Rodino Associates

Urban Revitalization & Real Estate Services

Final Report on Research for Big Box Retail / Superstore Ordinance

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1. INTRODUCTION AND SUMMARY

The purpose of the study conducted was to:

1. Develop a definition of "big box retailers" and superstores" for application to the "Economic Assistance Zones" of the City of Los Angeles.

2. Identify the possible impacts of big box retailers and superstores if developed within the Economic Assistance Zones.

3. Recommend methods by which such retail projects may be developed and/or regulated within the Economic Assistance Zones to ensure that negative economic and environmental impacts, if any, are substantially mitigated.

4. Assist the City staff in the preparation of an application and review procedure for the development of big box retailers and superstores within the Economic Assistance Zones.

5. Assist the City staff in conducting two public hearings to gather information from the community regarding big box retailers and superstores.

Accordingly, several definitions of big box retailers and superstores used by other municipalities were reviewed and a definition was recommended, as described in Chapter 2 and summarized as follows:

> A big box retailer or superstore is a retailer whose facility is larger than 75,000 square feet of gross buildable area from which goods are sold to the general public, that will generate sales tax or use tax (pursuant to Part 1.5, commencing with Section 7200, of Division 2 of the State of California Revenue and Taxation Code).

Chapter 3 provides a discussion of the potential impacts of big box retailers and superstores, and summarizes the experiences of a cross-section of communities in the United States and Canada. Many cities and public agencies have expressed serious concerns over the potential and actual negative impacts of big box retailers and superstores on their communities, with many enacting controlling ordinances. These cities and public agencies include, but are not limited to, the following:

City of San Diego	City of Oakland, California
Contra Costa County, California	Inglewood, California
State of Maryland	New Rochelle, New York
Coconino County, Arizona (Flagstaff)	Rockville, Maryland
Toronto, Canada	

The impacts that are of greatest concern are:

- employment and compensation for labor
- neighboring businesses and consumer choice
- municipal revenues
- municipal investments in low income areas
- property values
- land use and urban design

Various means for mitigating the possible negative impacts of big box retailers and superstores were analyzed and recommendations for the City of Los Angeles were provided in Chapter 4. The mitigation efforts recommended are:

- Impact Assessment Analysis
- Size Limitations and Prohibitions (not recommended)
- Minimum Wage and Benefits Standards
- Local Hiring Requirements
- Land Use and Design Guidelines

- Re-leasing requirements governing closed big box stores
- Promote local retailing
- Regional cooperation among governments on mitigation issues

An application and procedure was developed, similar to the existing Conditional Use Permit process, as described in Chapter 5.

A vigorous community outreach and public hearing process was pursued. As a sub-contractor to Rodino Associates, Estela Lopez Consulting conducted the public outreach. Two public hearings were the result of this effort. The first was held at City Hall on Monday, July 14, 2003 at 10 A.M., and the second was held at Los Angeles City College on Wednesday, July 16, 2003 at 6:30 P.M.

To ensure a robust participation level, a diverse stakeholder database was created with input from multiple sources spanning public and private sector interests. These included:

Constituent lists from L.A. City Council offices

Presidents and vice-presidents of all certified neighborhood councils

Business Improvement Districts

Los Angeles City Area Planning Commissioners

Members of Community Redevelopment Agency Project Area Committees (PAC's) and Community Action Councils (CAC's)

Los Angeles Community Action Agency (CAA) Community Action Board (CAB)

Labor unions

Economic development organizations

Community-based, non-profit organizations, especially those with job training/workforce development specializations

All state-certified Los Angeles-area chambers of commerce and local merchant organizations

Ethnic business organizations

Faith-based organizations involved in community and economic development

Representatives of “big box” retailers

California Grocers Association

Additionally, the Community Development Department made available its database of approximately 19,000 small business owners in the Empowerment Zone and Federal “Renewal Community” area.

Flyers announcing the two public hearings were mailed to these stakeholders. Targeted telephone follow-up was conducted to ensure that the individuals and organizations with specific interest in the issue of “super store” development had received the notification. Copies of the hearing announcement and the outreach mailing list are provided in the Appendix.

The analyses and discussions provided in the following chapters are the products of the inputs received from the public hearings and extensive research of documents, reports and studies in the public realm, on big box retailers and superstores.

2. DEFINITIONS OF BIG BOX RETAILERS AND SUPERSTORES

A variety of sources in the shopping center business, legal, and public sector planning literature were reviewed that either specifically defined the term "superstore" or "big box retailer," or imply a definition through usage. There are a variety of ways to define each retail format (see Table 1):

A. DEFINITIONS OF BIG BOX RETAILERS AND SUPERSTORES

1. General Definitions

- Big box retail - Any large store format that is larger than a specified threshold of square footage in size. Generally this threshold ranges from as low as 60,000 sq. ft. to 130,000 sq. ft. (See text for discussion and exceptions)

    Examples: Wal-Mart, K-Mart, Target, COSTCO, Home Depot

- Superstores - Big box discount stores that sell groceries in at least 25% to 33% of their store area.

    Examples: Wal-Mart Superstores, Target Superstores

- Warehouse Clubs - Big box stores specializing in groceries and discount general merchandise, but with more limited selection of goods (called "stock-keeping units") than either general discount stores or supermarkets, and requiring annual membership dues. Inventory is often variable due to their focus on large stocks of goods that can be purchased, and consequently sold, at deep discounts.

    Examples: COSTCO, Sam's Club

- State of California definition of big box retail - any store larger than 75,000 sq. ft. (AB 178 - Anti-Piracy Act of 1999)

2. Store size in floor area versus "stock-keeping units" (see Table 1):

- "Stock-keeping units - SKU's" is a term used to describe the number of products of specified style types that a retailer carries.

  Example: the ladies shoes from a specific manufacturer, of a specific style and size are counted as one SKU - all the shoes (products) in the SKU are identical. A retailer can have 10 or 500 shoes of that SKU, but they all are counted as one SKU.

- Various retail formats carry different numbers of SKU's, depending on the retailer's merchandising approach (see Table 1).

- Store size in floor area is simply the total buildable area of the store in square feet, including all floor levels and basements, mezzanines, etc.

3. Combinations of store size and SKU's:

- City of San Diego's proposed ordinance regulating superstores defines them as:

  130,000 sq. ft. or larger, selling over 30,000 SKU's, of which at least 10% are non-taxable (grocery) items. All three characteristics must be present to be considered a superstore.

4. Definitions according to retail product categories:

- State of Maryland - "Big box retail facilities are larger, industrial style buildings or stores with footprints that generally range from 20,000 square feet to 200,000 square feet...the description can be better understood through its product type. For example, book retailers like Barnes and Noble generally range from 25,000 to 50,000 square feet, whereas general merchandisers like Wal-Mart range from 80,000 to 130,000 square feet."

5. Definitions by municipalities with ordinances that define and limit big box retail development (See Appendix for a recent list of municipalities):

- Size range is from 25,000 square feet (Boxborough, Massachusetts) to 80,000 square feet (Taos, New Mexico), with many of these communities prohibiting the development of stores greater than 65,000 to 80,000 square feet.

B. OPTIONS ON DEFINITIONS

1. Stock-keeping Units (SKU's)

"Stock-keeping units" (SKU's) is a term used to describe the inventory of a retailer. If a retailer has in stock women's black shoes, size 5, of a particular style and from a particular manufacturer, all of the shoes in this category comprise one SKU regardless of whether there are five or five hundred pairs of such shoes in stock. As described in Table 1, different merchandising approaches utilize different SKU's and quantity of merchandise within each SKU. Warehouse clubs carry a relatively small number of SKUs, from 3,500 to about 4,500, but usually have large stocks of merchandise within each SKU (they are considered to be "very deep" in stock), which is why they need so much space. Big box discount stores and superstores carry a huge inventory of SKUs, roughly 50,000 and 200,000 respectively, but are not as deep in the quantity of stock for each SKU. Consequently, they also require large formats. Traditional supermarkets carry about 25,000 SKUs, with depth varying based on their consumer market.

SKUs can be useful in defining a big box retailer or superstore because it is the inventory size and its composition rather than the physical area of a store that is of interest in assessing potential impacts on other businesses. One can readily perceive, however, that the problem with using SKUs to define a big box retailer or superstore is that the actual inventory size is only partially measured by SKUs. A warehouse club will have a small number of SKUs and therefore may be more limited in the various kinds of retailers it impacts, or in the portion of competing retailers' inventories that are impacted. However, those retailers and items that are impacted can be potentially devastating, since a warehouse club shopper may purchase a supply of items sufficient for a month's consumption and therefore never go to the competing retailer for other items during that month.

2. Store Floor Area

Store floor area has a direct relationship to inventory size, independent of SKUs. The larger the store the more stock it will carry. The more stock a retailer carries the greater will be its potential impact on competitors. There is certain variability in this floor area - inventory relationship. Within certain limits a retailer can jam more goods into a smaller area, but this practice is limited by modern merchandising techniques that require comfort and mobility for shoppers.

Size has numerous benefits. It is easier to measure and verify than SKUs, and if it changes the change can be readily verified. Changes in the merchandise of a store become irrelevant, so that if a large discount retailer changes its format to incorporate groceries it's classification would not change, nor would a recount of stock-keeping units be required. Further, stock-keeping units can change as consumer tastes change and are different from one retailer type to another, creating unnecessary administrative complexities.

The State of California legislature has used a size threshold of "larger than 75,000 square feet" in its definition of a "big box retailer," as described in AB 178, the State's Anti-Piracy law. To maintain legislative consistency with the State, it may be desirable to use this size as a criterion. Most large retailers that will be the focus of the City of Los Angeles' concerns will be much larger, so some thought can be given to increasing this size threshold. This should be discussed carefully with the City Attorney's Office before finalizing a decision.

Different definitions in the ordinance to be developed can result in different impact mitigations. For example, a fixed floor area size as a criteria will incorporate all retail types as being subject to the ordinance, regardless of whether groceries, clothing or home improvement items are sold. Consequently a broader range of existing retailers may be protected from the potential impacts of big box retailers. A definition that combines size, SKUs and the percent of taxable SKUs sold, such as is being pursued by the City of San Diego, will allow the ordinance to focus impact mitigation on specific kinds of retailing that sell significant quantities of non-taxable items such as groceries. The downside of this approach is that it may engender litigation claiming discrimination against certain big box retail types and specific retailers.

There is downside in the use of a uniform floor area threshold as well. A large floor area threshold, say 130,000 square feet, will miss mitigating the impacts of big box retailers that are built just below this threshold but that may nonetheless have negative community impacts. The downside with a floor area criteria that is too small, say 60,000 square feet, is that it can include some supermarkets as well as create a larger and politically powerful unity of retailer types that may work to successfully defeat the ordinance.

Considering all of the above issues and options it is recommended that store size by utilized rather than stock-keeping units, and that the State of California's criteria of "larger than 75,000 square feet" be considered as the threshold.

