

File No. 221244

Committee Item No. 4

Board Item No. 8

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Rules Committee

Date Feb 13, 2023

Board of Supervisors Meeting

Date March 7, 2023

Cmte Board

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| ☐ | ☐ | Resolution |
| ☒ | ☐ | Ordinance |
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| ☐ | ☐ | Memorandum of Understanding (MOU) |
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OTHER (Use back side if additional space is needed)

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Completed by: Victor Young Date Feb 9, 2023

Completed by: _____ Date _____

[Administrative Code - Extension of Sunset Date and Deadline for Required Reports of Reinvestment Working Group]

Ordinance amending the Administrative Code to extend the time for the Reinvestment Working Group to submit required reports to the Board of Supervisors and the Local Agency Formation Commission, from the current one-year deadline to September 30, 2023, and to extend the sunset date for the Working Group to December 31, 2023.

NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
Additions to Codes are in *single-underline italics Times New Roman font*.
Deletions to Codes are in ~~*strikethrough italics Times New Roman font*~~.
Board amendment additions are in double-underlined Arial font.
Board amendment deletions are in ~~Arial font~~.
Asterisks (* * * *) indicate the omission of unchanged Code subsections or parts of tables.

Be it ordained by the People of the City and County of San Francisco:

Section 1. General Findings.

(a) Ordinance No. 87-21 created the Reinvestment Working Group to prepare a business and governance plan for establishing a Municipal Finance Corporation (MFC), and a business and governance plan for the MFC to become a public bank. The ordinance required the Working Group to submit these plans to the Board of Supervisors and the Local Agency Formation Commission within one year from the date of its first meeting.

(b) The Working Group held its first meeting on April 21, 2022, and has been working on developing the plans referenced above.

(c) On or about July 22, 2022, the Board of Supervisors entered into a contract with a consultant to provide public bank consulting services.

1 (d) The Working Group has indicated it needs an extension of approximately six
2 months to complete its work and submit the required plans to the Board of Supervisors and
3 the Local Agency Formation Commission.
4

5 Section 2. Chapter 5, Article 16, of the Administrative Code is hereby amended by
6 revising Sections 5.16-4, 5.16-6, and 5.16-7, to read as follows:

7 **SEC. 5.16-4. POWERS AND DUTIES OF THE WORKING GROUP.**

8 (a) Not later than September 30, 2023, ~~one year from the date of the first Working Group~~
9 ~~meeting~~, the Working Group shall submit to the Board of Supervisors and to the Local Agency
10 Formation Commission a business and governance plan for establishing and operating an
11 MFC, which shall address the MFC's planned lending services, prioritizing investment in
12 affordable housing production and preservation, Local Enterprise, and public infrastructure;
13 organization and management; financial projections; and funding requirements; and which
14 may include recommendations for modifications of City laws and regulations.

15 (b) Not later than September 30, 2023, ~~one year from the date of the first Working Group~~
16 ~~meeting~~, the Working Group shall submit to the Board of Supervisors and to the Local Agency
17 Formation Commission a business and governance plan for the MFC to become a Public
18 Bank, which plan shall:

19 (1) meet the elements required in a business plan to be submitted as part of a
20 public bank license application to the California Department of Financial Protection and
21 Innovation;

22 (2) include a study that meets the requirements of California Government Code
23 Section 57606(a) for state-chartered public banks and, at the discretion of the Working Group,
24 may address the elements set forth in California Government Code Section 57606(b);
25

1 (3) incorporate the following time objectives: the MFC applying for a public bank
2 license within three years of its establishment, and becoming operational as a Public Bank
3 within five years of its establishment; and the Public Bank providing comprehensive banking
4 services to the City within five years of its becoming operational;

5 (4) establish lending priorities that promote economic security, affordability,
6 environmental sustainability, and general wellbeing for all San Franciscans, which shall:

7 (A) prioritize investment in affordable housing production and
8 preservation with a focus on: housing to meet the needs of low-income households (as set
9 forth in Planning Code Section 415) and Social Housing Developments (as defined in
10 Administrative Code Section 10.100-78(e)) for households earning up to 80% of Area Median
11 Income; Local Enterprise; and public infrastructure;

12 (B) evaluate implementing additional lending programs investing in public
13 lands, zero-emission renewable energy systems, energy efficiency upgrades, student loans,
14 and sustainable food systems, and foreclosure prevention/homeowner assistance; and

15 (C) prohibit lending for market-rate housing and for lending that conflicts
16 with the City's values, which shall include, but not be limited to, predatory lending; lending for
17 fossil fuels, tobacco, firearms, and weapons; and lending to businesses with a record of labor
18 law violations, prisons, and detention centers;

19 (5) recommend a governance and regulatory structure of a Public Bank that
20 encompasses compliance with legal requirements, ethical standards, lending priorities, and
21 standards for transparency, community oversight, and accountability;

22 (6) make recommendations for modifications of City laws and regulations, which
23 may include draft legislation or regulations;

24 (7) make recommendations whether to establish and operate the Public Bank in
25 partnership with other California cities, counties, or other local agencies, or to include other

1 California cities, counties, or other local agencies in the capitalization or as customers of the
2 Public Bank;

3 (8) make recommendations for capitalization and loan funding of at least \$300
4 million, from sources including but not limited to appropriations from the Treasurer's
5 Investment Pool, the General Fund, and budget surpluses; and

6 (9) address any other matter the Working Group deems appropriate in light of
7 its purposes.

