

The Home Town Advantage Bulletin

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WE NEED YOUR SUPPORT

Times are tough. Grants are scarce and we must rely more heavily on personal donations. That means we need your financial support now more than ever. Many of you have used this bulletin and the tools and policy examples on the New Rules web site to make positive changes in your

own communities. We hope to continue providing these free resources, but we need more support from readers to do so. Please consider making a donation today. All contributions are gratefully accepted at: New Rules Project, Institute for Local Self-Reliance, 1313 5th St SE, Minneapolis, MN 55414. THANK YOU.

ABOUT THIS BULLETIN

In communities across the country, citizens are taking action to defend and strengthen their local economies. The Institute for Local Self-Reliance (ILSR) has been tracking these efforts and will use this bulletin to provide bimonthly updates on significant developments. We hope it will serve as a tool for making connections and sharing strategies within this growing movement. We encourage readers to share news and resources by sending email to smitchell@ilsr.org.

ILSR is a nonprofit organization providing research, analysis, and innovative policy solutions for building healthy communities and strong local economies. This bulletin is part of ILSR's New Rules Project (<http://www.newrules.org>), which publishes a quarterly journal, The New Rules; several electronic bulletins on specific issues; and books, including The Home Town Advantage: How to Defend Your Main Street Against Chain Stores and Why It Matters. We also maintain a web-based clearinghouse of model public policies at <http://www.newrules.org>.

Another good source of news on local efforts to keep megastores at bay is the NewsFlash! section of the Sprawl-Busters web site (<http://www.sprawl-busters.com>). Additional links and organizations are listed at the end of each story.

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I. NEW RULES

CITIZENS IN AURORA, NEW YORK, PRESS FOR BIG BOX BAN

A citizens group in Aurora, New York, has fought off Wal-Mart twice, first in 1996 and again in 2000. Now, with rumors circulating that the company may return for a third attempt, Aurora Citizens for Smart Growth is pushing for a permanent law banning stores over 55,000 square feet. That's about one-third the size of the stores Wal-Mart previously proposed.

Bruce Davidson of the citizens group says the size cap is needed to maintain the character of the community and its small, locally owned businesses. Aurora is a town of about 14,000 people in the Finger Lakes region of western New York. It has a well-preserved downtown that has recently undergone new investment and revitalization.

"The village is getting to be so vibrant. It seems we've turned a corner, and one big-box could suck the life out of everything done in the last five years," Sara Herrmann, a town Planning Board member, told the Buffalo News.

The planning board voted to recommend the cap. The town board, which will make the final decision, is expected to begin considering the measure in August.

SUPERSTORE TAX NARROWLY FAILS IN MONTANA

In April, the Montana legislature narrowly defeated a bill to levy a tax on the revenue of big box retailers. Supported by most Democrats and a handful of Republicans, the legislation would have imposed a 1 percent tax on the revenue of retailers with more than \$20 million in annual sales, a 1.5 percent tax on those with more than \$30 million in sales, and a 2 percent tax on those with over \$40 million.

Wal-Mart and Home Depot stores take in an average of about \$50 million per year, but sales vary widely depending on the size and location of the store.

Supporters said the measure was needed because big box retailers use state services, pay low wages, and siphon money out of Montana. "This bill protects Main Street Montana," said Senator Ken Toole, a Democrat from Helena. "We are seeing a dramatic shift in retail in Montana. I make no apologies that this is targeting large, out-of-state corporations."

"Few Montanans have overt sympathy for multi-billion dollar giants that extract large sums of money from the state's economy," Rep. Michael Lange, a Republican from Billings, wrote in an op-ed in support of the measure which appeared in several newspapers.

Supporters also presented the bill as a way of addressing the state's \$230 million two-year budget deficit. The tax would have raised an estimated \$60 million over two years.

But opponents, who argued the tax was unfair and would be passed through to Montana consumers, ultimately prevailed. The bill failed 26-24 in the Senate and 57-42 in the House.

The proposal has some historical precedents. Special taxes on chain stores were enacted by about half the states during the 1920s and 1930s. At the time, many Americans viewed concentrated economic power as a threat to democracy. These tax laws were eventually repealed following a major public relations campaign by chain retailers.

