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Up Front



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BANKING: The Changing Face of Community Banks

Banking On Trust



Community banks try to win clients with service, not size.

By **MARK R. MADLER** Staff Reporter

Regional Banks List.

Community banks have a strong toehold in the San Fernando Valley region, but as other larger banks serving the region get bigger, many of these small banks are facing even tougher competition.

Leaders of area community banks say they are holding their own by offering clients personal attention and a keener understanding of small business needs. They say they benefit from having stronger ties to the Valley region.

The Valley region is home to at least 24 community and regional banks with a combined total of 89 bank branch locations, according to the *San Fernando Valley Business Journal's* Community and

Valley area community and regional banks compete against each other as well as at least 11 other banks, many of which are major national financial institutions. Those 11 banks together represent 372 local bank branch locations, and individually offer customers far more ATMs than Valley area community banks.

Bigger isn't necessarily better for all banking customers. **Marianne Moy** has been a long-time client at **California Bank & Trust**. Even after moving to Orange County, Moy continues to use the bank's Encino branch for phone transactions.

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INSIDE
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Area Builders to Face New Storm?

REAL ESTATE: Proposed storm water rule may hurt development.

By **ANDREW KHOURI** Staff Reporter

Proposed rules to save water and decrease pollution have the Los Angeles building community worried the potential costs could stunt new development during uncertain economic times.

Many Valley area developers are unfamiliar with the proposed Los Angeles city regulations. And others, while aware, are unsure of the impact the rules could have on their business and whether they would significantly add to their development costs.

The proposed regulations, two years in the making, could saddle builders with costs ranging from \$5,000 to \$20,000 per unit for residential projects, said **Holly Schroeder**, chief executive of the Los

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NetJets Lands New Terminal

AVIATION: Berkshire Hathaway firm inks Van Nuys lease agreement.

By **MARK R. MADLER** Staff Reporter

NetJets, the nation's largest business aircraft operator, will occupy a new terminal building now under construction at **Van Nuys Airport**.

Maguire Aviation, a fixed base operator at the airport, is building the 10,000-square-foot terminal facility, and NetJets will be leasing the space, officials from both companies said. The project started early this month and is scheduled to be complete by early next year. Officials would not disclose financial terms of the deal.

The owner of NetJets is **Berkshire Hathaway**, the private investment firm of billionaire **Warren Buffet**. The company, based in Ohio, offers fractional aircraft ownership, on-demand charter and aircraft

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Production Halts at SolarWorld USA

MANUFACTURING: Camarillo work impacted by China competition.

By **MARK R. MADLER** Staff Reporter

SolarWorld USA, a major player in the nation's solar industry, announced it will shut down its Camarillo solar panel production line this month and move the work to a newer and larger manufacturing facility in Oregon.

Cheaper solar panels made in China have saturated the U.S. market and contributed to the move that will result in as many as 186 job cuts, company officials

said.

SolarWorld's Camarillo facility currently employs 300 workers. Sales and marketing operations will continue to operate out of the site. The production line will close on Sept. 30.

SolarWorld's announcement added to the bad news hitting American solar panel manufacturers as three companies — **Evergreen Solar**, **SpectraWatt** and **Solyndra** — filed for bankruptcy protection this month. The Solyndra filing was a significant blow in that the company had received \$535 million in federal loan guarantees.

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PHOTO PROVIDED BY SOLARWORLD USA

Panels: Automated equipment at Oregon plant

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Woodland Hills

BANKING: The Changing Face of Community Banks

Banking: Regulations, Competition Present Challenges

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"Everyone at their bank knows my voice," said Moy, a real estate developer.

Moy said her real estate deals can be out of the ordinary and the bank helps out with the financing in a way that a larger bank would turn down.

Performance at community banks

Financial data submitted to the Federal Deposit Insurance Corp. show the competitive landscape in which community banks operate and compete for business.

For the first half of the year, the region's community banking sector has had a mixed performance picture, compared to the same period last year. And there's been some consolidation in the market during the past year.

Community Bank, First California Bank, and Bank of Santa Clarita have grown their assets and deposits organically, while California United Bank has seen its assets and deposits increase in part due to its merger with California Oaks State Bank in August 2010, the FDIC data show. Assets and deposits have slipped at **Mission Valley Bank, Santa Clara Valley Bank and Americas United Bank.** And First Commerce Bank of Encino is no longer around, because it merged with **Grandpoint Bank** of Encino in July 2010.

During the same period, many national banks such as **Chase** and **Bank of America** added additional local bank branches.

Apart from the historic competition with larger banks, some banking experts say community banks face an additional hurdle today: new federal regulations found in the Dodd-Frank Act.

The regulations will require additional spending to stay in compliance, said **Bill Watkins**, executive director of the Center for Economic Research and Forecasting at **California Lutheran University.**

The Act will affect how banks can lend and cut into the amount collected on debit card and overdraft fees. Those cost pressures will lead banks to do what they need to do to stay competitive, namely grow bigger and that means more consolidation, Watkins said.

