



THE ECONOMIC IMPACT OF A NEW YORK CITY PUBLIC BANK

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Executive Summary

Public banks around the world offer examples of an alternative model for finance, one in which public resources are intentionally employed to serve the public good and build local economies. In New York State, legislation has been drafted to allow municipal and other local governments to establish public banks.

The City of New York's annual municipal budget exceeds \$100 billion, with most of the amount of daily cash balances held by a handful of the largest commercial banks. However, the practices of those large commercial banks often fail to adequately serve and support the development of New York City's low- and moderate-income communities. Research has shown that these banks often provide inequitable access to financial services, finance speculative housing investments, and come up short in small business lending, particularly lending to minority- and women-owned businesses.

A broad coalition of advocacy and community organizations, worker cooperatives, and labor unions has mobilized in support of a public bank in New York City to address longstanding inequities in the banking system and our local economy. The proposed public bank would likely not engage in retail banking. Instead, it would hold New York City municipal deposits and partner with the city's community development credit unions and community banks to expand their reach, extending financial services to underserved communities, financing small business and worker cooperatives, and helping build wealth at the local level. Affordable housing acquisition, rehabilitation, and construction would also be a large focus of the bank's loan portfolio, along with renewable energy and energy efficiency projects.

The Center for New York City Affairs at The New School (CNYCA) conducted an analysis to measure the projected economic impact of a local public bank, based on the business model put forth by local advocates. The analysis focuses on job creation, affordable housing development and preservation, and community development lending during the bank's five-year start-up phase, the time it is projected to take to achieve a full lending portfolio.

Under reasonable assumptions about the scale of lending based on leveraging the City's operating cash balances, a New York City public bank would generate a meaningful economic impact. In its start-up phase, assuming deposits of \$6.5 billion, the economic impacts of the public bank's loans include:

- 70,600 jobs, including 24,900 permanent and 45,700 temporary construction jobs;
- Over 17,000 new or rehabilitated housing units; and
- \$5.8 billion in new lending by local community development credit unions and banks, in partnership with the public bank.

These projected economic impacts stem from the initial assumptions regarding municipal deposits and do not account for factors such as the reinvestment of interest or earnings or growth in the bank's capital base from other sources.

A public bank would represent an important new direction for the city's financial system and reflect the City's commitment to advancing racial equity.

A public bank would be a vehicle through which New Yorkers could begin to exercise control over the financial resources circulating within their communities. Further, it would represent an alternate model of finance in New York City, one in which finance is not a means of extraction and private accumulation but instead a tool to employ public wealth for the public good, enhancing the economic well-being and wealth-generating potential for low- and moderate-income New Yorkers and communities.

I. Introduction

New York City's \$100 billion annual budget is the nation's largest municipal budget; in fact, it also is larger than that of 46 states. The City, like private individuals or businesses, is a bank customer, depositing, withdrawing, and investing funds. However, attention is increasingly being drawn to practices of large commercial banks with which the City does business that do not serve the economic interests of many New York City residents, especially low-income, Black, and brown New Yorkers.¹ By limiting access to affordable banking services, encouraging speculative housing investments, and limiting small business lending, the practices of many large commercial banks are often driving the very racial and economic inequities the City is committed to remedying. These impacts occur in the context of the long history of discriminatory lending and disinvestment that has scarred New York City's communities of color. And while the City has undertaken a range of policies in response to the climate crisis, the institutions holding the bulk of the City's deposits are also among the world's largest funders of fossil fuel industries.²

Against this backdrop, there is growing interest in establishing a public bank for New York City. First, such an institution would responsibly and ethically hold and manage City funds. Second, the public bank would partner with credit unions, small community banks and loan funds, and community-based nonprofits to put those funds to work in service of the City's public policy goals. Through direct financing and partnership lending with community-based financial institutions, the public bank would:

- increase credit availability for small businesses not well-served by large commercial banks;
- boost affordable housing and local renewable energy; and

¹ For example, see Doug Turetsky, "Which Banks Should Get to Hold NYC's Billions in Cash?" Hellgate, April 19, 2023.

² Rainforest Action Network (RAN), BankTrack, Indigenous Environmental Network (IEN), Oil Change International (OCI), Reclaim Finance, Sierra Club, and Urgewald. Banking on climate chaos. Fossil Fuel Finance Report. Rainforest Action Network March 30, 2022, https://www.ran.org/wp-content/uploads/2022/03/BOCC_2022_vSPREAD-1.pdf.

- expand the capacity of the city’s small banks and credit unions to serve New Yorkers.

The public bank would likely not undertake retail banking, that is, opening branches and offering consumers checking and savings accounts. However, its partnerships with credit unions and small banks would allow those entities to grow and diversify, making more and larger loans. These community-based lenders would be better able to offer financial services in underserved areas, while competing on a somewhat more level playing field with large commercial banks.

While large commercial banks have made many positive contributions in areas such as housing and community development, generally the record shows that the private financial system is failing New York’s communities of color. There is a long and continuing history of commercial banks pursuing discriminatory mortgage lending policies.³ Subprime home purchase lending, for example, factored significantly into the 2008-09 financial crash. Black and Hispanic people and residents of predominantly minority New York City neighborhoods received much higher shares of subprime mortgages than white people and residents of predominantly white neighborhoods.⁴

There is also a history of disparate trends by race and neighborhood when it comes to small business lending in New York City. While public disclosure of data on small business lending by minority status of owners is limited, research by the National Community Reinvestment Coalition highlights the great disparity related to Black- and Latino-owned small businesses in New York City relative to population shares. For example, Blacks accounted for 25 percent of the city’s population in 2010, but only two percent of businesses with employees were Black-owned. Latinos accounted for 29 percent of city residents but only seven percent of businesses with employees. The NCRC also noted that while bank deposits doubled in New York City from 2008 to 2016, small business lending by depository institutions fell by 40 percent over that

³ Richard Rothstein. *The Color of Law: A Forgotten History of How Our Government Segregated America*. 2017. New York: Liveright Publishing Corporation.

