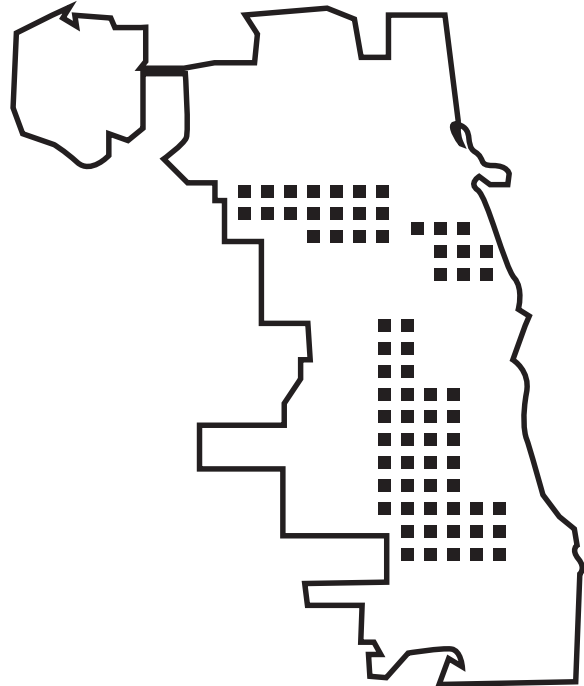


(Confidential)
**Retail Access
Master Plan (RAMP)**
Executive Summary

It should be a basic right to stand at one's own front door and, for any everyday necessity, be able to choose between two or more locations within convenient walking distance, and be confident of finding a good variety and paying a competitive price comparable to those in most other areas of the city. In fact, this can be said to be a basic defining criterion for properly functioning retail competition.^{1,2} Factors such as commercial consolidation, global capital pressures, land-use and transportation challenges, gentrification, and community disinvestment have disrupted normal retail functioning in many areas.

A major force in the loss of smaller local business is the external capital flow that is the driving force behind nationally owned corporations. An externally capitalized venture may move into a market, injecting some value into the economy, but significant profit is drawn out of the area and spent elsewhere. A 2004 Crain's article³ described a "retail drain" of billions out of the city to the suburbs, but it ignored the important fact that substantially more corporate profits are also drained, to national and international investors. The 2005 MCIC "Chain Reaction" report on retail⁴ likewise ignored the important capital advantages of smaller, more locally owned commerce.

Distant investors in globalized retail compete directly for value (in profit) not only against local labor (in wages and benefits) and consumers (in prices), but also against local entrepreneurs and investors. This surplus value simply leaves the



community. External globalized retail is thus naturally at odds with local labor and local competition, and its external capital is precisely what gives it an advantage over local business and labor, who have only local capital on which to depend but who tend to spread profit within the community.

The current highly politicized debate about big-box wages, and also the formula retail ordinances, *relate directly to these phenomena*. Recent efforts can be viewed as a move towards properly handicapping global capital to help level the playing field for local capital. Yet most would admit that the new ordinances are blunt tools at best to solve the problem, and they clearly single out very specific categories.

The RAMP initiative can be regarded as a next step toward equilibrium, where locally owned retail is given the leg up that it needs, chiefly through tax scaling and land management, and the handicapping is formalized and made more equitable for big business than the current measures allow.

Each of Chicago's 3 million residents — regardless of income, location, or other circumstance — is equally entitled to access to basic goods and services at reasonable prices within their communities. Ideally, enough competing enterprises offering any given commodity should be operating within a sufficiently short distance of any point in the city to spur price competition. The Retail Access Master Plan will articulate the planned development and maintenance of a *competitive infrastructure* to support this. First priority for the Plan will be supermarket access, but the broad framework can support any other basic retail need, such as pharmacies, laundromats, department stores, service stations, banks, and other identifiable necessities.

This initiative solves the dual problem of disinvestment in both overvalued and undervalued regions. For example, both gentrified communities (which retain significant numbers of working-class, homeless, and senior populations) and blighted communities alike are underserved by certain retail categories, such as full-service affordable supermarkets and laundromats.

This comprehensive package involves research and program evaluation; allocation of land; fundraising activities; and tax provisions. The activities under the Plan will be overseen by a publicly accountable Retail Access Policy Council, selected by the City Council and approved by the mayor. The Policy Council will be responsible for needs analysis, execution of the Plan, evaluation of the Plan's effectiveness, and education initiatives, among other things.

Research and Program Evaluation

RAMP will consider existing research addressing access to basic goods and services, and it will build on that research. A primary research focus will be evaluating the city's competitive infrastructure for goods and services of interest to the Plan. Any point in the city's coordinate grid should be identifiable in terms of an index indicating level of access to a given good or service. For example, fresh produce at affordable prices is not available from numerous points in the city. Based on such an index and along with other measurements, the Policy Council will be able to make specific recommendations on how to proceed.

All initiatives authorized under RAMP will be evaluated periodically for their effectiveness. For example, longitudinal analysis of produce sales figures for participating grocery outlets will be very useful in determining the long-term effectiveness of a land or tax incentive governed by the Plan. The Policy Council will present annual reports to the City Council.

Tax Incentives

Tax incentives will be a compelling tool to encourage a competitive retail infrastructure for basic goods and services. Even existing retail outlets can be encouraged to expand or to increase promotion of certain basics if these activities are tied to tax tiering or tax rebates.

