Managing
Maryland's Growth:
Models and Guidelines

"Big-Box" Retail Development

This document may not reflect current law and practice and may be inconsistent with current regulations.

Maryland Department of Planning

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October, 2001

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Introduction

Cities, towns and rural areas have changed dramatically over the past decade. The proliferation of discount, general merchandise stores such as Target, Wal-Mart and Kmart have had a significant impact on our urban and rural landscapes, affecting the way we shop, live, work and play. While changes in consumer buying habits are often linked to changes in the retail industry, communities are increasingly becoming more aware of both the positive and negative aspects of large-scale retail facilities—often called "big-boxes," "megastores" or "superstores." In this report, the term big-box(es) will be used.

What is a big-box retail development?

Big-box retail facilities are large, industrial-style buildings or stores with footprints that generally range from 20,000 square feet to 200,000 square feet. While most big-boxes operate as a single-story structure, they typically have a three-story mass that stands more than 30 feet tall.[1] The definition, or perhaps the description of a big-box store can be better understood through its product category. For example, book retailers like Barnes & Noble generally range from 25,000 square feet to 50,000 square feet, whereas in the general merchandise category, big-boxes like Wal-Mart range from 80,000 square feet to 130,000 square feet.

[1]State of New Jersey, Office of Planning, *Creating Communities of Place*. New Jersey, December 1995.

What are the different types of big-boxes?

There are four major subgroups used to categorize big-box retail formats: discount department stores, category killers, outlet stores and warehouse clubs.

Discount Department Stores

Discount department stores, ranging from 80,000 square feet to 130,000 square feet, offer a wide variety of merchandise including automotive parts and services, housewares, home furnishings, apparel and beauty aids. This group includes retailers such as Target, Wal-Mart and Kmart.[2]

Category Killers

Category killers, ranging from 20,000 square feet to 120,000 square feet, offer a large selection of merchandise and low prices in a particular type of product category. This group includes retailers such as Circuit City, Office Depot, Sports Authority, Lowe's, Home Depot and Toys "R" Us.

Outlet Stores

Outlet stores, ranging from 20,000 square feet to 80,000 square feet, are typically the discount arms of major department stores such as Nordstrom Rack and J.C. Penny Outlet. In addition, manufacturers such as Nike, Bass Shoes and Burlington Coat Factory have retail outlet stores.

Warehouse Clubs

Warehouse clubs, ranging from 104,000 square feet to 170,000 square feet, offer a variety of goods, in bulk, at wholesale prices. However, warehouse clubs provide a limited number of product items (5,000 or less). This group includes retailers such as Costco Wholesale, Pace, Sam's Club and BJ's Wholesale Club.

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[2] A new generation of "supercenters" in this retail category range from 100,000 square feet to 210,000 square feet.

Other useful retail development terms

The term "power center" is often used to describe groupings of the various forms of big-box retailers. Power centers generally contain 250,000 square feet to 1 million square feet of retail space. Retailers that locate in power centers may be freestanding, structurally attached to another retailer, or a combination of both types. The trade area from which most power centers draw consumers ranges from five miles to ten miles.

The term "regional center" is often used to describe a small grouping of big-box retailers, typically developments of two or more anchor stores. Regional centers range from 400,000 square feet to 800,000 square feet. They are generally enclosed with an inward arrangement of stores connected by a walkway. The trade area from which most regional centers draw consumers ranges from five miles to fifteen miles.

The term "shopping center" describes a group of retail and other commercial establishments that is planned, developed and often managed as a single property. The orientation and size of the center is typically determined by the location of the center and the market characteristics of the trade area. Shopping centers are generally configured as enclosed malls and open-air strip plazas.

Purpose of This Models and Guidelines Report

The purpose of this report is three-fold. One, it examines the trends and impacts of big-box retail development; two, it explores strategies used to regulate big-box retailers; and three, it looks at the implications of big-box development with respect to Smart Growth legislation.

How This Report is Organized

This report is organized into the following six sections:

Trends in Big-Box Development
This section presents a brief overview of the historical development of big-box retailers such as Woolworth and Toys 'R"Us. This section also addresses recent trends in big-box development including international expansion and movement towards urban and downtown areas.

Big-Box Development in Maryland
In this section, a brief historical overview of retail trends in Maryland is presented with an emphasis on big-box development. In addition, this section covers current trends as well as recent opposition to big-box retail development in the State.

Impacts of Big-Box Development
This section includes findings from studies conducted on the impacts of big-box development. In addition, this section discusses the land-use implications of big-box development.

Regulatory Strategies and Market Approaches
This section contains examples of regulatory strategies used in states such as New Jersey and Vermont. This section also includes strategies used in the following cities and counties: Mequon, Wisconsin; Fort Collins, Colorado; Somerset County, New Jersey; Portland, Oregon; and Gaithersburg, Maryland.

Relation to Smart Growth Legislation
This section provides a brief overview of Smart Growth legislation and land-use regulatory powers noted in Article 66B of the Annotated Code of Maryland. This section also discusses Smart Growth legislation with respect to regulating big-box retail development.

Summary and Recommendations
This portion of the report contains a brief overview of the sections noted above. It also provides recommendations and examples of models and guidelines that can be used by the State as well as local jurisdictions.

Section 1:
Trends in Big-Box Development

Historical Overview

The evolution of big-box retailers is often linked to discount, general merchandise and department stores such as Woolworth and Sears, Roebuck and Co.. The origins of Woolworth, for example, date back to 1879. Founded by Frank Winfield Woolworth, the first store opened in Lancaster, Pennsylvania. By 1995, Woolworth Corporation operated over 8,000 stores in the United States, Canada, Mexico, Germany, Asia and Australia. The typical size of a Woolworth store was approximately 100,000 square feet. Today, Woolworth Corporation is known as Venator Group, Inc. Venator has moved from general merchandise to sporting goods. Venator operates Foot Locker, Champs Sports and Eastbay.

Toys "R" Us serves as another example of the pre-discount era. Charles Lazarus opened his first store in 1957. Often described as the original category killer, Toys "R" Us was revolutionary in its ability to provide a large selection of lower priced toys under one roof. Today, Toys "R" Us operates over 700 stores in the United States and 450 international stores that are franchise operations.[3]

During the latter part of the nineteenth century, stores like Woolworth existed in downtown areas and along main streets. By the 1950s, however, department and discount stores began opening branches in outlying areas to serve residents/consumers that moved from central cities to suburban areas.

[3] Data does not include Kids "R" Us and Babies "R" Us stores.

The American Society of Planning Officials noted the following about discount stores in a 1963 report:

> The discount store has filled a retail commercial vacuum in two respects. First, the discount store is relieving an "under-stored" situation in the suburbs. Conventional retail outlets have not kept up with suburban population growth and consumer demand. Second, the consumer purchasing power has been held constant during the past few years. Therefore, the consumer has attempted to find ways of making his spendable dollars go further. Discounters, recognizing this factor, introduced innovations to capture the consumer's attention and dollars and to increase his purchasing power. Thus, the discount store has become a formidable force on the retail scene.
>
> Some experts are predicting that, by 1965, discounters will have captured better than 20 percent of an expanded apparel/home-goods/general merchandise market...[t]otal food sales through them may exceed 30 percent of the food market, which would be a larger share than that now enjoyed by department stores.[4]

[4] American Society of Planning Officials, "Discount Stores." *Planning Advisory Service*, Chicago, Illinois, March 1963.

Table 1: Big-Box Size Spectrum

Category or Business Name	Comparative Size
Superstores	3 times the traditional supermarket
Home Depot	18 times the traditional hardware store
Chapters	12 times the traditional book store
Business Depot	5 times the traditional office supply store
Sports Authority	6 times the traditional sporting goods store

Source: The Impact of Big-Box Retail on Toronto's Retail Structure

Current Overview

There has been significant growth in the retail trade industry. According to the International Council of Shopping Centers, sales at shopping centers in the United States were estimated at $1.16 trillion in 1999, up from $1.07 trillion in 1998. In 1999, shopping centers generated $47.5 billion in state sales taxes, an 8.4 percent increase from $43.8 billion collected in 1998.

