



Pratt Center
for Community Development

Preserving Local Retail: Issues & Strategies

Presentation for the APA Metro Chapter Zoning Committee



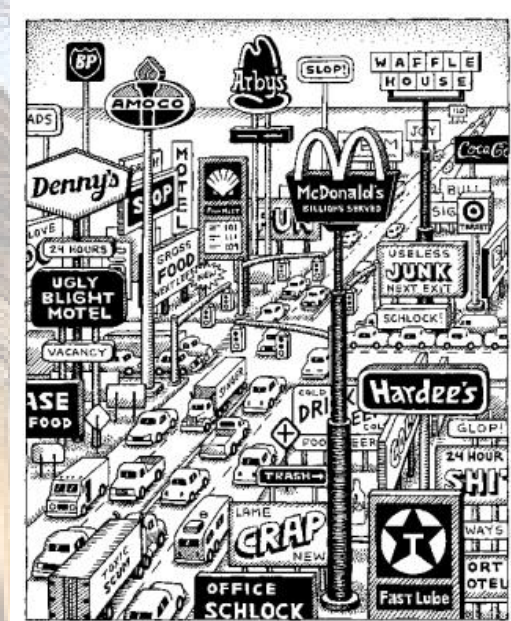
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How communities perceive the problem

- ☐ Aesthetic issues
- ☐ Economic hardships
 - For business owners
 - For low income communities
- ☐ Cultural issues
- ☐ Environmental harms
- ☐ Workforce issues
- ☐ All of the above



Different Strategies Emerging Nationally

- ❑ **Playing Defense: Land Use Regulations**
 - Banning or blocking chains and big box retailers
 - Allowing them only when they bring benefits
- ❑ **Leveling the playing field through public policy**
- ❑ **Playing Offense: Incentives & Assistance**
 - Tax-based benefits to business and property owners
 - Support programs to bolster local retail
- ❑ **Equity Strategies**
 - Improving job quality
 - Helping displaced businesses to find new locations

Defensive Strategies: Bans & Blocks

❑ 1. Formula Business Restrictions

- Goal: to deter Formula Businesses altogether
 - Requires special permit to locate
 - Certain types are banned, e.g. chain restaurants
 - Caps on square footage keep sizes relatively small
 - Design guidelines require them to be contextual
 - Limit to overall number of Formula Businesses
- 7 cities ban or cap restaurant chains
- 12 cities ban or cap retail chains

Defensive Strategies: Bans & Blocks

❑ Formula Business Restrictions: San Francisco

- Largest city to have Formula Business provision
- Bans chains in 2 neighborhoods
- Regulates them nearly everywhere else
 - Public review of all F.B. requests
 - Looks at retail mix
vacancy rate,
neighborhood
character
 - Can turn them away



Defensive Strategies: Bans & Blocks

□ 2. Store Size Caps

- Goal: sustain small-scale, pedestrian oriented retail centers; prevent negative impacts of big box retail
 - Existing land use frameworks or comprehensive plans
 - Establish maximum square footage for retail
 - Require special permits for stores under cap but over specified square footage
- Neighborhood level regulations in 3 cities
- Citywide in 27 cities
- Countywide in 5 states

Defensive Strategies: Bans & Blocks

- ❑ Store Size Cap: Belfast ME
 - Zoning divides city into use districts
 - Maximum size of 75,000 s.f. applies to all commercial use districts
 - Special permit required for retail over 40,000 s.f. in other districts



Defensive Strategies: Bans & Blocks

- ❑ 3. Neighborhood Serving Zones
 - Goal: prevent destination retail and tourist-serving chains from displacing local stores
 - Requires special permit for retail over the specified size
 - Has to be “neighborhood-serving”
 - Palm Beach FL – only citywide law
 - Stores over 2,000 s.f require permit
 - Applicant must demonstrate store is “for townspeople”



Defensive Strategies: Bans & Blocks

- ❑ 4. Retail Development Moratorium
 - Goal: Temporary suspension of any large-scale retail development
 - Valid public purpose, limited duration, used for planning
 - 10 or more since 1998
 - Many in rural areas
 - Moab UT
 - 6 month ban - 40,000 s.f.
 - Size cap provision under consideration



Defensive Strategies: Requiring Benefits

- ❑ 1. Community Impact Review
 - Goal: Assess impacts of proposed retail development; establish criteria for approval
 - Development must be more good than bad
 - Local economy, jobs & infrastructure
 - Historic/natural resources
 - 11 cities passed or proposed
 - Brattleboro VT
 - Review of projects > 65,000 s.f.
 - Requires economic & community assessment



