Big Box Stores:
America's Rigged Game for Retail

Strong Towns

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Strong Towns

Introduction

By Charles Marohn

Two people walk up the aisle and exchange vows. The first makes a promise for life: "Through sickness and health, till death do us part." The second makes some firm statements about the present: "I promise to get a job and provide for our family," and some vague statements about the future, but reserves the right to reevaluate the relationship in twelve to fifteen years. In fact, they have every intention of seriously re-evaluating at that time, along with a family history of moving on when prospects seem brighter elsewhere.

Photo by Petar Milosevic

What do we make of this relationship? It certainly seems lopsided. If we were closely related to the first person—the one making the long-term commitment—we would perhaps have a serious talk and make sure they knew what they were doing. Is this really the relationship you want to have?

I've seen way too many cities fall for the big box store. In fact, I worked on a couple of them back in my engineering days. The big box retailer would come to town and promise to pay all the up-front costs for running the sewer and water and putting in the frontage roads. Sometimes the retailer asks for tax subsidies to pay them back—"but for" the subsidy, the development wouldn't happen, or so they say—but often they make this investment as part of doing business.

From the local government's standpoint, this transaction is ideal. For little to no money down, the city gets all this additional investment, new jobs for the community, an increase in tax base and ongoing sales tax revenue. Pure genius (or so we tell ourselves). All we have to do in exchange for this windfall is take on the long-term liability of providing service to the site. That bill won't come due for decades—and accounting rules book these liabilities as assets anyway—and so it's all good.

These are losing investments once the public infrastructure runs more than one life cycle. The scenario I've described up to this point is the first step in the Growth Ponzi Scheme.[1] If it ended there, the financial hit would be serious, but the tragedy would be modest.

This is rarely where it ends, however. In the great chase for more growth, cities use the big box investments to push further outward. It might not be obvious to the person driving by, but that new residential development up the road is upstream, so to speak, from the big box. That means their water and sewer service passes through that big box site. See the problem yet?

The dirty little secret of big box development—and it's really not a secret—is that the buildings are designed to be abandoned. They are throw-away buildings with a shelf life of twelve to fifteen years. Now, do they occasionally last longer? Absolutely, when the retailer decides that location is worth maintaining and upgrading the building. Very often, however, the site is simply abandoned when the big box opens a new location a little further away, the old building boarded up or sold to some non-competing, much lower revenue entity.

The utilities aren't abandoned, however. Nope; they now become the eternal obligation, because now they not only serve the abandoned site, but they are essential to providing service to those further upstream. Default on the maintenance promise at the big box site and the city defaults on everyone further out. It's a dead site, but it continues to cost taxpayers large sums of money.

We're pretty blind to this problem, as a culture and also as professionals working in related fields. We've been so amazingly affluent—or have been allowed to pretend we are—that all of this waste hasn't mattered to us. We don't do the math and instead just assume that new growth will save us as it has since we began the Suburban Experiment. As more and more cities find themselves with deep financial problems, we're waking up to the reality that we can't have miles of pipe in the ground that serve nothing productive. We can't throw away money like that anymore.

This all serves to illuminate the fact that big box development is extremely risky. We, the taxpayers, put a pipe in the ground in our name and we've made an eternal promise that generation after generation is expected to make good on. The big box retailer builds a store and they've recouped their capital costs in a decade. They are then free and clear to move on, leaving us with a dead site. Their zealous obligation is to their shareholders. I can respect that, but our obligation to our taxpayers—today's and tomorrow's—needs to be equally zealous.

The following essays look at the relatively low financial productivity of big box stores, combined with their high risk. They examine sites that have failed and sites that have been retrofitted, and they consider the future of the big box model. Strong Towns is not an anti-big box movement. In fact, America's big box retailers are perfectly adapted to the rules of the game as we've collectively established them.

If you don't like the outcome of the game, don't hate the participants. Change the rules.

The Future of Big Box

By Johnny Sanphillippo

A large proportion of the North American landscape is dominated by big box stores and the associated land use pattern that we've all come to recognize. They're so ubiquitous that we tend not to question how they came into being. I'm going to take some time to explore a retail development in the Antelope Valley in California. I use this example because it's typical rather than unique. Whether you live in Florida, Texas, or Nebraska, the same dynamics are at work.

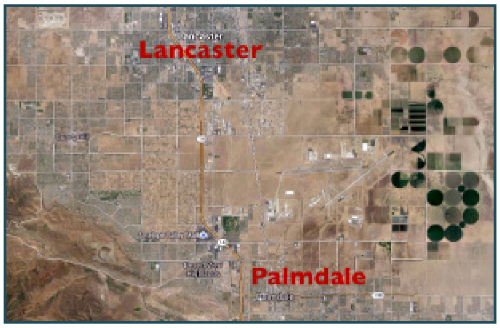


Photo credit: Google Maps

The story begins with a rivalry between the two contiguous municipalities of Lancaster and Palmdale. If you were to drive through the Antelope Valley you would have no way of knowing when you had passed through one town and into the other. Not only are they composed of identical building types, but their borders are incredibly intertwined and gerrymandered after decades of annexation in an arms race to see who could grow the fastest.