3. "For sale to the general public"

The definition of a "big box retailer" in State of California ordinance known as AB 178, is: "Big box retailer means a store of greater than 75,000 square feet of gross buildable area that will generate sales tax or use tax pursuant to Part 1.5 (commencing with Section 7200) of Division 2 of the Revenue and Taxation Code." The problem with this definition is it fails to describe what a "store" is, leaving open the possibility that a "store" is simply a place where goods are kept for sale. This definition could inadvertently include warehouses and wholesalers, not intended as objects by AB 178 nor by the City of Los Angeles. The term "for sale to the general public from the facility in question" should clarify this ambiguity. In the City of Carson v. La Mirada Redevelopment Agency, et al. (LASC Case No. BC248284), on which I served as an expert witness for La Mirada, this distinction was critical. The attorney for Carson attempted to define "store" simply as a place where goods are kept for sale. The business and facility in question was well in excess of 75,000 square feet and did generate sales taxes. However, it sold only to large businesses in large quantities, not to the general public. My research demonstrated that the facility was better described as a warehouse and the business in question as a wholesaler, which therefore did not come under the jurisdiction of AB 178 since "retailer" was in the definition, and a retailer is a business that sells to the general public. The judge decided in favor of La Mirada, and cited this issue as a key point.

4. NAICS codes should be incorporated

The North American Industrial Classification Code, (NAICS), which has replaced the older Standard Industrial Classification (SIC) code, was developed jointly by the U.S., Canada and Mexico to provide governments and businesses with a common "language" through which to discuss a variety of issues, including regulatory matters. NAICS codes are issued by the U.S. Census Bureau and have become a widely accepted standard for business classification. The definition of "big box retailer ' or "superstore" to be utilized in the ordinance to be developed should refer to business classifications included and excluded from the ordinance's jurisdiction based on NAICS codes.

For the purposes of the ordinance to'be developed a big box retailer or superstore should include (in addition to size), those businesses that fall under the NAICS designation as "Retail Trade", codes 44 to 45 and all the sub codes under these, except:

441 to 441320 Motor Vehicle and Parts Dealers

447 to 447190 Gasoline Stations

45393 & 453930 Manufactured (Mobile) Home Dealers

454 to 454390 Non-store Retailers

In the event a retailer falls into one of the included NAICS codes, but incorporates any one or more of the excluded NAICS classifications, the space occupied by the excluded classifications shall be included in the computation of gross buildable square feet for the facility in question. Businesses not included in the 44 to 45 NAICS code range that have retail aspects to their operation, such as restaurants, movie theaters, bank branches, and stores that rent equipment and goods, would be excluded from the superstore definition. Again, if these uses are part of a larger retail operation, then the square footage devoted to these uses should be included in calculating gross buildable area of the total facility. We should discuss the logic of such inclusions within the buildable area computations before finalizing this part of the definition.

This set of retailer codes intentionally goes beyond what the NAICS codes described as General Merchandise Stores, code 452, and Warehouse Clubs and Superstores, code 452910. The reason for this is that large retailers in other retail classifications, say in home improvement, have the potential for creating the very issues that the City of Los Angeles is concerned with, just as those retailers traditionally thought of and classified as "superstores."

A list of the NAICS Retail Trade codes, 44 to 45, and a description of what NAICS designates as General Merchandise Stores including warehouse clubs and superstores, 452 and Food and Beverage Stores including grocery stores, 445, is provided in the Appendix of this report.

C. PROPOSED DEFINITION OF "BIG BOX RETAILER" OR "SUPERSTORE"

It is recommended that the definition used in the ordinance under consideration include the following elements: A big box retailer or superstore is a retailer whose facility is larger than 75,000 square feet of gross buildable area that will generate sales tax or use tax pursuant to Part 1.5 (commencing with Section 7200) of Division 2 of the Revenue and Taxation Code, from which goods are sold to the general public. A retailer is defined as a business which is classified, or can be described by any one or more of the NAICS codes under the 44 and 45 code designations and all the sub-codes under each, except for the following code designations:

441 to 441320 Motor Vehicle and Parts Dealers
447 to 447190 Gasoline Stations
45393 & 453930 Manufactured (Mobile) Home Dealers
454 to 454390 Non-store Retailers

In the event such excluded uses, or any other excluded uses are included within the overall facility in question, the square footage devoted to such uses shall be included in the determination of total facility gross buildable area.

3. IMPACTS OF BIG BOX RETAILERS AND SUPERSTORES

Inputs to this chapter have been generated through the testimonies given at two public hearings, by a survey of research performed on the impact of big box retailers around the United States and particularly in Southern California, and by our own research on matters related to big box retailing. These references are provided in the bibliography.

A. Major Conclusions:

- Consumers' income and spending patterns governs the amount of retail sales generated in any particular trade area, not the presence of a particular retailer or group of retailers.

- Big box retailers and superstores may negatively impact the retail labor market in an area by converting union-scale retail jobs to a fewer number of lower paying retail jobs. The difference in overall compensation (wages and benefits) may be as much as $8.00 per hour. Grocers have cited the current grocery store workers' strike and lockout as being partly due to the impact of the labor policies of non-union superstore retailers.

- Lack of health care benefits of many big box and superstore employees can result in a greater public financial burden as workers utilize hospital emergency rooms for a major component of their health care, or fail to seek proper medical care.

- Big box retailers and superstores often can result in the reduction of consumer choice due to their tendency to cannibalize competing retail businesses. Wall Street investment bankers are currently recommending against investments in stocks with grocery store assets that compete with Wal-Mart, reducing the ability of such stocks to raise capital.

- Municipal revenues may actually decrease as a result of big box retailers and superstores for two reasons:
    a. retail sales measured dollars may actually decrease due to big box retailers' lower prices

    b. negative potential impact on other local retailers may cause local store closures, thus further reducing sales tax and property tax revenues.

- The City of Los Angeles has invested a total of $43,640,000 dollars in subsidizing businesses and retail developments in its "incentive zones." This investment could be seriously jeopardized if the potential negative impacts of big box retailers and superstores are realized. (See Table 5, page 38)

- When a big box retailer or superstore closes a store the huge vacancy created often results in a long term blighting condition and a significant reduction in the value of the property on which it was located as well as in the surrounding properties. It can also cause damage to local businesses.

- Big box retailers and superstores often destroy attempts to create pedestrian-oriented communities and a sense of place and pride in low-income neighborhoods by use of unattractive building architecture and site layouts featuring huge expanses of black-top parking lots.

- As a result of all of the above, many cities and public agencies throughout the United States have expressed serious concerns over the potential and actual negative impacts of big box retailers and superstores on their communities, with many enacting controlling ordinances. These cities and public agencies include the following (also see Appendix):

City of San Diego	City of Oakland, California
Contra Costa County, California	State of Maryland,
Inglewood, California	New Rochelle, New York
Coconino County, Arizona (Flagstaff)	Rockville, Maryland
Toronto, Canada	

- Big box retailers and superstores can have beneficial impacts on low-income communities, and can help create a more equitable distribution of retail sales and jobs if they are:

    a. filling a void created by the departure of another large store
    b. locating in a community that has a serious shortage of grocery and general merchandise retailing
    c. absorbing retail sales from more affluent communities

- The impact of locating a specific retailer or group of retailers in a community must be taken in the context of where and how it locates in a community and the retailing conditions within the community and surrounding trade area.

The potential impacts of big box retailers or superstores is considered first through the discussion of general principles of the marketplace governing retail sales, sales revenues and employment, then through the consideration of seven sets of potential community impacts on:

- employment and compensation for labor
- neighboring businesses and consumer choice
- municipal revenues
- municipal investments in low income areas
- property values
- land use and urban design
- availability of goods and services

An eighth area of concern is environmental, but it is assumed that environmental issues will be addressed by the existing environmental impact reviews required of new developments. In the Mitigation report to follow, these considerations will be discussed with specific reference to the communities within and adjacent to the City's incentive zones. References used in preparing this report are cited in the bibliography at the end of this report.

B. General Marketplace Principles

Two principles at work in the retail marketplace govern the impacts of any retail operation on a surrounding community, and particularly the impacts of superstores.

- First, it is the consumer and consumers' spending patterns that govern the amount of retailing generated in any particular trade area, not the locating of a particular retailer or group of retailers.

This principle has specific conditions attached, which must be understood, as described below.

- In addition to the above, the impact of locating a specific retailer or group of retailers in a community must be taken in context of where and how it locates in a community and the retailing conditions within the community.

Economist William H. Fruth, in writing for the National Association of Industrial and Office Properties argues that retail development can grow only as fast as the surrounding economy. "Retail is absolutely dependent upon the condition of the local economy. It cannot grow any greater than the amount of disposable income within the economy. It will decline if the flow of money into an area is reduced. It does not create wealth but absorbs wealth. A vibrant, dynamic retail sector is not the cause of a strong local economy, but the result of it." (Fruth, 2000).

We can generally define a retail trade area as being the geographic area within which most consumers travel to purchase the majority of their daily needs such as groceries, clothing, and home improvement items. In various regions trade areas can range from 10 miles or more to as little as a mile, depending on the nature of the retail goods in question, population density, availability of transportation and availability of retailers. In a community with little or no retailing consumers may need to travel many miles to satisfy their routine needs. By way of illustration, in certain areas of Alaska or the upper Mid West consumers have been known to *fly* a hundred miles to purchase staple goods. In Los Angeles consumers generally travel less than 10 miles, usually three miles or less for routine purchases.

Within whatever geographic area is determined to be the trade area for consumers of a particular community, it is consumption and consumer spending that determines the level of retail sales generated in the trade area. If a new store of any particular nature locates within that trade area consumer spending, with some exceptions will not change, it will be merely redistributed from wherever consumers had been spending to the new store. This may be highly beneficial to some consumers since presumably some would have to travel less distance than they did before the new store opened. However, unless there was some compelling evidence presented that consumers consumed more in an absolute sense as a result of the new store, and therefore consumer spending increased, retail sales in the trade area will remain the same. A certain percent will just be redistributed to the new location. The trade area may shrink in size reflecting the locational convenience provided by the new retailer, with shoppers needing to travel shorter distances. Overall retail sales, however, will remain essentially unchanged.

Further, if the new store is a big box retailer, retail sales as measured in dollars, retail tax revenues and retail employment within the trade area may actually decrease due to the efficiency and pricing of large store formats. This phenomenon shall be discussed in detail in the next section.

A few exceptions exist to this principle since there is some elasticity in consumer demand. As a result of a new store locating within a trade area, consumers may make purchases they had delayed due to previous unavailability of goods, or they may make impulse purchases that they would not have made, based on attractively merchandised, easily available goods. These exceptions are small in terms of overall retail expenditures, are usually short lived as the novelty of a new store wears off, and will be reflected in correspondingly lower expenditures in other consumption areas, since consumers incomes are relatively fixed and independent of their spending patterns.

The specific conditions under which this principle is applied must be understood, which leads to principle number two. If the trade area in question overlaps more than one municipal jurisdiction, it is possible that a new store, particularly a big box retailer, locating in one city within the trade area will cause retail sales within that city to increase, thereby resulting in increased retail sales revenue to that city, and possibly increased employment for residents of the city. This is what competition between cities for retailers and the fiscalization of land use is all about, and what the California legislation known as the Anti-Piracy Act (AB 178) seeks to regulate. However, because of the principles stated in section A, above, the retail sales, revenues and jobs that may be gained by city A will be gained at the expense of neighboring cities B and C, as well as local businesses in city A, if they are within the trade area of the consumers frequenting the new store.

