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REPORT TO THE REGIONAL PLANNING COMMISSION

DATE ISSUED:	4/16/2020	
MEETING DATE:	4/29/2020	AGENDA ITEM:
PROJECT NUMBER:	2020-000078-(1-5)	
PROJECT NAME:	Alternative Financial Services Ordinance	
PLAN NUMBER(S):	RPPL2020000655	
SUPERVISORIAL DISTRICT:	1-5	
PROJECT LOCATION:	Countywide	
PROJECT PLANNER:	Larry L. Jaramillo, Principal Regional Planner LJaramillo@planning.lacounty.gov	

RECOMMENDATION

The Department of Regional Planning staff ("Staff") recommends the Regional Planning Commission adopt the attached resolution recommending approval to the Los Angeles County Board of Supervisors the Alternative Financial Services Ordinance, Plan No. RPPL2020000655.

Staff recommends the following motion:

I MOVE THAT THE REGIONAL PLANNING COMMISSION CLOSE THE PUBLIC HEARING AND FIND THAT THE CATEGORICAL EXEMPTION QUALIFIES PURSUANT TO STATE AND LOCAL CEQA GUIDELINES.

I ALSO MOVE THAT THE REGIONAL PLANNING COMMISSION ADOPT THE ATTACHED RESOLUTION RECOMMENDING APPROVAL TO THE LOS ANGELES COUNTY BOARD OF SUPERVISORS THE ALTERNATIVE FINANCIAL SERVICES ORDINANCE, *PLAN NO.* RPPL2020000655.

PROJECT DESCRIPTION

A. Project

Plan Number RPPL2020000655 is an amendment to the Planning and Zoning Code (Title 22 of the County Code) that is intended to control the potential impacts caused by high-cost lenders, which include payday lenders, auto title lenders, and check cashers in the unincorporated areas of the County.

Under existing regulations, high-cost lenders are not defined in Title 22. They are regulated like banks, savings and loans, credit unions, and other financial institutions. Currently, when an operator of a high-cost lending business establishes a location within an existing retail space, review and approval by Regional Planning is not required unless tenant improvements or a change to the number of parking spaces are proposed. In order to reduce community impacts from such businesses, the proposed ordinance will establish minimum spacing requirements to avoid overconcentration, limit operating hours, and set standards for security features.

B. Project Background

A high-cost lender is a commercial business that charges a percentage fee to provide a loan or check cashing service at interest rates that are higher than those of other financial institutions such as state or federally chartered banks, credit unions, mortgage lenders, savings and loan associations, or industrial loan companies. High-cost lenders may include, but are not limited to, deferred deposit transaction (payday) lenders, check cashing services, and motor vehicle title lenders, and are generally concentrated in lower income areas where people have fewer credit options available during times of financial crisis.

To address the potential impacts of high-cost lenders, on October 16, 2018, the Board of Supervisors (Board) directed the Department of Regional Planning to prepare amendments to Title 22 that would:

- Create a new definition for high-cost lenders;
- Add development standards for these businesses, such as limits on the hours of operation and signage; and
- Require a minimum distance between high-cost lenders to reduce the potential for over concentration;

In the October 16, 2018 motion, the Board also directed the Department of Consumer and Business Affairs (DCBA), in collaboration with the Office of Immigrant Affairs and other County departments to:

- Consult with financial institutions and discuss opportunities to make alternative low-interest products more available;
- Work with community-based organizations and nonprofits that provide microloans to evaluate the feasibility of providing alternative low-interest products to communities most impacted by high-cost lenders; and
- Develop and implement a plan to educate the public on opportunities to claim Earned Income Tax Credits on their tax returns.

Regional Planning worked collaboratively with DCBA to identify the types of high-cost lenders that would be regulated, and to develop a strategy for conducting outreach. During the development of the ordinance amendment to Title 22, Regional Planning solicited feedback from DCBA staff on the draft ordinance.