The big prize is always sales tax revenue from high volume retailers: car dealerships, big box stores, department stores, chain restaurants... Anything with a cash register will do. Like most towns the property tax revenue from residential development isn't nearly enough to cover the costs of city services such as schools, road maintenance, and police and fire protection. Sales tax receipts are desperately needed to fill the gap. The construction and service jobs associated with new retail are also welcomed by city authorities. New growth is paramount at the economic development agencies.

Photo credit: Google Maps

With this in mind the City of Lancaster prepared a site for a regional shopping mall in the late 1980's. The land next to the freeway was set aside, it was properly zoned, expensive infrastructure was installed, a "business friendly" package of heavy subsidies and sweeteners was put in place, and an extensive lobbying campaign was launched. Basically, Lancaster hiked up its skirt, put on a Wonder Bra and a lot of rouge and hoped a big strong regional shopping mall would come calling.

Photo credit: Google Maps

Unfortunately for Lancaster, it was Palmdale that successfully wooed the mall developer with a $20,000,000 incentive package back in 1990. The customer traffic heading to and from the new mall spawned a dozen adjacent retail sites that sprouted big box stores and a penumbra of chain restaurants and strip malls. It was a city planner's dream for almost eighteen years.

But then Palmdale was hammered by the economic crash of 2008. The mall lost its Gottschalk's and Mervyn's anchor stores. Palmdale's economic development team felt it had no choice but to entice Macy's and others to fill the void with multi-million dollar tax deferments and business "incentives." Remember, a big mall with no anchor stores rapidly fails as foot traffic declines. In fact, no developer can even secure bank financing to build or improve a retail complex unless they already have signed contracts with a couple of big stores. That's why the largest stores in any mall pay the lowest proportional rent. The real cost of the mall is carried by the smaller shops and, very often, the tax payers.

A Cinnabon pays a great deal more per square foot in rent than a big anchor like Macy's. The Cinnabon is also far more productive and pays more tax and employs more people pound for pound. The anchors effectively take up a lot of space, negotiate with veiled threats, pay as little rent as possible, and virtually no tax. That's standard business practice across the country.

Photo credit: Google Maps

The idea that a town can repeatedly offer tax abatements to the same property in the short term in order to create tax revenue and prosperity over the long haul is a bad economic model. In fact, having neighboring towns race to see who can repeatedly impoverish themselves the most in an attempt to grow rich on new business is also a bad plan. Both towns know private corporations actively game the system, yet they can't seem to help themselves. They still wet their pants at the thought that the next town over might get the new Applebee's or Jiffy Lube instead of them. It's a form of institutional insanity.

Since Lancaster couldn't have the regional mall, it needed to find a new use for the land it had set aside. There aren't many things that can fill that kind of space. Like the mall in Palmdale, it needed to be something that would serve as a catalyst for growth all around it. And it had to be something that Palmdale didn't already have. So Lancaster built what was intended to be a regional entertainment center with a baseball stadium, hotel, multiplex movie theater, and a premium outlet mall. "Build it and they will come."

In 1995 the city of Lancaster spent $14,500,000 to build the baseball stadium in the hope that economic growth and development would spring up all around it. So a decade on what does the area look like?

Photo by Johnny Sanphillippo

Near the ball park is the Lancaster Marketplace—an outlet mall. I checked the official management website and the leasing agent lists half the stores as "available". The spaces that are occupied include a dialysis clinic, a dentist, various nail salons, a recycling center, an evangelical church, and a few outlet stores that sell sneakers and jeans. This clearly isn't the economic engine or tax base that the city had originally envisioned. It wasn't simply the economic crash of 2008 that brought this place down. It was the institutional over-supply of retail space across the entire region. No town needs the insane number of shops that were induced into being by overly-optimistic developers and tax-starved municipal authorities.

The new movie theater by Johnny Sanphillippo

Here's the movie theater with all the modern bells and whistles: 22 screens, IMAX, 3D, stadium seating, all digital, a sound system that can pull the gold fillings out of your teeth… you name it. It's a massive stand alone building with an even bigger parking lot. In fact, the collection of reserved handicapped parking spots close to the front door is as large as many ordinary parking lots at lesser movie theaters. But here's the problem.

The old movie theater by Johnny Sanphillippo

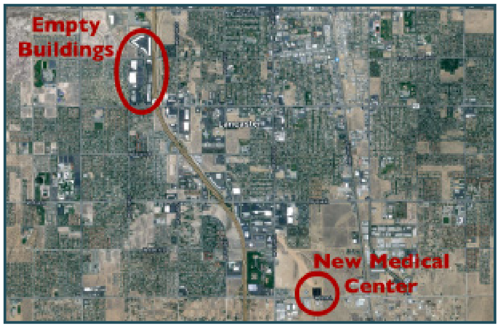
This is the old 12 screen movie theater half a mile away. It's now a "second run" theater catering to the discount matinee crowd because it can't possibly compete on anything other than price with the new super deluxe theater down the road.