There are other considerations, however. If the community in which the new retailer locates is a low-income community with a serious dearth of local retailing, the retail sales experienced by the new retailer may be at the expense of more affluent communities, in the same or neighboring cities, and may be at the expense of thriving retailers within the trade area but outside the low-income community. It may be that these communities and retailers can well afford the loss without experiencing serious consequences. In other words, overall retail sales in the trade area may remain the same but they, and their benefits may be more equitably distributed as a result of the new store location. Therefore the specific conditions and context in which the new retailer locates within a low-income community must be carefully examined to determine positive or negative impacts.

C. Possible Impacts of Big Box Retailers on Low-Income Communities

There are six sets of potential community impacts that big box retailers or superstores may have on low-income communities.

1. Potential Labor Impacts

- Big box retailers and superstores may negatively impact the labor market in an area by the conversion of higher paying retail jobs to a fewer number of lower paying retail jobs. The difference in overall compensation (wages and benefits) may be as much as $8.00 per hour.

- Lack of health care benefits of many big box and superstore employees can result in a greater public financial burden as workers utilize emergency rooms as a major component of their health care.

- Grocers have cited the current grocery store workers' strike and lockout as being partly due to the impact of the labor policies of non-union superstore retailers.

Low-income communities are characterized by high degrees of poverty, unemployment, and under employment. Within these characteristics are the working poor, those families in which the households have one or more employed members but whose wages are still too low to allow the family to get out of poverty. Many of the workers in such communities work without benefits such as health insurance, child-care provisions, retirement benefits, and unemployment benefits. Workers in low-income communities often work under unhealthful and dangerous working conditions. Further, due to the low wage rates often experienced by workers in low-income communities, parents will be employed in more than one job, making child care difficult, increasing the potential for crime and school failures.

Thus it is of paramount importance to the public interest and to public policy for cities, and for the City of Los Angeles in particular, to be concerned with the employment status, wage rates, benefits and employment conditions of the residents of low-income areas. Public policies that result from this concern seek to create employment opportunities for local residents by offering financial incentives to businesses, retailers, and particularly to grocery stores that locate in low-income areas. As will be discussed later in this report, in the areas of the City of Los Angeles that are the focus of the ordinance under consideration, the City, state and federal governments provide considerable financial incentives to attract and retain businesses into these areas.

The concern therefore of the City of Los Angeles, that has been expressed in testimonies at the two public hearings conducted for this project, and in studies of wages and benefits provided by many big box retailers and superstores, regarding labor issues are five-fold:

1. Wages paid to lower level and entry level workers that are considerably less than the competition;
2. Payment of benefits that are considerably less than competitors;
3. Increased use of part-time workers who do not qualify for benefits;
4. Diminished work staff for a corresponding volume of retail sales and store size than competitors;
5. The damaging impact of this downscaling of compensation on workers' ability to negotiate wages and benefits with existing retail employers.

A study conducted by the San Diego Taxpayers Association (SDCTA), a nonprofit, nonpartisan organization, found that an influx of big-box stores into San Diego would result in an annual decline in wages and benefits between $105 million and $221 million, and an increase of $9 million in public health costs. SDCTA also estimated that the region would lose pensions and retirement benefits valued between $89 million and $170 million per year and that even increased sales and property tax revenues would not cover the extra costs of necessary public services. "Good jobs, good pay, and good benefits should be the goal of an economy," SDCTA concluded, "and supercenters are not consistent with that objective."

One study of superstores and their potential impact on grocery industry employees found that the entry of such stores into the Southern California regional grocery business was expected to depress industry wages and benefits at an estimated range from a low of $500 million to a high of almost $1.4 billion annually, potentially affecting 250,000 grocery industry employees (Boarnet and Crane, 1999). Further, this study found that the full impact of lost wages and benefits throughout Southern California could approach $2.8 billion per year (Ibid.). The referenced study specifically analyzed Wal-Mart's hourly wage and benefit structure and compared it to Southern California grocery wages and benefits. The study found the monetized value of the wage and benefit gap was about $8.00 per hour or more.

In addition to the problem of the existing gap between superstore compensation and unionized grocery stores, it is already triggering a dynamic in which the grocery stores are negotiating with workers for lowered compensation, in an attempt to re-level the "playing field" (Los Angeles Business Journal, 9/8/03, pg.3).

The tables summarizing these analyses are reproduced from the Boarnet and Crane report in order to provide specificity to the issues raised. Neither the City of Los Angeles, nor its consultant, are implying that Wal-Mart is the sole concern of the proposed ordinance, although Wal-Mart's size and expansion program is of considerable interest in this connection.

According to "Table 2-9: Comparison of Southern California Grocery and Wal-Mart Discount Center Wages" (Ibid. pg 44), hourly wage rates for "typical or average" Wal-Mart employees are lower than the corresponding employees in the grocery industry by a range of $4.82 to $5.82 per hour. These are direct pay wages, not including benefits. When benefits are added, the combined difference indicates Wal-Mart is lower in a range from $7.97 to $9.26 per hour. Total annual pay, including wages and benefits for grocery workers was $37,960 versus Wal-Mart's range from $21,373 to $18,702.

The actual benefits that are monetized in Table 2-9 are summarized in Table 2-8 (Ibid. pg. 41). During the public hearings conducted by the City of Los Angeles as part of the current project, many Wal-Mart employees and executives made the point that employees were provided with benefits. Although this statement is true, a review of each benefit item in Table 2-8 illustrates that the Wal-Mart benefits program is inferior from the employee's point of view. This is particularly true in the all-important category of medical insurance, where chain grocery employers provide a plan that is fully paid by the employer with no deductibles to the employee.

The data collected for the referenced study applied to 1999 wages and benefits. If there have been significant changes in either as paid by Wal-Mart it is suggested that Wal-Mart submit such information to the Los Angeles Community Development Department for appropriate review.

At the same time, testimony was given on behalf of big box retailers and superstores which maintained that the locating of such stores in certain low-income areas of Los Angeles resulted in a positive increase in local employment with some paid benefits, and with training and promotion opportunities for lower level workers.

Comparison of Southern California Grocery and Wal-Mart Discount Center Wages

	Hourly Wage	Health Benefits	Other Trust	Premium Pay	Vacation Sick Leave	Total Wage/Hr	Total Annual Pay	Annual Pay
Southern California grocery chain employees	$12.82	$2.36	$0.32	$1.74	$1.01	$18.25	$37,960	$32,385
Wal-Mart – high estimate	$8.00	$0.56	N/A	$1.09	$0.63	$10.28	$21,373	$20,209
Wal-Mart – medium estimate	$7.50	$0.52	N/A	$1.02	$0.59	$9.63	$20,037	$18,946
Wal-Mart – low estimate	$7.00	$0.52	N/A	$0.95	$0.55	$8.99	$18,702	$17,683

Notes: Wages are for typical, or average, employees. Wal-Mart high estimate is based on an average hourly wage of $8.00 per hour. Wal-Mart medium estimate is based on average hourly wage of $7.50 per hour. Wal-Mart low estimate is based on an average hourly wage of $7.00 per hour. Total annual pay includes value of benefits. Annual pay is restricted to wages, premium pay, and vacation and sick leave benefits only. Wal-Mart hourly equivalents for benefits, premium pay, and vacation and unused sick leave pay are assumed to be in the same proportion to base wages as for employees of the major chains in California

Source: Boarnet and Crane, 1999

Table 2

Comparative Benefit Analysis

	Chain Grocery Stores	Wal-Mart
Annual Paid Holidays:	nine paid holidays per year	six paid holidays per year
Vacations:	One week after 1 year. Two weeks after 2 years. Three weeks after 5 years. Four weeks after 15 years. Five weeks after 20 years.	One week after 1 year. Two weeks after 2 years. Three weeks after 7 years.
Sick Leave:	Accrues at 4 hours/month, or 6 days/year. Annual cash buyout for unused sick leave.	Accrues at .023077 hours for each hour worked (approx. 4 hours per month) or 6 days per year, to a maximum of 192 hours (24 days). No cash buyout for accrued sick leave in excess of maximum. 50% of accrued sick leave may be used as personal time off from work.
Medical Insurance:	Several plans are offered. Most extensive coverage is the PPO Plan. Under PPO plan, employer pays full premium for employee and all dependents. No deductible. Most procedures reimbursed at 90 - 100%; $10 doctor's office visits. Maximum out-of-pocket expense is $500.	Employer paid with employee sharing premium. Four deductible options are offered ranging from $250 to $1,000 with varying employee premium share. Employee part of premium ranges from $5.50 to $18.50 bi-weekly depending on deductible. Employee pays full premium for any dependents. Plan includes employee co-insurance.
Dental Insurance:	Employer pays full premium for employee and all dependents. No deductible and no co-insurance.	Employee shares in premium payment ($2.50 bi-weekly) and pays full premium for dependents. Plan includes annual deductible and co-insurance.
Pension Plan:	Provides a defined benefit retirement plan. Employer's contribution is $1.225 per hour.	Offers an employee stock ownership plan. Company pays 15% of employee company stock purchases to an annual maximum stock purchase of $1,800. (approximately $0.135 per hour)
Other:	No-cost vision insurance coverage. Retiree medical insurance coverage.	Offers employee-paid life insurance. Provides profit-sharing plan. Provides employee, 10% discount card on Wal-Mart purchases. Offers reduced-cost medical plan for eligible retirees.

Sources: 1998 Wal-Mart Associate Benefit Book. Summary Plan Description. Food Employers' Council (Bailey, 1999).

Source: Boarnet and Crane, 1999

Table 3

A similar study was conducted in 2000 on the impact of big box store expansion in Ventura County. It also expressed concern over labor issues of big box retailers. "By far the most important issues facing the health of the economy where big box stores and discount clubs operate is in their labor practice. The bulk of their labor force consists of part-time workers who do not put any pressure on their employers to offer them affordable insurance and other benefits" (Damooei and Akbari, 2000; pg. 14).

In a study of retail operating costs conducted by Rodino Associates for the Los Angeles Alliance for a New Economy (Rodino; July, 2002), it was found that labor and fringe benefits together accounted for approximately 60% of the total operating costs of general merchandise and grocery retailers, as summarized on the table on the following page. If a retailer reduces total labor costs to 56% of its average competitor, as would be the case if one compares the $18.25 average total hourly cost of the Southern California grocery employer to the $10.28 higher estimate of Wal-Mart's labor costs, then the 60% figure can be reduced to 34% (60% X 56%). This represents a considerable reduction in operating expenses. Such reduced operating expenses partly account for the lower prices Wal-Mart and other big box retailers can charge their customers and the higher profits that may be recorded. An important public policy question, however, deals with the equity with which such lower prices and higher profits are attained, given lower labor wage rates and benefits, especially if such wages and benefits are provided in existing low-income communities that are being subsidized by public funds.

