MEETING NOTICE OF THE CLEARFIELD CITY PLANNING COMMISSION

Notice is hereby given that the Clearfield City Planning Commission will hold a regularly scheduled meeting at 7:00 P.M., Wednesday, November 4, 2015, on the 3rd floor in the City Council Chambers of the Clearfield City Municipal Building, 55 S. State, Clearfield, Utah.

7:00 PM CALL TO ORDER-- PLEDGE OF ALLEGIANCE

1. ROLL CALL

2. APPROVAL OF MINUTES
   A. October 7, 2015

PUBLIC HEARINGS:
3. Public Hearing – CUP – 1510-0003 a request by Robert Larsen, on behalf of Westbridge Auto Sales, for Conditional Use approval for automobile sales located at 545 S. State Street (TIN: 12-003-0127). The property is located in a C-2 zoning district and is approximately 1.27 acres in size.

4. Public Hearing – CUP – 1510-0004 a request by Ilgar Kassoumov, on behalf of La Duet Auto Sales, for Conditional Use approval for automobile sales located at approximately 555 N. Main Street (TIN: 14-090-0001). The property is located in a C-2 zoning district and is approximately 0.18 acres in size.

SCHEDULED ITEMS:
5. Discussion and Possible Action – SP – 1509-0007 a request by Brent Cragun on behalf of R&G Moulding, for Site Plan approval to construct an accessory building, located at 560 S. Main Street (TIN: 12-022-0077.) Property is located within an M-1 zoning districts and is approximately 2.69 acres in size.

6. Discussion and Possible Action – CUP – 1510-0003 a request by Robert Larsen, on behalf of Westbridge Auto Sales, for Conditional Use approval for automobile sales located at 545 S. State Street (TIN: 12-003-0127). The property is located in a C-2 zoning district and is approximately 1.27 acres in size.

7. Discussion and Possible Action – SP – 1510-0003 a request by Robert Larsen, on behalf of Westbridge Auto Sales, for Site Plan approval of an automobile sales lot located at 545 S. State Street (TIN: 12-003-0127). The property is located in a C-2 zoning district and is approximately 1.27 acres in size.

8. Discussion and Possible Action – CUP – 1510-0004 a request by Ilgar Kassoumov, on behalf of La Duet Auto Sales, for Conditional Use approval for automobile sales located at 555 N.
Main Street (TIN: 14-090-0001). The property is located in a C-2 zoning district and is approximately 0.18 acres in size.

9. Discussion and Possible Action – SP – 1510-0004 a request by Ilgar Kassoumov, on behalf of La Duet Auto Sales, for Site plan approval of an automobile sales lot located at 555 N. Main Street (TIN: 14-090-0001). The property is located in a C-2 zoning district and is approximately 0.18 acres in size.

DISCUSSION ITEMS:

10. Discussion - ZTA 1509-0006 for Pawn and Secondhand Establishments. a request by Clearfield City Staff, for an amendment to the Business and Licensing and Land Use Ordinance for Pawn and Secondhand business regulations. This amendment would be effective within the Current City Code.

11. Scheduling of next year’s meeting schedule (2016).

COMMUNICATION ITEMS:

12. Staff Communications –

13. Planning Commissioners’ Minute

**PLANNING COMMISSION MEETING ADJOURNED**

Dated this 30th Day of October 2015
/s/Spencer W. Brimley, Development Services Manager
TO: Planning Commission
FROM: Spencer W. Brimley
        Development Services Manager
        Spencer.Brimley@Clearfieldcity.org (801) 525-2785
MEETING DATE: November 4, 2015
SUBJECT: Discussion and Possible Action of SP-1509-0007, a request by Brent Cragun on behalf of R & G Moulding and the Porter Family, to construct an accessory building located at 560 S. Main Street. The primary structure on the site is approximately 42,000 square feet. The total square footage of the accessory building is 6,480 square feet. The property is 2.69 acres in size and lies within the (M-1) Manufacturing zone.

RECOMMENDATIONS
Approve SP-1509-0007, a request by Brent Cragun on behalf of R & G Moulding and the Porter Family, to construct an accessory building located at 560 S. Main Street, based on the discussion and findings in the Staff Report.

PROJECT SUMMARY

<table>
<thead>
<tr>
<th>Development Standards:</th>
<th>Proposed</th>
<th>Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lot Size</td>
<td>No change</td>
<td>7,000 SF</td>
</tr>
<tr>
<td>Lot Width</td>
<td>No change</td>
<td>35 Feet</td>
</tr>
<tr>
<td>Accessory Bldg. (setbacks)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Separation from main bldg.</td>
<td>18 feet 7 inches</td>
<td>6 feet</td>
</tr>
<tr>
<td>Side</td>
<td>4 feet 11 inches</td>
<td>2 feet</td>
</tr>
<tr>
<td>Rear</td>
<td>5 feet</td>
<td>2 feet</td>
</tr>
<tr>
<td>Landscaping</td>
<td>None</td>
<td>10% - Staff is requiring landscaping for the site to assist with screening from public right of way.</td>
</tr>
</tbody>
</table>
### Vicinity Map

#### Surrounding Properties and Uses:

<table>
<thead>
<tr>
<th>Direction</th>
<th>Property Details</th>
<th>Current Zoning District</th>
<th>Comprehensive Plan Land Use Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>North</td>
<td>Single Family Residential/Undeveloped Industrial Property</td>
<td>M-1 (Manufacturing Zone)</td>
<td>Business Park</td>
</tr>
<tr>
<td>East</td>
<td>Pioneer Adult Rehabilitation Center (PARC)/City Shops</td>
<td>R-2 (Medium Density Residential)/M-1 (Manufacturing Zone)</td>
<td>Business Park</td>
</tr>
<tr>
<td>South</td>
<td>Single Family Residence</td>
<td>M-1 (Manufacturing Zone)</td>
<td>Business Park</td>
</tr>
<tr>
<td>West</td>
<td>State Route 193/Freeport Center</td>
<td>M-1 (Manufacturing Zone)</td>
<td>Business Park/Manufacturing Area</td>
</tr>
</tbody>
</table>
ANALYSIS
The request by Brent Cragun is for the Planning Commission's consideration of a new accessory structure to be added to the property located at 560 S. Main Street. The applicant is proposing to build a 6,480 square foot structure on the site for the purpose of accommodating on site storage for the primary use on the property. The primary use of the property is contained within an approximately 42,000 square foot building. R&G Moulding, located in Clearfield has been manufacturing high quality, decorative molding for over 15 years.

Comprehensive Plan and Zoning
The property is currently zone M-1 Manufacturing, and is master planned for similar type uses. This project is subject to Site Plan review due to the request for a new building to be constructed in the M-1 Manufacturing zone. The proposed building would be for the storage of items and materials for the primary use on the property. North Davis Fire District will need to approve the building for Fire code compliance prior to issuance of any permits or occupancy of the building.

The project is not proposing to increase parking needs, nor does it reduce any landscaping on the site. However, consistent with the City Land Use Ordinance staff is requesting that the new building be screened from view from public rights of way with additional landscaping. Also staff is requiring all weeds or other debris on site be removed prior to the occupancy being granted for the building and that no less than 10% of the site is landscaped per Clearfield city Code. Additionally staff is requiring that all dumpsters visible from any public right of way be screened as well. By increasing the impervious surface for the site, the request will require final approval of engineering before issuance of a permit and occupancy are granted or the structure.

SITE PLAN REVIEW

DESIGN STANDARDS
The request is subject to Chapter 18 Design Standards of the Land Use Ordinance as the use is for an accessory building (11-18-2). Design Standards indicate landscaping and fencing requirements that are addressed below.

SITE CIRCULATION and PARKING
The site currently has two drive accesses that serve the existing manufacturing building. The primary access will be on Main Street with a secondary access on H Street. The proposed structure can be accessed from either street. Parking for the site is not proposed to change. Applicant has indicated that the current configuration of parking on the east and north will not be impacted.

LANDSCAPING
Minimum landscaping that shall be provided is 10%. The landscaping plan may include storm water detention or retention areas. The proposed site plan does not show any additional landscaping being provided for the site. Minimum landscaping standards of 11-13-23 will also have to be demonstrated.

GARBAGE DUMPSTER
There is no garbage dumpster shown on the site plan, but after a site visit staff noticed dumpsters located on the north side of the building adjacent to H Street. Ordinance requires that garbage dumpsters be completely screened when adjacent to a residentially zoned parcel, or in
any location where they can be viewed from a public right of way. Since this property sits at the intersection of SR 193 and H Street, it is required that any dumpsters be screened from view of these public rights of way.

**FENCING PLAN**
There is an existing chain link fence along the south side of the property that is indicated to remain. There are also two gates on the north and south sides of the building. No additional fencing has been proposed, but could be provided to assist with the screening for the site.

**DRAINAGE**
The applicant has paved much of the surface of the property on the north side of the building. The proposal to add more impervious surface through the development of an accessory building requires that the city engineer evaluate the impact of the proposal on the City stormwater system.

**Public Comment**
No public comment has been received to date.

**REVIEW CONSIDERATIONS**

**Site Plan Review**
Clearfield Land Use Ordinance Section 11-5-3 establishes the review considerations the Planning Commission shall make to approve Site Plans. The findings and staff's evaluation are outlined below:

<table>
<thead>
<tr>
<th>Review Consideration</th>
<th>Staff Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1)</strong> Traffic: The effect of the site development plan on traffic conditions on abutting streets.</td>
<td>The location of the addition to the property will not have any effects on traffic movement for this site. The drive path that surrounds the building will not be impacted by the development of this structure.</td>
</tr>
<tr>
<td><strong>2)</strong> Vehicle; Pedestrian: The layout of the site with respect to locations and dimension of vehicular and pedestrian entrances, exits, drives and walkways.</td>
<td>Access to and circulation within the site will not be impacted by this proposal. Access path will be provided between buildings and will not prohibit the free exercise of pedestrian or vehicular traffic.</td>
</tr>
<tr>
<td><strong>3)</strong> Off-Street Parking: Compliance of off-street parking facilities with Chapter 14 of this Title.</td>
<td>This proposal will not impact or remove any parking stalls.</td>
</tr>
<tr>
<td><strong>4)</strong> Loading and Unloading Facilities: The location, arrangement and dimensions of truck loading and unloading facilities.</td>
<td>This proposal will not affect the configuration of the loading and unloading area.</td>
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<tr>
<td></td>
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<td>---</td>
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</tr>
<tr>
<td>5)</td>
<td><strong>Surfacing and Lighting; Parking:</strong> The surfacing and lighting of off-street parking.</td>
</tr>
<tr>
<td>6)</td>
<td><strong>Screen Planting:</strong> The location, height and materials, of walls, fences, hedges and screen planting.</td>
</tr>
<tr>
<td>7)</td>
<td><strong>Landscaping:</strong> The layout and appropriateness of landscaping.</td>
</tr>
<tr>
<td>8)</td>
<td><strong>Drainage:</strong> The effect of the site development plan on City storm water drainage systems.</td>
</tr>
<tr>
<td>9)</td>
<td><strong>Utility:</strong> The effect of the site development plan on City utility systems.</td>
</tr>
<tr>
<td>10)</td>
<td><strong>Building Locations:</strong> Consideration of building locations on the site, elevations and relation to surrounding areas (Ord. 84-06B, 9-11-1984)</td>
</tr>
<tr>
<td>11)</td>
<td><strong>Exterior Design:</strong> Consideration of exterior design in relation to adjoining structures and area character to assure compatibility with other structures in the neighborhood, existing or intended. (Ord. 84-08, 10-23-1984)</td>
</tr>
<tr>
<td>12)</td>
<td><strong>Signs:</strong> Compliance of signs with Chapter 15 of this Title and particular consideration to the location of signs upon the site, their effect upon parking, ingress and egress, the effects upon neighboring properties and the general harmony of signs with the character of the neighborhood, existing or intended.</td>
</tr>
</tbody>
</table>
CONDITIONS OF APPROVAL

1) At no time shall any structure be constructed in any required setback.

2) Applicant shall obtain all required permits and inspections for the structures.

3) Applicant is required to remove all weeds and other debris from the North and West sides of the property.

4) Applicant shall revise site plan with detailed information for the entire site along with landscaping and scaled drawings including all dimensions.

5) Applicant shall provide visual screening in the form of additional landscaping, vegetation, or fencing on the west and north sides of the building to mitigate site impacts from the adjacent public rights of way.

6) A minimum of 10 percent landscaping shall be provided and meet the minimum standards set forth in 11-13-23. Should the landscape not be installed prior to Certificate of Occupancy, pursuant to Land Use Ordinance 11-13-23(C) and (D), final approval will be subject to the applicant establishing an escrow account for future landscaping installation, as reviewed and approved by the City Engineer and City Attorney.

7) Applicant to submit landscape plan to zoning administrator for review and approval. Planning Commission to allow Zoning Administrator to approve landscape plan that meets required 10% landscape.

8) Garage dumpsters visible from any public right of way shall be screened in accordance with the City Land Use ordinance.

9) Accessory buildings shall be built with a finished, all weather exterior material, that matches the existing building and surrounding area.

10) Conformance with M-1 requirements and Chapter 18 Design Guidelines is required.

11) Site Plan approval is subject to North Davis Fire District review and approval.

12) Site Plan approval is subject to engineer’s review and approval.

13) All conditions of approval shall be met prior to occupancy being granted for the building.

14) The applicant shall provide proof of having obtained and of having maintained, as may be periodically requested by the City, all applicable local, state, and federal permits.

ATTACHMENTS

1. Site Plan Set
2. Photos
Porter Family Proposed New Metal Bld.

560 South Main, Clearfield

Google Earth Plot Plan.
blue stakes shows the area clear: Sprint has a line by the property line and would like to be on site when we dig.
TO: Planning Commission  
FROM: Spencer W. Brimley  
       Development Services Manager  
       Spencer.Brimley@clearfieldcity.org (801) 525-2785  
MEETING DATE: November 4, 2015  
SUBJECT: Public Hearing, Discussion and Possible Action on CUP – 1510-0003 a request by Robert Larsen, on behalf of Westbridge Auto Sales, for Conditional Use approval for automobile sales located at 545 S. State Street (TIN: 12-003-0127). The property is located in a C-2 zoning district and is approximately 1.27 acres in size.

Discussion and Possible Action on SP – 1510-0003 a request by Robert Larsen, on behalf of Westbridge Auto Sales, for Site Plan approval of an automobile sales lot located at 545 S. State Street (TIN: 12-003-0127). The property is located in a C-2 zoning district and is approximately 1.27 acres in size.

RECOMMENDATIONS

Move to approve as conditioned CUP – 1510-0003 a request by Robert Larsen, on behalf of Westbridge Auto Sales, for Conditional Use approval for automobile sales located at 545 S. State Street (TIN: 12-003-0127), based on the discussion and findings in the Staff Report.

Move to approve as conditioned SP – 1510-0003 a request by Robert Larsen, on behalf of Westbridge Auto Sales, for Site Plan approval of an automobile sales lot located at 545 S. State Street (TIN: 12-003-0127), based on the discussion and findings in the Staff Report.

BACKGROUND

This Beirut Smoke shop was located on this site as of April of 2015. The shop received approval for this use in April of 2012. Since the proposed use of the building is for a use other than that which was previously approved, Ordinance requires both a Conditional Use Permit and Site Plan approval.

PROJECT SUMMARY

<table>
<thead>
<tr>
<th>Project Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Name</td>
</tr>
<tr>
<td>Site Location</td>
</tr>
</tbody>
</table>
Tax ID Number | 12-003-0127
--- | ---
Applicant and Property Owner | Robert Larsen
Proposed Actions | Conditional Use Permit and Site Plan
Current Zoning | C-2 (Commercial)
Master Plan Land Use | Commercial
Gross Site Area | 1.27 acres (Improved area is 18,500 SF)

Vicinity Map

**Surrounding Properties and Uses:**

<table>
<thead>
<tr>
<th>North</th>
<th>Current Zoning District</th>
<th>Comprehensive Plan Land Use Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial/Retail Strip Center</td>
<td>C-2 (Commercial Zone)</td>
<td>Commercial</td>
</tr>
<tr>
<td>East</td>
<td>Single Family Residence</td>
<td>R-1-8 (Residential Zone)</td>
</tr>
<tr>
<td>South</td>
<td>Single Family Residence</td>
<td>C-2 (Commercial Zone)</td>
</tr>
<tr>
<td>West</td>
<td>Shopping Center (Kent’s Market)/Chariot Auto Sales</td>
<td>C-2 (Commercial Zone)</td>
</tr>
</tbody>
</table>
ANALYSIS

Comprehensive Plan and Zoning
This project is subject to Site Plan approval as the property is changing uses entirely. The proposed use is a Conditional Use, and application for the Conditional Use has been made and will be considered separately from the site plan approval. The site has adequate parking, but lacks landscaping which has been proposed to be installed along the South and East sides. Clearfield City General Plan has this site listed as Commercial for the foreseeable future.

Conditional Use Permit Review
The request is for a Conditional Use Permit (CUP) for a motor vehicle sales lot in the C-2 Commercial zoning district. The application provides the City the opportunity to mitigate the impact of the use on adjacent and neighboring residential properties. Conditions of approval are intended to mitigate the impacts of a motor sales use that would otherwise make the use incompatible with either the nearby residential or commercial properties.

The proposal does not include specific delineation for employee parking spaces, but is showing 6 customer parking spaces including an ADA stall. There are approximately 23 spaces proposed to hold car inventory. The site is accessed by the entrance driveway on the west side of the subject property from State Street.

Motor vehicle sales can be one of the more intense uses permitted by CUP in the C-2 zoning district. This specific proposal is for a sales lot on a property that is more than an acre, but the proposal from the applicant is to use only the improved area of the parcel of land, which is less than one half acre which by minimum acreage alone also intensifies the use.

A condition of approval addressing the amount of inventory permitted and that it must be contained on-site (and prohibiting on-street parking) is appropriate and would mitigate the impact on adjacent property owners. There are 23 spaces proposed for vehicle sales, however staff is concerned about the stacking of the 6 stalls located on the west or front of the property. Staff would recommend the lot have no more than 20 vehicles for sale at any time. Any more than this and the property may no longer function as intended.

Public Comment
No public comment has been received to date.

REVIEW CONSIDERATIONS

Conditional Use Permit Review
Clearfield Land Use Ordinance Section 11-4-3 establishes the general standards and determination the Planning Commission shall make to approve Conditional Use Permits. The findings and staff’s evaluation are outlined below:

<table>
<thead>
<tr>
<th>General Standard</th>
<th>Staff Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>DETERMINATION: A Conditional Use Permit shall be approved if conditions are proposed, or can be imposed, to mitigate the reasonably anticipated detrimental effects of the proposed use in accordance with the standards set forth [in the Land Use Code]. If the reasonably anticipated detrimental impacts or effects of the proposed conditional use cannot be substantially mitigated or eliminated by the</td>
<td></td>
</tr>
</tbody>
</table>
proposal or the imposition of conditions to achieve compliance with the standards set forth [in the Land Use Code], the Conditional Use Permit may be denied.

<table>
<thead>
<tr>
<th>Equivalent to Permitted Use: Any detrimental impacts or effects from the proposed use on any of the following shall not exceed those which could reasonably be expected to arise from a use that is permitted in the zone:</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. The health, safety, and welfare of the City and its present and future inhabitants and businesses;</td>
</tr>
<tr>
<td>b. The prosperity of the City and its present and future inhabitants and businesses;</td>
</tr>
<tr>
<td>c. The peace and good order, comfort, convenience and aesthetics of the City and its present and future inhabitants and businesses;</td>
</tr>
<tr>
<td>d. The tax base;</td>
</tr>
<tr>
<td>e. Economy in governmental expenditures;</td>
</tr>
<tr>
<td>f. The State’s agricultural and other industries;</td>
</tr>
<tr>
<td>g. The urban and nonurban development;</td>
</tr>
<tr>
<td>h. Access to sunlight for solar energy devices; or</td>
</tr>
<tr>
<td>i. Property values.</td>
</tr>
</tbody>
</table>

As conditioned, the motor vehicle sales use can be compatible with adjacent properties and equivalent to permitted uses in the C-2 zoning district.

<table>
<thead>
<tr>
<th>Impact Burden: Any cost of mitigating or eliminating detrimental impacts or effects in excess of those which could be reasonably expected to arise from a permitted use shall become a charge against the development so as not to constitute a burden on the municipality, surrounding neighbors, or adjacent land uses.</th>
</tr>
</thead>
</table>

The use has been appropriately conditioned so as to mitigate the impact of burden on adjacent properties. Mitigation measures include the amount of inventory, the location (parking) of inventory to be contained on-site.

<table>
<thead>
<tr>
<th>Conform to the Objectives of the General Plan: The proposed conditional use shall not limit the effectiveness of land use controls, imperil the success of the General Plan for the community, promote blight or injure property values.</th>
</tr>
</thead>
</table>

The proposed use does not limit the effectiveness of land use controls or the success of the General Plan. The proposed use is not anticipated to promote blight or injure property values.
CONDITIONS OF APPROVAL – CONDITIONAL USE PERMIT

1) This Conditional Use Permit 1510-0003 is granted to Westbridge Auto sales for motor vehicle sales located at 545 S. State St. (TIN: 12-003-0127).

2) No more than 20 cars for sale to be kept onsite. The entire inventory must be able to be parked on site and cannot overflow onto adjacent roads or parcels, or any area that does not meet requirements for the parking of vehicles. The site shall not have double parked vehicles and must maintain adequate circulation flow at all times.

3) Off-site parking for the purposes of inventory and customers shall be prohibited. Applicant will provide appropriately scaled stalls for all vehicles for sale and customer parking as required in 11-14-2(B), as amended in July 2015.

4) The applicant shall provide proof of having obtained and of having maintained, as may be periodically requested by the City, all applicable local, state, and federal permits.

5) No vehicle repairs are allowed on this or subsequent properties that may be purchased by the applicant, and as such, no advertisement for any vehicle repairs will be permitted.