Currently, retail trade is the second largest industry in terms of the number of employees and the number of establishments. This is interesting to note, given the fact that Kmart, Target and Wal-Mart were all established in1962. However, Wal-Mart remains the leader due to the number of store sites in its portfolio. To date, Wal-Mart has over 1,782 store sites, 765 "supercenter" store sites (which range from 150,000 square feet to 180,000 square feet) and ownership of 466 Sam's Club stores.

While big-box retailers have continued to expand in suburban and rural areas within the United States, they have also expanded internationally. For example, Wal-Mart entered the retail market in the greater Toronto, Canada area in 1994. Today, Wal-Mart has 17 stores in the Toronto area.

What are some new trends in big-box retail development?

Drive-through pharmacies, value malls and de-malls are examples of new trends in big-box retail development.

Retail Pharmacies

Tremendous growth has occurred over the last three years among retail pharmacies such as Rite Aid and Eckerd, which provide drive-through prescription services. Rite Aid, for example, has over 3,800 store locations in the United States. Retail pharmacies typically range from 8,000 square feet to 12,000 square feet and operate as a single-story structure; however, they generally have a two-story mass that stands more than 25 feet.

Value Malls

Another trend in the retail sector is the value mall. Value malls combine in a single, integrated development various value-oriented retail types such as factory and department store outlets, category killers and large specialty retailers. Two value mall examples in the mid-Atlantic region include Potomac Mills in suburban Washington, D.C. and Arundel Mills in Anne Arundel County, Maryland. Arundel Mills, which opened in the fall of 2000, has approximately 1.3 million square feet of leasable floor space.

A newly built Walgreens located at the corner of Liberty and Milford Mill roads in Baltimore County, Maryland.

Rear drive-through prescription service at Walgreens on the corner of Liberty and Milford Mill roads.

De-Malls

The concept of "de-malling" is a relatively new trend in retail development. It is described as a retail operation in which store-fronts are reversed, or turned inside out, towards parking.[5] De-malls are typically located near existing malls, but do not necessarily compete with them due to different product offerings. A local example of a de-mall is Towson Place in Towson, Maryland. It consists of retailers like Sports Authority and Toys "R" Us. It is less than three miles away from the Towsontown Center mall.

[5]The Knolls Company, "Turning a Retail Center Inside Out." *Urban Land* (reprinted), April 1995.

Towson Place in Towson, Maryland is an example of a "de-mall."

What are some positive and negative aspects of big-box retail development?

While big-box retailers have continued to locate in rural and suburban areas, there is a growing trend toward more retail development in existing urban areas. Urban areas are becoming more attractive due to increased saturation or over-expansion of retailers in suburban markets. Surprisingly, retail analysts predicted there would be a problem with retail saturation over three decades ago.

> [O]ver expansion will be a problem in almost every major metropolitan area. In some key markets, developers have built too many stores for all to share in sales growth. Some discounters have overestimated their likely sales growth, which has led them to build stores that are too big to be profitable, or sometimes to buy too much merchandise. Among 200 discounters surveyed by Dunn and Bradstreet, 25 percent in 1961 had total debts averaging three and one-half times their net worth.[6]

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[6] American Society of Planning Officials, 1963.

Big-box retail in central cities

Urban areas are also becoming more attractive to retailers because of the growth potential in many inner-city communities that lack adequate retail facilities. The U.S. Department of Housing and Urban Development (HUD) noted the following findings in a market study:

- America's inner-city neighborhoods possess enormous retail purchasing power estimated at $331 billion last year, or one-third of the $1.1 trillion total for the central cities in which those neighborhoods are located.

- Despite their huge buying power, many of America's inner-city communities are "under-retailed," with sales that fall significantly short of residents' retail purchasing power. The total shortfall was $8.7 billion last year for 48 inner-city areas in which HUD found a retail gap.[7]

The redevelopment of the historic Sears, Roebuck and Co. building in the Fenway neighborhood in Boston, Massachusetts, serves as one example of big-box retailers locating in an urban area. The developer, The Abbey Group, developed the historic structure into a 560,000 square foot retail facility with an average store of 40,000 square feet.

Another example is the redevelopment of the Lechmere store in East Cambridge, Massachusetts. The developer, New England Development, participated in a number of negotiations with the Lechmere Company and city planners in order to create a "win-win" project. Issues that were resolved during the community planning process included the exterior and interior design of the structure, parking, crime, and the relationship of the new development to the adjoining public spaces.

In Baltimore, Maryland, plans are underway to develop an area called Port Covington. This former brownfields site, near the intersection of Hanover Street and Exit 55 of Interstate 95, is being developed by Starwood Ceruzzi, LLC. Port Covington will include approximately 409,000 square feet of retail space and will accommodate stores of approximately 1,000 square feet to 148,000 square feet.

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[7]U.S. Department of Housing and Urban Development, *New Markets: The Untapped Retail Buying Power in America's Inner Cities*. Washington, D.C., July 1999.

The above examples provide an overview of some of the latest trends in big-box development. While there are some positive aspects of retail development, such as the ability to benefit under-served markets, the above examples also suggest that the retail sector is increasingly becoming homogenous. The expansion of large-scale retailers such as Wal-Mart, Home Depot and Circuit City have continued to reduce the number of competitors/tenants (i.e., retailers both small and large) in shopping centers throughout the United States. Accordingly, the continued expansion of big-box retail presents both positive and negative aspects that warrant thorough review by communities.

Sam's Club under construction in the redevelopment of Westview Shopping Center along Baltimore National Pike (Route 40 West).

The closing of a Wards store at the Security Square Mall in Baltimore County, Maryland.

Section 2:
Big-Box Development in Maryland

Historical Overview

Historically, the retail industry in Maryland was quite robust. According to data reported in the 1977 Census of Retail Trade, Maryland's 28,344 retail stores had sales totaling $14.4 billion (Table 3). This figure reflected an increase of 52.7 percent over sales reported in the previous census in 1972. In 1977, Maryland had a total of 648 general merchandise stores compared to 558 stores in 1987 (Table 2). Total sales, however, for all retail stores in 1987 was over $32.0 billion.

Table 2: General Merchandise Store Trends in Maryland[8]

Business Category	1977	1987	1997	% Change 1977 to 1987	% Change 1987 to 1997	% Change 1977 to 1997
General Merchandise	648	558	598	-13.89	7.17	-7.72

Source: U.S. Census Bureau, Census of Retail Trade: Maryland

[8]Comparability between census years may be limited. The 1997 Economic Census is the first year to present data based on the North American Industry Classification System (NAICS), while previous census data were presented according to the Standard Industrial Classification System (SIC).

Table 3: Retail Sales in Maryland - Nominal $*
($000s)

Business Category	1977	1987	1997	% Change 1977 to 1987	% Change 1987 to 1997
All Retail Trade Stores	14,110,851	32,009,372	46,428,206	126.9	45.0

* Sales data not adjusted for inflation.

Source: U.S. Census Bureau, Census of Retail Trade: Maryland

Table 4: Retail Sales in Maryland - Constant 1996 $**
($000s)

Business Category	1977	1987	1997	% Change 1977 to 1987	% Change 1987 to 1997
All Retail Trade Stores	36,557,815	44,199,397	45,274,710	20.9	2.4

** Sales data adjusted for inflation. All Urban Consumers; Consumer Price Index

Source: U.S. Census Bureau, Census of Retail Trade: Maryland
Maryland Department of Planning, Capital Planning and Development Review

Current Overview

Per capita retail sales in Maryland, after adjusting for inflation (in constant 1996 dollars), peaked in 1987 (Table 5). Since then, sales have steadily declined in seven of the following nine years. However, Maryland has experienced a 7.2 percent increase in the number of general merchandise stores between 1987 and 1997 (Table 2).

Table 5: Per Capita Retail Sales in Maryland (1996 $)

Year	$ Retail Sales	% Change
1987	9,874	-
1988	9,677	- 2.0
1989	9,464	-2.2
1990	9,395	- 0.7
1991	8,752	- 6.8
1992	8,436	- 3.6
1993	8,671	2.7
1994	9,209	6.2
1995	9,147	-0.7
1996	9,073	-0.8

Source: Maryland Department of Planning, Data Services

Table 6: Sample of Big-Box Retailers in Maryland
(As of July 2000)

Name of Store	Number of Stores
Target	12
Sam's Club	10
Wal-Mart (including one Supercenter)	24
Kmart	27

Source: Maryland Department of Planning, Comprehensive Planning

According to the International Council of Shopping Centers (ICSC), Maryland had approximately 900 shopping centers in 1998, with a combined total of 124.7 million square feet of leasable retail area. In June 2000, ICSC estimated that Maryland had a total of 126.7 million square feet of leasable retail space. Maryland also ranked fourteenth in the nation in terms of its total amount of leasable retail space when compared to other states (Table 7).

