

Staff Report

ALTERNATIVES AVAILABLE TO CONTROL PAYDAY LENDING INSTITUTIONS

September 27, 2011

BACKGROUND

On July 26, Council directed staff to present alternatives available to reduce the proliferation of payday lenders in the community. In early February, staff outlined some measures being taken by other Iowa communities to address the issue. Those measures were primarily focused on controlling payday lenders through zoning regulations.

The existing Ames City Code classifies payday lenders as an Office Use under the “Lenders and Credit Services” category. Office Use is a permitted land use in any of the City’s commercial base zones.

A survey of Ames shows that there are seven existing payday lenders in the community, in the areas shown on Figure 1. Based on the current zoning law, there are 794 commercial parcels and 1,652 commercial **units** in which payday lending can occur within the City.

Under Iowa law, the City may not categorically exclude payday lending or regulate terms such as interest rates and schedules. However, the City is empowered to regulate the time, place, and manner in which payday lending occurs. This can be accomplished through land use and zoning policy. In order to restrict payday lender proliferation through zoning regulations, it would be necessary to distinguish payday lenders from other types of “lenders and credit services” in the City zoning codes, then identify the particular restrictions that would apply to that class of commercial activity. This would restrict the location of payday lenders in a manner similar to the City’s existing regulations for adult-oriented businesses.

There are several potential methods of restricting payday lenders through zoning. These can include, individually or in some combination:

- Restricting the number of zones in which payday lending is a permitted use.
- Implementation of buffer zones between the payday lending establishments and areas such as residential zones, churches, parks, childcare facilities, and schools.
- Minimum separation distances between each payday lending establishments.

OPTIONS FOR COUNCIL TO CONSIDER

Figures 2 to 4 show the restricted areas that would be available for payday lenders to locate under these three independent methods. Under each of these scenarios, the existing payday lending establishments would be grandfathered in, as any new regulation would only apply to future establishments that intend to locate in Ames.

Figure 2 shows the effect on potential payday lending sites if payday lending was not an allowable use in the Neighborhood Commercial, Community Commercial Node, Community Commercial/Residential Node, Convenience/Commercial Node, and Convenience General Service base zones. This reduces the number of commercial parcels in which payday lending would be allowed to 612 and the number of commercial units in which payday lending would be allowed to 1,209.

Figure 3 represents the extent of land available for payday lending if there was a 250-foot buffer between payday lenders and residential zones. This reduces the number of commercial parcels in which payday lending would be allowed to 476 and the number of commercial units in which payday lending would be allowed to 854.

Figure 4 shows the available locations for payday lenders to locate in the event that a half-mile separation distance was established between payday lenders. This reduces the number of commercial parcels in which payday lending would be allowed to 294 and the number of commercial units in which payday lending would be allowed to 620. This option would result in the creation of several nonconforming uses in the downtown area. In the event this option was used, the payday lenders encompassed within this area would be able to continue their operations within their current footprint, but would be prevented from modifying or expanding their building without an appeal to the City.

Based on information collected by staff earlier this year, the restriction of the number of zones in which payday lending is an allowable use is similar to action taken by Des Moines and West Des Moines to control payday lending in those cities. The 250-foot buffer and half mile separation distance are similar to restrictions enacted by Des Moines and West Des Moines, although Clive has established a combined 1,000 foot buffer and separation distance.

