

10 Reasons Why Vermont's Homegrown Economy Matters

and 50 Proven Ways to Revive It



By Stacy Mitchell
Institute for Local Self-Reliance

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Institute for Local Self-Reliance**

Forward by Stephan A. Morse

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The Preservation Trust of Vermont is a statewide nonprofit organization founded in 1980 that works to save and actively use our historic places. This includes working with a wide variety of partners to meet challenges like saving and using historic buildings, downtown revitalization, building stronger community centers, minimizing sprawl, developing affordable housing, and crafting better building codes, and maintaining the essential character of Vermont. For more information, contact the Trust at 104 Church Street, Burlington, VT 05401, Tel: 802-658-6647, Web: www.ptvermont.org.

The Institute for Local Self-Reliance is a national nonprofit organization providing research, analysis and innovative policy solutions for building strong local economies and sustainable communities. ILSR maintains several content-rich web sites; publishes electronic newsletters and books, including *The Home Town Advantage: How to Defend Your Main Street Against Chain Stores and Why It Matters*; and has advised small business groups, community organizations, and policymakers in cities and towns nationwide. For more information, contact ILSR at 1313 5th St. SE, Minneapolis, MN 55415, Tel: 612-379-3815, Web: www.newrules.org

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Preface

Just as I was in the process of writing this preface, I learned that 50 granite workers were going to be laid off by a company that will look to China—instead of Vermont—for stone in the future.

It's one more bit of evidence that Vermont's homegrown economy is very fragile.

Every time we lose the sale of a granite monument, we lose a bit of our economic strength. We lose again when we lose a locally owned hardware store, a locally owned pharmacy, bookstore, village store. . . or any other homegrown business. In this world of big boxes and big chains, it's harder and harder for our homegrown small businesses to make it.

That is exactly why we commissioned this new work by Stacy Mitchell of the Institute for Local Self-Reliance. She has provided us with ideas and policies to revive the locally owned economy that have been implemented

in places across the United States. She gives us reason for hope. It is now in our hands.

Our special thanks to Stephan Morse, former Speaker of the Vermont House of Representatives and current President of the Windham Foundation, for his introduction to the publication. Stephan's leadership in this and in many other arenas is a key piece to the future of Vermont.

We hope this publication will help encourage a bigger and broader dialogue about the importance of our homegrown economy.

Like all of our work, we need the support of contributors. In this case, the Vermont Country Store, the Barre-Montpelier *Times Argus*, the Rutland *Herald*, and the Walter Cerf Community Fund with the Vermont Community Foundation have made this initiative possible. . . we're most grateful!

We hope you find the enclosed information informative and useful.

Paul Bruhn
Executive Director
Preservation Trust of Vermont

Introduction

When we hear someone talking about what a special place Vermont is, we all have our own ideas about what that means.

For me, I think about our small villages and towns, resourceful people committed to their families and communities, the agricultural landscape and the farmers who often struggle to maintain field and forest, Vermont foods, and great places to bike ride. I also remember growing up in the heart and hub of a small Vermont community as the son of the owner of the local grocery store.

I know others think about other equally important aspects of our state. . . our rich collection of historic sites and downtowns, the Long Trail and Vermont's mountains, church and community suppers, the magic of fall, the Vermont spirit and ingenuity, and the tradition of civil discourse. You, I'm sure, have your own insights and notions about what makes our Vermont special.

This new publication from the Preservation Trust of Vermont suggests another aspect of what sets Vermont apart—a part of our communities we sometimes overlook—locally owned businesses.

These businesses give our communities their local character. When we shop at locally owned stores or use a locally owned service, more money stays and recycles in the community. A strong local economy with lots of businesses is the best way to ensure competition. If we support local ownership, we support the opportunities of entrepreneurship. Local ownership breeds leadership and financial support for government, nonprofits, and communities.

On the following pages, author Stacy Mitchell from the Institute for Local Self-Reliance provides us with the reasons why this local economy is important, but more importantly, she describes dozens of examples of what other communities, states, and business associations are doing to support their homegrown businesses. Adopting many of these methods of support could help us to meet the myriad challenges faced each day by Vermont's locally owned businesses. All of the strategies are useful in stimulating our own ideas for solutions.

Despite the appearance of national retailers, banks, and restaurants, we continue to have a healthy collection of locally owned businesses in Vermont. So far our marketplace is not entirely dominated by companies based elsewhere. That said, we do need to be vigilant. The nationwide trends are disturbing, but as Stacy says, "Trends need not be destiny." We do need to make sure we maintain a healthy balance of local and national ownership. Maintaining a healthy balance means we need to develop and incorporate new ways to strengthen our locally owned economy. . . we can't sit back and simply wish. We will all need to work hard, and we will all need to buy local whenever we can.

I commend the following pages to you, and hope they will be part of the dialogue about the future of our favorite state.

Stephan A. Morse
Grafton, Vermont

Overview

10 Reasons Why Vermont's Homegrown Economy Matters

1. Local Character and Prosperity

In an increasingly homogenized world, communities that preserve their one-of-a-kind businesses and distinctive character have an economic advantage. (p. 3)

2. Community Well-Being

Locally owned businesses build strong communities by sustaining vibrant town centers, linking neighbors in a web of economic and social relationships, and contributing to local causes. (p. 3)

3. Local Decision-Making

Local ownership ensures that important decisions are made locally by people who live in the community and who will feel the impacts of those decisions. (p. 3)

4. Keeping Dollars in the Local Economy

Compared to chain stores, locally owned businesses recycle a much larger share of their revenue back into the local economy, enriching the whole community. (p. 4)

5. Job and Wages

Locally owned businesses create more jobs locally and, in some sectors, provide better wages and benefits than chains do. (p. 5)

6. Entrepreneurship

Entrepreneurship fuels America's economic innovation and prosperity, and serves as a key means for families to move out of low-wage jobs and into the middle class. (p. 7)

7. Public Benefits and Costs

Local stores in town centers require comparatively little infrastructure and make more efficient use of public services relative to big box stores and strip shopping malls. (p. 7)

8. Environmental Sustainability

Local stores help to sustain vibrant, compact, walkable town centers—which in turn are essential to reducing sprawl, automobile use, habitat loss, and air and water pollution. (p. 8)

9. Competition

A marketplace of tens of thousands of small businesses is the best way to ensure innovation and low prices over the long-term. (p. 9)

10. Product Diversity

A multitude of small businesses, each selecting products based, not on a national sales plan, but on their own interests and the needs of their local customers, guarantees a much broader range of product choices. (p. 9)

50 Proven Ways to Revive Vermont's Homegrown Economy

The following provides an overview of the strategies described in this report, organized under each of the report's three main sections: planning, downtown revitalization, and cooperative local business initiatives. Turn to the page number indicated for more details.

Planning for a Homegrown Economy

1. Avoid zoning too much land for retail.

Most communities have far more land, particularly along major roadways, zoned for retail than they need or can support. This can lead to haphazard commercial sprawl and drain downtown vitality. (p. 11)

2. Provide public services only in designated business districts.

Establish a defined geographic area within which water, sewer, and other municipal services will be provided in order to maintain the vitality of the downtown and prevent chain retail strip development along outlying roadways. (p. 11)

3. Target tax incentives to local stores.

Bar the use of tax breaks and other subsidies for "big box" stores and sprawling shopping centers. Provide incentives only for homegrown businesses in the town center that conform to the scale and character of the community. (p. 11)

4. Incorporate support for local businesses into the master plan.

Communities, such as Kent County, Maryland, have listed supporting locally owned businesses, limiting the proliferation of

national chains, and maintaining a vibrant downtown as goals in their comprehensive plans. (p. 12)

5. Temporarily halt retail development.

Avoid being caught off guard by an out-of-the-blue proposal for a large-scale shopping center. Easton, Maryland, placed a 3-month moratorium on retail development and used the time to study the impacts of big box stores and revise its planning policies accordingly. (p. 13)

6. Funnel new retail growth downtown.

St. Petersburg, Florida; Hailey, Idaho; and San Luis Obispo, California; are among the cities that require developers to infill downtown vacancies and open lots before building on the outskirts of town. (p. 13)

7. Limit the size of retail stores.

Dozens of cities and towns prohibit the construction of retail stores over a certain size. Some have banned only the biggest of the big boxes, while others, like Ashland, Oregon, have mandated even smaller stores. (p. 14)

8. Examine potential impacts before approving new retail stores.

Retail proposals in some cities, such as Greenfield, Massachusetts, must undergo a comprehensive economic and community impact review before gaining approval. (p. 15)

9. Engage experts in relevant fields to review retail development proposals.

Middletown, Rhode Island, requires developers proposing retail projects larger than 30,000 square feet to submit traffic,

environmental, fiscal, and other impact statements and to pay the cost of hiring independent experts to review those statements. (p. 15)

10. Foster an appropriate balance of small and large businesses.

Santa Cruz, California, reviews all proposals for stores over 16,000 square feet and approves only those that will contribute to a diverse and balanced mix of businesses (local vs. national and small vs. large). (p. 15)

11. Prohibit 'formula' fast-food outlets.

Port Jefferson, New York, and Bainbridge, Washington, prohibit formula fast-food restaurants within their borders. (p. 16)

12. Minimize the number of cookie-cutter 'formula' outlets allowed.

Coronado, California, limits the number of formula restaurants and retail stores allowed in its commercial district. (p. 16)

13. Establish community-serving commercial zones.

Palm Beach, Florida, mandates that new retail stores must be geared towards meeting the needs of local residents, not tourists. (p. 17)

14. Require that new development resemble traditional retail districts.

Brunswick, Maine, insists that new commercial development resemble its traditional downtown by mandating two-story buildings, no set-backs, parking in the rear, glass storefronts, and frequent pedestrian entryways. (p. 17)

15. Support sales tax fairness.

More than thirty states, including Vermont, are pushing for a federal policy change that would require internet and mail order retailers

to collect sales taxes—putting them on an equal footing with local stores. (p. 18)

16. Partner with neighboring towns.

Hood River, Oregon, has undertaken a city-county agreement that prevents big box retail developers from playing the jurisdictions against one another. (p. 19)

17. Establish regional guidelines.

Cape Cod's region wide planning commission reviews all proposals for retail construction larger than 10,000 square feet, "considers any negative impacts that the project would have on the Cape Cod economy," and works to "encourage businesses that are locally owned and that employ Cape Cod residents." (p. 19)

Fostering Revitalization

18. Take advantage of proven strategies.

Hundreds of communities around the country have turned their dying downtowns into thriving centers with the help of the National Main Street Center. There's no need to reinvent the wheel; take advantage of the lessons they've learned. (p. 21)

19. Reinforce the downtown's sense of place.

Successful revitalization programs amplify the district's sense of place by building on its unique natural, historic, and cultural assets. (p. 21)

20. Foster a mixture of uses in the downtown.

Encouraging a variety of different types of activity and uses downtown ensures vibrant street life throughout the day and evening, and diversifies the district's economic base. (p. 22)

21. Encourage pedestrians.

Pedestrians are both a barometer and catalyst for downtown vitality. Relatively simple and inexpensive steps can make a town center more pedestrian friendly. (p. 22)

22. Enlist help from the Vermont Downtown Program.

The Vermont Downtown Program can help your community develop and implement an effective downtown revitalization plan. The Program offers technical assistance, training, and a variety of supporting resources. (p. 22)

23. Reap the economic rewards of becoming a designated downtown.

Several Vermont towns have applied for and been granted the status of "designated downtown" under state law. This entitles the towns, as well as downtown property owners, to grants, tax credits, technical assistance, and other benefits. (p. 22)

24. Learn from Vermont success stories.

Bellows Falls and Brattleboro are among several Vermont towns that have succeeded in turning their struggling downtowns around. Find out how they did it. (p. 23 & 25)

25. Keep public buildings downtown.

A growing number of communities recognize the economic and community value of keeping city buildings, post offices, schools, and libraries downtown. (p. 26)

26. Identify opportunities for local retailers.

Conduct a market analysis to identify opportunities for new entrepreneurs and local businesses seeking to expand. (p. 28)

27. Expand local merchants' skills.

Offer training and technical assistance for local retailers in areas such as merchandising and inventory control. (p. 28)

28. Establish a small business revolving loan fund.

Some communities provide local businesses with matching grants and low-interest loans to fund storefront renovations and other improvements. (p. 29)

29. Promote support of local stores and downtown shopping.

Consider organizing a marketing campaign and event to encourage local shopping. (p. 29)

30. Help with succession planning.

Identify and connect local business owners nearing retirement with aspiring entrepreneurs in need of a good opportunities. (p. 29)

31. Give city contracts to local businesses.

Many communities are using their purchasing power to boost the local economy. (p. 29)

32. Help local businesses fill new niches and meet local needs.

A no-interest loan from the Preservation Trust of Vermont enabled a Middlebury store to triple its size and provide affordable family apparel after Ames closed. (p. 30)

33. Protect affordable retail space.

Communities are exploring several strategies to alleviate the problem of rapidly rising rents pushing local stores out of the market. (p. 31)

34. Establish a commercial land trust.

The Community Land Trust model, which has been very effective for affordable housing, could be used to keep commercial space affordable for independent businesses. (p. 31)

35. Harness creativity and initiative to build new independent businesses.

Perhaps not as simple as enticing a chain, but it's infinitely more rewarding. Examples, such as the Orono Community Pharmacy, demonstrate how to build a new local business that meets community needs. (p. 31- 33).