-- Montana Big Box Tax Bill:

<http://data.opi.state.mt.us/bills/2003/billhtml/SB0332.htm>

-- More on the history of chain store taxes can be found in The Home Town Advantage book: <http://www.newrules.org/journal/hta.htm>

HOW CHAIN STORES EVADE PAYING STATE TAXES ... AND WHAT TO DO ABOUT IT

Many retail chains, including Victoria's Secret and Toys "R" Us, earn profits at stores nationwide, but have developed an accounting scheme to evade paying their full-share of corporate income taxes in more than half the states.

Tax experts believe the practice is costing states billions of dollars in lost revenue. It is likely one factor behind the decline in state corporate income tax receipts. Between 1979 and 2000, the share of total state tax revenue contributed by corporate income tax fell from 10.2 to 6.3 percent.

The practice has also given major retail chains an advantage over locally owned businesses that pay state income tax on all of their earnings.

Here's how it works: A chain sets up a subsidiary in a tax haven state such as Delaware, Michigan, or Nevada. Home Depot, for example, has a Delaware-based subsidiary called Homer TLC Inc. The subsidiary, which consists of little more than an address, owns the company's trademark. Home Depot stores in turn pay the subsidiary a hefty fee for using the trademark, effectively shifting profits out of other states and into the Delaware subsidiary. Because Delaware does not levy corporate income taxes on earnings from intangible assets such as trademarks, profits transferred in this manner are free of state corporate income taxes.

Often the subsidiary will also lend money to the rest of the corporation, enabling a second stream of profit transfer through the payment of interest on the loan.

The practice originated in the mid 1980s and grew rapidly in the 1990s. Because companies are not required to publicly disclose these transfers, it is not possible to determine how much profit is being sheltered in this manner. Companies known to engage in the practice include Circuit City, The Gap, Home Depot, Ikea, Kmart, Kohl's, Limited Brands (which owns Bath & Body Works, Victoria's Secret, The Limited, and several other chains), Payless Shoes, Sherwin Williams, Staples, and Toys "R" Us.

Court cases brought by states against some of these retailers have revealed more details about the scope of the transfers. For example, in 1990 alone, Toys "R" Us shifted \$55 million to its Delaware subsidiary, Geoffrey, Inc. Between 1992 and 1994, Limited Brands transferred more than \$1.2 billion from its retail chains into Delaware subsidiaries. Kmart shifted \$1.25 billion into its Michigan subsidiary, Kmart Properties, Inc., from 1991 to 1995.

The court cases, in which states have alleged that the schemes are illegal tax-evasion scams, have produced mixed results. Many state courts have sided with the corporations and ruled that the practice is legal. A few have ruled in favor of the states, including most recently the Maryland Supreme Court. That case is likely to be appealed to the U.S. Supreme Court.

Rather than sporadic and costly court challenges, a better approach---though one that requires overcoming the corporate lobby---is to change state tax law. Sixteen states are not vulnerable to tax-evasion transfers, because they have enacted a policy known as "combined reporting" (also referred to as taxing companies on a "unitary basis").

Combined reporting requires that companies combine profits from all related subsidiaries before determining what portion of their profits are taxable in that state. (To determine how much of their total earnings are taxable in each state in which they operate, multi-state companies must apportion their profits according to formulas which consider how much of the firm's property, payroll, and sales are in each state.)

States with combined reporting are effectively able to tax the percentage of an out-of-state subsidiary's profits that can legitimately be attributed to a firm's in-state operations. Combined reporting has been upheld by the U.S. Supreme Court.

In addition, seven states have laws that prevent tax evasion based on profit transfers to trademark-holding companies. The downside of these laws is that, unlike combined reporting, they do not account for other ways that corporations can transfer profits to subsidiaries, for example, through the payment of interest on loans.

The remaining twenty-two states with corporate income taxes (five states do not tax corporate income), plus the District of Columbia, are vulnerable to profit transfers, which reduce state tax revenue and place local retailers at a competitive disadvantage. These states are Arkansas, Delaware, Florida, Georgia, Indiana, Iowa, Kentucky, Louisiana, Maryland, Missouri, New Mexico, New York, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Vermont, Virginia, West Virginia, and Wisconsin, plus the District of Columbia.