8 (c) The Working Group may in its discretion incorporate the analysis of the Municipal
9 Bank Feasibility Task Force Report into the plans required under subsections (a) and (b).

10
11 **SEC. 5.16-6. ORGANIZATION AND OPERATIONS.**

12 (a) Each appointing authority shall name its appointees within 30 days of, and the
13 Working Group shall convene within 60 days of, the effective date of this Article XVI. The
14 Working Group shall meet at least once per month until it submits the business and governance
15 plans to the Board of Supervisors and Local Agency Formation Commission as required under Section
16 5.16-4.

17 * * * *

18
19 **SEC. 5.16-7. SUNSET DATE.**

20 This Article XVI shall expire by operation of law, and the Working Group shall
21 terminate, ~~eighteen months from the Article's effective date~~ on December 31, 2023. Upon expiration
22 of this Article, the City Attorney shall cause it to be removed from the Administrative Code.

1 Section 3. Effective Date; Partial Retroactivity.

2 (a) This ordinance shall become effective 30 days after enactment. Enactment
3 occurs when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or
4 does not sign the ordinance within ten days of receiving it, or the Board of Supervisors
5 overrides the Mayor's veto of the ordinance.

6 (b) It is the intent of the Board of Supervisors that the authority conferred on the
7 Reinvestment Working Group by extending the sunset date in Section 2 shall be without
8 interruption, and that the incumbent members of the Working Group shall continue to hold
9 their seats without reappointment. As a result, the amendment to Section 5.16-7 of the
10 Administrative Code, which extends the sunset date of the Task Force past its current sunset
11 date, shall, upon the effective date of this ordinance, be retroactive to February 2, 2023. The
12 remaining provisions of the ordinance, however, shall not be retroactive.

13
14 Section 4. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors
15 intends to amend only those words, phrases, paragraphs, subsections, sections, articles,
16 numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal
17 Code that are explicitly shown in this ordinance as additions, deletions, Board amendment
18 additions, and Board amendment deletions in accordance with the "Note" that appears under
19 the official title of the ordinance.

20
21 APPROVED AS TO FORM:
22 DAVID CHIU, City Attorney

23 By: /s/
24 VICTORIA WONG
 Deputy City Attorney

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LEGISLATIVE DIGEST

[Administrative Code - Extension of Sunset Date and Deadline for Required Reports of Reinvestment Working Group]

Ordinance amending the Administrative Code to extend the time for the Reinvestment Working Group to submit required reports to the Board of Supervisors and the Local Agency Formation Commission, from the current one-year deadline to September 30, 2023, and to extend the sunset date for the Working Group to December 31, 2023.

Existing Law

Ordinance No. 87-21 created the Reinvestment Working Group to prepare a business and governance plan for establishing a Municipal Finance Corporation (MFC), and a business and governance plan for the MFC to become a public bank. Existing law requires the Working Group to submit these plans to the Board of Supervisors and the Local Agency Formation Commission within one year from the date of its first meeting. The Working Group held its first meeting on April 21, 2022, and has been working on developing the plans referenced above. Under existing law, the Working Group will sunset on February 2, 2023.

Amendments to Current Law

The proposed ordinance will extend until September 30, 2023 the Working Group's deadline for submission of the business and governance plans to the Board of Supervisors and the Local Agency Formation Commission. The proposed ordinance will also extend the Working Group's sunset date to December 31, 2023.

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SF Reinvestment Working Group:

Extension of Sunset Date and Deadline for Required Reports of Reinvestment Working Group

Ordinance amending the Administrative Code to extend the time for the Reinvestment Working Group to submit required reports to the Board of Supervisors and the Local Agency Formation Commission, from the current one-year deadline to September 30, 2023, and to extend the sunset date for the Working Group to December 31, 2023.

SF Reinvestment Working Group (RWG)

1. Background on the SF Reinvestment Working Group
2. Summary of the Extension Ordinance
3. RWG Accomplishments
4. Timeline for Deliverables

SF Reinvestment Working Group (RWG)

- 2019's AB857 (Chiu) created a state license for public banks
- RWG was created by ordinance #87-21 (Preston)
- Tasked with submitting to the BOS and LAFCo:
 1. a business and governance plan to establish a City-owned, non-depository lending corporation (a municipal finance corporation or MFC), and
 2. a separate business and governance plan for the MFC to become a state-licensed public bank
- LAFCo agreed to support the RWG as part of its work studying municipal financial services

Summary of the Extension Ordinance

Event	Original Ordinance	Extension Ordinance
Plans Due to the BOS	April 21, 2023	September 31, 2023
RWG Sunset Date	February 2, 2023	December 31, 2023