The Urban Land Institute (ULI) compiles retail data for metropolitan areas. According to ULI's *Market Profiles 2000*, 31 Regional Centers in the Baltimore metropolitan area in 1999 had a vacancy rate of 3 percent, and 385 nonregional centers had a vacancy rate of 2.5 percent.

Table 7: Top 20 in State Ranking of Gross Leasable Retail Area
(As of June 2000)

Rank State & Amount of GLA (sq.ft.)		Rank State & Amount of GLA (sq.ft.)	
1. California	694.5 million	11. Virginia	171.0 million
2. Florida	427.7 million	12. Michigan	139.5 million
3. Texas	369.1 million	13. Tennessee	133.8 million
4. Illinois	260.0 million	14. Maryland	126.7 million
5. Ohio	248.8 million	15. Arizona	124.9 million
6. New York	247.4 million	16. Indiana	121.4 million
7. Pennsylvania	241.8 million	17. Missouri	114.3 million
8. Georgia	180.8 million	18. Massachusetts	113.8 million
9. North Carolina	176.4 million	19. Washington St.	100.7 million
10. New Jersey	171.8 million	20. Colorado	99.9 million

Source: International Council of Shopping Centers

Recent Opposition and Growing Concerns in the State

Since 1992, there has been an increasing concern regarding the proliferation of big-box development in the State. The following is a sample of jurisdictions that have either addressed local issues regarding large-scale retail development, or are currently facing local issues: Kent County (Chestertown), Baltimore County (Owings Mills), Talbot County (Easton), Queen Anne's County (Stevensville), Montgomery County (Rockville) and Anne Arundel County (Odenton and Parole).

Below is a brief overview of the experiences of each jurisdiction noted above. This information is limited to the timeframe that background research was conducted. (Some jurisdictions were still in the process of addressing big-box issues while this report was being finalized).

Kent County

Kent County serves as a national model for regulating big-box development through the use of its comprehensive plan. In 1993, residents, local organizations and planning officials in Chestertown prevented the development of a 98,000 square foot Wal-Mart by upholding language in the Kent County Comprehensive Plan.

The following can be found in the 1996 Kent County Comprehensive Plan under the goals and strategies for the local economy.

Retail

Goal: *Develop diverse retail opportunities that provide wide availability of goods and services with competitive selections and prices.*

Strategy: *Identify appropriate locations for new commercial development.*

> *The Economic Development Advisory Board and Planning Commission will assess the existing merchant mix and retail offerings, identify retail gaps, and recommend appropriately zoned land. Large-scale retail activities will be located on major arteries that the Planning Commission determines are capable of handling the traffic generated. Other locations for large and medium scale retail activities may be identified in the Village Master Plan for larger communities. Small-scale retail and convenience retail development will be located in towns, villages, and their designated growth areas as identified in the Village Master Plans. These Master Plans will be developed by the Planning Commission and Staff after consultation with incorporated towns, unincorporated villages and local residents. Any retail development in the villages or their designated growth areas must be compatible in size, scale, and architecture with existing development and proposed design guidelines.*[9]

Baltimore County

In 1996, Baltimore County officials rejected a proposal to build a 500,000 square foot power center near Red Run Boulevard in Owings Mills. The site, which was zoned only for commercial uses such as manufacturing and offices, had approximately 156 acres of developable land. The primary basis for rejecting the proposal involved Baltimore County's desire to maintain the original plans to develop Owings Mills as an employment center.

Since then, big-box retailers such as Toys "R" Us and Bed, Bath & Beyond have signed leases and now occupy over 60,000 square feet of retail space along Reisterstown Road in Owings Mills. Moreover, across from this location is the redevelopment of the Garrison Forest Plaza. This project has 117,000 square feet of retail space that encompasses three big-box formats.

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[9]Kent County Planning Commission, *Kent County, Maryland, Comprehensive Plan*. Kent County, Maryland, July 1996.

Talbot County

In April 2000, the Talbot County Planning Commission rejected a proposal to build a 131,000 square foot Home Depot near the city line of Easton. The primary basis for denial involved a potential increase in traffic. In addition, local organizations stressed that the Home Depot was not a permitted use in Talbot County's Limited Industrial Zone. However, Home Depot and the developer submitted an appeal to have the decision reversed.

A stereo-video big-box store located in the Garrison Forest Plaza in Owings Mills, Maryland. The scale of the building serves as its own billboard.

Queen Anne's County

In May 2000, Queen Anne's County Commissioners prevented the development of a 28-acre property called Kent Commons in Stevensville. Plans for this site included a 155,399 square foot Wal-Mart, a 3,000 square foot outdoor pavilion, a 85,181 square foot hotel and conference center and a 6,300 square foot sports bar and restaurant. In addition, the proposal included six other structures that would accommodate more retail uses.

Queen Anne's County Commissioners prevented the development by denying the developers' request to purchase an allocation of 28,202 gallons per day of public water and 44,972 gallons per day in sewage treatment plant capacity. In addition to the denial of water and sewer service, the commissioners stressed that traffic generated by the development would affect public safety.

Montgomery County

Officials in Rockville, Maryland, imposed a moratorium on commercial projects in the fall of 1999. This moratorium, which covered a six-month period, involved a series of public hearings to assess the impacts of large-scale retail development and draft new legislation that would potentially limit the size of future big-box retail development.

Anne Arundel County

In May 2000, a bill was introduced that would place limitations on retail uses within Town Center Districts in Anne Arundel County such as Odenton and Parole. The proposed legislation attempted to restrict retail uses to not exceed 65,000 square feet of floor area on any one floor of a structure. During this period, however, a proposal for a Wal-Mart in Parole with a building footprint of 135,000 square feet, was introduced.

The bill had the ability to impact the Wal-Mart project, but it was defeated in July 2000 by the Anne Arundel County Council. The County Council, however, did not give final approval of the project.

Summary of Proposed Big-Box Legislation
in Anne Arundel County
(Introduced and first read on May 1, 2000)

ARTICLE 28: ZONING
Title 6. Special Districts

6-303. Permitted uses.

The following are permitted as permitted uses in a TC-Town Center District:

(1) Any use permitted in a C3-General Commercial District, EXCEPT THAT A RETAIL STRUCTURE MAY NOT BE LOCATED WITHIN A SINGLE FREESTANDING STRUCTURE THAT HAS MORE THAN 65,000 SQUARE FEET OF FLOOR AREA ON ANY ONE FLOOR OF THE STRUCTURE.

Note: Capitals indicate new matter added to existing law.

Source: County Council of Anne Arundel County, Maryland

The above examples clearly show that Maryland has been, and continues to be confronted with the proliferation of big-box retailers. In addition, the above examples show that local jurisdictions, citizens, community organizations and planners are taking action to improve as well as curtail big-box development. The methods and strategies being used include guidance through the local comprehensive plan, zoning ordinances and community impact assessments**.**

Section 3:
Impacts of Big-Box Development

Wal-Mart Stores, Inc., the world's largest retailer, plans to open more than 300 stores worldwide next year...40 discount stores and 170 to 180 Supercenters...40 to 50 Sam's Clubs...In addition, Wal-Mart International will open 100 to 110 stores.

– Baltimore Sun (10/3/2000)

Home Depot says it will open another thousand stores in the Americas over the next three years. Does Peru need more power tools? Ecuador, more caulking guns? Maybe the world is just another suburb waiting to be conquered.

– CBS News, Sunday Morning (8/27/2000)

Overview and Findings of Relevant Studies

The previous sections discussed the latest trends in big-box development and focused on some examples of big-box issues faced by local jurisdictions in Maryland. This section expounds upon the previous sections by examining the impacts of big-box development. Findings from studies conducted over the past two decades are noted. This section also discusses other impacts such as the effects of an abandoned retail facility on a community and the implications of Internet-based retailers.