The current state budget shortfalls provide an excellent opportunity for citizens and small businesses to push for an end to these loopholes. Wisconsin, for example, would generate an estimated \$70 million in added tax revenue annually by adopting combined reporting, while Pennsylvania would gain \$100 million.

-- For links to more resources, including two excellent reports by Michael Mazerov of the Center on Budget and Policy Priorities, see our page on combined reporting:

<http://www.newrules.org/retail/taxfaircombined.html>

-- Also, check out our page on Throwback Rules, which counter a similar state tax evasion scheme, but one that pertains more to manufacturers than retailers:

<http://www.newrules.org/retail/taxfairthrowback.html>

SAN FRANCISCO MAY NOTIFY NEIGHBORS WHEN CHAINS TRY TO MOVE IN

Under a measure introduced by San Francisco Board of Supervisors President Matt Gonzalez, the city would notify neighbors whenever a pharmacy or coffee shop wants to open nearby.

Residents would have 30 days to request that the proposed store be subject to a public hearing and formal review by the Planning Commission. Such reviews are normally required only for major demolition or construction, or when there is a change of use, such as from residential to commercial. Notices would be mailed to residents within 150 feet of the site, as well as all relevant neighborhood organizations and people who had requested notification.

The measure was unanimously endorsed by the Planning Commission and has been approved by the Board of Supervisors Land Use Committee.

Grassroots fights against Starbucks and Walgreens in his district led Supervisor Gonzalez to propose the measure. Residents successfully pressured Starbucks to back out of plans to open in the Hayes Valley neighborhood, but failed to stop Walgreens from taking over the site of a former local grocery store on the corner of Cole Street and Parnassus Avenue. In both cases, there was no notification or review process.

In order to meet legal standards for equal treatment, the measure applies to independent as well as chain pharmacies and coffee shops. Some people have raised concerns that it could harm local entrepreneurs by holding up their projects for 30 days. But supporters say the delay is fairly modest and note that neighbors are unlikely to impose the more lengthy hearing and review process on independents.

-- The ordinance can be viewed by following the links under item 22 of this agenda:
<http://www.sfgov.org/site/uploadedfiles/bdsupvrs/bosagendas/a072203.htm>

LOS ANGELES MAY REQUIRE SUPERCENTERS TO PAY HIGHER WAGES

Hundreds of residents have attended hearings held by the Los Angeles City Council's Economic Development and Employment Committee on ways to mitigate the negative effects of supercenters on the community. Supercenters are massive stores, primarily operated by Target and Wal-Mart, that combine general merchandise with a full supermarket.

No specific ordinance has been drafted, but committee chair Eric Garcetti has proposed that supercenters be required to pay a living wage when they locate within one of the city's Economic Assistance Zones. These zones cover large portions of the city, including most of the areas where retailers could find suitable sites for large stores.

Businesses that locate in the zones, which are considered economically distressed areas, receive certain tax advantages from the city. This means the city can legally impose higher standards on businesses within the zones, according to Los Angeles City Attorney Rocky Delgadillo.

The city's living wage law, which currently applies only to city employees and contractors, mandates \$9.78 per hour, about \$3 more than Wal-Mart pays at its California stores.

Supporters of the regulations say that supercenters should be held to reasonable standards that put them on par with existing retailers.

II. LOCAL BATTLES

BORDERS BOOKS DROPS AUSTIN PROJECT

Borders Books & Music has abandoned plans to build a superstore on the corner of Sixth and Lamar in downtown Austin, Texas. A community organization, Livable City, had joined local business owners in fighting the development, which was to be built across the street from two long-standing independent stores, BookPeople and Waterloo Records. The city had set aside \$2.1 million in public subsidies for the project.

As we reported in the February issue of this Bulletin, Livable City commissioned a study from the firm Civic Economics that found that the independent stores were generating three times as much local economic activity for every dollar they took-in compared to a typical Borders. According to the study, the new store would siphon millions in sales from the two independents and negatively impact the Austin economy by shrinking the volume of economic activity occurring within the city. Livable City argued that providing subsidies for such an outcome was a colossal failure of public policy.

