WHAT ARE THE POSITIVE IMPACTS OF RETAIL-BASED ECONOMIC GROWTH FOR COMMUNITIES?

Rhonda Phillips Ph.D.
Director,
Center for Building Better Communities, University of Florida,
Gainesville, Florida

Overview

Retail-based development is an often overlooked but vital component of local economies. Certainly the arguments for supporting retail-based development include the following elements. Retail is a "clean" development, generally considered to be less destructive to the natural environment than other land uses such as manufacturing. Retail is a growth industry; although employment has declined in other sectors, the retail sector continues to expand. Retail is a mainstay of local economies—sales taxes are a major revenue source for many communities. On average, retail tax payments to the community are higher than for office, residential or industrial properties. Activities focusing on retail represent a powerful community development strategy. However, growth and development have come under attack in many areas of the United States—more so in the recent past than ever before. At the center of the attack are housing developments and commercial/retail developments. Described as a vast landscape with little aesthetic appeal, commercial development is disparaged as contributing to an environment of little worth in terms of community benefits. Anti-sprawl forces are vigilant against encouraging new residential and commercial development in suburbs and outlying areas. Given the environment of opposition to continued outward expansion and sprawl, what are the best approaches to positioning future retail-based development? How can project developers mitigate opposition? Can retail-based development be viewed as a positive force within communities? The objective of this research is to provide information for structuring responses to these questions, primarily through exploring the positive aspects of retail-based development.

■ Research Approach

This research explores the positive aspects of retail-based development. First, a summary of literature is presented, in which various types of retail-based developments are described: outlet centers, community and power centers, regional and super-regional malls and tourism and entertainment-focused projects. Second, findings are summarized from an exploration of five case studies of communities that have used retail-based development approaches. These five cases run the gamut in size from small towns to large urban centers. The type of development approach varies too: Using retail-based activities to preserve and revitalize historic districts; as a development strategy for creating a regional retailing hub; and as part of an entertainment complex to spur urban revitalization. The research concludes with presentation of an analytical method for discovering positive aspects of retail-based projects. This method could be used to help mitigate opposition within communities to retail-based development.

■ Making "Cents" of Retail-Based Development: A Review of the Literature

Growth and development have come under attack in many areas of the U.S.—more so in the recent past than ever before. At the center of the attack are housing developments and commercial developments. Described as a vast landscape of "no-where" with little aesthetic appeal, commercial development is disparaged as contributing to an environment of little worth in terms of community benefits (Kunstler, 1996).

Anti-sprawl forces are vigilant against encouraging new residential and commercial development in suburbs and outlying areas, promoting instead in-fill, reuse and redevelopment in existing city centers. Sprawl is seen as a massive consumptive force, with over 400,000 acres per year of greenfield sites being permitted for shopping centers, subdivisions, strip malls and roadways (Pierce, 1997). The American Farmland Trust points out that the most imperiled lands surround cities. For example, from 1970 to 1990, Chicago grew only 4% in population but 46% in occupied land area; New York, 8% and 65%; Seattle 36% and 87%; and Philadelphia 4% and 32% (Pierce, 1997). Sprawl consumes 2.5 times as much land as compact development and results in losses up to five times greater of environmentally sensitive lands (Hudnut, 1998).

Defensible Positioning

How then can developers of retail-based projects respond? The most defensible position is to focus on the positive aspects of retail-based development. From a community development perspective, retail-based development is often overlooked but is a vital component of the local economy. Certainly the arguments for supporting retail-based development include the following:

- Retail is a "clean" development. Retail, in general, is considered to be less destructive to the natural environment in comparison with other land uses such as manufacturing. It is rarely opposed by citizen or environmental groups on the basis of possible environmental degradation (Brammer and Tomasik, 1995).
- Retail is a growth industry. While employment has declined in manufacturing and other sectors, the retail sector continues to expand. Because retail follows population, retail businesses can significantly precede office and industrial development.
- Retail is a mainstay of local economies. Retail sales taxes are a major source of revenue for many communities. Additionally, property taxes for retail-based developments also generate income (Lackey and Eckenstahler, 1995).
- On average, retail "returns" to the community, in the form of tax payments, are higher than office, residential or industrial properties.

Retail is also a vital component of local and regional economic development strategies. While some community leaders realize this, others may not think of retail as "economic development." For example, Lackey and Eckenstahler (1995) describe the situation very well with the following:

If you ask a room full of economic developers who their clients and prospects are, 100% would identify manufacturers. Many would talk about distribution facilities. Several would even discuss back office and corporate headquarters facilities. Few, if any, would talk about retail . . . yet each of their local economies may be losing tens-of-millions of dollars and thousands *of jobs annually from lost retail sales—dollars being spent by the residents of their communities, outside those communities. If so much is at stake, why don't economic developers better understand their retail economies?*

One of the reasons is that retail has historically been an "assumed" activity; that is, if manufacturing, distribution and other "industrial" investments flow to a community, retail will follow. However, retail can be just as powerful a community investment, particularly if the retail-based development is an attraction for a regional area. The litmus test for when to count retail as economic development is this:

If the retail development increases the amount of income available in a community by bringing in outside expenditures, and helps to reduce retail expenditure leakage from the community, then it is considered as vital as traditional industrial activities (Pittman and Phillips Culp, 1995).

