

ORDINANCE NO. 2007-080

Adopted by the Sacramento City Council

October 16, 2007

ESTABLISHING A MORATORIUM ON CHECK CASHING CENTERS IN THE CITY OF SACRAMENTO 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:

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. The purpose of this Ordinance is 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. 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. 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. Restriction on Check Cashing Centers

A. During the term of this Ordinance, including the term of any extension(s) of this Ordinance, no check cashing center shall commence operation at any location in the City of Sacramento, and no existing check cashing center shall expand either at the same location or to a different location in the City of Sacramento.

B. During the term of this Ordinance, including the term of any extension(s) of this Ordinance, no application for a building permit or other development-related permit or entitlement shall be accepted, no hearing on an application (including appeals) for a

discretionary entitlement shall be conducted, and no building permit or other development-related permit shall be issued for a check cashing center.

C. For purposes of this Ordinance, "check cashing center" includes check cashing centers, check cashing facilities, and payday lender businesses as defined below:

1. "Check cashing center" means an establishment that, for compensation, engages in the business of cashing checks, warrants, drafts, money orders or other commercial paper serving a similar purpose. This classification does not include a state or federally chartered bank, savings association, credit union or similar financial institution. This classification does not include establishments selling consumer goods, including consumables, where the cashing of checks or money orders is incidental to the main purpose of the business.

2. "Check cashing facility" means an establishment primarily engaged in cashing payroll or personal checks for a fee or advancing funds on future checks, not including state or federally chartered banks, credit unions, savings and loans, or similar financial institution.

3. "Payday lender business" means an establishment that offers, originates, or makes a deferred deposit transaction. A "deferred deposit transaction" is a transaction whereby a person defers depositing a customer's personal check until a specific date, pursuant to a written agreement. A payday lender business does not include a state or federally chartered bank, savings association, credit union, or similar financial institution, or retail stores that incidentally charge a fee not exceeding \$2.00 to cash checks or money orders as a service to customers.

SECTION 3. Term and Extensions

This Ordinance shall be of no further force and effect forty-five (45) days from the date of its adoption, unless prior to that date the City Council approves one or more extensions pursuant to Government Code section 65858, in which case this Ordinance shall remain in effect through the term of the extension(s).

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 16, 2007 by the following vote:

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

Noes: None.


Abstain: None.

Absent: Councilmember McCarty.



Mayor Heather Fargo

Attest:



Shirley Concolino, City Clerk

Effective October 16, 2007