan within 14 days. Further, 15 percent of new loans are followed by a sequence of loans at least 10 loans long. Borrowers struggle to break out of this cycle without alternatives such as the use of a bank account.

The use of AFS affects unbanked communities at a higher rate. According to the 2015 FDIC Survey, 24 percent of U.S. households used AFS in the past 12 months. Consistent with previous FDIC reports, use of AFS was much higher among unbanked households than banked households.

The Center for Financial Services Innovation estimates that in 2017, $119.8 billion in fees and interest were paid for services most likely to be used by unbanked and underbanked households, including: subprime auto loans and leases; bank overdrafts; pawn and payday loans; check cashing, money transfers, bill pay, money orders, and prepaid cards; installment and auto-title loans; and subprime and secured credit cards.

Poor Credit

A major barrier for residents in engaging with financial institutions is poor or non-existent credit ratings. A Credit Rating is an evaluation of the credit risk of a prospective debtor, and can be affected by previous experience with financial institutions, including loan payment history and outstanding debt.

Many residents of underbanked and unbanked communities suffer lowered credit scores due to factors beyond their control. The lack of financial institutions physically located in these communities may cause residents to forego the use of traditional banks and credit unions, which would cause a lack of credit history in the banking system resulting in a weak Credit Rating.

Some residents may be affected by the predatory practices of others. Parents with debt may attempt to take out loans in their child's name, to which the children are unaware, causing unpaid debt to accumulate in the child's name over years. Domestic violence victims are also at risk of their finances being taken advantage of, with the consequences only coming to light years later.

Personal Tax Credits

A lack of financial education places residents at a disadvantage with regard to various government subsidies that could impact their finances. For example, the Earned Income Tax Credit (EITC) is a tax benefit for working people with low to moderate income. To qualify, an individual must meet certain financial thresholds depending on their marital and familial status, and file a tax return. EITC reduces the amount of tax an individual owes and may give them a refund.

According to a 2016 study by the Center on Budget and Policy Priorities, during the 2015 tax year, the average EITC was $3,186 for a family with children, boosting monthly cash revenue by roughly $265. The study notes that in 2015, the EITC lifted about 6.5 million people out of poverty, including about 3.3 million children, and that the number of impoverished children would have been more than one-quarter higher without the EITC. Other programs for residents with low to moderate income include the Child Tax Credit (CTC) and Supplemental Nutrition Assistance Program (SNAP).

According to the Internal Revenue Service, roughly four out of every five people eligible for the EITC claim it yearly. This leaves 20 percent of eligible individuals who are not taking advantage of this substantial tax refund. Furthering education to communities that may not be aware of the EITC and other programs could increase use of the tax credit amongst eligible residents. This gap can be addressed through funding of Family Source Centers (FSCs) as described in a later section of this report.

<u>Housing</u>

The Los Angeles housing market is expensive. Recent reports from UCLA and USC, among others, indicate that renters in the region are severely rent-burdened. Only 37 percent of housing units are owner-occupied, compared to a national average of 64 percent. And a report by CoreLogic in April 2018 indicates that housing prices continue to break records.

Banks provide a significant source of funding to support affordable housing. Several programs exist to encourage financial institutions to participate in developing affordable rental housing. The Federal Home Loan Bank's (FHLB) affordable housing program and other financial institutions offer loans to address their obligations under federal law to serve the housing needs of their communities. These products never fully fund affordable housing deals and require additional public investment. HCID administers the City's lending programs that offer subsidies to fill financing gaps in affordable housing deals.

Banks also play a significant role in determining home ownership in certain communities. The Federal Financial Institution Examination Council (FFIEC) Loan Application Register provides data for all home mortgage applications processed by reporting institutions collected under the

Home Mortgage Disclosure Act (HMDA). Figures 2 and 3, at the end of this section, report home loan activity in the City in 2016 by census tract. Both loaned amounts and denied amounts reflect large geographic variation. The percentage of denied loans additionally highlights communities with low success rate for the applications.

Figure 2 represents the cumulative amount loaned in mortgages, with the highest amounts loaned in West Los Angeles. Figure 3 demonstrates the percentage of denied loan amounts to loans made throughout the City, with the highest percentages of denied loans in South Los Angeles, East Los Angeles, and parts of the San Fernando Valley.

Figure 4 represents the geographic distribution of the City's homeownership loans made to first-time homebuyers through the City's Low Income Purchase Assistance (LIPA) and Moderate Income Purchase Assistance (MIPA) Programs, from 2011 to 2016. The highest concentration of purchase assistance loans were issued in South Los Angeles and portions of the San Fernando Valley. These City programs facilitate home purchases in areas in which HMDA data represents that there are otherwise low success rates for mortgage loans.

Home Ownership in Banking Deserts

The lack of financial institutions in banking deserts may also affect residents' ability to buy and own homes in their communities. Households with poor or non-existent credit ratings have difficulty working with financial institutions. Obtaining loans with reasonable interest rates is nearly impossible for those with poor credit because institutions base their interest rates on credit rating and capacity. However, without access to institutions in banking deserts, residents have little ability to develop improved credit with which to incur debt more sensibly.

The lack of financial institutions in banking deserts echoes the historical practice of redlining. Low income communities have historically been excluded from financial services through a practice of financial exclusion known as redlining, which describes the practice of grading neighborhoods based on their credit risk. This can have the same effective result of forcing many residents in low and moderate income communities to forego home ownership. Though the formal practice of redlining has ended, by ignoring these neighborhoods today, financial institutions can lock these same customers almost entirely out of the banking community and potential home ownership.

Economic Development

The Community Reinvestment Act (CRA) is a 1977 federal law that requires banks to lend, invest, and provide services in low-income neighborhoods. It was created to support neighborhoods and communities that are low and moderate income while still maintaining safe and sound practices. As part of this law, it is required that the bank or depository institution's data be collected and evaluated periodically by one of the federal bank regulatory agencies.

The Federal Financial Institutions Examination Council posts CRA data that show small business lending activities by census tract. The following analysis is based on small business lending data for 2016, and maps illustrating the distribution of economic activities throughout the City are provided at the end of this section.

Figures 5 and 6 show the square footage and number of parcels dedicated to commercial and industrial uses in the City by census tract. The maps clearly show that the highest concentration of commercial and industrial uses are in San Pedro, Wilmington, Sun Valley, Van Nuys, Chatsworth, Woodland Hills, parts of Granada Hills, areas around Downtown, Lake Balboa, Atwater Village, as well as near the Los Angeles International Airport (LAX).

Figure 7 shows areas of the City zoned for Commercial, Industrial, Parking, and Agriculture use. These land uses would be the likely destinations for small business loan activity.

Figures 8 and 9 show where lending activity has occurred through the number of loans and the value of loans in 2016. When compared to how the City is zoned and where the commercial and industrial areas are, the lending activity and loan amounts are lower in certain areas of the City that have a significant amount of industrial zoning. The maps show that the highest number of loans are made in the LAX area, Encino, Sherman Oaks, Studio City, Brentwood, Westwood, Sawtelle, Tarzana, Woodland Hills, northeast Sun Valley, Chatsworth, and Harbor gateway, as well as closer to Downtown Los Angeles. There is significantly lower loan activity in most parts of San Pedro, Boyle Heights, Pacoima, parts of Sun Valley, and South Los Angeles. In comparison to Figure 7, although land use is dedicated to commercial and industrial activity, these maps suggest that these areas are underserved and do not have the same access to capital as other parts of the City.

Banking Services for Governmental Agencies

No surveys or studies were identified that evaluate gaps in banking services for governmental agencies. As noted later in this report, the U.S. territory of American Samoa experienced a shortage of banking services when the Bank of Hawaii ceased serving the territory. As a result, American Samoa formed a public bank to meet the needs of its residents, businesses, and governmental entities. In addition, the City of Seattle experienced difficulty in its 2017 banking services procurement process when no bidders responded. As a result, Seattle renewed its contract with Wells Fargo.

Finance is currently conducting a banking services procurement on behalf of the City. Several bids were received and are currently being reviewed by Finance. At this time, the City has not identified any gaps in its banking services. Finance will report to Council should any gaps be identified.

Conclusion

Data from several sources suggest that the lack of access to banking services in the Los Angeles region has serious financial consequences for residents. Significant numbers of City residents do not have access to banking services, creating a reliance on costly AFS and risk of exposure to predatory lenders and damage to personal credit ratings. This also limits access to credit sources such as home loans, as reflected in the HMDA data.

For businesses, CRA data show a lack of lending in areas of the City that show potential for economic development. Large portions of the City have available commercial, retail, and industrial land available, but investment in certain areas appears to be lacking.

Further analysis may be warranted to determine whether there are additional market forces affecting the availability of credit and capital in areas with low investment, and whether there are new programs that could be developed to improve lending in these areas.