The issue became front-page news and galvanized a broad public discussion about the benefits of independents versus chains. "In many ways, it's been a really positive thing," noted Steve Bercu, owner of BookPeople and a founding member of the Austin Independent Business Alliance.

Although widely viewed as a major victory for chain store opponents, Borders attributed the decision to the sluggish economy.

-- February issue of this Bulletin: <http://www.newrules.org/hta/hta0203.htm>

-- Livable City: <http://www.liveablecity.org>

-- Austin Independent Business Alliance: <http://www.austin-iba.org>

CARBONDALE VOTERS DEFEAT SHOPPING CENTER

On July 15, citizens in Carbondale, Colorado, voted 57 to 43 percent to reject a 252,000-square-foot shopping center anchored by a Target store. The hotly debated referendum produced the largest election turnout in the town's history.

Carbondale is a community of 5,200 people in the Roaring Fork Valley between Glenwood Springs and Aspen. Carbondale has a lively downtown of locally owned businesses, including hardware, book, and clothing stores.

Three years ago, a developer proposed building a shopping center on a 24-acre site along Highway 133 and outer Main Street. The largest store would be a Target superstore situated with its back to outer Main Street, creating a 380-foot long wall without any windows or doors. The center was projected to generate revenue equal to the sales of all of the town's existing retailers

combined.

Citizens and local business owners have been fighting the development from the beginning. The grassroots Mountain Folks for Global Justice led the opposition, arguing that the development would cannibalize sales from locally owned, downtown businesses, and would impose substantial costs on the town for infrastructure and public services.

In January, after years of packed public meetings and much contentious debate, the town trustees voted 5-2 to approve the project. Supporters said the center was needed to capture retail spending and sales tax dollars currently flowing to nearby communities.

Shortly thereafter, a group of local women, calling themselves the Town Mothers gathered signatures for the voter referendum. "We believe Carbondale deserves development which is compatible with its scale, character and values," they argued.

The vote was expected to be much closer. Mike Chamness of Mountain Folks hopes that the strong turnout and solid defeat will convince the town trustees to back two planning measures the group introduced three years ago when the shopping center was first proposed.

The measures would prohibit stores over 60,000 square feet and require proposals for stores larger than 20,000 square feet to undergo a community impact assessment. The assessment would consider the project's impact on traffic, public services, the community, the environment, and the town's finances.

-- Carbondale Town Mothers:

<http://www.townmothers.org>

-- Proposed community impact ordinance:

<http://www.newrules.org/retail/impact.html>

OREGON TOWNS BLOCK SUPERCENTER EXPANSION

Several Oregon communities are hindering Wal-Mart's growth. The retailer wants to open new stores in ten locations around the state, but has been blocked in two communities and is facing organized opposition in at least five more.

In Hillsboro, the Planning Commission voted unanimously to reject a proposed supercenter. Hundreds of residents turned out at public hearings to argue the store would inundate the area with traffic and harm nearby neighborhoods. Wal-Mart tried unsuccessfully to counter the opposition by hiring a public relations firm and mailing slick fliers to every household in the county.

In Oregon City, the Planning Commission has also voted to reject a supercenter. Opponents, which included neighborhood groups and members of the United Food and Commercial Workers union, said the store would undermine the town's quality of life and eliminate living wage jobs. The Commission agreed, with one member noting, "This plan, while perhaps giving us another

place to shop for low-cost trinkets, will come with a large price for our community: traffic congestion, minimum wage part-time jobs and a dilution of profits to the current retailers."

In both Oregon City and Hillsboro, Wal-Mart plans to appeal the decisions.

Meanwhile, in Lebanon, an opposition group has appealed to the Oregon Land Use Board of Appeals to overturn a decision by the city council to approve a supercenter. The opposition includes a citizen group, as well as the owners and employees of two independent grocery stores, which pay \$13 to \$14 an hour, more than double what Wal-Mart workers earn.

As this Bulletin has previously reported, citizens in Hood River have so far blocked plans by Wal-Mart to open a supercenter on the edge of town. Wal-Mart also faces opposition in La Grande, Salem, and Central Point.

