

**LEGISLATIVE REFERENCE BUREAU
RESEARCH REPORT**

ZONING CLASSIFICATION OF CURRENCY EXCHANGES, PAYDAY
LOAN AGENCIES AND TITLE LOAN AGENCIES:
MILWAUKEE AND OTHER COMMUNITIES

Prepared for: Zoning Code Technical Committee
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Introduction

On April 16, 2003, after considering a proposed ordinance that would make currency exchanges, payday loan agencies and title loan agencies prohibited uses in all commercial zoning districts, the Zoning Code Technical Committee asked the Legislative Reference Bureau to analyze the current zoning classification of existing businesses of these types in the city of Milwaukee. The committee also requested the LRB to research the zoning classification of these types of businesses in Milwaukee suburbs and in other cities across the nation that are comparable in size to Milwaukee.

This report consists of 3 components:

- 1) An analysis of the current zoning classification of currency exchanges and short-term loan businesses in Milwaukee.
- 2) The results of a telephone survey of suburban Milwaukee communities regarding their zoning regulations for such businesses when located in commercial districts.
- 3) The results of a nationwide literature search and telephone survey relating to zoning regulations for such businesses, with an emphasis on comparable-size cities.

**Zoning of Currency Exchanges, Payday Loan Businesses and Title Loan
Businesses in the City of Milwaukee**

The following list was compiled from listings in the August, 2002,
Milwaukee Yellow Pages:

<u>Business Location</u>	<u>Zoning</u>
3256 S. 27 th St.	LB2
3730 S. 27 th St.	LB1
3904 S. 27 th St.	LB1
5260 S. 27 th St.	LB1
5310 S. 27 th St.	LB1
3906 N. 76 th St.	NS1
4750 N. 76 th St.	LB2
4760 N. 76 th St.	LB2
4847 N. 76 th St.	LB2
5910 N. 76 th St.	LB1
6404 N. 76 th St.	LB1
6865 N. 76 th St.	LB2
7941 N. 76 th St.	LB1
8066 N. 76 th St.	LB1
7800 W. Appleton Ave.	LB2
6816 W. Brown Deer Rd.	LB1
8921 W. Brown Deer Rd.	RB1
344 E. Capitol Dr.	LB2
821 E. Capitol Dr.	LB2
3500 W. Capitol Dr.	CS
4132 W. Capitol Dr.	NS2
4201 W. Capitol Dr.	LB2
6100 W. Capitol Dr.	LB2
6512 W. Capitol Dr.	LB2
7410 W. Capitol Dr.	LB1
7450 W. Capitol Dr.	LB1
7600 W. Capitol Dr.	LB1
5502 W. Center St.	LB2
3500 W. Fond du Lac Ave.	LB2
5309 W. Fond du Lac Ave.	RB2
5500 W. Fond du Lac Ave.	LB2
2000 W. Forest Home Ave.	LB2
801 W. Historic Mitchell St.	LB2
150 W. Holt Ave.	CS
235 W. Layton Ave.	LB1
845 W. Layton Ave.	LB1
807 S. Layton Blvd.	LB2
1302 W. Lincoln Ave.	LB2
1310 W. Lincoln Ave.	LB2
723 N. Milwaukee St.	C9F
2700 N. M. L. King Dr.	LB2
1818 W. National Ave.	PD
4535 W. North Ave.	LB2
1935 W. Silver Spring Dr.	LB2
6414 W. Silver Spring Dr.	LB1
10400 W. Silver Spring Dr.	LB1
10442 W. Silver Spring Dr.	LB1
3975 N. Teutonia Ave.	LB2
6215 N. Teutonia Ave.	NS1
6930 N. Teutonia Ave.	IO1
7311 N. Teutonia Ave.	RM1
3500 W. Villard Ave.	LB2
310 W. Wisconsin Ave.	C9E
2534 W. Wisconsin Ave.	RO2

Classification Summary

<u>Zoning</u>	<u>No. of Locations</u>	<u>Pct. of Total</u>
RM1	1	1.9
RO2	1	1.9
NS1/NS2	3	5.6
LB1/LB2	41	75.9
RB1/RB2	2	3.7
CS	2	3.7
C9E	1	1.9
C9F	1	1.9
IO1	1	1.9
PD	1	1.9
Total	54	100.0

Clearly, the types of businesses in question are concentrated not only in certain areas of the city, but in particular zoning districts as well. Fully three-fourths of the establishments have LB zoning; 89% are located in commercial zoning districts (NS, LB, RB, CS).

Milwaukee Suburbs

Brookfield

Currency exchanges and short-term loan businesses would be included under the use category known as "service retail." As such, they would be permitted uses in commercial zoning districts.

Franklin

Franklin's zoning code uses Standard Industrial Classification (SIC) codes to enumerate uses in various zoning districts. A check-cashing business would fall under the "function related to deposit banking" category, while a payday loan business would be classified as a "personal credit institution." Both would be permitted uses in the B2 (general business) and B3 (community business) zoning districts and prohibited uses in the other 4 commercial zoning districts.

