

Approaches to Managing Pawn Stores

Administration looked at different approaches to managing pawn stores to build on the academic and primary research, and to inform a recommended approach to pawn stores in Edmonton. This research includes:

- A review of how other municipalities address pawn stores through zoning and business licence bylaws
- An examination of how Edmonton’s business licence bylaw can manage pawn stores and what the Province regulates related to pawn stores
- Research on other tools available to those individuals who use pawn stores to deal with financial challenges

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1. PAWN STORE JURISDICTION COMPARISON

Administration had previously investigated how other jurisdictions regulated pawn stores as part of CR_4329 - Development Applications for Pawn Stores and Other Potentially Sensitive Land Uses Proposed in Established Commercial Areas. In fall 2017, Administration reached out to other municipalities to understand how they address and regulate pawn stores and other sensitive uses. This was done through the Muniscope community where a list of questions was sent to a number of different municipalities across Canada. The specific questions asked in this instance were:

- How are pawn stores classified as a land use?
- What specific regulations for pawn stores exist?
- What evidence was used to justify additional regulations?

The results, highlighted in Table 1 below, illustrate that only a few Canadian municipalities have created separate use classifications and definitions for pawn stores. Even fewer municipalities created additional regulations to separate pawn stores from each other, to separate pawn stores from other land uses, or to restrict the operation of pawn stores. More detailed information on Vancouver, Saskatoon and Calgary's approach to regulating pawn stores is provided following the table.

Table 1: Jurisdiction Comparison for Pawn Stores

City	Activity Defined	Separate Use Class	Separation Distance	Business licence Category
London, ON	No	No	N/A	Payday Loans: Businesses must post interest rate information, and maintain money management support and debt counselling information
City of Sault Ste. Marie	No	No	NA	Yes
Calgary	Yes	Yes	400 m from another Pawn Shop and existing Pawn Shops cannot expand if within 200 m of another Pawn Shop	Yes
Fredericton	No	No	N/A	Yes

City	Activity Defined	Separate Use Class	Separation Distance	Business licence Category
Halifax (Downtown Dartmouth)	Yes	Yes	No	Yes
Halifax (Downtown Halifax)	No	No	N/A	Yes
Moncton	No	No	N/A	Yes
Montreal	Yes	No	N/A	Yes
Ottawa	No	No	N/A	No
Regina	No	No	N/A	Yes
Saskatoon	Yes	Yes	160 m from another Pawn Shop	Yes
St. John's, NL	No	No	N/A	No
Toronto	Yes	No	N/A	Yes
Vancouver	Yes	Yes	300 m from another Pawnshop or Second Hand Store, and 300 m from a Skytrain station outside the downtown peninsula. Can vary based on complaints, business improvement strategy, or opinion of Director of Planning.	Yes - Secondhand Dealers and Pawnbrokers By-Law No. 2807
Victoria	No	No	N/A	No
Winnipeg	Yes	Yes	1000 ft (305 m) from another Pawnshop or Cheque Cashing Facility	Yes

Vancouver was one of the first municipalities to implement a separation distance between pawn stores. When the separation distance was presented to council in 1996, there were a significant number of pawn stores operating in the inner city. The City of Vancouver noted that “there are presently forty-four shops in the Downtown Eastside, compared with 180 shops citywide. This represents an average of four shops per square block.”¹ Separation distances were justified on the basis that the business model of pawn stores was an incentive to individuals to engage in crime in order to make quick money. Anecdotes of willful blindness on behalf of the operators were also used to support the amendments.

Saskatoon also implemented a separation distance between pawn stores. In addition, Saskatoon included limitations to pawn stores through policy, and by successfully lobbying the provincial government to make changes to the Urban Municipalities Act. The City Administration of Saskatoon and the Chief of Police jointly submitted a report requesting amendments to the Act to enable municipalities greater authority in the regulation and licensing of pawn stores and secondhand stores. The amendments to the Act in 2001 enabled municipalities to impose more significant business licensing requirements to prevent the proliferation and concentration of pawn stores and secondhand stores in geographical areas.

In 2015, the City of Calgary introduced a 400 metre separation distance between pawn stores as part of a set of amendments to address the impacts associated with the clustering of payday loans and pawn stores. In their review, the City of Calgary determined that the clustering of payday loans and pawn stores, in combination with liquor stores, massage parlours, bars and nightclubs, can “communicate negative perceptions about the suitability and desirability of a community as a place to live and invest.” Based on their conclusion, the 400 metre separation distance would encourage the eventual dispersion of payday loans and pawn stores, and allow for a greater diversity of businesses to serve the needs of a community. The distance of 400 metres was based on a five minute walking radius.

No information is available on how effective the regulatory interventions done by Vancouver, Saskatoon or Calgary have been in achieving the desired outcomes identified by these cities.

¹City of Vancouver, “Building and Development Policy Report,” *City of Vancouver* (1996) available at: <http://council.vancouver.ca/960423/p2.htm> and City of Vancouver, “Pawnshop and Secondhand Store Guidelines,” *City of Vancouver* (1996) available at: <http://guidelines.vancouver.ca/P002.pdf>

2. ALTERNATIVE TOOLS

Outside of using a zoning bylaw, there are other tools available to manage pawn stores. Outlined below are other regulatory tools to deal with the operation of pawn stores, and financial tools that address some of the barriers faced by individuals who use pawn stores as alternative financial institutions.