FIGURE 1

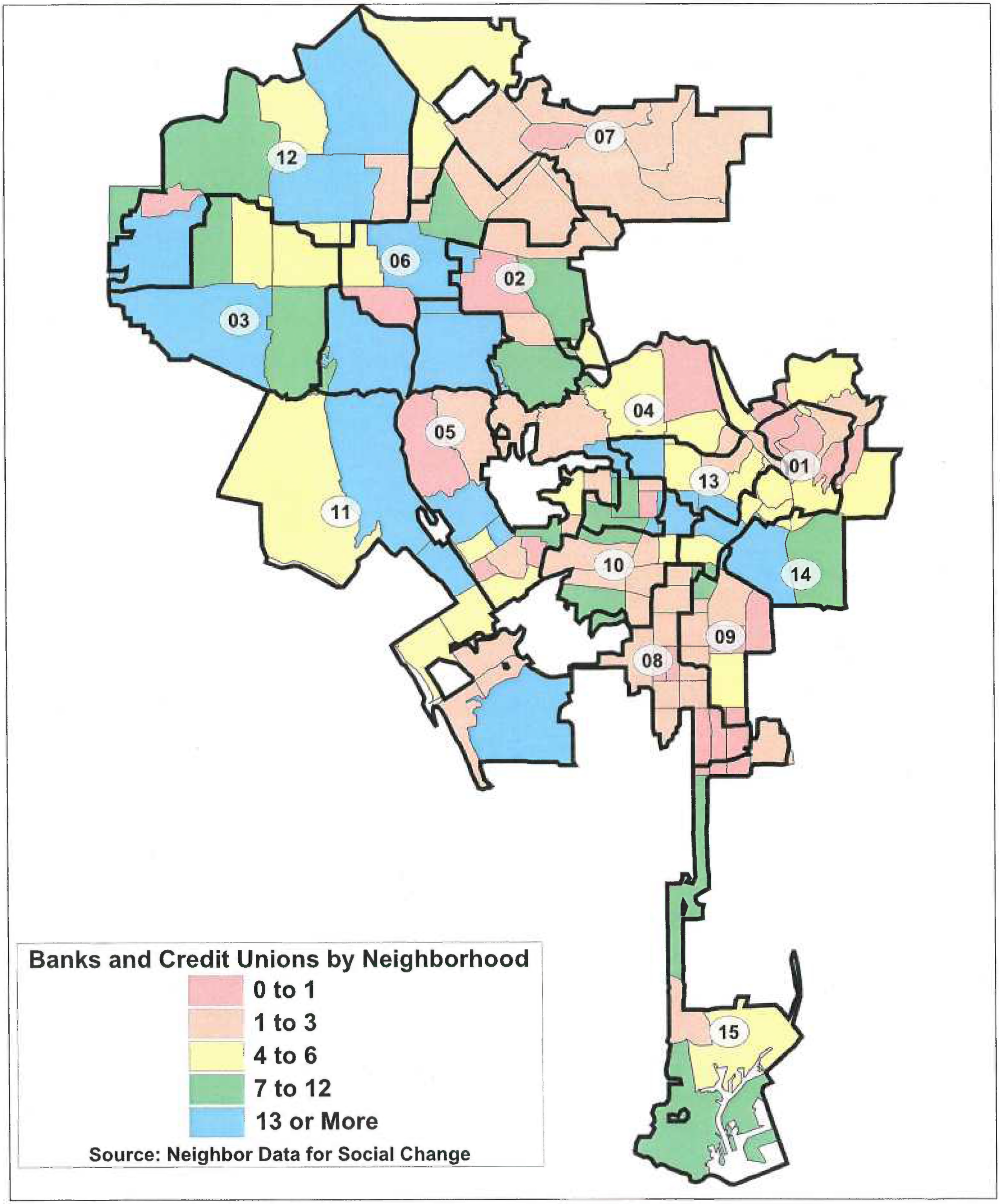
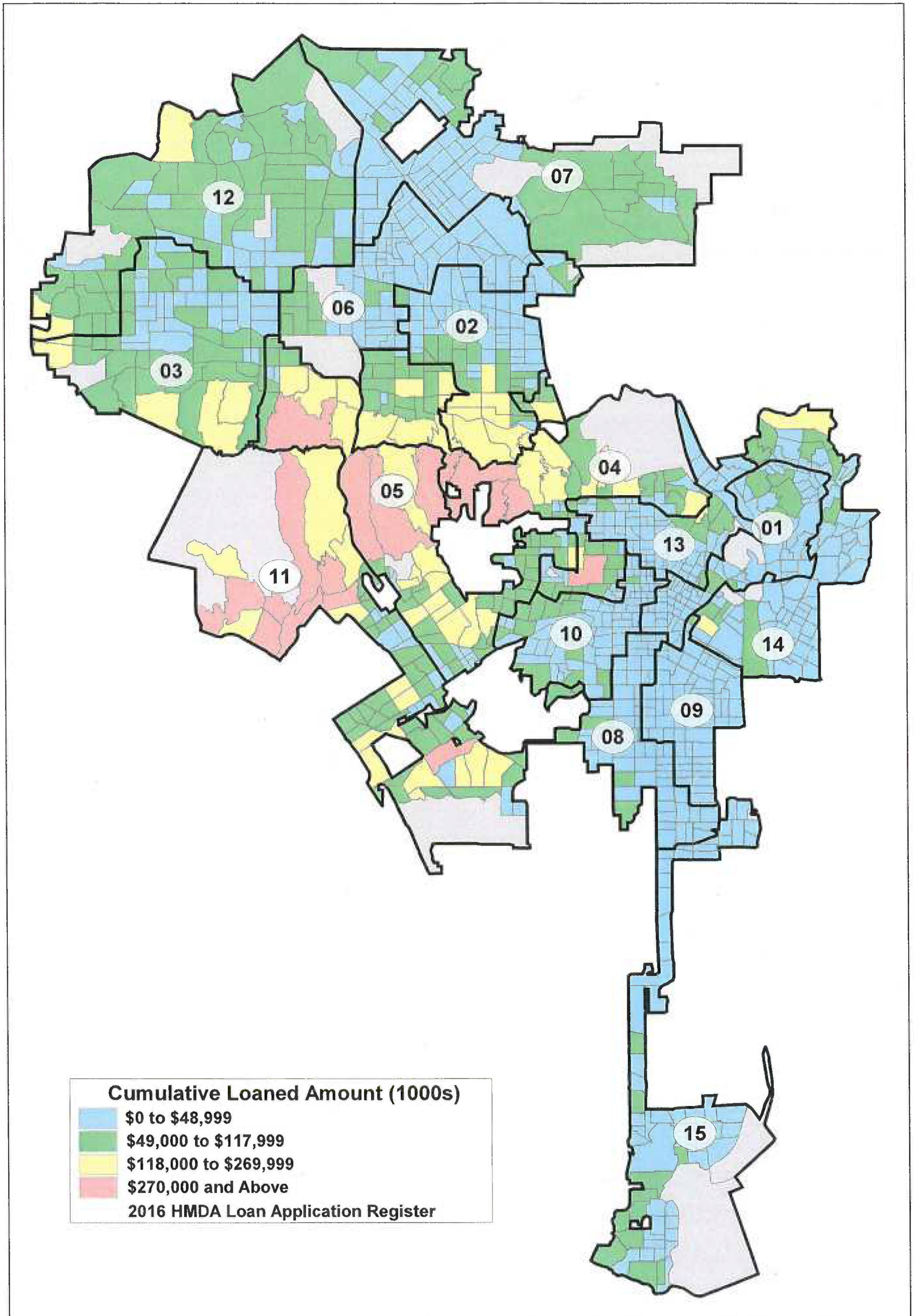

12
07
06
02
03
04
05
01
13
11
10
14
09
08
15
Banks and Credit Unions by Neighborhood
0 to 1
1 to 3
4 to 6
7 to 12
13 or More
Source: Neighbor Data for Social Change

FIGURE 2



12
07
06
02
03
04
05
01
13
11
10
14
09
08
15
Cumulative Loaned Amount (1000s)
$0 to $48,999
$49,000 to $117,999
$118,000 to $269,999
$270,000 and Above
2016 HMDA Loan Application Register

FIGURE 3

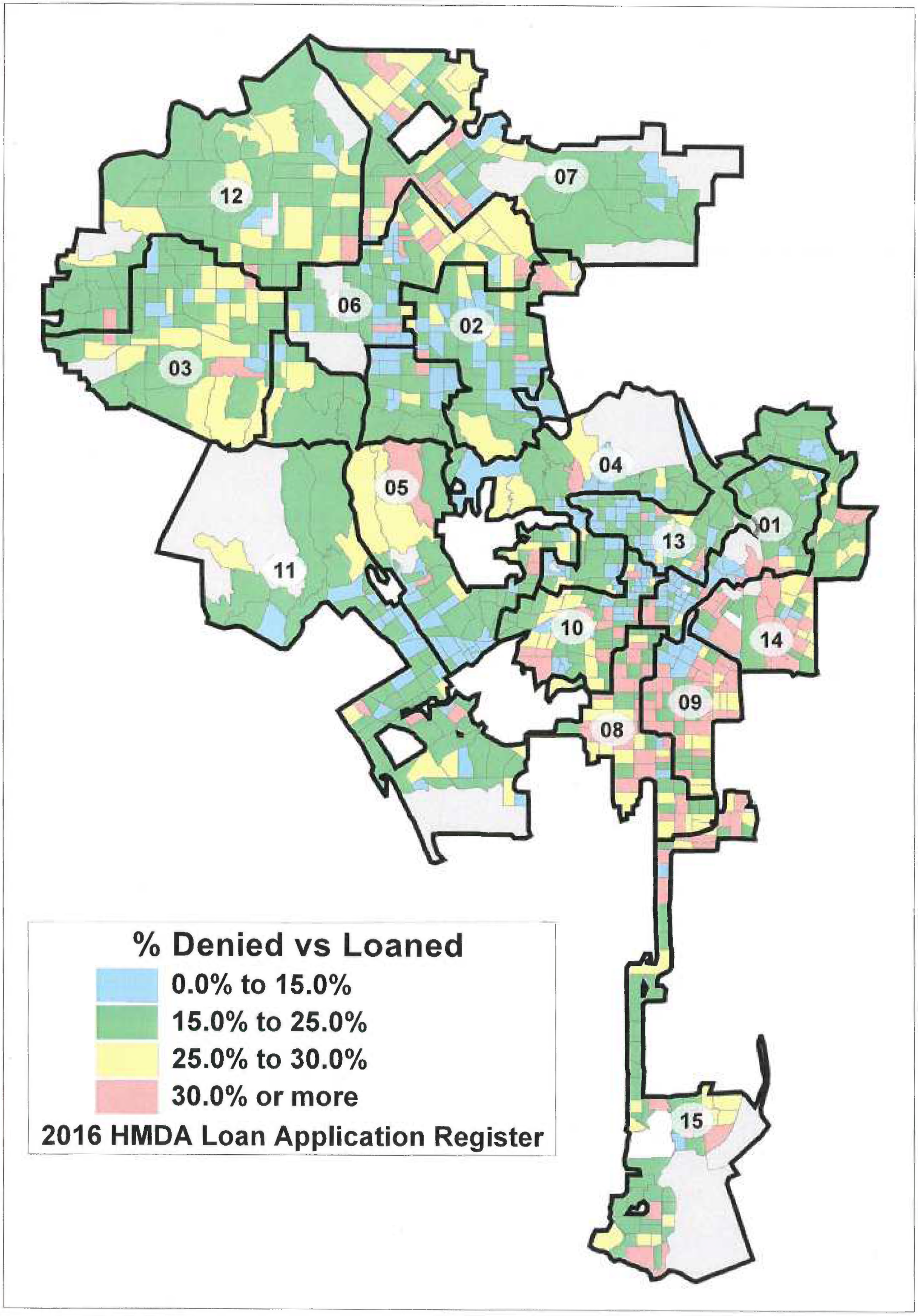

07
12
06
02
03
04
05
01
13
11
10
14
09
08
15
% Denied vs Loaned
0.0% to 15.0%
15.0% to 25.0%
25.0% to 30.0%
30.0% or more
2016 HMDA Loan Application Register