Retail as Economic Development

Some examples of retail-based development that fit the description of "economic development" activities are summarized as follows:

Outlet Centers

National consumer products companies are increasingly selling directly to the consumer. The stores are attractive to both value-seeking consumers and manufacturers as a way to alleviate over-production (Boling, 1995). One of the most lucrative methods to do so is through outlet centers in which outlet stores are clustered together. The centers are often located on interstate highways to attract passing vehicular traffic.

Even smaller communities can benefit from attracting outlet centers to locate in their area, as outside retail expenditures are captured for the local economies. Examples of this type of success include Boaz and Foley, Alabama, and Stroud, Oklahoma, where sales tax revenues jumped 200% the first year a Tanger outlet center opened in the town (Meyers, 1995). Some communities have been creative with recruiting outlet stores into rehabilitated historic structures. For example, the town of Martinsburg, West Virginia, used old mill buildings to construct an outlet mall; downtown Durango, Colorado, adapted historic storefronts for new street-level outlet shopping; and Freeport and Kittery, Maine, adapted both houses and storefronts for an outlet district (Meyers, 1995).

The number of outlet stores and outlet centers in the U.S. has increased dramatically, doubling in the late 1980s and continuing to grow rapidly through the 1990s (Gruen, 1994). With creative conversions and mixed-use concepts now permeating how outlet shopping is developed, interest in outlet stores is likely to continue, even though the initial rush to build outlet malls has now leveled off. Also, even urban areas that traditionally were not considered viable locations for outlet shopping are incorporating outlet stores into their retail mix: Chattanooga's famous "Warehouse Row" utilizes former railroad warehouses for outlet stores; and Chicago's suburbs have gotten on the bandwagon too, with an old piano factory converted into an outlet mall (Meyers, 1995).

Regional Malls

Expenditures from outside the immediate community boundaries are attracted to regional malls that typically feature two or more major department stores anchors (Casazza, 1985). Usually in excess of 500,000 square feet, regional malls can serve market areas that span 75 miles or more, particularly in those trade areas encompassing rural areas (Pittman and Phillips Culp, 1995).

An emerging issue for regional malls, as well as for other types of retail-based development, is that of Internet-based competition. Some malls are responding with improved layout and redesign to facilitate ease of shopping—for example, clustering all related stores in one wing (Coleman, 2000). Regional malls, and the newer "mega malls" or super-regional facilities such as the Mall of America can incorporate vast quantities of retail square footage as well as [inclusion of other functions such as] community meeting spaces (Beyard and O'Mara, 1999). These massive facilities serve as powerful economic contributors to communities hosting such developments.

Community Centers

With 150,000 to 300,000 square feet typically, community centers are smaller than regional malls and usually include a junior or discount department store. "Power" centers containing stores such as Toys "R" Us can serve to draw in customers outside the immediate community. Larger power centers may be as large as malls, with up to one million square feet and serve as new and redevelopment projects for regional customer draw (O'Mara, Beyard and Casey, 1996).

In more densely populated urban areas, however, smaller community centers may serve only local customers and not draw in outside expenditures. Even if the community center cannot be classified as a power center, some shopping centers are enjoying resurgence in popularity by market repositioning through design, renovation or expansion (Schwanke, Lasseter and Beyard, 1994). By serving the varying needs of customers as areas change, these community centers are contributing to a vital local economy. This market repositioning is welcomed by the host community for the alternative is often shopping centers that have outlived their useful lives, illustrated by vacancies or lessened tax revenue flows.

Local Specialty Stores

In some cases, local specialty stores can serve to reduce retail leakages from a community when customers seek specialty products from other areas. Leakages are essentially the situation where a community's citizens spend consumer dollars in other locales (Pittman and Phillips Culp, 1995). However, community economic developers can seek to facilitate the development of such local specialty stores to capture income that would otherwise be spent in different communities.

National Specialty Stores and Restaurants

Sometimes customers will leave a local economy to visit national retail chains; for example, stores such as PepBoys auto supplies, Old Navy clothing or PayLess Shoes, or national chain restaurants such as Red Lobster. The small to medium-sized communities generating these customers can help offset such retail leakage by recruiting these types of retail-based developments when feasible.