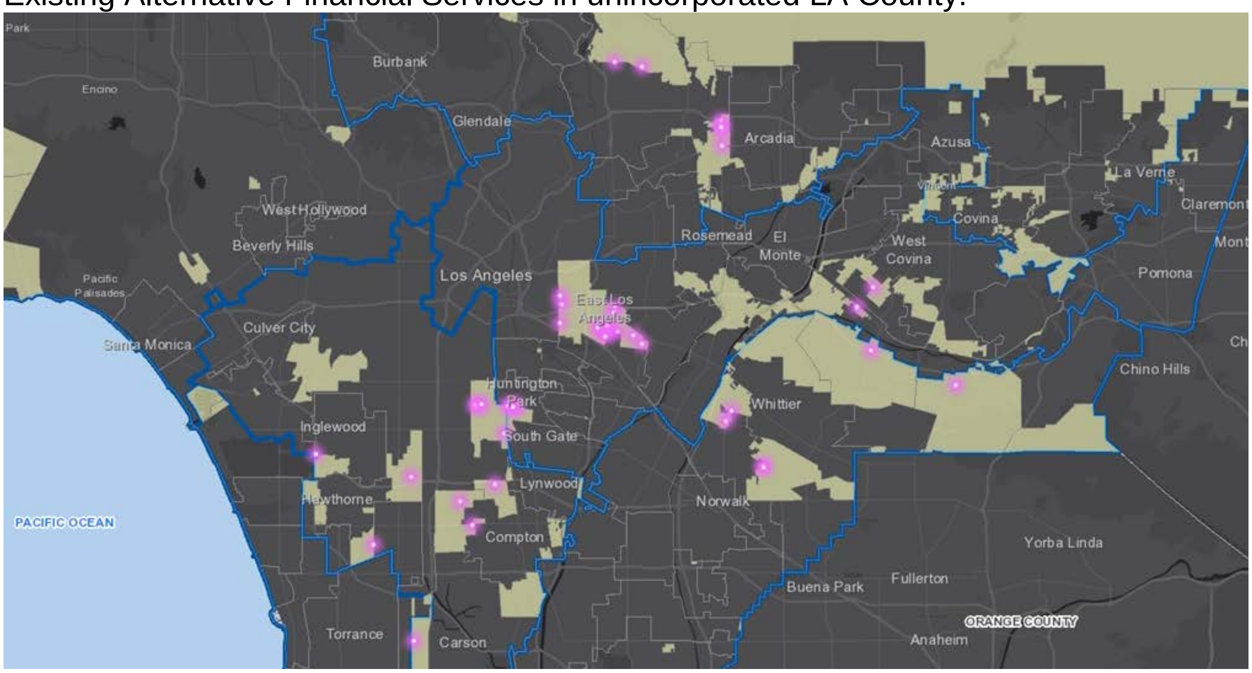
High-cost lenders are regulated and licensed by the California Department of Business Oversight (DBO), in accordance with California Financing Law (CFL). The CFL regulates the interest rate a lender may charge on a loan. On October 10, 2019, Governor Gavin Newsom approved Assembly Bill (AB) 539, entitled the Fair Access to Credit Act, which simplifies interest rates to a maximum of 36% plus the Federal Funds Rate for loans with a principal amount between $2,500 and $10,000. AB 539 expands the application of the CFL to cover more loans and impose a state-mandated local program.

PROJECT LOCATION

Regional Planning obtained a list from the DBO of existing licensed high-cost lenders in the County. A total of 440 businesses are located within the County, with a total of 43 operating within the unincorporated areas of the County. A breakdown by Supervisorial District shows the following:

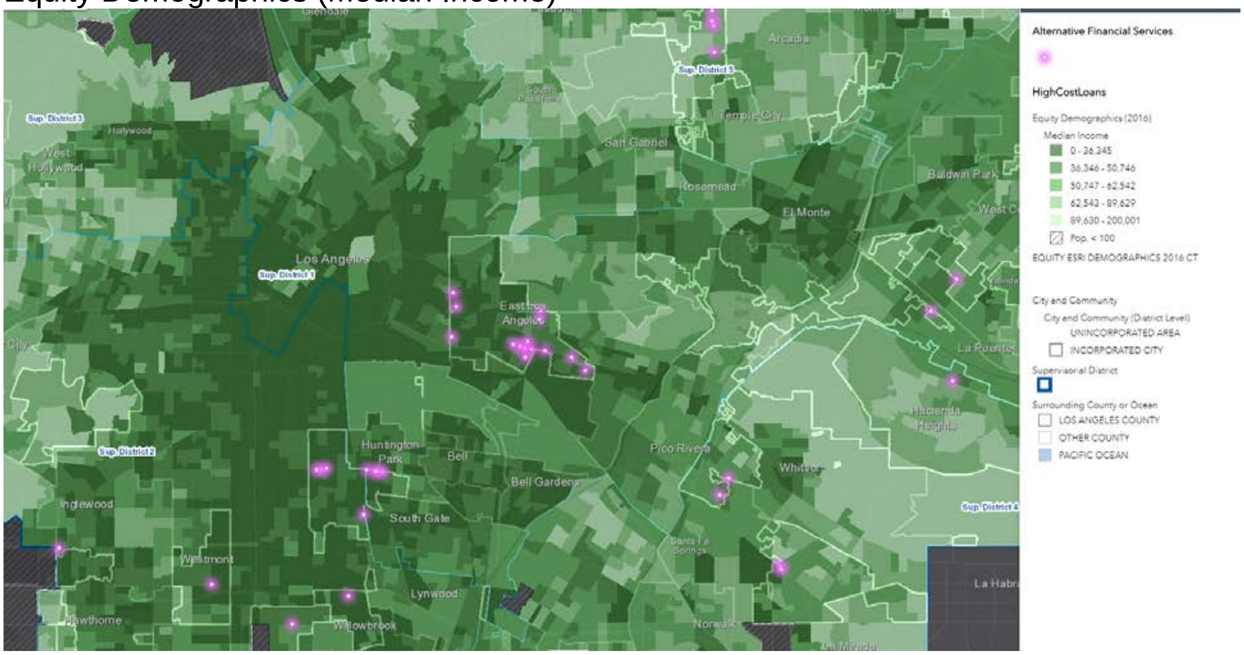
Supervisorial District	# of high-cost lenders
1	20
2	11
3	0
4	6
5	6

Existing Alternative Financial Services in unincorporated LA County:



An Equity Demographics map included in this report identifies AFS as being concentrated in areas with relatively low median incomes. Data from the DBO also shows that the majority of these businesses are located within the First and Second Supervisorial Districts. To address the overconcentration of AFS within any area of the County, new regulations will require a buffer to maintain a minimum separation distance between AFS.

Equity Demographics (Median Income)



ORDINANCE AMENDMENT TO TITLE 22

In the proposed AFS ordinance, high-cost lenders are defined as Alternative Financial Services (AFS) and include payday lenders, automobile title lenders, and check cashing services. AFS shall be prohibited within all residential and agricultural zones, and any area regulated by a Specific Plan. AFS will be permitted in the following zones, subject to the accompanying review procedure:

Zone	Review Required
C-3 (General Commercial)	Conditional Use Permit
C-M (Commercial-Manufacturing)	Conditional Use Permit
M-1 (Light Manufacturing)	Site Plan Review
M-1.5 (Restricted Heavy Manufacturing)	Site Plan Review
M-2 (Heavy Manufacturing)	Site Plan Review

To address overconcentration, AFS will be required to maintain a minimum separation of 1,320 feet (1/4 mile) from the property boundary of any other existing AFS. Additional development standards require operators to post their loan rates in multiple languages adjacent to the customer service window.

Performance standards are proposed to minimize potential impacts caused by the operation of these businesses. Hours of operation will be limited to the hours of 8:00 a.m. and 8:00 p.m. daily. Security bars and grills on the exterior of the storefront, and exterior cashier windows, shall be prohibited. Video security cameras shall be required to monitor the customer service areas and exterior areas surrounding the building, with 30 days of recorded video footage available to Sherriff officers upon request.

ANALYSIS

A. Draft Plan/Ordinance Updates

The public hearing draft was posted for public review on the Department of Regional Planning's website on March 11, 2020. No public comments were received for this draft.

B. Land Use Compatibility

The Title 22 (Planning & Zoning) code does not currently define AFS, payday lenders, automobile title lenders, or check cashing services. These businesses are regulated much like banks, savings and loans, credit unions, and finance companies, and have been operating in the same zones.