⁴ Richard D. Marsico and Jane Yoo, *Racial Disparities in Subprime Home Mortgage Lending in New York City: Meaning and Implications*, *New York Law School Law Review*, vol. 53, 2008-09, pp. 1014-1017,

period. And of the small business loans for under \$1 million made in New York City between 2014-16 by depository institutions, nearly two-thirds went to middle- and upper-income neighborhoods and only 36 percent went to low-and moderate-income neighborhoods.⁵

The City's Department of Consumer and Worker Protection reports that neighborhoods with the lowest access to bank branches also have the highest rates of unbanked households. (The number of bank branches in New York City has declined by nearly 12 percent since 2008.⁶) These neighborhoods have higher poverty rates and are predominantly Black and/or Latino. Overall, 9.4 percent of New York City households were unbanked in 2019, considerably higher than the national average.⁷

A public bank that strengthened small financial institutions would provide benefits beyond the individual customers who gain access to banking services. Directing the City's capital back into low-income neighborhoods via community-based lenders helps keep New Yorkers' money circulating within New York, beginning in the neighborhoods where it's needed most. Therefore, a public bank would do more than address the deficiencies of the current banking system with respect to consumer and small business banking and lending. It would also be uniquely positioned to help build a stronger local economy for New York, one in which public resources are intentionally deployed to boost local economic activity. This contrasts dramatically with the current situation, in which City funds are deposited in large commercial banks that leverage a portion of those funds to support lending activity outside of New York. The status quo is failing New Yorkers on two counts. First, the City foregoes the opportunity to use public resources for the public good. Second, it deposits those resources with corporations that practice an extractive model of finance, siphoning money from local communities for the benefit of private shareholders, not ordinary New Yorkers.

⁵ Amber Lee, Bruce Mitchell, and Anneliese Lederer, *Disinvestment, Discouragement and Inequity in Small Business Lending*, National Community Reinvestment Coalition, 2019.

⁶ Federal Deposit Insurance Corporation, *Summary of Deposits, bank branches by state and county as of June 30 of each year*.

⁷ City of New York, *Where Are the Unbanked in NYC? Updated Findings (2019 data)*, Department of Consumer and Worker Protection, 2021.

Finally, besides directing resources back into the local community, a public bank can also save the City government money on bank fees and debt costs that are now paid to commercial banks and underwriters.

Public banking is not a radical or uncommon practice. Internationally, public banks are found in Canada, Central and South America, Europe, and Asia.⁸ They number over 900, with nearly \$49 trillion in financial assets.⁹ These institutions vary with respect to features such as scale, funding mechanisms, and governance structure. However, a global study of public banks' response to the Covid-19 pandemic identified a key feature: it was those with a public purpose mandate—a clear focus on social objectives and the political support to pursue them¹⁰—that were able to act rapidly and boldly when the pandemic struck.¹¹ Further, their capacity to do so rested on the ability to leverage pre-existing networks and relationships.

This finding is illustrated by the case of the Chilean public bank, Banco del Estado de Chile. According to Soledad Ovando, the Chilean bank's general manager of credit, more than 70 percent of the credit disbursed to Chile's micro-entrepreneurs in response to the crisis was channeled through Banco del Estado.¹² This performance during the pandemic can be traced back to 1996, when Banco del Estado was the first Chilean bank to finance microenterprises. This focus on inclusion—pioneering the financing of small-scale entrepreneurs—and relationships built over decades helped ensure that the bank had the capacity to respond effectively when the crisis occurred.

⁸ Cyrus R. Vance Center for International Justice. "Public Banking Around the World: A Comparative Survey of Seven Models," 2021. <https://www.vancecenter.org/wp-content/uploads/2021/10/Public-Banking-Around-the-World-A-Comparative-Survey-of-Seven-Models.pdf>

⁹ Thomas Marois. "A dynamic theory of public banks (and why it matters)" UCL Institute for Innovation and Public Purpose, June 2021 https://www.ucl.ac.uk/bartlett/public-purpose/sites/public-purpose/files/final_a_dynamic_theory_of_public_banks_2021-06.pdf.

¹⁰ Victoria Stadheim, Serdar Sengul, Thomas Marois. "The pandemic's promising lessons for the future of green public banking: Policy insights for the UK Infrastructure Bank" UCL Institute for Innovation and Public Purpose, March 2022.

¹¹ David A. McDonald, Thomas Marois and Diana Barrowclough (editors) "Public Banks and COVID-19 Combatting the pandemic with public finance": Municipal Services Project (Kingston), UNCTAD (Geneva) and Eurodad (Brussels), 2020. <https://publicbanks covid19.org/index.php/publications>.

¹² Deyanira Del Río et. al, "Public Banking Around the World: Lessons for New York" New Economy Project Oct 20, 2021 https://www.youtube.com/watch?v=HWTIfX9gv_A.

Momentum in favor of public banking is growing across New York. In March 2023, 108 local elected officials from New York City and 32 other localities across the state wrote to the governor and legislative leaders in support of the New York Public Banking Act that would establish a regulatory framework for local public banks. The letter noted that “[Public banks] hold public deposits and leverage those funds to support equitable economic development—such as permanently affordable housing, renewable energy, and locally-owned small businesses, MWBEs and worker cooperatives.”¹³

Significant interest in public banking is building as well as in other states and localities across the country, where community groups, elected officials, and other stakeholders are discussing how to put public funds to work in the public interest.¹⁴ One example is California, which enacted legislation in 2019 allowing cities and counties to establish public banks.¹⁵ At the Federal level, the Public Banking Act introduced in October 2020 by Representatives Alexandria Ocasio-Cortez and Rashida Tlaib would assist state and local governments in these efforts.¹⁶

While the U.S. as a whole lags behind with respect to public banking, North Dakota has had a highly successful public bank for over a century. The Bank of North Dakota (BND) was founded in 1919 by farmers uniting against exploitation by out-of-state grain milling companies, national railroads, and large Minneapolis banks.¹⁷ Except for student loans, BND generally does not make direct loans or offer many retail banking products. Instead, it partners with the state’s small community banks and credit unions, enabling them to increase their lending capacity. The BND also purchases mortgages

¹³ Letter from 108 New York local elected officials to Governor Hochul, Senate Majority Leader Stewart-Cousins, and Assembly Speaker Carl Heastie, March 3, 2023, <https://www.equityagendany.org/wp-content/uploads/2023/03/Local-Electeds-Letter-in-Support-of-NY-Public-Banking-Act.pdf>. The New York Public Banking Act, S. 1754 (Sanders)/A.3352 (Hunter).

<https://nyassembly.gov/leg/?term=2023&bn=S01754>

¹⁴ The Public Banking Institute states that 17 state and municipal banking bills were introduced in 2021. 2021. Public Banking Institute. “Annual Report 2021” PBI Website, 2021

https://publicbankinginstitute.org/wp-content/uploads/2022/04/PBI_Annual_Report_2021_final_WEB.pdf.

¹⁵ David Chiu et.al. “California Assembly Bill AB 857” May 30, 2019. Openstates <https://openstates.org/ca/bills/20192020/AB857/>.

¹⁶ <https://tlaib.house.gov/tlaib-aoc-public-banking-act>.