Independent Businesses Unite

36. Connect local retailers with national and regional purchasing cooperatives.

Thousands of independent retailers—including grocers, hardware dealers, bicycle shops, lighting stores, and pharmacies—have formed purchasing groups to gain some of the economies of scale and clout with suppliers that chain retailers enjoy. (p. 34)

37. Establish local purchasing co-ops.

Independent restaurants in Tucson, Arizona, have cut their food costs by 10-20 percent through a cooperative buying program. (p. 35)

38. Use catchy slogans and humor to encourage dining at local restaurants.

In Tucson, Arizona, and Kansas City, Missouri, independent restaurants are countering the rise of chains with clever and often humorous joint advertising campaigns. Slogans include "Preserve Tucson's culinary sense of place," and "If the idea of a drive-thru excites you, go away." (p. 35)

39. Get help forming an independent restaurant alliance.

Contact the Council of Independent Restaurants of America for assistance forming a local restaurant alliance to cut costs and organize joint advertising campaigns. (p. 36)

40. Link your country store with the Vermont Alliance of Independent Country Stores.

This new statewide group is working to address the challenges facing country stores through cooperative buying and marketing programs, and technical assistance. (p. 36)

41. Organize an Independents Week celebration.

Retailers in Tampa, Florida, drew on the spirit of the July 4th holiday by organizing a successful, weeklong celebration of local businesses under the banner "Independents Week." (p. 37)

42. Bring locally owned businesses together to solve common challenges.

In many communities, locally owned businesses from different sectors (such as hardware stores, banks, and bakeries) are forming Independent Business Alliances (IBAs) to address common challenges and develop shared strategies. (p. 38-41)

43. Launch a public education campaign to encourage residents to support locally owned businesses.

Several IBAs have developed highly visible and compelling marketing tools—like window decals, bumper stickers, coffee cups, and bookmarks—that highlight the importance of locally owned businesses. (p. 38-41)

44. Pool resources for joint advertising.

Several IBAs have helped member businesses pool funds to buy print, radio, and television ads, giving them a much broader reach than they could attain on their own. (p. 38-41)

45. Publish a local business directory.

One way to counter the extensive advertising of national chain retailers is to publish a directory of local businesses. Sprinkle the directory with messages about the benefits of locally owned businesses. (p. 38-41)

46. Create a voice for independent businesses in public affairs.

An IBA can provide a powerful voice for local businesses in government decision-making, as IBAs in Duluth, Minnesota, and Salt Lake City have done. (p. 39 & 41)

47. Get a head start by joining a national network of independent business alliances.

The American Independent Business Alliance provides technical assistance and resources to help independent business owners form IBAs in their communities. (p. 41)

48. Encourage local businesses to support one another.

In the day-to-day grind of running their stores, many business owners overlook opportunities to support one another and keep dollars in the local economy. (p. 41)

49. Provide discounts and rebates to customers who support local retailers.

Joint loyalty cards, such as the Community Benefit Card, work at dozens of local stores and encourage local shopping by rewarding customers with discounts and rebates. (p. 42)

50. Create a community-wide e-commerce web site for local retailers.

Business owners could share the expense of creating and marketing an e-commerce site by developing a community-wide portal, where residents could shop at any local store. (p. 43)

The Current Trends

As global retail chains have expanded, they've absorbed substantial market share and displaced tens of thousands of locally owned, independent businesses. The pace of consolidation over the last decade is staggering. More than 11,000 independent pharmacies closed; chain drugstores now account for more than half of all pharmacy sales.¹ More than 40 percent of independent bookstores failed. Barnes & Noble and Borders Books capture half of all bookstore sales.² Local hardware stores are likewise disappearing; Home Depot and Lowe's control 40 percent of that market.³ Five firms account for 42 percent of all grocery sales, up from 24 percent just five years ago.⁴ Small and medium-sized office supply stores have declined from 20 to just 4 percent of the market.⁵ More than 4,100 independent video retailers have gone out of business since 1998. Blockbuster and Hollywood Video have a combined 8,500 stores and account for nearly half of all rentals.⁶ More than 40 percent of restaurant spending is captured by the top 100 chains.⁷ Perhaps most striking, a single firm, Wal-Mart, now captures 7 percent of *all* U.S. retail spending—that includes everything we buy from books and computers to clothing and groceries.

Trends are Not Destiny

The current trends are sobering, but they should not be overstated. Although

independent retail has declined in recent years, locally owned businesses still command a substantial share of economic activity and resources. This is especially true in Vermont. For a variety of reasons—including the state's rural character, popular commitment to homegrown businesses, and scrutiny of large-scale development under Act 250—Vermont has not yet undergone the level chain store saturation experienced elsewhere in the country.

Throughout Vermont, one can find hundreds of independent, locally owned retail stores. Many are among the state's oldest and

most beloved businesses. Vermont is home to more than 150 country stores, many more than a century old and each as unique as the community it serves.

The state also boasts roughly 200 independent hardware stores; dozens of locally owned grocery and convenience stores, including half a dozen food co-ops; at least 60 independent video stores; 70 locally owned bookstores; and approximately 100 independent pharmacies. Collectively, Vermont's independent retail businesses still control a substantial share of the state's retail sales, jobs, and economic infrastructure. As we shall see in the coming section, they contribute a great deal to the state's health and well-being.

Vermont not only retains a strong independent business base, but there is a growing realization throughout the state and nationally of the economic and social

Although independent retail has declined in recent years, locally owned businesses still command a substantial share of economic activity and resources. This is especially true in Vermont.

consequences of losing locally owned businesses. The current trends may be dismal, but they are not destiny. People have come face to face with what losing locally owned businesses means to the health of their communities and growing numbers are acting to stem that loss. Over the last few years, citizens across the country have organized grassroots campaigns to block big box and chain retail developments. Hundreds of cities and towns have adopted new land use and

economic development policies to limit chain store sprawl and support homegrown retailers. Local businesses are finding ways to work together to solve common challenges and to help one another survive and thrive. This report outlines all of these strategies, with the goal of providing citizens, policymakers, and business owners in Vermont with proven tools for protecting the state's distinctive character and local economic vitality.

Why Vermont's Homegrown Economy Matters

Locally owned businesses yield significant dividends for Vermont's communities and the state as a whole. This section outlines the economic, social, and environment benefits of strengthening and expanding the state's homegrown businesses.

Local Character and Long-Term Prosperity

In an increasingly homogenized world, communities that have preserved their one-of-a-kind businesses and distinctive character have an economic edge. They have a strong sense of local identity. They are more interesting places to live and visit. And they are, according to a growing body of economic research, better able to attract entrepreneurs and new investment, and thus prosper over the long-term.

Communities with a strong base of locally owned businesses are also more economically stable. They are less vulnerable to fluctuations in the global economy and decisions made in distant boardrooms. Their economies are composed of many small businesses and are, as a result, much more diversified and rooted. They are able to withstand the loss of any one of these small businesses—unlike so many towns today that have become overly dependent on a few large superstores, which might raise prices, demand a tax break, threaten to move to a nearby town, or, like Ames or Kmart, enter bankruptcy, with potentially devastating consequences for the local economy.

There's much to be said for the civic value of doing business with our neighbors. One study found that small businesses give twice as much per employee to charitable causes as do large companies.

Community Well-Being

Locally owned businesses build strong communities. They create a sense of place. They maintain the utility and vitality of town centers. They foster an active street life. They strengthen the web of personal interactions essential to a healthy community. These vital, but often happenstance, interactions with our neighbors are becoming less common as people spend more time alone in their cars traversing highways and strip mall parking lots for basic needs.

There's much to be said too for the civic value of doing business with our neighbors—people who greet us by name, send their kids to school with ours, and have a vested interest in the long-term well-being of the community. Local merchants often sponsor cultural events and take a leadership role in community organizations. Although we hear a lot about the charitable giving of big corporations, one study has found that small businesses actually give more than twice as much per employee to charitable causes as do large companies.⁸

Local ownership ensures that important business decisions affecting the well-being of the community—whether to carry produce from local farms, stock a controversial book, pay a living wage, protect natural resources, or contribute to a local charity—are made, not in distant boardrooms, but locally by people who live in the community and who will feel the impact of those decisions.

Keeping Dollars in the Local Economy

One of the most significant economic benefits of locally owned businesses is that they recycle a much larger share of their revenue back into the local economy compared to national chains. Local retailers not only keep profits local, but they support a variety of other local businesses. They create opportunities for service providers, like accountants and printers. They do business with the local bank. They advertise through local newspapers and radio stations. They purchase goods from local companies and small manufacturers. In this way, a dollar spent at a locally owned business sends a ripple of economic benefits through the community and helps to sustain a diversity of local jobs and opportunities.

In contrast, chain stores centralize these functions at their head offices. They keep local spending to a minimum. They bank with big national banks. They bypass local media

Local retailers not only keep profits local, but they support a variety of other local businesses.

in favor of national advertising. They deal almost exclusively with large manufacturers and offer few opportunities for local firms. In this way, much of a dollar spent at a chain store leaves the community immediately.

To take just one component of these secondary economic losses, a recent article in *Editor and Publisher* documented the deadly impact that retailers like Wal-Mart and Home Depot are having on small town newspapers. Not only do these companies rarely advertise locally, relying instead on national advertising and direct mail, but they usually force dozens of local stores to close, eliminating significant sources of advertising revenue. Take Kirksville, a town of 17,500 in northern Missouri. The arrival of Wal-Mart a few years ago put numerous small but reliable advertisers out of business, including four clothing stores, four grocery stores, a stationery store, a fabric store, and a lawn-and-garden center. The *Kirksville Daily Express* has struggled ever since.⁹

Big Business and Community Welfare

In a country hypnotized by the mythology of bigness, there have been few empirical studies of the social and civic impacts of economic consolidation and the loss of locally owned businesses. One exception is a recent study, “Big Business and Community Welfare,” by Dr. Thomas Lyson of Cornell University. He examined 225 counties nationwide, comparing those with economies dominated by a few large corporations to those with many small, local enterprises.

Lyson found that counties dominated by big businesses had greater income inequality, fewer owner-occupied homes, higher levels of worker disability, lower educational outcomes, and higher crime rates. Not only did the small business counties score higher on all of these socioeconomic measures, they had a larger independent middle class and higher rates of civic engagement, as measured by voter turnout and membership in community organizations.

Local banks suffer as well. Commenting on the shift from locally owned businesses to national chains that has occurred along Burlington's Church Street Marketplace, Merchants Bank president Joe Boutin noted, "We used to lend money to all those businesses on Church Street. Now very few of them have local banking relationships. They're just a subsidiary or a branch of a company that's owned and financed by one of the big banks out-of-state. So we've lost opportunities to reinvest money and make money on loans to those businesses."¹⁰

The total value of these secondary economic impacts is significant. A recent study in Austin, Texas, by the firm Civic Economics, found that local book and music stores contribute three times as much to the Austin economy as a Borders Books & Music outlet. Spending \$100 at Borders creates \$13 worth of local economic activity, the study found, while spending \$100 at the local stores Book People and Waterloo Records generates \$45 in local economic activity. The difference was due to three factors: The local stores kept profits in the community; they purchased more goods and services locally; and they maintained a larger local payroll.¹¹

Jobs

As the Austin study found, independent retailers often employ more people locally relative to their overall revenue than do chain stores. This is because management functions—such as purchasing, accounting, and marketing—are handled by the owner or other local employees. Chains house most of these functions at their head offices.

Job creation is one of the main reasons that cities court big box stores and other chains. As the evidence from the Austin study suggests, local businesses are better job creators. Moreover, cities often overlook the fact that a new big box store will not only create, but also eliminate jobs. This is because retail spending is a relatively fixed pie. It grows only incrementally as population and incomes grow. Just because Target builds a new store, it doesn't mean people will need more pairs of socks or gallons of milk. As a result, the arrival of a big box store almost invariably causes sales to decline at existing businesses, some of which will downsize or close. The resulting job losses can equal or even exceed the gains from the new store.

Local businesses are better job creators. Moreover, cities often overlook the fact that a new big box store will not only create, but also eliminate jobs.

Studies by Dr. Kenneth Stone, an economics professor at Iowa State University, who has tracked Wal-Mart's impact on Iowa towns

for more than a decade, have consistently supported the idea that retail growth is a "zero-sum-game." That is, gains in sales at new big box stores are mirrored by sales losses at existing businesses. More than 7,600 local businesses have closed since Wal-Mart first expanded into Iowa. Losses are felt not only in the community that hosts Wal-Mart, but also in smaller towns nearby. Dr. Stone has found that towns with fewer than 5,000 people within 20 miles of a Wal-Mart tend to shoulder a large portion of the economic dislocations and downtown vacancies, leaving residents with little choice but to travel long distances for even the most basic daily necessities. Dr. Stone has also studied Home Depot's economic impact and likewise concluded that it eliminates about as much economic activity as it creates.¹²

Other studies have reached similar conclusions. A study commissioned by the National Trust for Historic Preservation examined nine Iowa counties where Wal-Mart had located and found that 84 percent of the company's sales were captured from existing businesses within the same county. "None of the nine case studies was experiencing a high enough level of population and income growth to absorb the Wal-Mart store without losses

to other businesses," the study found. There was no evidence that traffic at new big box stores brought more shoppers downtown. Instead, "there were clearly identified losses in downtown stores after Wal-Mart opened. General merchandise stores were most affected. Other types of stores that closed include: automotive stores, hardware stores, drug stores, apparel stores, and sporting goods stores."¹³

Wages and Benefits

Retail jobs generally pay low wages with few if any benefits. According to the Vermont Department of Employment and Training, the median wage for the state's retail sales clerks is \$8.60 an hour, higher than the national median of \$8.02, but still well below what's considered a living wage. According to the Vermont Joint Fiscal Office, a single person needs to earn \$11.78/hour to meet basic needs (housing, transportation, health care, etc.), while a single parent with one child needs to earn \$18.83/hour.¹⁴

No reliable data exists that compares wage rates at independent and chain retail businesses. Compensation is probably fairly similar for many of both kinds of stores. But, while corporate chains must maximize returns to shareholders, independent business owners may be guided by other considerations. Some have opted to pay living wages and provide healthcare and other benefits.

Supermarkets are the only retail sector where significant numbers of workers are unionized. They are represented by the United Food and Commercial Workers union and, unlike most retail employees, have incomes capable of supporting a family. Although Vermont supermarkets are for the most part non-union, the independent stores

and regional chains that operate in the state (including Shaw's, Hannaford, Price Chopper, and P&C Foods) either have unionized stores in neighboring states or are influenced by the prevailing union wage level. As a result, the state's full-time supermarket employees earn about \$14 an hour and have benefits like health insurance and pensions, according to the UFCW's northeast regional office.

Supermarket employees' relatively high wages are threatened by the entrance of Wal-Mart and Target into the grocery industry. Both firms pay substantially lower wages and have fought efforts by their employees to form unions. Wal-Mart generally pays about \$7 an hour. Most jobs are part-time, but even at 40 hours a week, an employee earns only about \$14,000 a year. Many Wal-Mart workers qualify for food stamps and other public assistance. Although the company offers health insurance, most of its employees cannot afford the annual out-of-pocket cost. Wal-Mart supercenters have been cited by administrative law judges for numerous violations of federal labor law. Lawsuits are pending against the company in more than thirty states for falsifying employee timecards and failing to pay employees for all of the hours they worked.¹⁵

As local stores close following the arrival of a superstore, the community often loses as much active retail space and as many jobs as it gains. An economic impact study of a proposed Wal-Mart store in Greenfield, Massachusetts, for example, found that the store would cost existing merchants \$35 million in sales. Many of these businesses would close, leaving the community with 239,000 square feet of vacant retail space.¹⁶

Another study of a proposed Wal-Mart store in St. Albans, Vermont, concluded that 76 percent of the new superstore's sales would be captured from existing businesses within the county, leading to a *net loss* of 167 jobs over a ten year period.¹⁷

Even when a new big box store does create a small gain in employment, these added jobs might not be of sufficient benefit to offset the costs of such things as chronic downtown vacancies and loss of local character.