POLICY QUESTIONS FOR THE CITY COUNCIL TO CONSIDER

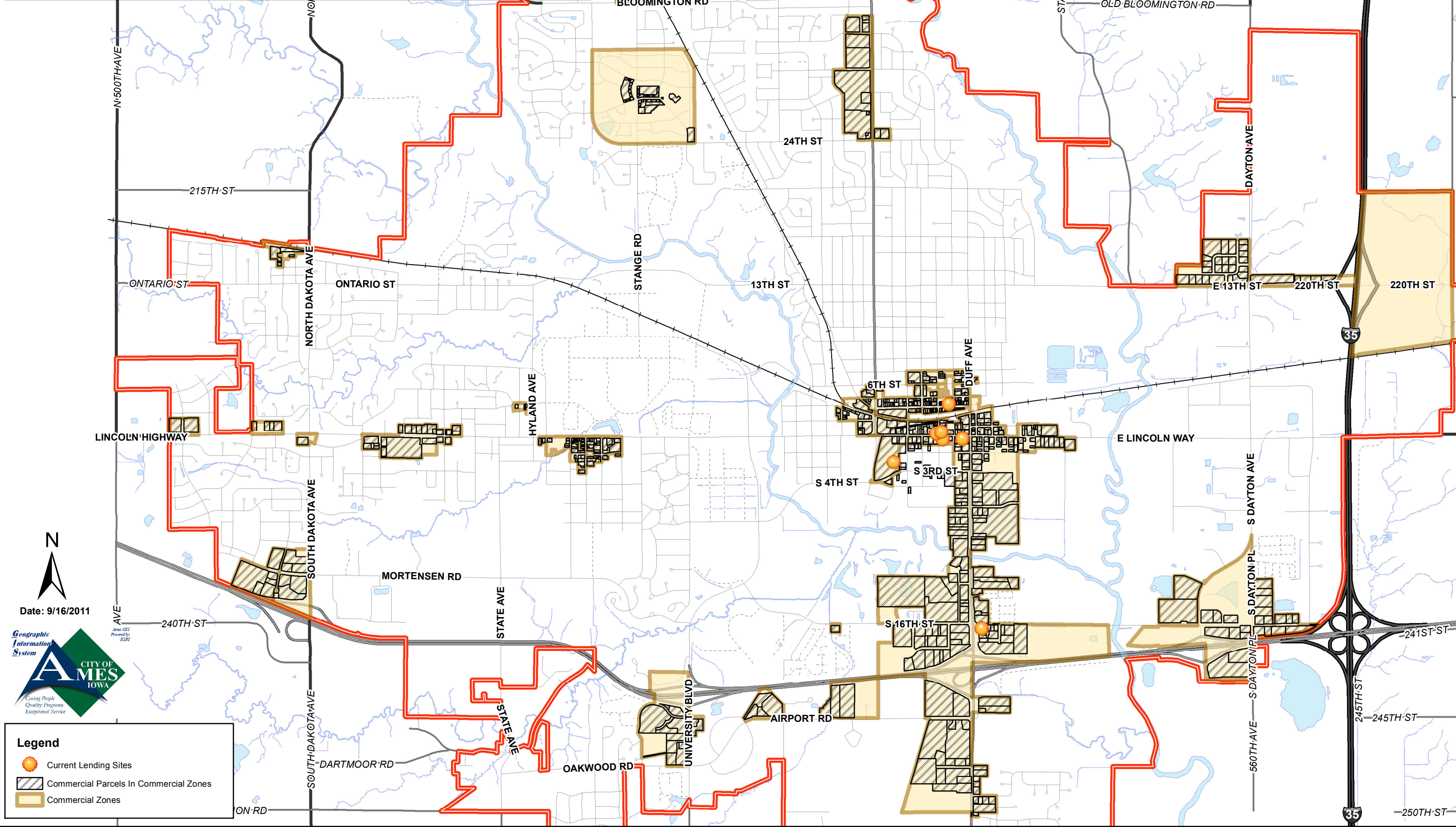
In determining which, if any, of these methods to use in restricting future payday lending, there are two issues that Council may wish to consider. **The first issue is whether it is Council's intent to concentrate this activity in a limited area or disperse it to reduce its concentration.** Reducing the number of zones available in which lenders may locate would be an effective means of concentrating the activity into (presumably) the area in which most lenders are currently located, the Grand-Duff-Lincoln Way corridor. Applying a buffer zone between lenders could potentially encourage future lenders to disperse to other parts of the community, particularly to the west and north, where no lenders are currently known to exist.

The second question Council may want to consider is what rationale exists for limitations such as buffer zones and separation distances. In the case of adult-oriented businesses, there exists a rationale that these establishments should not be located near parks, schools, or residences because of the concern that children may be exposed to inappropriate conduct. In the case of payday lenders, such a concern may not be as evident.

The dimensions chosen to present Figures 2 to 4 are similar to those used by other cities in the area. Should Council desire, staff can prepare maps depicting the effects of combinations of these restrictions or using other distances of the Council's choosing.