LOCAL RETAILERS, NEIGHBORS STOP WALGREENS IN TAMPA

At the urging of a broad group of residents and local business owners, the Tampa City Council voted unanimously in June to reject a proposal to level a neighborhood shopping center to make way for a Walgreen pharmacy and a bank. The shopping center is currently home to nine locally owned businesses, including three restaurants, a fitness center, beauty parlor, and laundry.

A developer sought to tear down the center, annex parts of two residential properties, and construct a large, box-like Walgreen's and a bank. In order to proceed, the developer needed the city to re-zone the residential portion of the site.

The center's business owners worked with several neighborhood associations to mobilize residents to fight the project. They gathered more than 1,200 petition signatures and sent numerous emails to city council members. More than a dozen people testified against the development at a public hearing.

Residents argued against the loss of local, neighborhood-serving businesses for yet another chain pharmacy. "We don't want to be caught up in the pharmacy wars," said Jack Caramello, co-owner of Gumby's Pizza & Grinders, one of the plaza's tenants, in reference to the fact that the major drugstore chains have been deliberately over-building in a head-to-head rivalry that is certain to produce numerous vacant outlets once the dust settles. According to Caramello, community involvement was critical to convincing the council to turn down the project.

The developer, angered by what he described as "mob rule," contends he will demolish the center anyway and redevelop it for national chains in a manner that does require a rezoning or other city approval. So far, however, he's been stymied by the presence of a large grand oak tree in the center of the parking lot, which, under existing law, cannot be cut down.

STOUGHTON, WISCONSIN, CITIZENS DECLARE "UFF-DA WAL-MART"

Residents of Stoughton, Wisconsin, have come together under the banner "Uff-da Wal-Mart" to fight the company's plans to turn a nearby cornfield into a massive supercenter. Uff-da is a Norwegian expression of disdain.

In mid-July, Uff-da Wal-Mart scored a significant victory when the City Council adopted a 90-day moratorium on big box retail development. The ordinance temporarily bans development of stores larger than 50,000 square feet. It was unanimously endorsed by the Planning Commission and enacted by a 7-5 vote in the City Council.

Stoughton is a community of 12,500 about 20 miles southeast of Madison. With significant private and public investment in recent years, the town has managed to maintain its lively downtown--- one of the few active Main Streets left in the region.

Earlier this year, Wal-Mart announced plans to build a 200,000-square-foot supercenter on a cornfield just outside of the town's limits. In order to proceed, Wal-Mart needs the town to annex and re-zone a 185-acre site.

Stoughton already has a small, 40,000-square-foot Wal-Mart. The company has said it will close the store once it opens a new supercenter. A similarly sized Wal-Mart store in Viroqua, Wisconsin, was abandoned five years ago and remains vacant.

Uff-da Wal-Mart contends a supercenter will destroy the community's local businesses and small-town character, exacerbate traffic and storm water run-off, and lead to higher property taxes due to the burden on roads and public services.

The moratorium will give the town time to study the impacts of big box retail and to consider adopting permanent regulations that could, for example, limit the size and location of retail stores and require developers to submit to economic and community impact reviews.

-- To learn more about placing a moratorium on retail development, see the New Rules site at: <http://www.newrules.org/retail/moratoria.html>

COALITION FIGHTS MASSIVE BIG BOX SUBSIDY IN ARIZONA

In July, the Scottsdale, Arizona, City Council voted 4-3 to approve one of the largest subsidies ever given to a big box retail development. Those voting in the minority described the subsidy, which could amount to as much as \$183 million over 40 years, as "obscene" and "insane."

The 600,000-square-foot development includes a Wal-Mart, Sam's Club, and Lowe's Home Improvement store. The project is slated for a 42-acre site occupied by a derelict mall in south Scottsdale. Under the agreement reached with the city, the developer will receive a property tax break for a parking garage and will get to keep 49 percent of all the sales taxes generated at the shopping center for the next 40 years.

The big box stores planned for the site typically have a lifespan of about 15 years. The now

defunct mall was open for 26 years.