A study in North Elba, New York, for example, found that 68 percent of a new Wal-Mart's sales would be captured from the town's existing businesses. As these stores downsized or closed, the community would lose 112 jobs, but Wal-Mart would create 134 jobs. Nevertheless, the Planning Board rejected the development, noting, "The project will likely result in a large amount of impacted retail space, over 20,000 square feet of which could become chronically vacant. These potential impacts would have a significant unmitigatable adverse impact on the character and culture of the community by resulting in vacant storefronts, a loss of 'critical mass' in existing downtown areas, and an adverse psychological, visual and economic climate."¹⁸

Entrepreneurship

The shift from small, local stores to large chains has not only made little difference in terms of overall retail employment, but it has dramatically reduced opportunities for entrepreneurship. Until recently, small businesspeople were the backbone of the American economy and way of life. Entrepreneurship is a great equalizer: being able to start a business offers a means for low-income, minority, immigrant, and other disadvantaged families to fulfill their dreams and move out of low-wage jobs and into the middle class. Entrepreneurs' hard work, personal investment, and creativity in turn fueled the nation's economic innovation and prosperity. Today, however, few families run

their own businesses and even fewer young people consider business ownership a viable occupation. Once a nation of shopkeepers, we are rapidly becoming a nation of clerks—with

potentially devastating social and economic consequences.

Public Benefits and Costs

Downtown businesses are very cost-effective users of public infrastructure and services. They generate relatively high property taxes, while their compact arrangement ensures efficiency in the delivery of services such as road maintenance, water and sewer, and police and fire protection.

When commerce shifts from the town center to big box and chain stores on the periphery, the community's fiscal health may suffer. Tax revenue from the downtown will

decline as local businesses downsize and close. As vacancies multiply, existing public infrastructure will become underutilized and the delivery of public services less efficient. The community will also incur a variety of new costs to provide roads, sewer, police, and other services to the sprawling new development, which may not generate enough tax revenue to cover these new costs.

In its "Exploring Sprawl" series, the Vermont Forum on Sprawl noted, "In communities with downtown shopping areas *and* commercial strips, the tendency of businesses to migrate to the strips increased road maintenance and repair costs. Some communities are now providing services to two different commercial zones, with the strip development more costly to maintain because the roads are often longer, wider, and involve complex drainage and engineering issues."

In the National Trust for Historic Preservation study of Iowa communities cited above, the authors concluded, "Although the local tax base added about \$2 million with each Wal-Mart, the decline in retail stores following the opening had a depressing effect on property values in downtowns and on shopping strips, offsetting gains from the Wal-Mart property."

A recent fiscal impact analysis in Barnstable, Massachusetts, a city of 48,000 on Cape Cod, found that big box stores, shopping centers, and fast-food restaurants cost local taxpayers more than they produce in revenue. The study, conducted by Tischler & Associates found that big box stores generate a net annual deficit of \$468 per 1,000 square feet. Main Street businesses, on the other hand, have a positive impact on public

revenue (i.e., they generate more tax revenue than they cost to service). These stores produce a net annual return of \$326 per 1,000 square feet. "This study shatters the common misperception that any sort of growth creates revenue," said Christopher Cullinan of Tischler & Associates. The two main factors behind the higher costs for big box stores, shopping centers, and fast-food outlets are higher road maintenance costs (due to a much greater volume of car trips per 1,000 square feet) and greater demand for police services.¹⁹

Environmental Sustainability

Small-scale, locally owned stores help to sustain vibrant, compact, walkable town centers—which in turn play an essential role in limiting sprawl and automobile use, and reducing related problems like habitat loss and air and water pollution.

As commerce shifts to large chain stores, more and more open space is being consumed for retail uses. According to some estimates, retail space per capita in the U.S. has tripled in the last twenty years.²⁰ That's not even counting the acres of parking and miles of roadways needed to access these stores.

Although some chains have begun to pursue downtown locations, big box buildings and strip malls in outlying areas continue to be an essential feature of the expansion strategies of most retailers. And for good reason: rolling out identical boxes and acres of asphalt on undeveloped land is cheap, fast, and efficient. It's far less costly than adapting a highly

Downtown businesses generate relatively high property taxes, while their compact arrangement ensures efficiency in the delivery of public services.

refined retailing formula to an existing building in an established commercial district.

Unlike centuries-old downtown buildings, these new developments may last only a few years before being deemed obsolete as the chains move on to newer and bigger formats further out on the perimeter. About one-third of all enclosed malls are in financial distress. Even big box stores are closing as companies like Target and Wal-Mart abandon their older stores to build even larger “supercenters.” Wal-Mart alone has more than 300 vacant stores nationwide. Altogether, more than 500 million square feet of retail space in the U.S. sits idle.²¹

This inefficient use of land has significant environmental consequences, including loss of habitat and biological diversity, and mushrooming automobile use and related pollution. A typical big box store requires 1,000 parking spaces and generates 10,000 car trips every day. Even smaller-scale chains, like Walgreen’s and Blockbuster, tend to favor locations and store designs that foster driving and discourage walking and public transit.

"From an environmental standpoint, parking lots rank among the most harmful land uses in any watershed," notes Tom Schueler of the Center for Watershed Protection. "No other kind of surface in a watershed. . . produces more runoff and delivers it faster [to a local waterway] than a parking lot," Schueler says. Parking lot runoff contains pollutants from cars and the atmosphere, and has been found by researchers to contain extremely high concentrations of phosphorous, nitrogen, trace metals, and hydrocarbons.

Unlike centuries-old downtown buildings, chain stores and malls may last only a few years before being deemed obsolete as retailers move on to newer, bigger formats further out on the perimeter.

Severe water quality degradation occurs when the amount of impervious surface (roads, parking lots, buildings) in a watershed reaches as little as 10-15 percent of total land area. Schueler believes the best way to minimize the impacts of development is "to concentrate it in high density clusters or centers"—compact downtowns, rather than low-density sprawl.²²

Competition and Consumers

The best way to ensure innovation, vigorous competition, low prices, and broad product selection over the long-term is a marketplace composed of tens of thousands of independent businesses, each making his or her own decisions based on the needs and tastes of local customers.

Today, however, most product categories nationally are controlled by two or three companies. In some local markets, consumers have little or no choice about where to purchase certain kinds of goods.

The growth of national chains has actually reduced, not increased, competition.

There are two main reasons to be alarmed by these trends. One is the price of goods. Although chains may come into a market sporting deep discounts, some evidence suggests that these low prices last only as long as the local competition. As Barnes & Noble and Borders Books have gained market share—the two companies account for about half of bookstore sales—they’ve sharply reduced the number of books offered at a discount. Blockbuster’s rental fees are higher in markets where it has a near monopoly. One

survey in Virginia found prices at different Wal-Mart outlets varied by as much a 25 percent depending on whether there were any local competitors left.²³

The other major concern has to do with product diversity. At one time, a multitude of small businesses, each reflecting the preferences of their customers, collectively ensured the availability of a wide range of goods and services. Today, a few buyers at

major retail companies exert growing control over what goods are produced—a particularly disturbing trend in the context of books, music, and other forms of expression. The disappearance of local retailers, combined with the fact that large chains generally deal only with large manufacturers, has meant that small companies, no matter how innovative their products, are having an increasingly difficult time obtaining shelf space.

Planning for a Homegrown Economy

Most people assume that there's little that can be done to stem the decline of independent businesses. In fact, hundreds of communities around the country are adopting new planning and economic development policies that strengthen and foster the growth of locally owned businesses. They are eliminating hidden subsidies for corporate chains, revising their comprehensive plans, and enacting new zoning provisions that support small-scale, community-based retail. This chapter describes these approaches.

Leveling the Playing Field

Many communities are examining existing policies to ensure that they are not favoring chains over local businesses by facilitating sprawling development patterns and undermining the viability of town centers. How policy decisions will impact community-based businesses should be a routine consideration for state and local officials. For example:

- *Roads* — Consider whether road and highway construction or expansion will affect local business districts or fuel commercial sprawl. Avoid zoning large swaths of land next to new or expanded roadways for commercial retail. This can lead to a haphazard development pattern that fosters chain store proliferation and drains life from town centers.

- *Municipal Services* — Establish a clearly defined geographic area within which municipal services, such as water and sewer,

will be provided. Sewer lines placed along major roads in a linear fashion with no limit on the number of hookups will encourage retail sprawl. Developers may offer to pay for line extensions outside the service area boundaries, but this should not be allowed by the municipality.²⁴

- *Public Subsidies* — State agencies and communities should consider banning the use of tax breaks and other subsidies to underwrite sprawling retail development. Any public incentives should be limited to downtowns and town centers.

Planning Policies that Support Locally Owned Businesses

One of the most important actions a community can take to ensure that its locally owned businesses continue to have an opportunity to compete and thrive is to revise its comprehensive plan and zoning code. Many Vermont towns lack comprehensive plans altogether or have land use policies in place that are decades old and ill-equipped to deal with the challenges posed by big box and chain retail development.

It's common too for towns to have far more land zoned for commercial retail than the community actually needs or can support. Large swaths along every major road and highway are often zoned for retail, allowing chain stores to sprout up willy-nilly with little or no opportunity for citizens or local officials to review, alter, or turn-down developments that will undermine the local economy. This "over-zoning" has much to do

with the glut of retail space and the epidemic level of vacancy currently facing the U.S..

Over the last few years, hundreds of communities have revised their comprehensive plans and zoning rules to support small-scale, local businesses. Cities and towns have broad authority over land use, provided that their decisions reflect a commitment to protecting public welfare, rather than arbitrary or capricious treatment of a particular land owner or developer. The courts have consistently granted local governments considerable leeway to exercise this authority to defend the community's quality of life, natural resources, historic character, local economy, and downtown vitality.

Zoning makes many people uneasy due to concerns that government should not impinge on private property rights. But it's worth remembering that all residents have a stake in their community. Through work, homes, taxes, and a myriad of other ways, they have invested both personally and financially in the community's future.

As stakeholders, they have a responsibility to ensure that the community develops in ways that protect existing assets and quality of life. Over time, sensible land use planning enhances property values and encourages investment by fostering stability and orderly development.

The following are examples of the kinds of land use policies communities are adopting to curb chain stores and support local businesses. All of these policies have been upheld by the courts as valid uses of local authority, and are permissible under Vermont statutes governing municipal planning.

Kent County, Maryland's comprehensive plan lists among its objectives "support [for] small, locally owned businesses" and "prevent[ion of] commercial sprawl outside the county's existing traditional commercial centers."

The Comprehensive Plan: Envisioning a Strong Locally Owned Economy

There are two primary pieces of local land use policy: the comprehensive plan, which is essentially a vision statement containing general guidelines for development, and the zoning code, which implements the plan through concrete rules governing land use.

A number of communities have included in their comprehensive plans an intention to preserve and strengthen local businesses, limit commercial development to the downtown or other existing retail districts, and restrict the proliferation of corporate chains.

▪ *Kent County, Maryland* — The comprehensive plan lists among its objectives "support [for] small, locally owned businesses" and "prevent[ion of] commercial sprawl outside the county's existing traditional commercial centers."

▪ *Skaneateles, New York* — The town's plan states, "Rather than establishing competing shopping centers in the Town to provide basic goods and services, the Village commercial center. . .

should remain the center for shopping in the community."

Although comprehensive plans on their own lack the force of law, having a strong plan that clearly articulates a commitment to small-scale, locally owned businesses and downtown commerce yields several important benefits. Such a plan will serve as the policy foundation for drafting and enacting

enforceable zoning regulations. It will provide clear guidance for local officials trying to decide whether to approve a particular project. It will also protect the community from lawsuits; a decision to reject a particular development proposal because it conflicts with goals outlined in a comprehensive plan demonstrates an adherence to established policy rather than arbitrary and unequal treatment of a particular developer.

Steering Commerce Downtown

A number of communities have adopted land use rules that steer new development to identified growth areas in or adjacent to the downtown or other established business districts. Instead of allowing scattered

commercial development on the outskirts of town or sprawling shopping strips along major roads, only land in designated growth areas is zoned for retail. This supports a more compact and contiguous pattern of development and thus a more efficient use of land and resources. It also ensures that new growth compliments existing businesses rather than shifting customer traffic and economic activity to a previously undeveloped area.

- *St. Petersburg, Florida* — The city's planning policy states, "The City has an adequate supply of commercial land-use to meet existing and future needs. Future expansion of commercial uses shall be restricted to infilling of existing commercial areas and activity centers except where a need can be clearly identified."

Development Moratoria

If your community's existing zoning policies are out-dated and inadequate with regard to big box and other chain retail development, consider adopting a temporary moratorium on commercial development while local planning and zoning policies are revised.

Like most states, Vermont allows its cities and towns to temporarily suspend new development while they evaluate and revise their planning policies. Under state law, development moratoria must be used for planning purposes—such as conducting studies, revising the comprehensive plan, or drafting new zoning ordinances—and may not last for more than two years.

Many communities have used moratoria to suspend retail development while they investigate the impacts of large-scale retail stores and revise their zoning rules accordingly. Easton, Maryland, for example, placed a 3-month moratorium on development

of stores larger than 25,000 square feet in 1999. During the moratorium, the Planning Commission studied superstore impacts, held a series of public hearings, issued a report, and adopted permanent zoning rules restricting new retail stores to no more than 65,000 square feet.

The US Supreme Court has upheld development moratoria as valid uses of local authority. In 2002, in *Tahoe-Sierra Preservation Council v. Tahoe Regional Planning Agency*, the Court ruled that a development moratorium does not constitute a taking of property requiring compensation.

See "Interim Bylaws" in Vermont Statutes 24 V.S.A. § 4410. Both the National Trust for Historic Preservation (www.nthp.org) and the American Planning Association (www.planning.org) have published guidelines and information for communities considering development moratoria.

- *Hailey, Idaho* — The town's comprehensive plan states that the downtown "should be the primary commercial center of the community." The city's policy clearly delineates the downtown's geographic boundaries and calls for developing any vacancies in the downtown district prior to allowing commercial growth in other areas. In 1995, the Idaho Supreme Court upheld this policy, noting that "preserving. . . the economic viability of a community's downtown business core can be a proper zoning purpose."²⁵

- *San Luis Obispo, California* — The city's planning policy includes a clearly delineated area designated for development. The plan allows the City Council to limit citywide growth in commercial space to no more than one percent annually, unless the development occurs in the downtown core.