Payday Lending Sites

Analysis Description	Available Commercial Parcels	Available Commercial Units
OverAll Commercial Zoning	794	1,652



Date: 9/16/2011

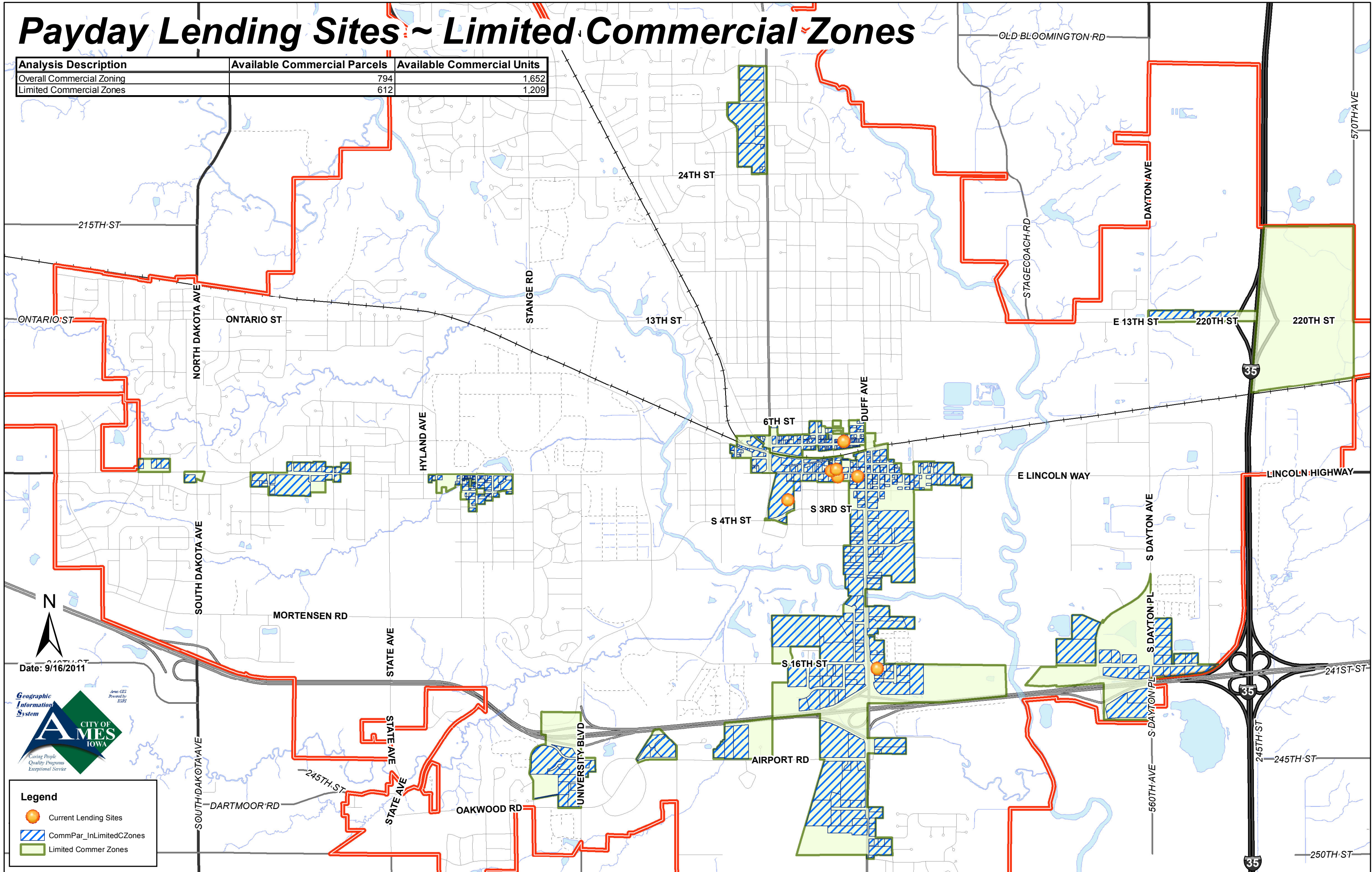


Legend

- Current Lending Sites
- Commercial Parcels In Commercial Zones
- Commercial Zones

Payday Lending Sites ~ Limited Commercial Zones




Analysis Description	Available Commercial Parcels	Available Commercial Units
Overall Commercial Zoning	794	1,652
Limited Commercial Zones	612	1,209



