Proposition B:
Establishing the Governance and Mission of the SF Public Bank

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Executive Summary

Amends the City Charter to establish the purpose and governance structure of a Municipal Finance Corporation and Public Bank, as outlined in the plans adopted by the San Francisco Reinvestment Working Group, to develop lending products to invest in affordable housing, small business, and climate sustainability.

What a San Francisco Public Bank Will Do

- The Municipal Financial Corporation and Public Bank will create **financing tools and lending products** to invest in critical San Francisco investment priorities like **affordable housing, small business, climate sustainability**.

- Supports projects exclusively located in or serving San Francisco, be restricted from lending to fossil fuels, weapons manufacturers, private prisons, detention centers, and labor law violators.

- Open up new opportunities for finance for San Francisco projects and equip San Francisco with another tool for our public financing toolkit for public priorities.

What the Charter Amendment Does

- The Charter Amendment outlines a **two-step process** beginning with a Municipal Financial Corporation that would transition to a Public Bank, after three to five years of successful operation, once it applies for and receives its banking charter from state and federal regulatory authorities.

- The Charter Amendment **codifies the mission and structure** for a Municipal Financial Corporation and Public Bank as outlined in **the Business Plan** accepted unanimously by the Board of Supervisors in 2023.

- The Charter Amendment establishes good governance structures as outlined in **the Final Governance Plan** accepted unanimously by the Board of Supervisors.

- Governance Structure
    - The MFC and Public Bank will be run by skilled banking professionals, these bankers will have sole decision-making authority on lending.
    - Staff will be overseen by the Board of Directors.
    - The MFC/Bank Oversight Committees will appoint and advise the directors, with appointing powers for the Treasurer, Controller, City Attorney, Mayor, and Board

    of Supervisors. This governance would enable significant **oversight**, **checks and balances**, and **accountability** to safeguard the public interest.
  - This 3 tiered structure allows for both democratic accountability to the mission and purpose of the bank while creating multiple layers of safeguards to ensure the complete and total independence of specific loan decisions from any politician's direct influence.

- This Charter Amendment results in **no additional cost** to the City. It does not identify a source to capitalize the bank, it simply establishes the ideal structure for the bank to prepare for deployment of capital. The creation of the MFC/bank structure allows for the city to pursue a wide array of capitalization sources for the bank in order to unlock state, federal and philanthropic opportunities currently unavailable due to lack of an established entity.

Impact of Passage / Reasons for The Legislation

- Allows for the immediate implementation of lending programs if and when funding is committed for capitalization.

- Demonstrates San Francisco politicians and voters inspiring commitment to local empowerment in public finance, combatting climate change, financing affordable housing, and supporting our local economy.

- Demonstrates to policymakers, investors, regulators and customers that local municipalities are committed to public banking and have made public commitments to the work, to support future policy efforts and the successful operation of the bank.

- The governance structure grants appointing powers to the Board of Supervisors, City Attorney, Treasurer, and Controller, in addition to the Mayor. This is to allow for the expertise and interests of those representatives to have a voice in our bank's operations and help prevent concentration of power in the hands of any individual politician.

The Path To a San Francisco Public Bank

- In 2019, Assembly Member David Chiu authored and successfully passed AB 857, the California Public Banking Act, creating **a formal pathway for local jurisdictions** to charter public banks for the purposes of achieving cost savings, supporting community economic development, and addressing infrastructure and housing needs for localities.

- In 2021, the Board of Supervisors passed an ordinance establishing **the San Francisco Reinvestment Working Group** to oversee the formation of a business and governance plan, consisting of the Controller, Treasurer, and technical experts in financial institutions, affordable housing financing, small business lending, environmental justice and renewable energy.

- Under the stewardship of the Local Agency Formation Commission, HR&A Advisors, and consultant Gary Findley who has experience starting over 100 banks, the San Francisco Reinvestment Working Group prepared a **Final Governance Plan, Business Plan, and Viability Study for a San Francisco Municipal Financial Corporation and a San Francisco Public Bank**, which was accepted by the Board of Supervisors in 2023.