Ensuring Appropriate Scale

Dozens, maybe even hundreds, of cities and towns have enacted zoning rules that prohibit stores over a certain size. They have done so in part because they recognize that their economies can absorb only so much new retail without causing significant dislocations of existing businesses. Large-scale stores may also be out-of-scale with existing buildings and thus detract from the town's character. They can cause traffic congestion and unduly burden public roads and services.

Limiting the allowable size of retail stores will keep out some national retailers that refuse to build stores smaller than their standard formats; others will opt to construct

stores more appropriately scaled for the community. What constitutes an appropriate upper limit for the size of retail stores depends on many factors, including the size of the community, the scale of its existing buildings, and its long-term goals with regard to retail development.

Some communities have banned only the biggest of the big boxes, while others have chosen a much lower threshold:

- *Northampton, Massachusetts* — Allows stores of no more than 90,000 square feet, about the size of two football fields, but smaller than a typical Wal-Mart or Home Depot store.

- *Belfast, Maine* — In 2001, voters endorsed a referendum capping retail stores at 75,000 square feet.

- *Easton, Maryland* — After studying the issue for several months, city officials concluded, "Once a big box retail store exceeds 65,000 square feet, it is of such a scale that its negative impacts outweigh its positive ones." Easton now limits stores to no more than 65,000 square feet.

- *Ashland, Oregon* — Bars stores over 45,000 square feet (about the size of a Borders superstore).

- *Boxborough, Massachusetts* — Set its limit at 25,000 square feet.

To prevent large-scale developments barred from a city from simply locating just beyond its borders on county land, in some places, cities and their surrounding counties have enacted identical size policies:

- *Hood River, Oregon* — In 2002, the city and county concurrently adopted rules limiting retail uses to 50,000 square feet.

Assessing Community and Economic Impacts

Cities and towns commonly make decisions about new retail development without sufficient, objective information on the potential costs and impacts. A new free-standing chain pharmacy on the edge of town, for example, might look like a good deal at first. The developer promises two dozen new jobs and has agreed to pay for necessary infrastructure, including a turning lane and traffic signal.

But a more detailed investigation reveals that the local market cannot support both the new drugstore and two existing independent, downtown pharmacies. Given the chain's deep pockets and staying power, a likely scenario is that one of the local pharmacies will close, eliminating jobs and tax revenue, and reducing spillover traffic for other downtown businesses.

Moreover, the new pharmacy is likely to encourage additional auto-oriented development nearby. The on-going cost of maintaining the road network needed to serve this growth will be greater than the additional property tax revenue. Once all of the facts are on the table, the development no longer seems like such a good idea.

To ensure adequate review of proposals for new retail development, many communities are adopting zoning rules that require comprehensive impact reviews. To gain approval, the development must meet

specific criteria outlined in the law. The criteria vary depending on the concerns and goals of each community.

- *Greenfield, Massachusetts* — The city requires that proposals for stores that exceed 20,000 square feet or are expected to generate more than 500 vehicle trips per day must undergo a comprehensive review and obtain a special permit. Approval hinges on demonstrating that the development will not create traffic congestion, lead to a net decline in employment or tax revenue, unduly burden public services and infrastructure, harm the environment, undermine the downtown businesses district, or detract from the character of the community.

- *Middletown, Rhode Island* — Requires developers to submit impact statements for projects larger than 30,000 square feet and to pay for the cost of hiring independent consultants to review the statements. The scope of the review includes impacts on the health, safety and general welfare of residents, including negative effects on the environment, property values, infrastructure, demand for services, traffic, and local character.

- *Santa Cruz, California* — Proposals for stores larger than 16,000 square feet must undergo review and obtain a special permit. The goal of the law is to protect the city's unique character and maintain a diverse mix of retail businesses. To gain approval, a new store must demonstrate that it 1) adds a desired type of business, 2) contributes to an "appropriate balance of local or non-local

The city of Greenfield, Massachusetts, requires that proposals for stores that exceed 20,000 square feet must undergo a comprehensive economic and community impact assessment.

businesses," and 3) contributes to an "appropriate balance of small, medium and large-sized businesses."

In addition to enhancing the overall diversity of the downtown business district, the new store must be a "good neighbor" and contribute to community life by becoming a member of a business or neighborhood organization, hiring local residents whenever possible, and participating in festivals and events. The ordinance favors maintaining the town's authenticity and local character, and presumes locally owned businesses are more likely to accomplish this. Other guidelines for granting permits include reducing the amount of profit that leaks out of the city and encouraging downtown investment and employment.

Ensuring Diversity

Global retail chains are no longer confined to shopping strips and big box "power centers" on the edge of town. Many, like The Gap and Starbucks, are moving into town centers and urban neighborhoods. In some cases, these companies have helped to energize ailing commercial districts and have maintained a balance with locally owned businesses. But elsewhere, the pendulum has swung too far. Some commercial districts are losing their sense of place and local identity and becoming little more than outdoor malls. As Richard Moe, president of the National Trust for Historic Preservation, has said, "More and more. . . every place in America looks like every place else, and that means every place looks like no place."²⁶

While mandating impact assessments can provide a means of reviewing and rejecting

harmful development and maintaining a balance of national and local retailers, some towns have concluded that "formula" businesses are rarely if at all acceptable due to their impacts on community character and the local economy. These communities have enacted local land use rules that limit or ban the proliferation of "formula" business, which are defined as businesses required by contract to adopt standardized services, methods of operation, decor, uniforms, architecture or other features virtually identical to businesses elsewhere.

While banning formula businesses does not prevent Starbucks from setting up shop, it does require that the Starbucks not look or operate like any other Starbucks in the country. This creates a significant deterrent to most chains, which refuse to deviate from their standard formats. To date, a handful of communities have enacted some kind of restriction on formula businesses.

- *Port Jefferson, New York; Bainbridge, Washington; and Arcata, California* — All three towns prohibit all formula fast-food restaurants from locating within their borders.

- *Coronado, California* — Allows no more than ten formula restaurants in the city at one time and requires that formula retail stores obtain a special use permit before being allowed in. Approval hinges on demonstrating that the store will be compatible with the community. The ordinance notes that the "establishment of additional formula retail uses will unduly limit. . . opportunities for smaller or medium sized businesses, many of which tend to be non-traditional or unique, and unduly skew the mix of businesses towards national retailers in lieu of local or

regional retailers, thereby decreasing the . . . diversity of retail activity."

Meeting Community Needs

Communities that have become tourist destinations often have difficulty maintaining retail businesses that serve everyday needs. The local hardware store or grocery might be replaced by an upscale national brand or a chain coffee shop. For these towns, a community-serving requirement may be a worthwhile addition to the zoning code.

- Palm Beach, Florida — Residents of this island community converted their main commercial district into a "town-serving zone." Businesses must demonstrate to the City Council that at least 50 percent of their anticipated customer base will be "town persons: those living, or working in Palm Beach."

Creating the Ideal Habitat for Local Ownership

Most locally owned businesses prefer to locate in downtowns or in other compact, walkable shopping districts. These areas provide ideal habitat for growing locally owned businesses. Small storefronts can be leased for less than the cost of building a free-standing structure on the urban fringe. Belonging to a cluster of small shops creates significant synergies and benefits. Customer traffic generated by one business will benefit the others. This spillover traffic, combined with the visibility of a downtown location, can be especially helpful to a new business lacking the draw of a national brand or a large advertising budget. Traditional commercial

districts also provide "one-stop shopping," allowing residents to obtain many goods and services within a compact, walkable area.

Unfortunately, many communities have zoning regulations in place that prohibit developers from replicating the structure and density of traditional retail districts. The zoning code might, for example, require buildings to be setback from the sidewalk and have on-site parking. As growth occurs, new development, rather than resembling the historic core, will be much more suburban and automobile-oriented in design.

Communities that want to revitalize and expand their downtowns in a manner that best supports locally owned businesses should review and revise their zoning code to ensure that regulations allow, encourage, or require:

- multiple-story buildings;
- a mixture of uses, such as second-story apartments or offices;
- small lot sizes (a Vermont Forum on Sprawl survey found that many Vermont towns have minimum lot sizes for commercial development of 0.5 to 2 acres, much larger than lots in traditional village centers);
- a high building-to-lot-size ratio (in traditional downtowns, buildings cover 60 to 80 percent of the total lot area, while current zoning in many Vermont communities sets upper limits of 15 to 50 percent, guaranteeing a spread-out land use pattern);
- maximum, not minimum, frontage and setback requirements (commercial zoning often mandates a minimum of 200 feet of street frontage and setbacks of 50 to 150 feet for the fronts and sides of buildings, while

traditional commercial districts have narrow frontages and small or no setbacks);

- maximum, not minimum, parking requirements (zoning often requires an unnecessarily large number of spaces for retail stores, which inhibits more compact development); and

- an accelerated permitting process for infill development to further encourage redevelopment of empty lots downtown.²⁷

A growing number of New England communities are incorporating these provisions into their zoning codes:

- *Brunswick, Maine* — Development standards for the downtown district mandate that all new buildings and additions should about the front property line, be at least two stories high, and include at least 50 percent glass in the first floor façade. Buildings may not have horizontal expanses of more than 40 feet without a pedestrian entry. Site plans must be pedestrian-friendly and parking lots must be located at the rear of buildings.

Sales Tax Fairness

The US Supreme Court has ruled that states cannot compel out-of-state companies, including internet and mail order retailers, to collect state and local sales taxes. The Court concluded that requiring companies to comply with the various rules and rates governing the nation's 7,600 local tax jurisdictions would be too complex and would unduly burden interstate commerce. This policy effectively gives out-of-state companies, which contribute little to Vermont's communities, a five percent price advantage over local stores.

It is also harming the state's finances. Untaxed internet sales cost the state an estimated \$21 million in lost revenue in 2001—enough to substantially offset the 2001 budget shortfall of \$28.8 million. As on-line shopping grows, annual sales tax losses are expected to reach \$87 million by 2011.²⁸

A major multi-state endeavor, called the Streamlined Sales Tax Project (SSTP), is now underway to remedy this situation. The project aims to eliminate the burden of complying with multiple taxing jurisdictions by establishing uniform definitions and administrative procedures that all

participating states will follow. Currently, for example, a marshmallow might be defined as taxable candy in one jurisdiction, but as untaxable food in the next. Although the SSTP calls for states to harmonize the administrative aspects of sales tax collection, it preserves the authority of states to decide what types of goods (e.g., food, clothing, etc.) to tax and at what rate.

Vermont is one of 31 states that have enacted legislation to participate in the SSTP. Once the participating states reach an agreement on common definitions and procedures, legislation will be presented in each state to bring the state's tax rules into compliance. A bill will likely be introduced in the Vermont legislature during the 2003 session. Once states adopt these uniform sales tax rules, the burden of collecting and remitting sales taxes for multiple jurisdictions will largely be eliminated. In its second phase, the SSTP will lobby Congress to level the playing field for internet and hometown stores by lifting the sales tax exemption that out-of-state companies currently enjoy.

For more, see www.nga.org.

Regional Cooperation

Big box stores and shopping centers usually have economic, community, and environmental impacts that are felt well beyond the borders of the municipality in which they are located. Big box developers sometimes use the threat of locating in a neighboring jurisdiction to pressure communities into accepting a development they do not want out of fear of having to live with many of the negative impacts without gaining any of the tax revenue.

For these reasons, there is a pressing need for neighboring communities to work together to develop shared policies for large-scale retail development. Vermont pioneered a cooperative approach to large-scale development on a statewide level in 1970 with Act 250, which requires developments of regional impact to obtain a permit from one of nine regional commissions. In most cases, retail projects require Act 250 review when they encompass ten or more acres of land. Approval depends on meeting several conditions that focus on the project's fiscal and environmental impact. Act 250 specifies that developments must not place unreasonable fiscal burdens on the ability of municipalities to provide education and other services, must not exhaust the town's ability to accommodate growth, must be consistent with local land use policies, and must not harm historic sites. Act 250 discourages scattered development by requiring a project to be contiguous to existing settlements unless the tax revenue generated by the project

exceeds the additional cost of providing public services. A few big box developments have been denied under Act 250 and some of those that have been built are smaller, more centrally located, and better designed than typical big box stores because of Act 250 review.

Act 250 has limitations. The threshold for review, usually ten acres, is fairly large, exempting many developments that do have a broader, regional impact. Over time the cumulative impact of the development of many smaller parcels of outlying land for auto-oriented retail can be just as severe as the impact of one large shopping center. Act 250 also does not explicitly deal with the impact of large-scale commercial development on local economies.

A state law may not be the best place to address these issues. Rather than trying to alter Act 250, a better approach might be to fill the gaps with inter-municipal and city-county agreements that establish a joint vision and policy guidelines for development that is of regional concern but falls below Act 250 review.

Cape Cod's Regional Policy Plan states that the Commission "should take into account any negative impacts that the project would have on the . . . economy and should encourage businesses that are locally-owned and that employ Cape Cod residents."

▪ *Hood River, Oregon* — Under a town-county agreement, whenever the town adopts a land use ordinance, the county is obligated to consider the ordinance as well. So, when the town banned stores over 50,000 square feet last year, the county soon followed. The move prevents big box developers denied entry into the town from locating on undeveloped land just beyond the town's borders. The city of Flagstaff, Arizona, has likewise worked with Coconino County to craft shared policies on big box development.

▪ *Cape Cod, Massachusetts* — In 1990, the residents of Cape Cod voted to create the Cape Cod Commission, a regional planning agency that has the authority to approve or reject proposals for new retail construction larger than 10,000 square feet and changes of use for commercial sites that exceed 40,000 square feet. The review process involves a public hearing and focuses on the project's impact on the environment, traffic, community character, and local economy. Cape Cod's Regional Policy Plan, which

provides the Commission with guidelines for reviewing development applications, states that, when reviewing a project, the Commission "should take into account any negative impacts that the project would have on the Cape Cod economy and should encourage businesses that are locally-owned and that employ Cape Cod residents." Several large retail stores, including Wal-Mart, Sam's Club, Costco, and Home Depot, have been denied as a result of this review process.

Download Policy Examples at www.NewRules.org

Examples of all of the policies described here can be found on the New Rules Project web site at www.newrules.org. The New Rules Project is a five-year-old program of the Minneapolis- and Washington, DC-based Institute for Local Self-Reliance. The goal of the Project is to research and promote policies

that build strong local economies and communities. The Project has identified numerous policies that can strengthen locally owned businesses, and is working with community groups to build support for and implement these policies in cities and towns nationwide.

Fostering Revitalization

Recognizing the long-term economic and social benefits of a strong, locally rooted economy, a growing number of communities no longer focus their economic development efforts on attracting large out-of-state firms. Instead they are finding ways to revitalize their downtowns, strengthen and expand homegrown businesses, and foster the creation of new local enterprises.