Germantown

Currency exchanges and short-term loan businesses would be included in the category of "other financial institutions," which are a permitted use in 3 of the village's 5 commercial districts and a prohibited use in the other 2 districts ("professional office" and "highway business").

Greenfield

Greenfield also uses SIC codes to enumerate uses in its various zoning districts. The uses in question would fall under "banking institutions," "personal credit institutions" or "miscellaneous credit institutions." Regardless of which SIC term is used, they would be classified as permitted uses in commercial districts. Greenfield is having a problem with these types of businesses, but the main issue is

signage, not overconcentration. The city is considering making them a special use in commercial districts.

Mequon

Currency exchanges and short-term loan businesses would be classified under the term "financial services." This use category is permitted by right in most of the city's commercial zoning districts.

Muskego

Under the Muskego zoning code, if a use is not listed in the code as a permitted use or a conditional use, the plan commission would review the use to determine which listed use it is most similar to. Since currency exchanges and short-term loan businesses are not listed in the code, the plan commission would review the proposed use (there are none in the city currently) and render a decision on whether it should be a permitted use or a conditional use in the zoning district in which it is located.

Oak Creek

The planning department stated that the closest terms in the zoning code to check-cashing and personal-loan stores is "savings and loans" and "financial uses." These uses are permitted by right in all 4 of the city's commercial zoning districts.

South Milwaukee

The uses in question are not specifically addressed by the zoning code, but the zoning enforcement officer indicated that he would probably classify them as permitted uses in commercial districts under the term "retail establishment."

Wauwatosa

Check-cashing businesses and short-term loan agencies are classified as conditional uses under the category of "banking services." As such, they must be reviewed and approved by both the plan commission and common council, which may impose conditions along with the granting of the permits. Such conditions typically relate to traffic flow or hours of operation.

West Allis

Currently, these businesses are considered "financial institutions" and, as such, are classified as permitted uses in commercial zoning districts. However, the city has been discussing whether it should change this classification due to the detrimental impacts of such businesses. Two possible approaches: make them special uses or impose a spacing requirement (probably in the 800 to 1,000 feet range).

Nationwide Survey

The Legislative Reference Bureau library staff conducted an online search for articles and documents relating to zoning regulations for check-cashing businesses (currency exchanges) and short-term loan businesses. This search produced relevant information about the following communities:

- Bel-Ridge, MO
- Chicago, IL
- Florissant, MO
- Las Vegas, NV
- Minneapolis, MN
- St. Louis, MO
- St. Louis County, MO

I also conducted a telephone survey of American cities similar in size to Milwaukee. The cities contacted were:

- Austin
- Baltimore
- Denver
- El Paso
- Jacksonville
- Memphis
- Nashville-Davidson
- San Francisco
- Seattle
- Washington, DC

The following is a summary of the results of this nationwide research on zoning regulations for check-cashing businesses and short-term loan agencies.

Austin

Check-cashing businesses and payday loan stores are allowed in the same zoning districts as banks and other financial institutions, namely the community commercial and regional commercial districts (medium and high-intensity district). They are prohibited in the most restrictive commercial district, neighborhood commercial. There are no special standards for these types of businesses.

Baltimore

While the term "check-cashing agency" is listed in the zoning code, short-term loan businesses are not. The zoning staff would classify loan businesses as either check-cashing agencies or banks. Either way, both check-cashing agencies and loan stores would be prohibited uses in the B-1 zoning district and permitted uses in the B-2 and B-3 zoning districts. However, most commercial districts in Baltimore are also included in "urban renewal area plans." Under such plans, specific land uses may be prohibited in certain locations, even if they are permitted by the zoning code.

Bel-Ridge, MO

The zoning code of this small St. Louis suburb (pop. 3,100) prohibits short-term loan businesses. In 1999, the village board specifically voted to retain this policy.

Chicago

Chicago will be keeping "payday loan stores" as a special use under its new zoning code.

Denver

Zoning staff classifies check-cashing businesses and payday loan stores as "offices," since these uses are not specifically mentioned in the zoning code. As such, they are a permitted use in all 8 of the city's commercial zoning districts, as well as in the highest-density residential district.

El Paso

Check-cashing agencies and short-term loan businesses would be permitted in all of the city's commercial districts because they would be classified as "light retail" uses.

Florissant, MO

In 1999, the city council of this St. Louis suburb (pop. 50,500) considered a proposed ordinance that would have allowed short-term loan businesses to operate in commercial districts. However, the ordinance was not passed, and short-term loan businesses are still a prohibited use. According to the planning department, no loan business has come forward to challenge the legality of this prohibition or to seek a change in the code.

Jacksonville

Check-cashing businesses and short-term loan agencies are not specifically listed in the zoning code. However, the city's deputy director of planning and development said that, based on the characteristics of these uses, Jacksonville would prohibit them at the "neighborhood commercial" level but allow them as permitted uses in the "community general commercial" districts (medium level of intensity; allow a wide range of retail and service uses) and in the most intensive commercial districts (those where outdoors sales and storage are allowed). However, the deputy planning director stated that there are very few of these types of businesses in Jacksonville.