The old, old movie theater by Johnny Sanphillippo

And here's the old, old movie theater that used to play second run shows when the 12 screen opened up. It was eventually driven out of business. The building sat empty for a long while until someone attempted to operate a hairdressing school at the location. That business failed and now the place sits empty again. The new growth isn't adding to the town's economy. New bigger buildings simply replace old buildings that never get repurposed.

The side-by-side Walmarts by Johnny Sanphillippo

Across the street from the struggling outlet mall and old 12 screen movie theater is a Walmart. In fact, there are two Walmarts right next to each other. The older "small" Walmart was built in 1990. In 2006 Walmart decided it was time for a new larger super store and there was still plenty of land available in the same retail complex. Even as I stood on the far edge of the enormous parking lot with a special wide angle camera lens, I still couldn't get the two side-by-side buildings into view in a single frame. These buildings are massive.



Above photos by Johnny Sanphillippo

Here's what the old Walmart looks like today—just twenty-five years after it was built. In theory, a new big box retailer would have opened up in the old Walmart building, but instead it has remained empty since 2006. There's simply no market demand for these hulking ruins.

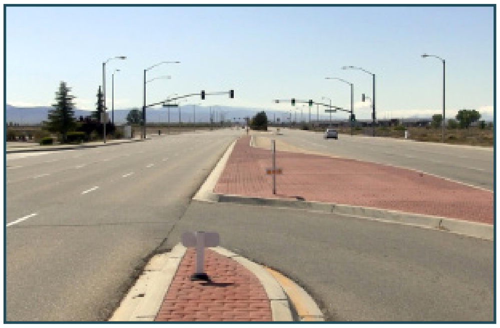
One of the popular urban planning strategies in vogue these days is to re-use dead retail buildings by converting them to "meds and eds." Junior colleges and medical centers are of a suitable size that they can fill old big box stores and help reactivate the surrounding space. The photo on the left is of the newest medical center in Lancaster. It's solar powered and hyper energy efficient. The native drought tolerant landscaping is irrigated with recycled gray water. High quality regionally appropriate public art is in abundance. And it's almost exactly the same size as the old Walmart that's been sitting empty for the last decade. But where is it?

If you were to search out the least developed patch of this already sprawling hopscotch part of Lancaster… that's where. Why? I'm sure there were all sorts of reasons having to do with the medical people, the developers, the city planners, the banks… Maybe the medical center is expected to be the engine of economic development in this patch of the desert and they want loads of extra room so they can spread out in the future. Or maybe that's where the really cheap land was near a freeway cloverleaf. Or perhaps the medical center was too prestigious to be located in a low rent shopping plaza. Who knows?

There was still a big chunk of the old mall site that couldn't be filled with much of anything. Reluctantly the city rezoned it for single family residential subdivisions.

Housing wouldn't bring in tax revenue the way retail development would, but it was better than nothing. Growth was growth and Lancaster needed it badly. From Google Earth view you can see the cul-de-sacs carved into the desert. So far… no takers.

Here are more photos of that old regional shopping mall site and the surrounding area. Notice the roads that were built to accommodate all the anticipated growth. But they built and no one came.



This story isn't unique to the Antelope Valley. These same patterns of development play out all over the country. Some of you may dismiss this particular part of the world and assume your town is much better at managing its affairs. You may have more employers pumping money into your local economy. Or perhaps you live in a more sensible state with a pro-business legislature, unlike the folks who run California. The truth is that California just did everything earlier and faster, and on a grander scale than other places. Your turn is coming.

Above photos by Johnny Sanphillippo

The Shopping Mall Death Spiral

By Charles Marohn

The shopping mall is the epitome of America's Suburban Experiment. From a local government standpoint, it was the golden chalice of development, a winner-take-all prize in our race to the bottom. Whoever got the mall was able to steal from their neighbors that fraction of a sliver of retail taxes that local governments receive. When consolidated in one place, that could add up to a significant amount of money, at least for a while.

The losers with their crumbling downtowns... well, they could eat cake. Until now. As kind of an indicator species in this great auto-oriented paradigm we've created, the shopping mall is in what one industry insider calls, "a death spiral."[2] This dinosaur of another age is finding it hard to exist amid an ecosystem that has more nimble, adaptable competition. A recent New York Times article explains:

> *"We are extremely over-retailed," said Christopher Zahas, a real estate economist and urban planner in Portland, Ore. "Filling a million square feet is a tall order."*[3]

That's what happens when we have a one-size-fits-all tax system mashed together with a winner-takes-all development pattern; we end up with too much of the easiest thing to generate quick cash with.