FIGURE 4

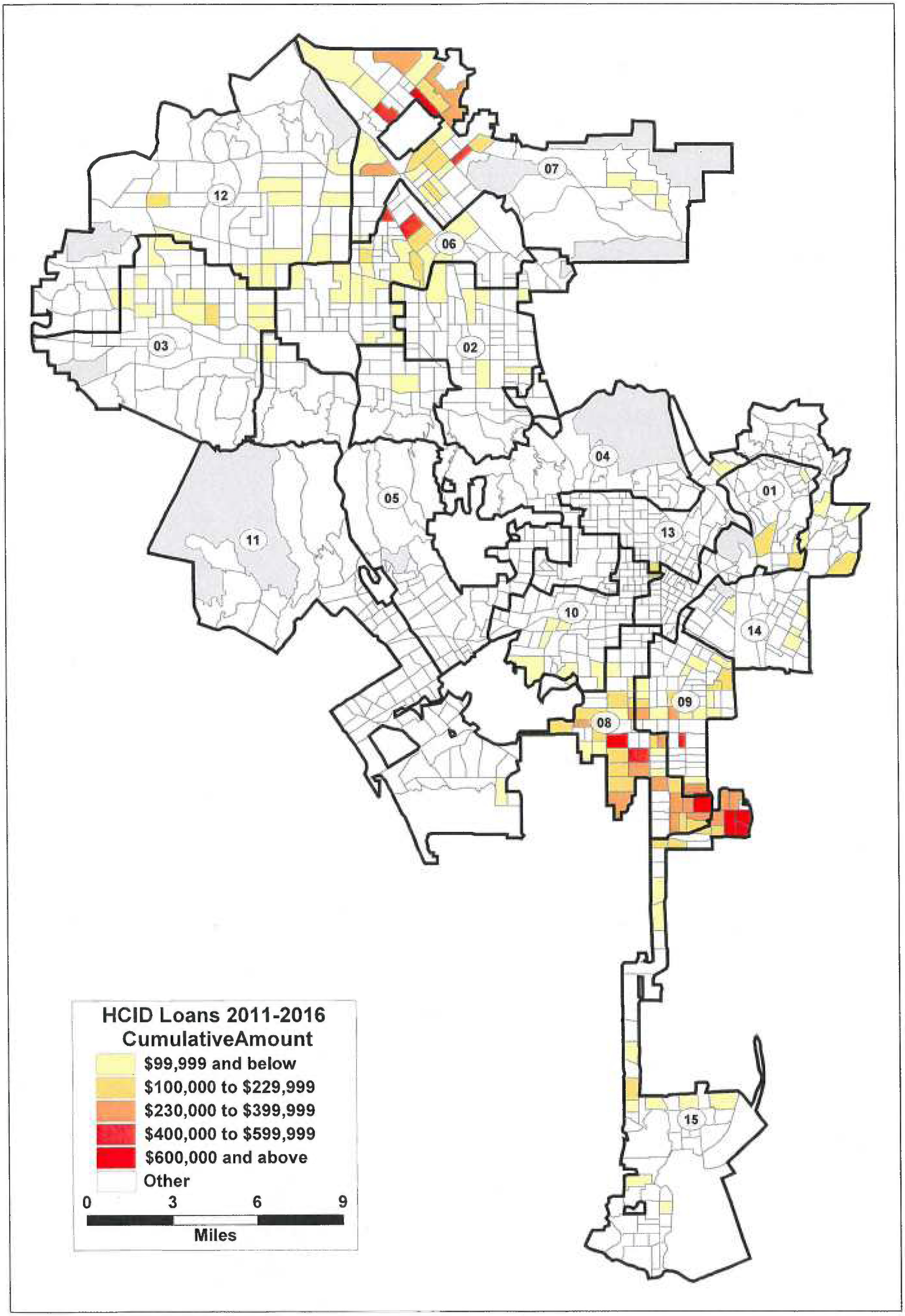

07
12
06
03
02
04
05
01
11
13
10
14
09
08
15
HCID Loans 2011-2016
CumulativeAmount
$99,999 and below
$100,000 to $229,999
$230,000 to $399,999
$400,000 to $599,999
$600,000 and above
Other
0
3
6
9
Miles

FIGURE 5

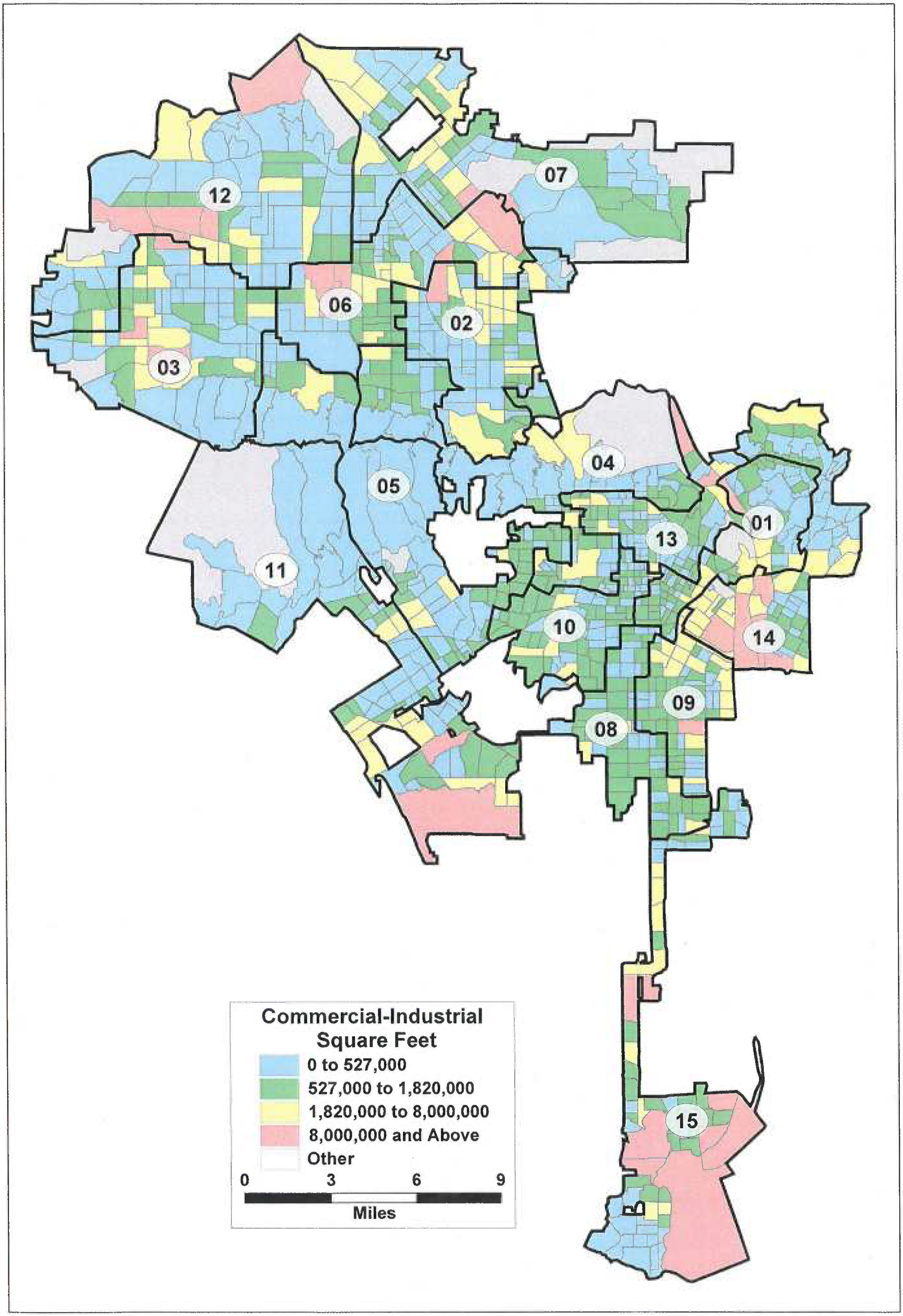

12
07
06
02
03
04
05
01
13
11
10
14
09
08
15
Commercial-Industrial
Square Feet
0 to 527,000
527,000 to 1,820,000
1,820,000 to 8,000,000
8,000,000 and Above
Other
0
3
6
9
Miles

