

Memorandum



DATE August 15, 2014

TO Members of the Budget, Finance & Audit: Jerry R. Allen (Chair), Jennifer S. Gates (Vice-Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

SUBJECT Alternative Financial Establishments

Please find attached briefing materials on for an update on alternative financial establishment uses and possible amendments to that use. The briefing will be presented to the committee on August 18, 2014.

Please contact me if you need additional information.



Ryan S. Evans
First Assistant City Manager

C: The Honorable Mayor and Members of the City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Craig D. Kinton, City Auditor
Theresa O'Donnell, (I) Assistant City Manager
Charles M. Cato (I) Assistant City Manager
Forest E. Turner, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Joey Zapata, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Shawn Williams, (I) Public Information Officer
Elsa Cantu, Assistant to the City Manager – Mayor & Council

Alternative Financial Establishments

City Council
Budget, Finance & Audit Committee
August 18, 2014



Purpose

- To update the Committee on activity since the adoption of the Alternative Financial Establishment ordinance by Council on May 25, 2011
- Obtain direction from the Committee regarding possible amendments to the regulations

Current Regulations

- AFEs are currently allowed by SUP only in nonresidential districts except the NO(A), NS(A), MU-1, MU-1(SAH), UC-1, and P(A) districts.
- No AFE may be located within 1,500 feet from another AFE.
- No AFE may be located within 300 feet of a lot in a residential district.
- No AFE may be located within 500 feet of an expressway.
- An AFE may only operate within a freestanding building and may not operate in the same structure as any other use.
- AFEs that operate as Credit Access Businesses are also subject to registration requirements and restrictions on extensions of consumer credit pursuant to Chapter 50

Background

- Since May 2011, Code Inspections have:
 - conducted approximately 92 inspections
 - conducted 6 financial audits of alternative financial establishments
 - Issued four criminal violations to one AFE
 - scheduled for a jury trial in municipal court on October 8, 2014
 - issued notices of violation to approximately 38 AFE (one per business)
- In response to violation notices, one pawn shop operator has ceased its payday lending operations at 13 locations in the City.

Background

Objectives of the creation of the AFE use:

- To provide appropriate standards and regulations for AFEs; requiring a specific use permit, spacing requirements, and other regulations for the use.
- Reduce clustering of AFEs as this can have a detrimental effect on neighborhoods and create the appearance of an area in decline.
- A proliferation of AFEs at particular locations can overwhelm a neighborhood and can be a disincentive for other businesses to locate in these neighborhoods.

Committee Direction Options

Possible amendments to AFE, money services business, and financial institution definitions:

- Clarify AFE definition by
 - specifically excluding business regulated under Chapter 342 of the Texas Finance Code
 - limiting financial services that can be accessory to another main use to money transfer and check cashing
 - renaming check cashing business to money services business
- Add Chapter 342 businesses to the Financial Institution use in Chapter 51A and the Bank or Savings and Loan Office use in Chapter 51