¹⁷ Institute for Local Self-Reliance “Public Banks: Bank of North Dakota.” <https://ilsr.org/rule/bank-of-north-dakota-2/>

originated by local financial institutions, freeing up money for small banks and credit unions to offer new mortgages.¹⁸ It is because of these activities that BND is credited with fostering the growth of banks and credit unions. In fact, North Dakota has more banks and credit unions per capita than any other state.¹⁹ Further, in 2014, small and midsized banks, as well as credit unions, held 83 percent of deposits in the state, as compared with only 29 percent nationally.²⁰ A 2020 Washington Post article suggested the BND has helped the state's smaller banks survive in an era of bank consolidation.²¹

In response to the Covid pandemic, the federal government enacted the Paycheck Protection Program (PPP), intended to help smaller businesses keep their employees on payroll, as well as cover expenses such as mortgage interest, rent, and utilities. Criticism mounted over the administration of the program, with many small businesses having difficulty obtaining funds while large banks prioritized large businesses for PPP loans and profited from administration fees. A Washington Post analysis found that, among states, North Dakota secured the most PPP funds relative to the state's private-sector workforce, with the author directing much of the credit to BND.²² With the strong, community-based banking infrastructure it has nurtured, BND was able to effectively deliver resources in a time of crisis.

New York City's designated banks

In New York, the City government deposits its working capital in commercial banks. Banks in which the City deposits funds are termed "designated banks." Information regarding the amount of the City's money deposited in the various designated banks is not readily available to the general public. This report draws on data obtained via two Freedom of Information Law (FOIL) requests. Data from December 31, 2021, and September 30, 2018, list City balances at designated banks.

¹⁸ Bank of North Dakota. "Public". <https://bnd.nd.gov/public/>

¹⁹ Ibid.

²⁰ Institute for Local Self-Reliance "Public Banks: Bank of North Dakota." <https://ilsr.org/rule/bank-of-north-dakota-2/>.

²¹ Andrew Van Dam. "North Dakota businesses dominated the PPP. Their secret weapon? A century-old bank founded by radical progressives." The Washington Post. May 15, 2020.

<https://www.washingtonpost.com/business/2020/05/15/north-dakota-small-business-ppp-coronavirus/>.

²² Ibid.

As of December 31, 2021, there were City funds in only 12 of 30 designated banks, with deposits totaling approximately \$1.5 billion. The majority of the funds—over 87 percent—were held by three banks: J.P. Morgan Chase, Bank of America, and Citibank.²³

The City’s Banking Commission—comprising the Mayor, the City Comptroller, and the Commissioner of Finance, a mayoral appointee—decides in which banks City funds can be deposited.²⁴ As of May 12, 2022, there were 28 such institutions.^{25,26} In April 2022, Mayor Eric Adams and Comptroller Brad Lander pledged to cease depositing City funds with one designated bank, Wells Fargo, citing reports that the bank rejected more mortgage refinancing applications from Black homeowners than it approved in 2020, as well as its history of discrimination and predatory lending.²⁷

²³ The September 30, 2018, City spreadsheet provided in response to a FOIL request indicates net fees incurred by the City in Fiscal Year (FY) 2018 associated with deposits. While it does not identify what the fees are for, an accompanying document that was also released in response to the FOIL request itemizes fees paid for FY 2017. Descriptions of the charges indicate that the City paid approximately \$8.3 million for general or miscellaneous banking services, cash management, and lockbox services and payments processing. The FY 2018 document lists a comparable amount—about \$8.4 million—paid. In FY 2018, net fees were 0.48 percent of the City’s total deposits as of September 30, 2018.

²⁴ New York City Banking Commission. “New York City Designated Banks” May 12, 2022 https://www1.nyc.gov/assets/finance/downloads/pdf/treasury/banking_commission/designated_bank_list.pdf.

²⁵ New York City Banking Commission. “New York City Designated Banks” May 12, 2022 https://www1.nyc.gov/assets/finance/downloads/pdf/treasury/banking_commission/designated_bank_list.pdfhttps://www1.nyc.gov/assets/finance/downloads/pdf/treasury/banking_commission/designated_bank_list.pdf Accessed 4-23-23.

²⁶ In addition to deposits made with the officially designated banks, the City deposits some funds in banks that participate in the City’s Banking Development District (BDD) program. As with the state’s BDD program, the City’s program encourages the establishment of bank branches in areas “where there is a demonstrated need for banking services.” Participating BDD banks are eligible to receive subsidized deposits from the City. https://www.dfs.ny.gov/apps_and_licensing/banks_and_trusts/bdd_about.

²⁷ George Joseph, “Will NYC Bar Wells Fargo From Municipal Deposits After Alleged Discrimination Against Black Homeowners, The City, March 29, 2022; George Joseph, “NYC Cuts off Wells Fargo From New Bank Contracts Following Discrimination Claims, The City, April 1, 2022.

II. How the public bank could leverage the City's deposits

At any given time, tens of billions of dollars flow through the City's accounts, as New York's government receives revenue and makes expenditures. In addition to funds committed for purposes such as payroll and vendor payments there are some uncommitted funds on deposit in commercial banks. This analysis models the economic impact of depositing a portion of the City's cash balances and investment funds in the public bank.²⁸

When considering the benefits of a public bank, it is prudent to acknowledge the risk inherent in starting a new institution of this type. The City's credit rating and the security of its money obviously merit serious regard. Safeguards are required to ensure funds are employed responsibly and in adherence with the bank's mission, free from politicization.

The proposed New York Public Banking Act addresses governance and operating practices, specifying, for example, that a public bank's board must include appointees with community banking experience and that bank policy prohibit any elected official from receiving a loan or other financial benefit from the public bank. The legislation also requires that the public bank charter application demonstrate that there will be no "material negative impact on the City's financial condition."²⁹ The day-to-day operations of the public bank would be run by independent banking professionals. Along with its governance structure, the New York City public bank's accountability will also depend on the vigorous involvement of civic society, and the city is rich in advocacy and community-based organizations. The public bank will provide a means for New York City residents to see and shape how the City's resources are employed.

²⁸ The Comptroller's Office would need to amend its investment policies to allow for the unrestricted investment funds to be deposited in the public bank, but the pertinent policies are largely at the discretion of the Comptroller rather than being dictated by the City Charter.

²⁹ New York Public Banking Act, S. 1754 (Sanders)/A.3352 (Hunter), As a condition of receiving public fund deposits, the authorizing legislation requires that public bank's business plan ensures that the public bank's holding of City deposits not compromise the City Comptroller's ability to meet the City's short or intermediate-term liquidity needs. <https://nyassembly.gov/leg/?term=2023&bn=S01754>.

We modeled a public bank balance sheet consistent with state and federal regulatory requirements, including with respect to capitalization, reserves, liquidity, and asset liability management.