FIGURE 6

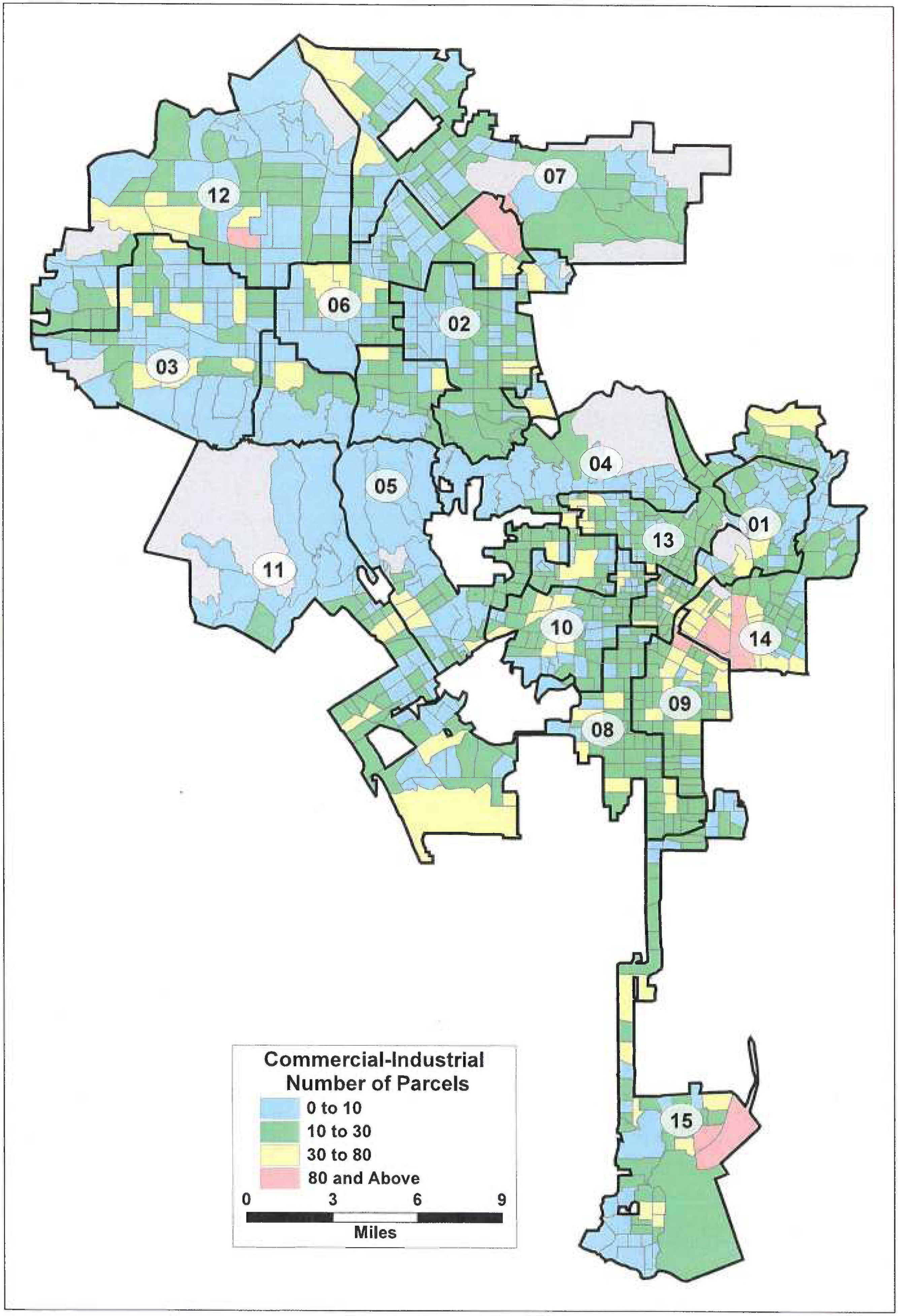
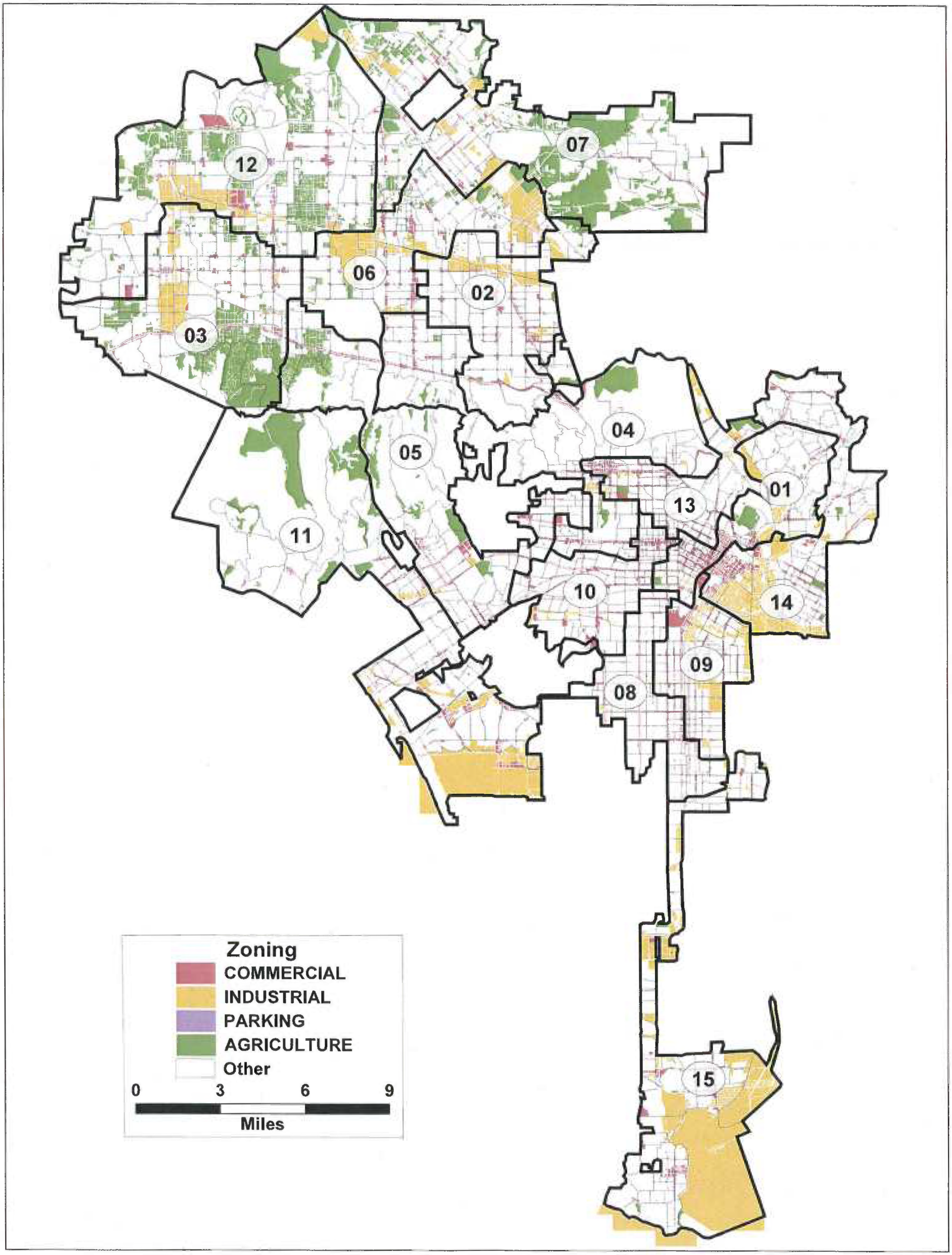
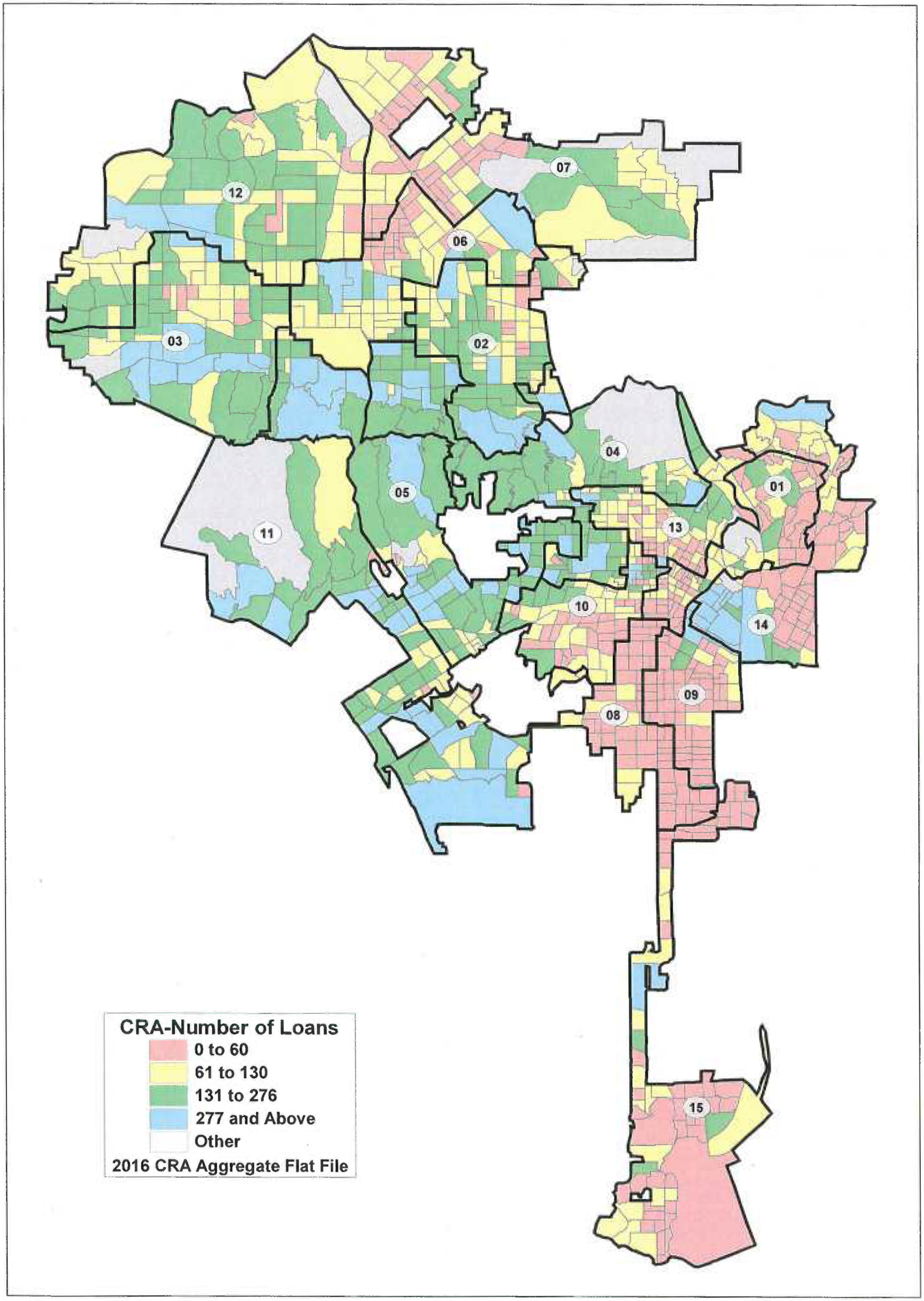

12
07
06
02
03
04
05
01
13
11
10
14
09
08
15
Commercial-Industrial
Number of Parcels
0 to 10
10 to 30
30 to 80
80 and Above
0
3
6
9
Miles