Tourism and Entertainment-based Retail Development

Communities can capitalize on clusters of retail specialty stores to draw in tourists. In some cases, specialty retail stores become the major tourist attraction for an area. Restored historic retail districts, clustering of antique stores and other types of specialty retail can be a powerful economic development strategy for some communities. For example, a developer in San Antonio, Texas, constructed an amazing shopping center utilizing an old quarry and rock-crushing facility. Needless to say, the formerly abandoned industrial site was an eyesore for the city and is now an economic engine, contributing tax revenues to the public treasury. Ybor City, a National Historic Landmark District in Tampa, Florida, illustrates how retail can be a vital component for both revitalization and tourism-based development. Only one of three Landmark Districts in the state, Ybor City is noted as the former cigar capital of the world. Building on this heritage, Ybor City is a shopping, dining and entertainment district that incorporates the past (ybor.org, 2000).

A newer version of tourism-related specialty stores is the "urban entertainment" district, that combines retail with other activities for a downtown destination experience. These may or may not include elements of "festival marketplace" development, such as that for the Inner Harbor of Baltimore, the San Antonio Riverwalk, or Underground Atlanta projects.

Described as the hottest concept in retail, urban entertainment districts are serving to revitalize the economies of downtowns and suburban shopping areas (Beyard et al., 1998). The idea of using retail for entertainment is not new, but has been reformulated to include exciting themes and aspects such as multimedia interaction, dramatic architectural design, games and sports to provide innovative shopping experiences (Pegler, 1998). A typology of entertainment-based retail development includes: high-impact film venues (Imax combined with retail, such as RiverCenter in New Orleans); entertainment-driven retail (such as CityWalk at Universal Studios in Los Angeles); brand-name retailing (for example, Nike Town, Disney's and Warner Brothers' stores); high-tech entertainment centers; and family entertainment centers such as Discovery Zone (Phillips, 1995). The result is exciting destination shopping venues that add more value to the consumers' experience through entertainment options.

■ Positive Outcomes: Case Studies of Retail-based Community Development Successes

Each of the following communities has used retail-based expansion as an economic development strategy. While all are different in the context and approaches used, it is clear that one underlying theme is present: these communities recognize the value of retail-based development to the economic health and growth of their areas.

Small Town Approaches: Downtown Retailing via Historic Preservation

Suburbanization has contributed to many downtowns losing their traditional predominance as a retail center over the last forty years. Efforts by the public sector have focused on downtown revitalization, including the popular and effective Main Street Program advocated by the National Trust for Historic Preservation. As McBee (1992) describes,

> *Both the public and private sectors recognize the utility of viewing downtown retail enterprises as a system whose interests transcend the boundaries of individual businesses to encompass areawide issues of planning and design, business recruitment and assistance, marketing, and management.*

Communities have responded to the need to revitalize their downtowns with a myriad of innovative approaches, including rehabilitating historic structures. The following two towns have been successful in their efforts to restore vitality through incorporating retail-based development as an underlying foundation.

Boaz, Alabama

A small town of 8300 in the rolling hills of Northern Alabama, Boaz is not located on an interstate, nor is it very close to any urban centers. Despite this, Boaz has recreated itself as a major retail shopping destination. The effort to do so began in 1981, when over half of the downtown properties

—many of them historic, having been built in the late 19th century and early 20th century—were vacant. Local manufacturing plants had begun to close and the economic prospects for Boaz were not encouraging. The community's leadership decided to recruit national retail manufacturers into the downtown, not for manufacturing but for retail-based outlet stores. With Vanity Fair already a manufacturer in town and expressing interest in setting up an outlet retail store, vigorous efforts began to start a redevelopment strategy based on retail investment recruitment.

At the time, sales tax revenues were $600,000. By 1996, over 140 outlet stores were located in Boaz. Downtown had 100% occupancy, with renovation of its historic buildings as well as new development. Because downtown was at capacity, four more outlet malls or strips were developed adjacent to the area. Some adjustment has occurred in the last year in this mix, with a few stores moving to the malls. Still, there are over 125 outlet stores in Boaz, with over $4 million collected each year in sales tax revenues, the majority generated by the outlet sales.

The impact of this development strategy has been impressive for Boaz. Charles Smith, Mayor of Boaz, summarized the impact:

> *Retail shopping, especially connected to outlet store shopping, is a case where sales tax is the major contributor to local government budgets. Our property taxes are low, so we depend on this revenue stream that has been a boom for Boaz (Smith, 2000).*

The city has used the increase in revenues to enhance its school quality, build better transportation infrastructure, increase the level and quality of services and improve streetscaping. Boaz has also attracted other investors to help diversify its economy. On average, the city expends about 10% of its revenues collected via the sales tax imposition for improvements to support its retail-based developments. This return is excellent, in terms of costs to the city versus its economic benefits.