The labor issues discussed above are already having an impact on grocery store workers from the current labor strike and lockout. A major reason given by the involved grocery chains for needing to reduce labor costs is that they are feeling pressure from non-unionized superstores. The lower labor costs of superstores contribute significantly to their ability to offer lower prices to consumers. A concern of the City of Los Angeles is the impact of lower wages and benefits on the economic development of low-income communities.

Finally, a labor issue of concern is the potential for big box retailers to actually reduce the number of retail jobs in a particular trade area. It is axiomatic in retailing that larger store formats can provide greater efficiencies to the retailer. In other words, the same volume of goods can be sold with a smaller labor force and overall lower overhead costs in large format stores than if the same sales volume were to be spread over several smaller format operations. This is part of the basic economics of large format stores - doing more with less can result in lower prices to consumers and higher profits to store owners. If this is the case, replacing retail sales previously generated by several smaller stores with one big box retailer can result in a reduced number of persons employed in retailing within the trade area. Even if the location is in a high unemployment low-income community this impact can present a problem. The reason is that while sales of the new big box retailer may be captured from more affluent areas, or from another neighboring city, the chances are that the employees laid off by those retailers that lost sales will have been at the lower end of the pay scale range. A grocer losing sales to a superstore is more likely to layoff several retail clerks than retail managers. The jobs lost are likely to come from the same low-income population that the City seeks to assist in the first place. Thus the locating of big box retailers or superstores in the incentive zones of the City may convert higher paying retail jobs to a smaller number of lower paying retail jobs.

A caveat must be considered here. In testimony provided at both public hearings examples were provided of Wal-Mart stores locating in retail spaces vacated by other large retailers in the Panorama City Mall and the Baldwin Hills Mall. It was stated that both stores employed several hundred residents of each trade area who had been previously unemployed. It is possible that the number of newly employed persons in such situations is greater than the number of workers who may have lost jobs at other retailers due to the transfer of sales to the new store.

For example, if the loss of retail sales by other stores within the big box retailer's trade area is distributed across a large number of existing retailers, it is possible that each individual retailer will lay off a smaller number of workers than will be needed to generate the same volume of sales at one new store. The gain and loss of jobs is not necessarily a zero-sum game. This issue will be addressed in the report on mitigation.

Employer Payroll, Fringe and Total Labor Cost as % of Operating Expenses

SIC Code	Kind of Retail Business	Annual Payroll as % of Oper. Expenses	Employer cost for Fringe Ben % Op. Exp.	Legally required fringe expend % Op. Exp.	Voluntary fringe expend % Op. Exp.	Cost of contract labor as % Oper Exp.	Total labor as % of Oper Exp.
	All Retail Trade	46.3	7.8	4.90	2.87	1.1	55.20
52	**Building materials, hardware** garden supply and mobile home dealers	48.4	8.8	5.29	3.47	2.6	59.80
521,3	Building materials and supply stores	49.0	9.2	5.45	3.86	2.0	60.20
525	Hardware stores	48.6	8.5	5.42	3.08	N/A	57.10
53	**General marchandise stores**	49.6	8.4	4.71	3.70	0.9	58.90
54	**Food stores**	49.0	10.2	5.10	5.08	0.3	59.50
54 ex. 541	Other food stores - ex Groceries	39.9	6.4	4.72	1.67	0.7	47.00
541	Groceries stores	49.9	10.6	5.14	5.42	0.3	60.80
553	**Auto and home supply**	45.9	8.3	4.85	3.46	0.3	54.50
56	**Apparel**	37.9	6.2	3.90	2.25	0.8	44.90
561	Men's and boy's	41.2	5.9	3.68	2.26	0.8	47.90
562,3	Women's clothing and specialty stores	36.4	6.0			N/A	42.40
564,5,9	Other apparel	37.4	6.4	3.76	2.65	0.7	44.50
566	Shoe stores	40.1	5.9			0.6	46.60
57	**Furniture, home furnishings & equip.**	40.0	5.9	3.94	1.93	4.1	50.00
571	Furniture and home furnishings	38.1	5.8	3.84	1.93	5.8	49.70
572	Household appliance stores	46.6	7.1	4.61	2.49	2.4	56.10
573	Radio, telephone, computer and music	42.0	5.8	4.00	1.82	1.4	49.20
591	**Drug and proprietary stores**	53.4	N/A			N/A	53.40

Source: U.S. Department of Labor, Bureau of Labor Statistics; "2000 National Industry-Specific Occupational Employment and Wage Estimates". Rodino Associates

Table 4

2. Potential Impacts On Businesses and Consumer Choice

- Numerous empirical studies and city experiences have found that big box retailers and superstores often can result in the reduction of consumer choice due to their tendency to cannibalize competing retail businesses.

- Wall Street analysts and investment bankers are making it more difficult for grocery store chains to raise capital by downgrading investment portfolios containing stocks of grocers competing with superstores.

Competition is the watchword of our capitalist economy, but it is competition within a regulated environment for the benefit of competing businesses, workers and consumers. The history of retailing and of business in general is to do more with less, be more efficient, provide customers with lower or competitive prices and higher quality goods or services, and thus become more profitable. In retailing this history has followed several paths, one of which has led to larger format stores such as department stores, supermarkets, discount stores and more recently to big box and superstores. A superstore is commonly understood to be one that combines the offerings of large discount retailers and grocers under one roof. This history has drawn incentives from consumer convenience and consumer budgets.

Two issues involving the most recent trend toward big box retailers and superstores are of concern from a public policy point of view. One is the potential for such large format stores to cause the closing of other competing retailers within the same trade area which may impact the economic well being of a community. The second is the potential for such stores, particularly for superstores, to monopolize the market in essential consumer items such as food, thus possibly limiting consumer choice.

Therefore in an economy populated by relatively low-income consumers, the relatively static quality of disposable income means a large portion of the sales of newly developed big box retailers or superstores would have to be taken from the retail sales of existing retailers. If those existing retailers are in neighborhoods with retailers and shopping centers subsidized by the City of Los Angeles and the retailers cease operations, then consumer choice will be constrained and the economic goals of public policy may be reversed.

Several research studies on the impact of big box retailers on local businesses have found that store closings are not uncommon (Boarnet and Crane, 1999; Damooei and Akbari, 2000; Shils, 1997; Grantz, 1997; Taylor and Archer, 1994). Testimony given at the second public hearing provided information on the impact of big box retailers in Arizona, Louisiana, and other regions of the U.S. also indicated that store closure was a problem.

In Dallas, Texas, three major grocery chains closed stores as a result of competition from Wal-Mart stores. The growth of Wal-Mart supercenters (a superstore), Sam's Club (a membership discounter and grocer owned by Wal-Mart), and Neighborhood markets (a traditional sized grocery store created by Wal-Mart), in the Dallas area resulted in the closure of all 15 of Winn-Dixie supermarkets in Dallas, nine Minyard Food Store locations and five Brookshire Grocery Company outlets (LA Times, 10/27,03; pg. 1).

In a study titled, *The Impact of Big-Box Development on Toronto' s Retail Structure*, authors Ken Jones and Michael Doucet conducted research on big-box development in the greater Toronto, Canada area (population of 2.4 million in 1996). In a survey of 200 storefront retail strips that provide citizens with access to over 18,000 retail shops, sales declined from 53.7 percent in 1994 to 49.5 percent in 1997 for all occupied stores, after the introduction of big box retailers into the trade area. The retail categories experienced the greatest declines in sales were hardware (-10.4 %) and general merchandise (-3.9 %).

Stores in closest proximity to a big-box store experienced the greatest impact. (Jones and Doucet, 2000).

A study of the impact of Wal-Mart superstores on grocery stores in communities in the State of Mississippi found that "Wal-Mart superstores capture a significant share of sales from existing food stores...on a cumulative basis, the decline (in sales) continued, and five years after the opening, average food store sales were nearly 17% lower compared to the base year (before Wal-Mart opened)." A Professor of Economics, Kenneth E. Stone, of Iowa State University, conducted the study for the University of Mississippi, (Stone, 2002).

As previously discussed, it is consumer spending that is the generator of retail sales in any particular trade area. With relatively fixed levels of consumption and consumer sales, the gains made by one retailer are lost by the other competitive retailers in the same trade area, with exceptions such as population growth and other temporary consumption increases. Loss of sales can result in reductions of workforce and eventually the closure of stores. This is can be a normal competitive situation, except that in the incentive zones that are the subject of this study and ordinance, the City of Los Angeles has often invested significant sums of money to attract and retain those retailers that would lose sales. These retailers would include locally owned "Mom and Pop" businesses that are important to the economic stability and growth of a community, and to chain store supermarkets. The presence of supermarkets are an important for two reasons: for the provision of consumer choice in food purchases and because they are often anchors in neighborhood shopping centers upon which other retailers depend for the attraction of shoppers. The public financial incentives received by small stores and supermarkets are provided to help to provide low-income consumers with greater retail choices in convenient locations, to economically develop the local community and to support property values that can encourage additional investment.

At the same time, testimony at the July 17, 2003 public hearing by one business owner from the Panorama City Mall indicated that her restaurant business was saved from failure when Wal-Mart moved into the vacated space previously occupied by The Broadway department store. A principle of shopping center development is a major retailer is needed to anchor the center and attract shoppers through its presence, advertising, and large merchandise offerings. Big box retailers and superstores can provide the function of an anchor store in a shopping center and therefore can help other retailers within the same center.

A prevalent concern over big box retailers' impact on competing retailers is the practice of predatory retailing (Grantz, op. cit.; Columbia University, 2001). Accordingly, a newly opened big box retailer may artificially price its merchandise well below the competition for an initial period of time, say six months, while providing an initially large store staff to serve customers. During this initial period customers are lured away from the competition by the big box's temporarily low prices and outstanding services. When the competition can no longer exist on greatly reduced volume of business closures occur, eliminating competition, allowing the big box retailer to then monopolize the market, increase its prices and reduce its staff. Once the competition is gone it is difficult, if not impossible to redevelop a healthy retailing market.

In our capitalistic economy the ability to raise money through Wall Street's investment bankers is critical to the survival of any major corporation. The ability to raise capital is severely impacted by the judgments made by Wall Street investment analysts and bankers. At the convention of the International Council of Shopping Centers (ICSC) held on September 17, 2003 in Palm Springs, California, two representatives of the investment banking firm of Morgan Stanley concurred on the impact of Wal-Mart on other national grocery chains' ability to raise capital. Matthew Ostrower, Executive Director of Morgan Stanley Dean Witter in New York and Bruce Missett, Managing Director of Morgan Stanley Equity Research for Real Estate, also in New York, discussed the impacts of

Wal-Mart on the retailing industry. Both gentlemen concurred that their firm and other Wall Street investment bankers and analysts were recommending against investments by their clients in stocks or real estate investment trusts with significant holdings of grocery stores that compete with Wal-Mart. The Morgan Stanley representatives stated that this competition was particularly troubling for investors at lower ends of the grocery store merchandise price range, serving lower income markets (ICSC, 10/17/03).

