

## **Freestanding Structure and Single-use Provisions are Essential Components of the Alternative Financial Services Zoning Ordinance**

Payday and auto title loan businesses are expanding rapidly in Austin, with 57 new locations in just two years—a 60% increase from 96 to 153 locations. This means 153 locations providing loans to the people of Austin at rates in excess of 300% APR. The fee payment alone on a \$4000 auto title loan, before any principal can be repaid, often exceeds \$1000 per month.

Because the state legislature has chosen not to act to protect consumers, it is up to our cities to take the lead. Passing this zoning ordinance with the freestanding and single-use requirements is an essential to protect our families and communities.

1. The concentration of payday and auto title lending businesses is an important component of the harm to consumers and the appearance of economic decline in our communities.
  - The 1000 ft requirement is not enough to stop the concentration of these businesses in our neighborhoods. This still means that every few blocks, there could be another store location. The freestanding requirement creates an additional protection to ensure that they do not concentrate in any part of town.
  - When located in strip malls, along with laundromats, food shops, and cell phone providers, among others, it makes it easy for those in financial need to stop by to a co-located payday or auto title lender.
  - While multi-use zoning often contributes to economic development, studies from cities across the country have shown that the concentration of payday and auto title loan businesses is actually a driver of economic decline in neighborhoods. By allowing them to locate in any strip mall, we will hinder the likelihood of a beneficial business setting up in the same location. We know that the City Council cares about supporting small businesses, so anything it can do to keep these businesses from expanding into strip malls will help retail development.
  - Each new store location drains an estimated \$200,000 in excess fee charges (above those permitted by state consumer lending laws) from the pockets of our families. This takes money out of the immediate community and the small businesses that could survive if that money were spent on retail outlets. The purpose of the ordinance is to limit that financial drain from the City's vulnerable communities.
  - The single-use provision also prevents multiple-line predatory financial services from being offered through the same location, making it still more difficult for payday and auto title lenders to drain money from vulnerable communities.
  
2. This ordinance mirrors the zoning ordinance passed in Mesquite Texas, which has been in effect since 2008. The cities of Dallas, San Antonio, and Irving have additional, even more restrictive provisions, including requiring a special use authorization for any new alternative financial services business wishing to locate in the city. Irving applies its zoning ordinance standards to existing stores in the event of certain renovations or other upgrades.