Date: 9/16/2011

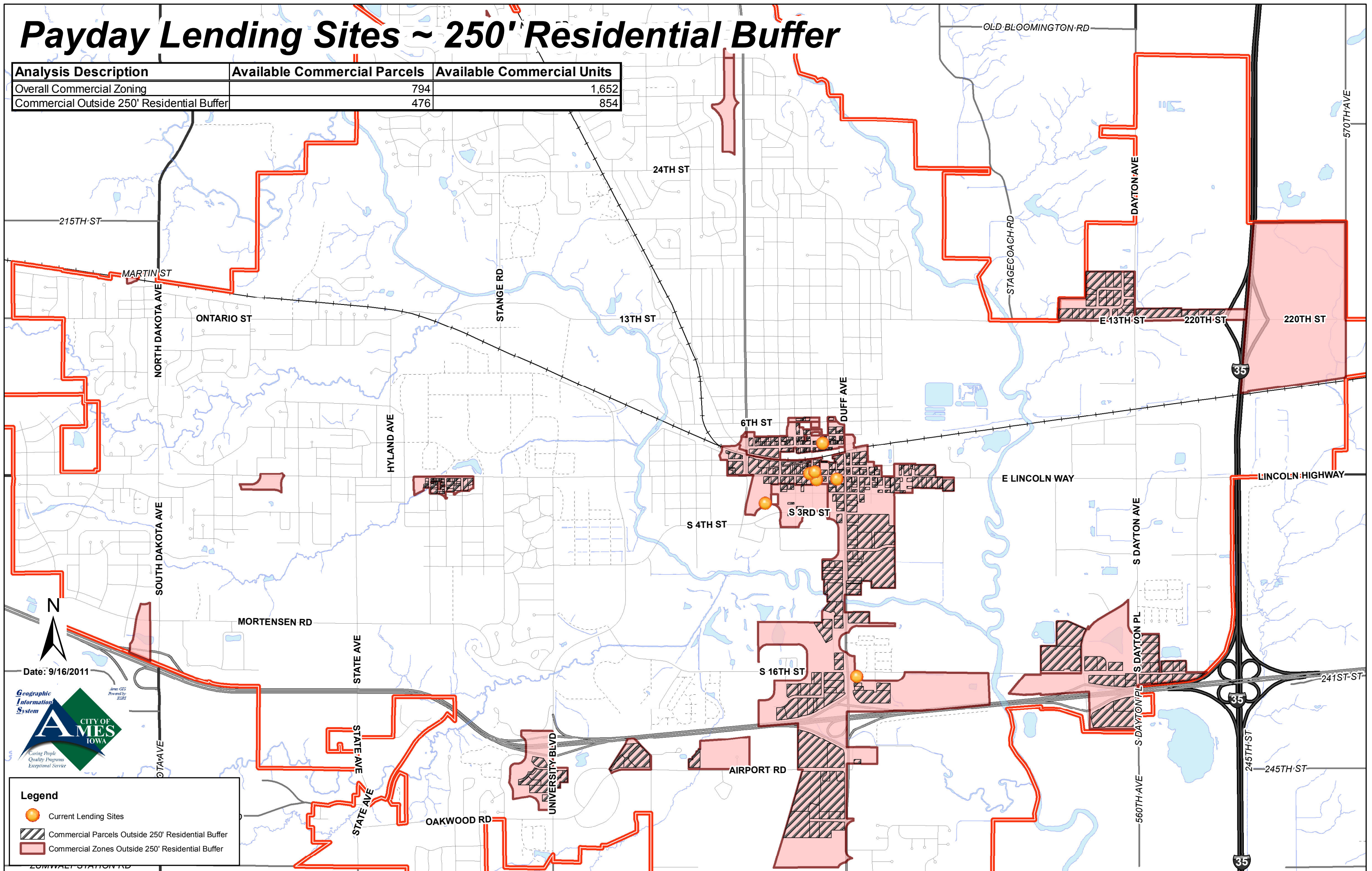


Legend

-  Current Lending Sites
-  CommPar_InLimitedCZones
-  Limited Commer Zones

Payday Lending Sites ~ 250' Residential Buffer




Analysis Description	Available Commercial Parcels	Available Commercial Units
Overall Commercial Zoning	794	1,652
Commercial Outside 250' Residential Buffer	476	854