CONDITIONS OF APPROVAL – SITE PLAN

1) The Documents submitted for building permits shall be in substantial conformance with the documents submitted in Site Plan approval SP 1510-0003; however, they will also include and address the following:
   a. The final engineering design (construction drawings) submitted for site improvements shall meet City standards and be to the satisfaction of the City Engineer.
   b. Any final building plans submitted shall meet building safety standards and be to the satisfaction of the City Building Official.
   c. The appropriate number of parking stalls shall be delineated and designed for the site and shown on submitted construction drawings. A minimum of one parking stall must meet ADA standards.
   d. Site circulation must be designed in such a manner that State Street is not affected. Adequate paved markings and/or signage shall be provided and incorporated on the site. No backing onto State Street shall be allowed. Parking areas shall be properly surfaced with concrete, asphalt, or masonry pavers, maintained in good condition, and kept free of weeds, dust, trash, and debris.
   e. New lighting for the site, either parking lot or exterior to the building shall be shown on the construction documents and meet City Code.
   f. A minimum of 10 percent landscaping shall be provided and meet the minimum standards set forth in 11-13-23. Landscaping must be maintained as shown in the approved drawings. Any dead trees or shrubs must be replaced.
   g. Proposed signage must meet Title 11, Chapter 15 standards. Signs are not included as part of this Site Plan approval. Separate review and approval will be required.
2) Commercial west services are required. If a garbage dumpster is desired, it must be screened as required by Clearfield City Code 11-18-4C2.

3) Site Plan approval is subject to North Davis Fire District review and approval.

4) Site Plan approval is subject to Engineering review and approval.

5) Site Plan approval is subject to obtaining any necessary permits or approvals including but not limited to a Conditional Use Permit from Clearfield City, as well as any approvals of permits from UDOT (Utah Department of Transportation).

6) Pursuant to Land Use Ordinance 11-13-23(B), (C) and (D), prior to issuing a building permit, the applicant must either bond, or establish an escrow account, to guarantee the installation of landscaping improvements.

7) The applicant shall provide proof of having obtained and of having maintained, as may be periodically requested by the City, all applicable local, state, and federal permits.

ATTACHMENTS

A. Site/Landscape plan
Site
545 S. State Street, Clearfield, Utah
Site Perimeter = 553 ft (Highlighted in yellow)
Site Square Footage = 18500
Newly Landscaped Area Square Footage = 1900

Business: Westbridge Auto LLC
Intended Usage: Used car dealership

Description:
The site will experience no structural changes other than the 1800sq ft of newly developed landscaped areas. This site has been a car lot before. It has full perimeter lighting to light up the entire parking area at night. It has signage on the front of the property and the front of the building. There are chains all around the parking lot including the entrances for clear boundaries and security.

Plan:
The areas on the map indicated as “Inventory Cars” is where we intend to park cars for sale. There is approximately 23 spots available leaving plenty of room for cars to drive in and out of both entrances. There will be a minimum of 25 ft driving clearance.

The area marked “Customer Parking” is right in front of the building and will be left clear so customers can park right in front of the building. There are 5 stalls at 9x20 each with one being 9x20 + 60 inches and that one will be designated for an ADA stall. There is also an ADA ramp right next to the ADA stall. This is painted and very clear.

The area around the building is not intended for parking.

Both entrances can be used for entrance and exiting. Each one is 31 ft wide. The area marked as “Grass Area” is not intended to be used, but will be mowed and maintained.

<table>
<thead>
<tr>
<th>Location</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>L1: 115 square feet</td>
<td>23x5 ft box, Will do rock base with 3 shrubs</td>
</tr>
<tr>
<td>L2: 115 square feet</td>
<td>23x5 ft box, Will do rock base with 3 shrubs</td>
</tr>
<tr>
<td>L3: 95 square feet</td>
<td>19x5 ft box, Will do rock base with 3 shrubs</td>
</tr>
<tr>
<td>L4: 500 square feet</td>
<td>100x5 ft strip, Will do 5 shrubs and 2-3 evergreens, rock base</td>
</tr>
<tr>
<td>L5: 1100 square feet</td>
<td>50x22 ft box, Will do rock base with 3 shrubs and 3-5 evergreens</td>
</tr>
<tr>
<td>L6: Dumpster</td>
<td>Will do a fenced in container or other cover that meets city code.</td>
</tr>
</tbody>
</table>
TO: Planning Commission

FROM: Spencer W. Brimley
Development Services Manager
Spencer.Brimley@clearfieldcity.org (801) 525-2785

MEETING DATE: November 4, 2015

SUBJECT: Public Hearing, Discussion and Possible Action on CUP-1510-0004 a request by Ilgar Kassoumov, on behalf of La Duet Auto Sales, for Conditional Use approval for automobile sales located at 555 N. Main Street (TIN: 14-090-0001). The property is located in a C-2 zoning district and is approximately 0.18 acres in size.

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RECOMMENDATIONS

Move to approve as conditioned CUP-1510-0004 a request by Ilgar Kassoumov, on behalf of La Duet Auto Sales, for Conditional Use approval for automobile sales located at 555 N. Main Street (TIN: 14-090-0001), based on the discussion and findings in the Staff Report.

Move to approve as conditioned SP-1510-0004 a request by Ilgar Kassoumov, on behalf of La Duet Auto Sales, for Site plan approval of an automobile sales lot located at 555 N. Main Street (TIN: 14-090-0001), based on the discussion and findings in the Staff Report.

BACKGROUND

A Site Plan was approved by the Planning Commission for a similar business in June of 2010 but was abandoned and vacated in February of 2014. That approval was valid for one year after the property was vacated, but expired in February 2015. Consequently, it is required that the applicant apply for and receive approval from the Planning commission for a Conditional Use Permit and a Site Plan.
PROJECT SUMMARY

<table>
<thead>
<tr>
<th>Project Information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Project Name</strong></td>
</tr>
<tr>
<td><strong>Site Location</strong></td>
</tr>
<tr>
<td><strong>Tax ID Number</strong></td>
</tr>
<tr>
<td><strong>Applicant and Property Owner</strong></td>
</tr>
<tr>
<td><strong>Proposed Actions</strong></td>
</tr>
<tr>
<td><strong>Current Zoning</strong></td>
</tr>
<tr>
<td><strong>Master Plan Land Use</strong></td>
</tr>
<tr>
<td><strong>Gross Site Area</strong></td>
</tr>
</tbody>
</table>

Vicinity Map
ANALYSIS

Comprehensive Plan and Zoning
This project is subject to Site Plan approval as the use is changing from an abandoned lot to a vehicle sales establishment. The proposed use requires a Conditional Use permit in the zone and application for the Conditional Use has been made and will be considered separately from the site plan approval. The site must provide parking, and is required to provide at least 10% landscaping which has been proposed. Clearfield City General Plan has this site listed as Commercial for the foreseeable future.

Conditional Use Permit Review
The request is for a Conditional Use Permit (CUP) for a motor vehicle sales lot in the C-2 commercial zoning district. The site was previously used for motor vehicle sales and the previous business obtained a business license prior to the changes to the zoning ordinance requiring a CUP for this type of use. The application provides the City the opportunity to mitigate the impact of the use on adjacent and neighboring properties.

The proposal includes parking spaces for employees and customers. There is space along Main Street to contain car inventory on the property. The site is accessed by the driveway entrance on the east side of the subject property on Main Street. Conditions of approval are intended to mitigate the impacts of a motor vehicle sales lot that would otherwise make the use incompatible with either the nearby residential or commercial properties. Additionally the applicant will be required to provide proof of access for the property from Utah Department of Transportation (UDOT), since this is a UDOT road.

Motor vehicle sales can be one of the more intense uses permitted by CUP in the C-2 zoning district. This specific proposal is for a motor vehicle sales lot on less than one fifth of an acre which by minimum acreage alone also intensifies the use.

A condition of approval addressing the amount of inventory permitted and that it must be contained on-site (and prohibiting on-street parking) is appropriate and would mitigate the impact on adjacent property owners. There are 10 spaces for viable vehicle sales. The southern area of the property has 4 stalls for customer and employee parking, one stall shall be ADA compliant. Staff would recommend no more than 10 vehicles be kept on site for sale at any

<table>
<thead>
<tr>
<th>Surrounding Properties and Uses:</th>
<th>Current Zoning District</th>
<th>Comprehensive Plan Land Use Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>North</td>
<td>Garage building</td>
<td>C-2 (Commercial Zone)</td>
</tr>
<tr>
<td>East</td>
<td>C&amp;M Tires</td>
<td>C-2 (Commercial Zone)</td>
</tr>
<tr>
<td>South</td>
<td>Single Family Residence</td>
<td>C-2 (Commercial Zone)</td>
</tr>
<tr>
<td>West</td>
<td>Single Family Residence</td>
<td>C-2 (Commercial Zone)</td>
</tr>
</tbody>
</table>
time. Any more than this and the property may no longer function as intended. Each stall for this use must meet standards as described in title 11-14-2(B), as amended in July of 2015. One parking space shall be assumed to be one hundred eighty (180) square feet (dimensions of 9'x20').

Public Comment
No public comment has been received to date.

REVIEW CONSIDERATIONS

Conditional Use Permit Review
Clearfield Land Use Ordinance Section 11-4-3 establishes the general standards and determination the Planning Commission shall make to approve Conditional Use Permits. The findings and staff’s evaluation are outlined below:

<table>
<thead>
<tr>
<th>General Standard</th>
<th>Staff Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>DETERMINATION: A Conditional Use Permit shall be approved if conditions are proposed, or can be imposed, to mitigate the reasonably anticipated detrimental effects of the proposed use in accordance with the standards set forth [in the Land Use Code]. If the reasonably anticipated detrimental impacts or effects of the proposed conditional use cannot be substantially mitigated or eliminated by the proposal or the imposition of conditions to achieve compliance with the standards set forth [in the Land Use Code], the Conditional Use Permit may be denied.</td>
<td></td>
</tr>
</tbody>
</table>

1) **Equivalent to Permitted Use**: Any detrimental impacts or effects from the proposed use on any of the following shall not exceed those which could reasonably be expected to arise from a use that is permitted in the zone:
   a. The health, safety, and welfare of the City and its present and future inhabitants and businesses;
   b. The prosperity of the City and its present and future inhabitants and businesses;
   c. The peace and good order, comfort, convenience and aesthetics of the City and its present and future inhabitants and businesses;
   d. The tax base;
   e. Economy in governmental expenditures;
   f. The State’s agricultural and other industries;
   g. The urban and nonurban development;
   h. Access to sunlight for solar energy devices; or
   i. Property values.

As conditioned, the motor vehicle sales lot can be compatible with adjacent properties and equivalent to permitted uses in the C-2 zoning district.
### Impact Burden

2) **Impact Burden:** Any cost of mitigating or eliminating detrimental impacts or effects in excess of those which could be reasonably expected to arise from a permitted use shall become a charge against the development so as not to constitute a burden on the municipality, surrounding neighbors, or adjacent land uses.

   The use has been appropriately conditioned so as to mitigate the impact of burden on adjacent properties. Mitigation measures include the amount of inventory, the location (parking) of inventory to be contained on-site.

### Conform to the Objectives of the General Plan

3) **Conform to the Objectives of the General Plan:** The proposed conditional use shall not limit the effectiveness of land use controls, imperil the success of the General Plan for the community, promote blight or injure property values.

   The proposed use does not limit the effectiveness of land use controls or the success of the General Plan. The proposed use is not anticipated to promote blight or injure property values.

### CONDITIONS OF APPROVAL – CONDITIONAL USE PERMIT

1) This Conditional Use Permit 1510-0004 is granted to La Duet Auto Sales for motor vehicle sales, located at 555 N. Main St (TIN: 14-090-0001).

2) No more than 10 cars shall be for sale at any one time. The entire inventory must be able to be parked on site and cannot overflow onto adjacent roads or parcels. The site shall not have double parked vehicles and must maintain adequate circulation flow at all times.

3) Off-site parking for the purposes of inventory and customers shall be prohibited. Applicant will provide appropriately scaled stalls for all vehicles for sale and customer parking as required in 11-14-2(B), as amended in July 2015.

4) The applicant shall provide proof of having obtained and of having maintained, as may be periodically requested by the City, all applicable local, state, and federal permits.

5) No vehicle repairs are allowed on this or subsequent properties that may be purchased by the applicant, and as such, no advertisement for any vehicle repairs will be permitted.

### CONDITIONS OF APPROVAL – SITE PLAN

1) The Documents submitted for building permits shall be in substantial conformance with the documents submitted in Site Plan approval SP 1510-0004; however, they will also include and address the following:

   a. Applicant will provide revised, scaled drawings for final review. Landscape plan detail as well as site dimensions and detail shall be provided for review and approval.
b. The final engineering design (construction drawings) submitted for site improvements shall meet City standards and be to the satisfaction of the City Engineer.

c. Any final building plans submitted shall meet building safety standards and be to the satisfaction of the City Building Official.

d. The appropriate number of parking stalls shall be delineated and designed for the site and shown on required, revised construction drawings. A minimum of one parking stall must meet ADA standards.

e. Site circulation must be designed in such a manner that Main Street is not affected. Adequate paved markings and/or signage shall be provided and incorporated on the site. No backing onto Main Street will be allowed. No parking shall obstruct any drive approach.

f. New lighting for the site, either parking lot or exterior to the building shall be shown on the construction documents and meet City Code.

g. A minimum of 10% landscaping shall be provided and meet the minimum standards set forth in 11-13-23. Landscaping must be maintained as shown in the approved drawings. Any dead trees or shrubs must be replaced.

h. Proposed signage must meet Title 11, Chapter 15 standards. Signs are not included as part of this Site Plan approval. Separate review and approval for any signage is required.

2) Commercial waste removal services are required. If a garbage dumpster is desired, it must be behind screening as required by Clearfield City Code 11-18-4C2.

3) Site Plan approval is subject to North Davis Fire District review and approval.

4) Site Plan approval is subject to Engineering review and approval.

5) Site Plan approval is subject to obtaining any necessary permits or approvals including but not limited to a Conditional Use Permit from Clearfield City, as well as any approvals of permits from UDOT (Utah Department of Transportation).

6) Pursuant to Land Use Ordinance 11-13-23(B), (C) and (D), prior to issuing a building permit, the applicant must either bond, or establish an escrow account, to guarantee the installation of landscaping improvements.

7) The applicant shall provide proof of having obtained and of having maintained, as may be periodically requested by the City, all applicable local, state, and federal permits.

ATTACHMENTS

A. Site Plan set
B. Site Photos
Total lot 8712 ft$^2$
Landscaped area 900 ft$^2$
TO: Planning Commission

FROM: Spencer W. Brimley
Development Services Manager
Spencer.Brimley@clearfieldcity.org (801) 525-2785

MEETING DATE: November 4, 2015

SUBJECT: Discussion on ZTA 1509-0006, a proposed amendment to the Clearfield City Business and License Ordinance Title 4 Chapter 6 and Land Use Ordinance Title 11 Pawn and Secondhand Establishments.

RECOMMENDATION

Discuss item ZTA 1509-0006, a proposed text amendment to the Clearfield City code for Pawn and Secondhand businesses. Staff is requesting information and direction from the Planning Commission relative to making changes to current code the regulations of the business establishments indicated above. Following this meeting Staff will present data gathered to the Planning Commission for a recommendation to the City Council for final decision. Today's information and presentation will be included in future meetings and discussions prior to final adoption of any changes to said ordinances.

ANALYSIS

Background
At the September 22, 2015 meeting, the Council passed Ordinance 2015-17 enacting a temporary land use regulation regarding Pawn and Secondhand businesses pursuant to Utah Code Annotated 10-9a-504. This ordinance specifically applies to all of the commercially zoned properties located within the city’s geographic boundaries. This ordinance temporarily prohibits approving applications for development, erection, construction, reconstruction, installation, alteration or relocation of any pawnbrokers, pawn or secondhand businesses (as defined in the City’s land use ordinance or business and licensing ordinance) on commercially zoned property throughout the city.

The City was made of aware of the growing concerns with these types of retail uses at a hearing for a pawn and secondhand business in October of 2014. In that meeting the Planning Commission heard from residents in attendance who expressed concerns with the proposal for a new Pawn Shop located with the geographic boundaries of Clearfield City. The item that was being discussed was a Conditional Use Permit request for a Pawn and Secondhand business.
Staff has included below the concerns that were stated, in the public hearing, regarding the proposal.

1. Proximity to:
   a. Elementary Schools
   b. Daycare facility
2. Being located near residential
3. It would increase crime activity in the neighborhood
4. Pawnshops should not be located in areas of targeted or lower income families
5. Pawnshop will drive away other “good” business from the area

The record from the Planning Commission meeting states that there were no comments in favor of the proposal, and that each statement made was in opposition to the proposal. The temporary land use regulation that was enacted at the September 22, 2015 Council meeting was done to allow staff time to gather information on how best to address the concerns stated in the meeting. Additionally the temporary land use regulation allows staff adequate time to analyze other information and resources surrounding this type of use and its impacts, perceived or otherwise. The item is being presented to the Planning Commission today to assist with the analysis concerning the regulations that are appropriate for Pawn and Secondhand establishments. From this meeting staff will consider the comments from the Commission as well other sources and present this at the December Planning Commission meeting for recommendation to the Council.

Additional Research and Information
The City’s 2015 CDBG Analysis of Impediments reports Clearfield City has the lowest median income in the County. In addition, there is a substantially lower percentage of homeownership rates than the County and it has been demonstrated a need for more median and above median income housing supply. Clearfield has more low-income, minority, single parent, households with disabilities and non-English speaking populations than other cities. Clearfield experienced most of their growth in the 1950s, but over the years has experienced decline as surrounding areas have begun to develop.

Staff has spoken with individuals in law enforcement who are involved in the regulation and enforcement of laws for pawn and second hand businesses. Reports are not technical but indicate that such establishments tend to focus on lower income areas and clients, and can become predatory in nature upon financially challenged individuals and areas. A study in 2013, by Susan Payne Carter and Paige Marta Skiba conclude that, “…pawnshops as a potentially attractive alternative to other forms of high interest credit. Pawnshops offer simple transactions in which anyone can participate. No credit is needed and no credit check is conducted. Interest rates on pawnshop loans are lower than those associated with many other types of credit, even mainstream credit.”

People who would utilize these establishments are those who typically cannot qualify for loans or financing from traditional sources. In most cases, this is done to meet needs and expenses from an alternative lending source. Because Clearfield has one of the lowest median incomes in Davis County, the City may be more prone to seeing a clustering effect for this type of business which can negatively impact the City in diverse ways.

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1 Excerpts from CDBG 2015 Analysis of Impediments

2 PAWNSHOPS, BEHAVIORAL ECONOMICS, AND SELF-REGULATION by Susan Payne Carter and Paige Marta Skiba, 2012-2013, Pawnshops and Behavioral Economics, pg. 193
Pawn and secondhand establishments, from a community perspective, have generally been found to be detrimental to those that are economically disadvantaged due to the interest rates that are incurred in order to overcome short-term or temporary needs for cash; therefore, having an overabundance of these types of businesses will likely result in unreasonable adverse effects on the community and residents. Some communities have also seen exploitative effects on members of the military who, due to deployment, or low income, may be more vulnerable to predatory practices in lending.

Additionally, certain other types of commercial or retail businesses have expressed desires not to locate in close proximity to pawn or secondhand businesses. These businesses have concluded that these types of establishments create a perception that detracts from the aesthetic appeal of surrounding businesses. The City has concentrated its economic development efforts, as articulated in “Vision 2020”, to attract more retail establishments, restaurants, etc. that will allow residents to meet all of their shopping and entertainment needs here within Clearfield’s boundaries instead of travelling to neighboring cities.

The study referenced above provides substance to further support the adoption of land use development standards that would alleviate the concentration of these uses, specifically in our community. It is anticipated that as the City strives to adopt development standards that encourages positively perceived development patterns, encourage long-term residency, and contribute to a healthier economy for the Community, that the goals of both the General Plan and “Vision 2020” are better accomplished.

**Inventory and Location of businesses**

Three (3) pawn and secondhand businesses are located within the city limits. (See table below)

<table>
<thead>
<tr>
<th>Business Name</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>INSTANT CASH LOAN AND PAWN</td>
<td>437 N MAIN ST</td>
</tr>
<tr>
<td>PAWN DEPOT</td>
<td>345 W 1700 S</td>
</tr>
<tr>
<td>USA CASH SERVICES OF UTAH INC.</td>
<td>340 S STATE ST</td>
</tr>
</tbody>
</table>

The Clearfield City Land Use Ordinance does not have distance requirements for Pawn and Secondhand establishments from one another. However, Section 11-13-31 of the Clearfield City code regulates where a tattoo or body piercing establishment may locate, in the following manner:

“No tattoo or body piercing establishment shall be located within one-third (1/3) of a mile (1,760 feet) of any other tattoo or body piercing establishment or within eight hundred eighty feet (880’) of a nondepository lending establishment, pawn and secondhand business, or sexually oriented business. The distance shall be measured in a straight line between the closest property lines of the lots on which they are located.”

Pawn and secondhand businesses, outside of this zone, are not permitted either conditionally or as a permitted use. Clearfield City utilizes Utah State code to define Pawn and Secondhand establishments. The ordinance for Pawn and Secondhand establishments is included with this report as well as the definition as outlined in Utah Code annotated.

For the benefit of the Planning Commission, staff reviewed pawn and secondhand business ordinances from South Salt Lake, American Fork, West Valley City, and Ogden. Additionally, staff has reviewed studies and other information to gain a greater understanding of this issue.
After reviewing those ordinances staff has compiled a list of ideas or options that the planning commission could consider.

Following this discussion, staff would request direction from the Commission on how to proceed to address and properly mitigate concerns with Pawn and Secondhand business with in Clearfield City.

For discussion purposes, staff has included the following options for the Planning Commission to consider:

- Pawn and Secondhand Establishments allowed as a conditional use in the M-1 zoning district only (remove from C-2 zone)
- Language added for the regulation of Pawn and Secondhand Business relative to:
  - Separation
    - Half mile to other same type of use
    - Quarter mile to other listed uses, i.e. Sexually Oriented Businesses, payday or title lenders, etc.
  - Per Capita Limit based on Population
    - (e.g. 1 per 10,000 residents)
- Establish a uniform definition for all non-depository lending institutions (West Valley City)

**Pawn and Secondhand Establishment in the M-1 Zone**

An item for discussion is whether or not it is appropriate to remove Pawn and Secondhand Establishments from the C-2 zoning district, but include them as a conditional use in the M-1 zoning district (11-11D-2(B)). This does place retail businesses into a manufacturing or industrial area, but since the uses in M-1 are more permissible than C-2 it could allow for less of a community impact and more separation from the groups and entities outlined above.