FIGURE 7



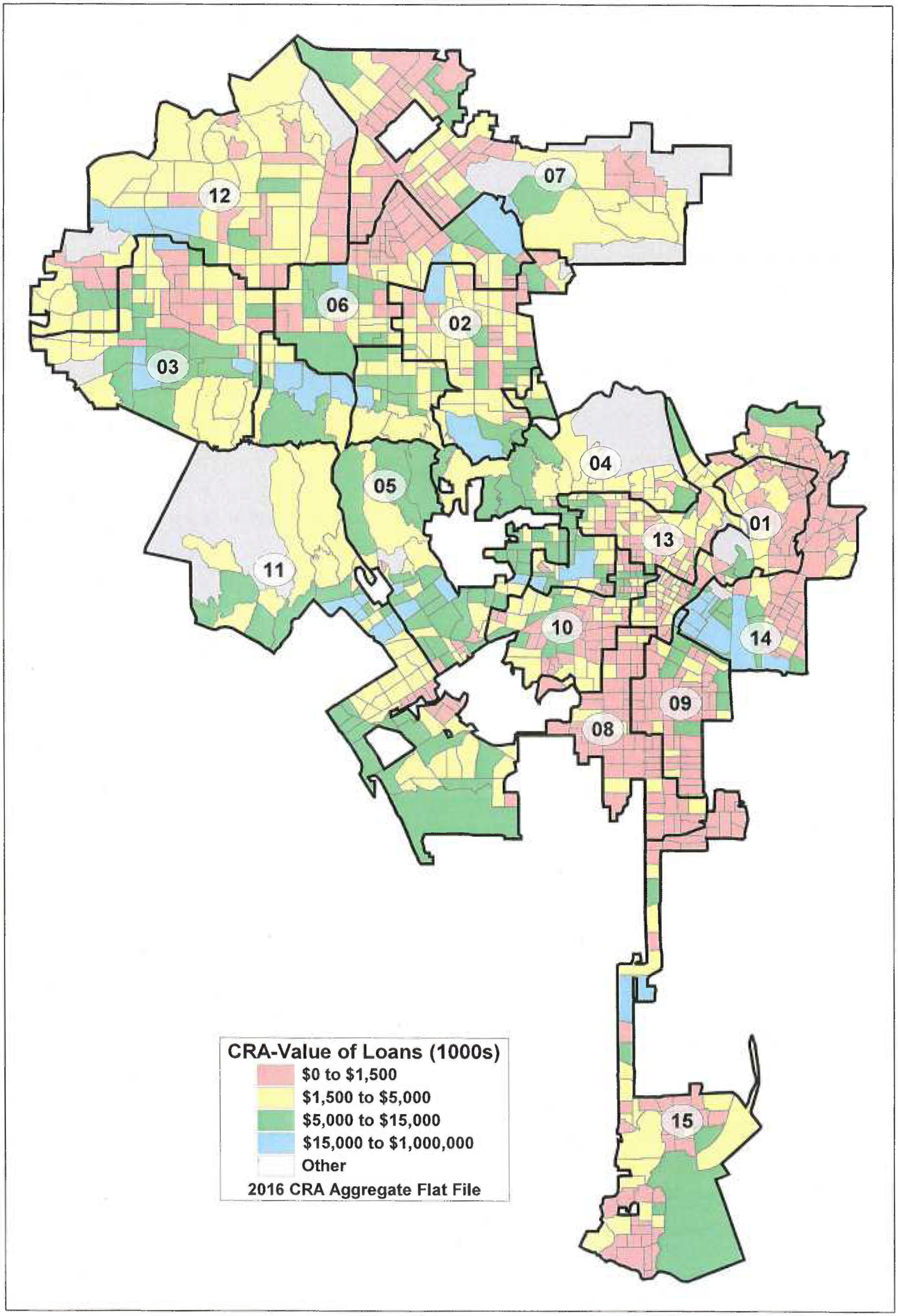
12
07
06
02
03
04
05
01
13
11
10
14
09
08
15
Zoning
COMMERCIAL
INDUSTRIAL
PARKING
AGRICULTURE
Other
0
3
6
9
Miles

FIGURE 8



01
02
03
04
05
06
07
08
09
10
11
12
13
14
15
CRA-Number of Loans
0 to 60
61 to 130
131 to 276
277 and Above
Other
2016 CRA Aggregate Flat File

FIGURE 9



12
07
06
02
03
04
05
01
13
11
10
14
09
08
15
CRA-Value of Loans (1000s)
$0 to $1,500
$1,500 to $5,000
$5,000 to $15,000
$15,000 to $1,000,000
Other
2016 CRA Aggregate Flat File

II. ALIGNMENT OF EXISTING QUASI-BANKING SERVICES AND IDENTIFICATION OF PROSPECTIVE NEW SERVICES

As noted in the CLA report of February 27, 2018, the City currently provides a range of services that could be identified as quasi-banking, listing 39 programs such as home loan assistance and the Utility Infrastructure Loan Program that are available to City residents and businesses. The CLA report suggests that, until such time an MBLA would be available to provide banking and financial services, the City could enhance these quasi-banking programs to expand the financial capacity of and resources available to City residents.

At the request of the Jobs Committee, our Office, with the assistance of HCID and EWDD, has evaluated options to enhance existing housing and economic development financial resources to address gaps and challenges. In the first section of this report, gaps or challenges in accessing financial services were identified. This section highlights some City programs that could be enhanced or implemented to address challenges in accessing personal banking services, securing affordable housing, and facilitating economic development.

Concurrent to this analysis, Council had instructed EWDD to prepare a Citywide Economic Development Strategy (CEDS) (CF No. 13-1090-S1). The CEDS suggests numerous programs to empower City residents that closely align with the recommendations of this report, including:

- Financial literacy programs
- Providing banking options to the unbanked and underbanked
- Limiting predatory lending practices

<u>Personal Banking Services</u>

The ability to enhance existing housing and personal financial resources exists through the furthering of financial education and growth of local programs in banking deserts. FamilySource Centers (FSCs) are located in high-need areas of the City and provide a continuum of core services designed to assist low-income families become self-sufficient by increasing family income and academic achievement for youth and adults.

FSCs provide free, professional, one-on-one financial counseling to residents and serve over 40,000 clients throughout the City. With an annual budget of approximately $13 million, the sixteen (16) FSCs throughout the City offer a range of services to help families transition into economic self-sufficiency. Additionally, there are various other services provided at the FSCs such as free tax preparations through the Free Tax Prep Los Angeles campaign. The FSCs also offer educational training in financial literacy, computer literacy, and English as a Second Language.

Table 1 below demonstrates the City's funding and outcomes for FSCs and the impact of additional funding to support or expand services under this program. Two options could enhance the services offered at FSCs, further helping the unbanked or underbanked population.

- Option 1 offers Financial Coaching – Intensive Services provide a comprehensive approach including case management to help guide families into economic self-sufficiency. Through case management, the long-term impacts and outcomes of these services are tracked. This option would serve 500 families.
- Option 2 offers a combination of services, including a more specific service that offers one-time financial services (such as financial literacy workshops, assistance opening bank accounts, etc.) to individuals, in addition to the comprehensive case-management support for families. This option serves more individuals, but makes tracking outcomes more difficult, as the interaction with those served is limited. This option would serve 2,500 individuals.

Table 1
Family Source Center Funding Impact

	FY 2018-2019 Funding	Anticipated No. Served
Existing FamilySource Centers	$13,000,000	40,000 Individuals
Potential	Cost	
Option 1 – Financial Coaching - Intensive Services	$1,000,000	500 Families
Option 2: – One-touch, one-time financial service	$200,000	2,500 Individuals

Financial Empowerment Education

Programs that help educate residents on the use of financial institutions, practices, and resources can facilitate engagement with the banking system. Financial education can also lead to reduced reliance on AFS and allow individuals to preserve more of their income.

In 2017, HCID led an effort to launch a new marketing campaign to continue to promote the utilization of the EITC, the Child Tax Credit, and the newly funded California Earned Income Tax Credit (CALEITC). The campaign, "Free Tax Prep LA," is a public awareness and education campaign that serves to promote and support the filing of the EITC among low to moderate income communities in the City and County of LA.

Similarly, Bank on Los Angeles, a collaborative initiative of the State, the City, community groups, and financial institutions, connects Los Angeles' unbanked and underbanked population to low-cost financial products and services and expands opportunities and access to financial education. This effort helps individuals and families enter the financial mainstream by opening starter bank accounts, where they can begin saving, build a credit history, gain access to lower-cost sources of credit, and invest for their future. In turn, the program leads to less reliance on AFS as a substitute for banking services. These programs have had success in educating residents on their personal finances and have provided resources for those hoping to enhance their financial capacity. Each of these programs could be significantly enhanced through further funding and the encouragement of private participation.

One approach for private participation could be to expand educational programs for financial empowerment through stipulations required in the Request for Proposal (RFP) process for banks hoping to perform the City's banking functions. An RFP could require a financial institution to provide free workshops to the public regarding personal banking. Requiring an institution to provide personal coaching would supply residents with more specific financial knowledge, and could even allow a personal credit review to detect potential credit problems early.

Banking Development Districts

An opportunity to address banking deserts exists in the formation of Banking Development Districts. The Banking Development District (BDD) program was created by the New York State Legislature in 1999 to encourage the establishment of bank branches in areas with a demonstrated need for banking services by providing public deposits and other benefits to participating banks. The BDDs help banks provide the services necessary to stimulate local economies by enhancing access to capital for local businesses, promoting long-term economic development, fostering job creation, and promoting community stabilization and revitalization. There are currently 45 BDDs in New York State.

In May 2010, the New York State Banking Department released a 10 year retrospective of the BDD program (NY Report). According to the report, between 2005 and 2010, a total of 61,750 bank accounts (savings and checking) have been opened, and 6,673 loans (mortgages, small business and auto loans), totaling $538.8 million, have been extended to underbanked and underserved populations across the state at BDD branches. Among these successes, however, the NY Report notes that "the BDD program could be dramatically improved by mandating that BDD branches provide financial education, encouraging the development of more affordable products and services, and encouraging more collaboration between the BDD branches and local community groups."