Date: 9/16/2011

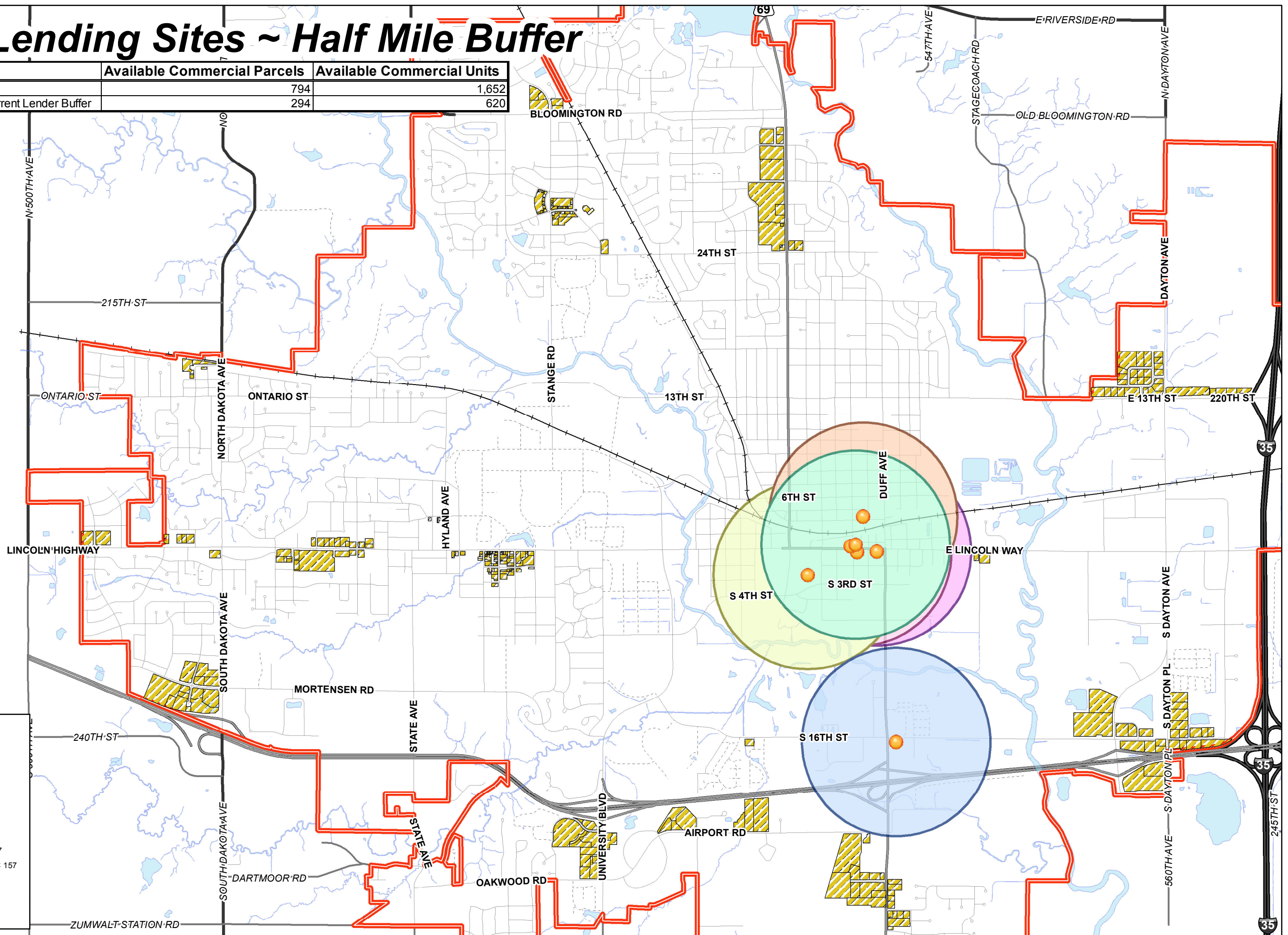


Legend

-  Current Lending Sites
-  Commercial Parcels Outside 250' Residential Buffer
-  Commercial Zones Outside 250' Residential Buffer

Payday Lending Sites ~ Half Mile Buffer

Analysis Description	Available Commercial Parcels	Available Commercial Units
Overall Commercial Zoning	794	1,652
Commercial Outside 1/2 Mile Current Lender Buffer	294	620



Date: 9/16/2011



Legend

- Current Lending Sites
- ComPar_OutsideHalfMi
- HalfMileBuffer_LendingSites**
- Customer Name**
- ADVANCE AMERICA
- AMES PAWN BROKER
- CHECK INTO CASH OF IOWA #807
- HOMETOWN CASH ADVANCE INC 157
- MIDWEST CHECK CASHING INC
- MR MONEY USA
- RE/MAX REAL ESTATE CENTER