



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: September 6, 2012 REPORT NO: 12-111
ATTENTION: Honorable City Council Members
SUBJECT: City of San Diego Responsible Banking Ordinance

REQUESTED ACTION: Amend Chapter 2, Article 2 (Administrative Code) of the San Diego Municipal Code to include Division 39: Responsible Banking Ordinance; and Chapter 2, Article 6 (Boards and Commissions) of the San Diego Municipal Code to include Division 23: City of San Diego Community Reinvestment Review Advisory Committee

STAFF RECOMMENDATION: Accept and adopt the proposed ordinances

SUMMARY:

Since their inception, banks and financial institutions have been an integral part in the economic vitality of communities, cities and the nation. Their vital role in sustaining and improving the quality of life and businesses, particularly in low- and moderate- income communities cannot be understated. As our local and national economies continue to recover from the crisis of the past decade, banks and financial institutions have an even more important role in revitalizing our communities and neighborhoods. Lending, investing, providing quality non-predatory financial products to individuals and businesses and being a good corporate citizen is essential to ensuring our communities recover from hard economic times and accelerate their recovery as the economy improves. Cities across the nation have taken steps to work with banking and financial institutions to help ensure they are more responsive to community needs. Ordinances have been passed that are designed to increase the amount of responsible loans, investments, financial services, and corporate giving in cities and their low and moderate-income communities.

In 1991 the City of Cleveland passed the first of these responsible banking ordinances, followed by Philadelphia (2005), Kansas City, MO (February 2012), Pittsburgh (April 2012), New York (June 2012) and Los Angeles (June 2012). The city of Boston is also considering a similar ordinance. Terms of the ordinances vary from a bank not being eligible for a contract unless a four-year responsible banking plan is approved by the city to a point-system whereby the financial institutions are required to submit progress reports that are used by an appointed City staff person in awarding points based on factors such as how close they came to meeting various lending and investing goals, how many branches they opened in low- and moderate-income neighborhoods and how many minorities and women they employed in executive positions.

Our city is unique in that it has the Reinvestment Task Force (RTF), established in 1977, that is comprised of government officials representing the City and County; representatives from lending institutions, community housing and economic development; and members of the general public. The RTF serves as an advocate for affordable housing, encouraging small business and economic development, and promoting consumer education and fair access to financial services by assisting financial institutions in identifying the credit and savings needs in the San Diego region.

As a result of the RTF the City already has a positive working relationship with our financial institutions. Because of this it is unnecessary at this time to consider imposing penalizing measures such as a rating system that some other cities are considering. Instead the addition of certain reviewing mechanisms would be more appropriate for our city such as (1) clearly defining with which banks and financial institutions the City will deposit funds and conduct other banking activities; (2) requiring a review of the financial institution's community reinvestment performance; and (3) not permitting deposits with financial institutions that practice predatory lending practices. The proposed ordinances provide those reviewing mechanisms stated above by requiring banks and financial institutions that want to do business with the city to do the following:

1. Submit a *two year Community Reinvestment Plan (CRP)* which would include plans for residential and small business lending information including with, and especially, low- and moderate-income communities; community development loans and investments, branches and deposits; consumer loan lending; investing; and corporate giving; and
2. Submit *annual data* which would include the financial institution's home and small business lending, branches and deposits, community development investments, employment diversity and number of jobs;
3. Establish a *Community Reinvestment Review Advisory Committee* that would be charged with reviewing the CRPs and issuing recommendations to staff as to which banks and financial institution(s) the city should make deposits and conduct other financial transactions.

FISCAL CONSIDERATIONS: None.

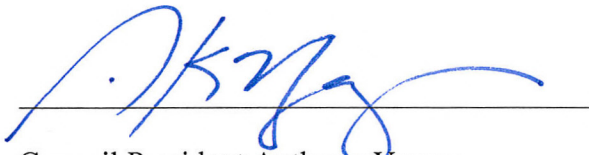
PREVIOUS COUNCIL and/or COMMITTEE ACTION: On May 16, 2012, the Committee on Rules, Open Government and Intergovernmental Relations directed the City Attorney to draft a responsible banking ordinance. On June 27, 2012, the community unanimously (5-0) voted to forward a draft responsible banking ordinance to full council for approval.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: Outreach has been made to representatives from those financial institutions that have a retail presence in San Diego including Wells Fargo, JP Morgan Chase, Bank of America, Wells Fargo, US Bank, Union Bank and the San Diego Metropolitan Credit Union; the Reinvestment Task Force Committee; the San Diego Regional Chamber of Commerce; the California Reinvestment Coalition; the Alliance of


Californians for Community Empowerment and city staff including City Treasurer Gail Granewich and Chief Investment Officer Kent Morris. Input and feedback from all of these stakeholders was considered in the drafting of the proposed responsible banking ordinance.

CONCLUSION:

As one of the ten largest cities in the United States, it is important that we ensure that those financial institutions with which the City does business are responsive to community needs and seek to promote economic growth and community reinvestment within the City of San Diego. The proposed responsible banking ordinance provides the city with a way to achieve those goals.



Council President Anthony Young
Rules Committee Chair



Lea Fields-Bernard
Rules Committee Consultant

Attachments(s): Responsible Banking Ordinances matrix