The ability of low-income consumers' freedom to choose retailer providers of food can become severely restricted if major grocery chains continue to fall out of favor with Wall Street the investment community as a result of competition from superstores.

A key issue then is to sort out the expected impacts a big box retailer or superstore is likely to have on other retailers within the trade area, based on the context in which the new store is located, how it operates, and the likely implications for the local community. These issues will be addressed in the report on mitigation measures.

Several studies of the trend toward large format stores concern the potential for one or a small number of retailers to monopolize the market. This is especially troubling with regards to the market for food. If taken to its logical conclusion, a highly aggressive and successful campaign of expansion by one or a small number of superstores can result in such market dominance that the effect is that of market monopoly. While the big box retailers and superstores pursue their expansion plans touting expanded consumer choice, their very success may in fact limit consumer choice. Monopolistic behavior is one that has been opposed throughout the history of business - government relations for much of the 20th century. In the arena of the market for food monopolistic behavior can be particularly troublesome with regards to pricing and nutrition. In low-income urban areas residents have had their food and grocery choices severely limited for several decades. Only recently have major chain supermarkets and independent grocers begun to locate in such communities. This is a trend that is in the public interest to encourage, and a trend that the growth of superstores potentially threatens. Superstores can and often do price their groceries as "loss leaders", with low prices set to attract shoppers to buy higher profit margin non-grocery items. Obviously non-superstore grocers cannot pursue this strategy since groceries are their stock and trade. To protect consumer choice a balance of choice and stores is required. This balance is a delicate one in low-income areas, with special incentives often needed to attract the desired retailing quality and mix.

3. Potential Impact on Municipal Revenues

- Municipal revenues may actually decrease as a result of big box retailers and superstores for two reasons:
    a. retail sales measured dollars may actually decrease due to the big box's lower prices
    b. negative potential impact on other local retailers may cause local store closures.

One of the prominent claims of big box retailers is that they create increased retail sales and correspondingly increased retail sales tax to the local municipality. This certainly has occurred and is the cause for the pirating of big box retailers by cities. However, precisely the opposite may also occur in the event all of the retail trade area is within the same city. Based on the principle discussed earlier that overall consumer spending does not increase as a result the locating of a big box retailer, retail sales measured dollars may actually decrease due to the big box's lower prices and negative potential impact on other local retailers.

This potential decrease is based upon the greater efficiency of the big box retailers. A larger format retailer can generate the same volume of goods sold with economies of scale in purchasing goods, economies of scale in advertising, and economies of scale in employing fewer workers at lower compensation levels, per volume of goods sold and per square foot of retail space than smaller format stores. This is a fundamental part of large format store economics and part of what permits such retailers to charge lower prices. It is precisely the lower prices, combined with the constant level of overall consumption that can actually result in lowered consumer spending, thus lower retail sales as measured by dollars, and therefore lower sales tax revenues to the municipality governing the trade area. This is particularly true if other retailers within the city close due to the presence of the big box retailer.

Empirical studies quoted earlier, (Jones and Doucet, 1999; Shils, 1997; San Diego Taxpayers Association, 2002; Stone, 2002), demonstrated a common impact of big box retailers and superstores is to reduce retail sales of other retailers within the same trade area. When combined with the lower sales prices of the big boxes and superstores, the reduction of property values from the closure of local retailers, and the possible reduction in overall municipal revenues from sales and property taxes can be understood.

Again, care must be exercised in examining how big box retail sales are generated and what are their sources. This issue will be addressed in the report on mitigation.

4. Lost investments by the City of Los Angeles for economic development of low-income areas

The City of Los Angeles provides financial assistance to real estate development projects in the City's incentive zones that have the potential to create employment for low-income residents. As of April 2003, this financial assistance totaled $43,640,000, as summarized in Table 5. In addition to the City's investments, investments in the form of private equity and loans have totaled $219,470,000, in a total of nine projects. The average investment of the City of Los Angeles is in excess of $4.8 million and the average private investment is in excess of $19.5 million. In the event that big box retailers or superstores located within the trade areas of any of these projects and had the negative impacts that have been discussed throughout this study, the City of Los Angeles could lose a considerable portion of its financial investment. This is also true of the private equity investors and lenders involved in each impacted project. It is difficult to assess exactly what such losses would entail without knowledge of the precise location of a big box retailer or superstore entering the trade areas of any of the referenced projects. However, even a portion of the average $4.8 million could represent a serious financial loss to the City. Losses of this nature are ultimately a financial loss to American tax payers since it is their taxes and investments that are the source of the financing involved.

5. Vacated big boxes cause problems for property owners and cities

- When a big box retailer or superstore closes a store the huge vacancy created often results in a significant reduction in property values of the property on which it was located and in the surrounding properties.

Big box retailers and superstores usually negotiate leases that permit them to "go dark," i.e. to vacate their store, and have the option of maintaining their lease. Going dark presents major problems for both the former store's property owner, for the surrounding neighborhood and for the local municipality. Going dark and maintaining the lease on the vacated space can represent an insurmountable problem.

City of Los Angeles
COMMUNITY DEVELOPMENT DEPARTMENT
Industrial and Commercial Development Division

Financial Assistance to Projects in Incentive Zones

April 30, 2003

RETAIL PROJECTS			ALL FIGURES ARE IN MILLIONS $												
PROJECT NAME		PROJECT	SEC	CDBG							OTHER	TOTAL	PRIVATE		PROJECT
	PROJECT LOCATION	DESCRIPTION	108	FLOAT	CDBG	UDAG	BGIF	BEDI	EDI	EDA	PUBLIC	LA INV.	EQUITY	OTHER	COST
Santee Court	636 Maple, LA, Ca 90014	Parking	0.500							1.500	7.100	9.100			9.10
Imani Fe	Central between 103rd & 106th, LA.	Mixed-use facilities	2.700									2.700			2.70
Broadway & Manchester	8601 S. Broadway, LA 90003	Retail/com'l center	8.100									8.100	11.600		19.70
Family Farms	4322 S. Central Ave. LA 90011	Super market	0.650									0.650	0.260	1.450	2.36
Old Bank District	4th (Spring/Main)	Mix-use/resid/retail	3.800	1.200								5.000	3.400	23.000	31.40
Vermont Slauson Retail Cntr.	1000 W. Slauson, LA 90044	Sprmarket/BrgerKing			1.665	0.435				1.000		3.100		8.300	11.40
Sears Tower Project	2650 E. Olympic, LA 90023	Retail/com'l center					4.850					4.850	85.900		90.75
Chesterfield Square	1800-2000 W. Slauson, LA 90047	Shopping center	2.900	0.840			3.400			0.840		7.980		31.020	39.00
Angelus Grand Plaza	3650 E. Olympic Bl. LA 90023	Regional rtl shop ctr	2.160									2.160	4.750	6.150	13.06
Totals			20.810	2.040	1.665	0.435	8.250	0.000	0.000	3.340	7.100	43.64	105.91	69.92	219.47

Sources: City of Los Angeles Community Development Department, "ICD Lending Project Report"; May 26, 2003.

Abbreviations:

Sec 108: U.S. Department of Housing and Urban Development loan program, "Section 108".

FLOAT: Undisbursed funds in a Block Grant Letter of Credit

CDBG: Community Development Block Grants

UDAG: Urban Development Action Grants

BGIF: Block Grant Investment Fund

BEDI: Brownfields Economic Development Initiative

EDA: U.S. Economic Development Administration funding

Table 5

In a survey of big-box retail impacts conducted by researchers at the National Trust for Historic Preservation, the problem of closed big-box retail stores was described as follows:

> "As (big-box) retailers close older, smaller stores and open larger new ones farther out in the countryside, terms like 'retail graveyards' and 'greyfields' have emerged to describe the growing problem of vacant superstores. Local officials are concerned that these outlets breed crime and vandalism, depress nearby property values, and saddle municipalities with financial and legal liabilities. Snellville, Georgia, has three big-box stores sitting empty. In Bardstown, Kentucky, an old Wal-Mart built directly across the street from My Old Kentucky Home, a state park and major tourist attraction, stood vacant for almost ten years. In Hagerstown, Mary land, a big-box building supply store has moved into a new structure but allowed its previous one across the street to sit vacant for the past five years." (Beaumont and Tucker, 2002)

Big box and superstore retailers' leases are mostly written with clauses permitting them to vacate their premises if certain sales volumes or profit margins are not realized. Other reasons for such retailers to vacate stores relate to the increasing trend towards retail mergers, as a result of which consolidation of markets and retail distribution outlets are often implemented. A vacated large store has an enormous negative impact on the property's value due to the vacancy and the perception of failure, and to the neighboring retailers in a shopping center that were dependent on the big retailer to act as an anchor and generate shopper traffic. Thus the property's income goes down as does property valuation. Such big format spaces once vacated are very difficult to re-lease, without a significant expenditure of funds and extensive renovation of the space, even if another competitive big box retailer is found.

A vacated big box space in which the former occupant holds on to the lease can be an even greater problem, in spite of the continued rent payments to the property owner. The vacating retailer usually holds on to the lease to prevent another competitor from locating in the space and therefore within the same trade area. The huge and almost permanently dark retail space becomes an albatross that brings down the rest of the shopping center and surrounding retail businesses, the host property value, revenues to the local municipality, and often becomes a general blight on the neighborhood.

Tales of woe relating to this problem are common around the nation. A recent survey of metropolitan Kansas City's retail space by the R.H. Johnson Co. brokerage found that more than half of the vacant floor space in the area was caused by 26 empty "big box" retailers. According to Johnson's survey, 1.5 million square feet, or 60 percent, of the vacant retail space in metropolitan Kansas City is in big-box stores (Kansas City Star, 3/15/99).

Southern states, where big box retailers expanded early and multiplied rapidly, have been hardest hit, according to an article in the Twin Cities Star Tribune (1/8/01). But the problem is beginning to surface in Minnesota, the article continued. Wal-Mart intends to close stores in Owatonna and Albert Lea later this year and open larger outlets nearby. The 80,000-square-foot Albert Lea store is just 11 years old.

Most abandoned stores remain vacant for many years. An abandoned Wal-Mart in Bardstown, Ky., sat empty for nearly a decade (Twin Cities Star Tribune, op. cit.). Some cities are burdened with more than one empty box. West Columbia, S.C., is home to almost a dozen empty or soon to be vacated big box stores, including Wal-Mart, Target and Circuit City. Leapfrogging across the landscape costs these companies less than recycling existing properties. But it's cheap only because the rest of us are paying the price. The new stores are chewing up valuable farmland and open space, exacerbating traffic and air pollution, burdening public services and morphing our communities into placeless blobs of sprawl (Ibid.).

6. Land Use and Urban Design Issues

- Big box retailers and superstores often destroy attempts to create pedestrian-oriented communities with a sense of place and pride in low-income communities by unattractive architecture and site layouts featuring huge expanses of black-top parking lots.

