
'BIG BOX' TASK FORCE SUMMARY OF FINDINGS

*Prepared for:
Pagosa Springs Town Council and
Archuleta County Commissioners*

June 23, 2005

BACKGROUND

This report serves as a summary of findings of the “big box task force.” The task force concept originated out of concern among citizens and business owners that our community was unprepared for the potential impacts that large-scale retail development (“big boxes”) might have on Pagosa Springs. These citizens requested that a “task force” be formed to study these impacts using an analytical, research-based approach. In response to this request, a “Big Box Task Force” was formed in July, 2004 by the Town of Pagosa Springs in order to study the various impacts of large-scale retail development on Pagosa Springs.

Subsequent to the formation of the Task Force, the Town passed a six-month moratorium on processing permits of non-grocery retail development over 18,000 square feet. An “emergency ordinance” suspending the processing of superstore applications was passed on July 27, 2004 and expired on January 27, 2005 (soon thereafter, Archuleta County passed a similar moratorium). The goal of these ordinances was to give the task force adequate time to consider the comprehensive impacts of this type of commercial development and to recommend potential solutions to address these impacts. Note that both the Town and County extended their moratoria through August 3, 2005. (so as to conduct a thorough economic baseline study which is described below.

Due to the long-term implications of any big box ordinance, an economics consulting firm was hired by the CVC to study baseline economic conditions as well as potential impacts from big boxes on the local economy. This firm, Economic & Planning Systems (EPS) assessed the Task Force’s recommendations, and concluded that the overall recommendations were sound and consistent with their findings regarding the long-terms economic health and vibrancy of the community. EPS’ findings regarding “big box” development is available on the Town’s website.

TASK FORCE MEMBERS

Representatives from a cross-section of the community were asked to serve for roughly nine months to one year on the task force. Members of the task force include:

- Cappy White, Business Owner
- Kirsten Skeehan, Business Owner
- Ann Bubb, Business Owner
- David Spitler, Business Owner
- Jerry Venn, Attorney
- Claudia Smith, Colorado Land Title
- Bill Downey, County Commissioner
- Kathy Keyes, Business Owner
- Terry Smith, Business Owner
- Lee Riley, Realtor
- Angie Dahm, Business Owner
- Teddy Finney, Teacher
- Rod Dunmyre, AEDA Executive Director
- Lori Unger, Business Owner
- Angela Atkinson, CVC Executive Director
- Darrel Cotton, Town Council

METHODOLOGY

Communities across the country have been faced with the challenges associated with “big box” development for a number of years. The task force recognized that potential impacts on the community were broad and complex, and that learning from other communities regarding their approach and solutions made sense. The task force concluded that a combination of research using primary and secondary studies, public hearings and other avenues for gathering public input would provide the data necessary for a comprehensive analysis. Details on these data sources are provided below.

General Research

Primary Research: A survey commissioned by the Community Vision Council provided important economic data and feedback on the community’s support for/against “big box” development. The survey consisted of mail/email surveys of part- and full-time locals of Archuleta County.

Secondary Research: Studies of big box impacts were collected from communities around the country who are facing the same challenges as Pagosa Springs. Due to the vast amount of research that has already been conducted, our tactic was to use those studies that were credible (conducted by academic institutions and/or from widely respected sources) and applicable to our situation (rural small towns facing significant growth).

Public Hearings and Comment

Public Hearings: A public hearing was conducted on September 22, 2004 to gather input from the members of the community regarding their opinions of “big boxes” in Pagosa Springs. Approximately 100 residents attended with 20 attendees offering their comments and asking questions. The hearing was publicized in the Pagosa Sun and the local radio station, KWUF, and was facilitated by Laura Lewis of Operation Healthy Communities.

A second public hearing was scheduled for May 16, 2005 to present final conclusions from the EPS report as well as the recommendations from the Big Box Task Force which are presented in this report.

Two public hearings on the final recommendations of the Big Box ordinance will be held on July 13 and August 2, 2005.

Public Comment: The public was invited to comment on “big boxes” through the Town’s website www.townofpagosasprings.com.