More on the advantages and disadvantages of big-box retail development

Communities experiencing economic hardships often believe that more land zoned for commercial uses such as office and retail can act as an incentive to help boost the local economy. Moreover, the expansion of discount retailers, or perhaps the notion of providing more places for people to shop, is often seen as a remedy to enhance the local tax base, increase revenues, provide more job opportunities and offer residents a wide variety of quality products at low prices. While these are desirable attributes, economist William H. Fruth shares a different view in a paper titled, *The Flow of Money and Its Impact on Local Economies.*

> Retail is the most consumptive. That is why when we purchase something we are called "consumers." There is nothing wrong with having retail in the economy...[b]ut the act of purchasing drains wealth from the area. Retail is absolutely dependent upon the condition of the local economy. It cannot grow any greater than the amount of disposable income within the economy. It will decline if the flow of money into an area is reduced. It does not create wealth but absorbs wealth. A vibrant, dynamic retail sector is not the cause of a strong local economy, but the result of it.[10]

Another criticism of retail development is that it creates jobs that require minimal skills. In addition, the wages for many retail jobs are relatively low. However, jobs in this sector are anticipated to increase from 10 percent to 20 percent through the year 2008 in the U.S. Job growth in Maryland's retail sector is also anticipated to increase (Table 8).

[10] Fruth, William H., *The Flow of Money and Its Impact on Local Economy*. National Association of Industrial and Office Properties, February 2000.

Table 8: Retail Trade Employment Growth in Maryland

Retail Jobs in 1995	Projected Retail Jobs in 2005	Projected Retail Jobs in 2010
483,000	541,800	569,200

Source: Maryland Department of Planning, Data Services
U.S. Bureau of Economic Analysis

The impacts of big-box development can be described using the following categories: economic and fiscal; social and cultural; and environmental. In each of these categories, findings are noted from studies conducted over the past two decades.

Economic and Fiscal Impacts

Kenneth E. Stone, a professor and economist at Iowa State University, conducted a series of studies that evaluated the effects of Wal-Mart on small towns and rural communities in Iowa between 1983 and 1993. Stone studied 34 towns with populations between 5,000 and 30,000 that had a Wal-Mart store for at least ten years. These towns were compared to 15 towns with the same population groups that did not have a Wal-Mart.

Summary Findings

- Towns with a Wal-Mart typically experienced a 53.6 percent increase in sales in the general merchandise category following the opening of a Wal-Mart store. However, sales were only up by 43.6 percent in the following third and fifth years, respectively.

- Towns that did not have a Wal-Mart experienced a 5.2 percent decline in sales in the general merchandise category after the first year a Wal-Mart was developed in a nearby town, and a 12.9 percent decline in sales after five years.

- Restaurant sales in towns with a Wal-Mart were up by 3.2 percent the first year after the opening of a Wal-Mart, then increased to 4.8 percent after three years. However, sales returned to a 3.2 percent level after five years.

- Between 1983 and 1993, smaller towns and rural areas (below 5,000 population) that did not have a Wal-Mart store experienced a loss of $2.1 billion in total retail sales.

- Towns (less than 5,000 population) within a 20-mile radius experienced a 5 percent reduction in sales after the first year a Wal-Mart opened, and a 17.6 percent reduction after the first three years.

In another study, Stone assessed the impacts of big-box retailers on eight cities in Iowa. (Cities were defined as municipalities with a population of 50,000 or more).

Summary Findings

- Cities without a Wal-Mart experienced a 2.8 percent decrease in sales in the general merchandise category after the first year a Wal-Mart was developed in a nearby town, and a 9.5 percent decrease after the first five years.

- Restaurant sales in cities with a Wal-Mart were up 0.5 percent after year one, and up by 2.9 percent after the first five years.

- Specialty store sales in cities with a Wal-Mart were up 0.9 percent after the first year a Wal-Mart was developed, and up by 5.5 percent after the first five years.

In a study titled, *The Impact of Big-Box Development on Toronto's Retail Structure*, authors Ken Jones and Michael Doucet discover findings similar to Stone. Jones and Doucet conducted research on big-box development in the greater Toronto, Canada area (population of 2.4 million in 1996).

Summary Findings

- Big-box employment in the following retail categories: supermarkets, electronics, hardware, toys/sporting goods, and books and office products, increased by 60.9 percent between 1993 and 1997. However, employment in non-big-box formats in the same five categories decreased by 2.1 percent in the City of Toronto.

- Between 1994 and 1995, there was a 15.9 percent chance that retailers operating on streetfront locations in Toronto in the electronics, hardware, toys/sporting goods, and books and office product categories would close within the year. The stores with the highest closure rates were office products and electronics. Stores in closest proximity to a big-box store experienced the greatest impact.

- In a survey of 200 storefront retail strips that provide citizens with access to over 18,000 retail shops, sales declined from 53.7 percent in 1994 to 49.5 percent in 1997 for all occupied stores. The following retail categories experienced the greatest decline in sales: hardware (-10.4 %) and general merchandise (-3.9 %).

- Between 1994 and 1997, storefront retail strips in direct competition with big-box formats experienced closures of 11 and 8 stores, respectively, in the hardware and electronics categories.

- Between 1989 and 1997, the specialty retail category (including big-box and non big-box formats) experienced the greatest growth. By 1996, big-box specialty retailers accounted for 25 percent of specialty retail sales, while storefront specialty retailers accounted for 5 percent of sales.

The above studies clearly show that there are both positive and negative impacts of big-box stores. The positive aspects include strong, initial growth in overall retail sales as well as in the general merchandise and specialty categories. Another positive aspect is increased sales in the eating and drinking category, particularly among restaurants near big-box stores. The negative aspects include a reduction in big-box retail sales after the first three years of a big-box development and a reduction in the number of non-big-box stores, particularly stores in close proximity and/or in direct competition with a big-box.

Environmental Impacts

Big-boxes also threaten the environment. The findings below come from *Aesthetics, Community Character, and the Law*. (Additional sources have been footnoted). The findings below are primarily examples of environmental and energy impacts that communities across the nation have viewed as elements that affect "community character." These findings have been used as a basis to adopt measures that limit big-box development.

Summary Findings

- A 110,00 square foot shopping center can generate as many as 946 car trips per hour and 9,710 trips per day. While this may be somewhat comparable to conventional retailers, big-box retailers generate far more truck trips due to higher sales volumes and merchandise turnover. For example, a home improvement store can generate 35 tractor-trailer trips per day.[11]

- The size of most big-box facilities often increases the demand for public water and sewer services. This also imposes a fiscal impact on a local economy.

- A big-box retailer as a "stand alone" structure, or grouped with other structures to form a power center, is often designed to be inaccessible to pedestrians. Moreover, developers of big-boxes often look for sites that are adjacent to two thoroughfares. This often yields concerns regarding pedestrian safety as well as increased traffic congestion and accidents.

- Big-boxes adjacent to other commercial uses often cause problems such as excessive noise, poor traffic access management, increased demand for road repair and traffic control, and demand for improved lighting. These problems also impose a fiscal impact on a local economy.

The above findings indicate ways that big-box retail development can affect the economic and environmental conditions of a local economy, particularly in an area where policies and regulations have not been established to assure proper location and development of large-scale retail facilities.

Social and Cultural Impacts

Big-boxes can also affect the "livability" of an area, or the social and cultural qualities deemed important by a community such as open space, pedestrian-friendly main-streets, and clean air and water. The findings below are

[11]Beaumont, Constance E., *How Superstore Sprawl Can Harm Communities*. National Trust for Historic Preservation, 1994.

examples of social and cultural impacts of big-box development noted in *How Superstore Sprawl Can Harm Communities* and *The Home Town Advantage: How to Defend Your Main Street Against Chain Stores.* (Additional sources have been footnoted).

Many of these impacts have environmental and fiscal implications as well. These impacts have encouraged communities throughout the United States and abroad to develop standards through careful planning and legal draftsmanship, coupled with a strong commitment to common-sense implementation and consistent administration.[12]

Summary Findings

- Increased traffic due to big-box development can potentially increase pollution in the area or affect nearby, environmentally sensitive zones.

- Oil run-off from the surface parking lot of a big-box development, or chemicals that are not handled properly in a big-box development that sells garden supplies can potentially contaminate the water supply of a local community.