Downtown Revitalization

A healthy downtown creates a rich growing medium for locally owned businesses. Over the last few decades, however, there has been very little public and private investment in most downtowns. Resources have instead been directed to commercial development on the fast-growing periphery. Many downtowns have fallen into a self-reinforcing cycle where disinvestment leads to vacancies, which leads to further disinvestment and more vacancies. Even popular, profitable businesses have difficulty surviving in such a climate.

In recent years, thousands of cities and towns have reversed this cycle and implemented successful revitalization programs under the guidance of the National Main Street Center, a division of the National Trust for Historic Preservation. The Main Street Center helps communities devise revitalization strategies that build on unique local and historic assets. Main Street's four-pronged approach focuses on building

the capacity of a local revitalization organization, enhancing the commercial district's physical appearance, strengthening its economic base, and promoting the downtown as a destination. It ranks as one of the most effective economic development tools in the country and has been implemented in more than 1,400 towns and cities.

Downtown revitalization efforts are generally undertaken locally by a community nonprofit organization. To succeed they must have broad public participation and support, as well as a city government dedicated to and actively involved in revitalization. Reviving a town center is an incremental and cumulative process. Over time, community efforts and public involvement build confidence in the downtown, encouraging first small and then larger private investments and improvements. The following strategies have been identified by studies as essential components of an

effective downtown revitalization program:

Over time, community efforts and public involvement build confidence in the downtown, encouraging first small and then larger private investments and improvements.

- *Reinforce Downtown's Sense of Place — Successful revitalization*

programs reinforce a community's sense of place by building on its unique assets—natural, historic, and cultural resources that set it apart from other places and shopping areas. This might involve establishing a waterfront park; facilitating the preservation and renovation of historic buildings and downtown storefronts; enhancing or creating a square or other public

space; establishing design standards in keeping with the community's geography and history; or enhancing the role of an important cultural event or institution.

▪ *Foster a Mixture of Uses* — Successful revitalization programs pursue opportunities to diversify the range of uses in their town centers. Downtowns thrive when they are the center of both commerce and community life. The healthiest downtowns are places where residents can not only obtain a wide variety of goods and services, but can also live, work, take in a cultural event, stroll in the park, check out a book at the library, pick-up the mail, attend religious services, or go to a city council meeting. A mixture of uses ensures active street life throughout the day and evening, and helps diversify the downtown's economic base. A local café, for example, can count on office workers at lunch time and downtown residents for dinner.

▪ *Encourage Pedestrians* — The level of pedestrian activity in a town center is a good indicator of its vitality. Pedestrians also tend to attract more pedestrians by improving the perception of the downtown. Successful revitalization programs work to make the town center more pedestrian friendly through such things as wider sidewalks, easier-to-cross streets, buffers between pedestrians and cars, and streetscape improvements like benches, trees, and signage and lighting designed for pedestrians instead of cars. Facilitating pedestrian use also means maintaining the historic densities of town centers, so that a variety of services are available within walking distance.

Downtown revitalization is not an alternative to strong land use planning. It's virtually impossible to simultaneously promote downtown commerce while pursuing significant commercial growth on the outskirts of town. There are only so many dollars to go around. The precarious situation many New England communities have fallen into is to allow substantial big box and chain retail growth on the periphery, while converting their downtowns into places that are primarily oriented towards serving tourists.

The risk is that over time residents will withdraw support for downtown investment as the district no longer meets local needs or serves as the center of community life.

Downtown revitalization is not an alternative to strong land use planning.

Vermont Downtown Program

There are excellent state and national resources available to Vermont communities seeking to develop downtown revitalization programs. At the state level, the Vermont Downtown Program provides local communities with technical assistance, a five-year training program, statewide conferences, and a variety of other resources to help them build skills and implement effective revitalization strategies. The program was established by the state in 1994 and is affiliated with the National Main Street Center.

Downtown Designation

Vermont offers among the best downtown revitalization incentives of any state in the

nation. Under the Downtown Development Act, enacted in 1998 and amended in 2002, Vermont communities that have developed a long-term strategic plan for strengthening their downtown or village center may apply to be designated downtowns or village centers. Official designation confers a number of financial and other benefits for property owners, businesses, and the community. The advantages to the district include:

- *Grants for Capital Improvements* — Designated downtowns are eligible for loans and grants of up to \$75,000 to cover one-quarter of the cost of transportation and capital investments to spur economic development.

- *Priority Consideration by State Agencies* — Designated downtowns have

priority consideration for any grants or programs administered by state agencies, including Community Development Block Grants, and as locations for any new state buildings.

- *Traffic Calming Authority* — Communities with designated downtowns or village centers have the authority to post speed limits of less than 25 mph to help calm traffic and make the downtown more pedestrian-friendly.

- *Signage Authority* — Communities with designated downtowns or village centers have the authority to post alternative signs to guide visitors to transportation centers, and unique educational, recreational, historic or cultural landmarks.

Bellows Falls Reborn

Ten years ago, Bellows Falls, a community of 3,700 people along the Connecticut River in southeastern Vermont, was struggling. Once the center of a bustling industrial economy, Bellows Falls had experienced little in the way of new investment since its paper and machine mills began closing in the 1930s. By the 1990s, the community was riddled with idle buildings and vacant storefronts. Its self-image was poor and a sense of pessimism about the future pervaded.

In the late 1990s, Bellows Falls underwent a dramatic rebirth. The transformation was so remarkable that in 2000 the Vermont Community Development Association held a day-long conference showcasing the village as a model of revitalization.

The arts and citizen involvement have been the primary keys to the community's comeback. Several events provided the initial sparks, including the restoration of the town's historic clock tower by a grassroots civic organization called Our Town and the formation of a community theater group, Front Porch Theatre Company, in 1997.

But the most significant catalyst for change was Robert McBride, a New York artist who first visited Bellows Falls in the mid 1980s and made it his permanent home in 1995. Described by *Vermont Life* as a "tireless promoter of the arts. . . [with a] knack for bringing people and resources together and [a] seemingly unshakable conviction that Bellows Falls is a treasure just waiting to be discovered," McBride founded the Rockingham Arts and Museum Project

(RAMP) and has been a driving force behind many of the projects and events that have enabled residents to take charge of their future and bring the village back to life.

In 1997, RAMP organized a premiere showing of Vermont filmmaker Jay Craven's *Strangers in the Kingdom* and launched the Front Porch Music Series. In 1999, RAMP brought the Bread & Puppet Theatre to Bellows Falls for a 10-day residency. The troupe worked closely with residents to design costumes, puppets, choreography, and music for the spectacular finale held in the downtown square. More than 300 residents participated in the week-long workshops and 100 performed in the finale, which drew an audience of more than 1,000.

During that year, RAMP also hosted the Women's Film Festival, helped Bellows Falls become the ninth community in the state to receive official Downtown Designation with its numerous benefits (see page 22), and worked with artist Charlie Hunter to launch *Flying Under Radar (FUR)*, a singer/songwriter series that has put Bellows Falls on the national folk music circuit. FUR produces the annual Fred Eaglesmith/Roots on the River Weekend, now in its fourth year, which brings dozens of nationally-touring artists to downtown Bellows Falls for a four-day extravaganza.

RAMP's most tangible, bricks-and-mortar impact on the community came in 2000 with the unveiling of the restored Exner Block, a derelict architectural jewel that had sat vacant and deteriorating for decades. In 1998, Housing Vermont, a statewide organization working to expand affordable housing, approached McBride about a possible partnership to restore the building. McBride suggested housing for artists with retail and gallery space on the first floor. Housing Vermont and Rockingham Area Community

Land Trust bought the building, and two years later, the \$1.9 million renovation was complete. Grants and loans to finance the project came from HUD, First Vermont Bank, Chittenden Bank, the Vermont Housing and Conservation Board, and HOME loan. The building, fully occupied within two months of opening, includes ten affordable live/work spaces for artists and six small storefronts.

The restoration of the Exner block gave the community a powerful sense of just how much a small group of dedicated citizens could accomplish. It has inspired several other renovations. On the other end of town, renovation of the Howard block, a prominent building on the village square that has been vacant since 1996, is in its final stages. Like the Exner renovation, funding for the \$2.7 million project has come from a mix of local and state government sources and nonprofit organizations. The building will include thirteen affordable apartments and up to six ground floor retail spaces. The Town Hall has also been renovated and construction is nearly complete on a Waypoint Interpretive Center for the Connecticut Scenic River Byway.

Meanwhile, RAMP continues to launch innovative community arts projects. In 2000, the organization commissioned a 32-by-40-foot mural on the side of the Flat-Iron building that depicts the downtown as it was in 1910. In 2001, it created a four-month artist-in-residency program that brought Seattle artist Beliz Brother to Bellows Falls to produce a series of artworks in partnership with local residents. RAMP's on-going Senior Arts Program helps keep older residents involved with the community.

All of this activity has helped nurture a much more vibrant local retail economy. Long established businesses that managed to hang-on during the lean years—including a hardware store, pharmacy, movie theater,

diner, and barbershop—are doing well once again. New businesses, such as Oona's Restaurant, have opened. Rock & Hammer, a local jewelry store recently expanded. A frame shop on Route 5 left its highway location for a downtown site. Another good sign is that merchants who decide to move, including the former owners of Village Square Booksellers, are finding buyers for their stores. Not long ago, leaving town meant going out of business.

The downtown's renewed vitality was one of the main factors behind Chroma Technologies' decision to build a plant outside

Bellows Falls, where the median annual wage is about \$70,000. The optics company's move demonstrates just how critical having a vibrant community life and strong downtown are to achieving long-term prosperity.

In many ways, Bellows Falls was an unlikely place for a arts-based revival. "It was never thought of as an art community," says McBride of the once-dying mill town. But today, Bellows Falls is a thriving cultural center and a testament to how creative ideas, energy, and, above all, community involvement can transform a village.

Benefits of downtown designation for property owners and businesses include:

- *Historic Building Rehabilitation Tax Credits* — For buildings that qualify for the National Register of Historic Places and are located in a designated downtown, the state provides a 10 percent income tax credit for substantial renovation projects (on top of the existing 20 percent federal tax credit). Over 7,500 buildings in downtowns and villages throughout Vermont are pre-qualified for the credit, and many more can qualify.

- *Older Buildings Rehabilitation Tax Credits* — For buildings constructed prior to 1983 that do not qualify for the National Register and federal tax credit, the state provides a 25 percent income tax credit, up to \$25,000, for projects that bring the building into compliance with access and safety codes, develop previously unoccupied space, or restore a façade that contributes to the integrity of the downtown

- *Tax Credits for Access and Life Safety Improvements* — A 50 percent state income tax credit is available to property owners and

lessees for installing or improving an elevator, platform lift, or sprinkler system to meet building codes. The credits for an elevator or sprinkler system are each capped at \$25,000, and \$12,000 for a lift. The state also provides a \$2,000 rebate on permit fees paid to the Department of Labor and Industry for installation of sprinklers.

- *Act 250 Threshold* — The Act 250 threshold for reviewing mixed income housing and mixed use projects is eased from the current limit of 10 housing units. In a designated downtown, the new threshold is on a sliding scale that ranges from 20 units in towns with a population under 5,000, to 100 units in those with a population over 20,000.

- *Employee Training Tax Credit* — An employer can claim up to \$400 in tax credits (per employee per year) for training economically disadvantaged employees if the employer does business in a designated downtown with the intent of providing permanent jobs. The employer must pay annual wages of at least \$14,000 plus benefits.

- *Technical Assistance* — The Vermont Downtown Program provides technical assistance to help property owners develop strategies for rehabilitating buildings and bringing them into compliance with access, life, and safety codes.

To be eligible for downtown designation, communities must have an organization in place to carry out a long-term, comprehensive revitalization program; dedicated financial resources, including a capital improvement

plan and a reinvestment agreement by the private and public partners leading the effort; and a commitment to land use planning, in the form of an official historic or design review district covering the downtown, and a development review board authorized to undertake local Act 250 reviews.

Vermont currently has several designated downtowns, including Barre, Bellows Falls, Bennington, Brattleboro, Burlington, Middlebury, Montpelier, Poultney, Randolph, Rutland, Springfield, St. Johnsbury, Vergennes, and Windsor.

Building a Better Brattleboro

Four years ago, downtown Brattleboro was filled with vacancies. Several business and community leaders decided to form an organization to bring the community's center back to life. They named the group Building a Better Brattleboro (BABB), raised public and private funds, and hired a full-time director.

BABB's approach is based on the four-pronged strategy developed by the National Main Street Center: economic development through business retention and recruitment; developing promotions and events to draw people downtown; improving the district's visual appearance; and expanding the capacity of the organization by building bonds of support with residents and the city.

Typically, revitalization programs start small and build towards larger projects. But BABB saw an opportunity in an abandoned Rite Aid building downtown and opted to start with a big project. The group bought the building and redeveloped it as the River Garden, a glass-enclosed garden atrium with views of the Connecticut River. The Garden hosts art exhibits, performances, and events. "It really changed the perception of downtown. People began to believe things

were looking up," notes Nelle Hanig, former Executive Director of BABB.

BABB's first success recruiting a new business came in 2000 when Dragonfly Drygoods opened on Main Street. The store's owner initially planned to locate in either Hanover, NH, or Northampton, MA, but ultimately was persuaded by BABB to invest in Brattleboro. After BABB succeeded in recruiting a few other new businesses, the downtown began to gather its own momentum and demand for storefronts picked up.

The downtown has developed a strong niche in home furnishings, with about ten stores offering furniture and related goods. This special focus has made Brattleboro a destination for shoppers from a wide area.

BABB has organized numerous events, including two years of jazz performances and several holiday celebrations. This year BABB obtained state grants to help nine Main Street property owners rehabilitate the facades of their buildings.

Today, there are no storefront vacancies on Brattleboro's Main Street and only three throughout the downtown. Almost all of the stores are locally owned businesses.

Keeping Public Buildings Downtown

Municipal offices, post offices schools, libraries, and other public buildings rank high in the mixture of uses essential to a healthy downtown. Unfortunately, in recent years many federal, state, and local government agencies have been moving public buildings out of downtowns to sprawl locations on the outskirts of the community.

The closure of a public building reduces downtown activity and can have a harmful effect on local businesses. A 1993 survey by the National Trust for Historic Preservation found that 80 percent of Iowa residents who shopped in downtowns planned their trip around a visit to the post office. Other studies have found that when communities close a centrally located school in favor of a new facility on the

outskirts of town or a consolidated school in a nearby district, downtown commerce suffers. Sales from students and teachers evaporate and parents do more of their shopping near their children's new school. When consolidation led to the closure of the high school in Lund, Nevada, retail sales dropped eight percent.²⁹ In North Dakota, a survey of residents in communities that underwent school consolidation in the early 1990s found that most residents believed that retail sales, as well as the number of businesses in town, had declined. Two of the towns lost their local grocery stores.³⁰

Rather than site new public facilities on undeveloped land on the outskirts of town, communities should consider rehabilitating or expanding an existing structure or locating a

new structure on a vacant lot in or adjacent to the town center.

