

OneCalifornia ▶ In the News

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by George Avalos

▶ New banks' target populations differ

Oakland branch looks for clients in underserved communities; Lafayette institution seeks investors

Two new local banks are preparing to open operations in the East Bay this year, but each expects to scout for clients in different sectors of the economic landscape. OneCalifornia Bank is getting ready to open in downtown Oakland. On the other side of the East Bay hills, California Bank of Commerce is readying a start of operations in downtown Lafayette. At first blush, it might appear that these new community banks will simply saturate an already crowded arena for East Bay independent banks.

Another scenario, though, suggests the business plans of the new financial institutions — coupled with recent consolidations of area banks — could avert a glut. The backers of OneCalifornia Bank intend to serve underbanked communities and organizations in the Bay Area, especially those in the Oakland and East Bay areas. The financial firm has opened temporary offices in downtown Oakland and expects to be open at its permanent location in July, said Jeffrey Cheung, chief executive with OneCalifornia. The offices are in the former Oakland Athletic Club building.

“Our primary customers will be small businesses, not-for-profits, community service organizations,” Cheung said. “We also want to finance affordable development in underserved communities.” The bank will offer microloans, typically valued at \$50,000 or less, through a Small Business Administration program. OneCalifornia also intends to keep its commercial loans on the small side and will likely cap them at about \$1.7 million, Cheung said.

“We are not the typical community bank,” Cheung said. “That kind of bank comes out of the gate fast, looks at a second round of capital and then gets acquired.” OneCalifornia hopes to bolster economic growth in local communities, especially those with low- and moderate-income neighborhoods, Cheung said.

“The most effective means of creating that growth is through the small-business market,” Cheung said. “You can assist community service organizations, medical clinics, social service centers, day care centers. We hope to bank all of the employees of the small businesses and not-for-profits we serve. Financial literacy is a big component of what we are doing.”

The first-stage financing for OneCalifornia was supplied primarily by a husband-and-wife team, according to Cheung. He said that Thomas Steyer, an investment banking professional and executive with Farallon Capital Management, and Kat Taylor, a Bay Area philanthropist, provided startup capital of \$15 million. Lafayette-based California Bank of Commerce is raising money a different way. It will offer its shares, which can be obtained only through a prospectus for the initial sale of stock, to potential investors.

California Bank seeks to raise \$20 million, said John Rossell, the proposed president and chief executive officer of the institution. The prospectus offers the shares at \$10 each. The minimum investment is \$25,000, and the maximum investment is \$1.5 million, Rossell said. Entrepreneurs and business owners are expected to comprise the bulk of the customers of California Bank, Rossell said. “We want to provide banking for accounting firms, engineers, architectural firms, contractors and builders,” Rossell said. “Our clients will include manufacturing, distribution and industrial companies in the East Bay.”

The bank will have all of its operations in Lafayette Mercantile Center, now completing construction in that city's downtown. California Bank hopes to avoid the need for multiple branches by offering advanced technology services to its customers. This way, clients could use the Internet or other electronic systems

to conduct much of their banking. The bank is in temporary offices in Lafayette while its permanent space is being finished. California Bank of Commerce and other East Bay local banks, such as Pleasanton-based Valley Community Bank and San Ramon-based Tri-Valley Bank, have begun to capitalize on the departure of some local banks.

Among the recent deals:

Diablo Valley Bank in February agreed to sell itself for \$70 million to Heritage Commerce Corp. Diablo Valley's existence is expected to be a short one. The bank was founded in 2003 and grew quickly, and then the principal executives found a buyer. That rapid cycle of launch and sale has occurred multiple times for Bay Area community banks in the past decade or so.

Bank of Walnut Creek agreed in May 2006 to sell itself to First Republic Bank for \$177 million. In January of this year, Merrill Lynch announced a deal to buy First Republic for \$1.8 billion.

Wells Fargo & Co. in May agreed to buy Greater Bay Bancorp for \$1.5 billion, effectively gaining control of a string of community banks in the Easy Bay and Bay Area.

"There should be enough room for these new local banks," said Richard Loupe, chief executive with Pleasanton-based Valley Community Bank. "Clients of small community banks are really sensitive about somebody coming in and buying their bank. This should create opportunities for us and the other new local banks."

Moreover, the Oakland bank, OneCalifornia, should be able to serve a group of customers not getting enough attention from existing banks, said Robert Gnaizda, general counsel with the Greenlining Institute. Even so, success is not certain for the bank, he said.

"Other banks, credit unions and micro-enterprise programs could compete against them," Gnaizda said. Still, he said he believes customers will demand OneCalifornia's services.

"They are going after an underserved market," Gnaizda said. "There is a shortage of creative community development projects."

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