- Increased traffic and noise pollution due to big-box development may potentially lower the value of nearby homes purchased by people who reasonably assumed that the area would remain peaceful and attractive.

- Communities often experience a reduction in the number of small-scale, locally-owned retailers that are in direct competition with big-box retailers. A reduction in locally-owned businesses, in

[12] Duerksen, Christopher and R. Matthew Goebel, *Aesthetics, Community Character, and the Law*. Planning Advisory Service, American Planning Association, December 1999.

some instances, can increase unemployment rates and the number of vacant buildings, which can potentially affect the economy of an area.

- Big-boxes often require high visibility from major public streets. The strong, image-making design of a big-box development can be detrimental to a community's sense of place when it does not contribute to or integrate with the surrounding area in a positive way.

Other Related Impacts

The above economic, environmental and social impacts all relate to a proposed big-box development or an existing big-box development. This section, however, looks at the implications surrounding the closing of a big-box retailer, which may be more important to a community than the initial development problems.

Communities across the nation are beginning to witness the "double impact" of big-box development. In other words, communities are not only experiencing economic problems due to a loss of small-scale, locally owned businesses, but also land-use problems due to increased competition among big-boxes that have left a number of abandoned buildings in communities nationwide. Retailers such as Silo, Best, Smith's Home Furnishings and various Hechinger stores have all gone out of business because they were unable to compete with retailers like Wal-Mart, Circuit City, Home Depot and The Room Store**.**

During the research phase of this report, OfficeMax announced the closing of 50 stores, J.C. Penny Co. announced the closing of 47 stores, and Wards decided to close all of their store locations.[13]

[13] According to *Shopping Centers Today* (March 7 and 8, 2001), The May Department Stores Co. plans to purchase 13 former Wards locations and reopen most of them in 2002. Also, Target Corp. purchased the leasing rights to 35 Wards sites and will convert 30 of them into Target stores.

Summary Findings

- Empty big-boxes contribute to an overall increase in commercial vacancy. The R.H. Johnson Company noted this in a survey conducted on thirteen submarkets in the Kansas City, Missouri, metropolitan area. In January 2000, R.H. Johnson found that big-boxes (a retail store consisting of 25,000 square feet or more) accounted for 56.8 percent of the total commercial vacancy in the Kansas City area. In terms of total square feet, however, big-boxes had a vacancy rate of 4.8 percent.

- Since most big-box retailers lease their store space, landlords often face significant economic problems when a big-box tenant goes out of business or relocates. This can also potentially impact an area's economy. (Table 9 provides a basic analysis of the potential loss of revenue after a big-box closes).

- Internet-based retailers are also impacting big-box retailers as well as states and cities. In the July 2000 issue of *Planning*, Ruth Eckdish Knack looks at this issue in an article titled, "Retail Versus E-tail." Knack notes the following from a study conducted by the Center on Budget and Policy Priorities: "...by 2003, states and cities will lose up to $15 billion annually in tax revenue. Sales taxes now account for an average of 40 percent of state revenues. Current law requires Internet-based retailers to collect sales taxes only if they have an outlet in the state the order is shipped to."

Table 9:
Potential Loss of Revenue for an
Empty 100,000 Square Foot Retail Store

Sales Per Gross Square Foot to Remain Profitable	$250 (typical suburban market)	$350 (typical urban market)
Annual Loss of Revenue	$25,000,000	$35,000,000

Asking Rent Per Square Foot to Remain Profitable	$12 (typical suburban market)	$15 (typical urban market)
Annual Loss of Revenue	$1,200,000	$1,500,000

- Bankruptcy laws often prevent landlords from controlling what happens to their own properties. Leased spaces often remain in the control of other entities or retailers that have purchased the rights to store space and continue to look for other users they can put into them on the terms of the existing lease(s).

The findings above describe the impacts of vacant big-boxes that occurred as a result of increased competition, mergers and relocations. The cumulative impacts often result in a loss of revenue and a potential increase in unemployment. In addition, the visual impact of an empty big-box often stimulates the perception of blight and urban decay. Lastly, the closure of a big-box can potentially impact *dependent* businesses such as banks, insurance companies, and nearby restaurants and grocery stores, which have a financial link to the success or failure of a big-box.

Former Hechinger store in the Reisterstown Plaza Shopping Center in northwest Baltimore, Maryland.

Section 4: Regulatory Strategies and Market Approaches

What can state and local governments do?

The expansion of big-box development over the last two decades has presented a number of challenges to cities and towns across the United States and abroad. These challenges, however, have encouraged many communities to find creative solutions to many of the problems generated by big-boxes as described in the previous section. This section focuses on strategies used in other cities and states, as well as strategies used in a big-box project in Gaithersburg, Maryland. This section also presents solutions for small-scale retailers that will allow them to compete more effectively with large-scale retailers.

Local Government Examples

City of Mequon, Wisconsin

In Mequon, Wisconsin, the municipal zoning ordinance is used as a means to restrict and place special conditions on big-box development. Strategies include design considerations and size limitations.

> **B-2 Community Business District**
>
> (a) The B-2 District is established to accommodate the retail and service needs of the greater community.
>
> **(b) General Requirements**
>
> 1. Buildings shall be designed in individual or small groupings generally not to exceed 20,000 square feet per structure. The commercial development shall be designed and sized in a manner which is architecturally, aesthetically and operationally harmonious with the surrounding development.
>
> Source: City of Mequon, Wisconsin, Zoning Ordinance

City of St. Petersburg, Florida

Officials in St. Petersburg, Florida, amended their comprehensive plan to include new policies to help control the level of retail development. Based on an analysis that looks at the ratio of population to retail space, planning staff recognized that they had an "over supply" of retail space. An over supply exists when there is more than one acre of commercial land for every 150 residents. This analysis aided the City of St. Petersburg in rejecting a 220,000 square foot Wal-Mart supercenter.[14]

[14] Walters, Jonathan, "Anti-Box Rebellion." *Governing*, July 2000.

Summary of Applicable St. Petersburg Policies

Land-Use Policies

1.4 The City may permit higher intensity uses outside of activity centers only where available infrastructure exists and surrounding uses are compatible.

2.4 The tax base will be maintained and improved by encouraging the appropriate use of properties based on their locational characteristics and the goals, objectives and policies within this Comprehensive Plan.

2.17 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.

2.18 All retail and office activities shall be located, designed and regulated so as to benefit from the access afforded by major streets without impairing the efficiency of operation of these streets or lowering the LOS [level of service] below adopted standards, and with proper facilities for pedestrian convenience and safety.

Source: City of St. Petersburg Adopted Comprehensive Plan

Summary of Applicable St. Petersburg Policies (Continued)

Land-Use Policies

20.2 Land-use patterns that impair the efficient functioning of transportation facilities shall be avoided through:

(2) Denial of land-use plan amendments that increase the frontage of commercial strips.

Source: City of St. Petersburg Adopted Comprehensive Plan

City of Gaithersburg, Maryland

The Washingtonian Center in Gaithersburg serves as a local example that places special restrictions on big-boxes within a main-street environment. The Center, located between Washingtonian Boulevard and Interstate 270, was developed on a 103-acre parcel of land. The local master plan contained language that indicated the parcel should be developed as a mixed-use center. Criteria for the site required buildings to front streets, parking to be located at the rear of buildings and limits on building size.

Summary of Applicable Land-Use Recommendations from the 1985 Gaithersburg, Maryland, Vicinity Master Plan

The Plan recommends that the Shady Grove West Study Area continue to be designated as a major employment and housing center due to its strategic location in the I-270 Corridor.

Specifically, the Plan recommends that:

- The Washingtonian property, adjacent to I-270 and also part of the R&D Village, be designated on the proposed Land-Use Plan as suitable for the MXPD Zone and be developed as a "planned employment center" with offices, a small amount of retail development, and residential uses.

Summary of Applicable Land-Use Recommendations from the 1990 Shady Grove Study Area: Stage III Gaithersburg Vicinity Master Plan Amendment*

This Plan confirms the *1985 Gaithersburg Vicinity Master Plan* recommendations for this parcel which has guided the review and approval of the MXPD (Mixed-Use Planned Development) Zone for the Washingtonian Center.