**Separation Requirements**

Current ordinance does not limit or require a minimum distance for Pawn and Secondhand establishments from one another. However, a tattoo or body piercing establishment must not be located within 880 feet of a Pawn or Secondhand business as measured with a straight line from property line to property line. The Commission could impose a similar distance restriction on pawn shops to avoid concentration or clustering of similar types of uses. It is of note that none of the three pawn shops in Clearfield are closer to each other than 0.75 miles or 3,960 feet away. Legal justification for this type of regulation would require additional study and findings. Staff is seeking input from the Commission on whether or not this is of interest to the Commission and would warrant further consideration by staff.

Requiring separation of pawn and secondhand establishments limits the clustering of these uses along the limited commercial corridors of the City. This standard is a tool to further implement the City’s goal of strengthening land uses that improve the image of the community, and in addition encourages a diversity of the types of commercial development for not only a physical environmental health, but an economic environmental health to the community. The economic component of this proposed amendment is also consistent with the City’s Vision 2020 Plan, which is referenced in the City’s General Plan as well. Such areas of emphasis in the Vision 2020 Plan are “Improve Clearfield City’s demographic profile that attracts and retains quality retail establishments.” Tactics to implement the Vision include “Brand the city and…foster community pride among residents and improved perception of non-residents.”
A text amendment along these lines would be consistent with the City’s General Plan, specifically the first Land Use Guideline which states “The identity of Clearfield should be strengthened by land uses which improve the image of the community and fostering a positive, healthy living environment conducive to long-term residency.”

**Per Capita**

The use could be limited to not more than one establishment per 10,000 population of the City. The population figures could be based on the Governor’s Office of Planning and Budget or data compiled by the Bureau of Economic and Business research at the University of Utah. With the separation requirements in place, a per capita limitation may be found to not be necessary.

**FINDINGS**

**Zoning Ordinance Text Amendment**

Clearfield Land Use Ordinance Section 11-6-3 establishes the following findings the Planning Commission shall make to approve Zoning Ordinance Text Amendments. The findings and staff’s evaluation are outlined below:

<table>
<thead>
<tr>
<th>Review Consideration</th>
<th>Staff Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) The proposed amendment is in accordance with the General Plan and Map; or</td>
<td>A stated policy of the Land Use Element is to “Continue to update the City’s Land Use Ordinance as necessary to maintain consistency with this General Plan”. Land Use Guidelines include improving aesthetics and community image. The proposal to enact certain requirements for this specified use further accomplishes these purposes.</td>
</tr>
<tr>
<td>2) Changed conditions make the proposed amendment necessary to fulfill the purposes of this Title.</td>
<td>No conditions are being recommended for this ordinance change.</td>
</tr>
</tbody>
</table>

In addition to the above, the following findings can also be made for the proposed text amendment, as it is in Clearfield City’s best interest to regulate both distance and number of pawn and secondhand establishments for the following reasons:

1. It further implements the goals and objectives of the City, specifically for improving of aesthetics and community image, as well as the improvement to the city’s economic health.
2. It should act to limit detrimental effects that high concentration of pawn and secondhand establishments have on a community whose demographics are such as Clearfield.
3. Clearfield City has one of the lowest median incomes in Davis County, and the regulation of such uses is intended to mitigate the clustering effect that can often occur in such communities.
4. It will increase the likelihood of attracting high-quality retail.

It is important to note that the implementation of the above outlined options for further regulation of Pawn and Secondhand businesses could require additional study and analysis to justify its
implementation into the Clearfield City Land Use ordinance. Staff is requesting direction from the Commission on the regulations that would be of most value to the City to pursue further to properly mitigate potential impacts of this type of use in the future.

ATTACHMENTS

1. Pawn and Secondhand establishments, Utah Code Annotated title 13, chapter 32a
2. Minutes from Planning Commission meeting held October 1, 2014
3. University of Michigan Study on Pawnshops and Stolen Property
4. Study: Pawnshops, Behavioral Economics and Self-Regulation
13-32a-102 Definitions.

As used in this chapter:

(1) "Account" means the Pawnbroker and Secondhand Merchandise Operations Restricted Account created in Section 13-32a-113.

(2) "Antique item" means an item:
   (a) that is generally older than 25 years;
   (b) whose value is based on age, rarity, condition, craftsmanship, or collectability;
   (c) that is furniture or other decorative objects produced in a previous time period, as distinguished from new items of a similar nature; and
   (d) obtained from auctions, estate sales, other antique shops, and individuals.

(3) "Antique shop" means a business operating at an established location and that offers for sale antique items.

(4) "Board" means the Pawnshop and Secondhand Merchandise Advisory Board created by this chapter.

(5) "Central database" or "database" means the electronic database created and operated under Section 13-32a-105.

(6) "Coin" means a piece of currency, usually metallic and usually in the shape of a disc that is:
   (a) stamped metal, and issued by a government as monetary currency; or
   (b)
      (i) worth more than its current value as currency; and
      (ii) worth more than its metal content value.

(7) "Coin dealer" means a person or business whose sole business activity is the selling and purchasing of coins and precious metals.

(8) "Commercial grade precious metals" or "precious metals" means ingots, monetized bullion, art bars, medallions, medals, tokens, and currency that are marked by the refiner or fabricator indicating their fineness and include:
   (a) .99 fine or finer ingots of gold, silver, platinum, palladium, or other precious metals; or
   (b) .925 fine sterling silver ingots, art bars, and medallions.

(9) "Division" means the Division of Consumer Protection in Title 13, Chapter 1, Department of Commerce.

(10) "Identification" means a valid U.S. federal or state-issued photo ID, including a U.S. passport, a U.S. passport card, a U.S. military ID, and a driver license.

(11) "Local law enforcement agency" means the law enforcement agency that has direct responsibility for ensuring compliance with central database reporting requirements for the jurisdiction where the pawnshop or secondhand business is located.

(12) "Misappropriated" means stolen, embezzled, converted, obtained by theft, or otherwise appropriated without authority of the lawful owner.

(13) "Original victim" means a victim who is not a party to the pawn or sale transaction and includes:
   (a) an authorized representative designated in writing by the original victim; and
   (b) an insurer who has indemnified the original victim for the loss of the described property.

(14) "Pawnbroker" means a person whose business engages in the following activities:
   (a) loans money on one or more deposits of personal property;
   (b) deals in the purchase, exchange, or possession of personal property on condition of selling the same property back again to the pledgor or depositor;
   (c) loans or advances money on personal property by taking chattel mortgage security on the property and takes or receives the personal property into his possession, and who sells the unredeemed pledges;
(d) deals in the purchase, exchange, or sale of used or secondhand merchandise or personal property; or
(e) engages in a licensed business enterprise as a pawnshop.
(15) "Pawn and secondhand business" means any business operated by a pawnbroker or secondhand merchandise dealer, or the owner or operator of the business.
(16) "Pawn ticket" means a document upon which information regarding a pawn transaction is entered when the pawn transaction is made.
(17) "Pawn transaction" means an extension of credit in which an individual delivers property to a pawnbroker for an advance of money and retains the right to redeem the property for the redemption price within a fixed period of time.
(18) "Pawnshop" means the physical location or premises where a pawnbroker conducts business.
(19) "Pledgor" means a person who conducts a pawn transaction with a pawnshop.
(20) "Property" means any tangible personal property.
(21) "Register" means the record of information required under this chapter to be maintained by pawn and secondhand businesses. The register is an electronic record that is in a format that is compatible with the central database.
(22) "Scrap jewelry" means any item purchased solely:
(a) for its gold, silver, or platinum content; and
(b) for the purpose of reuse of the metal content.
(23)
(a) "Secondhand merchandise dealer" means an owner or operator of a business that:
(i) deals in the purchase, exchange, or sale of used or secondhand merchandise or personal property; and
(ii) does not function as a pawnbroker.
(b) "Secondhand merchandise dealer" does not include:
(i) the owner or operator of an antique shop;
(ii) any class of businesses exempt by administrative rule under Section 13-32a-112.5;
(iii) any person or entity who operates auction houses, flea markets, or vehicle, vessel, and outboard motor dealers as defined in Section 41-1a-102;
(iv) the sale of secondhand goods at events commonly known as "garage sales," "yard sales," or "estate sales";
(v) the sale or receipt of secondhand books, magazines, or post cards;
(vi) the sale or receipt of used merchandise donated to recognized nonprofit, religious, or charitable organizations or any school-sponsored association, and for which no compensation is paid;
(vii) the sale or receipt of secondhand clothing and shoes;
(viii) any person offering his own personal property for sale, purchase, consignment, or trade via the Internet;
(ix) any person or entity offering the personal property of others for sale, purchase, consignment, or trade via the Internet, when that person or entity does not have, and is not required to have, a local business or occupational license or other authorization for this activity;
(x) any owner or operator of a retail business that receives used merchandise as a trade-in for similar new merchandise;
(xi) an owner or operator of a business that contracts with other persons or entities to offer those persons' secondhand goods for sale, purchase, consignment, or trade via the Internet;
(xii) any dealer as defined in Section 76-6-1402, which concerns scrap metal and secondary metals; or
(xiii) the purchase of items in bulk that are:
   (A) sold at wholesale in bulk packaging;
   (B) sold by a person licensed to conduct business in Utah; and
   (C) regularly sold in bulk quantities as a recognized form of sale.

Amended by Chapter 124, 2013 General Session
Amended by Chapter 187, 2013 General Session
g. A minimum of 10 percent landscaping shall be provided and meet the minimum standards set forth in City Code § 11-13-23.

h. Proposed signage must meet Title 11, Chapter 15 standards of the City Code. Signs are not included as part of this Site Plan approval. Separate review and approval will be required.

2) The garbage dumpster must be screened.

3) Site Plan approval is subject to North Davis Fire District review and approval.

4) Site access on a State-owned right-of-way is subject to Utah Department of Transportation review and approval.

5) The applicant shall provide proof of having obtained and of having maintained, as may be periodically requested by the City, all applicable local, state, and federal permits.

Seconded by Commissioner Millard. The motion carried on the following vote: Voting AYE: Commissioners Peterson, Murray, Millard and Allen. Voting NO: None.

PUBLIC HEARING ON CUP 1409-0003, A REQUEST FOR A CONDITIONAL USE PERMIT FOR A PAWN SHOP WITHIN A NEW PROPOSED BUILDING LOCATED AT 325 WEST 1700 SOUTH (TIN: 12-243-0011)

Scott Hess said a Conditional Use Permit (CUP) was a tool to allow a land use that might be compatible only if certain conditions were imposed to mitigate or eliminate the detrimental impacts. He said pawn shops were listed as a conditional use in the Commercial C-2 zone. Mr. Hess said pawn shops, like other retail stores, might place goods outside the store to attract customers to the business. Staff recommended that outdoor display be limited to 100 square feet. Mr. Hess said the Community Development office had received significant public comments. He stated he had personally responded to all interested parties outside of the signatures on an online petition. Mr. Hess said the pawn shop with the new construction would positively impact Clearfield City’s prosperity. He said there was no discernable disproportionate number of police calls to existing pawn shops. Mr. Hess reviewed the proposed conditions of approval.

Chair Peterson asked Brian Brower to give instructions to the citizens about making comments. Mr. Brower first explained some of the legalities of a CUP. He said there were different zones throughout the City and State law stated that uses which were listed as conditional were essentially the same as permitted uses within a given zone; however, due to the nature of those businesses, additional conditions could be imposed to mitigate their detrimental impacts on surrounding properties and the community. Mr. Brower told the citizens that during each of the public hearings being held, each person would have a time limit of three minutes for public comment. He asked them to consider previous comments made by others and to refrain from repeating comments.

Chair Peterson declared the public hearing open at 7:41 p.m.
PUBLIC COMMENT

FOR:
None

AGAINST:
Reid Higley, Clearfield, expressed concern as a homeowner because of the reputation of pawn shops. He said it would impact children’s safety. He was also concerned about the daycare in close proximity to the proposed pawn shop.

Lyndsi Drysdale, Clearfield, said she lived directly behind the property. She represented a group that signed an electronic petition. She said it was her opinion that there was a better location for the use than by the school and homes. She said it was less than a half mile from Antelope Elementary School. Ms. Drysdale was concerned with the sale of firearms and the influence on theft crimes. She said jewelry could be transformed. She said there was already a negative influence in the area with Job Corps. She said this would increase neighborhood risk factors with the pawn shop and Job Corps in such close proximity.

Christian Jacobsen, Clearfield, asked if the citizens would be able to vote on the decision. Chair Peterson said the decision would be made by the Planning Commission. Scott Hess said he had not received a paper petition but had received approximately 100 emails that he had catalogued, but did not respond to each one. Brian Brower, City Attorney, said the petition communicated the opinion of some of the citizens in the area; however, the Planning Commission was obligated to follow the law. He stated that although the public’s opinion was important and all facts were reviewed and considered, all the Planning Commission could do legally in this situation was to impose conditions designed to mitigate any detrimental impacts to surrounding properties and the community. Mr. Jacobsen asked for Scott Hess’ email address which Mr. Hess provided. He believed it would have an impact on the crime in the area with increase in property damage. Mr. Jacobsen asked to have the pawn shop moved to an industrial area.

Bryan Winston, Clearfield, was concerned about the potential for property crime to increase with a pawn shop close to the residential area.

Jacque Bullock, Clearfield, worked at Antelope Elementary as a teacher. She stated Antelope Elementary was a Title One school and had a high percentage of students that received free or reduced lunch. She asked that the neighborhood be considered and for the City to not allow the pawn shop.

Jamie Seavello, Clearfield, recognized she lived in a great neighborhood with great businesses in the area. She didn’t want the existing businesses driven out by the pawn shop.

Commissioner Millard moved to close the public hearing at 8:02 p.m. Seconded by Commissioner Murray. The motion carried on the following vote: Voting AYE: Commissioners Peterson, Murray, Millard and Allen. Voting NO: None.
Cameron Winquist said he had been in the pawn shop business for seven years and had stores in Layton, Roy and Bountiful. He said all state and local laws were followed. Mr. Winquist said serial numbers were reported at the end of each day. He said most criminals would not take an item recently stolen from the neighborhood to the closest pawn shop. Mr. Winquist said Pawn Depot worked with the police in every city where it had a business. He said the buildings had surveillance cameras inside and out and footage from the surveillance could be obtained at any time. Mr. Winquist said the store would be open from 10:00 a.m. to 7:00 p.m. He said he understood the concern of the neighbors, but stated smart criminals didn’t take the stolen items to a pawn shop. He said photo identification, fingerprints and personal information was obtained each time an item was pawned.

Commissioner Millard gave full disclosure stating he was in law enforcement in Salt Lake City and his assignment dealt with pawn shops and he was a member of the Utah State Pawn Board. He gave training to pawn shop owners. He said it was his opinion there was no conflict of interest in this matter as he was not connected to this request or this pawn shop specifically.

Commissioner Murray asked where Mr. Winquist had other pawn shops. Mr. Winquist stated there were three locations and the Layton store was relocating to Clearfield. Commissioner Murray asked about the lot split. Scott Hess said several years ago there was an illegal division of the property that was separated for tax purposes. He said the applicant was required to have the property properly subdivided and the lot separation should be required prior to issuance of the building permit. Brian Brower said the plat amendment was a recommended condition on the Conditional Use Permit (CUP). The process for the amended subdivision was discussed. Commissioner Murray asked if the building would take most of the lot. Mr. Winquist stated the building would take a large percentage of the lot with parking on the remainder. When asked what prompted Mr. Winquist to purchase the property, he stated it best suited his needs.

Chair Peterson asked Mr. Winquist what would be done to mitigate crime in the area. He stated they had interior and exterior surveillance cameras and the firearms onsite were locked up. He asked how many pawn shops had been in the news because of robbery versus banks and gas stations. Mr. Winquist said he ran a good, clean, safe business. He said the building was built to fit the lot and there was the possibility that the rear of the building could be partitioned and leased to another business in the future.

Commissioner Millard asked what happened when a loan on an automobile defaulted. Mr. Winquist stated the vehicle was picked up and kept in a tow yard. Scott Hess said the City Code would likely not allow the pawn shop to do title lending due to existing proximity and per capita restrictions on those types of businesses. Brian Brower said the exclusion of the title lending could also be addressed with the business license. Commissioner Millard said auto lending was not regulated under the same rules as a pawn shop. Mr. Brower said the conditions of approval for the CUP could indicate non-depository lending, or title and/or payday lending were not allowed. Chair Peterson said that restriction would keep the business a true pawn business. She recommended the addition of a condition of approval that stated non-depository lending would not be permitted.
Scott Hess said if the applicant wanted to have outdoor storage he would be required to apply for a CUP for outdoor storage. Mr. Winquist said he had no desire for outdoor storage at this time. Chair Peterson asked about the condition to allow an outdoor display of 100 square feet and stated she liked to see a clean store front. Mr. Hess said goods for sale were sometimes placed outdoors for display to attract customers. Chair Peterson was concerned with the location of the outdoor display. Mr. Winquist said items were not always placed outdoors for display. He stated the store front entrance was on the east side of the building and 100 feet back from 1700 South (Antelope Drive). Commissioner Murray asked why a display would be placed outdoors if it couldn’t be seen from the road. Mr. Hess said displays should be permitted on the east or north side, but remain limited in size to 100 square feet and kept out of the public right-of-way.

APPROVAL OF CUP 1409-0003, A REQUEST FOR A CONDITIONAL USE PERMIT FOR A PAWN SHOP WITHIN A NEW PROPOSED BUILDING LOCATED AT 325 WEST 1700 SOUTH (TIN: 12-243-0011)

Commissioner Millard moved to recommend approval as conditioned CUP 1409-0003: A request by Cameron Winquist on behalf of Pawn Depot for a Conditional Use Permit for a Pawn Shop within a newly proposed building, in the C-2 zoning district, located on TIN: 12-243-0011 based on the findings, discussion, and the staff report, with the following conditions:

1) This Conditional Use Permit pertains solely to the current applicant, Pawn Depot, and is for a pawn and secondhand business to be located within a new structure on TIN: 12-243-0011.
2) No outdoor storage is permitted. This includes, but is not limited to, such items as materials, automobiles, pawned items, automotive parts, or the like.
3) Outdoor display of goods is limited to 100 square feet, and all outdoor displays must be put away within the enclosed structure at the end of business day, each day.
4) The site shall be maintained in a neat and orderly manner.
5) A plat amendment correcting the illegal lot split on 325 W. 1700 S. (as indicated in the Site Plan report) must be completed prior to receiving a building permit.
6) The applicant shall provide proof of having obtained and of having maintained, as may be periodically requested by the City, all applicable local, state, and federal permits.
7) For this Conditional Use Permit to be in full force and effect, the Conditions of Approval shall be acknowledged and accepted in writing by both the tenant/business owner and the property owner, as joint applicants.
8) No non-depository lending as defined in City Code § 11-3-3 (payday lending, title lending or check cashing) shall be conducted on site.

Seconded by Commissioner Murray.

Scott Hess asked what if the applicant decided he wanted to locate the pawn shop within the existing structure at 325 West 1700 South, should the motion state specifically the new building or was this use allowed anywhere on the site.
Commissioner Millard withdrew the motion. Seconded by Commissioner Murray. The motion to withdraw carried on the following vote: Voting AYE: Commissioners Peterson, Murray, Millard and Allen. Voting NO: None.

There was discussion on whether the pawn shop could be located within the existing structure. Mr. Hess said the application received was for a pawn shop in a newly constructed building and it was determined that if the applicant wanted the pawn shop in the existing building a new application was required.

Commissioner Millard again moved to recommend approval as conditioned CUP 1409-0003: A request by Cameron Winquist on behalf of Pawn Depot for a Conditional Use Permit for a Pawn Shop within a newly proposed building, in the C-2 zoning district, located on TIN: 12-243-0011 based on the findings, discussion, and the staff report, with the following conditions:

1) This Conditional Use Permit pertains solely to the current applicant, Pawn Depot, and is for a pawn and secondhand business to be located within a new structure on TIN: 12-243-0011.
2) No outdoor storage is permitted. This includes, but is not limited to, such items as materials, automobiles, pawned items, automotive parts, or the like.
3) Outdoor display of goods is limited to 100 square feet, and all outdoor displays must be put away within the enclosed structure at the end of business day, each day.
4) The site shall be maintained in a neat and orderly manner.
5) A plat amendment correcting the illegal lot split on 325 W. 1700 S. (as indicated in the Site Plan report) must be completed prior to receiving a building permit.
6) The applicant shall provide proof of having obtained and of having maintained, as may be periodically requested by the City, all applicable local, state, and federal permits.
7) For this Conditional Use Permit to be in full force and effect, the Conditions of Approval shall be acknowledged and accepted in writing by both the tenant/business owner and the property owner, as joint applicants.
8) No non-depository lending, as defined in City Code § 11-3-3 (payday lending, title lending or check cashing), shall be conducted on site.

Seconded by Commissioner Murray. The motion carried on the following vote: Voting AYE: Commissioners Peterson, Murray, Millard and Allen. Voting NO: None.

DISCUSSION ON SP 1409-0003, A REQUEST FOR SITE PLAN APPROVAL FOR A PAWN SHOP WITHIN A NEW PROPOSED BUILDING LOCATED AT 325 WEST 1700 SOUTH (TIN: 12-243-0011)

Scott Hess said the request was for a new commercial structure on 1700 South. He said the properties to the east and west were developed commercially; to the north was zoned M-1 manufacturing and to the south was a neighborhood of single family homes. He asked the
commissioners to give attention to City Code § 11-18 Design Standards. Mr. Hess said the surrounding buildings were built prior to those design standards. He reviewed the conditions of approval.

Commissioner Millard asked how much of the building would be for the store. Cameron Winquist said the building was 50 feet by 300 feet and the retail portion of the building was approximately 5,500 square feet. It was noted that the storage portion of the building was for the benefit of the retail use. Commissioner Allen asked if inventory was moved from one store to another. Mr. Winquist stated transferring inventory between store locations was not something they liked to do. Scott Hess said the building was purposely overbuilt for potential growth of the business or to sublease to other businesses.

Commissioner Murray asked what changes would be made so the building met design standards. Mr. Winquist said bump outs were being added. There was discussion on the amount of asphalt on the lot. Scott Hess stated the asphalt provided a better flow to other buildings on the site. He said there would be no landscaping on the east side of the new building.