2.1 REGULATORY TOOLS

Municipal

In Edmonton, Business licence Bylaw 13138 regulates business operations within the City. This Bylaw outlines how businesses apply for and obtain a licence to operate a business, and requirements and conditions that the business must adhere to in order to maintain their licence. When applying for a business licence, pawn stores must provide:

- A recent police information check for primary managers, owners, partners, directors and officers if the pawn shop is a corporation
- The full name, date of birth, and job title of each individual working in the pawn shop

Pawn shops are required to obtain and maintain detailed information about goods received and held as security, as well as information on the customers providing said goods. Business Licence Bylaw 13138 specifies a number of operational requirements that must be met by pawn shops, including:

- Collecting information on the goods received as security, including serial numbers that can be cross-referenced by Edmonton Police Services
- Ensuring goods have not been altered to remove identifying features such as the model, make, manufacturer or any other identifying mark
- Requiring identification and proof of address of those exchanging goods for loans
- Not accepting goods in exchange for loans from minors
- Maintaining a record of all transactions
- Ensuring goods used to secure a loan are kept for the full loan period and not displayed with other goods available for general sale

These requirements can help deal with the operation of a pawn store, which may contribute to the social and economic dynamics of pawn stores in a neighbourhood.

Provincial

There are currently no provincial regulations that restrict the amount and type of loans that may be issued by pawn stores. Pawn stores must adhere to the maximum interest rate as outlined in the Canadian Criminal Code.

In December 2017, the Government of Alberta passed Bill 31: *A Better Deal for Consumers and Businesses Act*, with the intent to protect consumers from high-interest loans and to require lenders to provide clear information so borrowers understand the

terms of the agreements.² In Bill 31, the Province proposed changes for high-cost lenders, including pawn stores, that charge 32 per cent or more in interest, excluding payday loans lenders.³ The changes also propose to require high-cost lenders to obtain a provincial licence and meet certain disclosure and advertising requirements as well as prescribed agreements or contract terms.⁴ The legislation for high cost lenders is not yet in force. Additional regulations are expected to be developed in 2018 to implement the changes outlined in the bill.⁵ These provincial changes may help protect those who use pawn stores as an alternative financial service by requiring better information sharing and clearer contract terms on pawn loans.

2.2 FINANCIAL EMPOWERMENT TOOLS

A number of new approaches to increase financial empowerment have been initiated by both the private and not-for-profit sector. In 2017, ATB Financial announced a partnership with Cashco Financial to improve access to banking services. Through this program, Cashco customers are able to access transaction and savings accounts offered through ATB Financial at Cashco locations. ATB Financial is also providing capital that will allow Cashco to reduce interest rates and provide longer term loans. Momentum, a Calgary-based organization that works with people on low-incomes, responded to this initiative, noting that “Too many Albertans are essentially ‘underbanked’ - they are not accessing mainstream financial products and are reliant on fringe financial services like payday loans and cheque cashing...By working with Cashco and meeting customers where they are at, ATB is pursuing an innovative approach to increase access to safe and affordable financial products so that Albertans can build savings and achieve longer-term financial stability.”⁶

In Edmonton, 4 Directions, operating out of the Boyle Street Service Centre, has started providing financial services for those on low-income. This organization is run by Boyle Street Ventures, part of the Boyle Street organization that aims to create jobs for those who are vulnerable, unemployed or homeless. What started out as a program to help vulnerable people get access to essential identification such as the Alberta Health Care Card or obtaining a birth certificate has expanded to provide day to day banking essentials to those same people.

² Government of Alberta, “A better deal for consumers and businesses,” *Government of Alberta* (2017) available at: <https://www.alberta.ca/release.cfm?xID=500686157B1C9-005C-7360-102907665DA16259>

³ The Minister of Service Alberta, “Bill 31: A Better Deal for Consumers and Businesses Act,” *Government of Alberta* (2017): 13, available at: http://www.assembly.ab.ca/ISYS/LADDAR_files/docs/bills/bill/legislature_29/session_3/20170302_bill-031.pdf

⁴ The Minister of Service Alberta, “Bill 31,” p. 13

⁵ Government of Alberta, “Consumer protection changes,” *Government of Alberta* (2017) available at: <https://www.alberta.ca/consumer-protection-changes.aspx#toc-1>

⁶ ATB Financial, “ATB opens up new financial health option for underserved Albertans,” *ATM Financial* (2017) available at: <http://www.atb.com/about/news/Pages/article.aspx?aid=613>

A key barrier to individuals accessing bank accounts at conventional financial institutions is the requirement that identification be provided each time they wish to access their money. 4 Directions must still work within the provincial and federal mandated banking regulations, however their partnership with ATB Financial has allowed them a certain level of freedom to build relationships with their customers and release funds to them based on these relationships. Biometrics also play a role in this, with retina scans and fingerprint identification being used to assist 4 Directions staff to verify someone's identity.

This organization is working towards being able to issue small loans at minimal interest rates in an effort to combat the practices of payday loans and other, less secure, financial systems that many of their customers may require between cheques.