

Impact of Clustered Pawn Stores on Local Socio-Economic Conditions

Recommendation

That the October 2, 2018, Urban Form and Corporate Strategic Development report CR_4754 be received for information.

Previous Council/Committee Action

At the April 19, 2017, Urban Planning Committee meeting, the following motion was passed:

That Administration prepare a report in consultation with stakeholder agencies including EndPovertyEdmonton and Business Improvement Areas on the impact of clustering of Pawn Stores including the co-relation between the location of Pawn Stores and other businesses and their economic, social and land use impact on neighbourhoods and citizens

Executive Summary

This report provides a summary of academic research, Edmonton specific research, and stakeholder engagement on the topic of pawn stores. Key findings include:

Individual social and economic dynamics - pawn stores provide alternative short term credit options to clients who may not be served by traditional lenders and face barriers to accessing credit.

Neighbourhood social and economic dynamics - research did not reveal a relationship between either crime rates in neighbourhoods, or business turnover rates, and the locations of pawn stores in Edmonton.

Land Use - there was no clear relationship between the presence of pawn stores and patron and business perceptions of Business Improvement Areas as aesthetically pleasing, or satisfaction with the current business mix.

The research and engagement findings, applied to existing City policy, inform a range of proposed tools to address concerns with pawn stores. These include proposed amendments to Zoning Bylaw 12800, as identified in crossed referenced report CR_4755 Amendments to Zoning Bylaw 12800 - Regulations for Pawn Stores.

Report

At the December 6, 2016, Executive Committee meeting, the Old Strathcona Business Improvement Association presented CR_3997 Old Strathcona Business Association - 2015 Annual Report and Audited Financial Statements. During the presentation, the Association noted that a development permit for a pawn store had been approved in their area despite community and stakeholder opposition. This conversation led to the motion that Administration responded to in CR_4329 – Development Applications for Pawn Stores and Other Potentially Sensitive Land Uses Proposed in Established Commercial Areas at the April 19, 2017, UPC meeting.

In CR_4329, Administration provided information on how Development Officers exercise discretion, and identified three possible approaches to regulate pawn stores. These approaches included:

- Introduce notification requirements;
- Introduce specific design regulations; and
- Create separation distances between Pawn Stores.

This information report led to two subsequent motions, including direction for Administration to prepare a report on the impact of clustering pawn stores, and their economic, social and land use impact on neighbourhoods and citizens, and to prepare draft amendments as generally outlined the three approaches identified above.

To gain a better understanding of the economic, social and land use impacts associated pawn stores, Administration focused on the following key research questions:

- *Social* - What influence do pawn stores have on individual social dynamics? How do pawn stores affect perceptions and actual instances of crime in neighbourhoods?
- *Economic* - What role do pawn stores play in the economic dynamics of individuals, particularly those in vulnerable economic situations? How do pawn stores affect the economic health of neighbourhoods?
- *Land Use* - What are the potential land use impacts of pawn stores? Are there any measurable impacts demonstrated through research or analysis of Edmonton's experience with pawn stores?

To gather the necessary information to answer these questions, Administration undertook:

- A review of existing academic research related to pawn stores

- Primary research into current conditions in Edmonton, including stakeholder interviews and analysis of development permits, business licences, and data about crime
- An overview of different tools and approaches to managing pawn stores in other jurisdictions and orders of government
- A range of engagement activities including interviews, surveys, and participation at Engage Edmonton events

The following sections provide a brief overview of the findings of each area of exploration, which are provided in greater detail in the associated attachments.

Summary of Academic Research

Administration examined a range of academic papers to help answer the key research questions raised. The key findings are summarized below. More detailed information is available in Attachment 1 - Summary of Academic Research.

Individual social and economic dynamics

- Some individuals who depend on short term credit from alternative financial providers, including pawn stores, tend not to be served by traditional lenders and face barriers to accessing credit.
- Short term credit can bridge the gap between payday and bills, or provide a way for individuals to pay for unexpected expenses.
- High interest rates and fees on the short term financial products can lead to financial challenges when credit is used to cover ongoing income shortfalls.
- To avoid or reduce negative economic impacts to individuals, studies highlighted the importance of regulations that require clear lending terms for alternative banking options.
- Attempts to regulate high-cost loans do not always protect customers because businesses adjust their practices to shift any added costs to the consumer.
- Some research shows that competition between pawn stores can help individuals secure the best pawn loan.