APPROACH

Topic Areas

Based on research and input from the community, the task force learned that there were three primary areas of concern that people generally had regarding “big boxes”: 1) their aesthetics, or how well they conform to and are compatible with the surrounding environment; 2) their economic impacts, or how big boxes impact other businesses, tourism, taxes, and so on; and 3) their social/community impacts – how might this type of development alter the fabric of our community, its uniqueness, character, and how we relate to each other - as well as impacts on social services and infrastructure.

The task force broke these “areas of concern” into topics so that each area could be studied individually and to provide a more efficient method of organizing the research. As such, the task force organized its research into the following subject areas with individual task force members assigned to research these areas:

- a) Community
- b) Jobs
- c) Tourism
- d) Economic / Tax Revenue Inflow-Outflow (“Leakage”)
- e) Infrastructure
- f) Historical Character
- g) Social Services

Presentations were made pertaining to these topics with the complete findings included in the Appendix of this report.

Criteria for Determining Impact

In order to determine whether “big boxes” would have a net positive, negative or neutral impact on the community, the task force felt that some criteria for how retail and commercial development should occur in our community must be established. These guidelines would provide some direction to the task force in judging the nature and degree of impact on the community. These criteria were based on survey findings, comments from the public, and research conducted in conjunction with the downtown master plan.

The community represented in the survey that “preserving the natural environment” and “maintaining the small town character” are key values that are important to them and that are intrinsic to what makes Pagosa unique. The task force further refined these ideas to more specific and detailed principles outlined below:

- Enhance the character of the community
- Attract and sustain businesses that are environmentally sensitive
- Demonstrate positive net fiscal impact on community
- Ensure a diversification of the retail “mix”
- Meet relevant design criteria
- Employee housing
- Minimize pressures on social services and community infrastructure
- Supply jobs that offer a living wage
- Physical size that is visually compatible and appropriate to a small town
- Support retail uses that serve the needs of residents and tourists
- Encourage locally owned, independent businesses

The task force used these principles as the criteria for determining whether the impact from large scale retail development would be positive, negative, or neutral. Note: Based on the findings from EPS, the criteria of “range of grocery choices” and “mid-box retailers”¹ were added to the list of criteria.

¹ “Mid-box,” or alternative, retailers were defined by EPS as retailers providing “shoppers goods” (general merchandise) with square footages between 20,000 and 40,000 square feet.

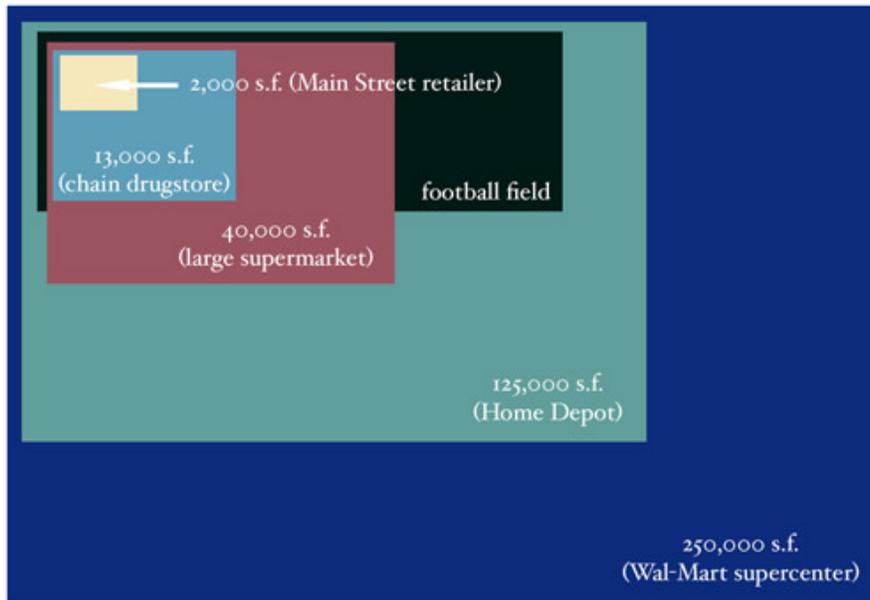
Existing Conditions

To assess the impact of “big boxes,” we first had to come up with its definition – how big is a “big box”? There’s no single definition that is universally used and, as shown in the figure below, the range of retail footprint sizes is vast. Wal-Mart and Target “supercenters” (typically a full supermarket and numerous specialty services such as cut flowers, eye glasses, etc.) range from 180,000 to 250,000 square feet, or between 4.1 to 5.7 acres not including the surrounding parking lots.