In the Curbside Chat presentation[4] that I give around the country, I show two similarly-sized pieces of property. One is the highly-coveted big box store with an auto-dealership and gas station on the edge of town. The other is the run down, neglected downtown with all of its vacancies and burned-down buildings that are now parking lots. The headline from the comparison is that the downtown—despite being old and not having a real competitive set of offerings—is worth 78% more than the big box complex. It dominates in the enduring wealth category.

Even if this were not the case—although our research shows that it almost always is—the Strong Towns subtext of the comparison is what matters most. When that big box store closes—and it will someday—what happens then? What replaces it? These buildings, their parking lots and loading docks aren't designed to last more than a couple of decades. When the site is no longer viable for the scale of retail that it was built for, what is its next lifecycle?

There are all kinds of brilliant people working on "sprawl repair," as if cities will have the capital, not to mention the desire, to convert their malls and big box stores way on the edge of town into walkable urban villages. Why not just fix your existing walkable urban village (or move to one that is being restored)?

There are also many examples of these buildings receiving a second life as churches, Salvation Army depots and public buildings. That's charming, but where's the tax base? These buildings require millions of dollars of pipes, streets, sidewalks and curbs to function. When they were originally built, loose money from the Fed along with a myriad of federal, state and local tax incentives made it easy for the Walmarts and Bass Pro's of the world to absorb these costs. Now the cost of maintenance is the city's, i.e. the local taxpayers.

Walking away from these really bad investments would be easy if it weren't for the fact that most cities use these "investments" to juice horizontal growth in other, less-accessible areas. So you can ignore that pipe that needs replacing, but then you have to deal with the plethora of housing subdivisions, low-value retail and storage sheds upstream.

Contrast this with the traditional development pattern of the downtown. When one of those businesses closes, what happens? We all know: something else takes it place. In my hometown's depressed downtown, I've seen—in my short life—one storefront be home for dozens of different things, from a pizza restaurant to office space to retail establishment. Downtown, we may not be able to get 28 different kinds of mustard in the same store where we can buy car tires and flannel underwear, but we're also not going to go broke as a community.

After the malls, the big box stores will be the next species to falter and go on the endangered list. Strip malls and drive-through restaurants may hang around longer and may, in some places, find ways to adapt, but their general model is going to die as well. Cities that tethered their future to this experiment are going to struggle while those that still have a pulse in their core neighborhoods will have a chance at renewed prosperity.

The time to adopt a Strong Towns approach is now.

What To Do With All These Empty Big Box Stores

By Nate Hood

Photo by Darb02

The small town of Austin, Minnesota was faced with the question: What should we do with all these empty big box stores? They had an answer. The largest employer in town, Hormel Foods, swept-in and transformed an empty K-Mart into something special.

The Spam Museum is one-of-a-kind; there is nothing else like it. And, for this small town—home of the famous meat product—it's an economic driver. Julia Christensen, author of the book, *Big Box Reuse*, describes the feeling of driving into Austin:[5]

> *As you pull into Austin, MN, you begin to see billboards along the highway advertising the Spam Museum. The billboards say things like "The Spam Museum—Even we don't really understand," and "The Spam Museum—Yes, we do answer the ingredients question." This sense of humor carries over into the actual museum, the shrine to the canned meat that is produced and packaged right there in Austin, Minnesota, otherwise known as Spam Town, USA.*

In the early 2000s, the Spam Museum was celebrated as a best-practices example of repurposing a big box store. Christensen continues:

> *The renovation on this building has barely left a trace of the original use. In fact, the actual shell of the structure is all that is left of the old K-Mart. Windows, doors, walls, ceilings, and the entire exterior have all been completely overhauled... This location sat empty for many years, and as a result, the entire end of town began to decline in business, and eventually in value. A grocery store across the street also closed down, leaving another empty big box across the street.*

The situation in Austin is similar to so many across the country: The abandoned K-Mart building was on the far edge of Main Street, but in the booming 1990s, K-Mart abandoned this location to construct a new store 1.8 miles away, off the interstate. This problem is most visibly evident in small towns. The new K-Mart has since been shuttered. Meanwhile, the Spam Museum and some Hormel office space moved into the old K-Mart space after extensive remodeling. It was a success. Or was it?

Years passed and local officials started to notice a problem: location at the edge of town didn't lend itself to spillover business. People were visiting the museum, and then just leaving town. To quote Austin Mayor Tom Stiehm, "Today's visitors can exit Interstate 90, park next to the pork paradise, then pop back on the highway—passing little more than a Kwik Trip along the way."[6]

Six years after being heralded as a pre-eminent example of big box reuse, it was announced that the Spam Museum was moving downtown. Herein lies the problem with many big box reuses: the mentality is to dominate markets, to be an island in and of itself. Big box stores do best when they limit customer spillover. This rule, imposed by the land use, applies as much to retail as it does to a museum.