Chair Peterson said deviation from strict compliance with Title 11 Chapter 18 could be made, provided that said deviation was consistent with the purpose of the City’s Design Standards, Master Plan and other ordinances; would not adversely affect neighboring property owners or residents; and conformed to the requirements of the City’s Design Standards to the greatest extent possible. Mr. Winquist said the building would have stucco on the bump outs plus multiple materials on the wall facing 1700 South. He said he would place stucco on the first 100 feet of the east side to the entrance door. The commissioners suggested having a three to four foot wainscot of brick or stone wrapping around the building and to change the color of the stucco. After substantial discussion, it was determined that deviation from strict compliance with Title 11 Chapter 18 of the City Code could be made for the following items:

1. Steel may be placed in the following locations: the east elevation from the southern point for 200 feet moving north with a combination of stucco, rock or brick for the remaining 100 feet, the south elevation, and the west elevation, due to the nature of the surrounding properties.
2. The front elevation was recognized as the building frontage facing 1700 South and would require at least two building materials, with the wainscoting to be either brick or rock with stucco above that material.
3. The east side of the building would have the same brick or rock wainscoting as the front with stucco above it for at least the first 100 feet going south from the front of the building on 1700 South, back to beyond the main entrance on the west side of the building.

Mr. Winquist said the Planning Commission had tied the building permit to the legalization of the subdivision and asked if that could be reconsidered due to the weather. Brian Brower asked what work could be done without a building permit. Scott Hess said the site work was all that could be completed. Mr. Brower said that, in his opinion, the City should not issue a building permit on an illegal subdivision. Chair Peterson said a building permit had better enforcement capabilities than
a business license. Mr. Hess said the Planning Commission was trying to mitigate the risks for the applicant. Mr. Winquist asked if he could post a bond. Chair Peterson stated a condition of approval for the Conditional Use Permit (CUP) was the correction of the illegal subdivision by recording an amended subdivision plat prior to issuance of the building permit. Mr. Hess said the applicant was told about the property line issue and any new entitlements should be tied to the correction of the problem. Chair Peterson said the City didn’t want to hold up the project but the Planning Commission had already decided the CUP application and imposed those conditions. When asked, Mr. Brower again expressed his opinion that a building permit should not be issued on an illegal lot. He said that in his view, from a legal perspective, the best and most appropriate way to handle this matter was to tie the amended plat recordation to the building permit.

Chair Peterson referred to condition of approval number three and asked the commissioners if the applicant should be required to have the amended plat recorded before issuance of the building permit or the business license. Mr. Winquist was concerned with the time frame to get the asphalt laid before the asphalt plants closed. Commissioner Millard directed to leave the condition as stated. Commissioner Murray asked if road base would not be allowed. Mr. Hess said road base would not be allowed for parking. Commissioner Allen preferred the certificate of occupancy option. Commissioner Murray said it needed to be done right and directed to have the plat recorded before the issuance of the building permit. Chair Peterson said that due to the number of Commissioners at the meeting that evening, in order for the body to take valid action any decision must be unanimous; otherwise Mr. Winquist would be delayed one month until the next meeting. Commissioner Allen then agreed with the rest of the Commissioners to tie the building permit to the plat recordation. Mr. Hess said if Mr. Winquist submitted application the next day the amended plat could be on the agenda for the October 15, 2014 special meeting and then to City Council on October 28, 2014. Chair Peterson stated there was also the risk factor that the City Council could determine not to approve the amended plat.

APPROVAL OF SP 1409-0003, A REQUEST FOR SITE PLAN APPROVAL FOR A PAWN SHOP WITHIN A NEW PROPOSED BUILDING LOCATED AT 325 WEST 1700 SOUTH (TIN: 12-243-0011)

Commissioner Millard moved to approve as conditioned SP 1409-0003: a request by Cameron Winquist on behalf of Pawn Depot for site plan approval for a newly proposed building in the C-2 zoning district located on TIN: 12-243-0011 based on the findings, discussion and the staff report and with the following conditions:

1) The Construction Documents submitted for building permits shall be in substantial conformance with the documents submitted in this Site Plan approval, SP 1409-0003; however, they will also include and address the following:
   a. The final engineering design (construction drawings) submitted for site improvements shall meet City standards and be to the satisfaction of the City Engineer.
   b. The final building plans submitted shall meet building safety standards and be to the satisfaction of the City Building Official.
THE UNIVERSITY OF MICHIGAN LAW SCHOOL

The Law and Economics Workshop

Presents

MARKETS FOR STOLEN PROPERTY: PAWNSHOPS AND CRIME

by

Thomas J. Miles, Chicago

THURSDAY, January 24, 2008
3:40-5:30
Room 236 Hutchins Hall

Additional hard copies of the paper are available in Room 972LR
or available electronically at http://www.law.umich.edu/centersandprograms/olin/workshops.htm
Markets for Stolen Property:Pawnshops and Crime

Thomas J. Miles

1 The author thanks Gary S. Becker, James J. Heckman, and Steven D. Levitt for helpful comments, as well as seminar participants at the American Bar Foundation and the University of Chicago. Special thanks are owed to Donald K. Hardin and Cindy D. Barrett of the Oklahoma Department of Consumer Credit for providing data on pawnshops and to Jennifer Mayhan of American Business Information, Inc. for assistance in using the American Business Disc. Financial support from the John M. Olm Center for Law, Economics and Business at Harvard Law School, the American Bar Foundation, and the Bradley Foundation is gratefully acknowledged.
Abstract

Pawnshops serve the credit needs of low-income individuals and consequently locate in higher crime communities. However, pawnshops are often suspected of being outlets for stolen property and if so, they may stimulate criminal activity. To break this simultaneity, this paper uses usury laws as instrumental variables to identify the causal effect of pawnshops on crime. States with more generous limits on the interest and fees that pawnbrokers may charge have a greater incidence of pawnshops. Increases in the number of pawnshops are shown to raise the rate of those crimes in which pawnable property is stolen and to have no impact on the rates of those crimes in which such property is not taken. The results support the hypothesis that pawnshops trade in ill-gotten merchandise. While a ban on these shops does not appear warranted, a closer police monitoring of these shops is likely efficient.
These authors also found that some burglars bartered with drug dealers in order to acquire illegal drugs directly without having to convert their stolen goods into cash first.


— Patrick Colquhoun, *A Treatise on the Police of the Metropolis* (1796) [italics in the original]

Thieves rarely retain for themselves the items that they steal. Instead, they typically trade their booty for cash in markets for stolen goods. Evidence suggests that these markets are extensive. According to the Federal Bureau of Investigation (FBI), the value of all goods stolen during the commission of robberies, burglaries, and larcenies in 1996 exceeded $6 billion. This supply of stolen goods appears to be matched with a substantial demand. Studies by Wright and Decker (1994) and Sutton (1998) suggest that those who readily pay cash for ill-gotten goods include not only the professional fence, but also relatives, friends, acquaintances, even strangers. In spite of the size and pervasive nature of these markets, economists have not thoroughly studied them.

Since the seminal contribution of Becker (1968), the economic study of criminal behavior has largely focused on the deterrent effect of sanctions. A large theoretical and empirical literature has found that increasing penalties and the probability of apprehension reduces crime. In contrast, few researchers have examined the responsiveness of criminal behavior to the marginal benefits of crime. This paper attempts to do so by focusing on one institution that has long been associated with the receipt of stolen goods, namely the pawnshop.

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2 These authors also found that some burglars bartered with drug dealers in order to acquire illegal drugs directly without having to convert their stolen goods into cash first.

Popular culture has long perceived the pawnshops as an outlet for stolen goods. This conventional wisdom has persisted for centuries, and some modern-day law enforcement officers share this perception. Even pawnbrokers readily admit that their industry suffers from this negative association. Extensive anecdotal evidence supports the conclusion that pawnshops deal in ill-gotten goods. A casual review of newspapers yields numerous instances of stolen property having been pawned (see, for example, Perez, 1996). A more thorough analysis was conducted by a Ft. Lauderdale newspaper whose reporters gathered all the pawn slips in that city for the year 1996. These slips are records of pawn transactions, copies of which pawnbrokers in some jurisdictions are required to forward to police authorities. The reporters ranked the pawnors by the number of trips to pawnshops. Thirty-nine of the top 50 pawnors had criminal arrest records, nineteen of which were for burglary, theft, or related offenses. A follow-up to that study by Wallace (1997) highlighted cases that suggest that pawnshops may enable a few highly motivated criminals to commit many offenses. For example, an unemployed man visited a single pawnshop 38 times in less than two months and pawned, among other items, thirteen women’s

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4 One social commentator in 18th century London expressed this belief in unequivocal terms: “This Class of Swindling Pawnbrokers are uniformly receivers of stolen goods; and under cover of their license do much mischief to the public . . .” (Colquhoun, 1796, p. 156). An observer in 19th century Scotland declared, “The tendency of this [pawn] traffic to engender and encourage thievish propensities cannot be disputed . . . It tempts the multitudes to steal, by offering every facility for the disposal of stolen goods. It also encourages a sense of security in the thief. Brokers have been known to give direct encouragement to theft . . .” (Macrae, 1861).

5 According to one Florida detective, “Pawnshops are the easiest place to go with stolen property. Unwittingly or not, I believe pawnshops regularly deal in stolen property” (quoted in Glover and Larrubia, 1996d).

6 One California pawnbroker said, “Some people think they’re for crooks and run by crooks” (quoted in San Luis Obispo, 1996). Another lamented how “we continue to be stereotyped as seedy, back-alley greedy business people who fence stolen goods” (Smith, 1998).
rings, ten men’s rings, eleven necklaces, nine cameras, six watches, three VCRs, and two televisions. The day after his last visit to the pawnshop, the man was arrested for burglary, and he was later sentenced to two years in prison.

This paper conducts the first systematic analysis of pawnshops and crime. The results show that pawnshops correlate strongly with the seven types of Index I crimes, even when controls for income levels, labor market conditions, and demographics are present. However, this correlation does not necessarily imply that pawnshops cause crime. Because pawnshops serve the credit needs of persons with low income and limited access to mainstream financial markets, pawnshops may choose to locate close to their customers. Because low-income counties are also places with high crime rates, a positive correlation between pawnshops and crime rates may result, even in the absence of a causal relationship. In this scenario, pawnshops would correlate with, but would not necessarily participate in, the trade of stolen goods. An alternative possibility is that pawnshops do engage in such illicit trade and that by providing a ready market for stolen goods, pawnshops furnish an incentive for greater criminal activity. That is, pawnshops may cause crime.

The present paper tests this causal relationship by breaking the simultaneity of pawnshops and crime. Identification of the effect of pawnshops on crime requires a variable that affects the __________________________

7 Appendix A lists the Federal Bureau of Investigation’s definitions of these crimes.

8 A third possibility, which is not mutually exclusive from the second, reverses the direction of this causation. It begins with the observation that much of a pawnshop’s revenue comes from retail sales of its unredeemed pawns. If thieves have lower reservation prices for their swag than do pawnors of legitimately obtained goods, pawnbrokers could obtain lower-cost inputs from criminals. More advantageous factor prices would provide an incentive for pawnshops to locate near criminal activity. In this scenario, higher crime rates would cause a greater presence of pawnshops. This paper leaves this possibility unexplored.
number of pawnshops but is otherwise unrelated to crime rates. Caskey (1991, 1994) reported that state usury laws that limit the interest that pawnbrokers can charge on their loans have a strong and significant effect on the geographic distribution of pawnshops. Therefore, this paper employs usury laws in general and those specific to pawnshops as instrumental variables.

Since pawnshops’ primary businesses is making loans based on the collateral of tangible personal property, limits on the interest and fees that can be charged have a direct effect on the profitability of pawnbroking. As a consequence, these limits are a key factor in determining the number of shops in operation. In addition, after controlling for other factors, it is unlikely that usury laws have a direct effect on crime rates. Instead, pawnbroking appears to be the most plausible channel through which usury laws may affect crime rates. For these reasons, they are employed to identify the effect of pawnshops on crime rates.

Specifically, pawnshops are predicted to increase crimes in which offenders obtain types of property that may be converted into cash at pawnshops. The seven FBI Index I crimes are assembled into two groups in order to test this prediction. First, robbery, burglary, and larceny are crimes in which pawnable property is generally taken. Hence, under the hypothesis that pawnshops trade in stolen goods, an increase in the number of pawnshops should raise the incidence of these types of crimes. In contrast, pawnable property is generally not taken during the commission of murder, rape, aggravated assault, and motor vehicle theft. Hence, the presence of pawnshops should not causally affect the frequency of this second group of crimes.

These predictions are tested on a cross-section of counties with populations of at least 50,000 persons, as well as on less populous counties. OLS results show that the incidence of pawnshops correlates with both groups of crimes in all counties. However, evidence confirming
the prediction that pawnshops have a causal effect on certain crimes is found only in the sample of more populous counties. These estimates indicate that a 10% increase in the rate of pawnshops raises the rate of robberies, burglaries, and larcenies in urban counties by between 0.8 and 1.1 percentage points. In contrast, the estimated impact on the remaining crime types is smaller and not statistically different from zero.

The paper proceeds as follows. Section II details the mechanics of pawning and illustrates how these transactions may be used to fence stolen goods. Section III describes the data used. Section IV shows how usury laws affect the geographic distribution of pawnshops and discusses the exogeneity of such laws to crime rates. Section V presents estimates of the effect of pawnshops on crime, and Section VI evaluates the implications for public policy. Section VII concludes.


A pawn is simply a small collateralized loan. A pawnor gives the broker a piece of tangible personal property, against the value of which the broker extends a loan. The broker takes possession of the item and retains it in his shop as collateral. A pawn slip or ticket records the name of the pawnor, a description of the item pawned, the amount advanced, the maturity date, and other terms of the loan. The pawnor departs with the slip and the cash. Should the pawnor not return to reclaim the pledged item when the loan is due and after a brief grace period, it becomes the property of the broker. The broker is then free to sell the item for whatever price
it can fetch and to pocket the proceeds. If the pawnor does return to redeem the item, she must repay the loan with interest. In addition, the terms of the loan may require her to pay fees for handling, storage, insurance, and other charges that together may exceed the interest cost.

From interviews with St. Louis-area burglars, Wright and Decker (1994) identified how a pawnshop transaction may be used to convert stolen goods into cash. First, a criminal may simply pawn the items. To do so, however, the pawnor must provide his name, address, and a form of identification. Some state and municipal regulations may also require the pawnor to furnish a home telephone number, a identification with photograph, and to have his fingerprint and/or photograph taken. If police properly utilized this information, these requirements would clearly increase the risk that the pawnor would be linked to the crime. In practice, however, few jurisdictions make full use of this information. Moreover, these requirements are easily skirted. The offender qua pawnor may provide false information (see Glover and Larrubia, 1996a) or use false identification. Alternatively, some burglars reported persuading friends or acquaintances to pawn the items for them, thereby distancing themselves from the items and further reducing their odds of apprehension (Wright and Decker, 1994). Once they have obtained cash for the pawned item, thieves may never return to redeem the item.

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9 Some states have laws requiring the broker to sell the item at public auction and to refund to the pawnor any surplus in excess of the loan amount and the broker’s processing costs. Anecdotal evidence suggests that the public is largely unaware of such “surplus laws” and that they are rarely enforced.

10 Another means by which thieves may obtain cash for their stolen goods at pawnshops is to sell, rather than pawn, their items. Wright and Decker (1994) reported that some burglars obtained slightly higher prices for engaging in sales rather than pawns. However, the ability of thieves to sell rather than pawn depended upon several factors such as the quality of the items and the extent of trust between the pawnbroker and pawnor.
Central to the controversy over whether pawnbrokers receive stolen goods is the extent to which they expend efforts to determine the origin of incoming goods. According to the National Pawnbrokers Association (NPA), “Thieves and robbers are a pawnbroker’s worst enemy . . . Pawnbrokers are trained to look for signs of stolen property and to avoid these costly mistakes” (NPA, 1998, p.2). The NPA explains that pawnbrokers attempt to screen out stolen goods, as the broker will lose both the collateral and the amount loaned if police seize the item. However, only Delaware, Virginia, and the District of Columbia explicitly permit police to search for and to seize without a warrant items which they believe are stolen. In contrast, some state laws make the recovery of stolen property from pawnshops difficult for crime victims. Until it was recently repealed, a Florida law stipulated that police could not return such property to its original owners. Unless a judge ordered its return, the items remained the property of the pawnbroker. Laws in seven other states similarly require victims to seek legal adjudication to secure the return of their property from pawnshops. Because obtaining a judicial order is costly, few victims are likely to seek return of their articles. In such instances, the expected cost of unwittingly receiving stolen property is not high, and a pawnbroker’s incentive to discern the origin of offered items is reduced. Furthermore, pawnbrokers do not internalize the full social benefits of any reductions in crime that might accrue from the more intense scrutiny of incoming

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11 Sir John Fielding admonished London pawnbrokers on this subject: “I am sure that it would be unnecessary to tell them, that when a shoe-black brings a diamond ring to pawn, there is great reason to suspect he did not come by it honestly” (Fielding, 1755, p.15)

12 These states are Alabama, California, Kansas, Louisiana, Mississippi, Ohio, and Tennessee.
merchandise. In addition, the competitive nature of pawn markets imposes a potentially large opportunity cost on the refusal of items. Thus, while the effort level allocated to distinguishing between properly and improperly obtained goods is likely privately optimal for brokers, it may be below the social optimum.

As suggested by the quotation at the opening of this paper, the ultimate goal of most theft is to obtain cash for the ill-gotten property. Once a criminal has successfully expropriated property from his victim, the task of converting it into currency is not trivial. Apprehension by the authorities while the goods are in one’s possession greatly increases the odds of conviction. If a pawnshop deals in stolen goods, that risk is reduced for criminals operating in its vicinity, and the consequent increase in expected rewards should encourage criminal activity in locations with pawnshops.

This incentive may be most powerful in densely populated environments. The closer proximity of the pawnshop to targets of theft together with the anonymity of the city may conspire to make the pawnshop a convenient destination for the urban criminal’s stolen goods. In rural areas, the pawnshop may be remote from the crime scene, criminal activity is generally less frequent, and residents are more apt to know and to know more about the members of their communities. These factors increase the odds that pawning stolen goods in rural areas will result

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13 In the words of one broker, “If he’s coming in my store with a VCR, I’m not asking him where he got it. It’s the police’s job to find out if it’s stolen, not mine” (quoted in Glover and Larrubia, 1996a).

14 This same broker continues: “You don’t ask where things come from. If you don’t take those [items], the guy down the street will” (quoted in Glover and Larrubia, 1996a).
According to the “hierarchy rule” of crime reporting, a crime consisting of more than one type of felony is recorded as a single instance of the most serious offense involved. For example, a robbery in which the victim is killed is counted solely as a murder. Consequently, the “non-pawn” crime group used in this paper may actually contain offenses in which pawnable merchandise was taken. Robbery, burglary, and larceny are such categories. Frequently stolen during these three types of crime are items such as jewelry, watches, consumer electronics, and handguns. Such goods also constitute a large portion of the typical pawnshop’s inventory.

The presence of pawnshops does not affect the reward structure of the remaining crime categories. While personal property may be taken during murders and rapes, the Federal Bureau of Investigation reports that the average value of goods taken during the commission of such crimes in 1996 was $125 and $25, respectively.¹⁵ In contrast, the average value taken during the commission of robberies, burglaries, and larcenies was $929, $1,332, and $532, respectively (FBI, 1996). Moreover, no property is taken during an assault, by definition. Lastly, motor vehicle theft should not be affected by the presence of pawnshops, because these shops do not deal in automobiles or their parts.¹⁶ In sum, the main empirical implication is that the greater...

¹⁵ According to the “hierarchy rule” of crime reporting, a crime consisting of more than one type of felony is recorded as a single instance of the most serious offense involved. For example, a robbery in which the victim is killed is counted solely as a murder. Consequently, the “non-pawn” crime group used in this paper may actually contain offenses in which pawnable property was taken. However, these results are unlikely to be seriously affected by this data limitation. In 1996, only 10% of murders occurred in the circumstance of a robbery, burglary, or larceny (FBI, 1997, p. 19).

¹⁶ Pawnbrokers in some states now extend credit against the value of an automobile. In these transactions, the borrower retains physical possession of the vehicle, while the broker holds the certificate of title as collateral. If the loan falls into delinquency, the broker uses the title to repossess the vehicle (Cahill, 1999). Because proof of ownership in the form of the certificate of title is essential to these eponymous “title loans,” stolen cars cannot be converted into cash via...
presence of pawnshops increases solely those categories of crime directed related to the pinching of pawnable goods.

III. Data.

The data analyzed are a cross-section of U.S. counties in 1996. To obtain the number and location of pawnshops and check-cashing outlets nationwide, the author searched the American Business Disc (ABD). This CD-RoM, which is produced by the American Business Information, Inc. (ABII), provides the name, address, and phone number for every “yellow page” entry in telephone directories across the country. The ABII combines this information with additional market data such as credit ratings, estimated sales volume, number of employees, years in business, and the standard industrial classification (SIC) codes for up to six lines of business. The SIC codes for pawnshops and check-cashing outlets are 5932-29 and 6099-03, respectively. Since the sale of marketing data is their primary business, the ABII has an incentive to ensure its accuracy. Moreover, the data performed well in a comparison by the author to entries in several cities’ 1996 phone books.\textsuperscript{17}

The discussion of Section II suggests that counts of pawnshops may not be the ideal unit of measurement. If thieves are interested only in obtaining cash for their stolen goods, they will be more likely to sell, rather than pawn, the items, as well as less likely to redeem them, in the these transactions. Therefore, a market in such loans is not apt to stimulate auto theft.

\textsuperscript{17} An alternative source of counts of pawnshops is state licensing bureaus. However, not all states provide this information. Moreover, Caskey (1991, 1994) compared the ABD’s 1990 counts of pawnshops to those of state agencies, for those states which release such data, and found that they were close.
event that they do pawn. Thus, higher rates of customers selling items to the broker and lower rates of pawnors redeeming their goods would be consistent with greater trade in stolen goods. Unfortunately, such detailed data are not available. No state regulator provides information on what share of pawnshops’ inventory is from purchases versus pawns, and the few that have data on redemption rates release only state-level aggregates. While a systematic analysis of redemption rates is precluded, a casual examination reveals patterns consistent with the hypothesis that pawnshops do trade in stolen goods. In private correspondence with the author, a regulator in one state, Oklahoma, made available redemption rates at the state level for ten years (Bartlett and Hardin, 1999). Over that period, the rates of pawn redemption – whether based on the number of pawns or their dollar value – climbed while the rates of robbery, burglary, and larceny declined.