The Boaz outlet shopping complex ranks 15th in the nation in terms of its quality and ability to attract destination shoppers. On an average weekend day, over 2000 people will visit to shop. On special events, such as seasonal festivals, the number of tourists will increase to 50,000–80,000. All told, Boaz experiences an incredible economic impact with over 300,000 visitors per year. The combination of utilizing vacant downtown buildings adjacent to new construction has been a highly successful strategy for Boaz, a traditional small town. The collaborative community leadership focused on retail-based development has also helped.

High Springs, Florida

Once a boisterous phosphate mining and railroad town, High Springs today is a shopping haven for seekers of antiques and collectibles. Established in 1844, it later developed into an important railroad center with engine shops, rail roadhouse, section offices and supporting activities. Hundreds of railroad workers poured into High Springs, building new homes, churches, hotels and stores. By the 1950s, little remained of this once vigorous industry except the Victorian-era homes and shops lining Main Street.

High Springs began a revitalization effort in the 1980s that focused on utilizing its historic Victorian structures. Retail-based development emerged as the logical choice. Capitalizing on its aesthetically pleasing traditional Main Street, the town sought to encourage redevelopment and rehabilitation of its historic structures. Through its redevelopment plan, the town began to incorporate design and land-use standards to protect its historic buildings. Tourists are attracted to High Springs because of its architecture, and also to the local natural attractions, such as the several major natural springs and rivers. High Springs has an annual celebration in May called Pioneer Days that attracts over 20,000 people.

The focus of the retail-based development efforts has been on encouraging independently-owned art galleries, gift stores and antique shops. It has emerged as a major "antiquing" destination, drawing shoppers from many areas. Given its Victorian-era venue, this approach has been very successful.

Building Retailing Meccas in Mid-Size Cities: Recruiting "Big Box" Retailers

Mid-sized cities with high growth rates often become a regional retailing center, especially when retail-based development is planned for and recruited. Both of the following cities have aggressively incorporated retail into their development strategies.

Hattiesburg, Mississippi

Hattiesburg is located in a metropolitan area of 110,000 at the intersection of two interstate highways. It draws from a very large trade area of over 300,000 from outlying rural areas. With the closest urban area over 90 miles away, Hattiesburg is the destination shopping venue for much of the region's population. Combined with two major medical complexes and the largest university in the state (in terms of student population), Hattiesburg is uniquely positioned to benefit from retail-based development.

In the late 1980s, Hattiesburg's leadership made a well-defined effort to develop a strategy for economic development. A major foundation for this effort has been to recruit retail-based activities into the area. Beginning with the development of a second regional mall in the early 1990s, Hattiesburg's retail growth exploded. At the time, sales tax revenues were $7 million per year. In 1999, revenues reached $15 million, or more than double in nine years. Sales tax revenues represent half of the total budget for the City's general operating fund.

Several events occurred during the 90s to support this phenomenal growth: the city's economic development organization recruited national "big-box" retailers and national specialty stores. Just as some cities recruit manufacturing and other traditional economic activities, development officials from Hattiesburg focused recruitment energies on retail businesses. National outlet and off-price retailers were recruited to occupy the original regional mall in its remake as a discount mall. National specialty stores (Toys "R" Us, Books-A-Million, Super K-Mart, Sam's, and Wal-Mart SuperCenter) and restaurants (Red Lobster, Outback Steakhouse, Lone Star, Chili's) were drawn in by the huge market area. Retail sales at many of these stores have exceeded national averages, with Wal-Mart taking first place with the most sales of any store in the southeastern U.S. Incredibly, Wal-Mart has constructed a second Wal-Mart SuperCenter on the eastern side of town, because of the stresses of overcapacity on the first store. Local retail sales just exceeded the $1 billion mark.

The chief financial officer for the city of Hattiesburg, Joe Townsend, describes the situation:

> *The city of Hattiesburg benefits enormously from our retail-based developments, with growth in sales taxes of about 10% per year. It is a major return on our investments in infrastructure improvements (Townsend, 2000).*

Very little direct investments or incentives have been provided to recruit retail-based developments to the city. Rather, the focus has been expenditures on indirect investments that support a growing population. For example, roadway improvements, streetscaping and water and sewer infrastructure improvements have been made, financed with a $9.5 million bond. One exception was the provision of a $900,000 interchange improvement to support the second Wal-Mart. This was funded using tax increment financing.

Hattiesburg has a diversified economy, coupled with rapid growth as surrounding rural areas transition to urban. Retail-based development to serve this local market as well as a draw for a larger market area, has been a highly successful economic development strategy for the city.

Glendale, Arizona

This rapidly growing city of about 200,000 has benefited from a development strategy focusing on retail. In the early 1990s, the city initiated a retail sales tax optimization program—the Retail Opportunity Analysis Report Program, or ROAR. The program is built around providing information and reports generated from a proprietary database of 1,600 shopping centers containing data on 22,000 tenants and properties. Customized reports are generated for most of the city's hundreds of retail locations. ROAR also enables the city to adopt a comprehensive view of the retail marketplace to assist with formulation of commercial and zoning decisions (Devine, 1995).