When a store is left empty, there are often restrictions imposed upon it. Now, as a direct result of land use covenants that prevent competitors from moving in, many re-use efforts are non-profits, churches, and government agencies. These types of institutions play an important role in society, and should not be understated. But we must be conscience that big box land uses are a zero sum game even when they are paying property taxes. For example, a Walmart store pays very little in comparison to the infrastructure it uses, but a new church pays literally nothing for the large amount of infrastructure used. This problem is something that no reuse can truly address.

One such example of nonprofit big box reuse is the United States' largest single story library in McAllen, TX (which you'll read more about later in this book). Architecturally-speaking, the McAllen Library is an impressive example of re-using an empty space. The building looks remarkable, but the situation is actually kind of tragic. The public library is in the old Walmart. It was abandoned because Walmart wanted to build a bigger store less than a mile away.

McAllen was clever and did well with the question they were dealt: How do we turn a liability into an asset? You can't fault McAllen officials for making this move, nor those in Austin, MN. But not every town needs (or can support) a reuse as large as the one in McAllen or the museum in Austin. What do we do when we have more empty stores than we have civic or religious groups? Real progress will only come when we stop allowing these big box spaces to prosper in the first place.

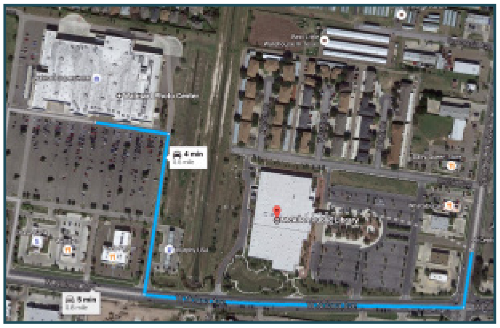


Photo credit: Google Maps

The McAllen Main Library: A Model for Suburban Retrofit or Not?

By Rachel Quednau

Photo by kirphotos

The McAllen Main Library in McAllen, TX has been written about in scores of news articles and urbanist websites. It is frequently hailed as a shining example of a successful big box retrofit: an empty Walmart store becomes an expansive public library. What's not to love?

But I was skeptical, especially since most of the articles about the library focus on the amazing architectural work and the glossy new photos, less on the actual experience of using the library. I wanted to hear from someone who works in this library every day about the transition from its old space to this new former Walmart and what it's like inside.

So I got in touch with Kate Horan, the Library Director at McAllen to hear her perspective. Here are some excerpts from our conversation in which I asked her about how the use of the library has changed since being in the new building, as well as how the new space serves its patrons.

> *We went from a 40,000 square foot building to a 123,000 square foot building. In our previous space, we were on three floors, and we're all on one floor here. What I told the staff when we were moving over was, "It's not going to be like plunking the same library into a new facility. Everything will change." And it has. […] It wasn't just a matter of moving a bunch of materials into a new facility. It made us completely rethink how we're delivering library services and how we will deliver those 10 years from now. […]*
>
> *Having this much [room] has allowed us to expand our services exponentially. In our previous space, we had 3 study rooms, now we have 14 that you can reserve online. We also have two computer classrooms and a teen center. […] What we're able to offer in this new building is space to attract partners [to provide additional services…] We have latitude to change in this space because it's so big. […Here], we can adapt to whatever comes.*

I was pleasantly surprised to learn about how well the new building has functioned for the McAllen community. Taking a look at photos of the old library,[7] it's clear that this is a serious improvement. It's bigger, brighter and modernized. It also unmistakably resembles its former iteration with a vast parking lot and auto-scale drive-thru book drop off. Ms. Horan is absolutely correct that the big box model is flexible—space-wise—and that has its advantages for a large-scale project like this. It sounds like this library is having a positive effect on the community.

The question that persists for me though, is how many other large-scale libraries or similar projects can we realistically fund and how many do most towns realistically need? Walmart has 4,612 stores in the United States, an average of more than 90 per state. Walmart in particular has a habit of ditching its stores after a few years to build even bigger "Supercenters." In the beginning of 2016, Walmart announced closures of hundreds of stores worldwide, including in the United States: 6 standard-size Walmarts, 12 Supercenters, 4 Sams Clubs and 132 smaller-scale stores.[8]

So Walmart will depart from these places, having already benefited from government subsidies to build their stores,[9] then they'll hightail it out of town, leaving hundreds of employees without jobs and a massive, wasteful structure, parking lot and surrounding infrastructure behind. Or they'll pick up and relocate their whole operation down the street, benefiting from further subsidies, building an even bigger monstrosity of a store and parking lot…

And it's not just Walmart that has a habit of leaving its massive buildings empty and unused. This April, Time magazine reported[10] on a number of American big box chain closures planned for 2016 and 2017 including: Office Depot (400 stores), Barnes and Noble (223 stores), Walgreens (200 stores), Sports Authority (140 stores), Sears/Kmart (128 stores), Macy's (40 stores) and Target (13 stores), to name a few. That amounts to more than 1,200 empty big box buildings. Sadly, they can't all become beautiful libraries or community centers or schools. Most will just sit empty.