On October 13, 2009, the CLA released a report regarding the steps necessary to create a BDD in the City. A BDD would have offered some or all of the following incentives:

1. A guaranteed percentage of municipal deposits and discretionary Council District deposits;

2. Real Property tax breaks that decrease over time;

3. Fast-track land use approval; and

4. Incentives for contractors that seek City business to bank with BDD Branches.

The report concluded that "City residents and the small business community may benefit from a more dedicated approach to banking, including more banking locations in low income areas of the City." The report recommended the establishment of a BDD Task Force to report with guidelines and criteria for banking development district designation and an application process for the Los Angeles BDD Program. The report also recommended that the City Attorney prepare and present a draft Ordinance establishing the BDD Program. The report and recommendation to create a BDD Task Force was adopted, however, the BDD Task Force was never convened.

Following New York State's lead by forming a similar program could help alleviate the presence of banking deserts in Los Angeles. Encouraging financial institutions to form branches in underbanked and unbanked communities could benefit banks and credit unions through municipal incentives, as well as benefit residents with increased access to banking services.

We recommend that Finance be instructed to renew the BDD Task Force and prepare the necessary reports to Council concerning the potential to form such Districts in the City.

City Service Card

Another option the City may wish to reconsider is the use of a City Service Card to provide banking services to its residents. On August 14, 2012, Motion (Alarcon-Wesson) stated that libraries should serve as financial literacy centers for area residents. The Motion further instructed the Los Angeles Public Library and Community Development Department (CDD) to explore the potential to create a "Universal City Services Card" that would combine the use of a library card with a debit card and Work Source Center function, similar to programs in the cities of Oakland, California, and New Haven, Connecticut.

The CDD's "Report Back on the Development of a City Service Card" (CDD Report), dated October 15, 2012, offers a proposed "City Service Card" to benefit students, the elderly, the homeless, immigrants, and transgender individuals who currently lack acceptable forms of financial tools, including a bank account. The report notes that residents who do not have an option of keeping their money in a bank or prepaid debit account are at risk of losing money or having money stolen without recourse, and that many residents either rely on predatory and/or high-priced alternative financial services.

The CDD Report notes that only the cities of Oakland and Richmond, California include an optional prepaid debit card feature, with the Oakland model appearing to be the most secure and economically feasible. The Oakland Municipal ID card program is managed in its entirety by a third-party and is connected directly to a financial institution. Oakland's model does not require the City to pay for the implementation and management of the ID/prepaid debit card program, as the program is sustained by revenue from sale of the card and nominal fees charged to cardholders who opt to activate the prepaid debit card function. The card is issued at authorized city sites with proof of identity and residency.

The CDD Report recommended that the City authorize the release of a Request for Proposals (RFP) to solicit proposals from eligible institutions or agencies. The provider would be required to offer the following services on the prepaid or debit card: Identification, Financial Security, Payment Options, Direct Deposit, Reasonable Fees, Local Access, and the ability to Check Balances. The item was referred to the Arts, Parks, Health, Aging, and River Committee, and an RFP was issued on March 11, 2013, with respondents required to submit their proposals by May 6, 2013. However, only one proposal was received, which failed to meet the RFP's minimum score, and the item did not move forward.

The City Service Card model could give underbanked and unbanked communities access to financial services that would be otherwise unavailable. Using Oakland's model, Los Angeles could develop a self-sustaining card program that offers the benefits proposed in the CDD Report. This could help citizens pay for daily expenses safely and without the use of predatory alternatives, while furthering financial education by involving them in the banking system.

Should this service be offered, the City would need to ensure that a vendor is not able to burden the cardholder with exorbitant fees hidden within a contract. There have been reports of predatory behavior related to such cards, with surprise expenses in the hundreds of dollars. The City would need to maintain strict control over the implementation of a City Service Card model, and ensure that users would not be victimized by such actions.

We recommend that HCID be instructed to revisit this proposal and report on the potential to implement a City Service Card program, including a review of program effectiveness in cities that have implemented such a program.

Housing

The City's housing programs facilitate affordable multi-family housing development and promote homeownership for first-time low and moderate income buyers.

Affordable Rental Housing

According to HCID, in 2017-18, the department financed 747 new affordable units, completed 690 new affordable units, and financed 399 permanent supportive housing units. Through the Affordable Housing Managed Pipeline, administered by HCID, the City provides low interest loans (one to three percent) which are subordinate to conventional loans, making this gap financing key for successful projects. Other programs are available to help provide funding (loans and grants) that may not otherwise be available, to renters and landlords for lead remediation and needed improvements.

HCID also administers the housing component of $1.2 billion available in Proposition HHH funds. The Proposition HHH Permanent Supportive Housing Loan Program subsidizes supportive housing and affordable housing for individuals and families who are homeless and at-risk of becoming homeless. In the latest funding round, HCID recommended $238,515,511 in Proposition HHH funding for 24 projects, comprised of 1,517 housing units.

In 2017-18, HCID financed, through its tax-exempt bond financing program, the rehabilitation of 198 affordable housing units, preserving and extending the affordability of projects that may have otherwise converted to market rate. In addition, HCID manages housing assets transferred to the department from the City's former redevelopment agency (CRA/LA), including the monitoring of loans and covenants, administering the former CRA/LA's Excess Housing Bond Proceeds, and facilitating development of affordable housing on City-owned sites through the Affordable Housing Opportunity Sites Program.

Table 2 notes the level of funding allocated to some of HCID's most significant programs during Fiscal Year 2018-19 and anticipated outcomes. Should the City wish to enhance these services, the table demonstrates what additional impact could be made with supplemental funding.

HCID offers programs to help first-time home buyers purchase a home in the City, and to assist current low income homeowners to address lead-based paint remediation. The City's LIPA and MIPA programs, administered by HCID, help first-time, low and moderate income homebuyers purchase homes in the City of Los Angeles by providing loans to cover the down payment, closing costs and acquisition fees. The Mortgage Credit Certificate (MCC) program provides a dollar-for-dollar reduction to the homebuyer's potential federal income tax liability. This increases the household income available to qualify for a home mortgage. These programs offer opportunities to home ownership for those who may have difficulty gaining access to credit from financial institutions.

A 2016 review of homeownership assistance programs by HCID found that during the five year period between April 2011 and March 2016, the LIPA program had provided 438 homeownership loans for a total assistance amount of $24,718,677, and the MIPA program had provided 363 homeownership loans for a total assistance amount of $27,293,410. Figure 4 on page 14 represents the distribution of these loans (in cumulative loaned amounts) throughout the City.

HCID's home ownership programs have alleviated the issues of those residing in certain areas of the City by offering prospective home buyers an opportunity to purchase property that would otherwise be unavailable to them without the use of financial institutions. The City could look to expand these programs to offer additional assistance to those in banking deserts, and further alleviate the negative effects of a lack of access to the banking industry.

Table 2

Housing Program Funding Impact

Housing Program	CURRENT: FY 2018-19 Funding	CURRENT: Anticipated No. of Affordable Units Supported	POTENTIAL: Additional Funding	POTENTIAL: Additional No. of Affordable Units Supported
Affordable Housing Managed Pipeline[1]	$30,000,000	600	$5,000,000	25
Low and Moderate Income Homeownership Program (Purchase Assistance Loans)	$5,000,000	66	$2,000,000	33
Single Family Rehabilitation Handyworker Program	$2,352,574	254	$426,056	46
Lead Hazard Remediation and Healthy Home Program	$993,642	38	$100,000	10
Total Funding - Housing	**$38,346,216**	**958**	**$7,526,056**	**114**

1 The yearly apportionment of California Tax Credit Allocation Committee (TCAC) 9% Low Income Housing Tax Credits (LIHTC) for City projects is approximately $11.4 million. The credits are a limited source. The credits will be depleted after those 9% L.A. City credits are used for 600 units. With an infusion of $5 million, the additional production of 25 units may only be possible with the use of 4% LIHTCs in combination with competitive L.A. County and State funds, plus HCID Funds (e.g., Proposition HHH).

Economic Development

In October 2016, Council approved the Citywide Comprehensive Job Creation Plan (Job Creation Plan) developed by the Jobs Committee. The Job Creation Plan instructed departments to implement a number of programs to improve services to local businesses.

Among the recommendations of the Job Creation Plan was an instruction for EWDD to develop a City-wide strategy and a five-year implementation plan for the Citywide Economic Development Strategy (CEDS). The CEDS would serve as a framework to revitalize communities and create economic opportunities for the residents of the City. The draft of the CEDS was released on June 20, 2018 and is currently pending in various Council Committees.

EWDD administers a number of programs to help small businesses throughout the City (Attachment B). These programs were identified and briefly discussed in the February CLA Report. The programs include, but are not limited to, the Small Business Loan Program, Section 108 Loans, and the new Microloan Program for small businesses. The City could complement these programs with additional resources and programs through a more coordinated and comprehensive approach.

This section discusses the strategies and methods to better coordinate and add resources to these efforts.

Citywide Economic Development Strategy (CEDS)

The draft CEDS identifies the following enhancements and additions to current City economic development programs with the intention to spur and support economic activity.

- Initiate industrial development bond issuances on behalf of manufacturers through the California Infrastructure and Economic Development Bank.
- Provide microloans for small businesses through the Revolving Loan Fund.
- Dedicate a portion of the Marijuana Tax revenue for economic development.
- Partner with the Housing Authority of the City of Los Angeles to apply for federal planning grants through U.S. Department of Housing and Urban Development's Choice Neighborhood Program.
- Encourage investment in low income areas through the Opportunity Zones.
- Promote the California Hiring Credit through the City's BusinessSource Centers.

The Jobs Committee, at its meeting of August 15, 2018, requested the CLA and CAO to report with a review of the CEDS.

Financial Information and Education Programs
The CEDS provides a list of resources available to City residents that provide financial literacy and educational programs. One such program is the Financial Empowerment Window (Ventanilla de Asesoría Financiera), a financial counseling program administered by the Mayor's Office with the Consulate General of Mexico, Citi, and the Youth Policy Institute that provides free financial counseling services.

Alternative Banking, Financing, and Investment Programs and Practices
The CEDS identifies various federal, private, and local grants available for businesses to use as an alternative to traditional banks which might not always be accessible. These sources are alternative ways to gain access to capital for small businesses or ways in which to incentivize and encourage lending and investment in these areas. The following programs are recommended in the CEDS:

- The New Markets Tax Credit provides incentives for community development and economic growth through private investment in distressed communities by providing a credit against federal income tax for individuals and corporate investors that make equity investments in Community Development Entities.