AFS are currently allowed in the commercial, industrial, mixed use, and specific plan zones. The proposed regulations in the Title 22 amendments will be more restrictive and will not permit AFS within zones beyond where they are currently allowed.

AFS typically establish within existing retail tenant spaces. If no improvements or changes in parking are proposed, Regional Planning currently does not require a review. If tenant improvements such as additions or a modification of existing parking spaces are proposed, a ministerial Site Plan Review would be required by Regional Planning. The proposed amendments to Title 22 would still allow AFS to operate in some commercial zones with review and approval of a Conditional Use Permit.

C. Design Compatibility

AFS currently occupy properties with land use categories that include Commercial, Community Commercial, General Commercial, Major Commercial, Specific Plan, Mixed Use, Mixed Commercial, Light Industrial, and Heavy Industrial. The proposed Title 22 regulations will be more restrictive, but will permit AFS in similar Land Use Categories. AFS is a service use that is consistent with the intent of the General or Area/Community Plan that it is permitted in.

The AFS ordinance does not create a new land use, and it does not permit the use in new zones or Land Use Categories. The intent is to minimize overconcentration and establish development and performance standards that will minimize impacts to surrounding land uses.

OUTREACH AND ENGAGEMENT

A. County Department Comments and Recommendations

The AFS ordinance was submitted for review by the departments of Public Health, Public Works, Fire, and Parks and Recreation. DRP did not receive comments on the ordinance from these County departments.

B. Project Outreach and Engagement

Regional Planning has met with the following groups to discuss the proposed ordinance:

- Financial Capability Summit hosted by DCBA (May 15, 2019)
- East Los Angeles Consumer Affairs Advisory Committee (September 19, 2019)
- Office of Small Business Commission (October 9, 2019)
- California Department of Business Oversight (December 11, 2019)
- Los Angeles South Chamber of Commerce (February 12, 2020)
- Florence-Firestone/Walnut Park Chamber of Commerce (March 18, 2020)

During the outreach meetings, Regional Planning provided an explanation of AFS and demonstrated that they are overconcentrated in certain communities. Staff identified the number of existing AFS operators and provided information on the proposed regulations.

A public notice for the AFS ordinance was advertised in 11 newspapers of general circulation, informing readers of the public hearing scheduled to be held at the April 29, 2020 RPC meeting. The notice was posted in the following newspapers:

Newspaper	Publishing Date
Acton Agua Dulce Weekly News	3/23/20
Antelope Valley Press	3/18/20
Gardena Valley News	3/19/20
La Opinion	3/19/20
Malibu Times	3/19/20
Pasadena Star News	3/19/20
San Gabriel Valley Tribune	3/18/20
The Argonaut	3/19/20
The Daily Breeze	3/18/20
The Signal	3/18/20
Whittier Daily News	3/19/20

On March 11, 2020, the AFS ordinance was posted for public review on Regional Planning's department website.

C. Public Comments

Staff has not received any written comments at the time of report preparation. During outreach presentations, the majority of feedback received was in support of the AFS Ordinance. Regional Planning received one verbal comment that was opposed to any new regulations directed at these businesses. Instead, the individual suggested that the County provide education to help consumers make informed financial decisions.

ENVIRONMENTAL ANALYSIS

Staff has determined that this project qualifies for a Categorical Exemption (Section 15308, Class 8 Exemption) under the California Environmental Quality Act (CEQA) and the County environmental guidelines. The proposed amendments to Title 22 are intended to reduce impacts of AFS on vulnerable communities. The amendment will define and regulate AFS, and require a minimum separation distance between these businesses to address overconcentration. This AFS ordinance does not permit AFS within environmentally sensitive areas. Therefore, staff recommends that the Regional Planning Commission finds that the project is categorically exempt from CEQA. A Categorical Exemption (Exhibit F – Environmental Determination) was issued for the project.

Report Reviewed By: ______________________

Bruce Durbin, Supervising Regional Planner

Report Approved By: ______________________

Bianca Siegl, Deputy Director

LIST OF ATTACHED EXHIBITS	
EXHIBIT A	Ordinance
EXHIBIT B	Draft Resolution
EXHIBIT C	GIS Maps
EXHIBIT D	Environmental Determination (Notice of Exemption)