Typically, big box retailers occupy stores in excess of 100,000 square feet and sometimes as large as 250,000 square feet, surrounded by huge parking lots to provide for the needs of auto-borne shoppers. The facilities occupied are usually plain "boxes," (therefore the nickname "big box"), with little or no design detail aside from signs announcing their presence. A 150,000 square foot store requiring five parking spaces per thousand square feet of store space, or parking for 750 cars, will need a 10-acre site for its own use; a 250,000 square foot store will need 1,250 parking spaces and a 16-acre site. Since there are few 10 to 16-acre sites in inner city communities site assemblage requires putting together several contiguous parcels or occupying an existing facility either in a semi-industrial area or one that has been vacated by another large retailer, often a closed department store. Columbia University's School of Architecture studied land use and design issues of big box retailers (May 2001) and described them as follows:

Large windowless, rectangular single-story buildings
Standardized façades
Reliance on auto-borne shoppers
Acres of parking
No-frills site development that eschews any community or pedestrian amenities
Unique to no place, be it a rural town or an urban neighborhood

Profound planning impacts on the character of a community

The last issue "profound planning impacts on the character of a community" summarizes the whole arena of concerns for land use and urban design. The Columbia study focuses on urban design and its role in physically coalescing or fragmenting a community. In inner city low-income communities fragmentation has often occurred as a result of decades of bad decisions by public and private policy-makers, exacerbating and contributing to the difficult social and economic conditions that exist. The history of urban renewal is full of cases demonstrating this observation. The placement of big box retailers, with the design characteristics described above, has the potential to increase this physical fragmentation by making it more difficult to develop a sense of place and an ownership of the community by local residents. Big box retailers locating in existing empty stores, particularly within existing shopping malls such as Panorama City and Baldwin Hills are less likely to encourage this fragmentation then those locating as stand-alone buildings.

At the public hearings on both July 14th and 16th speakers expressed the concern that the huge building and land areas that big box retailers require compete for sites that may be more appropriate for alternative and more beneficial to the community as a whole. Schools and housing were specifically mentioned as such alternative uses. This is a serious land use issue in a city that needs more schools and housing. In the City of Pomona a sub-regional mall on Holt Avenue, Plaza Azteca, successfully re-used a vacant 100,000 square foot store for a public school in 1996. The center had experienced the loss of a 100,000 square foot Zody's that was replaced by a Ralph's Giant and then went dark. Similar possibilities may exist in low-income areas for vacant retail buildings to be reused for schools or the sites of such properties for housing.

Currently the Mayor's Office is undertaking a study of industrial land and has found that a considerable amount of industrial zoned land has been and is continuing to be converted to retail uses. Little of this land has been converted for housing and none, to our knowledge, for schools. Big box retailers often seek industrial sites on the fringe of residential areas to obtain the large acreage and low land prices needed to make their development feasible. Thus big box retailers may join the already intense competition for scarce sites in the City of Los Angeles that may be used for schools or housing.

A final area of concern regarding land use and urban design centers on problems big box retailers can create when they vacate a building and site. First the huge stores are difficult to refill, except if the property owner is able to convert its use to a school, housing development, or an industrial use. More often, however, the departing big box retailer will vacate the premises but hold onto the lease of the space to prevent the entry of a potential competitor. Usually leases entered into by big box retailers contain the provision that they have the right to vacate their space and hold onto the lease for their own benefit. The rental cost of a vacant space is insignificant when compared to the competitive advantage gained by preventing a competitor from entering the trade area. If the vacated space is in a shopping center this practice cripples the other retailers in the center who more than likely were dependent on the big box to anchor the center, and it cripples property owner who's property is relatively worthless with a major vacancy and dying smaller retailers.

4. MITIGATION RECOMMENDATIONS

A. INTRODUCTION

This report provides recommendations for consideration by the City of Los Angeles in its efforts to mitigate the potential impacts of big box retailers and superstores. It summarizes similar efforts of other communities around the United States and provides web site references for examples of the ordinances used or attempted by cities and states. An application process is also recommended for retailers that are to be governed by the proposed ordinance.

The potential impacts of big box retailers and superstores, as experienced by communities throughout the United States, have been previously summarized as:

- employment and compensation for labor
- neighborhood retailers and consumer choice
- municipal revenues
- municipal investments in low income areas
- property values
- land use and urban design

Enacted or attempted public sector mitigation efforts fall into one or more of six categories:

1. Assessment of impacts and payment of impact mitigation fees
2. Size limitations and prohibitions
3. Design requirements and guidelines
4. Re-leasing requirements governing closed big box stores
5. Efforts required of big box retailers to promote local retailing
6. Regional cooperation among governments on mitigation issues

None of the mitigation efforts reviewed focused directly on the employment wage and benefits issue. While this issue was noted in several instances, none of the efforts reviewed required big box retailers or superstores to pay higher wages or offer more generous benefit packages to workers. There were no attempts made to raise the minimum wage or to require "living wage" standards. Also, no references to local hiring requirements were found in the research performed. The most common mitigation approach taken was to prohibit or limit the development of big box retailers, thereby avoiding a host of potentially negative impacts. All of these issues are discussed in sections "B. Recommended Mitigation Efforts of the City for Los Angeles", and "C. Mitigation Efforts by Other Communities". Section D provides web site references on several mitigation ordinances passed or attempted by local and state governments.

B. RECOMMENDED MITIGATION EFFORTS FOR THE CITY OF LOS ANGELES

The following mitigation efforts are recommended for consideration by the City of Los Angeles. Recommendations have been generated based on the potential impacts of big box retailers as outlined in the Impact Report, the mitigation efforts of other communities as summarized in the preceding section, and the characteristics of the communities included in the City's "incentive zones." Each mitigation effort is discussed in connection with the impacts it addresses.

The mitigation efforts recommended are:

1. Impact Assessment Analysis
2. Size Limitations and Prohibitions (not recommended)
3. Minimum Wage and Benefits Standards
4. Local Hiring Requirements
5. Land Use and Design Guidelines
6. Re-leasing requirements governing closed big box stores

7. Promote local retailing
8. Regional cooperation among governments on mitigation issues

1. Impact Assessment Analysis

The basis for requiring impact mitigations should be a thorough assessment of the impacts that big box retailers and superstores are likely to have on communities within the City's incentive zones. An impact assessment should be conducted by an entity that is independent of the retailer (and developer if a developer is involved) proposing to locate within the incentive zone, hired by the City of Los Angeles, and funded by an impact fee paid by the retailer. The impact assessment should provide an analysis of the likely impacts on at least the following issues:

- employment and compensation for labor
- neighborhood retailers and consumer choice
- municipal revenues
- municipal investments in the incentive zone
- commercial property values
- land use and urban design

Several models of community impact assessment analyses exist and may be referred to and adapted for use. These include the Los Angeles Alliance for a New Economy's "Community Impact Report;" "A Checklist for Evaluating Big box Retail Projects" as outlined in "The Impact of Big Box Grocers on Southern California: Jobs, Wages and Municipal Finances," published by the Orange County Business Council, 1999; and "Re-Evaluating Redevelopment: A Case Study of the College Grove Redevelopment Project" prepared by the Center for Policy Initiatives in San Diego, 2003. (The models are referenced only as guidelines to the kind of impact analyses included. Several of these models refer to affordable housing impacts that need not be considered). The impact assessment analysis would not replace other existing development-related requirements such as the preparation of an environmental impact report (EIR) but would be in addition to those requirements.

A key component of the impact assessment analysis should be objective measures of the degree to which the existing and projected consumer market, within the trade area of the proposed big box retailer or superstore, could absorb additional retail sales, versus the degree to which those retail sales would need to come from existing retailers within the incentive zone.

2. Size Limitations and Prohibitions

It is not recommended that a blanket prohibition of retailers based on size be implemented. The reasons for this are several:

a. Prohibition based on size is too inflexible as a policy tool and does not allow for situations where a large format store can be beneficial to a low-income community and to the host municipality .

b. In situations where big box retailer or superstore proposes to occupy an existing vacant retail space in an existing retail mall, (such as has been the case in the Panorama City Mall and in the Baldwin Hills-Crenshaw Mall), the positive impacts may outweigh the negative ones.

c. Size alone does not get to the issues of potential negative impacts.

Size should be used as a criterion for determining if a retailer to be located within the incentive zone is to come under the jurisdiction of the proposed ordinance.

3. Minimum Wage and Benefits Standards

The City of Los Angeles should consider the desirability of imposing higher minimum wage and benefits standards than are currently paid by non-unionized big box retailers and superstores, for those planning to locate within the incentive zone. A major concern of communities around the United States has been the potential for the conversion of jobs with higher wages and benefits, usually paid by unionized retailers, to lower paid non-unionized employment, with the corresponding negative economic impact on the families of the employees and on the local community. The "Living Wage" proposed by the Los Angeles Alliance for a New Economy should be reviewed as a possible wage and benefits standard.

4. Local Hiring Requirements

Requiring a big box retailer or superstore to hire at least 50% of its local store workforce from residents living in the incentive zone would help offset the potential negative impact such retailers may have on employment in the zone. Local hiring requirements would increase the circulation of money spent by local consumers within the incentive zone. The City may wish to assist in this process through jointly sponsoring an outreach and training program with the subject retailer.

5. Land Use and Design Guidelines

The City of Los Angeles should request the City Architect to develop site and building design guidelines that big box retailers and superstores must follow. The intent of the design guidelines should be to minimize the negative impacts of huge street front parking lots and large windowless, rectangular buildings with blank and standardized facades. Pedestrian oriented amenities, landscaping, and easy pedestrian connectivity to the street and to adjacent properties should be included in the guidelines.

6. Re-leasing requirements governing closed big box stores

The City of Los Angeles should disallow the practice often followed by big box retailers and superstores regarding the re-use of vacated stores by which the retailer prevents competitors from occupying its vacated space. In the proposed ordinance a clear statement should be included covering the following situations:

a. If a big box retailer or superstore leases its space, the lease must state clearly that in the event the retailer physically vacates the space during the term of its lease, that the retailer turns over rights to re-lease or sell the store to another user of the owner's choosing, while the vacating retailer continues to be responsible for all other terms of the lease, including rent payments and common area charges that may apply. These terms would be in effect until such time as another occupant becomes legally responsible for occupying the space, paying rent, etc. The Los Angeles City Attorney's Office should clearly define the term "vacates" so that loopholes do not exist. For example, if the subject retailer significantly reduces its operations, but leaves the store open to the public with a skeleton staff and minimal inventory, this should be considered as a "vacate."

b. If a big box retailer or superstore owns its store an agreement must be signed with the City of Los Angeles as part of its occupancy rights, that if it vacates, then it will turn over the re-leasing or sale of the store to an independent agent with full authority to lease or sell to another user, including the retailer's competitors. Interference with this process by the retailer should carry a penalty that is both monetary and prohibits the retailer from new occupancy in any other part of the City of Los Angeles until such time as the interference ceases.

7. Promote local retailing

The City of Los Angeles, upon reviewing the impact assessment analysis, should have the option of requiring a big box retailer or superstore to assist in the promotion of local retailing. A campaign of this nature should be on- going and not a one-time event. Promoting local retailing may also entail assisting in the transportation of shoppers around a retail district, as in the example provided by Bozeman, Montana.

