

Testimony of Stacy Mitchell
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Before the Maine Legislature's Taxation Committee
On LD 1553, An Act To Impose a Gross Receipts Tax on "Big Box" Stores
April 25, 2005 in Augusta

Summary of key points in support of LD 1553:

- Large-scale retailers impose significant costs on the state in terms of Medicaid and other public assistance programs.
 - Retail development outside of downtowns contributes to and induces additional sprawl.
 - The appeal of a vibrant downtown is a key tool for drawing families back to traditional neighborhoods in and around town centers.
 - Large-scale retail development outside of downtowns imposes significant costs on local governments.
 - Small businesses are crucial to the state's economic health and long-term prosperity.
 - Additional big-box development outside of downtowns would likely lead to a rash of retail vacancies.
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Good morning and thank you for the opportunity to testify. My name is Stacy Mitchell. I live in Portland and work as a senior researcher for the Institute for Local Self-Reliance, a national nonprofit organization that works to advance sustainable, community-centered economic development. I am the author of *The Hometown Advantage*, a book about the impacts of large-scale retail development and the benefits of locally owned businesses, and have advised dozens of communities across the country on policies and strategies to curb retail sprawl, strengthen downtown vitality, and spur small business development. More information can be found on our web site at www.hometownadvantage.org.

I am here to speak on behalf of LD 1553. This measure would support the state's Growth Management Act and its downtown revitalization efforts by discouraging construction of stores over 60,000 square feet outside of downtowns. It would also generate tax revenue that would offset the added costs that these stores impose on the state.

(It might be helpful to note that 60,000 square feet is larger than a football field. A store of that size would require a parking lot equivalent to about three football fields.)

Many people assume that big-box retail is a dead issue in Maine. After all, the state is already home to dozens of these stores. But, in fact, compared to other regions, we've only seen the tip of the iceberg. Many retailers that have a significant presence in other states, like Lowe's and Target, have only just begun to expand in Maine. Wal-Mart undoubtedly intends to open many more supercenters here. The company currently accounts for about 10 percent of all retail sales in Maine. In parts of the Midwest, it has captured nearly one-quarter of the market. In order to achieve that level of market dominance here, Wal-Mart will need to open at least twenty additional stores across the state. The company's new distribution center in Lewiston, which will begin to come online later this year, is intended to serve as a basis for this expansion and will likely trigger proposals for new Wal-Mart stores across northern New England.

Maine communities in many respects are ill-prepared to deal with these proposals. Many continue to assume that these stores are net job creators, despite extensive empirical evidence to the contrary, and most do not require any sort of economic, fiscal, or community impact analysis before approving large-scale retail development. Nor have there been any comprehensive statewide studies. Given the extent of existing big-box retail development in Maine, I believe that the costs of additional development of this sort significantly outweigh any benefits.

Let me briefly outline the reasons why I believe the state should enact LD 1553:

- 1. Large-scale retailers impose significant costs on the state in terms of Medicaid and other public assistance programs.** Over the last several months, more than a dozen states have disclosed that they have large numbers of big-box store employees and their dependents enrolled in Medicaid and other public assistance programs. While many big-box retailers offer health insurance, strict eligibility requirements and high employee premiums have meant that most employees are either ineligible or cannot afford the coverage. Massachusetts, for example, recently reported that Wal-Mart, Target, and Home Depot have 4,500 employees and their dependents receiving benefits through MassHealth, the state's Medicaid program, and its Uncompensated Care Pool, at an annual cost to taxpayers of \$4.5 million.
- 2. Retail development outside of downtowns contributes to and induces additional sprawl.** Even simple daily errands, like picking up a carton of milk or a box of nails, are often no longer readily available near our homes or in central locations, but instead require driving several miles out to big-box stores and sprawling shopping centers. Between 1990 and 2001, the number of vehicle miles that American households log each year for shopping rose by more than 40 percent, more than double the rate of increase of any other category of driving, including commuting. Because shopping now accounts for a large number of the car trips we take each day, the location of stores influences the location of almost everything else. Post offices, schools, churches, and other facilities have increasingly been leaving town centers and neighborhoods and moving out to where the big-box stores are on the outskirts of town. This pattern of development not only has major environmental consequences, but it is a significant equity issue from the standpoint of those who are unable or cannot afford to operate a car. Additional retail development outside of downtowns will not only exacerbate these trends, but further reduce the number of small businesses that provide goods and services within neighborhoods and town centers.
- 3. The appeal of a vibrant downtown is a key tool for drawing families back to traditional neighborhoods in and around town centers.** Being proximate to a lively town center that provides goods and services is one of the greatest benefits of