In this analysis, it is assumed that the public bank would become a member of the Federal Reserve System, as is the Bank of North Dakota. Doing so would allow the public bank to borrow from the Federal Reserve to meet short-term liquidity needs, as well as to deposit and earn income from excess reserves. Data from the City Comptroller show that over the last 10 years, the City has never had a cash balance below \$1 billion. Further, on average the City's cash balance only fell below \$4 billion for about four weeks in each of the past five years. Therefore, this analysis assumes the City maintains at least \$4 billion on deposit with the public bank, either as timed deposits or pursuant to minimum balance requirements, with borrowing from the Federal Reserve undertaken when necessary.³⁰

For Fiscal Year 2022, the City's daily cash balances averaged \$7.524 billion, \$831 million less than in FY 2021, but \$1.24 billion above the FY 2020 level.³¹ In FY 2022, cash balances exceeded \$4 billion on all but 28 days, by an average of about \$4.2 billion. FY 2022, the public bank would have earned over \$7.5 million from the excess reserves deposited with the Federal Reserve.³² (See Figure 1.)

³⁰ We assume the public bank will provide an earning allowance program to the City (as many of the City's private bank contractors partners currently do), allowing the City to earn credit for cash on deposit in excess of the minimum required balance and apply that credit to periods when the account drops below the required balance.

³¹ New York City Comptroller, Annual Comprehensive Financial Report, FY 2022, p. xx. Note that average daily cash balances are not reported for weekends and holidays.

³² The interest rate the Federal Reserve pays member banks on excess reserves is the Interest on Reserve Balances. The previous rate—the Interest on Excess Reserves—was retired on July 29, 2021.

Figure 1

NYC Cash Balance

Average, maximum and minimum by day of the year, 2017-2022 data



Source: NYC Comptroller

Meanwhile, the cost to the public bank in FY 2022 to borrow from the Federal Reserve to ensure at least \$4 billion in daily cash balances would have been \$340,000, a fraction of the earnings on excess reserves.³³ With the rise in Federal Reserve interest rates over the past year, the cost of borrowing from the Federal Reserve relative to the interest earned on excess reserves has declined 1.30 percentage points in FY 2022 to 1.03 through the first nine months of FY 2023.

The City also invests a portion of its excess cash balances in short-term unrestricted investment accounts, with maturities ranging from one day to a year.³⁴ Between 2017 and 2022, the City's unrestricted short-term investments averaged \$7.1 billion. Our model projects the City would have \$2.5 billion of these funds on deposit at the public bank (reflected as "Investment Deposits" on the balance sheet).

³³ The public bank would borrow at the Primary Credit rate.

<https://www.frbdiscountwindow.org/pages/discount-rates/historical-discount-rates>.

³⁴ <https://comptroller.nyc.gov/wp-content/uploads/documents/ACFR-2021.pdf>.

Figure 2 presents a model balance sheet for the New York City public bank.³⁵ Twenty percent of the City's deposits held by the public bank are modeled to be held as cash and cash equivalents, with the latter assumed to be Treasury Bills. Another approximately 17 percent of the City's deposits is held as securities and bonds. Together, these represent the bank's investments. This would leave \$4.55 billion available for the bank to loan, with 3 percent of this amount reserved for loan losses.³⁶ Investment and net loans are the total assets. Cash deposits and investments deposits—the bank's liabilities—total \$6.5 billion.

A bank's equity serves as a cushion to absorb losses.³⁷ The public bank would have a weighted capital-to-asset ratio of at least 10 percent, meeting the FDIC definition of a well-capitalized bank.³⁸ Among possible funding sources for the \$525 million in equity modeled for the public bank are bank settlement proceeds the State budget receives from numerous foreign and domestic banks and other entities in connection with alleged violations of state and federal banking laws. Since 2015, New York State has received over \$13.6 billion in bank settlement funds.³⁹ Other possible funding sources during the start-up phase include City appropriations, and the sale of non-voting stock to foundations and other institutional investors. As the public bank reaches profitability, it will further add to its equity in the form of retained earnings.

As indicated on the balance sheet, a portion of the public bank's projected investments are in securities and bonds, a standard practice for a bank. Investing in bonds offers a practical option for the public bank that would also benefit the City's finances. The City

³⁵ Cash and cash equivalents, bonds, and loans are assets in that a bank owns them. Loans are disbursed, but the money is owed to the bank; hence, it is classified as an asset. Deposits are liabilities in that the bank does not own them, the depositor does.

³⁶ A three percent loan loss reserve is considerably higher than loan losses for community banks over the past 20 years. Matt Hanauer, Brent Lytle, Chris Summers, and Stephanie Ziadeh, "Community Banks' Ongoing Role in the U.S. Economy," Federal Reserve Bank of Kansas City, Economic Review, Second quarter 2021, p. 68.

³⁷ Board of Governors of the Federal Reserve System. https://www.federalreserve.gov/faqs/cat_21427.htm Accessed 10-26-22.

³⁸ FDIC, Capital Groups and Supervisory Groups Overview. <https://www.fdic.gov/deposit/insurance/risk/rrps-ovr.pdf>.

³⁹ New York State FY 2024 Executive Budget Financial Plan, Updated for Governor's Amendments and Forecast Revisions, March 2023, p. 175.

issues bonds “to finance the construction and repair of infrastructure projects such as roads, bridges, schools, water supply, and wastewater treatment systems.”⁴⁰ In FY 2022, the City issued \$3,624,410,000 in general obligation bonds.⁴¹ The underwriting fees associated with these issues—more than \$13 million—were paid to firms such as BofA Securities, Citigroup Global Markets, J.P. Morgan Securities, and Wells Fargo Bank.

Figure 2

New York City public bank model balance sheet (at the end of the start-up phase)

Dollars (\$USD), millions

Assets		Liabilities and Equity	
Securities and bonds	\$1,206.5	Cash deposits	\$4,000.0
Cash & cash equivalents (20%)	\$1,405.0	Investment deposits	\$2,500.0
Total investments	\$2,611.5	Total City deposits	\$6,500.0
Loans	\$4,550.0	Equity	\$525.0
Less: loan loss reserves (3%)	\$136.5	-	-
Total (net) loans	\$4,413.5	-	-
Total assets	\$7,025.0	Total liabilities and equity	\$7,025.0

Source: New Economy Project, developed in consultation with Public Bank NYC

The public bank could purchase bonds from the City, accepting a slightly lower rate of return than private investors and without charging underwriting fees. The bank would benefit from the income stream, and the City would save money.

⁴⁰ New York City Comptroller. “NYC Bonds” <https://comptroller.nyc.gov/services/financial-matters/nyc-bonds/overview/>

⁴¹ Electronic Municipal Market Access. <https://emma.msrb.org/>.

III. Public bank's loan portfolio

The loan portfolio modeled here is based on the priorities identified by the Public Bank NYC coalition advocating for a municipal bank; these include supporting community development financial institutions, affordable housing, small and worker-owned businesses, and renewable energy and sustainable infrastructure.⁴²

Not reflected in our modeling is an option the public bank would have to securitize loans, including marketable real estate and green infrastructure loans, thereby offloading them from the balance sheet and bringing in additional liquidity. Securitization could be used to mitigate risk, align deposits and loan maturities, and expand bank lending beyond the modeling presented here.