- In partnership with the Los Angeles Department of Transportation (LADOT) and Metro, EWDD could provide loans from the California Infrastructure State Revolving Loan Fund, California Lending for Energy and Environmental Needs Center, and the Bond Financing Program for infrastructure and other non-housing economic development projects which could be used to invest in communities that might otherwise not have adequate resources.

- The California Organized Investment Network's Insurer Investment program connects the insurance industry with smaller projects that are designed to benefit underserved and disadvantaged communities and to benefit the environment. This is another avenue through which the City could help with investment opportunities that can benefit and encourage community development.

- EWDD could develop a credit enhancement fund to increase access to private capital for businesses by creating a loan loss reserve fund. This could incentivize commercial financial institutions as well as community development financial institutions to lend capital that has more flexible terms than conventional lending products.

- EWDD along with the Mayor's Office could pursue social impact and philanthropic funding equity from private investors or institutions. These lending sources could be made on agreement to repay based on documentable outcomes that achieves the goals of equitable economic development established by the City.

BusinessSource Centers Services (BSCs)
The BSCs provide businesses with financing technical assistance which includes services such as loan qualification and requirements, credit repair, loan packaging assistance, and alternative financial services, among others. However, in discussions with the EWDD, the need for additional sources and tools within the BSCs to provide a follow through service to the businesses has been identified. Currently, the BCSs only support businesses by assisting them to apply and qualify for loans. EWDD would like to see the BCSs have enough capacity to help businesses to move forward beyond this point and provide a more comprehensive financing support system. In order to achieve this, the BSCs would need additional resources and funding to build this capacity. With additional capacity, they can help businesses with additional services such as business planning and marketing.

Conclusion

The City plays a significant role in providing quasi-banking services to promote individual banking and financial support; affordable housing; and small business development among a variety of services. The City previously evaluated programs such as Banking Development Districts and City Service Cards. Additional efforts in these areas could create new financial services and resources for unbanked and underbanked residents in the City. Likewise, the BSCs and FSCs could provide additional training services to City residents.

III. CHANGES TO STATE AND FEDERAL LAW AND AMENDMENTS TO THE CITY CHARTER

As previously reported, State and federal law do not currently provide a regulatory framework for the formation of public banks. The most effective way to allow local governments to form a public bank would be to establish a framework through State law. A comprehensive legal and regulatory framework that provides clear guidelines for matters such as capital requirements, collateral, insurance, and other critical elements required to operate a public bank that protects taxpayer and customer funds is needed to ensure that the City understands the types of services it could offer. Alternatively, a wide range of local, state, and federal laws and regulations would need to be individually amended to facilitate public bank formation.

Public Bank Measure on November 2018 Ballot

A measure is currently on the November 6, 2018 ballot that would amend the City Charter to provide an exception to the limitation on City-owned commercial enterprises for a public bank. If approved by the voters, this would allow the City to pursue establishment of a public bank. This would be the first step to develop the regulatory framework for an MBLA.

Additional Legal and Regulatory Authority

The following issue areas need to be addressed to provide a legal and regulatory environment for the formation of a public bank.

Changes to the City Charter

- A Charter Amendment is required to allow for the formation of an MBLA owned by the City that would earn a profit. The City Council has approved placing a measure on the November 6, 2018 ballot that would amend the City Charter to allow for the formation of a public bank.

- Any change to the Treasurer's fiduciary authority would require a Charter amendment. Additionally, designating an MBLA as the City's depository for its moneys would also require a Charter amendment and similar change in State law. Any Charter change that could affect the Treasurer's independence and fiduciary responsibility when it comes to the management of public funds must be weighed very carefully.

- Any change to the fiduciary authority of the proprietary departments would require a Charter amendment. Additionally, designating an MBLA as the depository for moneys controlled by the proprietary departments would also require a Charter amendment. Any Charter change that could affect the proprietary departments' independence and fiduciary responsibility when it comes to the management of public funds must be weighed very carefully.

- A Charter Amendment may be needed to exempt selection of banking services and bond issuance from the competitive bidding requirements of the Charter.

- Once the governance structure for an MBLA and the types of services to be offered by an MBLA are known, additional Charter changes may be needed, such as amendments to the responsibilities of the Mayor and the City Council and revisions to ethics provisions.

Changes to State Law or Regulatory Authority

- Any change to the Treasurer's fiduciary authority would require a change to State law. Any change in State law that could affect the Treasurer's independence and fiduciary responsibility when it comes to the management of public funds must be weighed very carefully.

- State law would need to be revised to allow the City to deposit General Fund revenue into an MBLA if it is not a State-chartered financial institution.

- The Prudent Investor Rule would need to be revised to allow for consideration of ethical, social, and environmental factors when making fiduciary decisions.

- The amount of collateral required by an MBLA should it accept funds from its ownership, such as a reduction in the collateral requirement and clarification on the types of City funds that would require collateral support, would need to be clarified. It should be noted that collateral requirements are in place for the protection of financial deposits and changes should be carefully weighed.

Federal Law and Regulatory Authority

- Further research is needed to determine whether federal regulations or laws would need to be revised to allow an MBLA to meet capital reserve requirements.

- Further research is needed to determine whether federal regulations or laws would need to be revised to allow an MBLA to meet insurance requirements.

- Changes to either State or federal law may be needed to provide an enforcement mechanism to ensure that a public bank complies with the goals of its mission. Until the framework for an MBLA is identified, no recommendations for legislative solutions can be recommended.

- Additional research is required to determine whether changes in federal and State law or regulatory controls are needed to allow the Airport and Harbor departments to deposit funds in an MBLA.

<u>Additional Laws and Regulations</u>

The issues above are a preliminary review of the issues related to bank formation that should be considered. There is an extensive body of law and regulation related to banking that will be relevant for an MBLA. The following is a partial list of additional laws and regulations that should be considered in any further analysis and which may require amendments to State or federal law:

Federal Laws and Regulations

- Truth in Lending Act
- Fair Credit and Reporting Act and Regulation Z
- Interest Rate regulations
- Fair Credit Billing Act
- Electronic Funds Transfer Act
- Right to Financial Privacy Act
- Credit Opportunity Act and Regulation B of the Federal Reserve Board
- Community Reinvestment Act
- Dodd-Frank Act
- Foreign Account Tax Compliance Act
- Regulations issued by the Consumer Financial Protection Bureau
- US Securities and Exchange Commission rules, or laws of any other federal agencies that regulate non-banking financial services
- Other regulations of the Federal Reserve, including banking regulations and reporting requirements

State Laws and Regulations

- Open Meetings Laws
- Public Records Act Laws
- Procurement Laws
- Audit Laws
- Laws Concerning Property Disposition

State Legislation

Council may wish to sponsor legislation or administrative action that would lead to the development of a regulatory framework for the formation of public banks in California. Due to the complexity of the banking regulations and public finance, it may be advisable for local government to work with the State to form a working group or commission comprised of stakeholders involved in public finance. This body would be charged with drafting a public banking legislative proposal.

IV. UPDATE ON INTERNATIONAL, NATIONAL, STATE, AND LOCAL PUBLIC BANKS

Previous actions of the Jobs Committee requested information concerning international, national, State, and local public bank models, as well as efforts to form public banks, which was provided in the February CLA report. The following is an update on the information previously provided, as well as information on new efforts that have emerged since that time. Most notably, the unincorporated U.S. territory of American Samoa recently formed a public bank in response to the withdrawal of commercial banking services in that region.

US Territory

American Samoa

In 2012, the Bank of Hawaii, a commercial bank, announced that it was closing its branches and leaving the territory. After the American Samoa government was unable to find a replacement bank, it began the process to create a public bank. While the government worked out a solution, the Bank of Hawaii agreed to continue to provide services in the territory on a temporary basis. Legislation was approved in February 2017 to fund the bank via a bond issuance, which capitalized the bank with $12.5 million. In addition, the law establishing the bank required that all government funds be held with the bank. During the bank's initial start-up phase, it was only able to offer a narrow menu of services while it waited for Federal Reserve approval to join the U.S. payments system. In April 2018, the Federal Reserve approved the bank's request and it became only the second public bank in the country. Now that the bank is a member of the payments system, it can provide checks, debit cards, and process wire transfers. Bank executives have announced a desire to sell the bank to a private entity in the future and obtain FDIC insurance for the bank, however no timetable has been established for this transition.

States

Alaska

HB 376, introduced in February 2018, would create a public state bank. The primary purpose of the bank is to promote infrastructure, education, science, technology, maintenance, engineering, and productive capacity in the state. The bank would also support economic development projects, increase access to capital and financial services, and reduce costs of banking services. The bank would be authorized to take both public and private deposits and provide lending services. It would be managed by a board of directors. The bill has been heard in the Labor and Commerce Committee; it did not receive any affirmative votes, and has been pending in the Finance Committee since April.

California

The State is studying the feasibility of creating a public bank that would serve the cannabis industry. A third-party study is on-going. SB 930 (Hertzberg), which would provide for the licensure and supervision of cannabis banks and credit unions authorized to offer limited depository services to cannabis businesses, passed the Senate in May. On August 16, 2018, the Assembly Appropriations Committee voted to hold the bill on the Suspense File.

Michigan
HB 5431, introduced in January 2018, would establish a state public bank. The bank would be authorized to take deposits from both public and private sources. It would also be able to make, purchase, guarantee, and hold loans (including mortgages), invest funds, buy and sell federal funds, and acquire and dispose of real estate. An advisory board would help manage the bank and the state would audit the bank each year. The bill was referred to the Committee on Regulatory Reform, where it is currently pending.

New Jersey
Senate Bill 885, introduced in January 2018, would create a state public bank. The mission of the bank would be to promote small businesses, fair educational lending, housing, infrastructure improvements, community development, economic development, commerce, and industry in New Jersey. The bank would be restricted to receiving deposits from public sources and would provide infrastructure project loans, student loans, and small business loans. It would also be authorized to purchase mortgages from commercial banks; purchase, lease, and construct buildings; purchase and sell federal funds; and utilize eminent domain. The bank would be governed by a 13-member board of directors and the State Auditor would be required to hire an independent certified public accounting firm to audit the bank on an annual basis. During his campaign, the Governor supported the establishment of a public bank. The bill was referred to committee and has yet to receive a hearing.