The underlying focus of the ROAR program is to "communicate with the entire retail brokerage community, shopping center owners, and other entities involved in the 'retail process,' including financial institutions, architects, appraisers, retail center developers, investors, and tenants" (Devine, 1995). By doing so, Glendale has focused its attention on retail-based development, with impressive outcomes. As part of this communication effort to let retailers know they are an important part of the city's economy, new investments have been made. For example, these efforts led to retention of several hundred existing retail jobs, as well as expansion of new jobs as new store locations open. Within the first three years of ROAR's operation, 575 jobs were retained or added, 40,000-square-feet of retail space was constructed and over $20 million in new capital investments was attracted to Glendale.

Provision of data is key to ROAR's success. Custom reports can be generated within 48 hours of request. Popular requests are traffic count data, major employers, broker information and population projections. The advantages of using the data system include: ability to identify market niches to support retail recruitment efforts; providing tenant prospecting lists; enabling accurate comparative site analysis; reducing time required for market feasibility; helping define the marketplace and the competitive nature and mix of existing retail operations; and enabling faster implementation time for project development (Devine,1995).

The end result: gains in sales tax revenues for the city of Glendale, more retail diversity for shoppers enabling a larger draw and expanded job opportunities. The retail-based development strategy has been worthwhile for Glendale and also benefits potential retail investors as it enables quick and ready access to information about the area. Although the focus for Glendale's economic development strategy is now shifting away from the ROAR program to non-retail activities, it has been an example of an excellent retail-based development strategy.

Revitalizing Urban Centers: Using Entertainment Retailing

Cities throughout the U.S. have enjoyed a resurgence in economic vitality through a variety of redevelopment strategies. One of the most popular approaches has been to incorporate festival events and traditional marketplace activities (Spitzer and Baum, 1995), combining both retail and entertainment activities. The following is an example of one urban area that is in the process of utilizing retail as its basis for a revitalization effort.

Ybor City (Tampa), Florida

Ybor City is a wonderful example of how rich cultural and historic resources can form a basis for very successful urban revitalization efforts. Only a little more than a century ago, Tampa was a tiny fishing village of 700 people. In 1886, Vicente Ybor bought and cleared 40 acres to build the largest cigar factory in the world. Other factories sprang up, thousands of Cuban cigar makers immigrated to the area, and by 1900 Tampa's Ybor City district was the cigar capital of the world. By 1950, however, factories were abandoned and the population base shrunk with out-migration, leaving behind a colorful tapestry of buildings. Urban renewal in the 1960s was ill-fated, and finally, in the late 1970s, the abandoned Hav-A-Tampa cigar factory was renovated as an ethnic mall complex. Other historic properties began to be rehabilitated, including a museum of the cigar industry. With this, Ybor City began its turnaround and is today a vibrant, exciting community incorporating entertainment, specialty retail and a rich heritage.

With continuing threats to the area's historic properties through demolition, the Ybor City Development Corporation was formed in 1985. Gaining designation as one of only three National Historic Landmark Districts in the state of Florida, the area's decline began to stabilize. With the 1988 Ybor City Redevelopment Plan, the Corporation ensured that zoning and other land use policies were supportive and flexible enough to encourage more retail-based development. The area's leadership recognized the importance of retail to the community's redevelopment efforts. Maricela Medrano, an urban planner with the Ybor City Development Corporation, explains the focus on retail: "We use retail as a major basis to create a friendly pedestrian environment and to reuse the historic structures with a use that is compatible with the size and scale of the streetscape."

Today, Ybor City encompasses a population of 3,400 and within the last two years has witnessed an explosion in growth, both retail-based as well as mixed-use, incorporating high density residential, office and entertainment complexes. The area's tax base has increased to $33 million, providing revenues for reinvestment into the district through infrastructure improvements. These improvements and incentives, aimed at encouraging redevelopment of the historic properties (and when compatible with the land use plan, new construction), include a tax increment financing district, transportation impact fee waivers, on-site storm water retention waivers, federal preservation tax credits assistance, Enterprise Zone tax credit assistance, 10-year Ad Valorem tax exemption, façade improvement loans and SBA loan packaging services (Ybor City Development Corporation, 2000).

A joint venture is funding a $12 million parking structure, and the regional transit authority and the City of Tampa are implementing a fixed-rail electric streetcar line linking Ybor City to two other districts in Tampa, for a total development cost of $23 million. Additionally, a $1.8 million infrastructure program is in progress, funded through the city of Tampa and the U.S. Economic Development Administration. Improvements, all of which will serve to support retail-based development, include a streetscaping project, construction of a gateway as a symbol for identifying Ybor City and a district signage program to route pedestrian and vehicular traffic.

