

ORDINANCE NO. 2008-048

Adopted by the Sacramento City Council

October 7, 2008

**AMENDING ORDINANCE NO. 2007-080, AS EXTENDED BY
ORDINANCE NO. 2007-089, TO EXTEND THE TERM OF THE MORATORIUM ON CHECK
CASHING CENTERS IN THE CITY OF SACRAMENTO FOR AN ADDITIONAL ONE YEAR
AND DECLARING THE ORDINANCE TO BE AN EMERGENCY MEASURE TO TAKE
EFFECT IMMEDIATELY UPON ADOPTION (M07-070)**

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

BACKGROUND

SECTION 1. Findings.

The City Council of the City of Sacramento finds and declares as follows:

A. General Findings.

1. Check cashing businesses cash payroll, government, personal, and other types of checks, among other related services, while taking a commission off the face-value of the check.
2. Payday lender businesses (also known as deferred deposit transaction businesses and advanced payday lenders) provide small cash loans based on a borrower's personal check held for future deposit or on electronic access to a borrower's bank account. Generally, the borrower must include the fee for the loan in the face value of the personal check.
3. According to the Consumer Federation of America, because of the high fees paid for these short term loans and check cashing services, some borrowers may pay the equivalent of more than 900% annual percentage rate interest on their loan. In California, the fee for a payday loan can be up to \$17.50 for every \$100 borrowed, up to the maximum of \$300. The annual percentage rate for such a transaction is 911% for a one week loan, 456% for a two-week loan, and 212% for a one-month loan. Since payday loans were legalized in California in 1997, more than 3,500 payday loan businesses have opened in the state.
4. According to the California Reinvestment Coalition ("CRC"), check cashing and payday lender businesses have grown over 1100% nation-wide between 1996 and 2003 and are estimated to be growing at a rate of 15% a year. The growth of check cashing and payday lender businesses appears to be focused in lower income neighborhoods where full service financial institutions are removing their branch offices.

5. A recent study by The Progressive Policy Institute revealed that a traditional bank account is the first step toward giving low-income Americans access to the mainstream tools for wealth creation now taken for granted by the middle-class. The unchecked proliferation of check cashing and payday lender businesses in the commercial districts of lower income neighborhoods leads to the displacement of full service banking institutions, making access to traditional banking services even more difficult in lower income neighborhoods. Without appropriate controls, a result of the continuing high growth of check cashing and payday lender businesses will be a reduction or displacement of needed financial services and other commercial benefits in these neighborhoods, .
- B. Under the current provisions of Title 17 of the Sacramento City Code (the Zoning Code), check cashing centers, check cashing facilities, and payday lender businesses (collectively "check cashing centers") are classified as commercial services and are allowed in most nonresidential zones by right.
- C. On October 16, 2007, the City Council adopted Ordinance No. 2007-080 establishing a forty-five (45) day moratorium on check cashing centers in the City of Sacramento as an emergency ordinance to take effect immediately. The purpose of Ordinance No. 2007-080 was to protect the public health, safety, and welfare by prohibiting the review, approval, and issuance of any building permits or other development-related permits for any new check cashing center or expansion or modification of an existing check cashing center while the City studies and enacts new land use regulations to address the effects and potentially blighting impacts check cashing centers can have on the surrounding neighborhoods as detailed above in subsection (A). Allowing the establishment of new, and the expansion of existing, check cashing centers pending the development and enactment of the needed land use regulations would frustrate and interfere with the efforts to protect the City's neighborhoods from the continuing proliferation of these uses and their associated impacts.
- D. On November 27, 2007 the City Council conducted a duly noticed public hearing and determined that additional time was needed for staff to continue to research and develop appropriate land use regulations to address the effects and potentially blighting neighborhood impacts of check cashing centers, to identify all community and industry stakeholders, and to conduct stakeholder outreach to ensure appropriate input from and involvement of all concerned and affected parties in the development of the needed land use regulations. At the conclusion on the hearing, the City Council adopted Ordinance No. 2007-089 extending the term of Ordinance No. 2007-080 as provided in Government Code section 65858 for an additional ten months and fifteen days. Ordinance No. 2007-080, as extended by Ordinance No. 2007-089, will expire by its own terms on October 15, 2008.
- E. During the term of Ordinance No 2007-080, as extended by Ordinance No. 2007-089, the City has taken the following measures to alleviate the conditions which led to the adoption of Ordinance No. 2007-080 and Ordinance No. 2007-089: Staff has evaluated the efforts of various local jurisdictions throughout the country to prevent and remediate blight caused by the existence of check cashing centers through local

legislation. In addition to this, staff has monitored Assembly Bill (AB) 2845 to determine if regulation on the state level would make local regulation unnecessary. However, the bill did not pass out of the Assembly and died. It is yet to be determined whether similar legislation will be introduced next year on the state level. Subsequently, staff has continued to inventory industry stakeholders that conduct business within the city. In conjunction with this, staff has scheduled a stakeholder meeting for Wednesday, November 19, 2008 in order to address the concerns of the industry and communicate the issues facing the communities in which these establishments are located.

Despite its efforts over the past year, the City Council determines that additional time is needed for staff to continue to research and develop the most appropriate and effective land use regulations to address the effects and potentially blighting neighborhood impacts of check cashing centers.

- F. This Ordinance is enacted as an urgency measure under Government Code section 65858 to protect against the current and immediate threat to the public health, safety, and welfare that check cashing centers can pose to the City as described above were the moratorium on check cashing centers established by Ordinance No. 2007-080 and extended by Ordinance No. 2007-089 to expire before the needed land use regulations are in place. It is appropriate that this Ordinance take effect immediately to ensure that check cashing centers are not established or expanded during the thirty day period that would otherwise elapse before this Ordinance would take effect.

SECTION 2. Extension of Moratorium on Check Cashing Centers.

Ordinance No. 2007-080, as extended by Ordinance No. 2007-089, establishing a moratorium on check cashing centers, is amended by extending its term for an additional one year as provided in Government Code section 65858. As amended by this ordinance, Ordinance No. 2007-080, as extended by Ordinance No. 2007-089, shall be of no further force and effect two (2) years from the date of the original adoption of Ordinance No. 2007-080.

SECTION 4. Declaration of Emergency.

This Ordinance is declared to be an emergency ordinance to take effect immediately upon adoption by the City Council pursuant to Sacramento City Charter Section 32(g)(2). The facts constituting the emergency are as set forth in Section 1 of this Ordinance, all of which are incorporated into this section as facts supporting the emergency nature of this Ordinance.

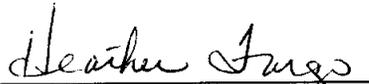
Adopted by the City of Sacramento City Council on October 2, 2008 by the following vote:

Ayes: Councilmembers Cohn, Fong, Hammond, McCarty, Pannell, Sheedy,
Tretheway, Waters, and Mayor Fargo.

Noes: None.

Abstain: None.

Absent: None.



Mayor Heather Fargo

Attest:



Shirley Concolino, City Clerk

Effective: October 7, 2008