Neighbourhood social and economic dynamics

- Some research suggests a connection between pawn stores and crime; however, it is not clear whether pawn stores cause crime.
- Other studies did not find a correlation between pawn stores and crime and critiqued efforts to attribute crime to specific types of businesses, because there are many different factors involved in higher rates of crime in certain areas.
- Studies show that removing mainstream banks from an area can create a void that is filled by alternative financial providers.
- Some researchers have shown that clustering businesses together in general can have positive impacts on businesses by stimulating growth and innovation and allowing industries to take advantage of economies of scale.

Land use

- Few studies focused specifically on land use issues related to pawn stores.
- General planning theory describes the potential impacts of poor appearance of shops on perceptions of crime and safety.
- Some studies suggest that stigma associated with pawn stores, and advocacy from more affluent neighbourhoods, can result in land use regulations or permit decisions that result in pawn stores being located in marginalized areas.

Edmonton Specific Research on Pawn Stores in Edmonton

Administration examined existing conditions in Edmonton to compare local findings to the academic research. This included interviews and surveys with stakeholders, mapping of crime patterns, a review of business licences data, a review of development permit decisions, an analysis of existing zoning regulations, and a visual survey of pawn stores. The key findings are summarized below. More detailed information is available in Attachment 2 - Edmonton Specific Research on Pawn Stores.

Individual social and economic dynamics

- Conversations with pawn store operators and pawn store customers indicated that pawn stores provide a needed financial service, which patrons may prefer over other alternatives.
- Research showed that pawn store patrons face social stigma.

Neighbourhood social and economic dynamics

- Research did not reveal a relationship between crime rates in neighbourhoods and the locations of pawn stores in Edmonton.
- A survey with direct questions about pawn stores for business operators found that most businesses have negative perceptions of pawn stores, and feel that the presence of a pawn store makes an area less desirable to both businesses and their customers.
- A quantitative analysis of business licence data did not demonstrate a relationship between business turn-over rates and the presence of pawn stores.

Land use

- A review of Development Officer decisions and Subdivision and Development Appeal Board decisions related to pawn store applications did not identify land use impacts directly associated with pawn stores.
- In a visual scan of pawn stores, Administration noted that some stores have more signage and less visual transparency along the storefronts, limiting sightlines into and out of shops, which may contribute to a less attractive appearance.

- In 2017, Administration surveyed patrons and businesses in Business Improvement Areas to establish a baseline of economic indicators. Administration reviewed these findings in relation to the number of pawn stores present in specific Business Improvement Areas and found that:
 - There may be a relationship between the number of pawn stores in a Business Improvement Area and patron perceptions of safety.
 - There was no clear relationship between business operator perceptions of safety and the presence of pawn stores.
 - There was no clear relationship between the presence of pawn stores and patron and business perceptions of Business Improvement Areas as aesthetically pleasing, or satisfaction with the current business mix, suggesting that other factors may influence how these areas are perceived.
- An unintended consequence of the bylaw amendment in 2012 that separated pawn stores from the secondhand stores land use classifications, and restricted the locations for pawn stores by reducing the number of zones they could be located in, may have contributed to the clustering of pawn stores along main streets and within the CB1 and CB2 zone.

Approaches to Managing Pawn Stores

To further understand how cities can manage pawn stores, Administration looked at how other municipalities regulate pawn stores, and considered alternative regulatory and financial tools to address the potential impacts of pawn stores on neighbourhoods and individuals. The key findings are summarized below. More detailed information is available in Attachment 3 - Approaches to Managing Pawn Stores.

Jurisdiction Comparison

- Of the 15 Canadian municipalities surveyed, the majority did not have a definition or use class for pawn stores in their Zoning Bylaw.
- Seven municipalities defined pawn stores and five municipalities created a separate use class for pawn stores (one city only did this for a portion of their downtown).
- Four of the 15 municipalities have separation distances for pawn stores and/or business licence restrictions related to pawn stores.