The public bank would carry out its lending in partnership with local Community Development Financial Institutions (CDFIs). CDFI banks and credit unions “are federally insured and regulated depository institutions with a primary mission of community development.”⁴³ To be certified by the U.S. Department of the Treasury as a CDFI, a financial institution must meet requirements including directing at least 60 percent of its financing to low- or moderate-income or underserved populations. Certified CDFIs are eligible for financial and technical assistance from the federal CDFI Fund and other sources.⁴⁴ Consolidation in the banking industry has reduced the number of small banks. While several mid-size banks have recently failed, large banks are less likely to lend to small businesses.⁴⁵ This increases the importance of the role that CDFI banks

⁴² The following discussion of the Public Bank NYC Coalition and the Coalition’s priorities directly draw on Banking for the Public Good: Public Bank NYC. <https://www.demos.org/research/banking-public-good-public-bank-nyc>.

⁴³ CDFIs can also be loan funds, venture capital funds, microenterprise development loan funds, and community development corporations. <https://cdfi.org/about-cdfis/cdfi-types/>. See also, <https://www.fdic.gov/resources/bankers/affordable-mortgage-lending-center/guide/part-1-docs/cdfi-overview.pdf>.

⁴⁴ U.S. Department of the Treasury. “Community Development Financial Institutions Fund Benefits” <https://www.cdfifund.gov/programs-training/programs/cdfi-program>.

⁴⁵ Katanga Johnson, “US Weighs More Business Deposit Insurance After Banks Fail, Bloomberg News,” May 1, 2023. <https://www.bloomberg.com/news/articles/2023-05-01/us-weighs-more-business-deposit-insurance-after-bank-failures>.

and credit unions and other responsible lenders can play in financing small businesses, including worker cooperatives, in the city.

A public bank could expand access to high-quality affordable housing in the city by making loans for housing acquisition, rehabilitation, and construction. Lowering the debt burden of a housing project helps to ensure that the resulting housing reaches deeper affordability.⁴⁶ Through its loans, the public bank could provide patient and reasonably priced financing.

New York City has a large nonprofit housing sector, which includes dozens of mission-driven nonprofit developers. It is intended that the public bank will have a robust network of developers to partner with to deploy financial capital and expand deeply affordable housing.

One important vehicle for supporting affordable housing would be the city's Community Land Trusts (CLTs). CLTs are nonprofit organizations that are democratically governed by community members and stakeholders. The organizations acquire land, and issue long-term ground leases to homeowners and owners of other improvements on the land. Residents may sell their homes, but they agree to restrict the price if they do so, thus preserving the affordability of the housing stock, and the CLT has first right of purchase.⁴⁷ The city has more than 18 CLTs across all five boroughs, many with projects in development that require affordable and appropriately-structured financing.⁴⁸ Through financing CLTs, the public bank would support a transformative form of organization that prioritizes housing as a human need and protects it from speculation.

⁴⁶ Peter Sabonis, Zachary Murray. "Creating Community Controlled, Deeply Affordable Housing. A resource toolkit for community activists & allied community-based housing developers" Partners for Dignity & Rights. Spring 2021. <https://dignityandrights.org/wp-content/uploads/2021/05/PDR-Housing-Report-Final-R2.pdf>.

⁴⁷ Ibid.

⁴⁸ Deyanira del Rio. "Community Land Trusts Protect Housing Affordability – and Democracy". Urban Matters. June 1, 2022. <http://www.centernyc.org/urban-matters-2/community-land-trusts-protect-housing-affordability-and-democracy>.

While CLTs are primarily involved with housing, their “foundational elements” of “resident and community ownership and permanent affordability”⁴⁹ are applicable to other ventures. An excellent example is the effort of the Western Queens CLT (WQCLT) to transform a six-story, 561,000 square foot building in Long Island City into a “people-centered hub” to be known as the Queensboro People’s Space.⁵⁰ While the building is currently used by the City’s Department of Education, the facility is underutilized. Under WQCLT’s plan, the Department of Education would retain use of 30 percent of the building. The remainder is envisioned to support a wide array of functions, from a food cooperative, small businesses, and a commercial kitchen to light manufacturing,⁵¹ childcare, and art and music studios. The basement would include space for a street vendor garage, while the roof would have a garden and greenhouse. WQCLT has actively sought input from community members regarding developing the space, and, while the plans are still at an early stage, it has identified many potential tenants. As with housing, affordability for the facility’s tenants hinges on the cost of financing, a point made by WQCLT’s chair, Memo Salazar.⁵² Again, a public bank with a mission to provide patient, reasonably priced financing could play a vital role for ventures such as the Queensboro People’s Space.

The proposed public bank also would “expand lending to democratically operated, community-driven business enterprises, while restricting or banning outright any investment in companies that depend on precarious low-wage work.”⁵³ In this analysis, a portion of the public bank’s loans to CDFI community banks and credit unions is targeted to small businesses and worker cooperatives. As discussed in Section II, small business lending is marked by racial disparities, and small business owners in New York City are often offered credit cards, rather than conventional loans or lines of credit.

⁴⁹ Peter Sabonis, Zachary Murray, “Creating Community Controlled, Deeply Affordable Housing. A resource toolkit for community activists & allied community-based housing developers” Partners for Dignity & Rights. Spring 2021. <https://dignityandrights.org/wp-content/uploads/2021/05/PDR-Housing-Report-Final-R2.pdf>.

⁵⁰ Western Queens Community Land Trust. “Queensboro people’s space, Long Island City” <https://wqclt.org/current-projects/qps>.

⁵¹ The 1930s building was originally designed for industry and is zoned for manufacturing.

⁵² Personal communication, June 21, 2022.

⁵³ Demos. “Banking for the Public Good: Public Bank NYC” May 26, 2022, <https://www.demos.org/research/banking-public-good-public-bank-nyc>.

Expanding the capacity of the city’s community banks and credit unions, then, would allow financing to be channeled in a non-exploitative manner to small businesses in underserved communities.

Worker cooperatives—businesses that are both owned and managed by their workers—represent another area in which the public bank can support a transformative form of organization. Worker cooperatives often struggle to access fair financing because of their shared ownership structure and tendency to operate in undercapitalized communities. For decades, they have been excluded from access to loans administered by the Small Business Administration (SBA).⁵⁴ This is a failure of federal policy (including not fully implementing 2018 legislation passed by Congress), but it also reflects the internal policies of the commercial banks that originate SBA loans. A 2021 ProPublica article on the subject stated, “financial institutions make the most money if they can process a high volume of standardized applications, and anything complicated cuts into their profits.”⁵⁵

Worker cooperatives, though, have notable advantages over conventional hierarchical enterprises. Of course, they are distinguished by profit sharing, which diminishes economic inequality, and by their democratic structure. Research has identified other benefits, as well. For one, worker cooperatives tend to have lower worker turnover.⁵⁶ They are also more likely in economic downturns to adjust workers’ pay rather than laying off workers, as compared with conventionally owned and managed firms.⁵⁷ These benefits accrue not just to the individual worker-owners but to the communities in which their businesses are located, as they contribute to economic stability.