The transformation of this abandoned Walmart in McAllen, TX into a new library cost $24 million,[11] $5 million of which went to pay for the purchase of the Walmart itself.[12] By subsidizing big box stores in our towns, then paying them millions for the buildings they leave behind, only to rebuild a completely new space a few blocks away, we support a system that is unsustainable.

Even if the City of McAllen was able to turn lemons into lemonade in this circumstance, it's simply not realistic to think that we can do this in every town, with every husk of a Walmart, Target and SuperValu that gets left behind. What happens when Walmart eventually leaves its new superstore? It's not like McAllen's going to build another library a block from the first one…

Many news outlets and urbanist organizations reference the McAllen Main Library as a good example of retrofit done well, and that seems to be the case. Yet this model is not something we should be pointing to as a viable option for a majority of our empty big box spaces. The sheer volume of them makes that an impractical pipe dream.

We need to stop allowing new big box stores to be built in our communities when we can barely figure out what to do with the old ones.

Changing the Rules of the Sales Tax Game

By Charles Marohn

There is a theory—perhaps even a common belief—in America that cities compete with each other. We want them to compete with each other because we believe that competition drives innovation and makes cities stronger. In a Darwinian sense, the competition is supposed to toughen them up, produce better outcomes. This is totally wrong.

It's wrong because, for competition to result in innovation, there needs to be failure. Losers need to die off, go away, become, in a Darwinian sense, future fossil fuels. Homo Sapiens don't sit atop the food chain because Neanderthals became second tier primates. We won. They lost. Their genetic code—the knowledge of their evolution—ceases to be passed on while ours does.

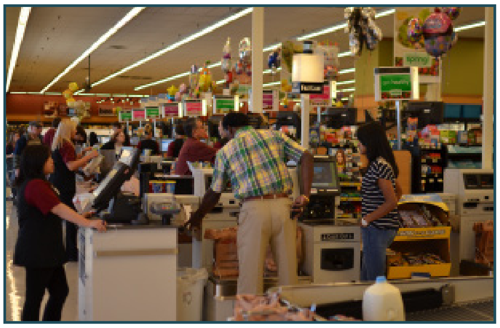


Photo by Michael Kappel

This doesn't happen to cities. Detroit has not been forced to sell off its sewage treatment plant to the city that would pay their creditors the most for it. We didn't forcibly relocate the residents of San Bernardino because their city ran out of money, selling their liberty to the competing municipality that would make the highest bid. To suggest that is absurd. Cities don't fail in a way that would provide a learning opportunity for others. We don't let them.

It's also wrong to believe that competition between cities results in innovation because, in a true competitive market, there aren't overwhelming constraints like we see with governments today. The peacock evolving the optimum-sized tail wasn't commanded by Mother Nature to not eat certain foods that it was perfectly capable of digesting. It was fully free to experiment until it found—or didn't find—what worked best.

Yet, states mandate an endless number of constraints on cities. In my home state of Minnesota, the state doesn't care if your economy is based on tourism, manufacturing, agriculture, logging, services, manufacturing or government handouts, you are allowed only one type of local tax: the property tax. It doesn't matter the structure of your economy, whether a different set of taxes would be more optimum for your place, you get the same tax as everyone else. So go ahead and innovate, just not in any way that substantively matters.

In today's America, cities can't fail and they're not allowed to truly innovate. So why do we pretend that they benefit from fierce competition with their neighbors?

Nowhere is this problem more evident than with big box stores, particularly in states that force their cities to rely on sales tax. For such cities, big box stores are the ultimate winner-take-all kind of proposition. If City A gets the big box and City B loses out, City A will entice the consumers from City B to shop in their jurisdiction and will, thus, be the recipient of those sales tax dollars. City B will get nothing.

This creates a "competitive" marketplace where it is in every city's interest to subsidize the big box store just a little more than the neighboring city, yet still, at least in the short-term, come out cash flow positive. I'll note that the winning city takes on enormous long-term liabilities for serving and maintaining the site but, really, they never bother to do the math on that and so those obligations become the next generation's problem. This really hurts both cities. City A has huge long-term liabilities, massive handouts and receives a little bit of cash flow in the short term. City B doesn't have the liabilities but also loses the cash flow.

In the short term, you don't want to lose the big box war. In the long term, the only thing worse than losing the big box war is winning it.

These policies benefit two entities. First, they benefit the big box corporations whose bottom line is enhanced with every project. Second, they benefit the state governments who get their revenue from the transaction of building the store, operating the store and all of the induced consumption through increased sales and income taxes. The state takes on none of the long-term liabilities and, in this competitive game, can never lose.