- Mitigate the effects of noise from proposed I-370 through design and construction techniques.
- Encourage decked or underground parking.
- Enhance existing ponds and landscaping.
- Respect the existence of the Washington Tower and other adjoining

communities in terms of site design quality and provide a vegetative buffer on the western edge of the Washington Tower property.

* Note: Four parcels of land were annexed into the City of Gaithersburg in 1991 as part of the Washingtonian Center. Zoning remained MXPD, while the adopted land -use designation was commercial/industrial-research-office.

Kohl's is one of several big-box retailers located in the Washingtonian Center. Big-boxes are designed within a "main-street" environment.

City of Portland, Oregon

In 1990, the Portland City Council adopted a design review ordinance including a design review process and basic guidelines. The ordinance, in part, was established to help implement the goals and objectives of the Portland Central City Plan. The guidelines focus on a broad range of aspects that meet the basic expectations of the City. However, they are not intended to be inflexible requirements.

Summary of Applicable Design Guidelines in Portland, Oregon

Architectural Integrity

- Exterior modification of an existing structure should respect the original character of the building. Additions to existing buildings are encouraged to be compatible in size, scale, color, material and character with the existing building.
- Achieve design compatibility between new and existing buildings by using a design vocabulary that adds to the identity and character of an area.
- Differentiate between the building facade at the sidewalk level and the floors above.
- Use building materials and design features that promote permanence, quality and delight.

Portland Personality

- Incorporate Portland related themes into a project design, where appropriate.
- Enhance the identity of Special Districts by incorporating small-scale features that add to the District s identity and ambiance. Embellish with elements that build district character and respect district traditions.
- Re-use, rehabilitate and restore buildings and building elements, where appropriate.
- Define public rights-of-way in a manner which creates and maintains a sense of urban enclosure.

Source: Portland Central City Plan Fundamental Design Guidelines

Summary of Applicable Design Guidelines in Portland, Oregon (Continued)

Pedestrian Emphasis

- Recognize the different zones of a sidewalk: curb, street furniture zone, walking zone and window shopping zone.
- Where appropriate, develop pedestrian routes through sites and buildings to supplement the public right-of-way. Provide an attractive, convenient pedestrian accessway to building entrances.
- Integrate an identification, signage and lighting system which offers interest, safety, vitality and diversity to the pedestrian.

- Protect the pedestrian from vehicular movement.
- Whenever possible, provide weather protection for the pedestrian at the ground level.

Source: Portland Central City Plan Fundamental Design Guidelines

City of Fort Collins, Colorado

In 1995, the City Council of Fort Collins approved and adopted an ordinance to regulate large-scale retail establishments. This ordinance was also accompanied by a manual of design standards and guidelines to serve as a tool for big-box development. These standards and guidelines were placed within the framework of Fort Collins' Land Development Guidance System and Land-Use Code. A building moratorium was imposed to study the impacts of big-box development in the region.

Somerset County, New Jersey

In 1998, the Regional Center Partnership developed a set of design guidelines for large-scale retail development in communities in Somerset County, New Jersey. The Partnership modeled its guidelines after strategies used in Fort Collins, Colorado. State law in New Jersey, unlike Colorado, prohibits the establishment of moratoriums (N.J.S.A. 40:55D-90a).

Summary of Standards and Guidelines in Fort Collins, Colorado

Facades and Exterior Walls

Facades should be articulated to reduce the massive scale and the uniform, impersonal appearances of large retail buildings and provide visual interest that will be consistent with the community's identity, character and scale.

- Facades greater than 100 feet in length, measured horizontally, shall incorporate wall plane projections or recesses having a depth of at least 3% of the length of the facade and extending at least 20% of the length of the facade. No uninterrupted length of any facade shall exceed 100 horizontal feet.
- Ground floor facades that face public streets shall have arcades, display windows, entry areas, awnings, or other such features along no less than 60% of their horizontal length.
- Building facades must include a repeating pattern that shall include no

less than three of the following elements: color change; texture change; material module change; and expression of architectural or structural bay through a change in plane no less than 24 inches in width, such as an offset, reveal, or projecting rib. All elements shall repeat at intervals of no more than 30 feet, either horizontally or vertically.

- The minimum setback for any building facade shall be 35 feet from the property line. Where the facade faces adjacent residential uses, a berm, no less than 6 feet in height, containing at a minimum evergreen trees planted at intervals of 20 feet on center, or in clusters or clumps shall be provided.

Summary of Standards and Guidelines
in Fort Collins, Colorado
(Continued)

Materials and Colors

Exterior building materials should be aesthetically pleasing, and compatible with materials and colors used in adjoining neighborhoods.

- Predominant exterior building materials shall be high quality materials. These include, without limitation: brick, sandstone, other native stone, wood and concrete masonry units that are tinted and textured.

- Facades shall be of low reflectance, subtle, neutral or earth tone colors. The use of high intensity colors, metallic colors, black or fluorescent colors is prohibited.

- Building trim and accent areas may feature brighter colors, including primary colors, but neon tubing shall not be an acceptable feature.

- Predominant exterior building materials should not include the following: smooth-faced concrete block, tilt-up concrete panels and pre-fabricated steel panels.

Roofs

Roof features should be used to compliment the character of the adjoining neighborhoods. Variations in roof lines should be used to add interest to, and reduce the massive scale of large buildings. Roofs shall have no less than two of the following features:

- Parapets concealing flat roofs and rooftop equipment from public view. The average height of such parapets shall not exceed 15% of the height of the supporting wall and such parapets shall not at any point exceed one-third of the height of the supporting wall. Such parapets shall feature three dimensional cornice treatment.

- Overhanging eaves, extending no less than 3 feet past the supporting walls.

- Sloping roofs that do not exceed the average height of the supporting walls, with an average slope greater than or equal to 1 foot of vertical rise for every 1 foot of horizontal run, and less than equal to 1 foot of the vertical rise for every 1 foot of horizontal run.

- Three or more roof slope planes.

Summary of Standards and Guidelines in Fort Collins, Colorado (Continued)

Entryways

Entryway design elements and variations should give orientation and aesthetically pleasing character to the building. Large-scale buildings should feature multiple entrances. Multiple entrances reduce walking distances from cars and provide greater access from public sidewalks.

Each principal building on a site shall have clearly defined, visible customer entrances featuring no less than three of the following:

- Overhangs, canopies or porticos.

- Recesses/projections.

- Arcades.

- Raised corniced parapets over the door.

- Peaked roof forms.

- Arches.
- Outdoor patios.
- Display windows.
- Architectural details such as tile work and moldings which are integrated into the building.
- Integral planters or wing walls that incorporate landscaped areas and/or places for sitting.

Where additional stores will be located in the principal building, each such store shall have at least one exterior customer entrance, which shall conform to the above requirements.

Summary of Standards and Guidelines
in Fort Collins, Colorado
(Continued)

Pedestrian Flows

Public sidewalks and internal pedestrian circulation systems should provide user-friendly pedestrian access as well as pedestrian safety, shelter and convenience within the center grounds.

- Sidewalks at least 8 feet in width shall be along all sides of the lot that abut a public street.
- Internal pedestrian walkways provided in conformance with the information below, shall provide weather protection features such as awnings, or arcades within 30 feet of all customer entrances.
- Continuous internal pedestrian walkways, no less than 8 feet in width, shall be provided from the public sidewalk or right-of-way to the principal customer entrance of all principal buildings on the site. At a minimum, walkways shall connect focal points of pedestrian activity such as, but not limited to, transit stops, street crossings, building and store entry points, and shall feature adjoining landscaped areas that include trees, shrubs, benches, flower beds, ground covers, or other such materials for no less than 50% of their length.

- Sidewalks, no less than 8 feet in width, shall be provided along the full length of the building along any facade featuring a customer entrance, and along any facades abutting public parking areas. Such sidewalks shall be located at least 6 feet from the facade of the building to providing planting beds for foundation landscaping, except where features such as arcades or entryways are part of the facade.

- All internal pedestrian walkways shall be distinguished from driving surfaces through the use of durable, low maintenance surface materials such as pavers, bricks, or scored concrete to enhance pedestrian safety and comfort, as well as the attractiveness of the walkways.

