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Date: March 1, 2017
To: Planning Commission
From: Neighborhood Planning Committee
Subject: Alternative Financial Establishment Zoning Text Amendments

Background

In 2009 the City Council passed resolution 09-1349 directing the Planning Commission to study and recommend zoning code amendments regarding currency exchanges. The study was initiated after the City Council became aware that businesses operating in the same manner as currency exchanges and offering payday loans were circumventing regulations that applied to currency exchanges by obtaining licenses from the Minnesota Department of Commerce for consumer small loan companies, industrial loan and thrifts, and regulated loan companies.

In 2010 the City Council adopted an ordinance revising the zoning code regulation of currency exchanges by creating a broader use category, *alternative financial establishment*, with a definition largely based on state definitions (attached) for *currency exchange*, *consumer small loans* and *consumer short term loans*, although these loan types are not specifically called out. The definition starts with very broad criteria that apply to almost any financial institution and specifically includes consumer small loan companies, currency exchanges, industrial loan and thrifts, and regulated loan companies. These four Department of Commerce license types allow businesses to operate in a manner similar to currency exchanges and/or offer payday loans. The definition then provides specific exceptions for certain types of businesses such as banks and credit unions.

The definition in Zoning Code Sec. 65.511, *alternative financial establishment*, adopted in 2010 was intended to ensure that all businesses that operate in a manner similar to currency exchanges and/or offer payday loans are subject to the regulations in this section. However, businesses with an industrial loan and thrift license or with a regulated loan company license may operate without offering payday loans and check cashing, and might just offer other financial products and services. Industrial loan and thrift companies can offer a particularly broad array of financial services other than payday lending and check cashing.

An unintended consequence of the broad construction of the current definition in Zoning Code Sec. 65.511, *alternative financial establishment*, is that it included at least one business (Getten Credit Company) that apparently did not offer the type of loans and services this section is intended to regulate. This created zoning problems for Getten, and they have been

forced to discontinue their St. Paul operation. The director of a neighborhood development corporation that provides pass-through loans to businesses and home owners expressed concern that they might also fall under the definition of *alternative financial establishment* because there is no specific exception for them in the definition.

In December 2015 the City Council passed a resolution (attached) directing the Planning Commission to study and recommend zoning code amendments so that businesses that do not operate in the same manner as a currency exchange and do not offer payday loans are not unreasonably regulated as alternative financial establishments.

Proposed Amendment

Simplify Zoning Code Sec. 65.511, *alternative financial establishment*, to make it easier to read and understand. Rather than a complex definition that starts with very broad criteria that apply to almost any financial institution and then providing specific exceptions for certain types of businesses, amend the definition so that it applies to the specific financial services and products this section is intended to regulate. This would allow businesses that are licensed as regulated lenders or industrial loan and thrifts and do not offer payday loans or check cashing to fall under the zoning standards for another land use category as determined by the zoning administrator. This would typically be banks and credit unions because of the similarity in the financial services they offer. Some businesses with a regulated lender license may be more similar to other uses because they offer financing for specific goods such as appliances or solar panels. Neighborhood development corporations do not have the license types and do not provide the financial services and products specified in the amended definition, so they would clearly not fall under the definition.

Committee Recommendation

The Neighborhood Planning Committee recommends that the planning commission release the following amendments to Zoning Code § 65.511, *alternative financial establishment*, for public review and schedule a public hearing for April 21, 2017.

NOTE: Existing language to be deleted is shown by ~~strikeout~~. New language to be added is shown by underlining. [Drafting notes are in brackets.]

Sec. 65.511. Alternative financial establishment.

A business ~~person, firm, association, corporation or partnership engaged in the business or service of check-cashing or making loans to be repaid in one (1) lump sum or in installments over a set period of time, either collateralized or not, for which there is a fee or service charge, or interest received, including but not limited to loans collateralized by personal check, payroll check, wage assignment or personal property title, or collateralized with the promise to relinquish possession of any personal property upon default.~~ Alternative financial establishment includes but is not limited to defined and licensed by the Minnesota Department of Commerce as a consumer small loan companies, currency exchanges, industrial loan and thrifts, and or regulated loan companies, ~~as defined and licensed by the~~

~~Minnesota Department of Commerce. Alternative financial establishment does not include federal or state chartered banks, credit unions, or savings banks, nor does it include a person, firm, association, corporation or partnership that provides the service of cashing checks, drafts, money orders, or travelers checks for a fee, incidental to the person's primary business and the charge for cashing a check or draft does not exceed one dollar (\$1.00) or one (1) percent of the value of the check or draft, whichever is greater. makes consumer small loans, or makes consumer short-term loans.~~

Standards and conditions:

- (a) The alternative financial establishment shall be located at least one hundred fifty (150) feet from any lot in a residential district or lot occupied with a one-, two-, or multiple-family dwelling, measured in a straight line from the closest point of the building in which the business is or is to be located to the closest point of the residential property line.
- (b) ~~The~~ No alternative financial establishment shall be located ~~within~~ at least two thousand six hundred forty (2,640) feet ~~of from any another~~ alternative financial establishment and one thousand three hundred twenty (1,320) feet from any pawnshop, measured from the nearest building wall of the existing establishment to the nearest building wall of the proposed use, ~~or if there is no building, to the nearest lot line of the proposed use.~~
- (c) ~~No alternative financial establishment shall be located within one thousand three hundred twenty (1,320) feet of any pawnshop, measured from the nearest building wall of the existing establishment to the nearest building wall of the proposed use, or if there is no building, to the nearest lot line of the proposed use.~~

Here's how this would look without the strikeouts and underlines:

Sec. 65.511. Alternative financial establishment.

A business defined and licensed by the Minnesota Department of Commerce as a consumer small loan company, currency exchange, industrial loan and thrift, or regulated loan company that provides the service of cashing checks, drafts, money orders, or travelers checks for a fee, makes consumer small loans, or makes consumer short-term loans.

Standards and conditions:

- (a) The alternative financial establishment shall be located at least one hundred fifty (150) feet from any lot in a residential district or lot occupied with a one-, two-, or multiple-family dwelling, measured in a straight line from the closest point of the building in which the business is or is to be located to the closest point of the residential property line.
- (b) The alternative financial establishment shall be located at least two thousand six hundred forty (2,640) feet from any other alternative financial establishment and one thousand three hundred twenty (1,320) feet from any pawnshop, measured from the nearest building wall of the existing establishment to the nearest building wall of the proposed use.

Proposed text amendment alternative financial establishments