"Size gives an advantage in the banking business, and so it makes it easier to compete if they are a little bigger," said Watkins, who

before teaching worked for the Board of Governors of the Federal Reserve System.

What is a community bank?

There are about 7,000 community banks in the U.S., which together serve customers at more than 50,000 locations, according to the trade group, **Independent Community Banks of America.**

At the **California Independent Bankers**, the state chapter of the ICBA, the term means locally-owned and operated financial institutions that take in local deposits and make loans for the areas it serves, said Executive Director **David Haithecock.** Its membership includes banks with \$100 million to several billion dollars in assets.

What community banks have in common is a focus on developing relationships with their customers.

Community banks know their clients and their clients' businesses well enough to tailor loan packages and other services to their specific needs, said **Tamara Gurney**, president of **Mission Valley Bank.**

"We will modify and customize (loans) to make it work for both of us," Gurney said.

One example is when the employee of a Sun Valley sign company approached Mission Valley for a loan to buy the business from its owner, Gurney said. The initial response was lukewarm because the employee could not demonstrate experience of ownership, she said.

So the bank sat all the parties down and knocked out a loan that was smaller than the employee initially proposed, but was still beneficial for him and less risky for the bank, Gurney said.

"We got the owner to commit to advising (the employee) for three years before transitioning out," she said.

In another case from about five years ago, a woman wanted a loan for a startup yogurt shop in North Hollywood. She approached Mission Valley after other banks turned her down, Gurney said.

The bank structured a loan that used real estate as collateral, and the woman was able to open her first shop, Gurney said, noting the woman later expanded into a national chain.

"It is one of those success stories where if we had not done the first loan, the rest of it would not have happened," Gurney said.

When **John Heys** has gone to the **Bank of**

Santa Clarita for a loan for his plumbing business, he said he knows he will sit down face-to-face with a decision maker who cuts through all the red tape.

"It has been very invaluable to be able to do that," said Heys, who has operated his small business for almost 30 years.

As the only bank headquartered in the Santa Clarita Valley, the Bank of Santa Clarita is in a position to have intimate knowledge of the community it serves. That knowledge is a base for making lending decisions, said Jim Hicken, the president and chief executive officer.

Practices that set the Bank of Santa Clarita apart from its larger national competitors include keeping their U.S. Small Business Administration loans on its books rather than packaging and selling them, Hicken said.

And the bank prevents real-time debit card transactions from going through if the account does not have enough money. The customer avoids the overdraft charges that have angered customers of the big banks, Hicken said.

The big banks

With 6,300 branches (called stores) from coast to coast, **Wells Fargo** is the fourth largest bank in the U.S., so it's not exactly a community bank.

Yet that is how **Marla Vasquez**, a senior vice president and regional president for the San Fernando Valley, sees Wells Fargo.

The bank plays a dual role of a banking business and that of a community partner supporting charitable organizations. In 2010, Wells Fargo invested \$1.5 million in non-profits and schools in the San Fernando and Santa Clarita valleys, Vasquez said.

Wells Fargo has shown it can respond to the needs of the community, she said.

It was the first bank to go into the Pacoima in 17 years when it opened a branch there in 2003 and staffed it with area residents. Unique to the bank is having certain stores open seven days a week.

"We know our customer cannot always make it Monday through Saturday," Vasquez said.

Chase has a global reach to 60 countries, but its small business and commercial bankers make lending decisions locally, said spokesman **Gary Kishner.**

As a competitor to community banks,

Chase has an advantage by giving customer access to its services wherever they are in the world, Kishner said.

"If a business is doing trade overseas we can provide foreign exchange services and access to lending in those countries," Kishner said.

Future of community banks

As with any industry these days, the economy plays a major role the direction community banks take. Economic growth opens up doors to the small business lending, which community banks rely on. That, in turn, will boost their profitability, according to banking officials.

While uncertainty remains in the business world, it is not as bad as the doomsday scenario painted by consultants, said **Haithecock**, of California Independent Bankers.

Haithecock said recent meetings with heads of community banks revived his hope there is an improvement in the market.

"We are going to have some contraction and mergers and acquisitions, which is a normal course of action," **Haithecock** said. "We will find folks who want to stay as independent as they can, and a few years down the road, we will have some new charters."

For Hicken and Gurney, staying competitive against the big banks still comes down to one thing — relationships.

Hicken said community banks won't respond to an improved economy, rather they will bring improvement to the market by getting money into the hands of small business owners.

"We are more involved and intuitive and can have a big impact on the outcome," Hicken said.

Mission Valley and other community banks will always have a place and will evolve with new technology to deliver their services, Gurney said.

Community banks have a core advantage with customers: they play an advisory role to educate business owners and give them the resources to be successful, Gurney said.

"Business owners, they do not know about the numbers and keeping the books," Gurney said. "They need to migrate to more expertise and we encourage them to stick with the creative vision and bring in the experts and listen to them."