These incentives and improvements, coupled with the strong draw of the exciting cultural attributes of Ybor City, have resulted in impressive gains in a formerly declining urban center:180 new businesses operating in the district and 2,000 new jobs. Project developments worth over $115 million are in progress. Many of these focus on retail, such as the Centro Ybor project—a renovation of the historic Centro Espaol Building for a 210,000-square-foot retail entertainment project. The complex includes a 20-screen theater; total project cost is $45 million. Recently opened nearby is a $33 million mixed-use project with 462 apartment units and 10,000 square feet of retail space.

The end result is an ongoing revitalization of an exciting district. Tourism is a major component: visitors can see cigar making in process using the traditional hand-rolled method, as well as visit many of the ethnic restaurants and music clubs. But Ybor City is not only about tourism, it is also about incorporating new residential and office development to encourage development of a resident population. Final analysis: Ybor City is an excellent example of how heritage and historic properties can be used as a basis for entertainment and retail-destination developments.

■ Responding to the Opposition: Using Economic Analysis for Building Community Support

Developers of retail-based projects will encounter three major types of reactions from communities during the real estate development process:

1. ***Growth Amenable***—These communities are receptive to growth, without particular concerns about the type of new facilities. These

are typically communities that have experienced economic decline and are eager to attract new investments into the area. Developers will typically encounter little resistance to project approval, permitting and site development in communities with this orientation. On the negative side, developers need to ascertain if the communities have at least minimum standards in place to protect property values. For example, zoning can actually help increase property values, thus enhancing a community's bond rating and helping to stabilize the financial health of the area. If communities are not concerned with the future and direction of growth as reflected in a sprawling, free-form "organic" approach, then retail developments can suffer as change occurs. Communities that are vulnerable to these changes include rural to urban transitions; for example, in outlying unincorporated areas adjacent to cities.

2. ***Growth Control***—These communities are "no-growth," or they limit the type and amount of new economic activity in the area through regulatory measures. These measures include tight zoning and land use controls, including limiting the amount of space available for retail-based development. Other measures may include minimum lot sizes, design standards and high level of property taxation that serve to limit the type and use of parcels of land. Communities exhibiting no-growth tendencies typically have a population with higher income levels and a high level of citizen involvement in land-use decisions. Developers of retail-based projects (as well as most other types) will likely encounter resistance from communities with this orientation. Although not impossible to accomplish projects in these type areas (note that Wal-Mart has entered Vermont!), the developer should be prepared to have every detail of the proposed project scrutinized. Rather than a defensive posture, the developer should seek a collaborative effort to build community support for the project (for example, incorporating a desirable element into the project such as public space or use of a transit plaza, etc.). By incorporating solid planning techniques from the beginning, the developer can show the community and project/design review board (there will almost certainly be one in communities of this type) that the project will be of a quality and caliber to enhance the community.
3. ***Growth Management***—These communities seek a balance between economic demands and growth pressures by building consensus in the community for common goals and objectives. These goals and objectives are reflected in the regulatory and policy structures, with features such as incentive or flexible zoning, area-wide comprehensive planning, or encouraging planned unit developments (Levy,

> 1999). Several states have implemented state-wide comprehensive planning mandates to guide growth in cities and counties; for example, the states of Florida, Oregon and Georgia each have growth management legislation in place (Stein, 1993). The positive side for the developer of retail-based projects is that communities with a strong sense of future direction and plans to get there often have vibrant economies. Communities guided by solid comprehensive planning have a powerful foundation for sustained long-term growth, which bodes well for retail-based developments. However, just as in growth-control communities, some resistance may be encountered if there is conflict with existing goals. While not likely to encounter the intensity of the no-growth communities, developers will need to comply with comprehensive project planning, design and site development procedures. Rather than a hindrance, these procedures can be viewed as "insurance"—protecting both the community's long-term growth goals and the value of the retail-based development.

When faced with implementing a retail-based project, the developer must first decide which characteristics the community exhibits. If the community is "no-growth," or "growth control," then the project will likely be slowed or derailed in its development. As discussed, the developer must somehow ascertain what the community wants in order to build support for the project. It will likely not be focused on the economic value, since property values and income levels are already high. It may be some amenity such as provision of public space, or an aesthetically-pleasing redevelopment of a historic property or underutilized existing property.

However, most developers will more often encounter communities that are either *growth amenable* (particularly if developing in areas transitioning from rural to urban, or in small-to-mid-sized communities that have experienced economic difficulties) or *growth management* (this includes many high growth areas in Florida, Georgia and western regions of the U.S.). In both cases, the *economic* value of the proposed project will likely be of interest to those making community decisions.

When local governments are faced with a policy decision, one of the first concerns to emerge is that of economic impact. In growth amenable communities, the economic impact may be used as the basis for the decision to support the project. In growth management communities, the economic impact will be used to support justifying approval of the project, in conjunction with other factors such as compliance with comprehensive plans. In either situation, it is vital for the developer to convey that the project will confer positive economic value and merit.