State Government Examples

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

Summary of Applicable Vermont Statutes

Purpose; Goals

To encourage the use of resources and the consequences of growth and development for the region and the state, as well as the community in which it takes place.

To encourage and assist municipalities to work creatively together to develop and implement plans.

Intensive residential development should be encouraged primarily in areas related to community centers, and strip development along highways should be discouraged.

Economic growth should be encouraged in locally designated areas, or employed to revitalize existing village and urban centers, or both.

Conditional Uses

Such general standards shall require that the proposed conditional use shall not adversely affect:

- The capacity of existing or planned community facilities.
- The character of the area affected.
- Traffic on roads and highways in the vicinity.

Such specific standards may include requirements with respect to:

- Minimum lot sizes.
- Performance standards.
- Minimum off-street parking and loading facilities.
- Landscaping and fencing.
- Design and location of structures and service areas.
- Size, location and design of signs.

Source: Vermont Statutes Online -Title 24: Municipal and County Government

Summary of Applicable New Jersey State Plan Policies

Economic Development

- Coordinate economic development activities both horizontally on each level of government and vertically among the levels of government.
- Provide adequate capital facilities, whether publically or privately owned or maintained, to meet economic development objectives of the Planning Area.
- Strategically locate State facilities and services to anchor and support major economic development and redevelopment activities in areas of existing development, particularly in mixed-use developments or Centers, with adequate infrastructure capacity.
- Provide financial and technical assistance for the adaptive reuse of obsolete or underutilized public and private facilities for appropriate economic development purposes.

Comprehensive Planning

- Coordinate the review of plans, ordinances, programs and projects that potentially have a "greater-than-local" impact to minimize regional and local impacts.

- Participate actively in multi-jurisdictional planning programs that will help to achieve fiscal efficiencies in the delivery of public services and assure compatibility with plans of adjacent communities.

- Develop plans that are integrated and coordinated with plans at all levels of government, with special attention paid to the impacts of State functional plans on land-use and with greater participation of the departments of health, human services and public safety and boards of education and other agencies not traditionally involved in comprehensive planning processes.

Source: New Jersey State Development and Redevelopment Plan - Online

What are some market approaches that local governments can use?

Market Analysis

A market analysis is one way for a community to determine if there is a demand for retail development, or if a community can support a large-scale retail format. A market analysis identifies the most likely users of a project and how well consumers are being served by existing businesses.

The initial step to conducting a market analysis often begins with determining the trade area of a subject location. A trade area is generally described as the geographic boundary that surrounds a proposed or existing development from which 70 percent to 80 percent of the customers are typically drawn. The geographic boundary can also be determined by driving times to the subject location. Typically, the primary trade area is often described as a two-mile radius or polygon of a subject location, and the secondary trade area is described as a three-mile radius or polygon of a subject location. Trade areas can also be affected by physical barriers such as a highway or a body of water.

After the trade area is defined, the next step is to collect essential socio-economic data in order to assess the market. Socio-economic data can include current and future population and household projections, median and average household income, and expenditures per household. Retail data can also be collected on the following: retail sales trends by business category and service, the number of retail establishments and the estimated square feet of gross leasable area.

Finally, an analysis can be performed to assess the performance of other competing retail stores in the trade area to determine if a community can support a proposed or existing retail facility. This information, coupled with the above, will help determine the overall square footage of a proposed retail development, or the feasibility of new retail uses.

The information below is a brief, hypothetical market analysis for Allegany County, Maryland. The objective here is to determine if a 100,000 square foot general merchandise store can be supported.

General Market Analysis for Allegany County, Maryland
with a Proposed 100,000 Square Feet Store

28,250 Households x $28,400 Median Household Income (1998 dollars)
= $802,300,000 is the Effective Buying Power

28,250 Households x $37,900 Mean Household Income (1998 dollars)
= $1,070,675,000 is the Estimated Total Income

28,250 Households x $4,548 General Merchandise Expenditures per Household in Allegany County, MD
= $128,481,000 is the Sales Potential for General Merchandise

$128,481,000 Sales Potential/$250 Sales Per Square Feet (Gross) Needed to Support New Store
= 513,924 is the amount of Supportable Square Feet for General Merchandise Assuming at least 80 percent of the Market can be Captured in the Trade Area

*** 513,924 Supportable Sq.Ft. *Vs.* 100,000 Proposed Sq.Ft. ***

Assuming all economic conditions are held constant in Allegany County, a 100,000 square foot general merchandise store could be supported. Existing retail space, however, must be at or below 413,924 square feet.

The above example illustrates a basic step that local jurisdictions can take to assess the need for new commercial development (including office and retail).

The following is a list of additional questions that should be addressed in a market analysis or during a community planning process:

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

The recent proliferation of big-box development in Maryland as well as other states warrants the need for communities to take a proactive approach. Many communities, however, have only been able to take a reactive approach after a proposal has been submitted or a notice that indicates a proposed change in zoning has been posted. **Still, knowing the local market and the basic criteria for big-box development can aid a community planning process.**

The basic criteria for big-box development often includes the following:

- Trade area with a minimum population of 50,000.
- Trade area that has a minimum two- to five-mile radius.
- Maximum car accessibility (by locating near the intersection of two thoroughfares).
- Minimal land costs.
- Maximum visibility.

Market Strategies

The majority of the strategies discussed above have been land-use based. In this section, however, market strategies regarding how small-scale retailers and local merchants may be able to compete with big-box retailers are discussed. This information may also be useful to local jurisdictions that are seeking ways to improve economic development initiatives. The majority of this information comes from work by economist Kenneth E. Stone.

Policy Actions

- Evaluate the impact of incentives given to large firms or big-box developers.
- Evaluate if a proposed big-box development will enlarge a town's trade area.
- Evaluate if there are ways to capitalize on the increased volumes of traffic generated by big-box development.

Merchandise Actions

- Research and buy from new, innovative vendors.
- Seek opportunities to carry different brands, styles etc.

- Avoid big-store name brands whenever possible.

- Get rid of old merchandise that does not sell or generate a profit.

- Look for opportunities to purchase goods with other local merchants.

Presentation and Marketing Actions

- Replace conventional store fixtures with innovative or unusual alternatives.

- Adjust store operating hours whenever possible.

- Improve product return policies and procedures.

- Seek opportunities to modify prices whenever possible.

- Know your customers and focus advertising towards this group.

- Know your competitive advantage in the local market place.

- Emphasize technical expertise and advice on products and services.

- Have employees dress in casual attire.

Service Actions

- Seek opportunities to offer delivery services.

- Seek opportunities to develop special orders.

- Offer on-site installation and service on certain items.

- Seek opportunities to train and continue training employees.

Customer Service Actions

- Make sure customers receive a friendly "greeting" or post a greeting sign.

- Treat employees as part of a team.

- Seek opportunities to solicit complaints and resolve customer problems.

Summary of Regulatory Strategies

This section presented a myriad of strategies used to regulate big-box development. It is important, however, to underscore that citizen participation played a key role in the development of the strategies used in each of the above states, cities and small towns. The primary lesson from each of the above examples is that a proactive approach must be used when dealing with big-box development rather than a reactive approach. Below is a summary of regulatory *tools* and strategies discussed in this section.

- Municipal Comprehensive Plan

- Municipal Zoning Ordinance
  - Size and height limitations
  - Conditional use restrictions
  - Operational use requirements

- Market Analysis
  - Assess if "retail caps" are warranted on the amount of land designated for retail development

- Impact Assessments and Development Fees

- Inter-Jurisdictional Coordination and Agreement

- Design Review and Design Guidelines

- Performance-based Approaches and Standards
  - Assess the relationship of the proposed project to the local comprehensive plan
  - Assess the impacts of the proposed project on the character of the area
  - Require traffic access management and traffic congestion controls
  - Require screening and landscaping
  - Evaluate the impact on noise in the area
  - Evaluate the impact on pollution (e.g., air, water) in the area

Section 5:
Relation to Smart Growth

The proliferation of big-boxes in the State has raised concerns about the ability of Smart Growth legislation to control large-scale retail development. This section discusses the limits of Smart Growth legislation, including basic planning and land-use regulatory powers of the State's municipalities noted in Article 66B of the Annotated Code of Maryland.