- Extension is needed because of delays in seating the RWG and hiring HR&A, the consultant
- HR&A has agreed to a no-cost extension of their contract
- The RWG aims to complete the plans by May 31, 2023
- The extension ordinance provides additional time in case more time is needed or if the RWG wishes to continue to meet for any follow-up matters until December 31, 2023

RWG Accomplishments

- Community outreach: the RWG worked with Contigo Communications (LBE subcontractors of HR&A Advisors) on a community engagement plan with focus groups and interviews with stakeholders
- Lending Gaps and Priority Analysis: HR&A identify market gaps and community needs for lending services to validate the need for a public bank and inform the development of the business plans
- Governance Plan: the RWG worked with HR&A's subcontractor banking experts (Gary Steven Findley and Associates) and community stakeholders to draft a bank governance plan
 - Mr. Findley submitted to the FDIC and CDFPI and arranged a meeting to receive feedback
- HR&A (and Gary Steven Findley and Associates) delivered first drafts on 2/10/23 of:
 - Draft MFC plans
 - Draft Public Bank plans
 - Draft memo on Green Bank options

RWG Accomplishments: First Drafts of Plans

- Draft MFC plans:
 - Modeled based on \$20 million in capital and \$50 million in funding by year three
 - MFC is projected to reach total assets of nearly \$70 million by the end of its third year of operation and achieve annual breakeven in the third year of operation
- Draft Public Bank plans:
 - Modeled based on \$50 million in capital and \$188 million in funding by year three
 - Bank is projected to achieve monthly profitable operations by the end of the third year
 - Thereafter, the bank would generate earnings sufficient to support future growth
- Draft memo on Green Bank options
 - Outlines how a “green bank” entity could operate alongside or as part of an MFC or public bank
 - Describes how a green bank structured as an MFC could be eligible for the Inflation Reduction Act’s \$27 billion Greenhouse Gas Reduction Fund

Timeline for RWG Deliverables

Event	Original Ordinance
Feb 10, 2023	HR&A submits drafts of business and governance plans for the MFC and public bank, plus memo on green bank options
Mar 31, 2023	HR&A submits final MFC business and governance plans
May 10, 2023	HR&A submits final public bank business and governance plans
May 31, 2023	Contract with HR&A ends after they submit the final versions of all deliverables
Jun-Dec 2023	RWG may continue to meet as desired for any follow-up matters
Dec 31, 2023	The RWG sunsets

Members of the RWG

Seat	Member Name	Seat Attributes
1	Rafael Morales	Technical expert in financial institutions
2	Jennifer Finger	Technical expert in financial institutions
3	Elizabeth Dwyer	Technical expert in financial institutions
4	Fernando Marti (Vice Chair)	Community representative
5	Christin Evans (Chair)	Community representative
6	Michelle Pierce	Community representative
7	Sylvia Chi	Community representative
8	Anna Van Degna	Controller's designee
9	Amanda Fried	Treasurer's designee

Community Outreach Participants

Affordable Housing Development & Homeownership

- Council of Community Housing Organizations
- Episcopal Community Services of San Francisco
- Homeownership San Francisco
- Housing Rights Committee of San Francisco
- Mission Economic Development Agency
- Mission Housing Development Corporation
- San Francisco Community Land Trust
- San Francisco Housing and Development Corporation
- Tenderloin Neighborhood Development Corporation
- Young Community Developers

CFIs, CDFIs, and Credit Unions

- Beneficial State Bank
- California Credit Union League
- EastWest Bank
- Enterprise Community Loan Fund
- Housing Trust Silicon Valley
- ICA Fund Good Jobs
- Main Street Launch
- Mission Economic Development Agency
- Momentus Capital
- Pacific Community Ventures
- San Francisco Federal Credit Union
- Self-Help Federal Credit Union
- Working Solutions

Green Investments and Environmental Justice

- Bay Area Climate Adaptation Network member
- Bayview-Hunters Point Community Advocates
- Emerald Cities
- Just Solutions Collective

- San Francisco Climate Emergency Coalition
- San Francisco Electrical Contractors Association
- Bicis del Pueblo

Small Business

- California Reinvestment Coalition
- Chinatown Merchants Association
- Literacy for Environmental Justice (provided input related to small businesses and green energy)
- National Association of Minority Contractors
- North-East Business Association
- Project Equity
- San Francisco Small Business Commission member
- Small Business Majority
- Sunset Mercantile
- Multiple small businesses

City and County of San Francisco

- Contract Monitoring Division
- Office of Economic and Workforce Development
- Office of Small Business
- Port of San Francisco

Community and Policy Advocacy Organizations

- People Organizing to Demand Environmental and Economic Justice
- SPUR (the San Francisco Bay Area Planning and Urban Research Association, which goes by SPUR, is a nonprofit public policy organization)

Other Organizations (Insurance)

- Merriwether & Williams (private company providing risk management and insurance brokerage services that has supported City programs in the past)



Questions?



**SAN FRANCISCO
LOCAL AGENCY FORMATION COMMISSION**

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