Vermont
House Bill H. 208, introduced in January 2017, would create a commission tasked with designing a state public bank. The bill was referred to the Commerce and Economic Development Committee and has not been scheduled for a hearing.

Washington
Senate Bill 5464, introduced in January 2017, would create the Washington Investment Trust. The trust would serve as a depository for state and federal transportation funds and would be authorized to manage and invest state funds in order to facilitate the financing of new and existing public infrastructure projects. All deposits would be guaranteed by the state rather than be insured by the FDIC. A commission would manage the trust. The bill was heard in committee and remains in committee.

<u>Cities</u>

New York City
Public Bank NYC is a newly formed coalition that is advocating for a public bank in the city. The organization's vision is for lawmakers to create a bank that makes equitable investments that support low and extremely low income housing, union and living wage jobs, clean energy, public infrastructure, cooperative ownership, and small businesses. They believe the bank should foster community wealth-building and neighborhood-led development and expand high-quality,

affordable financial services to low income, immigrant, and communities of color. At this time, there has been no governmental action on this proposal.

Oakland/Berkeley/Richmond/County of Alameda
A public bank feasibility study being jointly prepared for the cities of Oakland, Berkeley, Richmond, and the County of Alameda is ongoing.

San Francisco
The city created a municipal bank task force in February 2018. The group is studying the feasibility of creating a public bank to fund affordable housing development and low interest loans for low income residents, and as a tool to shift funding away from commercial banks that do not live up to the city's social responsibility principles. The task force is expected to release its report in November. The report will provide an analysis of the costs and benefits of a public bank, including different models with specific costs by service level and formation type, as well as plans for implementation.

St. Louis
In April 2018, the Board of Aldermen adopted a resolution to create a task force to study the feasibility of creating a public bank in the city. The task force will explore the bank's role in serving as a depository of city funds as well as a depository and lender to private sources.

Santa Fe, NM
In August 2017, the city established a task force to advise on the feasibility of establishing a public bank. The task force held several hearings, then in April 2018 released a report that determined a public bank was not advisable. Instead, the task force recommended that the city assist in any investigations into the formation of a statewide public bank. The group found that the possible benefits that a public bank might create are at best marginal and at worst risky based on the small scale of the city's finances and the costs of establishing the bank. The task force found that a statewide public bank was a more appropriate solution for several reasons: the local bank would have to follow extensive regulatory requirements which could be costly, the bank could not feasibility meet the requirements the city would impose in order to use the public bank as the city's fiscal agent, and the bank would face substantial start-up costs to capitalize and manage the bank (of which the city does not have adequate resources).

Washington, D.C.
The District commissioned a third-party study that is currently evaluating the feasibility of establishing a public bank. The study is exploring the functions of a public bank, defining governance considerations, establishing operational and policy options, and assessing a bank's potential financial and economic impacts. The study is on-going. The city is currently recruiting members of the public to serve in a variety of focus groups which will discuss issues related to development of a public bank.

ATTACHMENT A

FDIC UNBANKED AND
UNDERBANKED DATA FOR 2013 AND 2015

Unbanked and Underbanked for Los Angeles-Long Beach-Anaheim, CA, Multiyear by Selected Household Characteristics
All Households

	2013					2015				
	Number of Households (1000s)	Percent Unbanked	Percent Banked: Underbanked	Percent Banked: Fully banked	Percent Banked: Underbanked status unknown	Number of Households (1000s)	Percent Unbanked	Percent Banked: Underbanked	Percent Banked: Fully banked	Percent Banked: Underbanked status unknown
All Households	4,500	9.6%	17.5%	67.4%	5.4%	4,843	8.6%	19.7%	61.7%	10.1%
Race/Ethnicity (PCT)										
Black	444	26.4%	23.4%	47.8%	2.4%	N/A	N/A	N/A	N/A	N/A
Hispanic	1,581	17.7%	25.1%	52.5%	4.8%	1,653	19.3%	27.6%	44.1%	9.0%
Asian	663	1.3%	11.2%	83.2%	4.4%	745	1.1%	13.9%	67.4%	17.5%
White	1,773	1.3%	11.6%	79.8%	7.2%	1,909	1.1%	12.8%	78.4%	7.7%
Other	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Age group (PCT)										
15 to 24 years	198	10.8%	25.6%	61.4%	2.3%	N/A	N/A	N/A	N/A	N/A
25 to 34 years	800	12.3%	18.0%	62.9%	6.8%	839	16.0%	24.7%	54.0%	5.2%
35 to 44 years	822	12.2%	20.2%	62.5%	5.1%	976	13.4%	20.2%	55.4%	11.0%
45 to 54 years	1,098	7.0%	18.8%	67.9%	6.3%	978	5.1%	21.5%	65.3%	8.1%
55 to 64 years	761	11.1%	15.9%	69.1%	3.9%	837	6.0%	14.2%	67.4%	12.4%
65 years or more	821	6.4%	12.1%	76.1%	5.3%	943	3.4%	14.0%	69.2%	13.4%
Education (PCT)										
No high school diploma	786	30.0%	23.0%	44.7%	2.2%	721	30.8%	23.4%	34.9%	10.9%
High school diploma	838	9.5%	21.3%	65.2%	4.0%	1,007	10.6%	23.6%	56.7%	9.1%
Some college	1,274	7.3%	20.8%	65.9%	6.0%	1,294	5.3%	19.3%	63.2%	12.2%
College degree	1,601	1.5%	10.2%	80.9%	7.3%	1,820	0.9%	16.4%	73.9%	8.8%
Employment status (PCT)										
Employed	2,834	6.3%	18.4%	68.5%	6.8%	3,100	6.2%	23.0%	61.0%	9.8%
Unemployed	319	20.5%	14.6%	58.2%	6.8%	N/A	N/A	N/A	N/A	N/A
Not in labor force	1,347	14.1%	16.3%	67.3%	2.3%	1,588	13.0%	13.6%	63.0%	10.4%
Family income (PCT)										
Less than $15,000	714	30.3%	16.5%	49.4%	3.8%	625	26.0%	23.7%	44.6%	5.7%
$15,000 to $30,000	696	16.2%	23.9%	55.5%	4.4%	731	24.4%	18.7%	46.1%	10.8%
$30,000 to $50,000	935	9.3%	25.0%	60.4%	5.4%	973	7.6%	21.9%	58.7%	11.8%
$50,000 to $75,000	783	2.3%	17.4%	75.1%	5.2%	765	-	29.1%	59.5%	11.4%
At least $75,000	1,372	-	9.8%	83.2%	7.0%	1,749	-	13.3%	76.9%	9.9%
Disability status (PCT)										
Disabled, age 25 to 64	261	27.3%	21.3%	51.4%	-	N/A	N/A	N/A	N/A	N/A
Not disabled, age 25 to 64	3,220	9.0%	18.1%	66.9%	6.1%	3,342	9.7%	20.1%	61.6%	8.5%
Not applicable (not age 25 to 64)	1,019	7.3%	14.7%	73.2%	4.8%	1,212	4.0%	18.2%	65.1%	12.7%
Household Type										
Married Couple	x	7.1%	17.8%	x	x	x	8.1%	18.9%	x	x
Unmarried female-headed family	x	17.5%	20.3%	x	x	x	19.4%	25.3%	x	x
Unmarried male-headed family	x	N/A	N/A	x	x	x	N/A	N/A	x	x
Female Individual	x	8.6%	13.2%	x	x	x	3.6%	14.6%	x	x
Male Individual	x	9.6%	14.5%	x	x	x	6.4%	19.7%	x	x
Other	x	N/A	N/A	x	x	x	N/A	N/A	x	x

Source: Multiyear FDIC National Survey of Unbanked and Underbanked Households.
N/A : indicates that the sample size is too small to produce a precise estimate.
- : indicates an estimate of zero. The population proportion may be slightly greater than zero.
x : indicates that information is unavailable
Underbanked definition is based on the following Alernative Financial Services: check cashing, money order, remittance, payday loan, rent-to-own service, pawn shop loan, refund anticipation loan, and auto title loan.

ATTACHMENT B

SUMMARY OF EXISTING EWDD PROGRAMS

Below are the current economic development programs administered by EWDD:

Business Service Resources

- Business Response Unit: The Business Response Unit is available to provide assistance to businesses by coordinating across multiple City departments to resolve delays or other difficulties with City permits, licensing, inspections, etc.

- Business Source Centers: Nine city-wide centers provide technical services to current or aspiring business owners such as business coaching and training, access to capital, business plan development, tax incentives and credits, employee hiring, and workforce development. There is no cost for this service.

Business Capital Programs

- Section 108 – Major Projects Loan Program: Established to facilitate and gap-finance larger commercial and industrial real estate projects. Eligible uses include, but are not limited to, property acquisition, predevelopment, construction, renovation, fixtures/equipment, and development of business incubators. Loan amounts start at $500,000.

- Small Business Loans: The Small Business Loan program is designed to provide financing to viable small businesses that private lenders or other lenders cannot accommodate. Eligible uses include, but are not limited to, working capital, equipment, leasehold improvement, and inventory. Loan amounts range from $50,000 - $500,000.

- MicroLoans: The microloan program provides financing needed to viable microenterprises and small businesses that private financial institutions or community lenders cannot accommodate. Loan amounts range from $5,000 to $50,000.

- Industrial Development Authority Bond Program: Industrial development bonds (IDBs) offer both taxable and tax-exempt financing for manufacturing and industrial development projects. Qualified projects must be backed 100 percent by credit enhancements, and fulfill public benefit criteria, such as job creation for low and moderate income City residents. Maximum financing participation is 90 percent of total project cost.

Other Programs

- GRID110: The program runs a start-up accelerator program in Downtown L.A. to support early-stage entrepreneurs by providing free workspace and access to resources.

- Los Angeles Cleantech Incubator (LACI): The program assists cleantech start-ups by offering flexible office space, coaching/mentoring, and access to resources.

- Healthy Neighborhood Market Network Program: The program builds capacity of neighborhood markets to provide affordable, healthy food options in underserved communities. It also provides technical assistance and resources to small/independent businesses to become healthy food retailers.