



LOCAL IMPLEMENTATION Implemented on Cape Cod

OVERVIEW

Local government investment pools are vehicles for towns to pool money together (a portion of their reserves) with other municipalities. The investment vehicle would provide a low rate of returns, similar to the returns on short-term investment vehicles, but would allow for greater investment efficiencies (and provide more capital to leverage) when pulled together. These pools could be used to provide low-interest loans for homebuyers or affordable or attainable housing development, helping to reduce the costs of purchasing or building new homes.

CHALLENGES ADDRESSED

- Not Allowed to Build Multi-family Housing
- Too Expensive to Build New Housing
- Too Expensive to Secure or Maintain Housing
- Hard to Find Year-round Housing

POTENTIAL BENEFITS & CONSIDERATIONS

- State regulations limit how municipalities can invest reserves and they would currently not allow municipalities to directly invest reserves in housing
- In the near-term towns could work with local banks to offer lower interest rates to affordable housing developers and/or low-income homebuyers by lowering the interest received on public deposits
- Getting municipality buy-in is vital
- Determining how to allocate resources from the pool is necessary but potentially difficult
- Capital preservation and liquidity must remain paramount in this type of fund

RESOURCES

Cape Cod Housing Finance Research - This document developed as part of the Regional Housing Strategy provides a brief overview of local government investment pools and also provides some examples and links to resources with more information.

Pooling Piggybanks: The Case for Combining Ontario's Municipal Reserves - This paper provides detail on local government investment pools worldwide and what municipalities should consider. While the context is Canada, it provides useful baseline information.

CASE STUDY: SAN FRANCISCO MUNICIPAL BANK STUDY (2019)

Though different from a local government investment pool, this report for the San Francisco Treasurer outlines the feasibility of establishing a municipal bank as one means of better controlling and directing municipal investment and guiding returns toward community goals. It also provides considerations for establishing a municipal bank,

which may be relevant in considering establishing a local government investment pool. The report analyzes three models for a municipal bank, including as an entity that focuses on lending for affordable housing and small businesses.

Read the report [here](#).

Municipal Bank Feasibility Task Force Report

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San Francisco Office of the Treasurer & Tax Collector
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