How can this be accomplished? Some communities employ varying versions of econometric models to forecast a project's effect on the area's economy, both in terms of employment and tax revenue changes. For example, the REMI model developed by Regional Economic Models, Inc. enables communities to construct models that predict the economic and demographic effects of policy initiatives (Treyz, 1995). Uses of the model include an analysis of a city in Minneapolis projecting the "what-if?" scenario of constructing an in-town shopping and entertainment complex. The advantages of these type models include the ability to predict both immediate and long-term effects on the local economy. This enables community decision-makers to gauge the effects and build support for the proposed project. The impediment to this is that only a few communities have purchased and use models such as this.

What happens when a community does not employ such models to assess a project's potential economic benefits and costs? How does the developer convey the economic importance of the project, in terms of community benefits? The answer may not be as difficult as it seems. During the project feasibility analysis, the developer will usually conduct a series of financial analyses, such as profit analysis. With modification, these data can be used to help construct an analysis of the project's economic impact on a community, rather than just the financial implications for the project itself.

First, it is important to understand some basic concepts about the community-level approach to assessing the economic aspects of a proposed project. It is a given that most communities want to know what the economic influence of a project will be on the area. There are three primary methods for assessing this influence: cost-benefit analysis, fiscal impact analysis and economic impact analysis.

■ Methods for Assessing the Impact of Retail-Based Development

If the project includes any public-sector financial involvement (for example, redevelopment of a downtown square in which the city provides infrastructure or rehabilitation of facades), then one method for doing this is *cost-benefit analysis*. The idea of cost-benefit analysis is to examine the impacts of a project, through financial or other measures, on society. It is undertaken from a social or public perspective rather than from a private sector view (Campen, 1986). Whittington and MacRae, Jr. (1986) described it as:

> *In its purest form, cost-benefit analysis attempts to measure the aggregate sum of net compensating variations—or 'willingness to pay'—for persons affected by a project or policy . . .*

Gramlich (1981) described cost-benefit analysis as: ". . . ultimately . . . nothing more than a logical attempt to weigh the pros and cons of a decision. And ultimately, something like it must necessarily be employed in any rational decision." If one accepts that government is the collective expression of the will of citizens, then in a cost benefit analysis, benefits and costs become *gains* or *losses* to citizens (Gramlich, 1981). Therein lies the gist of the difference in cost-benefit analysis conducted in the public versus the private sector: *social* costs and benefits are measured, not just financial attributes or financial investment performance.

Cost-benefit analysis is both expensive and timely to conduct; unless the proposed project is large and inclusive in scope, incorporating public monies, then a less comprehensive approach can be used. Oftentimes, the city or county's financial officers will conduct some version of a *fiscal impact analysis* to assess the impact of a proposed project. Fiscal impact analysis, sometimes known as cost-revenue analysis, is defined as: A projection of the direct, current, public costs and revenues associated with residential or nonresidential growth to the local jurisdictions in which this growth is taking place (Burchell et al., 1994).

Fiscal impact analysis differs from cost-benefit analysis, in that it is not as broad or comprehensive. It differs from cost-effectiveness analysis as this method considers only the least cost approach to economic decisions. Fiscal impact analysis is typically applied at the local government level and examines current costs and revenues associated with a projected project. The methodology has developed since its first usage in the 1930s to encompass approaches suitable to varying applications (Burchell et al., 1994).

The fiscal impact is calculated by totaling the public cost of the project: infrastructure development and expansion; provision of services to support the project; and provision of "indirect" services to support increased need for schools, etc. The total public revenue is then calculated, using the marginal increase in property tax, special fees and sales tax revenues attributable to the project. A time-series flow is then projected, using perhaps a five-year time frame or longer, depending on the magnitude of the project. Subtracting the total public costs from revenue provides a net fiscal impact that is either positive or negative. These figures are then converted to the R/C ratio, of revenues generated per dollar of public cost. If the ratio is above 1:1, then the project will generate positive economic impact. Obviously, the higher the ratio of revenues to costs, the more impact. It is important to look at a time series, as the first year may generate a negative impact if public costs were high; for example, initial costly infrastructure provision to support the project.

Economic impact analysis is a method of assessing the impact of a project introduced into a local economy. For example, when a new facility is proposed, the impact is assessed in terms of the number of jobs created, the tax revenues generated, the costs associated with the project development, etc. The impact is both direct (primary) and indirect (secondary), of which indirect effects are referred to as a "multiplier." This is the continuing effect of the initial stimulus to the economy (Lichfield, 1996). Multipliers essentially indicate how many times a dollar is spent in the local economy.