- *Municipal Buildings* — Cities and towns should consider making a formal commitment to keeping public facilities, such as the town hall, fire station, or community center, in the downtown. This commitment should be reflected in the comprehensive plan, zoning code, and municipal bylaws.

- *State Facilities* — In recent years, Vermont state agencies have become much more sensitive to how the location of public buildings can affect local economies. State policy requires that, where appropriate, new facilities be located in designated downtowns, village centers, or new town centers.

Municipal offices, post offices schools, libraries, and other public buildings rank high in the mixture of uses essential to a healthy downtown. . . . Unfortunately, in recent years, many government agencies have been moving public buildings out of downtowns.

- *Public Schools* — After decades of consolidation and ever-larger schools, a growing body of research is finding that small, centrally located schools provide a better

education and are more cost-effective (when the full range of costs including such things as higher graduation rates and reduced transportation budgets are taken into account) than their larger counterparts.³¹

Some states are now adopting policies that support small schools. For example, some have eliminated minimum acreage requirements and other regulations that effectively prohibit the construction or renovation of small, centrally located schools. Some have made renovating small schools a priority over new construction in the allocation of state building funds.

A growing number of Vermont towns are recognizing the value of keeping their centrally located schools. Residents of Newbury, for example, voted overwhelmingly to renovate their historic school rather than build a new facility. St. Johnsbury is currently in the process of closing outlying elementary schools and shifting students to a downtown building.³²

- *Post Offices* — From 1996 to 2000, the US Postal Service categorized about thirty Vermont post offices as being deficient and moved to relocate them with little consideration of the impact that decision would have on the local communities or downtown commerce. Citizens have been lobbying Congress to enact the Post Office Community Partnership Act, which would provide for community input into decisions about closing, relocating, or building a post office and would require that the USPS comply with local land use laws.

In the meantime, several Vermont communities have successfully fought to

prevent the closure of their downtown post offices. If the Postal Service wants to move your community post office, contact the Preservation Trust of Vermont, the Vermont League of Cities and Towns, and the State Historic Preservation Officer for assistance—and be sure to ask for a copy of *A Local Official's Guide to Developing Better Community Post Offices*.

Community Rooted Economic Development

Rather than focusing economic development efforts on recruiting outside firms, communities should consider putting their resources to work expanding existing local businesses and fostering the creation of new locally owned enterprises. Such an approach yields far greater economic and community dividends over the long-term.

There are numerous ways a municipality or community nonprofit could help local businesses survive and grow:

San Diego Office of Small Business

San Diego's Office of Small Business (OSB), established in 1992, has developed a variety of programs to strengthen the city's small businesses.

One of the most successful is its Storefront Improvement Program. Businesses in designated areas are eligible to receive up to \$5,000 in a one-to-two matching grant and ten hours of professional design assistance to renovate their facades. Since its inception, the program has renovated more than 100

storefronts, leveraging \$1 million in private investment and improving the appearance and appeal of the city's retail districts.

San Diego also has a Small Business Advisory Board that advises the mayor, city council, and city staff on how their policy decisions will affect local businesses. Although Vermont's communities are much smaller than San Diego, similar programs might be established on a smaller scale within existing municipal, county, or state offices.

▪ *Conduct a Market Analysis or Resident Survey* — Are there certain types of goods or services needed or desired that are currently lacking in the community? These needs represent opportunities for local businesses to expand their stores or add product lines to meet local needs and improve sales.

▪ *Provide Training and Technical Assistance* — Individual small businesses can afford little in the way of training and technical assistance. Communities could bridge the gap by hiring experts and organizing workshops and on-site assistance for all of the stores in town. Topics might include merchandising, inventory control, storefront displays, and new technologies.

▪ *Establish a Revolving Loan Fund for Rehabilitation* — Some communities have established a fund to provide matching grants and low-interest loans to finance storefront renovation, new technologies, and other capital improvements. These programs stimulate private investment and enhance the attractiveness and vitality of the town center as a whole.

▪ *Organize Joint Marketing Campaigns* — Communities might organize marketing campaigns and promotional events that build public awareness of the importance of supporting locally owned businesses and encourage residents to keep their dollars in the local community. (See the next chapter on Independent Business Alliances for examples of marketing tools.)

▪ *Help with Succession Planning* — Many local businesses disappear not because

they aren't viable but because their owners are retiring and there's no one to take over the business. Communities should identify and connect business owners nearing retirement with aspiring entrepreneurs in need of good opportunities. Communities might also provide financial and technical assistance to aid the transition.

Potential sources of funds for municipal programs that support local businesses include the Vermont Community Development Program, which provides financial and technical assistance for local

economic development projects; community banks, which have an inherent interest in expanding locally based commerce; and small businesses themselves through a

Business Improvement District (BID), such as Burlington's Church Street Marketplace.

Financial and technical assistance is also available directly to local businesses through the Vermont Economic Development Authority, the Vermont Economic Progress Council, and the Vermont Small Business Development Center.

Favoring Local Businesses in Government Purchasing

Many cities and states have adopted laws that give preference to local businesses for all city contracts and purchases if the bid from the local business is within a certain percentage (e.g., five percent) of the lowest bid received. The logic behind these rules is that the added jobs, tax revenue, and other financial benefits that accrue from locally

based economic activity is worth spending a little bit more.

Vermont law authorizes state agencies to consider the location of a business in making a purchasing decision, provided that all other things, including price, are equal ("... the commissioner may consider ... the interests of the state relating to the proximity of the supplier and the costs of transportation, and relating to the economy of the state and the need to maintain and create jobs in the state").³³ Some states more heavily weight bids from in-state businesses. Montana, for example, awards contracts to resident

businesses if they are within three percent of the lowest bid received from any responsible vendor, or within five percent of the lowest bid if the goods are not only sold but also manufactured by a Montana business.

Counties and municipalities may also opt to use their purchasing power to boost the homegrown economy. Officials in Washington D.C., for example, choose local businesses when their bids are within five percent of the lowest price available. Ketchikan, Alaska provides a seven to ten percent preference for purchases under \$200,000 (no preference is given above this amount).³⁴

Smart-Marts: Green Mountain Shoe and Apparel

Squeezed by strip malls and big box stores, many downtowns have focused on entertainment, the arts, restaurants, boutiques, and services. This new mix of activities can make a successful downtown, but for many residents there is a missing piece: a traditional local department store that sells everyday goods for the whole family. Such a store can provide a critical anchor, helping to ensure that the downtown remains a vital center for commerce and community life.

As part of its mission to preserve and revitalize downtowns, the Preservation Trust of Vermont is developing strategies to support the creation of "smart-marts"—small, locally owned, downtown department stores that provide basic goods at affordable prices.

Last year the Preservation Trust identified an opportunity to support such a store. The Shoe Center in Middlebury was considering a major expansion. Founded by Angie and Scott Wade in 1997, the Shoe Center provided reasonably priced family footwear, filling a

need not satisfied by any other business in downtown Middlebury.

After Ames closed its Middlebury outlet in the fall of 2002, residents had no place in town to buy affordable, basic apparel. The Wades decided to address this critical need by moving to a space three times the size of their original store and offering both shoes and apparel. The new store, renamed Green Mountain Shoe and Apparel, is 2,800 square feet and sells jeans, underwear, sweaters, and other basic items for the whole family.

"People are really excited we are bringing the basics back into the downtown," says Angie Wade, who orders inventory based on what customers tell her they want. So far, business has been pretty good, she says.

The Wades received a \$15,000, five-year, no-interest loan from the Preservation Trust to cover the cost of the new merchandise. The Preservation Trust and the Middlebury Business Association also organized a press conference to publicize the new store.

Maintaining Affordable Commercial Space

Rising commercial rents are generally a sign of good health in a retail district. But in some communities, rents are rising too fast for local businesses that serve everyday needs, like the hardware store and barber shop, to keep up. They are being priced out of the market by chain retailers and upscale boutiques that serve tourists or leisure shoppers, while residents must shop outside the town center for basic items. Communities facing this problem should consider the following strategies:

- ***Encourage Owner Occupancy*** — The best way for a local retailer to ensure a stable location at a reasonable price is to buy the building his or her store occupies. Cities and the state could encourage this through property tax or income tax incentives, or low-interest loan funds dedicated to this purpose.

- ***Commercial Land Trust*** — Community Land Trusts (CLTs) have been used effectively in cities around the country to establish and maintain affordable housing. The CLT model could be adapted and applied to commercial buildings with the requirement that buyers or lessees be independent businesses. CLTs are funded largely by Community Development Block Grants, which are available for both housing and economic development projects.

- ***Publicly Owned Space*** — A city could buy a commercial building and contract for its management with the stipulation that space be leased only to local businesses. Rents would

be stable and below market, reflecting the city's actual costs of owning and maintaining the building. A town could also lease a commercial building and sub-lease the spaces to local businesses at subsidized, below market rates.

- ***Identify Spill-Over Space*** — Are there underutilized, perhaps run-down, commercial districts in the community where local businesses pushed out of high-rent areas might relocate? If so, the community might focus revitalization and development efforts on making these districts viable alternative locations for local stores.

Creating New Independent Businesses

The best way to encourage new independent businesses is to create the kind of environment that will enable them to thrive.

Communities that have demonstrated a commitment to building a vibrant downtown and a strong homegrown economy, and have made progress in that direction, will gradually attract new enterprises. The biggest challenges for start-ups are typically lack of expertise in launching a business and lack of sufficient capital. Communities should identify and maintain a clearinghouse of resources for prospective entrepreneurs, including technical assistance programs, likely sources of capital, books, web sites, and a listing of available commercial space. Communities might also look for creative ways to get local banks on board. Three banks in a small Wisconsin town

at one time held an annual contest for the best new business plan. The winner received a \$5,000 grant and a no-interest loan.³⁵

Here are two examples of the creative approaches taken by communities seeking a particular kind of store for a particular site, but unwilling to settle for a chain:

- *Orono Community Pharmacy* — In 1999, Rite Aid decided to close its downtown Orono, Maine, location after failing to win approval to open a large, free-standing, drive-through store on a prominent corner. Town officials and residents felt a pharmacy was an essential component of the downtown, but they did not want another footloose chain. They preferred an independent, locally owned pharmacy. So, the town sent letters to some 1,200 pharmacists licensed by the state, asking if they might be interested in opening a pharmacy in Orono. They got about half a

dozen responses and soon identified the right candidate. A few months later the Orono Community Pharmacy opened for business.

- *Berkeley Bowl Supermarket* — In Berkeley, California, residents of the southside neighborhood were left with no supermarket after the local Safeway closed. For a time the city tried to recruit a chain supermarket for the site, but none were interested in the low-income, largely minority neighborhood. The city finally discovered a small grocery store called the Berkeley Bowl on the other side of town that was looking to expand. With technical and financial support from the neighborhood and the city, the Berkeley Bowl moved and opened a large, full-service supermarket on the site. The store not only serves the neighborhood, but draws shoppers from the entire city.

Independent Businesses Unite

Independent businesses of all kinds are facing very similar challenges brought on by concentrated economic power, rapid technological change, limited capital resources, and public policies that often tilt the playing field in favor of their big competitors. Many are realizing that they could benefit substantially from sharing ideas, and finding ways to work together to solve common problems, reduce costs, broaden awareness of the value of supporting locally owned businesses, and gain a stronger voice in public policy decisions. A growing number of independent businesses nationwide are in fact joining forces. This section will look at several of these cooperative approaches, which are proving highly successful and demonstrating that independents businesses, although struggling, together still command vast resources and considerable clout in the marketplace.

Purchasing and Marketing Cooperatives

One way that independent retailers can gain some of the economies of scale enjoyed by the chains is to form a wholesale cooperative (sometimes known as a purchasing or shared services cooperative or buying group). Like all cooperatives, these enterprises are owned by their members—in this case retail businesses—all of which have an equal say in decision-making and receive a share of any profits generated.

Wholesale cooperatives give local merchants greater purchasing power and leverage with suppliers, enabling them to lower the cost of goods and negotiate better terms. Co-ops often negotiate directly with manufacturers, just as the chains do.

Some retailer-owned cooperatives serve only as buying groups. Others operate warehouses and distribution systems for their members, an important function given that

Wholesale cooperatives give local merchants greater purchasing power and leverage with suppliers, enabling them to lower the cost of goods and negotiate better terms.

there are fewer wholesalers and distributors operating now because the large chains buy direct. Many provide members with additional advantages

that normally would be unaffordable to an independent businesses, including a widely recognized brand name, national or regional advertising, in-store promotional tools, accounting and other professional services, and access to lower cost health insurance for employees. Many wholesale cooperatives have taken an aggressive stance towards competition from chain stores by setting up loan funds and providing on-site assistance to help their members install new technologies, redesign their stores, and improve operations.

Wholesale cooperatives have experienced a burst of growth in the last ten years as locally owned businesses look for ways to survive against the chains. The largest retailer-owned co-ops are in the hardware and grocery sectors, where wholesale cooperatives have been active for more than century. Nationwide more than 40,000 independent grocery stores own forty wholesale cooperatives, the top

nineteen of which had combined revenue of \$28.5 billion in 2000, up 4.5 percent over 1999.³⁶ In Vermont, about seventy stores, including ten supermarkets and dozens of smaller food and convenience stores, belong to Associated Grocers of New England.

Most hardware stores are also affiliated with a cooperative, such as TruServ (True Value), Ace, or Do It Best. These co-ops reduce their members' merchandise costs by an estimated ten to twenty percent.³⁷ In 2000, the top seven hardware coops took in \$12.5 billion in revenue.³⁸

Most locally owned pharmacies likewise belong to one of about 30 regional purchasing groups, which negotiate with drug manufacturers for volume discounts. Pharmacy buying groups have been around for about 15 years, but they are more important now than ever. HMOs have dramatically reduced the reimbursement rates for pharmacies and the added cost savings provided by buying cooperatives has become especially critical.³⁹

These established co-ops are growing rapidly and many new co-ops are forming in sectors that previously lacked this option for independent retailers. In 1999, several lighting stores formed a wholesale cooperative called Lighting One, which now has some 100 member businesses. Lighting One has negotiated significant discounts from suppliers. The co-op provides training in sales and management, print and television ads that can be customized for local markets, extensive technical assistance, and a private label credit card that allows member stores to offer customers the zero percent financing that many chain stores provide. Other new

wholesale cooperatives include YaYa Bike, which formed last year and has a membership of about 100 locally owned bicycle shops, and the Coalition of Independent Music Stores, which has 74 member stores nationwide.