Citizens and small business owners are fighting the subsidy on two fronts. The United Food and Commercial Workers union, which represents supermarket employees who are being undercut by Wal-Mart's low wages, plans to file a lawsuit, arguing that the deal violates the Arizona Constitution's ban on providing gifts to private developers.

Meanwhile, the Scottsdale Coalition is gathering petition signatures to force a referendum on the deal. The coalition formed several months ago to fight the development. It includes more than 300 business owners, residents, and unions, and has the support of the Scottsdale Area Chamber of Commerce.

The Chamber has been working on an alternative plan for revitalizing the southern part of the city. "[This] is the last large open hunk of land in the southern part of the city," the Chamber's vice president of public policy Rick Kidder said. "We would like to see what goes there be part of a concentrated effort to attract businesses with long-term sustainability. We do not believe this project will contribute to long-term sustainability."

Supporters contend that, after the subsidy, the project will generate \$202 million in new tax revenue for the city over the next 40 years.

But an independent study commissioned by the Arizona Leadership Institute and conducted by David Wells of Arizona State University found that development will negatively impact the city's finances. About 40 percent of the new stores' sales will be cannibalized from existing businesses within Scottsdale. This, combined with the subsidies, will result in an overall decline in municipal tax revenue.

The remaining 60 percent of the new stores' revenue will be cannibalized from businesses within Phoenix, Tempe, and Mesa, costing the three communities about \$1.5 million annually in lost sales tax revenue.

Local grocers, neighborhood hardware stores, and auto repair shops are among the businesses expected to lose sales and close as a result of the development.

The likely store closings do not worry City Councilor Ned O'Hearn, who said, "That's urban dynamics. This is private enterprise. This is competition." O'Hearn voted in favor of the subsidy.

III. INTERNATIONAL NEWS

UNION VICTORIES AT WAL-MART

THOMPSON, MANITOBA - In June, workers at a Manitoba Wal-Mart store voted on whether to join the United Food and Commercial Workers union. The union says it won more than half the votes, which would make the store the first unionized Wal-Mart. The company, however, has contested the legality of the voting process. The votes will remain sealed and uncounted pending

a decision by the Manitoba Labour Relations Board.

JACKSONVILLE, TEXAS - Also in June, an administrative law judge ruled that Wal-Mart must reopen the meat cutting department in its Jacksonville, Texas, store and bargain with eleven unionized butchers. Three years ago, the butchers voted to join the United Food and Commercial Workers, becoming the first unionized Wal-Mart employees in the world. Wal-Mart promptly shut down its meat cutting departments nationwide, a move the UFCW contends constituted an illegal anti-union tactic. The National Labor Relations Board judge ordered Wal-Mart to recognize the union and reopen the cutting department, writing that this "would convey a powerful message to all employees that [Wal-Mart] will not be allowed to disregard its duty."

ARKANSAS COURT RULING - In July, the Arkansas Supreme Court ruled that organizers for the United Food and Commercial Workers union may enter Wal-Mart stores nationwide and distribute literature. The 6-1 decision overturned a lower court ruling that had banned organizers from soliciting union membership inside Wal-Mart stores.

-- UFCW's Wal-Mart Watch web site: <http://www.walmartwatch.org>

-- Arkansas Supreme Court ruling:

<http://courts.state.ar.us/opinions/2003a/20030703/02-450.html>

IRELAND MAY RESCIND SUPERSTORE BAN

Ireland's Environment Minister Martin Cullen has announced that the government may lift a five-year-old nationwide policy banning superstores.

The policy, adopted as a temporary measure in 1998 and made permanent in 2001, prohibits stores over 3,500 square meters (38,000 square feet) in Dublin and 3,000 square meters (32,000 square feet) in the rest of the country. Certain retail warehouses, such as do-it-yourself home centers, are allowed to build up to 6,000 square meters (65,000 square feet).

Minister Cullen has commissioned a report on the policy and will consult with other government officials before making any changes. No timeline has been announced.

Mary Harney, Minister for Enterprise, Trade and Employment, has said the government may also drop the 1987 Groceries Order, which prohibits below-cost selling (a tactic large companies with ample financial resources might use to undercut smaller rivals and drive them out of the market).