In lieu of systematic purchase and redemption rates, county-level counts of pawnshops are used as the unit of measurement and are expressed as rates per 100,000 population, as crime rates traditionally are. Because they exhibit little heterogeneity in size, simple counts of pawnshops are a reasonable unit of measurement. According to the ABD data, more than 92% of pawnshops have annual sales under $500,000 and more than 98% have them under $1 million. Similarly, almost 84% of pawnshops have four or fewer employees and more than 97% have nine or fewer.

The remaining data are from the traditional sources. Crime rates are taken from the Uniform Crime Reports of the FBI (1996). Unemployment rates and per capita personal income are from the U.S. Bureau of Labor Statistics (1998) and the U.S. Bureau of Economic Analysis (1998), respectively. County-level data on the age and racial distribution of the population are
Four states, Delaware, Minnesota, Missouri, and Virginia, regulate the interest, but not the fees, that a pawnbroker may charge. Because the estimated APR for these states does not include fees, it may seriously understate the price ceiling on a pawn loan. Rather than assign an arbitrary fee amount, a separate dummy variable was included in the regression analysis for the states that regulate only interest.

The author gathered data on pawnshops’ interest and fee limits from state statute books. A precise list of citations for these pawnshop regulations is available from the author upon request. Information on the remaining usury laws are drawn from the Commerce Clearing House (1994). In addition to the interest on the loan, pawnshops may also charge fees for handling, loan origination, storage, insurance, and other items. Since these fees effectively raise the cost of borrowed money, they are similar to interest and are regulated with interest in most states. In some states the maximum fee is a fixed percentage of the principal, while in others it is a dollar amount independent of the value of the loan. Still other states have fee schedules in which the maximum charge, either a dollar amount or a percentage of the principal, varies along with the value of the pawn transaction.

In order to facilitate comparisons across states, the author calculated the maximum charge, including interest and fees, on a two-month $100 pawn and expressed it as a percentage of the principal. The two-month maturity was selected because Caskey (1989), who conducts a similar comparison, reported that it was the norm. The $100 amount was chosen to approximate the value of the typical pawn. While the NPA (1998) states that the average pawn is between $70 and $100, anecdotal evidence suggests that the distribution of pawn transactions is positively

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18 Four states, Delaware, Minnesota, Missouri, and Virginia, regulate the interest, but not the fees, that a pawnbroker may charge. Because the estimated APR for these states does not include fees, it may seriously understate the price ceiling on a pawn loan. Rather than assign an arbitrary fee amount, a separate dummy variable was included in the regression analysis for the states that regulate only interest.
skewed. The use of other loan sizes and maturities resulted in estimates similar to those reported here. Pawn limits are usually denominated in terms of months, but general usury maxima are set in terms of years. Therefore, the estimated (interest and fee inclusive) cost of a pawn loan was multiplied by six to obtain an estimated annual percentage rate (APR).

Table 1 presents summary statistics on two samples. The first contains all counties for which data were available, and the second consists of those counties with populations of at least 50,000 persons. The primary difference between the two samples is that the second is more urban, and consequently, variables typically associated with urbanization have higher means in the second sample. Crime rates for all categories are higher in the second sample, as are the incidence of rental housing and the sworn police officers. The demographic variables, such as percent of the population black and the percent of household female-headed, are less affected by this restriction. Their means rise slightly in the second sample, and their standard deviations decline.

IV. Usury Laws and Pawnshop Locations.
   IV.A. Usury Laws.

Since the primary business of a pawnshop is to make loans, a connection between the number of pawnshops and usury laws is not surprising. States that cap the interest and fees that

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19 In the words of one broker: “I’ve got people coming in here pawning things for 10 bucks to buy Pampers. It’s pathetic” (quoted in Glover and Larrubia, 1996d).

20 The full sample does not include every county in the country. County-level crime data are not available in 1996 for Montana and parts of Florida, Illinois, Kentucky, Mississippi, Missouri, South Dakota, and Tennessee. Data were unavailable for these locations because they are in the process of converting from the Uniform Crime Reporting System to the National Incident-Based Reporting System.
pawnbrokers can charge should have fewer pawnshops because these limits restrict the profitability of pawnbroking. By acting as a price ceiling, they constrain the amount of revenue generated on each repaid loan. Therefore, states with such limits should have fewer pawnshops than those without. Given that a state does have such a limit, the lower its value, the fewer should be the number of shops.

Among the states that do regulate pawn charges, those that fail to limit pawn fees explicitly allow pawnbrokers to raise the price of a pawn transaction. By re-labeling interest as fee, a pawnbroker in these states can raise the revenue earned on each repaid pawn. Therefore, states without limits on both fees and interest should have more pawnshops than states with them.

That pawnbrokers expend considerable resources to increase, or at least prevent reductions in, these limits is evidence that they form binding constraints. Each issue of the NPA’s trade magazine contains a contact list of state chapter heads and updates on regulatory changes in each state. One such update describes how a proposal to reduce by half the maximum rate in Kansas “would have made it impossible for the industry to exist in that state.” It describes how pawnbrokers avoided imposition of the lower limit by arranging a hearing with state legislators and concludes with the warning to fellow brokers, “NEVER become complacent” (George, 1998, capitals in the original). That pawnbrokers expend resources in an attempt to influence these regulations suggests that they do affect profitability. Whether such efforts are systematically effective is considered in the next section.

Pawnbrokers are but one part of the larger credit market in which they compete with other lenders, and consequently, they may be affected by other laws that govern this broader market.
One such law is the limit on the amount of interest chargeable in a written contract. Because this “contract limit” applies to lenders who are not pawnbrokers, it may affect the substitution of borrowers between pawnbrokers and other lenders. Pawnshop customers are traditionally portrayed as would-be borrowers who are excluded from mainstream credit markets because of their dubious creditworthiness. A non-pawnbroking lender in this market would demand a high interest rate in order to bear the risk of loaning to such persons. Limits on the interest that these lenders can charge should restrict the amount of credit they extend, and encourage substitution to pawnbroker’s services. Thus, states with such limits should have more pawnshops than those without. Given that a state does have such a limit, the lower its value, the greater should be the number of pawnshops.

A final type of usury law is the “legal limit.” Every state has such a limit, and it is the maximum amount that can be charged in the absence of a written contract. Since a pawn slip represents a contract, unwritten loans are unlikely substitutes for pawn transactions. Rather, given the questionable credit profile of the traditional pawnshop customer, unwritten contracts are likely complements to pawnshops. Thus, more pawnshops ought to be found where the legal limit is more generous.

To summarize, this paper uses six variables as instruments. The first is an indicator for the presence of a limit on pawn charges in that state. The second takes on the value of that limit for a two-month $100 loan when such a limit exists and is zero otherwise. The third is an indicator for whether the limit on pawn charges covers only interest, not fees. The fourth and fifth variables mirror the first two except that they cover the contract, rather than pawn loan, limit. The final variable is the value of the legal limit.
Appendix B displays the values of these maxima. Several features of these data deserve comment. Where they exist, the value of the contract limit generally exceeds the legal limit. Similarly, the estimated pawn limits are typically greater than the contract ones. The values of the pawnshop limits exhibit wide variation, and the magnitudes of these limits in some states are so large that they perhaps are equivalent to having no limit at all.

VI.B. Exogeneity of Usury Laws.

For usury laws to be valid instruments, they must be uncorrelated with crime except through the variables included in the crime equation. Usury limits might be systematically related to crime in two ways. First, usury laws might reduce crime directly. Glaeser and Scheinkman (1998) argue that usury laws are a form of social insurance. If states with these laws enjoy greater risk-sharing, residents who experience negative income shocks may be less likely to resort to crime in order to smooth their consumption. In order for this linkage to cast doubt on the validity of the instruments, usury laws must be effective at mitigating the incentive to commit crime. Given that empirical estimates of the crime-reducing impact of direct social interventions are generally small (e.g., Donohue and Seigelman, 1998), the idea that usury laws would have a significant effect seems less plausible. Glaeser and Scheinkman themselves observe that usury laws are a “primitive” form of social insurance.

Secondly, if pawnshop regulation correlates with crime-fighting and social-welfare programs, then a failure to include measures of these efforts in the crime equation threatens the validity of the instruments. For that reason, the number of sworn police officers per capita in the state, the percent of persons in the county receiving public assistance, and the amount of that
assistance per recipient are included as control variables. However, usury laws are unlikely to correlate with crime-control and social-welfare measures. Jurisdictions in which pawnshops are perceived as part of crime-ridden “urban blight” have typically utilized regulations other than usury limits to restrict the number of pawnshops. These regulations include limits on the type of merchandise in which they may deal,\textsuperscript{21} types of persons with whom they may deal,\textsuperscript{22} their hours of operation and their location.\textsuperscript{23} Local municipalities more often than states have promulgated these types of rules. In fact, such rules are so idiosyncratic at the state-level that the author’s attempts to code them into binary variables proved fruitless. As a consequence, state-level usury laws likely do not correlate with other crime-control endeavors.

A final pawnshop regulation of interest is whether the state requires pawnbrokers to forward copies of pawn slips to law enforcement authorities. If pawnshops clearly increased crime rates, police agencies would observe this pattern and respond. In particular, police would use the information given in pawn slips to investigate suspicious pawnors, and pawnshops in these jurisdictions would be more reluctant to trade in stolen goods. However, in practice, the

\textsuperscript{21} Texas law (section 371.179) bars pawnshops from displaying dirks, daggers, blackjacks, hand chains, sword canes, switch blades, and brass knuckles, while Delaware law (section 24.2309) forbids pawnbrokers from accepting prosthetic limbs and workman’s tools.

\textsuperscript{22} According to Michigan law, pawnbrokers may not conduct business with a person who “is of unsound mind, or neglects all lawful business, or that he habitually spends his time frequenting houses of ill-fame, gambling houses or tippling houses, or that from drinking, gaming, idleness or debauchery of any kind he is squandering his earnings or wasting his estate, or that he is likely to bring himself or his family to want, or to render himself or his family a public charge, or that he is suspected of thievery” (section 446.214).

\textsuperscript{23} Minnesota law prohibits the location of a pawnshop within 10 miles of a casino (section 325J.10).
This lack of enforcement was underscored by a sensational crime in 1997, when serial killer Andrew Cunanan pawned several gold coins that he had taken from his Chicago victim. Despite being on the FBI’s “Ten Most Wanted” List at the time, Cunanan provided his name, thumbprint, and a local address as part of the pawn transaction at a Miami Beach pawnshop. The slip was forwarded to local police, but it went unprocessed. Eight days later, Cunanan murdered fashion designer Gianni Versace (Freedberg, 1997).

Cash America International, Inc. is one of the nation’s largest producers of gold bullion, but it owns no gold mines. It operates the nation’s largest chain of pawnshops (Glover and Larrubia, 1996c).

ability of police agencies to trace stolen goods using pawn slips remains limited. Few agencies have computerized reporting of pawn transactions, and many complain of facing a backlog of unprocessed slips (Rehyansky, 1997). The failure of rightful owners of items such as electronics and handguns often do not record the serial numbers. This exacerbates the difficulties of tracking stolen property with pawn slips. Another hindrance to the unambiguous identification of articles is that some kinds of property are easily rendered indistinguishable. Jewelry, which is popular with both thieves and pawnbrokers, is such a good. Precious stones may be removed and reset, and valuable metals may be melted down.

Nevertheless, a dummy variable for whether or not the state requires pawnshops to forward copies of these slips to law enforcement authorities on a daily or weekly basis is included as a covariate. After controlling for this pawnshop regulation, as well as other crime-control and social welfare programs, state-level usury laws are plausibly exogenous to crime rates.

Whenever variation in legal regimes is used to identify behavioral effects, the endogenous determination of legal rules is a concern. In particular, pawnbrokers in states with a more active industry lobby may be more effective at raising limits on pawn charges or at eliminating them altogether. Using state-level counts of membership in the NPA taken from that organization’s

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25 Cash America International, Inc. is one of the nation’s largest producers of gold bullion, but it owns no gold mines. It operates the nation’s largest chain of pawnshops (Glover and Larrubia, 1996c).
website, an attempt was made to test for such political influence. Appendix C shows the results of probits for the presence of a limit on pawn charges and tobits on the value of that limit. Other than the measures of the pawn lobby, region dummies are the only other right-hand side variables. Whether measured as a rate in the population or as a percent of the total number of shops, membership levels have no significant relationship to pawn charge regulation. Moreover, with means of 1.7 and 31.2 for the membership rate and percentage, respectively, the estimated impacts are small. These results are consistent with the fact that while some states have changed their pawn laws recently, many are decades old. Results for the still older contract and legal usury laws, which are not reported here to conserve space, are similar. Thus, limits on pawn charges are a plausibly exogenous source of variation in the number of pawnshops.

IV.C. The Effect of Usury Laws on Pawnshop Locations.

Table 2 presents summary statistics on the relationship between pawnshops and legal variables. The first row of Panel A compares the average number of pawnshops in states with limits on pawn charges to that in states without such limits. States with such limits have essentially the same rate of pawnshops as states without this regulation, in contradiction to the prediction. However, as observed in Appendix Table B, the pawn charge maxima in some states are set so high that they perhaps are equivalent to no limit at all. For that reason, the second row of Panel A restricts the sample to counties in states with limits set below 300%. This row shows that counties without such limits have more than two additional pawnshops per 100,000 persons on average than those with them. The third row of Panel A shows that counties with limits only on pawn interest, not their fees, also have at least two more pawnshops per 100,000 on average.
than those with limits on both types of charges. The fourth row of Panel A reveals that counties in states with contract limits have a higher average number of pawnshops than those without, which supports the notion that substitution may occur between pawns and other loan contracts.

Panel B of Table 2 reports simple correlations between pawnshops and the interest rate limits, over the samples in which such maxima exist. Significant positive correlations exist between pawnshops and the maximum pawn loan rate and the legal rate. Although a negative correlation was expected, a slightly positive one is found between the maximum contract rate and the number of pawnshops. However, it is not statistically significant.

Because simple means cannot account for the numerous factors determining the number of pawnshops, more formal analysis is necessary. The pawnshop rate is estimated using a regression equation of the form

\[ P_{jk} = Z_k\gamma + X_{jk}\alpha + \nu_{jk} \]  

(1)

where \( P_{jk} \) is the number of pawnshops per 100,000 persons in county \( j \) and state \( k \). Matrix \( X_{jk} \) contains controls for demographics, labor market conditions, income levels, policing levels, and indicators for region. Matrix \( Z_k \) holds the state-level usury law variables.\(^{26}\)

Table 3 presents regressions of pawnshops on various usury laws. Column (1) shows the predicted signs of the instruments, while columns (2), (3), and (4) report estimates of equations using only pawn-specific, all, and only the general usury laws, respectively. In all three

\(^{26}\) Using a state-level variable (usury laws) to explain a county-level observations (pawnshops) implies a particular grouping of the data. Specifically, observations may be independent across states but not within them. The standard errors in the reported OLS and 2SLS regression results are corrected for this form of heteroskedasticity.
equations, all of the instruments bear the predicted signs. The presence of a limit on pawn charges appears to exert a negative effect on the number of shops, but given that this limit exists, the higher its value, the greater the number of shops. If this limit does not include fees, the number of shops is greater. Similarly, the variables for the contract limit bear signs consistent with the idea that written contracts substitute for pawns. The legal limit appears to complement the incidence of pawnshops. Usury limits specific to pawnshops are statistically significant in both equations that include them. The legal limit is significant at the 10% level in both of its equations, but the correlations between the incidence of pawnshops and the contract limits are still weaker. When all of the usury laws are included or when only the pawn-specific ones are, as in columns (2) and (4), the pawn-specific variables are jointly and individually significant. However, the general limits alone, as indicated in column (3), are not jointly above conventional significance levels. Therefore, the general limits alone cannot be used to estimate the impact of pawnshops on crime. Instead, those causal effects are estimated using the pawn-specific ones, as well as the full set of usury laws.

While the other right-hand side variables are discussed in Section V, two merit mentioning here. First, pawnshops have a positive and significant correlation with the extent of check-cashing outlets (CCOs), perhaps because they both serve the credit needs of low income individuals. Pawnbroking and check-cashing outlets (CCOs) constitute what has been termed the “alternative financial sector,” “fringe banking,” and (perhaps pejoratively) the “poverty industry” (Caskey (1991), Swagler et. al. (1995), Hudson (1993), and Marino (1997)). The positive estimate on CCOs supports the notion that these industries operate in the same markets. Secondly, pawnshops frequently deal in firearms, and regulations that restrict the availability of
handguns are seen to reduce the incidence of pawnshops. Counties in which the purchase of a handgun requires a waiting period or a license have significantly fewer pawnshops. Despite recent claims that “shall issue” laws encourage citizens to arms themselves and thereby deter crime, these laws are not significantly related to the rate of pawnshops.²⁷

V.A. Initial Estimates.

Two stage least squares is used to estimate the effect of pawnshops on crime. Pawnshops are modeled as endogenous and the other covariates are treated as exogenous. The second stage equation is of the form

\[ C_{ijk} = \beta_1 P_{jk} + X_{jk} \delta + \varepsilon_{ijk} \]  

(2)

where \( C_{ijk} \) is the rate of crime type \( i \) in county \( j \) and state \( k \). \( P_{jk} \) is again the rate of pawnshops in county \( j \) and state \( k \) and \( X_{jk} \) is the same matrix of covariates included in the right-hand side of equation (1).

As mentioned in Section III, the relationship of pawnshops to crime is tested by using two aggregated crime categories as dependent variables. The first crime measure is rate of robberies, burglaries, and larcenies, and this crime group is predicted to increase in the presence of pawnshops. The second crime measure is the rate of murder, rapes, aggravated assaults, and motor vehicle thefts, and this crime group is predicted to be not causally affected by the incidence of pawnshops.

Tables 4 and 5 report estimates of the impact of pawnshops on rates of these crimes that are predicted to increase and to be unaffected, respectively, by the presence of such shops. Columns (1) through (3) present OLS estimates, and subsequent columns contain results from instrumenting. In column (1) of Table 4, the summed rates of robbery, burglary, and larceny are regressed against only the pawnshop rate and an intercept term. Pawnshops are shown to be positively and significantly related to the incidence of these crimes. The regression in column (2) adds indicator variables for the four Census regions. While their coefficients are not reported here to conserve space, these indicator variables were jointly significant in all equations in which they were included. Their inclusion reduced the magnitude of the pawnshop coefficient by roughly 20%, but it remains statistically significant.

Column (3) adds several other right-hand side variables. Among these are CCOs which appear positively related to the rates of these crimes, but insignificantly so. The estimates on the other covariates are consistent with the findings of previous researchers. For example, crime is greater in cities (Glaeser and Sacerdote, 1996), and African-Americans are more likely to be both offenders and victims of crime. Communities with more renters, who tend to be more

\footnote{The author originally hoped that CCOs would provide an opportunity to verify the substance of the results in Tables 4 and 5. While their name suggests that they are a source of liquidity, CCOs also provide credit. CCOs offer “payday loans” in which a borrower provides proof of income (usually recent pay stubs) and a post-dated check in exchange for immediate cash. Because they lend against the promise of future (legitimate-sector) labor earnings, not against tangible personal property, CCOs provide credit without magnifying the incentive to commit crime. Thus, like pawnshops, CCOs ought to correlate with crime, but unlike pawnshops, they should not increase crime. Attempts were made to use limits on state-level check-cashing fees as instruments for the number of CCOs. However, only fourteen states have such limits (Saunders, 1997), and in a regression of CCOs, coefficients on variables for the presence and value of these limits were individually and jointly insignificant. For that reason, CCOs are treated as exogenous.}
transient than homeowners, have higher crime rates, as do those with a greater share of vacant housing. The rates of these crimes are positively related to unemployment rates, perhaps because the opportunity cost of crime is reduced when labor demand in the legitimate sector is lower. A greater share of female-headed households associates with more of these crimes, as is the presence of a law requiring pawnshops to give copies of their transactions to police. The negative estimate on the percent of persons receiving public assistance is consistent with the hypothesis that social welfare programs may ameliorate the incentive to commit crime.

Column (4) reports the 2SLS estimates of the effect of pawnshops on these crimes using the pawn-specific usury laws as instruments. Instrumenting reduces the value of the estimate by about 10% to 52.47, and statistical significance is retained. This estimate is approximately 35% lower than the original result of Column (1), and it indicates that pawnshops have small effects on the rate of robbery, burglary, and larceny. At the sample mean, a 10% increase in the pawnshop rate increases the rates of these crimes by almost 1%. Column (5) presents the results of 2SLS when the full set of usury laws are used as instruments. The statistically significant point estimate of 53.41 is remarkably close to the first one.

When instruments correlate weakly with the endogenous regressor, 2SLS estimates are likely biased toward OLS (Staiger and Stock, 1997). This bias is of particular concern here, as the purpose of instrumenting is to discern how much of the causal impact of pawnshops on crime accounts for the observed correlation between pawnshops and crime. For that reason, results from limited information maximum likelihood (LIML) are reported in columns (6) and (7). Both LIML estimates are only about 1% lower than their 2SLS counterparts. These results
suggest that the weakness of the correlation of the instruments with the incidence of pawnshops does not seriously bias the second-stage estimates.

Table 5 contains results of similar regressions in which the summed rate of murder, rape, robbery, aggravated assault, and motor vehicle theft is the dependent variable. The OLS estimates of columns (1), (2), and (3) show a strong, positive correlation between pawnshops and these crimes. In fact, the magnitude of the relationship is almost as large as it was for the previous set of crimes. According to the estimates of Column (3), a 10% increase in the mean pawnshop rate increases the mean rate of murder, rape, assault, and motor vehicle theft by roughly a half of one percentage point.

When pawnshops are treated as endogenous, however, their estimated relationship to the rates of these crimes is not different from zero. In column (4), the application of only the pawn-specific instruments reduces the point estimate by about 15% of that of OLS, and the standard error more than doubles. Column (5) shows that the use of all the instruments reduces the point estimate by two-thirds to 3.98. The LIML results reported in columns (6) and (7) mirror the 2SLS ones. Employing the pawn-specific usury laws as instruments only slightly reduces the coefficient on pawnshops but increases its standard error such that the estimate is no longer statistically significant. In contrast, the use of the full set of instruments dramatically cuts of the size of the point estimate. The LIML estimate in column (7) is less than a fourth of its OLS companion. In sum, the results in Tables 4 and 5 support for the hypothesis that pawnshops increase crimes in which pawnable goods are taken and that they have minimal effect on other types of criminal activity.
V.B. Individual Crime Rates and Urban versus Rural.