Alternative Tools

- Business Licence Bylaw 13138 provides another tool to manage pawn stores, by requiring applicants to provide recent Police Information Checks and information about pawn store employees when applying for a business licence. Pawn stores must also maintain records of goods that are received and held as security.

- New provincial regulations, which come into force on January 1, 2019, related to high-cost credit and lenders, such as pawn stores, can help patrons seeking loans from pawn stores.
- Non-profit organizations that provide financial empowerment services.

Conclusion

A review of academic research, primary research, alternative approaches and stakeholder perceptions demonstrates the complex nature of identifying and addressing social, economic, and land use dynamics associated with pawn stores. Administration has used the information summarized in this report to inform the October 2, 2018, Urban Form and Corporate Strategic Development report CR_4755 - Bylaw 12800 - Amendments to Zoning Bylaw 12800 - Regulations for Pawn Stores, which recommends a holistic approach to pawn stores.

Public Engagement

To gain feedback on pawn stores, Administration completed the following public engagement activities:

- Surveys - conducted through the Insight Community and shared on the project website, through postcards at engagement events, and through distribution to pawn stores. Administration conducted a separate survey through the project web page, with letters sent to randomly selected businesses in commercial zones, Business Improvement Areas, and properties in close proximity to existing pawn stores;
- Open Houses - displayed project material and answered questions at five Engage Edmonton events;
- Interviews - with key stakeholders including pawn store operators and representatives of Business Improvement Areas.

The following is a summary of the public feedback shared:

- Some stakeholders expressed their belief that pawn stores deal in stolen goods.
- Other stakeholders noted that pawn stores are a necessary financial service and can be desirable places to shop for secondhand goods.
- Some members of the business community felt that targeting pawn stores and adding additional regulations would not reduce crime and that a more holistic approach is needed to address crime in neighbourhoods.
- Community service providers noted that pawn stores do provide a needed financial service to individuals, but that more should be done to educate those using pawn stores about their financial rights.

Please see Attachment 4 - What We Heard for further information on engagement activities and the range of perspectives that respondents shared.

A draft version of this report, and the associated report CR_4755, were circulated to stakeholders for review and feedback on July 16, 2018, for a four week period. Please refer to the public engagement section of CR_4755 for a summary of feedback received.

Corporate Outcomes and Performance Management

Corporate Outcome: Edmonton is an attractive city			
Outcome	Measure	Result	Target
City of Edmonton development, building, and business approvals and enforcement foster a safe, attractive , and business-friendly city.	Edmontonians' Assessment: Well-designed Attractive City (% of survey respondents who agree/strongly agree)	53% (2016)	55% (2018)
Corporate Outcome: Edmonton is a safe city			
Outcome	Measure	Result	Target
City of Edmonton development, building, and business approvals and enforcement foster a safe and business-friendly city.	Edmontonians' assessment: safe city (percent of survey respondents who agree/strongly agree)	66% (2017)	68% (2018)
Corporate Outcome: Edmonton has a globally competitive and entrepreneurial business climate			
Outcome	Measure	Result	Target
City of Edmonton development, building and business approvals and enforcement foster a safe and business-friendly city.	Edmonton's Economic Diversity Index*	0.89	0.9

*The Edmonton Economic Diversity Index measures the diversity of Edmonton's economy by comparing the city's employment share by sector to that of Canada's. The result of this measure is calculated based on the City's Municipal Census question - Economic Diversity. The question gauges Edmontonians' employment by sector, based on the North American Industry Classification System.

Attachments

1. Summary of Academic Research

2. Edmonton Specific Research on Pawn Stores
3. Approaches to Managing Pawn Stores
4. What We Heard Report

Others Reviewing this Report

- T. Burge, Deputy City Manager and Chief Financial Officer, Financial and Corporate Services
- C. Owen, Deputy City Manager, Communications and Engagement
- G. Cebryk, Deputy City Manager, City Operations
- A. Laughlin, Deputy City Manager, Integrated Infrastructure Services
- R. Smyth, Deputy City Manager, Citizen Services
- K. Armstrong, Deputy City Manager, Employee Services