In New York City, worker cooperatives occur in a wide variety of industries and can originate in different ways. There are, for example, childcare cooperatives formed by

⁵⁴ Lydia DePillis. “The Government Is Here to Help Small Businesses — Unless They’re Cooperatives.” ProPublica. June 7, 2021 <https://www.propublica.org/article/the-government-is-here-to-help-small-businesses-unless-theyre-cooperatives>.

⁵⁵ Ibid.

⁵⁶ <https://democracycollaborative.org/sites/default/files/downloads/WorkerCoops-PathwaysToScale.pdf>.

⁵⁷ Virginie Pérotin. “What do we really know about worker co-operatives?” Cooperatives UK. https://www.uk.coop/sites/default/files/2020-10/worker_co-op_report.pdf.

immigrant women of color who have organized themselves for improved pay and work conditions, while providing members training resources and mutual support. Through their collective efforts they have changed the nature of a job that is often isolating and leaves the worker vulnerable to exploitation.

Other worker cooperatives are formed when an existing business is sold or converted to employee ownership. This was the case with Brooklyn Stone and Tile, a firm specializing in stone and tile fabrication and installation. When the former owner retired and moved to close the business in 2017, the workers were able to re-launch their workplace as a worker cooperative with financing from The Working World, a New York City CDFI loan fund that offers loans and technical assistance to worker-cooperatives. New York City workers in enterprises ranging from fiber optic cable manufacturing to nail salons have sought financing to convert their workplaces into worker cooperatives. Further, the retirement of Baby Boomers offers a vast potential for conversions to worker cooperatives, but adequate and timely financing is required to take advantage of this unique window of opportunity.

Weatherization, building electrification,⁵⁸ and solar installation are natural areas for the public bank to finance. In addition to the broader climate benefits they deliver, weatherization, heat pump installation, and building electrification offer immediate benefits to residents in the form of reduced energy bills and also improved indoor air quality. The public bank could develop lending programs to support community-owned solar gardens and other energy cooperatives that provide shared ownership and control over renewable energy in frontline communities—further advancing environmental justice objectives. Solar micro-grid installations, which also lower electricity costs,⁵⁹ are being explored by some New York City community groups, including CLTs.

⁵⁸ Building electrification refers to replacing natural gas with electricity for residential heating and cooking.

⁵⁹ Center for Climate and Energy Solutions. “Microgrids” <https://www.c2es.org/content/microgrids/>.

Lastly, the support for CDFI community banks and credit unions would allow these institutions to increase their level of home mortgage and personal loans, and this is reflected in the modeling.

Figure 3 itemizes the distribution of loans among four broad categories (affordable housing and community development, climate infrastructure, small business and worker cooperatives, and secondary capital). The analysis is static, in that it models the bank's activity at a single point in time. The level of the bank's lending is intended to reflect a full lending portfolio at the end of its start-up phase, without considering factors such as the reinvestment of interest or growth of the capital base. A business plan is necessary to address the specifics of a timeframe for the bank, but five years to achieve a full lending portfolio could be assumed.⁶⁰

⁶⁰ Center for State Innovation, Washington State Bank Analysis, December 2010, <https://leg.wa.gov/JointCommittees/Archive/IFTF/Documents/2011Aug22/CSI-Analysis.pdf>.

Figure 3

New York City public bank loan portfolio

Dollars (\$USD), millions

Loan description	Loans outstanding	Share of total public bank loans	CDFI and credit union lending leveraged by public bank	Total direct and leveraged lending
DIRECT LOAN PROGRAM	\$910.0			\$910.0
Affordable housing and community development lending	\$227.5	5%		\$227.5
Rehabilitation and construction of affordable housing	\$682.5	15%		\$682.5
CDFI PARTICIPATION LOANS	\$3,640.0		\$5,801.3	\$5,801.3
Housing				\$1,251.3
Acquisition of affordable housing and community development	\$227.5	5%	\$250.3	\$250.3
Rehabilitation and construction of affordable housing	\$910.0	20%	\$1,001.0	\$1,001.0
Climate infrastructure lending (weatherization, building electrification, and solar installation)	\$910.0	20%	\$1,092.0	\$1,092.0
Small business and worker cooperatives	\$1,365.0	30%	\$1,638.0	\$1,638.0
Secondary capital	\$227.5	5%	\$1,820.0	\$1,820.0
Consumer	\$150.2		\$1,201.2	\$1,201.2
Home mortgages	\$52.3		\$418.6	\$418.6
Small business and worker cooperatives	\$25.0		\$200.2	\$200.2
TOTAL (DIRECT LOAN + CDFI)	\$4,550.0	100%	\$5,801.3	\$6,711.3

Source: New Economy Project, developed in consultation with Public Bank NYC

Besides indicating the activity to be funded (e.g., affordable housing and community development), Figure 3 also indicates the funding mechanisms to be employed. For instance, the first category under affordable housing is direct loans. These are loans that, as the name suggests, the public bank would make directly to support affordable housing projects.

Affordable housing and community development would also be funded, as indicated further down the column, through participation loans with CDFI banks and credit

unions. A participation loan to a CDFI credit union leverages the public bank's and the CDFI's funds (in our model, in a 9:1 ratio), increasing the amount that the CDFI will be able to lend. It also allows the public bank to tap the underwriting expertise of these local lenders. Therefore, \$910 million in public bank funds results in slightly more than \$1 billion in combined lending for affordable housing rehabilitation and construction. This maximizes the level of funding available for this purpose while allowing the community bank or credit union to only have its share of the loan on its books, thus enhancing its capacity.

The third mechanism through which the public bank would make loans would be secondary capital loans to CDFI credit unions.⁶¹ In our model, secondary capital represents only five percent of the public bank's lending, but it allows CDFIs to leverage the funds by a ratio of 1:8.⁶² Therefore, \$227,500,000 in public bank funding results in \$1,820,000,000 in CDFI loans for consumer lending, home mortgages, and small businesses and worker cooperatives.

Note that Figure 3 indicates the dollar values loaned by the public bank and loaned in aggregate by the public bank and CDFI partners. It is assumed that the public bank would finance 50 percent of housing rehabilitation and construction projects, with the rest of the financing obtained through sources such as the City's Resolution A Capital Funds program, the Department of Housing Preservation and Development loan programs, and other subsidies. In those instances, therefore, the dollar amount modeled exceeds the amount loaned by the public bank and CDFIs.