Table 6 reports results for the individual crime categories, and only coefficients on the pawnshop variable are reported in order to conserve space. The same patterns that were evident in the aggregated data emerge here. Murders, rapes, aggravated assaults, and motor vehicle thefts do not have statistically significant relationships to pawnshops after instrumenting. Moreover, almost all of these four crime types have 2SLS estimates that are smaller than their OLS counterparts. Only the estimate for aggravated assault, when the pawn-specific instruments alone are used, is larger than its OLS result, but when all the usury laws are used, its instrumented result about half that of OLS. In contrast, the size of the instrumented results for robbery, burglary, and larceny are only slightly below their OLS estimates. The larceny ones enjoy statistical significance in all specifications, while those for burglary remain marginally significant after instrumenting. Robbery is insignificant even in OLS, but instrumenting does not much affect its point estimate. That much of the causal impact of pawnshops on crime occurs through larceny is consistent with anecdotes of persons shoplifting with the intent of offering the swag to pawnbrokers (Larson, 1999).

As described in Section II, pawnshops’ impact on crime rates may only be felt in urban areas where the lower costs of transporting goods and greater anonymity make such shops convenient destinations for stolen goods.29 This hypothesis is tested by contrasting the results

29 Early work on distance and crime identified both anonymity and the effort of moving loot to be important considerations. Turner (1969) found that the location of delinquents’ offending peaked beyond the blocks immediately next to their residences where the risk of recognition might be greatest. Hakim and Weinblatt (1984) theorized that offenders would choose to steal bulkier items closer to home. Interestingly, the NPA (1997) notes that most pawnshop customers reside within two miles of the shop that they patronize.
presented thus far, which again used a sample of counties with populations of at least 50,000, with results from samples of less populous counties. Table 7 repeats the baseline results and presents estimates on samples of counties with fewer than 50,000 persons and fewer than 25,000. As one might expect, more rural samples have both fewer pawnshops and less crime. In counties with fewer than 50,000, the mean rate of robbery, burglary, and larceny is 2359.38, the mean rate of murder, rape, assault, and auto theft is 390.77, and the mean rate of pawnshops is 5.88. In counties with fewer than 25,000, these figures are 2050.11, 350.57, and 5.02, respectively.

The OLS estimates in columns (3) and (5) imply impacts of pawnshops on crime no larger than the instrumented results in the more urban sample did. A 10% increase in the mean pawnshop rate in counties with fewer than 50,000 persons would raise the mean rate of robbery, burglary, and larceny by 0.8 and the mean rate of murder, rape, assault, and auto theft by 0.6 of a percentage point. For counties with fewer than 25,000, these responses are 0.6 and 0.4, respectively.

The 2SLS results furnish an even sharper contrast of the behavioral impact of urban and rural pawnshops. In the sample of counties with less than 50,000 persons, instrumenting reduces the positive and significant estimate of the sum of murder, rape, assault, and auto theft to an insignificant negative. Moreover, the only crime category that is significantly affected by pawnshops after instrumenting is larceny and only at the 10% level. In the sample of counties with fewer than 25,000, the results are even more striking with four of the seven individual crime types bearing negative coefficients. In this column, pawnshops do not have a significant causal
effect on any of the crime categories. Thus, only pawnshops in more populous counties appear to stimulate criminal activity.\footnote{A possible objection to these results is that the pawnbroking industry has been expanding in recent years (see Caskey, 1994), while crime rates have fallen. However, this growth has been led by four publicly-traded companies that operate chains of pawnshops and that have sought to improve the public image of pawnbroking. (These companies are Cash America International, EZCORN, First Cash, and Pawnmart). With their professional management techniques and the greater costs that negative publicity could impose on their reputations, their shops may be less likely to accept stolen property. Because these firms’ shops are located primarily in Florida, Georgia, Louisiana, and Texas, the instruments lacked sufficient variation to identify the impact of these publicly-traded shops on crime. However, excluding them and conducting the analysis solely on privately-owned shops did not materially affect the results.}

V.C. Robustness.

To assess the sensitivity of the estimates, Table 8 presents the results of various alternative specifications. Row (A) repeats the baseline estimates from earlier tables, while row (B) reports results excluding the dummy variables for handgun regulations. If guns correlate with both pawnshops and crime, the exclusion of gun measures from the right-hand side may upwardly bias the estimated effect of pawnshops on crime. Excluding the gun variables does appear to inflict such a bias, as the instrumented estimates for robbery, burglary, and larceny are slightly larger than the OLS results. The effect of the removal of other covariates such as policing variables, public assistance variables, and CCOs, are given in rows (C), (D), and (E), respectively. Overall, the results are fairly robust to these changes. The instrumented results for robbery, burglary, and larceny are all statistically significant, and their magnitudes are within 10% of the baseline estimate. In addition, the instrumented results for the remaining crime categories are statistically insignificant and well below the OLS magnitudes.
According to the author’s counts of pawnshops, Georgia is the state with the greatest number of pawnshops per capita (over ten per 100,000 versus 5.08 in the rest of the country). Such a dense concentration of pawnshops might raise the concern that the results are driven by the potentially anomalous behavior of this particular state. To test this possibility, row (F) reports the results of regressions when observations for Georgia are excluded. Doing so reduces the sample size by 33 observations. However, the results are not severely altered by this change. Instrumented estimates for robbery, burglary, and larceny remain statistically significant and imply a 10% change in the mean pawnshop rate will increase the rate of these crimes by 0.77 of a percentage point. Moreover, when pawnshops are modeled as endogenous, the estimates for murder, rape, assault, and auto theft are insignificant and are at most a third of their size when pawnshops are treated as exogenous.

A further assessment of the sensitivity of the results is to express all of the level variables in natural logarithms. Doing so places less weight on observations with outlying values and allows the coefficients to be interpreted as elasticities. A cost of this specification is that observations with zero values are excluded, and consequently, the sample is reduced to 427 observations. Much of this reduction is due to the fact that CCOs are found only in the most urban areas. Row (G) presents the results of using this logarithmic specification, and they display a pattern similar to that of earlier estimates. A correlation between pawnshops and the summed rate of murder, rape, assault, and auto theft loses significance and becomes smaller in magnitude upon instrumenting. Meanwhile, the relationship between pawnshops and the summed rate of robbery, burglary, and larceny does not weaken.
A final test of robustness is given in row (H) of Table 10. Rather than examining the number of crimes, these regressions consider the value of goods stolen. Estimates of the average amount taken during the commission of particular types of crimes are available only at the national, not county, level. Therefore, the dependent variables in row (H) are the number of crimes multiplied by the national average of the value taken. The results from using these dependent variables are similar to those of earlier estimates. Instrumenting does not much reduce the coefficient in the robbery, burglary, and larceny equation and does not eliminate its statistical significance. Weighting the crimes in this fashion generates estimated impacts remarkably close to those arising from simple counts of crimes. For example, a 10% increase in the pawnshop rate would raise the mean property loss rate by 0.9 of a percentage point. In contrast, the pawn coefficient in the equation for the other crimes does lose statistical significance, and the point estimates are extremely close to zero.

VI. Public Policy.

Does the finding that pawnbroking imposes the negative externality of an increased incidence of certain crimes, imply a role exist for further regulation of the industry? To address this public policy question, Table 9 provides a rough calculation of the social costs and benefits of pawnshops. Column (1) presents the increased number of robberies, burglaries, and larcenies estimated to ensue from the introduction of one additional pawnshop at the margin for a county at the sample mean. The estimates are based on the individual crime category estimates reported in column (3) of Table 6, and they represent the number of additional crimes reported to police as the result of the presence of an additional pawnshop. Column (2) uses reporting rates from the
National Crime Victimization Survey (Bureau of Justice Statistics, 1997) to adjust for unreported crimes, and doing so increases the estimated number of crimes engendered by one more pawnshop from 60 to nearly 200.

The social costs of these crimes include both the property lost and the pain and suffering of victims. Column (3) shows the average value of property lost for each of these crime categories. These values are taken from the FBI (1997) and consequently are based upon reported crimes. Since crimes in which property losses are low are perhaps those less likely to be reported, the use of these values may overstate the total value of lost property. However, other costs such as the time lost from work, medical expenses, and precautions taken by potential victims, are not included in this table’s calculation, and their exclusion may imply an understatement of the social cost of these crimes.

Column (4) gives the per-crime pain and suffering costs that are taken from Cohen’s (1988) estimates and that have been adjusted to 1996 dollars. While trivial for larceny, much pain and suffering accompanies violent crimes like robbery. In column (5), the estimates of the additional crimes are multiplied by the property loss values to obtain a total dollar value of the property stolen as a result of an additional pawnshop. According to this calculation, the presence of one more pawnshop will stimulate almost $131,000 in thefts. An additional $54,000 of personal harms will attend these crimes, as shown in column (6).

These estimated losses can be placed in two contexts. First, only $45,000 of the estimated $131,000 in additional theft caused by the marginal pawnshop will be reported to police. If this $45,000 marginal increase is also representative of the average pawnshop, it suggests that the approximately 12,000 pawnshops nationwide are responsible for over half a
billion dollars of the reported property thefts annually. Put differently, about 8% of the $6 billion reported to police as stolen during the commission of robberies, burglaries, and larcenies may be due to the presence of pawnshops.

A second context into which the costs of the marginal pawnshop can be placed is to weigh them against the benefits of the additional pawnshop. Since a pawnshop’s primary service is lending, the social benefits of pawnbroking can be approximated by the profits earned on its lending activities. Because pawnors of stolen goods are unlikely to return to reclaim the items and because fees are collected only upon redemption of the pawn, the fees paid should measure solely the benefits accruing to legitimate customers. In addition, those pawns that go unredeemed, even if they are ill-obtained, are not forever lost. They are eventually purchased by customers who patronize pawnshops for their offerings of used merchandise. The social gains from such trade may be approximated by the profits from a pawnshop’s retail trade. Therefore, revenues from loan fees and retail sales are an estimate of a pawnshop’s social value.

Since most pawnshops are proprietorships, information on their revenues are not publicly available. However, the SEC-filings of the publicly-traded pawnshop chains provide a source for these data, and because these chains have been leading the expansion in the number of shops, they are arguably representative of the marginal pawnshop. Data from EZCorp is used, as it

31 Pawnshops may also provide benefits of crime-reduction by giving law enforcement access to transactions on the edge of the illegal sector. For example, pawnbrokers have sometimes provided clues to the whereabouts of wanted fugitives (Walsh, 1999, pp. 47-48), and via Brady Law background checks, some pawnshops have aided in confiscating guns from convicted felons (NPA, 1999). In the absence of systematic data on the extent of these phenomenon, such potential benefits are excluded from these calculations.

32 Internal Revenue Service’s data on income from sole proprietorships aggregates pawnshops with other sellers of used and antique goods and hence cannot be used here.
alone among the public pawn companies enumerates revenue from pawn loans separately from that of retail sales. In the fiscal year ended September 30, 1996, it received on a per-shop basis over $282,000 in revenue from pawn loans. This firm also had total assets of almost $566,000 per shop\textsuperscript{33} that when valued at the prime interest rate of 8.25\% in 1996, suggests a per-shop opportunity cost of capital of just over $46,000. Thus, the profit from pawn lending is roughly $236,000, which exceeds the social losses of additional crimes by over $50,000. Thus, the social benefits of pawn lending alone outstrip the social costs of higher crime, and the estimates do not support banning or restricting entry into the pawn industry. Also, this firm had on a per-shop basis over $417,000 in revenue from retail sales, while the cost of goods sold was only $359,000. The resulting $58,000 profit on retail sales further offsets the social losses of additional crime.

However, a role for regulation, short of outright prohibition, may still exist. Recent developments in computer technology allow for more efficient processing of pawn slips by law enforcement agencies. For example, this year the Nashville Metro Police Department developed software that allows pawnbrokers to file their slips electronically and Internet users to search the database of slips for stolen items\textsuperscript{34}. If effective at increasing the amount of stolen property recovered from pawnshops, this software should deter the pawning of ill-gotten goods in two ways. First, it should magnify the thief-turned-pawnor’s odds of apprehension. Secondly, as police confiscation of stolen merchandise becomes more likely, pawnbrokers should be less willing to accept questionable items.

While it is too early to estimate the deterrent impact of this program, its economic worth may still be evaluated by asking what fraction of the $131,000 in stolen goods would need to be recovered.

\textsuperscript{33} Author’s calculations from EZCorp (1996).

\textsuperscript{34} See www.police.nashville.org/pawn.html.
recovered to justify its use? Because the Nashville Metro Police is donating it to any law enforcement agency that requests it, the marginal cost of the software is zero (Pence, 1999). One officer is required to maintain the associated website, and the mean salary of an experienced officer is roughly $40,000 (Sourcebook, 1999, table 1.47). Since Nashville has almost 100 pawnshops, only a hundredth of the officer’s time would be allocated to monitoring the marginal pawnshop for a cost of $400. In addition, if each of the victims of the almost 200 additional criminal incidents caused by the marginal pawnshop spent an hour searching the website, the cost of their time, when valued at the $5.15 minimum wage, would be $1030. Thus, the total cost of property recovery would be $1,430. Hence, for the use of this software to be socially efficient, the recovery of 1.1% of these goods would be required. Since this rate is not much higher than the pawn industry’s own estimate of the current recovery rate of about 0.5%, only a small increase would be needed to justify the use of this technology.

VII. Conclusion.

This paper explores the responsiveness of criminal behavior to the benefits of crime by examining the case of pawnshops. It finds that pawnshops increase the rates of robbery, burglary, and larceny, but have no effect on the incidence of murders, rapes, aggravated assaults,

\[35\] No reliable estimates of what fraction of pawnshop merchandise is stolen exist. Similarly, estimates of the total value of goods pawned annually are unavailable. The National Pawnbrokers Association claims that about one half of one percent of a typical pawnshop’s inventory is shown to be stolen, but it does not provide a source for this estimate (NPA, 1998). In contrast, one police officer believes this fraction is much higher: “With some of these places, if you were to walk in there with something that could somehow suck up everything that’s stolen, the shelves would be empty” (quoted in Glover and Larrubia, 1996a). Still, an estimate can be made from EZCORP (1996), whose average shop made $610,000 in pawn loans that year. Relative to the estimated value of additional crimes in column (5) of Table 9, it indicates that in terms of dollar value over 20% of the goods incoming to the marginal pawnshop are stolen.
or motor vehicle thefts. The estimates indicate that a 10% increase in the number of pawnshops will raise mean rates of robbery, burglary, and larceny by roughly 1%. The mechanism by which pawnshops increase the rate of these offenses is presumably through the receipt of stolen property. While the marginal pawnshop is estimated to be a conduit for over $131,000 worth of stolen goods, the benefits enjoyed by the shop’s legitimate customers exceed this value. Still, new technologies to track pawn slips hold promise for reducing thieves’ incentive to use pawnshops as outlets for their takings.
Appendix A.
Definitions of Index I Crime Categories.

Violent Crimes:

1. Homicide: the killing of one human being by another either through an act of willful (non-negligence) or through gross negligence.

2. Rape: the carnal knowledge of a female forcibly or against her will.

3. Robbery: the taking or attempting to take anything of value from the care, custody, or control of a person or persons by force or the threat of force or violence with or without putting the victim into fear.

4. Aggravated Assault: unlawful attack of one person upon another for the purpose of inflicting some severe or aggravated bodily injury. This type of assault is usually accompanied by the use of a weapon or by means likely to produce death or great bodily harm.

Property Crimes:

5. Burglary or “Breaking and Entering”: the unlawful entry of a structure to commit a theft.

6. Larceny: the unlawful taking, carrying, leading, or riding away of property from the possession of another.

7. Motor Vehicle Theft: the theft or attempted theft or a motor vehicle.

Source: FBI (1984)
References.


Bartlett, Cindy D. and Donald K. Hardin, 1999. Personal Correspondence, State of Oklahoma, Department of Consumer Credit.


-------------. 1990. “Census of Population and Housing.” Summary Tape File (STF) 3A.


PAWNSHOPS, BEHAVIORAL ECONOMICS, AND SELF-REGULATION

SUSAN PAYNE CARTER* AND PAIGE MARTA SKIBA**

I. Introduction

Pawnbroking is the oldest source of credit.1 There is growing public interest in day-to-day pawnbroking operations, as evidenced by the popularity of reality shows such as “Pawn Stars” and “Hardcore Pawn.”2 Television viewers’ curiosity about an old credit institution may be due to the fact that 7% of all U.S. households have used pawn credit.3 Although pawnshops predate biblical times, researchers know surprisingly little about this ancient form of banking and its customers.4 We fill this gap by documenting detailed information on pawnshop loan repayment and default, and by discussing how pawnshop borrowers’ behavior is consistent with various behavioral economics phenomena.

Pawnshop loans are small, short-term, collateralized loans typically used by low-income consumers. The borrower leaves a possession, or “pledge,” as collateral in exchange for a loan, typically of $75–$100.5 Interest rates vary by state and range from 2

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We would like to thank Margaret Blair, Anna Skiba-Crafts and Kip Viscusi for valuable feedback.


4 Id.

5 Customers can also sell items outright to the pawnshop, a practice we do not study here.
to 25%.\(^6\) If the borrower does not return to repay the principal plus interest after the maturation date (typically loans last 30–90 days), the pledge is forfeited and resold by the pawnbroker. Just about anyone can borrow on a pawn loan. No bank account, job, or credit check is required—just the collateral and a valid photo ID.

We are able to study pawnshop-borrowing behavior in depth using a unique transaction dataset from a lender in Texas with 103 stores in 37 different cities across the state. Our dataset comes from “pawnslips,” which are filled out by the pawnbroker at the time of the transaction and include information on the collateral or “pledge,” start date and due date, repayment outcomes, and borrower demographic characteristics. We study the nature of the collateralized pledge separately, distinguishing items that might have intrinsic value to the owner that goes beyond the dollar value of the item, i.e., sentimental value. We find that borrowers are more likely to return to repay their pawnshop loan when they have pawned a sentimental item, such as a piece of jewelry. We discuss potential behavioral economic explanations and rational economic reasons for this behavior below.

These issues have gone unexplored in the sparse literature on pawnshop lending. The growing body of work on other forms of what is often referred to as “fringe banking” makes the persistent lack of literature on pawnshops especially surprising.\(^7\) Numerous papers study consumer borrowing behavior and test the consequences of various other types of subprime credit, including payday loans, subprime mortgages, subprime auto loans, and auto-title loans.\(^8\) Perhaps researchers have overlooked pawnshop lending

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\(^7\) For a nice exception that studies pawnbroking (rather than customer behavior per se) see Caskey, supra note 1. For works that study pawnshop customers directly, see Bos, Carter & Skiba, supra note 3; Sumit Agarwal, Paige Marta Skiba & Jeremy Tobacman, Payday Loans and Credit Cards: New Liquidity and Credit Scoring Puzzles?, 99 AM. ECON. REV. 412 (2009).

\(^8\) On payday loans see generally Agarwal, Skiba & Tobacman, supra note 7, at 412; Neil Bhutta, Paige Marta Skiba & Jeremy Tobacman, Payday Loan Choices and Consequences 1–23 (Vanderbilt Univ. Law and Econ. Research Paper Series, Paper No. 12–30, 2012), available at
because the loans made are small (the average loan size in our data is $79). Despite their small principal, however, pawnshop loans are an important tool that many consumers use to manage their monthly finances during financial shortfalls.

Our results documenting differential repayment rates on pawn contracts are consistent with both (1) a model of decision-making where consumers are aware of their own self-control problems and (2) a rational model of economic decision-making where “affect” or sentimentality toward an object plays a role in utility maximization. As explained infra, loss aversion, the extra loss in utility due to the feeling of loss relative to a reference point, may also play a role.

Because of self-awareness about self-control problems, borrowers may seek commitment mechanisms to give themselves a greater incentive to act optimally. In the context of pawnshops, these


types of borrowers, called “hyperbolic discounters”\textsuperscript{10} by behavioral economists, may use sentimental items (such as wedding rings) rather than less sentimental items (such as electronics) to encourage themselves to return to repay the loan. Indeed, pawnshops accept almost anything of at least a couple dollars in value as a pledge, but many borrowers choose to pledge something of great importance to them.