Several organizations that can help independent retailers form wholesale cooperatives are listed in the Resources section at the end of this report.

Think Globally, Eat Locally

- *Tucson Originals* — Three years ago, a group of independent restaurant owners in Tucson, Arizona decided to stop seeing one another as competitors and launched a collective effort under the banner Tucson Originals to counter the rapid expansion of chain restaurants.

It all began with an article in a local monthly in 1998 by writer Michael Munday, who expressed concern about the city's

dwindling number of locally owned eateries and the explosive growth of chain restaurants. The article touched a nerve with City Councilor Steven Leal, who convened a

meeting with the magazine's publisher, John Hudak, and several restaurant owners. The group met for several months and decided to form a coalition. Tucson Originals now includes more than forty restaurants, ranging from hot dog stands to high-end dining.

Tucson Originals has four goals. The first is to lower costs for its members through group purchasing. This has been accomplished through the creation of a separate entity, the Arizona Independent Restaurant Alliance (AIRA), which negotiates with food suppliers

and has trimmed its members food costs by 10 to 20 percent. AIRA is open to all of the state's independent restaurants and now includes 120 members in Tucson, Phoenix, and Scottsdale. According to Don Luria, owner of Cafe Terra Cotta and founding member of Tucson Originals, AIRA saves his restaurant at least \$100,000 a year.

The second goal is to encourage consumers to support Tucson's independent restaurants. Publisher John Hudak donated \$50,000 in free advertising for this purpose. His magazine no longer reviews or accepts ads from chain restaurants. Member restaurants also include a card with each diner's check that lists the city's local restaurants and describes their important role in maintaining Tucson's culinary sense of place.

The third goal is to raise awareness of the community contributions of independent restaurants, which the group accomplishes through high profile fund-raisers for local nonprofits. The final goal is to expose kids to the experience of independent dining through various school programs.

To join, restaurants must commit at least \$50 in annual donations to a food bank and agree to actively participate in one committee and one fund-raiser for a local nonprofit.

- *Kansas City Originals* — As it turns out, Tucson restaurant owners were not the only ones turning to cooperation. In Kansas City, some twenty independent restaurants came together in early 2001 and formed the Kansas City Independent Restaurant Association, which has since changed its name to Kansas City Originals. The coalition's main goal is to market the idea of eating at

locally owned restaurants. Members contribute \$90 each month to fund advertisements in local publications. "Just like Sunday dinner at Mom's, only better food and less neurotic," reads one. Others say and "If the idea of drive-thru excites you, go away." Members also sport business cards and tabletop tents that read "local food served with local flavor" and list each restaurant's name and address.

- *Council of Independent Restaurants of America* — These local coalitions have been so successful that they inspired the creation of the Council of Independent Restaurants of America (CIRA), a national umbrella group that is working to seed local restaurant alliances nationwide and provide a network of resources and support. "Chains are about money. Independent restaurants are about food," says CIRA's founder, Washington, DC

restaurant owner Robert Kinkead. "It's time to fight back and unchain America." CIRA organizes workshops around the country, hosts an annual conference, and

is developing a comprehensive marketing and advertising program. Local chapters have formed in Atlanta, Indianapolis, Milwaukee, Minneapolis, Providence, Seattle, and Washington DC.

Vermont Alliance of Independent Country Stores

Vermont is home to more than 250 country stores, many of which have been the center of their communities for well over a century. Country stores are as varied and

"Our servers never sing Happy Birthday or wear stupid buttons," reads one of Kansas City Originals' humorous and attention-grabbing newspaper advertisements.

unique as the towns they serve. Many are small, cozy, locally owned, and housed in historic buildings. Their offerings include staple products like newspapers and bread, as well as goods geared to the local market, such as fishing lures or gourmet cheeses. Their owners tend to be deeply involved in local affairs and the stores themselves often function as the town's main gathering place.

But Vermont's country stores are struggling and many have closed in recent years. Most operate on very thin margins and face a myriad of challenges ranging from heightened competition from convenience store chains to lack of capital to make needed store improvements.

In 2000, a group of country store owners began exploring the idea of creating an alliance that would enable them to work together to solve mutual problems. Initial meetings

eventually grew into the Vermont Alliance of Independent Country Stores (VAICS), which now has a membership of some 50 country stores. VAICS is run by a part-time executive director. Financial support comes from a \$50 annual membership fee and grants from community foundations.

Accomplishments include the creation of a web site and a "rescue kit" for struggling country stores. The kit includes a variety of ideas to expand sales and improve service, and outlines financial incentives and funding sources available to small businesses.

VAICS plans to develop advertising and marketing tools for its members; work with suppliers to gain volume discounts and better terms; and ensure that remote stores continue to receive deliveries (a growing challenge for those stores situated in isolated areas).

"Independents Week" Celebrated in Tampa

Posters declaring "Celebrate Independents Week!" greeted customers of local stores in Tampa, Florida, during the week of July 4th. "As we celebrate our nation's independence, we invite you to join us in celebrating our great local independents," the posters read.

Independents Week was conceived by Carla Jimenez, co-owner of Inkwood Books. For several years, Inkwood has used Independence Day as an opportunity to remind customers of the importance of locally owned businesses to the community. "At the last minute this year, I decided to see if other local businesses wanted to get involved," explains Jimenez.

She called around and seventeen businesses agreed to sign-on. They included a record store, hardware dealer, several restaurants, a natural foods store, and a print

shop. In addition to displaying the posters and talking to customers, each business held a drawing at the end of the week, where customers could win \$60 in gift certificates for the other participating businesses.

They also sent out a press release. The *Tampa Tribune* responded with extensive coverage on the front page of the metro section. The local Fox affiliate broadcast its morning news show from a different independent business every day that week.

"The key was that it was so simple. There were no meetings and very little time involved," says Jimenez, who has long wanted to organize the community's local retailers for joint promotional and educational events, but has never found the time. Based on comments from her own customers, she says, "It was definitely worth it."

Independent Business Alliances

Not only have the last few years seen an explosion of cooperation among similar businesses (whether restaurants or country stores but, in several communities, independent business from different sectors are finding there's strength to be gained from working together.

Although local business owners have long thought of themselves as entirely independent, they are in fact significantly *interdependent*. The success of any one local business inherently improves the fortunes of all the others. A thriving local retail store will increase customer traffic and sales for businesses throughout the surrounding commercial district. It will also help support a variety of other local businesses, such as banks, accountants, media outlets, sign designers, and the like. Similarly, the failure of any one independent business will negatively affect the others.

Moreover, the challenges facing independent businesses, whether it's the hardware store or coffee shop, are not all that different. All would benefit from having an organizational structure that would enable them to share ideas and strategies, collaborate, and, perhaps most importantly, provide local businesses with a stronger voice in public policy and community affairs.

These realizations have led independent business owners in cities and towns around the country to launch independent business alliances:

- *Boulder Independent Business Alliance* — In 1998, David Bolduc, owner of the

Boulder Bookstore, and Jeff Milchen, a long-time community activist, formed the Boulder Independent Business Alliance (BIBA) in 1998. Today, BIBA has a diverse membership base of 160 locally owned businesses, including food producers like Twisted Pine Brewery and the Boulder County Farmer's Market, repair shops like Hoshi Motors, retail stores like Video Station, service providers like Silver Star Printing, restaurants like The Sink, and Boulder's only independent commercial bank, Heritage Bank. The smallest are sole proprietorships. The largest, the nonprofit Boulder Community Hospital, has more than 2,000 employees.

BIBA's main goal is to make the choice "local or chain?" a significant consideration for residents in their shopping and spending decisions. To this end, the alliance has created a highly visible and effective marketing campaign. Popular decals displayed on the windows and doors of every BIBA

member serve to remind residents of the full impact of their spending whenever they approach a local business. One says, "We are a locally owned, independent business. Buy locally. Strengthen our community and local economy." The other, BIBA's logo—two arrows circling into each other, much like the mark on a recyclable container—also conveys an important lesson in community economics: Compared to their chain competitors, locally owned businesses recycle a higher percentage of their revenue and profits back into the local economy.

BIBA also distributes a bumper sticker—*Put Your Money Where Your House Is!*—and has developed several marketing tools designed for specific membership

The main goal of the Boulder Independent Business Alliance is to make the choice "local or chain?" a significant consideration for residents in their shopping and spending decisions.

segments. Bookmarks list nearly two dozen locally owned book, music, and video stores in town and offer five reasons to support them. *Number 4: Do you really want Wal-Mart (the fastest growing music seller) deciding what gets recorded?* Eight local cafes use BIBA coffee cups—for less than the cost of buying generic cups—which list each cafe's address and offer customers a word of thanks: *By buying this beverage from a local independent business, you've just helped keep Boulder the great town we all love!*

For residents and visitors alike, one of BIBA's most useful creations is *The BIBA Guide*, a directory of local businesses. If you're looking for a toy and all that comes to mind is the heavily advertised Toys 'R' Us chain, the guide offers a solution: Grandrabbit's Toy Shoppe. Or what about pet supplies? Instead of PetSmart, try Petland of Boulder. Issued twice yearly, the colorful directory is sprinkled with answers to the question, *Why shop locally?*

BIBA also advertises through many local media outlets. Initial ads built awareness of the alliance and recognition of its logo. Later ads made the case for buying local, ranging from conservative ads in the mainstream paper to an edgier, "You're not a clone. Why shop at one?" in the university-oriented *Colorado Daily*. More recent ads focus on specific membership segments, highlighting music and video stores, for example, or businesses in a particular neighborhood.

According to members, BIBA's public education and marketing campaign has broadened awareness of the importance of a strong, locally rooted economy. It has

generated an on-going discussion among residents as well as city officials about ways to strengthen and expand Boulder's independent business base. One way to measure BIBA's impact is to skim the newspapers. The number of businesses that include "locally owned" in their ads has risen sharply. The city's papers now feature advertising sections specifically for locally owned businesses. "Independent ownership has become a selling point," says Milchen.

▪ *Salt Lake Vest Pocket Business Coalition* — In 1999, seven independent business owners in Salt Lake City, Utah, came together to form the Salt Lake Vest Pocket Business Coalition, which now includes nearly 200 businesses. The coalition's goal is to prevent Salt Lake from becoming "Anyplace, USA" by working to ensure the future of the city's homegrown businesses and building public awareness of their important economic and community contributions.

The coalition has taken a three-pronged approach. One is to strengthen member businesses internally by providing technical assistance and training sessions on such things as developing a business plan and creating a web site. The coalition also hosts forums for members to share ideas, and plans to establish a mentor program for new entrepreneurs.

Another prong involves providing a voice for independent, locally owned businesses in government decision-making. "Too often, when cities think about growth and tax revenue, they focus on attracting large chains," notes Elizabeth Guss, president of the coalition's board. "We need a different

"Too often, when cities think about growth and tax revenue, they focus on attracting large chains," contends Elizabeth Guss, president of the Salt Lake Vest Pocket Coalition. "We need a different approach."

approach." Several members of the coalition have served on a business committee that advises the mayor and the Department of Economic and Community Development on issues affecting local businesses. The coalition scored a big victory two years ago when it worked with local environmental groups to block a proposed shopping mall.

The final prong is to educate the community about the value of locally owned

businesses, encouraging residents to shop locally and to back policies that support the local economy. The group recently produced a full-color city map showing the location of member businesses. The back side of the map includes a business directory, information on charities supported by coalition members, and highlights of various awards member businesses have received. Some 50,000 copies of the map have been distributed.

Tips for Starting an IBA

by Jeff Milchen

1. Don't try to sell the invisible. Get a starter kit from the American Independent Business Alliance (AMIBA). It contains examples of marketing materials and advertisements, articles, and tips drawn from the successes and failures of earlier IBAs. AMIBA also conducts on-site workshops.

2. Master the issues. Study the impacts of chain stores on community identity, jobs, and the environment. A list of recommended books and articles is included in AMIBA's starter kit.

3. Hit the pavement now, *before* a new mega-mall or big box store threatens your town. Stop by a few businesses directly impacted by the proliferation of chains. Coffee shops, grocery stores, and bookstores are excellent starting places. Ask to meet with the owner or manager. Describe how an IBA can help support their business and bring a sample of IBA material to leave with them.

4. Get a small group together that includes concerned and active community and business members. Present some ideas how an IBA can benefit the attendees and the community—then listen attentively.

5. Offer in-kind memberships for basic needs. Some of the key services to line up early are: independent media, offset printing, photocopying, banking, internet service, graphic art, and accounting.

6. Establish a membership dues scale appropriate for your area. Once a few businesses are on board, set up a (locally-owned!) bank or credit union account, hire a staff person, and you're on your way.

7. Set up a database, accounting system, and business plan (templates are available from AMIBA). Energy and idealism without these fundamentals can only go so far.

8. Generate media coverage for your campaign. Business owners will take your effort more seriously if you've been covered in the media. Op-eds and letters to the editor can be as valuable as reported coverage generated by your press releases because they generate community discussion.

American Independent Business Alliance
222 South Black Ave., Bozeman, MT 59715
Tel: (406) 582-1255, www.amiba.net

▪ *Austin Independent Business Alliance* — In Austin, Texas, the new Austin Independent Business Alliance (AIBA) has attracted more than fifty members ranging from coffee shops and appliance dealers to opticians and motels. Started by Steve Bercu, owner of a large independent bookstore called Book People, AIBA's main focus has been on growing its membership and marketing the importance of supporting homegrown businesses. AIBA window decals identify a business as locally owned. Print advertisements initially focused on recruiting new member businesses and featured a "Declaration of Independents."

Future ads will be aimed at consumers and focus on the importance of locally owned businesses to the local economy. So far, the ad campaign has cost AIBA almost nothing; the *Austin Chronicle* donated free ad space and a local ad firm provided design assistance.

▪ *Northland Sustainable Business Alliance* — In Duluth, Minnesota, more than 100 locally owned businesses have joined the Northland Sustainable Business Alliance (NSBA). Launched in 2001, NSBA advocates a new approach to economic development. Instead of focusing city policies and economic development dollars on recruiting outside corporations—often to the detriment of the environment and community—NSBA believes the city should find ways to strengthen local businesses and pursue sustainable development. NSBA has introduced its perspective into discussions about economic growth through media interviews, newspaper

op-eds, and television and radio appearances. Its efforts began to yield dividends during last fall's city council election. Several candidates made small business creation a cornerstone of their campaigns and talked about the need for sustainable, community-based development. Two of those who won seats are NSBA members.