Promotional assistance may be accomplished in one or more of the following ways, and can be negotiated as part of an overall approval of the subject retailer:

a. The subject retailer submits and carries out a local retail - local retailer promotional campaign of its own design, including a specified budget, subject to the approval of the City of Los Angeles.

b. The subject retailer pays a mitigation fee to be used to fund such a local retail - local retailer promotional campaign. The amount of the mitigation fee should be negotiated within pre-set minimum and maximum limits, and be based on the anticipated impact of the subject retailer on local retailing. The promotional fee may be used to fund the efforts of a business improvement district, to fund an effort by a local Chamber of Commerce to promote local retailing, or by a private for-profit of non-profit entity to conduct a promotional campaign.

8. Regional cooperation among governments on mitigation issues

The City of Los Angeles should pursue cooperative arrangements with cities and County areas on or in close proximity of the incentive zone borders to adopt similar ordinances regulating big box retailers and superstores. Cooperative arrangements should be pursued through a number of avenues including direct negotiation with the localities, negotiations with the County of Los Angeles and the Southern California Association of Governments (SCAG), and through legislation at the State level.

The table on the following page summarizes the recommended mitigation efforts vs. the impacts they are intended to mitigate.

RECOMMENDED MITIGATION EFFORTS FOR THE CITY OF LOS ANGELES

Table 6

IMPACTS / CITY MITIGATION MEASURES	Impact Assess	Size Limit	Min. Wage/Benefits	Local Hiring	Land Use & Design Guide	Re-leasing Reqs.	Promote Local Retailing	Regional Coop.
Employment	X	NR	X	X		X	X	X
Labor Compensation	X	NR	X					X
Impact on Neighborhood Retailers	X	NR	X		X	X	X	X
Consumer Choice	X	NR				X	X	X
Municipal Revenues	X	NR				X	X	X
Municipal Investments	X	NR		X		X	X	X
Property Values	X	NR			X	X	X	X
Land Use and Design Issues	X	NR			X	X	X	X

NR = Not Recommended

C. MITIGATION EFFORTS BY OTHER COMMUNITIES

1. Assessment of impacts and payment of impact mitigation fees

Numerous cities are requiring developers of big box retail to perform an assessment of its likely impacts and the payment of an impact mitigation fee. The idea behind "impact assessments" is a simple one: communities examine how large development projects will affect their neighborhoods, and mitigate potential harm whenever possible. While the preparation of environmental impact statements are standard procedure for large projects, economic impact assessments are less common, even though major commercial developments can devastate the economic vitality of a downtown or Main Street.

State of Maryland

A study prepared by the Maryland Department of Planning recommends that a market analysis is one way for a community to determine if there is a demand for retail development, or if a community can support a large-scale retail format. An analysis can be performed to assess the performance of other competing retail stores in the trade area to determine if a community can support a proposed or existing retail facility. The study listed additional questions that should be addressed in a market analysis or during a community planning process:

- How much land is currently zoned for commercial use (includes office and retail)?
- Where are retailers, particularly big-box retailers, locating and why?
- Is there a " surplus" of retail sales revenue in the community, or is there a " leakage" of retail sales revenue to places outside of the community' s trade area?
- Are there any industrial zones and/or abandoned industrial facilities that could potentially be converted to retail space?
- What are the potential impacts of new retail development on the existing community as well as the larger area?

- What are the economic development goals and objectives of the community, and how will they be implemented?
- What locations in the community are targeted for economic development, and what areas are currently under-served?

Lake Placid, New York

When Wal-Mart proposed to build an 80,000 square-foot store surrounded by nine acres of asphalt in a scenic preservation district on the edge of this small resort town, local residents recoiled. The economic impact study conducted for the proposed Wal-Mart said that it could take up to fourteen years to refill retail space likely to become chronically vacant due to the super-store's construction. Wal-Mart sued the planning board for denying its request to build, but in February 1998, a court upheld the board's decision

Other jurisdictions have rejected big-box stores or put conditions on their approval as a result of impact assessment findings.

State of Vermont

The state environmental board denied permission for a developer to build a superstore outside the community of St. Albans after an impact assessment estimated that the 100,000 square-foot store would cost the public $3 for every $1 of public benefit. The big-box retailer appealed this decision to the Vermont Supreme Court, but in 1996, the court validated the board's ruling.

Bozeman, Montana

The City of Bozeman now requires economic, as well as traffic and environmental, impact analyses for all new retail stores over 50,000 square feet. When a big-box retailer proposed to expand its existing store from 125,000 to 205,000 square feet, the city commissioned an economic impact study.

Mitigation fees are sometimes levied on a developer of big box stores. The fee is dependent on the size of the retail store to be built. On such city, as previously referenced, is Northhampton, Massachusetts.

Northhampton, Massachusetts

The City requires the following schedule of mitigation fess as a function of size:

New building or conversion to retail:

0-10,000 sq. ft.	$0 mitigation fee
10,001 - 20,000 sq. ft.	$5/sq. ft. for area greater than 10,000 sq. ft.
20,001 - 50,000 sq. ft.	$5/sq. ft. for entire area
Above 50,000 sq. ft.	$7/sq. ft. for entire area

The fee is be used to fund economic development activities designed to offset the impact of retail sprawl on downtown businesses.

2. Size limitations and prohibitions

The most common mitigation strategy in use by local municipalities has been to prohibit big box retailers and superstores of a size above a specified threshold, from locating in communities considered to be sensitive to their potentially harmful impacts. Most ordinances define big box retailers or superstores based on store size. The City of San Diego's proposed ordinance includes consideration of stock-keeping units as well.

Oakland, California

Oakland has become the latest California community to ban "supercenters," otherwise known as superstores that sell discount groceries alongside other bargain goods. The Oakland City Council voted 7 to 1 on October 21, 2003 to approve a measure to limit the size of "big-box" grocery stores allowed in the city. The ordinance bars discount retail stores with full-service supermarkets that exceed 100,000 square feet, or about 2.5 acres.

Bozeman, Montana

In February 2003, the City of Bozeman, Montana, enacted an ordinance limiting retail stores to no more than 75,000 square feet. The measure makes permanent a temporary moratorium on construction of large retail stores adopted in 2002.

Coconino County, Arizona (Flagstaff)

In August 2001, the Coconino County Board of Supervisors adopted an ordinance, which prohibits retails stores larger than 70,000 square feet and requires a conditional use permit for those larger than 25,000 square feet.

Contra Costa County, California

In June of 2002 the City of Martinez prevented a traditional Wal-Mart store from expanding into a superstore that could sell groceries. On June 3, 2003 the Contra Costa Board of Supervisors voted to ban such superstores from unincorporated areas of the county.

Easton, Maryland

Prompted by several applications for retail development in excess of 500,000 square feet, larger than anything anticipated by the town's existing Comprehensive Plan, the Easton Town Council enacted a temporary moratorium on new "big box" retail stores in September 1999. In March 2000, the Town Council adopted an ordinance that prohibits retail stores larger than 65,000 square feet and bars the Board of Zoning Appeals from granting a variance to allow a larger store.

Northhampton, Massachusetts

In May 2002, the Northampton City Council enacted ordinances prohibiting retail stores larger than 90,000 square feet, and requiring that developers proposing stores larger than 20,000 square feet either construct pedestrian-friendly, two-story buildings contiguous to the street or pay a $5 per square foot mitigation fee.

The fee will be used to fund economic development activities designed to offset the impact of retail sprawl on downtown businesses.

Rockville, Maryland

In August 2000, the city of Rockville enacted an ordinance, which bans stores over 65,000 square feet and requires those over 25,000 square feet to comply with design and siting guidelines.

San Diego, California

An ordinance is currently before the San Diego City Council to be included in the city's "City of Villages General Plan" that would prohibit the development of superstores that were over 130,000 square feet in floor area, with over 30,000 stock-keeping units devoted to groceries or 10% of their gross sales coming from non-taxable items.

Santa Fe, New Mexico

In July 2001, the City of Santa Fe, New Mexico, adopted an ordinance prohibiting retail stores larger than 150,000 square feet and requiring stores over 30,000 square feet to comply with architectural and site design standards.

State of California

In December of 1999, Assembly Bill 84, also known as the "big-box bill", was defeated. The bill would have prohibited local governments and state agencies from approving construction of retail stores of more than 100,000 square feet that devote more than 15,000 square feet to groceries, drugs or other nontaxable items.

St. Petersburg, Florida

In 2000 the City of St. Petersburg, Florida, amended its comprehensive plan to include new policies to help control the level of retail development. Based on an analysis of ratio of population to retail space, it was judged that an “over supply” of retail space existed. According to the city's planners, an over supply exists when there is more than one acre of commercial land for every 150 residents. This analysis aided the City of St. Petersburg in rejecting a 220,000 square foot Wal-Mart superstore.

Taos, New Mexico

In September 1999, the town of Taos enacted an ordinance restricting construction of large retail stores. The measure bans new stores that exceed 80,000 square feet and requires developers to obtain a special permit to build stores over 30,000 square feet.

3. Design requirements and guidelines

Design requirements and guidelines are being utilized by local and state governments to control site and building designs in order to both avoid the negative urban design aspects of big box developments as well as to preserve an urban "Main Street" quality.

Fort Collins, Colorado

Fort Collins adopted its big-box standards early in 1995. The guidelines and standards were integral parts of the City's performance oriented Land Development Guidance System and have since been entirely incorporated into their Land Use Code. Staff applies the standards during the site plan review process working closely with project design consultants. They cover the issues of:

Architectural character of the building
Color and material of the primary structure
Relationship to the surrounding community, including civic amenities
Pedestrian flows and
Parking

City of Gaithersburg, Maryland

The Washingtonian Center in Gaithersburg serves as a local example that places special restrictions on big-boxes within a main-street environment. The local master plan contains language that indicates the property should be developed as a mixed-use center. Criteria for the site design require buildings to front streets, parking to be located at the rear of buildings and limits on building size. (Size limitations were unavailable.)

City of Portland, Oregon

In 1990, the Portland City Council adopted a design review ordinance including a design review process and basic guidelines. The ordinance, in part, was established to help implement the goals and objectives of the Portland Central City Plan and to guide the design of big box retail developments. The guidelines focus on a broad range of aspects that meet the basic expectations of the City.

Somerset County, New Jersey

In 1998, the Regional Center Partnership developed a set of design guidelines for large-scale retail development in communities in Somerset County, New Jersey. The Partnership modeled its guidelines after strategies used in Fort Collins, Colorado.

State Government Examples: Vermont and New Jersey

Vermont and New Jersey serve as two model examples in the regulation of big-box development at the State level. While big-box retail is not explicitly stated in the Vermont Statutes or the New Jersey State Plan, both states have guiding policies that address many of the impacts of large-scale retail development.

4. Re-leasing requirements governing closed big box stores

Property owners and local communities struggle with the re-use of vacated big box stores. This struggle is exacerbated when the vacating big box retailer holds on to its lease to prevent competitors from entering the trade area. The result has often been a lingering blight on the surrounding area and depressed property values for property owners.