A growing body of work in behavioral economics documents real-world evidence of hyperbolic discounting. To our knowledge, ours is the first work to add pawnshops to the ongoing discussion of intertemporal choice in markets.\textsuperscript{11}

\begin{footnotesize}
\begin{itemize}
  \item[\textsuperscript{10}] Ted O’Donoghue & Matthew Rabin, \textit{Choice and Procrastination}, 116 Q. J. OF ECON. 121, 125 n.5 (2001) (explaining that the term “hyperbolic discounting” is often used to describe how “a person’s relative preference for well-being at an earlier date over a later date gets stronger as the earlier date gets closer,” i.e., how people seek immediate gratification).
\end{itemize}
\end{footnotesize}
II. Regulation

Pawnshops are popularly considered to have usurious interest rates, but their fees are often low relative to those associated with alternatives such as payday loans,\textsuperscript{12} tax refund anticipation loans,\textsuperscript{13} and rent-to-own agreements.\textsuperscript{14} All states allow pawnshops, and most do restrict the fees that can be charged through usury laws or laws regulating small loans.\textsuperscript{15} Table 1 provides a list of laws governing pawnshop interest rates by state. Beyond regulating fees, states can also force pawnshops to return any excess proceeds to the customer once they resell an item.\textsuperscript{16} In Texas, where our data are from, maximum interest rates are 20% per thirty days for loans up to $150 and 15% per thirty days for loans larger than $200.\textsuperscript{17}

\begin{flushright}
\begin{small}
\textsuperscript{12} Skiba & Tobacman, supra note 11, at 20 (documenting annualized interest rates for two-week-long payday loans of 468%).
\textsuperscript{13} Gregory Elliehausen, Consumer Use of Tax Refund Anticipation Loans 2 (Georgetown Univ. McDonough Sch. of Bus. Credit Research Center, Monograph No. 37, Apr. 2005) (illustrating annualized interest rates for ten day loans as high as 162.43%).
\textsuperscript{14} Michael H. Anderson & Sanjiv Jaggia, Rent-to-Own Agreements: Customer Characteristics and Contract Outcomes, 61 J. of Econ. & Bus. 51, 52 (2009) (referencing interest rates on such loans higher than 100%).
\textsuperscript{16} This process rarely happens in practice. But see Shackman & Tenney, supra note 15, at 81 (listing states that have enacted such requirements).
\end{small}
\end{flushright}
## Table 1
Pawnshop Interest Rate Regulations

<table>
<thead>
<tr>
<th>State</th>
<th>Interest Rates Per Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>25% / mo</td>
</tr>
<tr>
<td>Alaska</td>
<td>20% / mo</td>
</tr>
<tr>
<td>Arizona</td>
<td>8% / mo</td>
</tr>
<tr>
<td>Arkansas</td>
<td>none</td>
</tr>
<tr>
<td>California</td>
<td>2.5% / mo</td>
</tr>
<tr>
<td>Colorado</td>
<td>local rules</td>
</tr>
<tr>
<td>Connecticut</td>
<td>3% / mo</td>
</tr>
<tr>
<td>DC</td>
<td>5% / mo</td>
</tr>
<tr>
<td>Delaware</td>
<td>3% / mo</td>
</tr>
<tr>
<td>Florida</td>
<td>25% / mo</td>
</tr>
<tr>
<td>Georgia</td>
<td>25% / mo</td>
</tr>
<tr>
<td>Hawaii</td>
<td>20% / mo</td>
</tr>
<tr>
<td>Idaho</td>
<td>none</td>
</tr>
<tr>
<td>Illinois</td>
<td>3% / mo</td>
</tr>
<tr>
<td>Indiana</td>
<td>3% / mo</td>
</tr>
<tr>
<td>Iowa</td>
<td>none</td>
</tr>
<tr>
<td>Kansas</td>
<td>10% / mo</td>
</tr>
<tr>
<td>Kentucky</td>
<td>2% / mo</td>
</tr>
<tr>
<td>Louisiana</td>
<td>10% / mo</td>
</tr>
<tr>
<td>Maine</td>
<td>25% / mo</td>
</tr>
<tr>
<td>Maryland</td>
<td>none</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>3% / mo</td>
</tr>
<tr>
<td>Michigan</td>
<td>3% / mo</td>
</tr>
<tr>
<td>Minnesota</td>
<td>3% / mo</td>
</tr>
<tr>
<td>Mississippi</td>
<td>25% / mo</td>
</tr>
<tr>
<td>Missouri</td>
<td>2% / mo</td>
</tr>
<tr>
<td>Montana</td>
<td>25% / mo</td>
</tr>
<tr>
<td>Nebraska</td>
<td>none</td>
</tr>
<tr>
<td>Nevada</td>
<td>10% / mo</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>none</td>
</tr>
</tbody>
</table>
New Jersey 4% / mo
New Mexico \( \max\{7.50, 10\%\} \)
New York 4% / mo
North Carolina 2% / mo
North Dakota reg. by municipalities
Ohio 5% / mo
Oklahoma 20% / mo
Oregon 3% / mo
Pennsylvania 2.5% / mo
Rhode Island 5% / mo
South Carolina $22.50/$100 / mo
South Dakota none
Tennessee 2% / mo
Texas $20 / mo
Utah 10% / mo
Vermont 3% / mo
Virginia 5% / mo
Washington 3% / mo
West Virginia none
Wisconsin 3% / mo
Wyoming 20% / mo

Table 1 shows pawnshop laws by state as of 2011. The state laws on pawn shops come from individual state regulating institutions.

Beyond these fairly standard regulations, however, pawnshops have received little attention from regulators in recent years. This is in stark contrast to other forms of prime and subprime credit such as credit cards, student loans, and payday loans, which have been explicitly identified by the new Consumer Financial Protection Bureau (“CFPB”) as areas of interest.\(^{18}\) Pawnshops, however, do not seem to be on the CFPB’s radar.\(^{19}\)

\(^{18}\) See Know Before You Owe: Credit Cards, CONSUMER FIN. PROTECTION BUREAU, http://www.consumerfinance.gov/credit-cards/knowbeforeyouowe
The relative lack of regulatory attention given to pawnshops may be due to the phenomenon we document in this paper: consumers seem to avoid making big financial mistakes when using pawnshops. Something about the use of personal items (and particularly sentimental personal items) as collateral may distinguish these loans from credit cards, payday loans, and the like in terms of borrowers’ repayment and default behavior.

III. Data

We use administrative records from a large, national pawnshop lender in the United States. Our data consist of 398,722 pawnslips from stores that operated in Texas from 1997–2002. From these slips, we can observe the size of the loan, whether the loan was defaulted on or repaid, and the nature of the pledge. The store categorizes the items into the following groups: Jewelry, TVs/Electronics, Tools/Equipment, Household Items, Sporting Equipment, Guns, Instruments, and Cameras/Equipment. While our dataset is large and very detailed, one drawback is that it comes from Texas alone. Fortunately, we are able to rely on previous work documenting the surprisingly similar characteristics of pawnshop use across the United States as well as Sweden. Figure 1 and Table 2 provide basic summary statistics from our data. The typical loan is for $79 and lasts for 109 days.

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20 Pawnshops and other lenders now commonly offer “title loans,” with an automobile as a pledge. We do not have automobiles as pledges in our data. For more on title lending, see generally Hawkins, supra note 8; Nathalie Martin & Ozymandias Adams, Grand Theft Auto Loans: Repossession and Demographic Realities in Title Lending, 77 Mo. L. REV. 41 (2012) (discussing demographic trends in auto-title lending).

21 Bos, Carter & Skiba, supra note 3, at 2.
Table 2: Summary Statistics

<table>
<thead>
<tr>
<th>All Loans</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent Female</td>
<td>59.59%</td>
</tr>
<tr>
<td>Average Loan Duration</td>
<td>109</td>
</tr>
<tr>
<td></td>
<td>(140.2)</td>
</tr>
<tr>
<td>Average Loan Amount</td>
<td>79.5</td>
</tr>
<tr>
<td></td>
<td>(90.8)</td>
</tr>
</tbody>
</table>

Table 2 shows the percent of pawn loans taken out by females, the average and standard deviation (in parentheses) of the loan duration and loan amount. The sample of observations is from a pawnshop lender in Texas between 1997 and 2002.

Forty-nine percent of the pawnshop loans in the dataset are collateralized with jewelry, with over half of the items in the jewelry category consisting of rings, including both men’s and women’s class and wedding rings. The next most popular category of pledges is televisions and electronics, including satellite dishes, stereos, and CD players. Individuals also commonly pawn tools, household items such as small appliances, sporting equipment, guns, musical instruments, and camera equipment.

The value of collateral has a wide distribution: Guns have the highest average value, $146, with instruments ($117) and jewelry ($96) coming in second and third, respectively. Statistics for all categories are shown in Table 3.
Table 3: Collateral by Category

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of Observations</th>
<th>Percentage of Observations</th>
<th>Average Loan Amount</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jewelry</td>
<td>199,288</td>
<td>49.98%</td>
<td>$96.28</td>
<td>105.02</td>
</tr>
<tr>
<td>TVs / Electronics</td>
<td>126,297</td>
<td>31.68%</td>
<td>$58.80</td>
<td>62.34</td>
</tr>
<tr>
<td>Tools / Equipment</td>
<td>31,600</td>
<td>7.93%</td>
<td>$50.18</td>
<td>60.67</td>
</tr>
<tr>
<td>Household Items</td>
<td>10552</td>
<td>2.65%</td>
<td>$42.92</td>
<td>44.7</td>
</tr>
<tr>
<td>Missing</td>
<td>7,833</td>
<td>1.96%</td>
<td>$63.75</td>
<td>72.54</td>
</tr>
<tr>
<td>Guns</td>
<td>7,734</td>
<td>1.94%</td>
<td>$146.97</td>
<td>98.75</td>
</tr>
<tr>
<td>Instruments</td>
<td>7,700</td>
<td>1.93%</td>
<td>$116.92</td>
<td>104.66</td>
</tr>
<tr>
<td>Camera / Equipment</td>
<td>4,052</td>
<td>1.02%</td>
<td>$75.85</td>
<td>77.87</td>
</tr>
<tr>
<td>Misc.</td>
<td>3,666</td>
<td>0.92%</td>
<td>$51.50</td>
<td>62.46</td>
</tr>
</tbody>
</table>

Table 3 reports the number of loans for each collateral category, the percentage of observations, and the average amount and standard deviation of the items pawned for each category. All amounts are in 2002 dollars. The sample of observations is from a pawnshop lender in Texas between 1997 and 2002.

The items pawned differ somewhat by the gender of the borrower. Jewelry is the most popular pledge for women, making up over 60% of the items pawned by women. Meanwhile, less than 35% of the items pawned by men are jewelry; men are more likely than women to pawn electronics and tools.

**IV. Default**

The probability of repayment varies by the type of collateral, the gender of the borrower, and the value of the item. Figure 2 depicts the probability of repayment and default by the category of collateral. Instruments, guns, and jewelry are associated with the highest probability of repayment and lowest probability of default. The pawning of tools, household items, and miscellaneous items
(including clothes and medical equipment) leads to the highest probability of default and lowest probability of repayment.\footnote{Here, as we cannot directly test for it, we abstract from any adverse selection in this market, such as borrowers having more information about their own default risks than the lender has. But we do not doubt asymmetries in information could be important here, as has been documented in the payday loan and subprime auto lending market. See Adams, Einav & Levin, supra note 8, at 75 (finding that adverse selection arises from asymmetric information about default risk in auto loan markets); Dobbie & Skiba, supra note 8, at 2 (finding “economically and statistically significant adverse selection into payday loans”).}

We explore default dynamics more precisely using an ordinary least squares regression, measuring the probability of default as shown in the following linear probability model:

\[
\text{Default}_i = c + \beta Y_i + \gamma X_i + t + \epsilon_i
\]

(Equation 1)

where \(\text{Default}_i\) is an indicator variable that takes values 0 (repay) or 1 (default). \(Y\) is a vector of collateral categories (the category of camera equipment is omitted), \(X\) is a vector of demographic categories, \(c\) is a constant term, \(t\) represents month and year dummies, and \(\epsilon_i\) is the error term. We cluster the standard errors at the individual level and then in other regressions, at the store level where appropriate. Results are shown in Table 4.
Table 4

<table>
<thead>
<tr>
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<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dependent Variable: Default</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electronics</td>
<td>0.021</td>
<td>0.0060</td>
<td>0.021</td>
<td>0.0060</td>
</tr>
<tr>
<td></td>
<td>(0.0135)</td>
<td>(0.0132)</td>
<td>(0.0139)</td>
<td>(0.0131)</td>
</tr>
<tr>
<td>Guns</td>
<td>-0.041**</td>
<td>-0.0058</td>
<td>-0.041**</td>
<td>-0.0058</td>
</tr>
<tr>
<td></td>
<td>(0.0161)</td>
<td>(0.0158)</td>
<td>(0.0159)</td>
<td>(0.0159)</td>
</tr>
<tr>
<td>Household Items</td>
<td>0.055***</td>
<td>0.041***</td>
<td>0.055***</td>
<td>0.041***</td>
</tr>
<tr>
<td></td>
<td>(0.0160)</td>
<td>(0.0154)</td>
<td>(0.0160)</td>
<td>(0.0155)</td>
</tr>
<tr>
<td>Instruments</td>
<td>-</td>
<td>-0.038**</td>
<td>-</td>
<td>-0.038**</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.0172)</td>
<td></td>
<td>(0.0166)</td>
</tr>
<tr>
<td>Jewelry</td>
<td>-0.028**</td>
<td>-0.046***</td>
<td>-0.028*</td>
<td>-0.046***</td>
</tr>
<tr>
<td></td>
<td>(0.0136)</td>
<td>(0.0136)</td>
<td>(0.0146)</td>
<td>(0.0132)</td>
</tr>
<tr>
<td>Tools</td>
<td>0.031**</td>
<td>0.036**</td>
<td>0.031**</td>
<td>0.036**</td>
</tr>
<tr>
<td></td>
<td>(0.0147)</td>
<td>(0.0151)</td>
<td>(0.0156)</td>
<td>(0.0144)</td>
</tr>
<tr>
<td>Female</td>
<td>0.054***</td>
<td>0.054***</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.0054)</td>
<td>(0.0044)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>-0.033</td>
<td>-0.033</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.0237)</td>
<td>(0.0223)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Black</td>
<td>0.00053</td>
<td>0.00053</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.0240)</td>
<td>(0.0220)</td>
<td></td>
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</tr>
<tr>
<td>Hispanic</td>
<td>0.015</td>
<td>0.015</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.0230)</td>
<td>(0.0221)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan Amount</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.0000)</td>
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<tr>
<td>Month x Year Effects</td>
<td>X</td>
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<td>X</td>
<td></td>
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<tr>
<td>Cluster at Individual</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Cluster at Store</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>387,223</td>
<td>387,223</td>
<td>387,223</td>
<td>387,223</td>
</tr>
<tr>
<td><strong>adj. R-sq</strong></td>
<td>0.0032</td>
<td>0.0169</td>
<td>0.0032</td>
<td>0.0169</td>
</tr>
</tbody>
</table>
The category of camera equipment is omitted in the regressions, meaning results are interpreted as differences in other categories of collateral relative to camera equipment. As the results show, even after controlling for demographic characteristics (gender and race) and the loan size, borrowers pawning jewelry and instruments are the least likely to default. The pawning of household items or tools is more likely to result in default than pawning camera equipment. The coefficients on the merchandise categories are all statistically significantly different from each other at the 1% level, except for the coefficients on jewelry and instruments, which are statistically different at the 5% level. An interesting fact that we are not able to explore further here is that, controlling for loan characteristics, female borrowers are 5.4 percentage points more likely to default on their loans than male borrowers are.

Our findings show that when borrowers use items like jewelry or instruments—which may have intrinsic value greater than the market price—as collateral for a loan, they are more likely to repay the loan. This is true even controlling for characteristics of the loan and borrower, and the value of the item. To investigate this result further, we narrow the field of jewelry down further to include only items that are the most likely to hold sentimental value: class rings, wedding rings, and engagement rings.

Borrowers may choose to pawn these types of items as a commitment mechanism to encourage themselves to repay the loan, as we discuss further in the section on theoretical underpinnings below. Alternatively, these items might be the only pledge available to the borrower at the time they want to borrow, but given that pawnshops accept nearly any type of collateral, we find this explanation unlikely. We examine the probability of repayment for “sentimental” and “non-sentimental” items, counting wedding rings.

Interestingly, in the context of default on credit in Mexico, Professor Vissing-Jorgenson finds that when borrowers are using credit to buy luxury items, they are more likely to default on their loans. Annette Vissing-Jorgenson, Consumer Credit: Learning Your Customer’s Default Risk from What (S)he Buys 27 (Apr. 13, 2011) (unpublished manuscript), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2023238 (“I showed that high loss products tend to be luxuries and that consumers who tend to spend a lot on luxuries given their income on average are higher risk.”). This result indicates that credit providers may want to modify payments, interest rates, or both based on the items borrowers have purchased previously and the corresponding implications such items have about their credit risk.
class rings, engagement rings, and “mother’s” rings as sentimental items. As shown in Figure 3, when borrowers pawn sentimental items, they are less likely to default and are more likely to repay their loans.\footnote{Of course, pawnshops are popularly considered fences for stolen items and we cannot be certain of each pledge’s ownership. Some evidence suggests that only a small fraction of pawned items are repossessed by law enforcement because they were stolen. \textit{See Caskey, supra note 1, at 37–38.} However, Professor Miles finds evidence suggesting pawnshops do sometimes function as fences for stolen goods. Thomas J. Miles, Markets for Stolen Property: Pawnshops and Crime 6 (Jan. 24, 2008) (unpublished manuscript presented at the University of Michigan Law School Law and Economics Workshop), \textit{available at} http://www.law.umich.edu/centersandprograms/lawandeconomics/workshops/Documents/Winter2008/miles.pdf. Further, because pawnshop borrowers must show a valid photo ID that is recorded with the pawnslip (and serial number of the pledge where possible), and pawnshops are required to regularly send all pawnslips to local police (usually every week), we feel confident that the vast majority of items pawned are pawned by their rightful owner. John P. Caskey, \textit{Pawnbroking in America: The Economics of a Forgotten Credit Market}, 23 \textit{J. OF MONEY, CREDIT \\& BANKING} 85, 89 n.6 (1991) (“Given the police report requirement, they also say it would not be in the interest of a thief to pawn a stolen good.”).}

We test the effects of sentimentality using regression analysis. Here, we regress the probability of default on the amount loaned, an indicator for each merchandise category, and month-year dummies (as in Equation 1). The results from this regression are presented in Table 5. Even when controlling for merchandise categories, gender, race, and loan amount, pawning a sentimental item decreases the probability of default by a significant amount: 6.2 percentage points. The statistical significance on the collateral categories and gender remain the same and the coefficients are similar. Pledging a specific item, for example a sentimental ring, further reduces the probability that the borrower defaults on the loan. In the next section, we discuss the economic theory behind our results.
<table>
<thead>
<tr>
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<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
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<td>Dependent Variable:</td>
<td>Default</td>
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<td></td>
<td></td>
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<tr>
<td>Sentimental</td>
<td>-0.090***</td>
<td>-0.062***</td>
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<td>-0.062***</td>
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<tr>
<td></td>
<td>(0.0045)</td>
<td>(0.0046)</td>
<td>(0.0044)</td>
<td>(0.0044)</td>
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<td>0.0064</td>
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<tr>
<td></td>
<td>(0.0131)</td>
<td>(0.0132)</td>
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<td></td>
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<tr>
<td>Guns</td>
<td>-0.0067</td>
<td>-0.0067</td>
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<td></td>
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<tr>
<td></td>
<td>(0.0159)</td>
<td>(0.0158)</td>
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<td></td>
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<tr>
<td>Household Items</td>
<td>0.041***</td>
<td>0.041***</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>(0.0155)</td>
<td>(0.0154)</td>
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<td></td>
</tr>
<tr>
<td>Instruments</td>
<td>-0.038**</td>
<td>-0.038**</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>(0.0166)</td>
<td>(0.0177)</td>
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<tr>
<td>Jewelry</td>
<td>-0.038***</td>
<td>-0.038***</td>
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<tr>
<td></td>
<td>(0.0132)</td>
<td>(0.0136)</td>
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<td></td>
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<td>Tools</td>
<td>0.036**</td>
<td>0.036**</td>
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<tr>
<td></td>
<td>(0.0144)</td>
<td>(0.0151)</td>
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<tr>
<td>Female</td>
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<td>0.053***</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>(0.0044)</td>
<td>(0.0054)</td>
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<tr>
<td>White</td>
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<td>-0.030</td>
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<tr>
<td></td>
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<td></td>
<td>(0.0220)</td>
<td>(0.0241)</td>
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<td>0.015</td>
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<td>(0.0221)</td>
<td>(0.0231)</td>
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<td></td>
</tr>
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<td>-0.00023**</td>
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<td>X</td>
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<tr>
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<td>387,223</td>
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<td>387,223</td>
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<tr>
<td>adj. R-sq</td>
<td>0.0021</td>
<td>0.0178</td>
<td>0.0021</td>
<td>0.0178</td>
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V. The Rational Economics and Behavioral Economics of Pawnbroking

In this section, we first evaluate our results relative to the standard rational framework used in economics to study choice involving decision-making over time. We then step away from the standard assumptions of this classical rational model to explore behavioral economics models of decision-making, models which strive to be more realistic and more representative of human behavior. We evaluate all of these models relative to our evidence above on common drivers of default in the pawnshop market.

A. Rational Model with Exponential Discounting

The canonical model of rational choice in economics, the exponential discounting model, assumes that individuals act to maximize a utility function. This utility function reflects levels of happiness coming from different potential choices at each point (or instant) in time. The utility at time \( t \) is represented as \( u_t \). Time can be measured in years, months, days or even at an instant. For our purposes, days are a natural way to think about time units. We can represent any day’s utility in this way, for an indefinite number of periods \( t \). Individuals make choices by trading off these utilities over time. For example, an individual decides when to do her homework by comparing the utility of doing it today (time \( t \)) with the utility of doing it on any possible future date (so long as it meets certain constraints, like completing the homework assignment before the due date). Certain time periods may come with an extra cost: Doing homework on Friday night may come with extra disutility of missing a night out on the town with friends. These choices regarding how

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25 For a nice review of both the historical and more recent theory in psychology and economics on intertemporal choice, see generally Shane Frederick, George Loewenstein & Ted O’Donoghue, Time Discounting and Time Preference: A Critical Review, 40 J. OF ECON. LITERATURE 351 (2002).

26 For the original foundations of this model see Paul Samuelson, A Note on Measurement of Utility, 4 REV. OF ECON. STUDIES 155, 156 (1937) (“During any specified period of time, the individual behaves so as to maximise the sum of all future utilities, they being reduced to comparable magnitudes by suitable time discounting.”). For a review of work on discounted utility theory since then, see Frederick et al., supra note 25, at 356–360.
utility is traded off depend not just on such opportunity costs, but also in part on the extent to which borrowers discount future utilities.

A feature of this type of discounting is that it assumes borrowers correctly predict their future discounting, that is, that they are time consistent—meaning they know the choices that will give them the highest utility in terms of today, and when tomorrow comes they make those same choices. A drawback of exponential discounting, however, is that this strong assumption of individuals exhibiting time consistency is often at odds with the way people make choices in reality. The exponential model assumes a consumer’s discount rate between any two periods is constant, whether those two periods are today and tomorrow or 365 days and 365-plus-one days from now, and, further, assumes that consumers know the rate at which they will discount any of these periods. Time consistency precludes any procrastination or self-control problem.

A second drawback is how quickly utility gets discounted very heavily. Even for high values of the discount rate, typically denoted “delta” (indicating a very patient person), say 0.99, if one examines discounting at the daily level (which would be a reasonable way to consider the choices we explore here in credit markets), the borrower would care almost nothing about utility in one year. That utility would be discounted by $0.99^{365}$ which equals approximately 0.02, implying that borrowers care about utility in one year fifty times less than utility today. For example, this consumer would be indifferent between receiving $10 today and $500 in a year. So exponential discounting may work well in theory (the time consistency aspect makes calculating the tradeoffs that consumers face very tractable) and in some contexts, but not well when shorter time frames are concerned.