Defensive Strategies: Requiring Benefits

❑ 2. Retail Sector Minimum/Living Wage Ordinance

- Goal: ordinances typically target a city's corporate business partners
- Chicago's (failed) M/L W ordinance targeted "large retailers"
 - Over 90,000 s.f, \$1 billion revenue
 - Required to provide minimum living wage & minimum benefits to workers
 - Mayoral veto



Defensive Strategies: Requiring Benefits

□ 3. Big Box Tax

- Goal: Counteract negative economic effects of Big Box development
 - Funds used to make up for lack of employee benefits
 - Provide necessary infrastructure
- 2 states have proposed bills
- Minnesota – Tax imposed if:
 - Revenues > \$20 mil
 - Wages + benefits < \$22,000/year
 - 1/4 or more part time workers



Defensive Strategies: Advantages & Limitations

- ❑ Good for banning & blocking
 - Ease threat from chains & big boxes
 - Some national retailers adapt/improve
- ❑ Less effective for deriving benefits
- ❑ Limited in addressing other problems
 - Rising rents leading to displacement
 - Landlord issues
 - Inability to support/sustain good jobs
- ❑ Land use controls not enough

Leveling the Playing Field

1. Proposed Commercial Rent Control

- Goal: Protect commercial tenants from displacement due to rising rents
 - NYC law 1946-1963, expired
 - Albany, 1948 (temporary)
 - Berkeley CA in late 1970s/1980s
- Proposed NYC legislation 1987
 - CM Ruth Messinger & Council colleagues
 - Responding to displacement
 - Arbitration for tenants subjected to 25% rent increase
 - Defeated by Council



Leveling the Playing Field

❑ 2. Proposed Set-Asides for Small Businesses

- Goal: Compel developers to devote space to local retail establishments
 - For new construction over certain square footage, % must be set aside for local retail
 - Recently achieved by a Minneapolis community through a CBA
 - Proposed by community as part of 125th Street Rezoning



Leveling the Playing Field

❑ 3. Proposed Incentive to keep rents low

- Goal: reward landlords who offer long leases or below-market rent
 - Good Landlord / Good Neighbor Tax credit
 - Senior Citizen Rent Increase Exemption



Offensive Strategies: Incentives & Assistance

❑ 1. Tax Breaks for Small Businesses

- Variety of state programs give tax credits to
 - Investors in small businesses (AZ)
 - Contributors to small business incubators (MO)
 - Corporations with small business revolving funds (NM)
- Iowa Small Business Tax Deduction
 - Businesses with < 20 employees, under \$3 million gross revenue
 - Additional deduction of 65% wages for new employees



Offensive Strategies: Incentives & Assistance

❑ 2. Local Purchasing Preferences

- Goal: States and cities buy products from locally owned businesses
- Boosts local economic activity, employment, tax revenue
- 25 or more cities have statutes
- 5 states have statutes
- Wyoming's law
 - Requires all agencies to buy local
 - Allows 5% price differential



Offensive Strategies: Incentives & Assistance

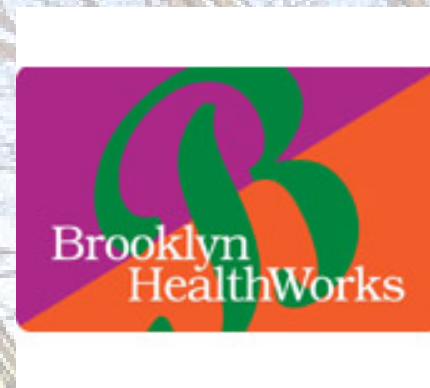
❑ 3. Other financial programs & offerings

- Lincoln Square TIF program - Chicago
- Small Business Environmental Assistance
- BID-funded façade improvement
- Shop Local campaigns



Equity Strategies: Improving Job Quality

- ❑ Voluntary benefits programs
 - Goal: offer assistance to employers who provide benefits
 - Brooklyn HealthWorks
 - Proposed Idaho Tax Credit for Small Business Health Plans
 - Employer pays 50% health coverage
 - \$800 annual tax credit per employee



Equity Strategies: Assisting Displaced Businesses

☐ Assistance for Displaced Businesses

- Goal: Compensation and relocation

☐ Austin, TX pilot program

- Low interest loans to eligible businesses displaced by development
- \$250-750,000 depending on location
- Relocation loan forgiven in 5 years

☐ Wisconsin

- Compensation for displacement
- \$30-50,000



Thank You

☐ Researchers

- Lacey Tauber, Pratt Center
- Brooklyn Law School Community Development Clinic
- Patricia Voltini, Rutgers
- Beth Gordon, PPSA

☐ Select Sources

- www.newrules.org
- Neighborhood Retail Alliance