Both policy changes are being driven by concerns about inflation, which is running above 4 percent. Supporters say the policy changes would increase competition and drive down prices.

But those who favor keeping the size cap and the ban on below-cost selling say the move is little more than a gimmick aimed at deflecting attention from the real sources of inflation, which are government-run industries. Prices for public transit and state-produced electricity rose by about ten percent last year. The state sector accounts for an estimated 59 percent of the inflation rate.

In contrast, food prices grew just 2.2 percent, or half the overall inflation rate. Ireland enjoys robust competition in the food sector, with more than 6,000 independent grocers. Food prices are somewhat high in certain areas, but industry groups attribute the problem to crumbling transportation infrastructure and thin population densities, not lack of competition.

Lifting the size cap would likely attract major global retailers, including Wal-Mart, the third largest grocer in England. Foreign chains would "find the Irish market an easy target as they could use their huge resources to quickly establish themselves by an initial heavy investment in below-cost selling," contends the Irish Small and Medium Enterprises Association, which vehemently opposes the changes.

Critics say the changes would not only eliminate thousands of independent merchants and decimate town centers, but would also harm the Ireland's farmers and manufacturers. They point to the German grocery chains Aldi and Lidl, which entered the Irish market four years ago and source 90 percent of their products outside the country.

The Swedish furniture chain Ikea has played a major role in the debate over the size cap. Ikea claims it logs thousands of Irish customers at its English stores and says it would like to build a store in Ireland more than ten times the size of the current cap. Ikea has threatened to locate just over the border in Northern Ireland if superstores continue to be banned in the Republic.

-- For more on the thinking that led to the cap, see "Ireland Bans Superstores" in the January 2001 issue of this Bulletin at <http://www.newrules.org/hta/hta0101.htm>

-- The policy itself, along with supporting reports, can be found at <http://www.newrules.org/retail/irishsizecap.html>

IV. ALLIANCES AND COOPERATIVES

ARIZONA COALITION URGES, THINK INDEPENDENTLY, SHOP LOCALLY

A new coalition of more than 70 independent businesses in the Phoenix metro area is urging residents to "Think Independently, Buy Locally."

The coalition, known as Arizona Chain Reaction, grew out of a conversation between Michael Monti, owner of Monti's restaurant, and Kimber Lanning, owner of Stinkweed, an alternative music store. At first, they simply wanted to get about ten local businesses together to buy advertising as a group. The ads would include a message about the importance of local ownership and feature each business.

The idea was to have ten businesses that were very different, but that all face a common threat from corporate retailers. "Here I was with my 'good old boy' steakhouse and Kimber with her alternative record store populated by kids wearing tee-shirts protesting the WTO," said Monti.

The idea evolved and eventually became Arizona Chain Reaction, an alliance of independent businesses dedicated to raising public awareness of the importance of local ownership.

Membership is free and open to all locally owned businesses in Arizona (but the group focuses primarily on the Phoenix metro).

"We want to remind people where they can find independents and why they should go to them," said Monti. He stresses that Arizona Chain Reaction is still in its infancy. So far, the group has produced a window decal ("Think Independently, Buy Locally") that members display on their storefronts, a web site that serves as a searchable directory of locally owned businesses, and a listserv for members to communicate and share ideas.

Since membership is free, these initiatives have been funded by passing the hat. Keeping Arizona Chain Reaction free and informally managed (the group has no board of directors or committees) is essential to its success, the founders believe. Many small business owners are struggling financially and few can spare time to serve on a committee or go to meetings.

To help with recruitment, the group has developed a card that highlights why locally owned businesses are important to the local economy and encourages business owners to join. Members carry the cards and hand them out to other business owners.

The group has been covered by local newspapers and radio and television stations. During the week of July 4th, the local public radio station played a free ad for Arizona Chain Reaction for every two sponsorship spots purchased by one of the coalition's members.

The reaction from the public has been very encouraging so far. "People are very uneasy about what's happening in the economy," noted Monti. "We're generating interest from all sides of the political spectrum. That's important I think, because it represents a sea change that is underway."