Many other big box retail stores--including earlier-generation Wal-Mart outlets, Home Depot, Lowe's, Office Depot, Bed Bath & Beyond, etc.---are in the 60,000 to 140,000 square foot range. Barnes & Noble and Borders Books stores range from 25,000 to 45,000 square feet, or about the size of a very large supermarket. Free-standing chain drugstores operated by Walgreens, Rite Aid, and CVS are generally 11,000-15,000 square feet.²

The current retail environment in Pagosa Springs is primarily comprised of small, independently owned retail stores and restaurants. The largest retailer is City Market which is approximately 53,250 square feet in size. Other large retail stores include Alco, Interior Dreams, Ponderosa, and Circle T/Ace Hardware, all under 20,000 sq.ft .

COMPARISON OF RETAIL STORE “FOOTPRINTS”



² Source: Institute for Local Self Reliance, 2004.

TASK FORCE RECOMMENDATIONS

These recommendations are based upon the task force's research and the findings from EPS' economic and fiscal impact studies.

Recommendation #1: Limit Size of Retail Establishments

One of the more common tools used by communities is to control the size of big boxes, also known as a "retail size cap." Size caps effectively ensure that new retail development is scaled appropriately for the community and does not overwhelm the local economy or exacerbate sprawl and traffic congestion. Pagosa Springs is in a unique position because it does not have a proliferation of traditional "big boxes" as part of its current retail mix. As such, the task force has used the existing retail businesses as benchmarks for determining an appropriate and compatible maximum size for retail in our community.

The task force determined that there needed to be different size caps set for the downtown core area and "uptown" based on the scale of existing development, historic character of downtown, and traffic/parking considerations. Given this scenario, the task force recommends the following size caps for retail businesses in these zones:

Zone 1: Downtown "Core" Area (15th Street to Junction of Highways 84 and 160)

- Under 5,000 sq.ft: In compliance
- 5,001 – 8,000 sq.ft: Triggers "Economic Impact Report"
- Over 8,000 sq.ft: Non-Compliant
- Grocers under 15,000 sq.ft. : In Compliance
- Grocers 15,000 sq.ft and over: Non-Compliant

Zone 2: Town except for Downtown "Core" Area

- Under 15,000 sq.ft: In compliance
- 15,001 – 35,000 sq.ft: Triggers "Economic Impact Report"
- Over 35,000 sq.ft: Non-Compliant
- Grocers under 55,000 sq.ft : In compliance
- Grocers over 55,001 sq.ft: Non-Compliant

Zone 3: County

- Under 15,000 sq.ft: In compliance
- 15,001 – 35,000 sq.ft: Triggers "Economic Impact Report"
- Over 35,000 sq.ft: Non-Compliant

The task force also determined that there needed to be different size caps set for buildings that had multiple tenants so that even in this situation a building or "shopping mall" would not overwhelm the existing scale of development or character of the community. The task force recommends the following size caps for buildings with multiple tenants:

Zone 1: Downtown "Core" Area (15th Street to Junction of Highways 84 and 160)

- Under 8,000 sq.ft: In compliance
- 8,001 – 16,000 sq.ft: Triggers "Economic Impact Report"
- Over 16,001 sq.ft: Non-Compliant

Zone 2: Town except for Downtown “Core” Area

- Under 35,000 sq.ft: In compliance
- 35,000 sq.ft – 70,000 sq.ft: Triggers “Economic Impact Report”
- Over 70,000 sq.ft: Non-Compliant

Zone 3: County

- Under 35,000 sq.ft: In compliance
- 35,000 sq.ft – 70,000 sq.ft: Triggers “Economic Impact Report”
- Over 70,000 sq.ft: Non-Compliant

Recommendation #2: Require “Economic Impact Reports”

“Economic Impact Reports” would be required for buildings that exceed size outlines above. These impact studies would be conducted by independent consultants chosen by the Town or County and paid for by a fee assessed on the developer. The task force would also recommend that there be a public hearing to gather citizen input. The Town Council or Board of County Commissioners would ultimately determine whether the project’s overall benefits outweigh the costs based on a set of predetermined criteria. These criteria and the weighting system are described in the following section.