⁶¹ Secondary capital is subordinated long-term debt that counts toward the net worth of CDFI credit unions, enabling them to grow and increase safe and affordable lending in their communities.

⁶² For the purpose of this analysis, a ratio of approximately 9:1 is assumed for participation loans where property would serve as collateral and one of approximately 8:2 is assumed for the climate infrastructure and small business/worker cooperative loans. In actual practice, each loan would undergo an underwriting process.

IV. Economic impacts

In just its five-year start-up phase, a New York City public bank has the potential to create thousands of jobs, while constructing and renovating nearly 20,000 units of affordable housing, directing over a billion dollars to climate infrastructure investments, and expanding the capacity of the city's CDFI community banks and credit unions to meet the needs of low- and middle-income New Yorkers. (Figure 4 above.) It is worth noting that, as a result of the bank's diversified loan portfolio and strict risk management, the public bank likely would experience steady revenue growth over time, enabling it to expand and make even greater economic impacts beyond the start-up phase assessed in this report. For modeling purposes, the bank's lending portfolio has four main categories: affordable housing and community development, climate infrastructure, small and worker-owned businesses, and loans to CDFI banks and credit unions.

The affordable housing and community development component entails the acquisition, rehabilitation, and construction of affordable housing, as well as other properties that bolster neighborhoods, such as shared-use kitchens, arts studios and performance spaces, and community gardens. Climate infrastructure comprises residential weatherization and building electrification and solar installation. Loans to CDFI banks and credit unions are modeled to increase these institutions' lending to both small businesses and worker cooperatives and consumers.

For this analysis, employment, income, and output (the value of an industry's production) were estimated using IMPLAN, a widely used economic impact model. The study area was New York State, with estimates capturing statewide impacts, although the bulk of the employment and other economic impacts would occur in New York City. Figure 4 lists estimates for broad categories of impacts.

Figure 4

Summary of public bank loan impact estimates with a full lending portfolio

Dollar amounts in millions (\$USD)

Estimated Impact Type	Amount
Employment	70,600
<i>Permanent jobs</i>	24,900
<i>Temporary construction jobs</i>	45,700
Housing	
<i>Number of units of affordable housing constructed</i>	2,806 - 3,826
<i>Number of units of affordable housing rehabilitated</i>	14,029
<i>Value of affordable housing purchased and removed from speculative market</i>	\$597.2
New CDFI community bank and credit union lending (includes public bank participation loans)	\$5,801.3
<i>Affordable housing and community development</i>	\$1,251.3
<i>Climate infrastructure investments</i>	\$1,092
<i>Small business and worker cooperatives</i>	\$1,838.2
<i>Home mortgages</i>	\$418.6
<i>Consumer loans</i>	\$1,201.2

Source: Center for New York City Affairs economic impact analysis using IMPLAN

By partnering with CDFI banks and credit unions and other responsible lenders, the public bank could enable these institutions to increase their lending by over \$5.8 billion. Besides financing affordable housing and community development and climate infrastructure, the public bank's loans would allow CDFIs to increase their capacity with respect to mortgage and consumer lending. CDFIs are required to direct at least 60 percent of their resources to low- and moderate-income and underserved populations. Strengthening these small institutions will help build a more inclusive economy. Expanding their reach will allow CDFIs to offer financial services to a greater share of New York residents. Loans for mortgages and small businesses will build wealth and ensure that a larger share of the City's money keeps circulating in New York's working-class communities.

Public bank lending of \$4.55 billion is estimated to create approximately 70,600 jobs in its start-up phase. Figure 4 distinguishes between temporary and permanent jobs. Construction jobs created by the construction and rehabilitation of affordable housing and climate infrastructure development would last for the duration of the associated projects. The remainder of the jobs resulting from the public bank's loans (including those created by CDFI lending to small businesses and worker cooperatives in the construction industry) represent ongoing employment. To put the estimate of 24,900 permanent jobs into perspective, consider that it represents about 40 percent of the number of jobs in commercial banking in New York City in 2021, or that the much-heralded Amazon HQ2 proposal was projected to add about 25,000 jobs in New York City.⁶³

The public bank's loans for construction of affordable housing would produce a range of 2,806 to 3,826 new units in its five-year start-up phase. According to New York Housing Conference data, an annual average of 9,608 units of affordable housing were constructed in the city between 2014 and 2021.⁶⁴ The units produced with public bank lending in the first five years alone, then, would equal 29 to 40 percent of the 2014-2021 annual average. The city faces a daunting shortage of affordable housing. Construction supported by the bank would contribute a significant increase in units relative to recent levels, and this increase would continue to grow as the public bank builds capacity beyond its start-up phase.

As Figure 4 indicates, the impacts of the bank's loans can be captured using various measures, such as levels of employment or units of affordable housing. Not all of the economic activities triggered by the bank's loans would generate jobs. For instance, the purchase of property is a transfer of assets, not a productive activity, so no new employment or income results. However, one can use an apartment building's sale

⁶³ Note that the IMPLAN estimate for jobs associated with the public bank's lending represents the number of FTE (Full-time equivalent) jobs; the commercial banking jobs figure represents the number of employees, including those with less than full-time employment. Analysis of U.S. Bureau of Labor Statistics Quarterly Census of Employment and Wages data. <https://www.bls.gov/cew/data.htm#>.

⁶⁴ New York Housing Conference. "Affordable Housing District by District - Tracking affordable housing construction". May 2022. <http://thenyh.org/wp-content/uploads/2022/05/NYC-Housing-Tracker-FINAL.pdf>.

price as an initial measure of the benefit when a Community Land Trust purchases the building and thereby removes it from the speculative real estate market.

IMPLAN produces three sets of employment estimates: direct, indirect, and induced. Direct jobs are those produced in the affected firm, such as teachers hired by a childcare center. Indirect jobs are those produced when the childcare center makes purchases from other firms, such as a janitorial service. Induced jobs are those produced when the workers at the childcare center and those at the firms the center does business with, such as the janitorial service, spend their earnings at other businesses, such as grocery stores. Figure 5 shows the distribution of direct, indirect, and induced jobs associated with the different components of the bank's loan portfolio.⁶⁵

⁶⁵ Note that in Figure 5 the total level of employment associated with affordable housing/community development lending is reported, combining estimates resulting from the bank's direct loans and CDFI participation loans.