-- Arizona Chain Reaction: <http://www.azchainreaction.org>

TAMPA BUSINESSES CELEBRATE SECOND ANNUAL "INDEPENDENTS WEEK"

"Celebrate the nation's independence by celebrating your independents," read posters displayed in store windows across Tampa, Florida, during the first week in July.

Twenty locally owned businesses---including restaurants, a record store, a grocer, a hardware dealer, clothing stores, a gift shop, and a bookstore---participated in this year's second annual Independents Week celebration. The event is designed to broaden awareness of the value independent businesses and encourage residents to shop locally.

In addition to displaying the posters and other information, each merchant held raffles during the week where customers could win gift certificates for the other participating businesses.

The event was conceived by Carla Jimenez, co-owner of Inkwood Books. Jimenez had long used Independence Day as opportunity to remind customers of the importance of supporting independent businesses.

Last year, she invited other businesses to join her and launched Independents Week. "Our intention is really to work as a cooperative venture," Jimenez said. "And even though we may be competing for the same dollar, we want people to know we are of, by and for the community."

The event is so easy, contends Jimenez, that even the busiest entrepreneurs could manage something similar in their own communities. Although simple, Independents Week has been very effective in reminding residents of how their spending decisions affect the community and making them more aware of the individual businesses that participate.

Independents Week has also garnered significant coverage in the local media, including this year, a front page story in the local section of the Tampa Tribune.

One particularly important message Jimenez hopes to convey is that locally owned businesses support a web of local economic activity. "We make our decisions locally," she said. "When we need shelves, we have them crafted here in Tampa. We have a local printer, accountant, local bookkeeper, we even have a local, independent pest control company."

-- See the August 2002 issue of this Bulletin for coverage of last year's event:
<http://www.newrules.org/hta>

V. RESOURCES

PUBLIC SERVICE ANNOUNCEMENTS ENCOURGE SUPPORT OF LOCAL BUSINESSES

The American Independent Business Alliance has produced a series of public service announcements (PSAs) highlighting the importance of locally owned businesses and is encouraging people to submit the PSAs to their local radio stations. Some radio programs are already running the announcements.

"Listeners will get a brief message about why they need to support local businesses," said AMIBA director Jennifer Rockne. "We're trying to reach those who are not yet thinking about how their spending decisions affect the overall vitality of the community,"

"Independent businesses are part of what gives your hometown its unique flavor," one PSA declares. Another focuses on the "multiplier effect," the fact that independent businesses create a much larger volume of local economic activity than chains do.

AMIBA is a national nonprofit that helps small business owners form independent business alliances in their own communities. The organization provides tools and models for launching "buy local" and other educational campaigns.

-- Listen to the PSAs on-line at <http://www.amiba.net/resources.html#PSAs>. Contact Jennifer Rockne (jennifer@amiba.net) for more details on submitting a PSA to your local station.

REPORT TRACKS PUBLIC CONDEMNATION FOR CORPORATE GAIN

Municipal officials are increasingly abusing the power of eminent domain to transfer property from one private owner to another. Past issues of this Bulletin have reported on several cases in which cities have condemned buildings housing small businesses and transferred the property to chain retail developers. A new report from the Institute for Justice, a libertarian public interest law firm, documents thousands of cases of private use condemnation, including many involving chain retailers. According to the report, Costco is the retailer that most often benefits from condemnation. Other companies cited in the report's examples include Target, Home Depot, Stop & Shop, Walgreens, and CVS.

-- "Public Power, Private Gain": http://www.ij.org/media/private_property/castle

REPORT CRITICAL OF TIF SUBSIDIES FOR RETAIL

A new report from the Bureau of Government Research, a New Orleans-based nonpartisan organization, offers a detailed critique of tax increment financing (TIF), particularly with regard to how it has been used in New Orleans. As previously reported in this bulletin, the city is using TIF to subsidize a massive, suburban-style Wal-Mart store in the heart of New Orleans. The report, "Tax Increment Financing in New Orleans," says TIF should be used "cautiously and only in tightly circumscribed conditions." It argues that "subsidizing a retail operation with TIF revenues gives it an unfair advantage over its competitors." The report recommends that the state prohibit the use of TIF for retail development, except for "main street" revitalization efforts.

-- Download the report at: <http://www.bgr.org>

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