living in more traditional compact neighborhoods, and therefore the commercial vitality of Maine's downtowns and town centers is crucial to our efforts to curb sprawl and excessive land consumption. To truly fulfill this function, downtowns must contain more than restaurants, boutiques, and tourist shops. They must also provide basic goods and services that meet the needs of the entire community, rather than just the needs of tourists and those with higher incomes. Therefore, I believe the state should adopt a policy of discouraging additional retail development outside of downtowns that would further dilute consumer spending and make it that much harder to maintain and develop small businesses that provide groceries, hardware, clothing, and other everyday goods in our town centers.

4. **Large-scale retail development outside of downtowns imposes significant costs on local governments.** We continue to learn more about the high cost of sprawl. Big-box retail is no exception. The cost of providing and maintaining roads and other infrastructure, as well as services such as police and fire protection, are significantly higher for big-box stores than for downtown retail. Because of its compact, walkable arrangement, a downtown that provides 200,000 square feet of retail stores generates much less driving and less wear and tear on our roads than a 200,000-square-foot superstore on the edge of town. For a variety of reasons, big-box stores also place greater demand on local police departments. Several studies have begun to quantify these costs. A study by Tischler & Associates in Barnstable, Massachusetts, for example, found that 1,000 square feet of big-box retail cost the city 30 percent more in services each year than 1,000 square feet of Main Street retail. In fact, the study found that big-box stores were costing the city more in services than they were generating in property tax revenue.

5. **Small businesses are crucial to the state's economic health and long-term prosperity.** Maine has already lost many of its locally owned retail businesses over the last fifteen years. Further erosion this sector would harm the state's economy. There are a number of reasons for this. I'd like to highlight just one. In 2003, the Institute for Local Self-Reliance conducted a study of eight locally owned retail and

service businesses in Maine. We found that these businesses spent 54 percent of their revenue within the state. Not only did they keep profits in the state's economy and support a local payroll, but they purchased a wide range of goods and services from other Maine businesses. They all banked with locally owned banks. They purchased inventory from local manufacturers, advertised in local newspapers, and hired local accountants, printers, internet service providers, and repair people. The bottom line is that, when you shop at a local store, your spending not only supports that store, but it also supports a variety of other businesses and jobs, which in turn generate additional tax revenue for state and local government. Big-box retailers, on the other hand, have little need for local goods and services. As a result, only about 14 percent of the dollars spent at a typical big-box store in Maine remain in the state's economy.

- 6. Additional big-box development outside of downtowns would likely lead to a rash of retail vacancies.** Much of the rest of the U.S. is struggling with an epidemic of vacant retail properties. Dozens of enclosed malls, hundreds of strip shopping centers, and thousands of free-standing big-box stores across the country are now sitting empty. The city of Charlotte, North Carolina, for example, counts over 30 empty big-box stores within its borders. Columbus, Ohio is home to 69 vacant big-box stores. A few of these vacancies were the result of bankruptcies. Many were the result of companies like Target and Wal-Mart abandoning their older stores in order to build bigger outlets nearby. Wal-Mart has over 300 empty stores nationwide and plans to vacate as many as 150 additional sites this year. These vacant properties create blight and impede economic development. Like many trends, this one is slow to arrive in Maine, but we are beginning to see signs of the problem. In Scarborough, Wal-Mart recently announced plans to abandon the store it opened in 1993 in order to build a new supercenter on a wooded site across the street. Unless we take steps now to discourage and limit the over development of big-box stores, we are likely to see many more retail properties become vacant in the near future.

I'd like to close by noting that opponents of this bill argue that it is nothing more than a back-door sales tax. That's an unfair characterization in part because this bill does not apply to the vast majority of retail businesses in Maine, which are either located in a downtown or are smaller than a football field. Moreover, retailers can easily avoid the tax by opening stores that are a better fit for Maine in terms of their size and location.

The fact is, Maine residents are already paying a big-box store tax. It's a hidden tax—one that we pay in the form of higher Medicaid costs, higher costs for roads and local services, decaying downtowns, and increased sprawl and pollution. Right now, we're all paying this tax whether we shop at these stores or not. We are in effect subsidizing big-box retail, which is grossly unfair to the state's small businesses and downtowns.

Thank you again for the opportunity to testify.

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