Sales tax incentive. A parcel allocated through the Land Management portion of the Plan (see **Land Management**, below) will be available only to a producer who agrees to meet a certain city need described in the city's layer of covenants for the land, and lease of the land would signify willingness to comply and would thus entitle the lessee

to certain sales tax premiums. However, the same advantages could be extended to any retailer in the city if that retailer were to produce proof of meeting the same criteria. Thus, a generally accepted citywide health initiative to provide fresh produce at affordable prices can be promoted through tax incentives to any retailer, including those who already satisfy such criteria.

Size, scale and localism incentives. Recent events are pointing up the capital-containment advantages of smaller, more locally owned commercial enterprises. A significant sales tax premium should be made available for retailers meeting certain criteria indicative of corporate size, scale, and localism. Such criteria might include: corporate headquarters and officers being within the city or county; non-publicly held corporation; total sales figures below a certain level; size of store below a certain level.

Land Management

To encourage retail outlets of various categories in areas of extraordinarily low competition, the city will acquire parcels of land and provide incentives to use the land for specified purposes. The land normally will be acquired through exchange and consolidation of smaller city-owned parcels.

Parcels of land will be managed by *community partner agencies*, selected by the Policy Council, who will gain title to the land through a beneficial trust from the city and will act as landlord. The city itself will place certain covenants on the land's use consistent with their prescriptions under RAMP, and the community partner agency will place additional covenants on the land's use consistent with local needs that the agency might identify. In exchange, the city will use RAMP sales tax incentives

connected with a lessee's performance (see **Tax Incentives**, above). The community agency, for its part, will lease the land to the lessee at below-market rates.

To illustrate, gentrifying areas and blighted areas alike have seen a steep decline in affordable supermarkets since the middle of the last century. An analysis may demonstrate unusually low levels of price competition and access both in Gentrified Area A and Blighted Area B. The city acquires two 40,000 square-foot parcels within a half-mile of each other in each of the two areas and entrusts each of the four to a separate community partner agency, each for a 20-year period renewable.

The city's covenanted prescription is that each store must allocate 15% of its retail area to sale of fresh produce and also must sell 100 basic foodbasket items at or below the city average. Each partner agency adds additional covenants, which package can be viewed as a community benefit agreement. One covenant requires a full-service demonstration kitchen with 30 seats to be maintained at one store and to allow educational programs to be held at no cost to the community. Another requires that at another store a variety of fresh African-American foodstuffs be available at all times.

The partner agencies are authorized to lease the land at a price well below market rate in the gentrified area and the partner agency and the city divide the income after property taxes and other expenses. Offering the land at below market rate is possible because the partner agency holds no mortgage on the property. Noncompliance with the partner agency's additional requirements is in effect a contractual breach of the lease. Noncompliance with the city's requirements

would be a contractual breach, while compliance would entitle the lessee to certain tax advantages (see **Tax Incentives**, above).

Retail Reinvestment Fund

In some areas of the city, the problem of retail disinvestment is so acute that rapid, decisive action is called for. Additional funds will be necessary to assist in the construction of new locations, improvements to existing locations, and implementation of various public programs.

Public sources. A Retail Reinvestment Fund would come partly from state and federal sources through the city's Department of Public Health or another appropriate body, either from within various funds or preferably through new appropriation initiatives.

An additional public source for a portion of this account could be generated by routing into it a significant part of the tax and rental income from the productive city-controlled parcels developed and operated under RAMP (see **Land Management** above). The tax portion of this self-funding provision is similar to a special tax district and could be structured through such a mechanism or some related one. As to rental income, some will benefit the community partner entrusted with the land and the remainder may go into this fund.

Public-private sources. One major private source for these funds will be the New Markets Tax Credit (NMTC) program,⁵ in which banks and other institutions invest in projects geared toward boosting economic development in low-income areas. The Madison and Western retail project was funded in this way.

Since NMTC funds may only be used in qualifying low-income census tracts, the combination of funding above will allow for the development of projects in higher-income areas where low-income families nonetheless reside. These areas still lack access to essential services, such as affordable supermarkets, pharmacies, laundromats, discount stores, and other basic needs.

The above are only illustrations of various possibilities. Actual details of these and other mechanisms will be developed through the Policy Council.

References

¹ Bresnahan, T.F. and Reiss, P.C. "Entry and Competition in Concentrated Markets." *Journal of Political Economy*, vol. 99, no. 5, Oct. 1991, p. 977.

² Stubbs, F.T., Barber, M.C. "Fred's Stores: An Analysis of Retail Diffusion." *Southeastern Geographer*, vol. 36, no. 1 (1996), p. 32.

³ Sandra Jones. "Chicago's \$6.5 billion retail drain." *Crain's Chicago Business*, Aug. 2, 2004, p. 1.

⁴ Metropolitan Chicago Information Center. "Chain Reaction: Income, Race, and Access to Chicago's Major Player Grocers." Available at www.mctic.org.

⁵ Urban Land Institute, "Capitalizing on the New Markets Tax Credit." *ULI Land Use Policy Forum Report*, 2003 ULI/Charles Shaw Forum on Urban Community Issues, Chicago.