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Blockchain Bonds – Raising Money for City Projects.

When Berkeley vice mayor Ben Bartlett saw President Donald Trump announce the December 2017 tax bill that would reduce corporate tax by 14 percent, it sparked an idea in him, and blockchain bonds were born.

The tax decrease implemented by the Trump administration decreased any real incentive corporations had to seek tax breaks by investing in projects that the government deemed "noble," such as affordable and senior housing.

Issuing micro-bonds

The answer, according to Bartlett, may rest in a pilot program that was recently approved unanimously by the city council to use blockchain technology to issue micro-bonds that could raise money for various city projects, such as affordable housing.

The blockchain bonds pilot program is still at the fine-tuning stage, but it would allow the city to issue micro-bonds in amounts of $10 to $25, which is substantially lower than the current minimum of $5,000.

Such a move would make the bonds more accessible to more people.

"These bonds — we call them micro-bonds because they're small — are really cool because you can target them to make one building," claimed Bartlett.

"They're extremely flexible like that because the cost is so low, and they're fast, too. The micro bond proposal is leveraging the blockchain to crowdfund bonds, essentially. You can also do geotargeting to the bond."

"Blockchain technology is attractive because it allows you to instantly record transactions indelibly, and it can't be altered," Bartlett said.

"When you can do that, you lower the cost so much on issuance that you can make the bond available for 25 cents, honestly."

Affordable and homeless housing

Initial plans are for the blockchain bonds pilot test to begin sometime in the fall, with the first project being a USD 3 million firetruck, which Bartlett believes will provide something "attractive and visual for the community to see."

The firetruck is just the beginning, with more pressing issues on Bartlett's mind, such as affordable and homeless housing.

He's also looking at the idea of using blockchain technology to secure voting, as well as managing internet of things (IoT) applications like connected city vehicles and street lighting.

Working towards this goal, Bartless and Mayor Jesse Arreguin have launched the Berkeley Blockchain initiative in partnership with the Blockchain Lab at the University of California, which applies technology to municipal finance.

“Currently, governmental entities sell their bonds to banks who then resell the bonds to numerous intermediaries before reaching an investor,” Bartlett wrote on Medium.

“Each intermediary charges fees and markups. The UC Berkeley Haas Institute estimates that bond issuers lose approximately $4 billion annually as a result of this process.”

“There’s a lot more people using facilities, a lot more people needing housing and a lack of funding,” Bartlett said. “How do you avoid bankruptcy, how do you stall the growth of homelessness? How do you keep people well? One way to do that is to let the jurisdiction increase wealth for itself.”

Crypto Disrupt

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