Overview of Smart Growth

It is important to begin this section with an overview of Smart Growth and its evolution. In 1996, Governor Parris N. Glendening embarked upon an effort to establish legislation that would strengthen the State's ability to direct growth and enhance older urban areas.

The 1997 Smart Growth Areas Act is the primary piece of legislation that capitalizes on the influence of the State to direct funding for development in existing communities or to those places designated by the State or local governments for growth, which are called Priority Funding Areas (PFAs). While Smart Growth initiatives are primarily fiscal planning and capital improvement strategies, they have the ability to influence local governments through the revision and update of their comprehensive plans to reflect the goals of Smart Growth as well as policies established in the 1992 Economic Growth, Resource Protection and Planning Act.

Smart Growth legislation automatically designates the following locations as PFAs: municipalities, Baltimore City, areas inside the Baltimore and Washington beltways, neighborhoods that have been designated by the Maryland Department of Housing and Community Development for revitalization, Enterprise Zones, and Heritage Areas within county designated growth areas.

Counties have the ability to designate or to not designate all of the areas the State defines as eligible for priority funding. In addition, county designation of PFAs does not restrict the location of private sector or county development. County-designated PFAs are simply areas the county wants to be eligible for State funded projects. Eligible areas are as follows:

- Areas with new industrial zoning in a county-designated growth area that is served by a sewer system;

- Areas with employment as the principal use which are served by, or planned for, a sewer system in a county-designated growth area;

- Existing communities within county-designated growth areas which are served by a sewer or water system, and which have a density of 2 dwelling units per acre; and

- Rural villages designated in local comprehensive plans.

Other eligible areas within county-designated growth areas include zones that:

- have a permitted density of 3.5 or more units per acre for new residential development;

- reflect a long-term policy for promoting an orderly expansion of growth and efficient use of land and public services; and

- are planned to be served by water and sewer systems.

Smart Growth legislation recognizes that there are times when the State will need to fund projects that are outside PFAs. Provisions for these matters are determined on a case-by-case basis.

Article 66B and Other State Laws

Section 10.01 of Article 66B of the Annotated Code of Maryland provides local jurisdictions with the authority to enact innovative and flexible ordinances to guide development. Examples include:

- mixed-use development

- cluster development

- planned unit development

- floating and overlay zones

- incentive zoning

- alternative subdivision requirements that:
  - meet minimum performance standards set by the local jurisdiction; and
  - reduce infrastructure costs.

The State grants local jurisdictions the power to implement the above planning and zoning controls. All of these *tools* have the ability to regulate and limit big-box development. Recently, language in Section 4.05 was amended to grant local governments adaptive reuse power. This provision has the ability to both encourage and regulate big-box development as a form of infill and redevelopment, particularly in existing urban areas where a former land-use or zone can be altered to a new use.

The State has also moved forward to enact legislation that provides for adequate public facilities. In addition, the State has taken steps to improve inter-jurisdictional coordination. Section 5-707(a)(1) of the Finance and Procurement Article of the Annotated Code of Maryland provides that the Inter-jurisdictional Coordination Subcommittee "shall promote planning and coordination and inter-jurisdictional cooperation among all jurisdictions consistent with the State's economic growth, resource protection and planning policy."

Section 5-707(a)(1) of the Finance and Procurement Article has the potential to serve as a guide for the State to address many of the impacts caused by big-box development and their trade areas.[15] In an Annual Report by the Inter-jurisdictional Coordination Subcommittee, it noted that 64 percent of municipalities surveyed engage in some form of inter-jurisdictional agreement involving roads, sewer and water. This report also noted the deficiencies of adequate public facilities ordinances (APFO) as it relates to inter-jurisdictional coordination.

[15]Developers of big-boxes often look for a trade area with a minimum population of 50,000. However, local jurisdictions should establish criteria to evaluate retail trade areas in their respective communities.

Municipalities

Municipalities frequently mentioned lack of control over the phasing, timing, siting and funding of public facilities or development outside their jurisdiction. These facilities are controlled by another political body, but affect the municipality either directly or indirectly (i.e., municipalities lack control over their existing transportation level of service due to outside development). This uncertainty can leave a town or developer unable to undertake the needed infrastructure projects. Also, the scale, standards and development types included in a county APFO do not necessarily make sense for a municipality whose development capacity is limited to infill and redevelopment.

Counties

Counties identified the lack of impact the APFO has on municipal development, particularly systems (e.g., roads, schools) operated by a county. Also, different standards and levels of analysis between a county and a municipality were mentioned as problems affecting an APFO.[16]

Since the impacts of big-box development also relate to many of the issues of an APFO, local jurisdictions may be able to resolve some of these matters by requiring developers to submit an impact assessment as part of the application process. The affected jurisdiction should share that information, when necessary, with nearby jurisdictions that may be affected in order to establish a joint effort to address aspects of the proposed development.

While it is clear that language in Article 66B as well as Smart Growth legislation may not necessarily be identical to the language in the policies and zoning ordinances in both New Jersey and Vermont, as discussed in the previous section, the underlying intent to provide for orderly development in Maryland is very similar to the goals and visions of these states.

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[16] Inter-Jurisdictional Coordination Subcommittee, *Annual Report 2000*. Maryland, 2000.

Conversion of a former Hechinger store to a Super Fresh Grocery store. This adaptive reuse project is adjacent to the Security Square Mall in Baltimore County, Maryland.

Section 6:
Summary and Recommendations

This report covered a number of facets related to big-box retail development. The first section provided background information concerning trends in big-box development. The second section focused on historical and current retail trends in Maryland. Data in this section shows Maryland had a larger number of general merchandise stores in 1977 compared to 1997. Also, data shows retail sales in the State, when adjusted for inflation, have experienced moments of decline over the past decade. The third section noted findings from studies conducted on big-box development, particularly Wal-Mart stores. This section indicated that there were a number of environmental, social and economic impacts caused by big-box development.

The fourth section focused on strategies to address the impacts of big-box development in states such as New Jersey and Vermont. Strategies used in cities such as Mequon, Wisconsin; Fort Collins, Colorado; Portland, Oregon; and Gaithersburg, Maryland were also discussed. Examples of various regulatory strategies and methods included the following: design review ordinances and guidelines; the municipal comprehensive plan and local zoning ordinances; impact assessments; inter-jurisdictional coordination and agreement; and performance-based zoning. In addition, this section noted that jurisdictions must take a proactive approach when dealing with big-box development, preferably before a development or notice of a potential zoning change is advertised. Lastly, market approaches were discussed. These methods provide small-scale retailers with ways to compete more effectively with large-scale retailers.

The last section provided a brief overview of Smart Growth legislation. It also discussed the limitations of Smart Growth with respect to regulating big-box retail development. This section also noted that Article 66B of the Annotated Code of Maryland provides local jurisdictions with the authority to enact innovative and flexible ordinances to guide big-box development. The following examples were noted: adaptive reuse strategies; incentive zoning; mixed-use development techniques; and adequate public facilities ordinances.

This report has provided a number of strategies that can be implemented by the State as well as local jurisdictions. Additional recommendations are listed below.

Recommendations: State Government

- The State can amend Smart Growth legislation and language in Article 66B to provide for increased coordination of the review of plans, ordinances, programs and projects that potentially have a "greater-than-local" impact.

- The State can increase coordination between the Maryland Department of Business and Economic Development and the Department of Housing and Community Development regarding retail development. Technical assistance can also be provided to assist small, locally-owned retailers.

- Incentives can be provided to local jurisdictions and landowners for preserving large tracts of land undergoing review for a proposed big-box development.

- The State's Inter-Jurisdictional Coordination Subcommittee can be used as a vehicle to assist local jurisdictions requesting assistance for project evaluation or inter-jurisdictional agreement regarding big-box proposals.

- The State should continue to study the impacts of Internet-based retailers.

Recommendations: Local Government

- Require big-box developers to submit an impact assessment (e.g., traffic, noise, trade area size, water and sewer capacity) with a development proposal.

- Allocate funds to perform independent market studies of proposed large-scale retail development.

- Seek opportunities to initiate design competitions for adaptive reuse projects with proposed retail development. Incentives can be linked to projects approved for development.

- Increase coordination and review of local economic plans with comprehensive plans.

- Look for opportunities where big-box retailers may be able to provide "off-site" improvements or support in the affected community.

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