Big government and big corporations collude to screw cities over, pitting one against the other in a race to the bottom. It really disgusts me.

I see a couple of approaches to address this, although I am sure there are more. The first, which is the one I prefer, would be for states to stop being helicopter parents and actually grant cities the autonomy to set their own local tax policy. Cities could develop their own taxing approach based on the nuances of their local economy. Yes, Walmart, McDonald's and the like aren't going to support that because they will have to deal with a different approach in each city. Who cares? The playing field is already tilted so far in their direction anyway. Local businesses will benefit from a set of policies adapted to their own local ecosystem. This is small business growth friendly, not corporate growth friendly.

Another option—one that would probably be easier because it challenges the central authority less—would be for the state to collect sales tax and then distribute it back to cities, not by geography but by something akin to population. From a sales tax revenue standpoint, it wouldn't then matter where the store located and thus cities would feel a lot less pressure to make irrational decisions in order to land one. I'm not as keen on this idea because, as we've seen with everything from social security to tobacco company settlements, a pass through revenue stream is a wicked temptation for big government systems. Still, it's an improvement over our current system.

Today big corporations and big government collude with a series of rules that restrict competition while simultaneously promoting it. Under these conditions, towns are unable to truly thrive. They don't fail, per se—the system we've set up doesn't really allow for that—but they are induced to stave up their decline with an ever-increasing amount of debt and future obligations.

We need to change the bad rules of this game and set our cities up to succeed. We need to start building Strong Towns.

Letting Go of Suburbia

By Nathan Lewis

All of today's existing "suburbia" cannot and will not be "retrofitted" to a substantially different model of development. Some small portion of suburbia can and should be upgraded to a substantially different pattern. Most of suburbia will be left as it is, perhaps with some minor tweaks like dedicated bike lanes. The least desirable parts of existing suburbia will likely follow a path of underuse, vacancy, deterioration of structures from lack of maintenance, and eventual demolition.

The economics are simple: the developer must be able to buy the land, cover all construction costs, and sell or lease the result at a decent profit.

Thus, the most likely way forward is to concentrate on that 5% or so of suburban areas where there would be demand for a much denser form of development—probably, near beaches and existing train networks, or neighborhoods perceived as "desirable." This usually means, in practical terms, that they have good schools, low crime, and shared community values.

It also tends to mean higher incomes and a pattern of development (single-family homes with minimum lot sizes) that imply high housing costs. This naturally leads to a demand for a lower-cost housing alternative within these more-desirable neighborhoods. Whether it is a $300K multifamily condo in a neighborhood of $900K detached houses, or a $100K cottage in a neighborhood of $300K detached houses, cheaper and commonly higher-density forms are desired, even as nearby places perceived as "bad neighborhoods" are shunned at any price.

In these neighborhoods, a political concession to higher-density forms might be made along commercial avenues, now dominated by a low-density strip mall retail pattern. These locations are seen as less desirable due to traffic noise, and thus potentially suited to lower-cost housing alternatives. Additionally, worries about traffic and parking problems following multifamily development are mitigated by the direct access to high-capacity roadways. Higher-density development along commercial avenues does not alter the character of existing low-density detached housing neighborhoods. This is a prime opportunity for conversion from a low-density strip mall or big box retail pattern to a higher-density residential/commercial pattern reflective of traditional modes of urban design.

Retail property, including big box retail, is arguably overbuilt in the U.S. today. Especially as more retail moves to the Internet, the United State's vast amount of retail space per person will likely become increasingly underused and finally fall vacant. The United States now has 23.6 square feet of retail space per person, compared to 3.8 square feet in the U.K. and 2.4 square feet in Germany.[13]

The actual buildings of a typical strip mall or big box store center have little value after their retail purpose has passed. Although there is probably some enthusiasm for things like an indoor farmers' market or skateboard parks, the fact of the matter is that people's willingness to pay for such things is probably rather limited. It would likely be difficult to raise even enough money for modest property taxes and basic maintenance, even if one got the buildings for free. These uses are, in effect, a sort of government-sanctioned squatting. This is fine for a while, until there is a need for a $100,000 roof repair. Deferred maintenance and the gradual aging of these buildings will eventually lead to a decision to tear them down and turn the sites into open lots.

However, in places where land values are high, reflecting demand for new housing or commercial properties, then the existing buildings—which have a short lifespan in any case—would most likely be demolished, along with parking lots and any other existing elements, and the site rebuilt completely. These would probably be sites where retail vacancy is not a problem—the buildings are occupied—but where the land could be put to much higher use. Big box centers represent a prime source of large blocks of land in urban areas, blocks large enough that one can design entire new neighborhoods and street systems. Many shopping centers represent contiguous land plots of 30-100 acres, which are rare in already-developed environments.