Buckingham Township, Pennsylvania (suburban Philadelphia)

Buckingham Township, Pennsylvania, passed an ordinance requiring developers to put money into an escrow account to cover demolition costs in case the superstores they build ever become vacant.

Peachtree City, Georgia (suburban Atlanta)

Peachtree City, Georgia, requires that contracts between property owners and big-box tenants state that the tenant may not vacate the building and then prevent the landlord from leasing the property to another tenant.

Evanston, Wyoming

Under an agreement negotiated by Evanston, Wyoming, in 2001, a big-box retailer must help the city find tenants for a store it vacates so that it won't just stand empty.

5. Efforts required of big box retailers to promote local retailing

Recommendations have been made to cities that big box retailers and superstores provide some form of assistance to the impacted local retailers and retail district. Bozeman, Montana is again an example.

Bozeman, Montana

The study referenced earlier recommended that the superstore retailer planning to locate in the city be asked to help pay for a shuttle service running from its store to the downtown, and to contribute to a promotional campaign benefiting existing stores as well as the superstore. No information was accessed to indicate whether or not these recommendations were implemented.

6. Regional cooperation among governments on mitigation issues

A significant dilemma facing communities seeking to regulate and mitigate the potential negative impacts of big box retailers and superstores is the threat that such retailers will simply locate just outside the border of the jurisdiction in question, but still within the trade area that was of concern. Many municipalities fear that if they impose any conditions on big-box superstores, the stores will simply move to the neighboring community, where restraints may be absent. The neighboring city gets all the sales and property tax revenues, and the original city gets all the traffic. State law can help towns avoid becoming pawns in intergovernmental bidding wars.

State of California

The State enacted AB 178 - Anti-Piracy Act of 1999, referenced earlier, to minimize the pirating of big box retailers by one city from another. In the last several weeks a tougher state law that would prevent cities from using financial incentives to attract retailers larger than 75,000 square feet was defeated.

County and City of Hood River, Oregon

Acting pursuant to Oregon policy, Hood River (a small city on the Columbia River Gorge in Oregon) has executed an Urban Growth Management Agreement with the County of Hood River that requires the county to adopt regulations similar to those of the city. The city's big-box ordinance includes tree-planting requirements intended to break up the "sea of asphalt" look in parking lots, and a ban on stores with footprints of over 50,000 square feet.

D. WEB SITE REFERENCES OF BIG BOX AND SUPERSTORE MITIGATION ORDINANCES

The web sites referenced below contain all or parts of big box mitigation ordinances used by the corresponding communities.

Oakland, California
http://clerkwebsvr1.oaklandnet.com/attachments/2412.pdf

Bozeman, Montana
http://www.newrules.org/retail/bozeman.html

Coconino County, Arizona (Flagstaff)
http://www.newrules.org/retail/coconino.html

Easton, Maryland
http://www.newrules.org/retail/EASTON.html

Northampton, Massachusetts
http://www.newrules.org/retail/northhampton.html

Rockville, Maryland
http://www.newrules.org/retail/rockville.html

Santa Fe, New Mexico
http://www.newrules.org/retail/sizesantafe.html

Taos, New Mexico
http://www.newrules.org/retail/taos.html

State of Maryland

http://www.mdp.state.md.us/mgs/bigbox/bigbox_v3.pdf
This document provides summaries of ordinances for numerous communities throughout the United States.

New Rochelle, New York and Columbia University School of Architecture
http://www.columbia.edu/itc/architecture/bass/newrochelle/extra/big_box.html

5. BIG BOX RETAIL / SUPERSTORE APPLICATION PROCESS

The big box retail / superstore application process should proceed in a manner similar to the current Conditional Use Permit process, through the steps listed below. The applicant shall be the entity that submits an Application for Building Permit to construct the subject retailer's store. This may be the retailer itself if it is constructing its facility, or the developer if it is the constructing entity.

1. Application for Building Permit and Application for Conditional Use Permit.

In the event the applicant seeks a building permit from the Department of Building and Safety, the department shall note that the retail facility comes under the jurisdiction of the big box / superstore ordinance and shall refer the applicant to the Planning Department to process a Big Box Retail / Superstore Conditional Use Permit (BBR-CUP). The applicant may also go directly to the Planning Department for a BBR-CUP before seeking a building permit.

2. Initial Big Box Retail / Superstore Conditional Use Permit (BBR-CUP)

The applicant shall prepare and submit a BBR-CUP containing the information, as prescribed in the draft of the initial BBR-CUP application, including project description and subject retail facility description, and related information.

3. Required Documents to be Submitted along with the Initial BBR-CUP

The applicant must submit the following documents at the time the initial BBR-CUP application is submitted:

a. Site Plan

b. Architectural renderings and specifications of the subject retail facility, including images of all four faces of the facility, signage, and landscaping.

c. Executed copy of the lease if the facility is to be leased, with a statement regarding the re-leasing rights of the property owner, in the event the retailer vacates the premises, consistent with the City ordinance. In the event the subject retailer owns the retail facility, then a signed statement by the retailer must be submitted that in the event it vacates the facility it will turn over the authority to lease or sell the facility to an independent agent, in accordance with the City ordinance.

d. Employment Plan of retailer for its first operational year, providing a list of the job titles, number of employees expected to be employed in each title, wage range and benefits package.

e. Pay an Impact Assessment Analysis fee ranging from $20,000 to $50,000 to the City of Los Angeles to be used to by the City to contract with an independent organization to prepare an Impact Assessment Analysis. The exact fee shall be a function of the size of the retailer's trade area as reported on the initial BBR-CUP application form, and the number of retail NAICS codes that categorize its merchandise for sale, as listed in the initial BBR-CUP application. For example a store that will sell only general merchandise, NAICS code 452 is simpler to analyze than a superstore that will also sell groceries, NAICS code 45291.

4. Zoning Administration Division of the Planning Department Review

The staff of the Zoning Administration will review the initial BBR-CUP to:

a. Determine its completeness and conformance to the City's ordinance

b. Request the Community Development Department (CDD) to issue a request for proposals (RFP) to the appropriate organizations for the preparation of an Impact Assessment Analysis. The RFP and assessment completion process should proceed approximately as follows:

1) CDD issues an RFP within 30 days of its request by the Zoning Administration

2) Respondents have approximately 30 days to respond and CDD has 30 days to award a contract

3) The selected organization has 60 days to complete the Impact Assessment Analysis. Copies of the report are to be submitted to the CDD, the Zoning Administrator's staff, and the applicant.

4) CDD and Zoning staff submit a report to the Zoning Administrator, based on the Impact report, recommending either:

i. Grant the BBR-CUP without mitigation

ii. Grant the BBR-CUP with mitigation steps recommended

iii. Deny the BBR-CUP application either because negative impacts are considered to be considerable and beyond mitigation; or applicant refuses to take appropriate mitigation actions.

5. Zoning Administrator Decides after appropriate Public Hearing

The Zoning Administrator shall conduct a public hearing on the BBR-CUP issues and make a determination on one of the three choices listed above. In the event "Grant BBR-CUP with mitigation" is chosen, the applicant must proceed to step 6.

6. Applicant Prepares and Submits Mitigation Plan

The applicant must prepare and submit a Mitigation Plan consistent with the City's staff report and the Impact Assessment Analysis recommending mitigation. The applicant shall have 6 months from the date of the Zoning Administrator's decision to submit the plan. If the applicant fails to do so within this time, the process must be re-started if the applicant wishes to go forward again.

7. CDD and Zoning Staff Review and Report

The staff of the CDD and the staff of the Zoning Administrator must review the Mitigation Plan of the applicant and submit a report to the Zoning Administrator recommending acceptance, acceptance with modifications, or rejecting the plan. If modifications are required, or if the plan is rejected, the applicant can amend its plan and resubmit it, or request it be submitted to the Zoning Administrator "as is" along with the staff's report.

8. Final BBR-CUP Application

Along with the applicant's Mitigation Plan, amended or not, the applicant must submit a Final BBR-CUP application to the Zoning Administrator for its review.

9. Final Public Hearing and Zoning Administrator's Decision

The Zoning Administrator will review the applicant's Final BBR-CUP, the Mitigation Plan and the staff's report and hold a public hearing after which a final decision will be rendered.

FINAL BIG BOX RETAIL AND SUPERSTORE CONDITIONAL USE PERMIT
Los Angeles City Planning Department

An Impact Assessment Analysis prepared in accordance with the Big box / Superstore Ordinance must be submitted along with this Conditional Use Permit application.

Case No. ______________________ **Applicant's Name** ______________________

1. Project Location and Size

Street Address of Project______________________ Zip Code__________
Legal Description: Lot __________ Block __________ Tract __________
Lot Dimensions__________ Lot Area (sq. ft.) __________ Total Project Size (sq. ft.) __________

2. Project Description

Number of Retailers with floor areas in excess of 75,000 sq. ft ________ This form must be prepared and submitted for each retailer over 75,000 sq. ft.

Name of Retailer with floor area over 75,000 sq. ft. ______________________
Size of Retail Store (sq. ft.) __________Type of Retailer (NAICS Code) __________
If the subject retailer conducts business in more than one NAICS code, list these __________
(For example a superstore would be listed as discount retail, general merchandise, and groceries, plus other merchandise categories that it sells in addition to these three listed)

3. Trade Area

Size of the primary trade area as a radius in miles, in north, south, east, and west directions from the retailer's location. Include a map of the trade area.
North______ South ______ East ______ West ______

4. Competing Retailers in Trade Area

List the number of retailers within the Trade Area of the same type as the subject retailer. __________
On a separate sheet list the names and addresses of each retailer within the trade area included above.

5. Retail Sales vs. Consumer Expenditures in Trade Area

List the volume of retail sales of retailers in each NAICS retail type as the subject retailer, within the Trade Area, in the last calendar year. If the subject retailer covers more than one NAICS Code, provide this information for each retail category. List the consumer expenditures for the same retail categories during the last calendar year. Calculate retail sales leakage: Leakage = Sales - Expenditures. A negative value means leakage exists

NAICS Type __________ Sales __________ Consumer Expenditures __________ = Leakage __________
NAICS Type __________ Sales __________ Consumer Expenditures __________ = Leakage __________
NAICS Type __________ Sales __________ Consumer Expenditures __________ = Leakage __________
NAICS Type __________ Sales __________ Consumer Expenditures __________ = Leakage __________
Use an additional sheet for more than 4 NAICS types

6. Net Job Gain of Loss

Calculate the Net Job Gain or Loss = New Employment Created by Retailer - Job Loss from Existing Retailers

7. Applicant's Affidavit: Under penalty of perjury the following declarations are made - same as standard CUP

8. Staff Recommendation (For staff use only)

a. Grant the BBR-CUP without mitigation __________
b. Grant the BBR-CUP with mitigation steps recommended __________
c. Deny the BBR-CUP application __________

Appendix:

1. List of 2002 NAICS codes for Retail Trade
2. 2002 NAICS Definitions for General Merchandise Stores, code 452 and all sub codes
3. 2002 NAICS Definitions for Food and Beverage Stores, code 445 and all sub codes
4. Sample of public hearing announcement / invitations
5. List of invitees to the public hearings

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