



# Memorandum

**TO:** RULES AND OPEN  
GOVERNMENT COMMITTEE

**FROM:** Vice Mayor Jones  
Councilmember Esparza

**SUBJECT:** SEE BELOW

**DATE:** 10/22/2020

Approved

*Maya Esparza*

Date: 10/22/2020

**SUBJECT: PAWNBROKER ORDINANCE**

## **RECOMMENDATION**

1. Direct Staff to update the conditional use process and requirements for Pawnbrokers to mirror the process and requirements set forth in the off-sale of alcohol beverage establishments including but not limited to:
  - a. Proposed locations within five hundred feet of existing pawnbrokers, within or outside the City, must not result in a total of three pawnbrokers within a thousand-foot radius.
  - b. If a proposed location results in more than three pawnbrokers within a thousand-foot radius, the resulting concentration of such uses will not:
    - i. Adversely affect the peace, health, safety, morals, or welfare of persons residing or working in the surrounding area; or
    - ii. Impair the utility or value of property of other persons located in the vicinity of the area; or
    - iii. Be detrimental to public health, safety or general welfare.
  - c. For such location within five hundred feet from any child care center; public park; social service agency; residential care facility; residential service facility; elementary school; secondary school; college or university; neighborhood revitalization area designated by the city for targeted neighborhood enhancement services or programs; parolee/probationer home; emergency shelter; supportive housing; transitional housing and transitional housing development; located within an area in which the chief of police has determined based upon quantifiable information that the proposed use: (a) would be detrimental to the public health, safety, or welfare of persons located in the area; or (b) would increase the severity of existing law enforcement or public nuisance problems in

the area; or one hundred fifty feet from any residentially zoned property, the building in which the proposed use is to be located is situated and oriented in such a manner that would not adversely affect the locations listed.

- d. Planning Commission's decision to be appealable to Council.

## **BACKGROUND**

For thousands of years, people all over the world have used pawnbrokers as a method of granting short-term credit, in the form of a cash loan, in exchange for personal items of value. These items are held by the pawnbroker for a contractual period of time during which the owner of said item can repay the cash loan and the amount of interest acquired, in order to reclaim their goods. If they are unable to come up with the money, the pawnbroker then has the right to sell the item to another buyer.

It is also the undisputed truth that high crime rates are detrimental to neighborhoods eroding a sense of community, overwhelming police resources, hindering economic development, and negatively impacting residents' quality of life. It is no surprise that land use plays an important role in the crime rate of the community. It is also no surprise communities with low crime levels also have more bookstores, grocery stores, and banks whereas communities with high crime levels have more liquor stores, check cashing businesses, and pawnbrokers.

With this understanding, the City of San José has limitations as to where certain businesses are located, such as cannabis dispensaries and off-sale alcohol beverage establishments. Mirroring this strategy with the process and requirements of the pawnbroker establishments creates consistency, while ensuring we are not over saturating our disadvantaged neighborhoods with businesses correlated with criminal activity.

Disadvantaged neighborhoods face an incredible difficulty attracting and maintaining institutions that impede crime by providing community stability, social control, and alternatives to occupy residents' time<sup>1</sup>. For example, Ford & Beveridge (2004) found there are almost six times as many banks in tracts characterized by medium low visible drug sales than in high visibility ones<sup>2</sup>.

Research has also overwhelmingly shown a correlation between certain businesses, including pawnbrokers, and the overall crime rate of the community. For example, Bernasco and Block (2011) examined the impact of a large number of land-uses on robberies in Chicago. Using data for 75,065 robberies and potential attractors and generators of crime across 25,000 census tracts in Chicago, they found that blocks that had a crime generator or attractor (i.e. pawnbrokers) within their boundaries had the highest robbery counts. They also found that there were often

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<sup>1</sup> Peterson, Ruth D., Lauren J. Krivo, and Mark A. Harris. 2000. Disadvantage and neighborhood violent crime: Do local institutions matter? *Journal of Research in Crime and Delinquency*, 37: 31–63.

<sup>2</sup> Ford, J. M., & Beveridge, A. A. (2004). "BAD" NEIGHBORHOODS, FAST FOOD, "SLEAZY" BUSINESSES, AND DRUG DEALERS: RELATIONS BETWEEN THE LOCATION OF LICIT AND ILLICIT BUSINESSES IN THE URBAN ENVIRONMENT. *Journal of Drug Issues*, 34(1), 51-76.

slightly higher counts of robbery in census tracts that had these facilities directly adjacent to them and there were fewer robberies in census tracts further away from these facilities<sup>3</sup>.

Kunrin and Hipp (2016) found that simply being located within five miles of an alternative financial services, such as check-cashing centers, payday lenders, and pawnbrokers, has a positive association with the rates of crime, particularly robbery and other forms of theft as well as assault, in one's neighborhood, even when controlling for other types of land use and socio-demographics<sup>4</sup>.

With this understanding, we must look at land use in terms of equity and how the City of San Jose supports neighborhoods that have historically been oppressed.

On June 30<sup>th</sup>, our Council took an Equity Pledge to combat the historic, current, and future inequities our communities of color face. As elected leaders, we must ensure this Equity Pledge was not merely symbolic but is reflected in all aspects of our governance. As part of the Equity Pledge, we must ask ourselves if the current policy perpetuates or does it instead help to dismantle historical, legal, or other barriers set in the past?

While the current policy limits the City of San José to six pawnbrokers, the current policy allows for saturation of pawnbrokers in neighborhoods already experiencing high levels of crime. Also, the current policy does not require the decision-making body to analyze the impact on the surrounding community.

Our communities with high levels of crime and poverty have experienced a history of barriers hindering their ability to prosper as a community. Whether it is redlining, lack of investment, saturation of supportive housing, or saturation of businesses that have a tendency to attract crime, these communities must overcome historic and existing barriers to thrive.

In the United States today there are more than 12,000 pawnbrokers across the nation, that fill their shelves with an array of unique items that have a story and a past. During the Great Depression, individuals looking to make ends meet, frequented pawnbrokers as they were among the only institutions open that offered cash as banks had failed. Similarly, today, pawnbrokers are utilized by many to receive a short-term loan, when other means are not available to them.

With that said, we must support our underserved communities in our collective effort to combat the historic and current barriers, and ensure future barriers are not applied. Pawnbrokers have served a role in our society and thus, as proposed in this policy, we must find a balance that works for our disadvantaged neighborhoods.

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<sup>3</sup> Bernasco W, Block R. Robberies in Chicago: A Block-Level Analysis of the Influence of Crime Generators, Crime Attractors, and Offender Anchor Points. *Journal of Research in Crime and Delinquency*. 2011;48(1):33-57.

<sup>4</sup> Kubrin, C., & Hipp, J. (2016). Do fringe banks create fringe neighborhoods?: Examining the spatial relationship between fringe banking and neighborhood crime rates. *Justice Quarterly*, 33(5), 755-784.

## BROWN ACT

*The signers of this memorandum have not had, and will not have, any private conversation with any other member of the City Council, or that member's staff, concerning any action discussed in the memorandum, and that each signer's staff members have not had, and have been instructed not to have, any such conversation with any other member of the City Council or that member's staff*