Figure 5

Employment impact of a NYC Public Bank's loan portfolio

	Direct	Indirect	Induced	Total
Small business and worker cooperative loans — jobs created				
<i>Manufacturing</i>	4,476	1,318	1,724	7,518
<i>Construction</i>	1,713	667	689	3,069
<i>Home health and childcare</i>	6,503	481	1,135	8,119
<i>Food and drinking places</i>	2,257	236	447	2,940
<i>Sub-total jobs</i>	14,950	2,702	3,995	21,647
Affordable housing and community development loans — jobs created				
<i>Acquisition and rehabilitation</i>	7,843	3,056	3,157	14,056
<i>New construction</i>	16,247	1,047	5,273	22,567
<i>Sub-total jobs</i>	24,091	4,102	8,430	36,622
Other lending — jobs created				
<i>Climate infrastructure loans</i>	5,087	1,982	2,048	9,117
<i>Consumer loans</i>	1,801	503	681	2,985
<i>Home mortgage loans</i>	111	68	37	216
<i>Sub-total jobs</i>	6,999	2,553	2,766	12,318
Total jobs	46,040	9,357	15,191	70,587
Share of total employment	65%	13%	22%	100%

Source: Center for New York City Affairs economic impact analysis using IMPLAN

As noted earlier, not all the economic activity generated by the public bank's loans would produce new jobs. This applies to home mortgages financed by CDFI banks and credit unions and made possible by the public bank's lending. The only economic impact home purchases generate in IMPLAN is that associated with the brokers' fees paid by home sellers.

Data to model the lending by CDFIs was obtained from a CDFI credit union in New York City, as well as other sources such as national credit union data. These sources were used to choose the share of loans represented by various broad categories, such as mortgage and consumer. Consumer lending as modeled here comprises mainly auto purchases and miscellaneous consumer purchases or personal spending.⁶⁶

Personal loans were modeled here as being evenly divided between emergency loans and general personal loans. For modeling purposes, personal loans were divided between hospital bill payment (25 percent), large home appliance purchases (25 percent), with the other 50 percent used for debt repayment.⁶⁷

⁶⁶ Auto is divided between new and used, with loans for the latter predominating in both the national and single New York City CDFI credit union data. New auto purchases generate impacts in IMPLAN, but purchases of used goods, as with property transfers, generate transaction-related impacts but do not result in new production activity.

⁶⁷ Debt repayment is another economic activity that does not generate new economic production and is not modeled. While it does not generate jobs or income, there is an obvious benefit for borrowers who can pay off credit card debt with a lower-interest CDFI loan.

V. Conclusion

The economic impacts of a New York City public bank's lending have been analyzed here as discrete and quantifiable outcomes (e.g., 70,600 jobs, over 17,000 units of affordable housing constructed or rehabilitated, \$5.8 billion in new lending by community development credit unions and banks). The number of jobs, units of affordable housing, level of climate infrastructure investment, and expanded CDFI bank and credit union lending capacity that a public bank could produce all represent concrete benefits for New Yorkers. What should also be considered, though, when assessing the bank's potential impact, is the interaction of these benefits and the subsequent changes they could engender.

These projected economic impacts are based on the initial assumption for municipal deposits and do not account for the reinvestment of interest or earnings or growth in the bank's capital base from other sources.

The modeling presented here is meant to reflect the initial five-year start-up period for the public bank. These impacts will compound over time as the bank grows, as well as yield various spillover effects that are not quantified here, such as the positive effects of more robust small business development on the viability of affected communities or the wealth-building potential that these impacts have among previously neglected communities.

Public banking represents a promising economic development tool that will serve as a catalyst for job creation, affordable housing development, and greater small business development and expansion that will benefit minority and women entrepreneurs.

Wells Fargo's banking practices that exacerbated racial and economic disparities led the Mayor and the City Comptroller to remove the bank from the list of those designated to hold City deposits. On the other hand, the public bank's lending approach should begin to erode the structural inequities in the city. Consider the consequences that follow when well-maintained deeply affordable housing is available—the economic benefits when rent is not a burden, the stability for tenants

and neighborhoods when displacement is reduced, and the improved welfare when home is a safe, healthy place.

A New York City public bank would focus on lending that benefits low-income, immigrant, and communities of color while investing in the infrastructure essential to halting the climate crisis. The prioritization of racial and economic equity and environmental justice—as specified in the New York Public Banking Act—would be central to the bank’s mission.⁶⁸

Through its lending, a public bank would strengthen transformative organizations such as Community Land Trusts and worker cooperatives. The public bank itself would also be a transformative institution. It would be a vehicle through which New Yorkers could begin to exercise control over the financial resources circulating within their communities. Further, it would represent an alternate model of finance in New York City, one in which finance is not a means of extraction but instead a tool to employ public wealth for the public good, enhancing the economic well-being and wealth-generating potential for low- and moderate-income New York City residents.

⁶⁸ New York Public Banking Act, S. 1754 (Sanders)/A.3352 (Hunter).

Technical Appendix

Employment, income, and output impacts were modeled in IMPLAN, an input-output software program. Dollar values are in year 2022 dollars. To model the economic relationships, though, 2019 data were chosen so as to avoid distortions resulting from the Covid-19 pandemic that 2020 data (the latest data available as of the time of this writing) may contain.

When modeling loans to businesses, estimates of industry spending on operations and fixed assets were both modeled. Proprietor's income was increased by 20 percent based on the assumption that loans would be made to locally owned enterprises and that profits therefore would not be directed to an out-of-state corporate headquarters. To reflect the tendency of independently owned businesses to make more purchases locally than do chain operations, particularly on services, firms' spending in areas such as legal services, advertising, and landscaping was modeled as being spent locally.⁶⁹

The mix of industries chosen to model loans to small businesses and worker cooperatives is roughly representative of the industry shares of loans made by The Working World, a New York City Community Development Financial Institution loan fund that provides financing to worker cooperatives.

Estimates of the number of affordable housing units that could be constructed were based on construction cost estimates obtained from the Hester Street Collaborative—an urban planning, design, and community development nonprofit—and Alembic Community Development, a consulting firm that develops affordable and supportive housing and community facilities. The estimates were \$440,000 to \$600,000 per unit. Both estimates were used; hence, the range of the number of units reported.

Estimates of the number of affordable housing units that could be rehabilitated drew on subsidies for rehabilitation provided by the Department of Housing Preservation

⁶⁹ Stacy Mitchell. "Key Studies: Why Independent Matters". Institute for Local Self Reliance. Jan 8th, 2016. <https://ilsr.org/key-studies-why-local-matters/#3>.

and Development in current and past programs. An estimate of \$120,000 per unit was used in this report.

The employment estimates modeled here reflect the employment associated with the public bank's lending impact during the bank's start-up phase. To the extent that the large commercial banks currently holding City deposits engage in local lending based on those deposits, that lending also would have an employment impact. Given the limited extent of small business lending in New York City in the years before the pandemic despite the substantial growth in local bank deposits, it is clear that current banking practices leverage relatively little small business lending in New York City.

THE ECONOMIC IMPACT OF A NEW YORK CITY PUBLIC BANK



Center for
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Affairs

James Parrott and Michele Mattingly

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