

1 [Committee of the Whole—Interim Zoning Moratorium on New Check Cashing and Payday  
2 Lender Uses.]

3 **Motion for the Board of Supervisors to convene as a committee of the whole on**  
4 **February 28, 2006, at 3:00 p.m. to accept public testimony concerning the possible**  
5 **adoption of an urgency ordinance extending the interim zoning moratorium for 22**  
6 **months and 15 days on new check cashing and payday lender uses and making**  
7 **required findings, including findings related to the imposition of an interim zoning**  
8 **moratorium, findings of consistency with the priority planning policies of Planning**  
9 **Code Section 101.1, and environmental findings.**

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11 WHEREAS, Check cashing businesses cash payroll, government, personal, and other  
12 types of checks, among other related services, while taking a commission off the face-value of  
13 the check.

14 WHEREAS, Pay day lender businesses (also known as deferred deposit transaction  
15 businesses and advanced pay day lenders) provide small cash loans based on a borrower's  
16 personal check held for future deposit or on electronic access to a borrower's bank account.  
17 Generally, the borrower must include the fee for the loan in the face value of the personal  
18 check.

19 WHEREAS, According to the Federal Trade Commission and Consumer Reports,  
20 because of the high fees paid for these short term loans and check cashing services, some  
21 borrowers may pay the equivalent of more than 900% annual percentage rate interest on their  
22 loan. In California, the fee for a pay day loan can be up to \$17.50 for every \$100 borrowed,  
23 up to the maximum of \$300. The annual percentage rate for such a transaction is: 911% for a  
24 one-week loan; 456% for a two-week loan; and 212% for a one-month loan.

1           WHEREAS, According to the California Reinvestment Coalition, check cashing and pay  
2 day lender businesses have grown over 1100 percent nation-wide between 1996 and 2003.  
3 According to the Federal Trade Commission and Consumer Reports, since pay day loans  
4 were legalized in California in 1997, more than 3,500 pay day loan businesses have opened  
5 in the state.

6           WHEREAS, The Brookings Institute conservatively estimates that check cashing and  
7 pay day lending businesses sell \$40 million worth of their services annually out of 56 locations  
8 in San Francisco. The average check cashing or pay day lender establishment in the City has  
9 a sales volume of \$737,000 annually. The estimates provided by the Brookings Institute are  
10 conservative because they only include check cashing and pay day lender businesses that  
11 provide those services as their primary or secondary business service, and do not include  
12 tertiary providers of these services, including grocery stores, convenience stores, and gas  
13 stations.

14           WHEREAS, According to the Brookings Institute, these providers of check cashing and  
15 pay day lending services are heavily concentrated in San Francisco's poorer neighborhoods,  
16 which also have a higher percentage of minority residence than other parts of the City. The  
17 median income in a neighborhood with these types of financial services is roughly \$38,000,  
18 compared with a City-wide median income of about \$60,000. One in five residents in these  
19 neighborhoods lives in poverty, compared with a City-wide rate of about one in ten.  
20 Additionally, 30 percent of residents in these neighborhoods with a check cashing or pay day  
21 lender business are Latino, compared with a City-wide rate of about 14 percent. The  
22 neighborhood with the highest concentration of check cashing and pay day lender businesses  
23 (Census Tract No. 176.01), has a median household income of just \$23,899, nearly one in  
24 three of its residents lives below the poverty line, and it has one of the highest concentrations  
25 of African American residents in the City.

1           WHEREAS, The Brookings Institute found that these check cashing and pay day  
2 lender businesses tend to cluster together in the City, saturating particular neighborhoods with  
3 their high-priced financial service products. Roughly half of the core providers of these check  
4 cashing and pay day lender businesses are located in just four neighborhoods in the City.

5           WHEREAS, Concerns have been raised that the unchecked proliferation of these  
6 businesses is displacing charter banks, which offer a much broader range of financial  
7 services, and other desired commercial development in the City, particularly in the commercial  
8 districts of lower income neighborhoods. Without appropriate controls, the result of the high  
9 growth of check cashing and pay day lender business could be a reduction or displacement of  
10 needed financial services and other commercial benefits.

11           WHEREAS, On January 10, 2006, the Board of Supervisors adopted Ordinance No.  
12 01-06, an urgency Ordinance that imposed a 45-day moratorium on check cashing and  
13 payday lender uses. A copy of said Ordinance is on file with the Clerk of the Board of  
14 Supervisors in File No. 051721, and is incorporated herein by reference.

15           WHEREAS, On January 13, 2005, the Mayor signed Ordinance no. 01-06 into law.

16           WHEREAS, On December 9, 2005, the Planning Department issued a report entitled  
17 "Preliminary Report on Land Use Issues and Policy Opportunities for Check Cashing and Pay  
18 Day Lender Businesses" for the Board's consideration. A copy of said report is on file with the  
19 Clerk of the Board of Supervisors in File No. 051721 and is incorporated herein by reference.

20           WHEREAS, On December 15, 2005, during a hearing of the Budget and Finance  
21 Committee of the Board of Supervisors, the Committee considered the Planning Department's  
22 report and held a hearing at which it took testimony from the public and from various City  
23 departments regarding check cashing and payday lender uses.

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1           WHEREAS, An extension of the interim zoning moratorium on new check cashing and  
2 payday lender uses will provide the City necessary additional time to draft and adopt laws that  
3 will regulate the location of check cashing and payday lenders; now, therefore, be it

4           MOVED, That the Board of Supervisors of the City and County of San Francisco shall  
5 hereby convene as a committee of the whole on February 28, 2006, at 3:00 p.m. to accept  
6 public concerning the possible adoption of an urgency ordinance extending the interim zoning  
7 moratorium for 22 months and 15 days on new check cashing and payday lender uses and  
8 making required findings, including findings related to the imposition of an interim zoning  
9 moratorium, findings of consistency with the priority planning policies of Planning Code  
10 Section 101.1, and environmental findings.

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