Economic impact analysis is widely used throughout communities in the U.S. to justify expenditures to support private development projects. For example, when a state or local government has the opportunity to recruit external private investment in the form of a new project into their community, some financial incentives may be offered to the private entity. These incentives may take the form of site preparation, direct tax credits, loan programs, lease-back facilities or a host of other types. In order to justify expenditure of public funds, communities often use economic impact analysis to predict the project's economic effects on the area. While inherently a sound approach to support the decision-making process, problems can arise when multiplier, or the indirect, effects of the proposed project are overstated. Public accountability issues then come into question when the overstated benefits do not materialize after incentives have been financed using public revenues. For the developer of retail-based projects, it is important not to overstate potential benefits as this could result in difficult community relations.

Building an Approach for Analysis

Each of the three analysis methods has advantages and disadvantages. Given the constraints of data collection and availability, time and budget resources, what is needed is an assessment method that combines the advantages of these methods in a useable format. The developer of retail-based projects can then use the following modified economic impact method to build support for the project at the community level.

The approach utilizes data from both the developer's project feasibility study and from the community. While this method is not as rigorous as cost-benefit, or as oriented towards revenue outcomes as fiscal impact analysis, it will provide a basis for building community support for the retail-based project. If possible, it would be better to collect community data in conjunction with the local community officials; if not, then reasonable estimates can be clearly stated and utilized. The following table summarizes the steps required in the assessment approach.

TABLE 1. AN ASSESSMENT APPROACH

Steps in Assessment Approach	Sources of Data
1. Estimate sales tax revenues	Project feasibility study; local government
2. Estimate property tax revenues	Project feasibility study; local government
3. Estimate impact on local jobs	Project feasibility study; jobs multiplier
4. Estimate any other direct investments	Project feasibility study
5. Estimate costs to the host community	Local government
6. Calculate economic return to community	Economic multiplier

Step 1: Estimate sales tax revenues to community

Because this will be of vital concern to the host community, the amount of sales tax revenues should be estimated, based on the project's projected sales. This information should be readily available as part of the feasibility study. The rate and return percentage (between city or county, and state) can be obtained from the local government. If possible, the amount of sales tax revenue should be shown with a time projection of five years or more, depending on the magnitude of the development.

Step 2: Estimate property tax revenues to community

Typically, commercial uses will generate more property tax than manufacturing, residential or other uses. Again, these data should be found in the feasibility study, or by obtaining property tax rates from the local government office. Because other property uses do not generate sales tax revenues, the total tax revenues generated from retail uses will be much higher. For example, based on one of the case study communities, a new car dealer and furniture store both generate almost $100,000 annually in sales tax revenues. A local manufacturer with a 40,000-square-foot facility generates $36,000 in property taxes. Without even considering the property taxes paid by the retail uses, the comparison bodes well for retail development.

Step 3: Estimate impact on local jobs

The number of direct jobs created by the retail-based project can be gauged from the feasibility study information. After this is determined, the number of indirect jobs can be estimated. In other words, for each direct job created by the retail project, other jobs will be created to support the economic activity generated. A general multiplier for the retail sector can be used to estimate these secondary or indirect effects at a ratio of 1 to .46. In other words, for each 100 jobs created directly by the retail project, another 46 jobs will be created in other sectors to support the consumer demand and production required (Lefkowitz, 1993). This ratio, while not sensitive to the variations of each community, was derived by aggregating data from numerous cities (Lefkowitz, 1993).

Step 4: Estimate any other direct investments

What are the construction costs and the total amount of investment in the project? This can be counted as a direct benefit to the community.

Step 5: Estimate costs to the host community

This will require data collection from the local government. Will there be direct site preparation paid for by the local government? Are there other direct costs that the government will incur to help the project develop? There may also be additional costs such as widening an interchange, adding signal capabilities, sidewalk improvements, etc., to support the project.

Step 6: Calculate economic return to community

Add the total direct benefits that will accrue to the community from the project: direct sales and property taxes, and direct construction and total investments into the project. Subtract from this any direct costs to the local government for the project. This should provide a ratio of benefits (revenues and investments) to costs. Listed separately but also important are the number of direct and indirect jobs created by the project. Finally, if desired, an indirect impact can be calculated on the amount of the direct benefits by using a multiplier of 1.85. Thus, if total direct benefits are calculated at $3,000,000 for year one, then the total benefits accrued to the community would be $5,550,000 (direct plus indirect). The multiplier of 1.85 is modest; many economic impact analyses use very high multipliers of 3, 4, or higher. However, it is wiser to assume the modest value of 1.85 to avoid overstating of benefits.

The approach outlined here is simple yet effective in its ability to illustrate the economic benefits of a retail-based development project. Oftentimes, the ability to show the community the positive economic aspects of the project are enough to overcome potential opposition. At the very least, it indicates that the developer has enough concern about the community to gauge potential impacts and to adopt a positive approach.

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