Recommendation #3: Development Impact Fees

The task force recommends that the Town and County coordinate the assessment of development impact fees. These impact fees would pay for improvements to infrastructure designed to support the development as well as open space/parks, services, etc. Given the complexity and legal requirements of impact fees, the task force will rely upon the recommendations of EPS regarding the details of the fees.

Recommendation #4: Expand/Attract Businesses That Complement Community Assets

Developing strategies to expand and attract businesses to the Pagosa Springs area that are complementary to our values and existing amenities is strongly urged by the task force. Businesses that offer well-paying jobs, are non-polluting, offer needed goods and services to the community, affordable housing, etc. would be encouraged to expand or relocate to the Pagosa Springs area. Incentives such as low interest loans and tax credits could be used to attract those businesses that are beneficial to the community. Governmental coordination with AEDA, Region 9, CVC, and other economic organizations is encouraged.

Recommendation #5: Develop Appropriate Design Criteria

The task force will consider the recommendation of the development and implementation of design criteria as soon as possible. These criteria should address location of parking, landscaping, façade and display windows, building materials and color scheme, signage, lighting, noise, etc.

Recommendation #6: Audit Retailers

The task force is concerned about the ability of the town and county to monitor the transition and use of business throughout the greater community. The task force therefore recommends that both the town and county create a means of auditing the businesses through the community, with the recommended tool being the requirement of business licensing.

Recommendation #7: Create Provisions for Vacation of Site

The task force is concerned about intentional prolonged vacancy of a site for the sole purpose of restricting competition when a business relocates. The task force is also concerned with a prolonged vacancy of a site becoming a visual blight or safety issue for the Town or County.

“Economic Impact Report”: Goals and Criteria

The purpose of the “Economic Impact Report” is to evaluate those retail establishments that may earn exceptions to the retail size restrictions through their inherently large format (i.e., furniture stores) or because their potential economic impacts on the community are significantly positive. In order to determine a “net positive economic impact,” it is necessary to set overall goals for a retail development strategy from which specific criteria would emerge:

GOALS OF RETAIL DEVELOPMENT STRATEGY:

1. Enhance the character of the community
2. Support retail uses that serve the needs of both residents and tourists
3. Ensures a diversification of the retail “mix” (e.g., income, store type, etc.)
4. Development "pays its own way" through participating in funding infrastructure, etc.
5. Demonstrate positive net fiscal impact on community

For those single-tenant retail establishments with square footages that are between 5,001 and 8,000 sq.ft (multi-tenant 8,000 sq.ft -16,000 sq.ft) in Zone 1; single tenant that are between 15,000 sq.ft and 35,000 sq.ft in Zone 2 and Zone 3 (multi-tenant of 35-70,000 sf), an objective assessment of the applicant’s economic impacts would be conducted by an independent economic consulting firm chosen by the Town and County and paid for by the developer. The analysis would result in a ‘score’ for the retailer based on the criteria listed below. If the applicant’s score meets or exceeds a total of 12 points (out of a total 20 points possible), the applicant’s project would be approved. An applicant may make adjustments to their project (i.e., project design, provide higher wages, etc.) for reevaluation. A public hearing would be conducted in conjunction with the economic impact report.

CRITERIA:

	<i>Criteria “Weight”</i>
EMPLOYMENT	
• Supply jobs that exceed the living wage ³	3 points
• Supply jobs that payvacation/sick time to non-managerial staff	1 point
• Supply jobs that offer health insurance to non-managerial staff	1 point
Supplies convenience/shopper's goods ⁴	3 points
Encourage locally owned businesses ⁵	4 points
Encourage independent businesses ⁶	3 points
Exceeds established design standards ⁷	3 points
Attract and sustain businesses that are environmentally sensitive ⁸	2 points
TOTAL	20 points possible

³ Average wage paid to non-managerial/non-supervisory positions to meet or exceed County’s median wages as specified by current data from ES-202 and Bureau of Economic Analysis.

⁴ Categories defined by the attached.

⁵ Owner (or majority of owners if partnership/corporation) list their primary residence as within Archuleta County.

⁶ Independent business: privately owned; full decision-making function for the business lies with its owner(s); and no more than 6 outlets with bases of operation lying within a single state.

⁷ Possibility of partial point award based on determination by Planning Commission that designs exceeds standards set by Big Box Design Guidelines.

