Essential Information For Downtown Revitalization April 15, 2007

Downtown Idea Exchange

Perspectives

Don't fall prey to the big-box swindle

Q&A with Stacy Mitchell

DIX: *If it attracts people downtown and doesn't constitute an architectural obscenity in terms of context, what makes a "big box" retailer that locates downtown any worse for downtown than the traditional department store?*

Some traditional department stores were locally owned. Even those that were not often better co-existed with independents because they were smaller than the big boxes and they did not stock everything. Wal-Mart designs its stores to be one-stop shopping and to eliminate the need for customers to visit any other retailers.

It's important to note that big-box retailers are not interested in building stores downtown rather than on the outskirts. Some now want to open urban stores in addition to building more suburban locations. Their goal is not to shift customer traffic back downtown, but rather to grab the last slivers of market share held by independent retailers operating in downtowns.

Locally owned businesses generate far greater economic benefits for communities than chains. One study by the Institute for Local Self-Reliance, for example, tracked the expenditures of eight small businesses in three small Maine towns. It found that they spent more than half of their revenue within the immediate area (on payroll, professional services, inventory, etc.), while only 14 percent of the dollars flowing into a big-box store stayed in the region's economy.

Research by sociologists, including Charles Tolbert II of Baylor University, has also found that places that have lots of local stores are healthier; they score higher on a variety of measures of social well-being than those that are dominated by a few big boxes.

Independent retailers have been crucial in the rebirth of many traditional business districts. It has been their investment, work, and creativity that has helped spur a renewed interest in living and shopping downtown. If they are displaced by the same big chains that one can find in any suburb, then our downtowns will lose their distinctiveness and, with it, their only competitive advantage — not just in attracting shoppers, but also the so-called "creative economy" enterprises and investment.

Putting all your eggs in one or two big boxes is also dangerous. Downtowns are the last places these companies go into and they will be the first places that they pull out of when the economy takes a downturn. Those downtowns that instead develop a diversity of businesses owned by people who live in the community will be far stronger and more resilient in the next recession.

DIX: *What's the best way to keep downtown's independent retailers viable in the face of mounting discount "big box" competition?*

There are three primary strategies:

- Revise planning and land-use policies to prevent continued over-development of big-box retail.
- Channel economic development resources into initiatives that strengthen local businesses and help new entrepreneurs get started.
- Build public awareness of the benefits of choosing locally owned stores over chains.

It's crucial that cities do all three at the same time. Plenty of

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communities have spent years trying to revitalize their downtowns while allowing endless shopping center growth on the outskirts. That doesn't work. You end up spreading consumer traffic and dollars too thin to ever get a critical mass of activity in the downtown. Likewise you cannot simply reject the big boxes without actively developing local retail to meet local needs.

A growing number of communities are adopting land-use policies that support small-scale retail and steer new investment into traditional business districts. Hundreds have, for example, enacted size cap ordinances that prohibit stores over a certain size — essentially banning big boxes. Some have revised their zoning so that, instead of allowing unlimited commercial development along every major roadway as far as the eye can see, they limit new retail to areas in and around the downtown and other established neighborhood business districts. Some are also requiring that proposals for stores over a certain size pass an economic impact review in order to gain approval.

It's also critical that we begin to develop regional land-use policies. In the new book *Big-Box Swindle*, I examine tax-base sharing and other approaches that neighboring municipalities can use to stop the destructive competition for development projects and instead create a shared regional vision.

Second, cities need to stop giving hundreds of millions of dollars in subsidies and tax breaks to big-box retail developers every year. They should instead use those funds to nurture a new generation of local entrepreneurs.

Start-up retailers need at least four things: affordable space, know-how, financing, and the benefits of scale. Community land trusts could be set up to run retail incubators to provide low-cost start-up space. Mentorship programs could pair veteran retailers with people just starting out. Cities and states could use their reserve funds and pension funds to create more financing for local businesses. Additional wholesale cooperatives (like those that exist in the hardware sector) could be established to create economies of scale and market clout for independents. As I detail in the book, there are good working models for all of these approaches that could be refined and replicated.

Lastly, we need to encourage people to make "locally owned" something they consider when shopping. In dozens of cities, independent businesses are banding together and launching "buy local" campaigns. In the places where these campaigns have been going for several years, they have been remarkably effective at influencing people's shopping choices.

A recent survey of 300 people in Bellingham, WA (pop. 67,170), found that nearly two thirds are now making a deliberate effort to patronize independent businesses because of a three-year-old "Think Local First" campaign run by a coalition of over 500 local businesses. A similar campaign by the Austin Independent Business Alliance has been so effective that developers of infill projects as well as new shopping centers are now working to include more independent stores instead of chains.

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