▪ *American Independent Business Alliance* — In response to a growing number of inquiries from around the country, organizers involved in creating the Boulder IBA recently formed the American Independent Business Alliance (AMIBA). AMIBA will serve as a national resource and network to seed and support the formation of local IBAs. AMIBA offers a number of helpful tools, including an introductory "how-to"

packet; templates for brochures, advertisements, and other marketing materials; technical assistance; and on-site workshops and consultation. See the Resources section of this report for contact information.

Encourage Independent Businesses to Support One Another

A large and untapped source of customers for independent businesses are other independent businesses. In the day-to-day grind of running their stores, many business owners overlook opportunities to support one another and keep dollars in the local economy. They might be buying office supplies at Staples rather than the local dealer;

picking up building materials for a store renovation at Home Depot instead of the local hardware store; getting their copying done at Kinko's instead of the local print shop; or obtaining internet service through a national company rather than a local provider.

Encouraging retailers to shift their spending to local businesses where feasible would provide a significant injection of financial resources into the local economy. It would also broaden awareness among business owners about how their own spending decisions affect the community.

Such an effort could be undertaken by a local chamber of commerce, an independent business alliance, a downtown revitalization organization, or the municipality itself through its community development or planning office. Creating an directory of local businesses (see above) or an online database would provide retailers with a simple way of locating a local supplier and service provider.

Reward Local Shopping

Shop locally or get the best deals? Why not do both? One way to encourage residents to shift more of their spending to locally owned businesses is to reward them with discounts, rebates, and other goodies. For many years, major chains have offered "loyalty cards" that enable customers to earn points when they shop and redeem them for discounts on future purchases. Most independent businesses cannot afford the cost and time involved in administering their own loyalty card programs—nor would consumers welcome the hassle of carrying a card for every shop on

Main Street. Thus was born the idea of a joint loyalty card—a single card that would work at every independent business in town. Launched by IBAs or nonprofit community groups, joint loyalty cards have emerged in several cities. They've succeeded by rewarding loyal customers, shifting more spending to local stores, and helping independent businesses market themselves to the customers of other nearby businesses.

- *Community Benefit Card* — The simplest and most straightforward approach comes from the Boulder Independent Business Alliance. For \$15—less than the price of membership at one warehouse buying club—residents can purchase a Community Benefit Card from a local business or one of several nonprofit community organizations helping to promote the cards in exchange for a portion of the purchase price. The Community Benefit Card provides discounts and other benefits at more than 70 locally owned businesses, with most knocking ten percent off every product and service they offer. More than 6,000 Community Benefit Cards are currently in circulation.

The Community Benefit Card provides discounts and other benefits at more than 70 locally owned businesses, with most knocking ten percent off every product and service they offer.

- *Ohana Savers* — Two dozen local stores on the Hawaiian island of Maui hit upon a similar idea two years ago. With chain stores—including

Borders Books, Office Max Old Navy, Costco, and Home Depot—rapidly overtaking the island, they created the Ohana Savers loyalty card program. The cards have a magnetic strip and enable customers to accumulate points on purchases and redeem the points at any of the participating

businesses. The two dozen participating stores range from a grocer to an appliance dealer. "We want to encourage people to shop at local stores first," says Joeline Trenholm, owner of Valley Isle Lighting, explaining that "Ohana" means family in Hawaiian. So far, it's been a success. More than 20,000 people have signed-up and cardholder purchases total several million dollars.

Localizing E-Commerce

Although the dot-com bubble has burst and countless e-tailers have disappeared, on-line shopping continues to expand at a steady pace. On-line retail spending rose to \$30 billion in 2001 and is expected to reach \$39 billion in 2002.⁴⁰ For many people, the web is a convenient adjunct to in-store shopping, especially for certain types of items like books, music, and airline tickets. The typical customer of an independent bookstore, for instance, buys at least two books on-line each year. About one-third of adults—and over 70 percent of all 18-24 year olds—shop online.⁴¹

Small businesses account for only a fraction of these sales; the vast majority flow to big name web-only companies like Amazon.com or major retail corporations like Office Max. The challenge for independent retailers stems from the cost and time involved in both developing an e-commerce web site and devising effective strategies for marketing the site to customers. There's good news on both fronts.

In terms of developing an e-commerce site, independent retailers in a number of sectors have joined together and pooled their resources to build sophisticated e-commerce

web sites. The technology is shared but sales are channeled to the customer's nearest local store.

A good example is Booksense.com, developed by the American Booksellers Association, a trade group of 3,500 local bookstores. Booksense.com works much like Amazon.com with a database of more than two million titles and easy browsing and ordering, but every sale is credited to the customer's nearest independent bookseller based on his or her zip code. Booksense.com enables bookstores to share many of the expensive, back-end functions (the database of books, the search engine, the security features, etc.) of an e-commerce site, but allows each store to create its own web interface with its own logo and look, local store information, promotions, and author readings and events listings. (See, for example, Northshire Books on-line at <http://northshire.booksense.com> or Bear Pond Books on-line at <http://www.bearpondbooks.com>. Both utilize Booksense.com behind the scenes.)

Booksense.com works much like Amazon.com, but every sale is credited to the customer's nearest independent bookstore.

Other local bookstores have opted to affiliate with Booksite.com, developed by a bookstore owner in

Delaware, Ohio. Booksite.com offers the same powerful back-end functions as Booksense.com, but enables greater control and customization for the local store. Similar initiatives have been undertaken in other retail sectors. Two of the hardware co-ops, for example, have developed e-commerce sites for their members—DoItBest.com and TrueValue.com. Florists have also created sites that enable customers to order flowers from their local florist.

Another approach is to organize not by sector but by community. All of the locally owned businesses in one town could share in the development of an e-commerce structure that would enable them to sell their wares online. Residents of Brattleboro or Bennington could log-on to a central site and shop at any of their local stores. Two types of businesses are obvious candidates for organizing and financing such a venture. One is the local newspaper. Newspapers are among the most heavily visited geographically based sites on the web (that is, almost all of their visitors are locals). The other is a community bank, which has a strong self-interest in boosting local commerce and a built-in capacity for processing credit cards and financial transactions. Other potential organizers of a community shopping site include a local nonprofit organization, an IBA or Chamber of Commerce, or even the municipality, which could also use the site to let residents pay parking tickets or download their children's grades.

Developing an e-commerce site is half the challenge. The other part is marketing the site. As the recent collapse of many dot-coms testifies, web-only retail companies face an almost impossible task. They must bank-roll an advertising campaign capable of creating a

name for themselves and all of their revenue must come from on-line sales. Most fail. The lesson here is good news for independent businesses: e-commerce works best when it is conducted in tandem with a physical store. In fact, according to Jupiter Media Metrix, two-thirds of the return on investment from an e-commerce web site comes from purchases made in the physical store and from the overall "branding" value of building the store's image, marketing in-store events, and reaching

new customers. Jupiter's research suggests that half of consumers use a retailer's web site for research before buying a product in the store.⁴² This in turn in means that a sizable

part of the marketing hurdle is reaching existing customers by promoting the web site in the store—a far more attainable prospect for independent businesses than the massive global advertising that many of the famous, and ultimately doomed, e-tailers undertook. Stores could promote their sites through banners and posters or by including a coupon good for on-line purchases with each in-store purchase—something that lets customers know that when they want the convenience of buying a hammer at 3:00 a.m. or a book delivered to their door, there's no need to send their dollars out of the community.

The challenge for local retailers stems from the cost of developing an e-commerce web site and devising effective strategies for marketing the site to customers. There's good news on both fronts.

Conclusion

A growing number of people around the country are recognizing the tremendous costs of losing locally owned businesses to uncontrolled chain retail development: dying town centers; reduced job opportunities; economic instability; rising costs for public services and infrastructure; loss of open space; expanding pavement; mushrooming automobile use; homogenous landscapes; and weakened communities. Altogether, it's a pretty high price to pay in order to save a few bucks—and even that upside may not last for long. Chain store prices tend to rise as local competition declines.

Although we often assume that the growth of chain retailers, big box stores, and large-scale shopping centers is the inevitable result of market forces, in truth it is a trend driven by both consumer and public policy choices. Many local, state, and federal policies facilitate chain store expansion and undermine the survival of local businesses. It's time to change the rules. Communities have choices. They need not relinquish their local economies to distant corporate control or accept a one-size-fits-all model of retail development.

This report outlines numerous concrete examples of how local officials, community

organizations, and small businesses can take action to expand the local retail economy. The three primary approaches described—new planning policies, downtown revitalization programs, and cooperative purchasing and marketing strategies—work best if pursued simultaneously. Downtown revitalization programs have little chance of success if local planning policies allow or encourage massive, competing retail developments on the fringe. Likewise, strong planning policies that limit excessive chain store growth may not be enough to revive local commerce without a proactive revitalization plan. Cooperative efforts by local business owners to improve competitiveness and communicate their value to residents are essential to winning public support for new planning policies and revitalization programs.

For more information about the tools described in this report or assistance applying these approaches locally, explore the Resources section, and contact the Preservation Trust of Vermont and the Institute for Local Self-Reliance. We look forward to working with Vermont communities to curb sprawl, revive local businesses, and rebuild thriving downtowns.

The Home Town Advantage Bulletin

Keep abreast of the latest research and innovative strategies by signing up for *The Home Town Advantage Bulletin*. This free, bimonthly email newsletter reports on successful community efforts to limit chain store proliferation and strengthen locally owned retail businesses. Learn about new

approaches to planning and zoning, grassroots activism and public education campaigns, national trends, and new research on the costs of chain store sprawl. To browse back issues and sign-up to receive the bulletin by email, visit <http://www.newrules.org/hta/index.htm>.

Resources

New Rules Project
Institute for Local Self-Reliance
1313 5th St SE
Minneapolis, MN 55414
Tel: (612) 379-3815
www.newrules.org

Preservation Trust of Vermont
104 Church St.
Burlington, VT 05401
Tel: (802) 658-6647
www.ptvermont.org

American Booksellers Association
828 South Broadway
Tarrytown, NY 10591
Tel: (800) 637-0037
www.bookweb.org

National Cooperative Business Association
1401 New York Ave. NW Suite 1100
Washington, DC 20005
Tel: (202) 638-6222
www.ncba.org

American Independent Business Alliance
222 South Black Ave.
Bozeman, MT 59715
Tel: (406) 582-1255
www.amiba.net

National Main Street Center
National Trust for Historic Preservation
1785 Massachusetts Ave. NW
Washington, DC 20036
Tel: (202) 588-6219
www.mainstreet.org

Cooperative Solutions
P.O. Box 51526
Phoenix, AZ 85076-1526
Tel: (800) 940-6027
www.co-opbuilders.com

New England Booksellers Association
1770 Massachusetts Ave. #332
Cambridge, MA 02140
Tel: (617) 576-3070
www.newenglandbooks.org

Council of Independent Restaurants
of America
304 West Liberty St. Suite 201
Louisville, KY 40202
Tel: (502) 583-3783
www.ciraonline.org

Sprawl-Busters
21 Grinnell St.
Greenfield, MA 01301
Tel: (413) 772-6289
www.sprawl-busters.com

Intervale Foundation
282 Intervale Road
Burlington, Vermont 05401
Tel: (802) 660-0440
www.intervale.org

United Food and Commercial Workers Union
1775 K Street, N.W.
Washington, DC 20006
Tel: (202) 223-3111
www.ufcw.org

Vermont Agency of Agriculture, Food & Markets
116 State Street
Montpelier, VT 05620
Tel: (802) 828-3830
www.vermontagriculture.com

- Buying Vermont Products Online:
www.vermontagriculture.com/buyvermont.htm
- Community-Supported Agriculture Farms of Vermont:
www.vermontagriculture.com/csalist.htm
- Vermont Farmstands and Pick-Your Own:
www.vermontagriculture.com/pyown.htm
- Vermont Farmers' Markets:
www.vermontagriculture.com/farmmkt.htm

Vermont Alliance of Independent Country Stores
Dennis Bathory-Kitsz, Executive Director
Tel: (802) 485-3972
www.vaics.org

Vermont Cheese Council
116 State Street
Montpelier, Vermont 05620
Tel: 1-888-523-7484
www.vtcheese.com

Vermont Community Development Program
Dept. of Housing and Community Affairs
National Life Building, Drawer 20
Montpelier, VT 05620
Tel: (802) 828-3211
www.dhca.state.vt.us/VCDP/index.htm

Vermont Community Loan Fund
P.O. Box 827
15 State Street
Montpelier, Vermont 05601
Tel: (802) 223-1448
www.vclf.org

Vermont Department of Economic Development
National Life Building, Drawer 20
Montpelier, VT 05620
Tel: (802) 828-5236
www.thinkvermont.com

Vermont Downtown Program
Vermont Division for Historic Preservation
National Life Building, Drawer 20
Montpelier, VT 05620
Tel: (802) 828-3211
www.dhca.state.vt.us

Vermont Forum on Sprawl
110 Main St.
Burlington, VT 05401
Tel: (802) 864-6310
www.vtsprawl.org

Vermont Fresh Network
116 State Street
Montpelier, VT 05620
Tel: (802) 229-4706
www.vermontfresh.net

Vermont Food Venture Center
PO Box 138 Main Street
Fairfax, Vermont 05454
Tel: (802) 849-2000
www.edcnv.org/vfvc.htm

Vermont Grocers' Association
33 Lafayette St.
Rutland, Vermont 05701
Tel: (802) 775-5460
www.vtgrocers.org

Vermont League of Cities and Towns
89 Main St. Suite 4
Montpelier, VT 05602
Tel: (802) 229.9111
www.vlct.org

Vermont Retail Association
P.O. Box 688
Essex Junction, VT 05453
Tel: (802) 879-6999
www.vtretailers.com

Vermont Sustainable Jobs Fund
58 East State St.
Montpelier, VT 05620
Tel: (802) 828-5320
www.vsjf.org

Vermont Small Business Development Center
P.O. Box 188
Randolph Center, VT 05061
Toll Free in VT: (800) 464-SBDC
Tel: (802) 728-9101
www.vtsbdc.org

Vermont Vegetable and Berry Grower's
Association
University of Vermont Extension
157 Old Guilford Rd.
Brattleboro VT 05301
Tel: (802) 257-7967 ext. 13
www.uvm.edu/vtvegandberry

Vermont Smart Growth Collaborative
c/o Vermont Forum on Sprawl
110 Main St.
Burlington, VT 05401
Tel: (866) 764-7984
[www.vtsprawl.org/Initiatives/sgcollaborative/
VSGC_main.htm](http://www.vtsprawl.org/Initiatives/sgcollaborative/VSGC_main.htm)

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