



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Councilmember Ash Kalra
Councilmember Sam Liccardo
Councilmember Don Rocha
Councilmember Xavier Campos

SUBJECT: ESTABLISH LAND USE
REGULATIONS PERTAINING TO
PAYDAY LENDING ESTABLISHMENTS

DATE: May 11, 2012

Approved

Date

Ash Kalra
A.K.

Sam Liccardo
S.L.

Don Rocha
D.R.

5-11-12

RECOMMENDATION

Approve the ordinance as recommended by staff, with the following changes:

1. Adopt the modifications recommended by the Planning Commission.
2. Limit the number of payday lenders permitted to operate in the City of San José at 38, the current number of existing establishments.

ANALYSIS

During the 2011-2012 workplan prioritization process, the Council chose the issue of regulating payday lending establishments as one of its highest priorities. While the state has chosen to avoid addressing the issue of payday lending, we should be proud that San José continues to be a leader on this important issue.

Staff's recommendations to prevent new payday lending establishments from opening in or near low income census tracts and to implement a distance requirement from other payday lending establishments represent a thoughtful approach to protecting residents from these financial products. We also appreciate and endorse the additional recommendations by the Planning Commission to increase the relevant distance requirements from 500 feet to 1,320 feet (.25 mile).

However, we feel that San José should implement a cap on the total number of payday lending establishments in the city. There is evidence that over the last decade, the payday lending industry has seen a dramatic increase locally and nationally. At the same time, it appears that the growth of the industry has plateaued in the last couple of years. Therefore, it seems unlikely that payday loan customers are being underserved due to an insufficient number of such establishments in the city. Accordingly, capping the number of payday lending establishments at 38 will prevent the spread of this financial industry, and will send a message to our state legislators that the time has come to take meaningful action to address concerns surrounding payday lenders in California.