⁸ Meets Building Performance Code criteria as determined by a Code professional.

Definition of Terms

The segments of the retail market are provided below, based on store groupings, shopping characteristics, and differences in trade areas.

- **Convenience Goods** – This category includes grocery, convenience, and other food stores. These stores sell frequently purchased, low cost items with little product differentiation, most often bought close to home.
- **Shoppers Goods** – This category includes general merchandise, apparel, furniture, appliance, sporting goods and some specialty stores such as pharmacies, liquor stores, books and music, etc. The product lines of these stores are generally more expensive, less frequently purchased items than convenience goods. In general, people are more likely to comparison shop for shoppers' goods, and are often more willing to travel further to buy them.
- **Home Improvement** – This category is made up of stores selling lumber, paint, glass, hardware, plants and garden supplies, and other retail items related to home improvement. Home Depot is an example of a single store covering the range of most items included in this category.
- **Eating and Drinking Establishments** – This category includes restaurants and bars. Businesses in this category exhibit some of the characteristics of convenience stores in that many restaurant expenditures are made at establishments close to home on a frequent basis. However some higher quality restaurants, more unique in the marketplace, can have a wider draw.

APPENDIX

SUMMARY OF IMPACTS

SUMMARY OF IMPACTS

The task force has spent the past year compiling data from primary and secondary research so as to thoroughly understand the potential impacts of big box commercial development in our community. An economic consulting firm, Economic & Planning Systems (EPS), was hired to quantify the potential impacts and make recommendations based on their expertise and experience in other small western communities. A summary of EPS' findings as well as the task force's secondary research is available on the Town's website.

Impacts on Local Economy: Tax Revenue "Leakage"

The situation when tax revenues leave a community is referred to as "leakage." A common argument in defense of bringing in superstores is that the money would be kept at home instead of "leaked" to communities such as Durango and Farmington. As shown in the surveys, there is leakage to other communities for certain goods, particularly automobiles, appliances, and clothing.

However, based on our research of other communities, we found that while bringing in a superstore would certainly have the effect of retaining those tax revenues that are leaked to other communities, there are other ramifications that would actually result in increased costs to the community, such as closure of other businesses, increased dependence on social services, increase in lower wage jobs, etc. In other words, superstores such as Wal-Mart, Target, etc. often give communities an immediate short-term boost in tax revenues; however, studies show that in communities where superstores have resided for a number of years, the net gain in tax revenues is offset by losses in other areas, most notably revenues from small, independently owned retailers. As such, the task force concluded that while 'big box' stores might have a net positive gain in tax revenues in the short term, they are not the solution in the long term.

Impacts on Local Economy: Employment

While large retailers do create jobs, it is questionable as to whether the jobs associated with big boxes would be an actual gain for Archuleta County. Our county already has a high number of part-time positions in the retail sector as well as a relatively low unemployment rate. Most academic studies report that if a major retailer eliminated smaller retailers through competition, then the job gain would be negligible – basically a "net wash" of job gain/loss. It should also be noted that there is a big discrepancy in job quality among major retailers -- some have excellent reputations regarding employee and community relations while others are poor. In other words, not all "big box" stores are equal when it comes to job quality.

The current median wages in Archuleta County for retail workers is \$9.28 per hour (\$8.47 mean). The average wage for non-union employees working for major retailers is between \$7.50 and \$8.50 per hour. The types of jobs and corresponding wages would be less than what current Archuleta County residents are making, and the lower tax base from lower paying jobs is not always offset by increased sales tax revenues.

In terms of employment practices, some major retailers are targets of numerous complaints that range from job classification that eliminate benefits, hours worked off the clock, unequal pay, work breaks, and child labor. Other retailers have stellar records. Again there are differences between employers. However, a recent report from UC Berkeley indicates that communities

often incur significant increases in services to part-time employees of major retailers. These services can include, health care, food stamps, aid to dependent children, free school lunches etc. The costs to support the large number of employees needed to operate a major retail store can be significant.

Some communities have implemented a minimum wage requirement for a certain percentage of jobs (i.e. 75% of jobs must pay a minimum of \$8.50 per hour). While this may be a challenge to sell to the business community, numerous communities around the country have done this successfully.