In light of these drawbacks, one wonders about the propriety of using such a model. Recall that this model, or a close cousin,

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27 See O’Donoghue & Rabin, supra note 10, at 125–26 (“[P]eople have self-control problems caused by a tendency to pursue immediate gratification in a way that their ‘long-run selves’ do not appreciate.”).
28 Frederick et al., supra note 25, at 358 (“Constant discounting implies that a person’s intertemporal preferences . . . confirm earlier preferences.”).
29 Id. at 367.
30 This is because $1/.02 = 50$. 

underlies just about all models of rational choice in economics.  
Like all models, exponential discounting is a simplification of the 
real world, and, though not always realistic in its predictions about 
behavior, it can be a nice starting point for thinking about choices 
over time. There is, however, overwhelming evidence refuting the 
exponential model.  
Even Paul Samuelson himself, writing the canonical paper that works through the exponential discounting 
model, was forthcoming about its drawbacks and unrealistic 
predictions for behavior. However, economists both of his time and 
today appreciate it as an excellent starting place to begin to think

32 For reviews of the empirical evidence on time inconsistency, see id.; Stephan Meier & Charles D. Sprenger, Stability of Time Preferences 1–41 
(Institute for the Study of Labor (IZA), Discussion Paper No. 4756, 2010); Rabin, supra note 31, at 11–46; Frederick et al., supra note 25, and 
references therein. See also Jacob Goldin, Making Decisions About the Future: The Discounted-Utility Model, 2 MIND MATTERS: WESLEYAN 
that can affect one’s willingness to trade off between current and future 
satisfaction—e.g., patience or impatience, imagination of the future, 
anticipation, and memory—are summarized by a single number in the DU 
model—the discount rate[;] . . . however, factors that promote simplicity 
may be detrimental to the model’s accuracy.”). Exponential discounting 
can include very high discount rates where consumers care very little about 
the future, but consumers’ exhibiting different short-run and long-run time 
preferences cannot be accounted for with an exponential discount rate alone. 
See David Laibson, Golden Eggs and Hyperbolic Discounting, 112 Q.J. OF ECON. 443, 445 (1997) (“Hyperbolic discount functions are characterized by 
a relatively high discount rate over short horizons and a relatively low 
discount rate over long horizons. This discount structure sets up a conflict 
between today’s preferences, and the preferences that will be held in the 
future.”).
33 See DellaVigna, supra note 31, at 316–341 (“In the laboratory, 
individuals are time-inconsistent, show a concern for the welfare of others, 
and exhibit an attitude toward risk that depends on framing and reference 
point. They violate rational expectations, for example, by overestimating 
their own skills and overprojecting from the current state. They use 
heuristics to solve complex problems and are affected by transient emotions 
in their decisions.”).
34 See Samuelson, supra note 26, at 155–61 (“Serious limitations of the . . . analysis . . . almost certainly vitiate it even from a theoretical point of view.”).
about tradeoffs over time. Recent alternatives do a good job of capturing more realistic factors that affect individuals’ tradeoffs over time, such as self-control problems, procrastination, and a combination of long-run patience with short-run impatience. None of these factors fit neatly into exponential discounting.

Returning to the pawnshop context, what does exponential discounting imply given our data? To fit into the rational choice model, a borrower must experience additional disutility from having pawned an item of sentimental value, as the sentimental value increases the utility the borrower garners from having the item in her possession. The borrower is then more likely to repay the loan in order to prevent this additional disutility from extending longer—and even becoming permanent—if she defaults on the loan. Given this additional disutility, it is not clear why the borrower would then choose to pawn an item with sentimental value, assuming the borrower has other alternatives. Using a sentimental item as a commitment mechanism to repay the loan (as we discuss next), therefore, may be a better explanation for why borrowers pawn items with sentimental value and are more likely to repay them.

B. Self-control Model

The simplest and most popular alternative to the classic exponential discounting model of choice over time shares most of the original model’s features. It merely relaxes the assumption about how individuals discount future periods. This simple permutation allows the model to capture elements such as procrastination, self-control, and even addiction. This model is known as quasi-hyperbolic discounting and adds an additional discount factor, \( \beta \), to capture short-run time preferences. Having two discount rates in the model (beta and delta) reflects the idea that people have higher discount rates between two periods in the short-run (say, today and tomorrow) than between two periods in the long run (two consecutive days next year). Large amounts of evidence support the

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36 Note that “quasi” here refers to the fact that we are not using continuous time as in pure hyperbolic discounting, but discrete time units—a more plausible and tractable way to capture decisions over periods such as hours or days. See Laibson, supra note 32, at 450.
theoretical validity of hyperbolic discounting in consumer finance as well as other fields. Behaviors like simultaneously saving for retirement and borrowing on credit cards are accurately captured by this model. 37

Hyperbolic discounters can be either naïve or sophisticated about their self-control problems. 38 “Naïfs” fail to realize that they will have different discount rates in the short and long-runs and expect to be more patient in the future than they end up being (demonstrating a form of irrational behavior: time inconsistency). “Sophisticates,” on the other hand, realize they will have differing discount rates in the short-run and long-run and may seek commitment devices to combat their procrastination. 39


38 See O’Donoghue & Rabin, supra note 10, at 126 (“Two extreme assumptions have appeared in the literature: sophisticated people are fully aware of their future self-control problems and therefore correctly predict how their future selves will behave, and naïve people are fully unaware of their future self-control problems and therefore believe their future selves will behave exactly as they currently would like them to behave.”) (emphasis in original).

39 The classic example of a commitment device was when, in Homer’s Odyssey, Odysseus asked his crew to tie him to the mast of his ship to help himself avoid jumping into the dangerous waters when he was tempted by the call of beautiful sirens ashore. See JOHN MALCOLM DOWLING & YAP CHIN-FANG, MODERN DEVELOPMENTS IN BEHAVIORAL ECONOMICS 90 (2007) (“Tying oneself to the mast such as Ulysses is an example of
Turning back to our analysis of pawnshop borrowers, our results appear to be consistent with sophisticated hyperbolic discounting. The differing repayment rates for sentimental items and non-sentimental items with a similar objective value do not seem to fit into a model of exponential discounting, which would assume that the simple cost of replacing a collateralized item (be it a TV or wedding ring) should in large part determine repayment rates. However, were borrowers to have especially high affection or sentimentality for a particular item, they may also be more likely to redeem that item, regardless of the item’s replacement cost and relative consumption value (that is, how much utility they receive from using it).

Classically, under exponential discounting, a loan collateralized with a $100 TV and a loan collateralized with a $100 wedding ring would not necessarily have different repayment rates. Sentimental items (like the wedding ring) seem to work as a natural commitment device: the idea of losing an important item helps motivate the borrower to repay. Our results, which show that borrowers are more likely to make good on pawnshop loans that are secured by sentimental items, are consistent with the idea that borrowers are sophisticated about their future discounting and choose pledges to help them repay their loan, just like Odysseus tying himself to the mast.40

Here, we cannot precisely determine whether borrowers’ discount rates and predictions about those rates, or, alternatively, a

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40 See DOWLING & CHIN-FANG, supra note 39, at 90.
rational form of sentimentality or affect,\footnote{Note that, classically, feelings like sentimentality and affection are outside a rational model. But modern models of choice do often allow for choice involving some emotional component. For more on adding affect into decision making, see Mark J. Browne, Christian Knoller & Andreas Richter, Behavioral Bias, Market Intermediaries and the Demand for Bicycle and Flood Insurance 18 (Munich Risk and Ins. Ctr., Working Paper No. 10, 2012) (“[P]eople are more willing to purchase insurance for an object, the more affection they have for the object.”).} is driving the pattern we see in repayment behavior. Further, heterogeneity among borrowers is impossible for us to parse out with our existing data. Borrowers may be a mix of naïfs, sophisticates, and rational actors, and each type of borrower may choose to pawn different items.

\section*{C. Loss Aversion}

Alternatively, or in addition, loss aversion,\footnote{Loss aversion has been documented extensively and popularly in the class mugs experiment, Daniel Kahneman et al., Experimental Tests of the Endowment Effect and the Coase Theorem, 98 J. OF POL. ECON. 1325, 1342 (1990) (finding that “the value that an individual assigns to such objects as mugs, pens, binoculars, and chocolate bars appears to increase substantially as soon as that individual is given the object”), although there has been considerable work on the topic since then. We do not actually have many people pawning mugs in our data. More recently, loss aversion has been documented outside the lab among cab drivers. See Colin Camerer et al., Labor Supply of New York City Cabdrivers: One Day at a Time, 112 Q.J. OF ECON. 407, 408 (1997) (finding negative wage elasticities reflecting that “drivers tend to quit early on high wage days and to drive longer hours on low wage days”); accord Ernst Fehr & Lorenz Goette, Do Workers Work More if Wages are High? Evidence from a Randomized Field Experiemnt, 97 AM. ECON. R. 298, 300 (2007) (documenting loss aversion among bike messengers). For a helpful review of this empirical literature, see generally Lorenz Goette et al., Loss Aversion and Labour Supply, 2 J. OF THE EUR. ECON. ASS’N 216 (2004). For modeling specifics, see David Bowman, Deborah Minehart & Matthew Rabin, Loss Aversion in a Consumption-Savings Model, 38 J. OF ECON. BEHAV. & ORG. 155, 156–64 (1999) and Botond Köszegi & Matthew Rabin, A Model of Reference-Dependent Preferences, 121 Q.J. OF ECON. 1133, 1137–1155 (2006). See DellaVigna, supra note 32, 325–30; and Bowman, supra, at 164–67, for a review of the literature.} another popular and robust behavioral anomaly, may be responsible for high repayment rates when sentimental items are involved. A model that
includes loss aversion (or the “endowment effect,” a closely related concept) typically focuses on a decision at one point in time and abstracts from discounting over time, as with the models above. Also, as in the other models, borrowers maximize a utility function but with loss aversion affecting choices. Loss aversion is the effect whereby losses (relative to some reference point) “loom larger” than gains. For example, the utility loss associated with losing $10 is larger than the utility gain of winning $10. Typically, this gap is measured to be about two, meaning losing $10 feels about twice as bad as winning $10 feels good.

Recent evidence suggests different types of items are more likely to be subject to loss aversion than others. Given this existing empirical evidence, we would predict that sentimental items are subject to loss aversion to a greater extent than items with pure consumption value (that is, those items providing utility solely based on the use derived from it, like watching a TV or printing documents with a printer). Therefore, in our context, a model of loss aversion in decision-making with respect to pawn contracts implies higher repayment rates for items that people feel loss averse towards. Reclaiming an item allows the borrower to avoid that extra negative utility associated with losing an item (beyond the normal utility loss associated with forgoing the consumption value of the item). Loss aversion is an intuitive and likely important component of borrower behavior in the pawnshop context.

The extent to which loss aversion is relevant in pawnbroking, however, turns on the relevant reference point, which we are unfortunately unable to determine in our data. Reference points are some neutral point around which choices are framed by the decision maker. A natural reference point and the one that is most often assumed in behavioral economic models is the status quo, i.e.,  

43 See Kahneman et al., supra note 42, at 1326 (“[T]he increased value of a good to an individual when the good becomes part of the individual’s endowment [is] the ‘endowment effect.’”).

44 See id.


46 See Camerer et al., supra note 42, at 411–12, for a review of the evidence on the coefficient of loss aversion.

47 For more on what people are loss averse about and when, see generally George F. Loewenstein, Christopher K. Hsee, Elke U. Weber & Ned Welch, Risk as Feelings, 127 PSYCHOL. BULL. 267 (2001); Sarah F. Brosnan et al., Endowment Effects in Chimpanzees, 17 CURRENT BIOLOGY 1704 (2007).
whatever situation you are currently in: You currently either own a mug, or you do not own a mug. Other possibilities for reference points are (a) goals (I want to run a marathon under four hours.); (b) past experiences (I ran a marathon in under four hours when I was 25.); (c) social comparisons (My brother ran a sub-four marathon and I’d like to beat him.); and (d) expectations (I can probably finish the marathon in four hours.). In a model that includes loss aversion, changes relative to the reference point result in a change in utility. For example, if you ran a marathon in 4:05 with a goal of breaking four hours, you would feel loss averse because you were below your reference point. However, if you ran a marathon in 4:05 with a goal of 4:15, you would not feel this extra disutility. The same outcome (a 4:05 marathon) comes with different utilities depending on the reference point. Where pawnshop borrowers’ reference points are calibrated such that they expect to lose their pledge, borrowers will not feel this extra disutility when they default. If their reference point is owning and using their pledge, however, they would feel this extra utility loss if they default.

The most robust model of loss-averse behavior is found in Professors Köszegi and Rabin’s article entitled A Model of Reference-Dependent Preferences. Köszegi and Rabin identify a specific reference point around which people feel loss averse. Their reference point is defined to take into account individuals’ expectations as well as a number of other factors. The model then predicts how individuals will make choices by maximizing a utility function that consists of two parts: a traditional, rational part; and the less conventional loss-averse component derived from utility gains or losses due to ending up above or below the reference point. Determining the reference point in pawnbroking could be a fruitful area for future research, but for now, we cannot directly test the extent to which people are loss averse without more direct evidence on the reference point.

D. Discussion

Using only our loan records data, we cannot fully determine whether pawnshop users are hyperbolic discounters, loss averse, fully rational, or some combination of these factors. Nevertheless, our results comport with the type of discounting shown among

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48 Köszegi & Rabin, supra note 42, at 1137.
sophisticated hyperbolic discounters. The data do suggest that people choose to pawn sentimental items. Since almost anything is accepted by pawnbrokers, why pawn your wedding ring? We view such behavior as suggestive evidence that borrowers exploit sentimental items to combat their (accurate) prediction that they may not have the self-control to pay back their loans and may be tempted to default. A sentimental item will be harder to replace (Try explaining to your wife what happened to your wedding ring!) and thus provides a better commitment device than a similarly valued but fungible item, such as tools or a TV. Additional research, perhaps experimental in nature, is needed on this topic to fully disentangle which kind of borrowers pawnshop users are.

VI. Conclusion

In this paper, we use transaction data to study the behavior of customers patronizing pawnshops. We present new evidence on the dynamics of repayment and default for loans secured by different types of collateral at pawnshops. We are the first, to our knowledge, to study borrower activity in the world of pawnbroking from a behavioral economics perspective.

We view pawnshops as a potentially attractive alternative to other forms of high interest credit.49 Pawnshops offer simple transactions in which anyone can participate. No credit is needed and no credit check is conducted.50 Interest rates on pawnshop loans are lower than those associated with many other types of credit, even mainstream credit. The combination of the existing regulations on interest rates and what appears to be consumers’ self-governing repayment behavior or “self-regulation” seems to work well in this market.

While we cannot say for sure what behavioral factors are at play, repayment rates on pawnshop loans, particularly those secured by sentimental items, are high. Some combination of sentimentality, loss aversion, and discounting seems to help borrowers make good on their pledges. A deeper welfare analysis is difficult for us to

49 A main alternative is payday loans. For an overview of payday loans and their consequences, see generally Melzer, supra note 8; Adair Morse, Payday Lenders: Heroes or Villans?, 102 J. OF FINANCIAL ECON. 28 (2011); Skiba & Tobacman, supra note 8. Craigslist is a natural alternative to pawnshops, but we know of no research on this market.
50 See Caskey, supra note 24, at 90
(2) "Accessory Use" means a use customarily incidental and subordinate to the primary use or building and located on the same lot therewith. A use which dominates in area, extent or purpose, the primary use or building shall not be considered an accessory use.

(3) "Agriculture" means land used for the production of food through the tilling of the soil, the raising of crops, horticulture and gardening, but not including the keeping or raising of domestic animals or fowl, except household pets, and not including any agricultural industry or business.

(4) "Agricultural Industry or Business" means the processing of raw food products by packaging, treating and/or intensive feeding. Agricultural industry includes, but is not limited to, animal feed yards, the raising of fur-bearing animals, food packaging and/or processing plants, commercial poultry or egg production, commercial greenhouses, and similar uses as determined by the Planning Commission. For purposes of the Manufacturing M-Zone, agricultural industry does not include a non-animal food processing plant located in a Redevelopment Project Area.

(5) "Airport" means any landing area, runway or other facility designed, used or intended to be used either publicly or by any person or persons for the landing and taking off of aircraft, including all necessary taxiways, aircraft storage and tie-down areas, hangars and other necessary buildings and open spaces.

(6) "Alcohol Establishment" means all licensed businesses involved in the sale, manufacture or distribution of alcoholic beverages for retail or wholesale purposes, excluding off-premises beer retailers.

(7) "Alcoholic Products" means all products that contain at least 63/100 of 1% alcohol by volume or at least 1/2 of 1% alcohol by weight and are obtained by fermentation, infusion, decoction, brewing distillation or any other process that uses any liquid or combination of liquids, whether drinkable or not, to create alcohol in an amount greater than the amount prescribed in this definition. Alcoholic Products do not include common extracts, vinegars, ciders, essences, tinctures, food preparations, or over-the-counter drugs and medicines that otherwise come within the definition.

(8) "Alley" means a public way which generally affords a secondary means of vehicular access to abutting properties and not intended for general traffic circulation.

(9) "Alteration" means a physical change or addition to a site, building, or structure.

(10) "Alternative Financial Service Provider" means Car Title Loan Businesses, Check Cashing Businesses, Pawnbrokers, Unchartered Financial Service Providers, and any businesses or entities offering similar services.

(11) "Amenity" means an aesthetic, recreation, or service component integrated into a development in order to increase its desirability within a community or its marketability to the public.

(12) "Animal" means any of a kingdom of living being typically differing from plants in capacity for spontaneous movement and rapid motor response to stimulation.

(13) "Animal Training" means the training of two or more animals for remuneration. Animals may be boarded on the premises or transported to the premises for each scheduled training period.

(14) "Applicant" means a person, firm, association, partnership, private corporation, public corporation, or any combination thereof, requesting a modification or approval as required by this Title. An applicant shall be listed as the owner of the property for which the modification or approval is being requested or may be the legally designated agent of the owner.

(15) "Arterial Street, Major" means a street for which the principal function is movement of large volumes of traffic from collector streets. Providing access to abutting land is a secondary function.

(16) "Arterial Street, Minor" means a street for which the principal function is movement of traffic. Providing access to abutting land is a secondary function.
7-2-129. DEVELOPMENT AGREEMENTS.

A development agreement may be negotiated and executed between a developer and the City to set forth the specific requirements, elements and any other aspects of a development. All development agreements, upon proper execution, shall be recorded with the Salt Lake County Recorder's Office, shall run with the land, and shall be binding on any subsequent owners, successors or assigns of the person entering into the agreement.

(Ord. No. 02-08 Add 02/05/2002)

7-2-130. CARGO CONTAINERS AND TEMPORARY RESIDENTIAL STORAGE CONTAINERS

(1) Cargo containers are not allowed in residential zones.

(2) Cargo containers may be used in agricultural zones provided the following conditions are met:
   a. The cargo container shall be located in the rear yard and meet the minimum required setbacks;
   b. The cargo container shall be painted a solid neutral color such that all insignia, writing, or numbers on the cargo container are masked;
   c. The cargo container is used for storage purposes only;
   d. A minimum of one acre is required for each cargo container, with a maximum of two cargo containers allowed per lot.
   e. Cargo containers shall comply with all applicable building codes.

(3) The use of temporary storage containers in agriculture and residential zones is prohibited except for when they are used for moving purposes or construction and remodeling purposes as described in 7-2-116(1). When a temporary residential storage container is used, it shall be:
   a. Located out of the public right-of-way,
   b. Located on the subject property private driveway, unless used for new home construction or remodeling where the storage container may be located any where on the subject property provided it is not located on existing landscape.
   c. Used for a maximum of 2 weeks (14 days) for moving purposes.

(4) Temporary residential storage containers may be used for remodeling and construction purposes for a maximum of six (6) months in conjunction with a valid West Valley City building permit on the subject property.


7-2-131. ALTERNATIVE FINANCIAL SERVICE PROVIDER REGULATIONS

Regardless of the zoning district in which it is located, an Alternative Financial Service Provider shall be subject to the following restrictions:

(1) No Alternative Financial Service Provider shall be located within 500 feet of any residential zone or use.

(2) No Alternative Financial Service Provider shall be located within 1,000 feet of any other Alternative Financial Service Provider.

(3) No Alternative Financial Service Provider shall be located within 500 feet of any regional shopping mall.
(4) One Alternative Financial Service Provider shall be allowed in the City for every 10,000 citizens of the City.

(5) Car Title Loan Businesses, Check Cashing Businesses, Pawnbrokers, and Unchartered Financial Service Providers are distinct land uses and cannot be substituted for one another if said uses are nonconforming.

(Ord. No. 14-10 Enacted 1/21/2014; Ord. No. 14-41 Amended 12/01/2014)

7-2-132. HOUSEHOLD PETS

(1) The following terms, when used in this Section, shall have the following meaning:
   a. “Amphibian” means any cold blooded vertebrate of the class Amphibia, such as frogs, toads, newts, or salamanders.
   b. “Animal” means any of a kingdom of living being typically differing from plants in capacity for spontaneous movement and rapid motor response to stimulation.
   c. “Arachnid” means any wingless, carnivorous arthropod of the class Arachnida, including spiders and scorpions.
   d. “Bird” means any warm blooded vertebrate of the class Aves, such as a cockatiel, parakeet, or canary.
   e. “Cat” means a domesticated cat of the species Felis catus.
   f. “Chicken” means a domestic fowl of the species Gallus domesticus.
   g. “Dog” means a domesticated dog of the species Canis familiaris.
   h. “Duck” means a domesticated web-footed swimming bird of the family Anatidae, characterized by a broad, flat bill, short legs, and depressed body.
   i. “Ferret” means a domesticated variety of the European Polecat.
   j. “Fish” means any cold-blooded, aquatic vertebrate having gills and a body covered with scales.
   k. “Hedgehog” means a domesticated hedgehog of the species Atelerix albiventris, including the African pygmy hedgehog.
   l. “Insect” means any animal of the class Insecta, such as a cricket or grasshopper.
   m. “Pot-Bellied Pig” means a Vietnamese or Chinese pot-bellied pig, spayed or neutered, and kept as a household pet, not for livestock or food purposes. Pot-bellied pigs must be less than 150 pounds, and any tusks must either be removed or kept trimmed.
   n. “Rabbit” means a rodent-like burrowing mammal of the family Leporidae.
   o. “Reptile” means any cold blooded vertebrate of the class Reptilia, such as a turtle or lizard.
   p. “Rodent” means an animal of the order Rodentia, such as a hamster or mouse.

(2) Subject to the restrictions of this Section, the following animals may be kept as Household Pets:
   a. Amphibians;
   b. Arachnids;
   c. Birds;
   d. Cats;
   e. Female chickens;
   f. Dogs;
   g. Ducks;
   h. Ferrets;
   i. Fish;
   j. Hedgehogs;