Las Vegas

In February of this year, the Las Vegas City Council passed an ordinance creating a new use category known as "financial institution, specified," which, by definition, includes check cashing services, paycheck advance services and other businesses providing cash loans or cash advances. The category of "auto title loan" was also created. Specified financial institutions are a prohibited use in the city's 2 most restrictive commercial districts, a special use in the office, commercial-design, limited commercial and general commercial districts, and a conditional use in the commercial-manufacturing and

manufacturing districts. The zoning classification of auto title loan businesses is similar, with the difference being that such businesses are prohibited in the office and commercial-design districts. As a conditional use, a specified financial institution or an auto title loan business must meet the following conditions:

1. The use must comply with all of the city's business licensing requirements.
2. The design and color of the building shall be subject to review by city staff to ensure compatibility with the surrounding area.
3. Temporary signs shall be prohibited (except for "GRAND OPENING" or "COMING SOON" signs displayed for not more than 30 days).
4. Window signs shall cover not more than 20% of window area.
5. The hours of operation shall not extend beyond 8 a.m. to 8 p.m.

In zoning districts where they are classified as a special use, specified financial institutions and auto title loan businesses are subject to plan commission and city council review and approval, in addition to the 5 conditions above. These bodies can impose additional conditions of approval.

Memphis

Check-cashing facilities and short-term loan businesses are considered "retail establishments." They are a permitted use in all commercial and industrial zoning districts. There are no special zoning requirements or standards for these types of businesses.

Minneapolis

Currency exchanges are a conditional use in the B3 and B4 downtown zoning districts and the C4 and C3S commercial districts (most intense commercial districts). The conditional use standards can be summarized as follows:

1. The use must be 1,000 feet from any pawn shop, secondhand store or any other currency exchange.
2. The use shall be subject to special signage display-area limits. Certain types of signs, including back-lit, portable, temporary and freestanding signs, shall be prohibited.
3. Window signs shall not occupy more than 30% of window area. New construction shall be subject to transparency requirements.
4. Window bars and similar security devices shall be prohibited.

5. All litter within 100 feet of the premises shall be periodically removed.

If city staff cannot make the determination that a proposed business will meet these conditions, permission to operate the use is denied (i.e., it does not become a special use).

Nashville-Davidson

Check-cashing businesses and short-term loan agencies would both be classified under the use known as "general office." As such, they would be permitted uses in all of this community's commercial zoning districts.

St. Louis

Both check-cashing establishments and short-term loan establishments are conditional uses in zoning districts "F" (Neighborhood Commercial), "G" (Local Commercial and Office), "H" (Area Commercial) and "I" (Central Business). They are permitted uses in zoning districts "J" (Industrial), "K" (Unrestricted) and "L" (Jefferson Memorial) if not located contiguous to, or directly across a street or alley from, a dwelling district (if so located, they are a conditional use). Conditional use permits are issued by the St. Louis Board of Public Service, which consists of a president and the heads of 6 city departments. The board meets at least once a week and is responsible for review and approval of various right-of-way permits, city construction projects and permits for private businesses (whenever the city ordinance requires a permit as a condition of business operation). In the case of a conditional use permit, the board holds a public hearing on the permit application and shall not approve the conditional use unless it finds that the use conforms with 5 general standards listed in the code (they are similar to Milwaukee's criteria for special uses). The board is authorized to stipulate additional restrictions on a particular use as conditions of approval of the conditional use permit.

St. Louis County

On February 5, 2003, St. Louis County enacted an ordinance creating a new zoning code term, "small loan business," which explicitly includes check-cashing stores and payday loan and car title loan businesses. Small loan businesses are classified as conditional uses in the county's C-2 and C-3 Shopping (commercial) districts. Previously, check-cashing businesses were conditional uses in these districts, but short-term loan businesses were not. Small loan businesses are prohibited in the county's 5 other commercial districts - C-1 (Neighborhood Business), C-4 (Highway Service Commercial), C-6 (Office and Research Service), C-7 (General Extensive Commercial) and C-8 (Planned Commercial).

The ordinance was passed to address concerns about the proliferation and overconcentration of payday loan businesses in certain areas. In St. Louis County, conditional use permit requests are reviewed and acted upon by the planning commission, which holds a public hearing, determines whether the proposed use will meet some general standards

specified in the zoning code (similar to Milwaukee's criteria for special uses) and may impose whatever specific conditions it determines necessary to protect the public health, safety and welfare.

San Francisco

In San Francisco, there is no specific zoning classification or term for check-cashing businesses or payday loan stores. They are simply considered "retail operations." As such, they are permitted uses in the medium to high-intensity commercial zoning districts. In the neighborhood commercial districts, a new retail operation has to file for "change of use," which means a 30-day public notification period and an opportunity for discretionary review and approval or rejection of the use by city zoning staff.

Seattle

Check-cashing businesses and payday loan stores are not specifically mentioned in the zoning code. The Seattle Department of Design, Construction and Land Use indicated that it would regulate one of these businesses "as a customer service business that would be permitted in our commercial zones as a retail sales and service use."

Washington, DC

The zoning review office treats check-cashing businesses and payday loan stores as retail businesses. Not surprisingly, check-cashing businesses and short-term loan businesses are described as being "all over the city."

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