The issue of jobs and employment records needs to be studied carefully with the preliminary findings suggesting that big boxes would have significant negative impacts on the current *and future* employment situation in Archuleta County. The types of jobs (their wages, business practices, etc.) needs to be scrutinized carefully and Archuleta County's current relatively low unemployment rate suggests that the need is not pressing to create low paying jobs in Pagosa Springs.

Impacts on Social Component of Community

All issues surrounding large retail stores have roots in social issues. The literature search and the comments from community members demonstrate perceived negative impacts of large retail stores. Because owners of large retail stores do not typically reside within the community, they are not attuned to the town's needs. As such, large retailers donate less to local causes than small retailers, as a percentage of operating costs. In other words, they are less likely to contribute to local charities, employ local services such as accountants and lawyers, and have a float in the local parade.

While more an economic issue, the concern of low wages also has social ramifications. Big boxes have a depressing effect on wages, with most jobs being part-time with little to no benefits. Large retailers gradually force down the wages and living standards of retail workers who aren't even employed by large retailers. And finally, large retailers have growth plans that frequently leave vacant stores fostering blight and crime.

From a "social standpoint," big box retailers have a net negative impact on the social conditions of a small town community.

Impacts on the "Community"

The positive impacts on community from big boxes include grants, job creation, increased tax revenues, convenience of shopping in one location and predictability of products. The negative impacts include traffic congestion, monies from operating costs leaving community, increase in public services and actual loss of competition. Additionally, the loss of town character is an impact upon the community of which a majority of residents feel very strongly about, as demonstrated in the results of the survey conducted by the CVC. These impacts may or may not be able to be mitigated with zoning and environmental requirements, land-use rules, and employee wage and building and site guidelines. Left unregulated, however, big boxes have a net negative impact on "community."

Impacts on Infrastructure

While information on infrastructure impacts is limited, even through our own planning authorities, it seems apparent that traffic is at an all time high. It is difficult to make left turns safely in many places. The state highway department has no comment other than on its existing plan for lights and off highway counts. It seems to be in response mode to development. Highway traffic can only get worse until it is addressed. Water is certainly a consideration for growth of any kind and should be addressed before growth can continue. Moving a big box site out of town or from the existing core area could relieve traffic in the core retail areas, but in turn would enhance the issues of increased costs for water, sewer, road improvements and other infrastructure if one was developed in peripheral areas.

Impacts on Tourism

Regarding the impact of large scale commercial developments on tourism, the conclusion is a mixed bag. Among the primary positive impacts are increased shopping availability with low prices, large selection of merchandise and possibly eliminating the necessity of driving to Durango to shop. Large retail developments such as Wal-Marts may pull tourists into the area from surrounding areas such as Dulce, Chama, and South Fork. This may benefit local merchants such as restaurants. The Pagosa Chamber of Commerce reports that many visitors routinely ask "where is your Wal-Mart" and are disappointed to learn that the nearest Wal-Mart is 50 miles away.

There are, however, several negative impacts. Pagosa is a special place and one of the few remaining Colorado mountain towns not ruined by excessive commercial development. Adding large commercial operations such as Wal-Mart detracts from the charm and uniqueness of Pagosa Springs. As voiced by many residents, people don't visit Pagosa Springs to shop at a Wal-Mart. Most of the out-of-town respondents to the web site noted that one of the things they loved about the Pagosa area was the lack of big box stores and encouraged the community to reject big boxes. Given the uniqueness of Pagosa Springs as a small mountain town, on balance, the negative impacts outweigh the positive.

Impacts on Historic Character of Community

Smaller scale boxes located within a downtown area could bring more business and people to the downtown area which would subsequently support more historical preservation projects. The big box retail center may become the new focus of our town culture and image, setting up what will become acceptable design standards for future commercial and residential development. A big box retail center, even with the best design regulations, would pull the focus of our area away from our traditional small businesses to large impersonal spaces where we never meet the business owner. These large business owners do not live in our community and do not share our vision. Even dressed up in historical costume, a big box breaks away from traditional way of doing business in Pagosa Springs, which is very often doing business directly with the business owner. This is what creates the feeling of history that is missing in the areas predominated by big box retail, and that is what locals call "the small town feeling".

From a "historical standpoint," big box retailers have a net negative impact on the historic character of a small town community.