Others have made interesting observations about what could be done with existing large sites. For example, here is a 151-acre airport site (from Andrew Price):

Photo credit: Google Maps

Here is the same site with a portion of Barcelona, Spain superimposed:

Photo credit: Google Maps

Here is a big box shopping complex in Binghamton, NY. It is approximately 93 acres in size:

Photo credit: Google Maps

This is a portion of Paris, France, of approximately the same scale:

Photo credit: Google Maps

At the street level, this traditional development pattern can look something like this example from Meersburg, Germany:

Photo by Ștefan Jurcă

You could do something with more of a highrise theme, like this neighborhood in Osaka, Japan:

Photo by Stéfan Le Dû

A common format for lower-cost housing today, in the U.S., is the "trailer park," or "manufactured housing." While the structures are commonly very dismal, thus giving this pattern its present poor reputation, this does not have to be the case.

Very elegant and respectable homes could be constructed using this pattern for a cost of under $100,000 each. However, they would be rather small "cottages," such as this neighborhood in Martha's Vineyard, MA:

Photo by Michelle Schaffer

So, whether people decide to pursue very high-density high rise development, compact single-family detached residential designs, or something in between, many solutions are available that can produce attractive neighborhoods, that can also be much more affordable than existing options, and highly profitable for developers.

Much the same process can be applied to other large blocks of urban land. This could include underused industrial sections, or also, increasingly common today, land freed up by the teardown of existing freeway structures.

Only about 2% of a city's land area can be rebuilt in any one year. That might not seem like much, but over ten years, 20% of a city's land area can be rebuilt in a much more pleasing and productive pattern than today's "suburbia." The best way to access the resources necessary for such a rebuild—hundreds of billions of dollars—is to fully embrace the profit motive. Make redevelopment as profitable as possible, while also guiding the result toward urban forms that have been proven to produce beloved and economically resilient places for human habitation and use.

The Next Chapter in the Big Box Story

Can any of the empty big box buildings be salvaged? What is the next chapter in the big box story? From this collection of essays, we've seen that some towns will indeed find ways to retrofit. Others will bulldoze those vacant stores and wait for a new idea to come along later. Some towns, which can hardly cover the cost of fixing a pothole today, will do nothing with the empty big box stores. They'll languish and fall into disrepair. Nature will reclaim them. Unless something drastic changes though, the latter will likely be the fate of the majority of big box stores.

But if you're lucky, your town is paying attention to this conversation. It's not too late to turn back and recognize what a harmful and wasteful investment big box stores are. It's not too late to stop welcoming them into our towns, subsidizing their existence and praising them as boons for our economy when they are, in fact, the opposite. It's not too late to think about economic alternatives like local businesses and smaller, more adaptable buildings.

We must begin doing the math on big box stores instead of just assuming that new growth will save us. It won't. The more big box stores our towns invest in, the deeper we dig ourselves into the hole—expanding miles of road and pipe out to edge developments that will, in all likelihood, be vacant in 10 or 20 years.

Why are we pursuing a relationship with someone that doesn't love us back? Why do we invite big box stores into our towns, enticing them with subsidies and infrastructure, competing for their attention, all so they can offer residents low-wage part-time jobs, pay minimal property taxes, then leave 15 years later? In what universe is that a worthwhile venture?

We've created a destructive game where the prime casualty is the financial solvency of our cities, towns and neighborhoods. It's time to change the rules of the game, stop risking everything for these stores, and start building Strong Towns.

Endnotes

1 Read more about the Growth Ponzi Scheme: http://www.strongtowns.org/the-growth-ponzi-scheme

2 See http://www.nytimes.com/2015/01/04/business/the-economics-and-nostalgia-of-dead-malls.html?_r=2

3 Ibid

4 See http://www.strongtowns.org/curbside-chat

5 See http://www.bigboxreuse.com/spam.html

6 See http://www.startribune.com/canning-its-old-location-austin-s-new-spam-museum-opens-friday/376650361/

7 See https://mcallen.smugmug.com/Library/Main

8 See http://news.walmart.com/news-archive/2016/01/15/walmart-continues-sharpened-focus-on-portfolio-management

9 See http://www.walmartsubsidywatch.org/

10 See http://time.com/money/4304622/stores-closing-in-2016/

11 See http://www.nytimes.com/2012/09/02/us/former-walmart-in-mcallen-is-now-an-airy-public-library.html

12 See http://www.themonitor.com/news/local/market-forces-combine-to-push-library-s-interest-rates-low/article_1b1680c1-a8d7-5763-8d6e-0eebbb84f75a.html

13 See http://www.icsc.org/research/country-fact-sheets

The mission of Strong Towns is to support a model of development that allows America's cities, towns and neighborhoods to become financially strong and resilient. For the United States to be a prosperous country, it must have strong cities, towns and neighborhoods. Enduring prosperity for our communities cannot be artificially created from the outside but must be built from within, incrementally over time. For the latest on big box stores from Strong Towns, visit www.strongtowns.org/bigbox.