Opinion

Readers write: Tax benefits for big box stores a mirage

Thursday, July 1, 2010

By Harry Haskell, Special to the Times

I write as a member of the steering committee of Guilford Citizens for Responsible Development, an ad hoc group of Guilford residents who are working to inform town officials and citizens about the potential impacts of amending our zoning regulations to permit Costco to build a 150,000-square-foot big-box store on the Rock Pile at Exit 57.

Taxes and Budget

Although many towns assume that the development of big-box stores will yield a financial windfall, the tax benefits often prove to be a mirage.

When evaluating a retail development proposal, developers and town officials often focus on only one side of the equation: the amount of new tax revenue that the project will generate. It's easy to overlook the fact that retail development also creates new costs and often leads to a decline in tax revenue from existing commercial districts.

Two costs that towns commonly overlook in evaluating the financial impact of large-scale retail development are:

Declining property tax revenue from existing business districts and shopping centers – Neighborhood and town-center business districts, as well as older shopping centers, are often harmed by new big-box retail development. As these areas lose sales and experience growing vacancies, the value of the property declines and, with it, the tax revenue.

New costs for providing public services to the development – Big-box development also creates substantial direct costs for the town, including the expense of maintaining roads, inspections and regulatory compliance, and police and fire services.

One case study in Barnstable, Mass. found that the annual cost of providing city services to traditional downtown and neighborhood business districts was $786 per 1,000 square feet of retail space. Big-box stores were 30 percent more costly, requiring $1,023 in services per 1,000 square feet.

Because big-box stores generate substantial car traffic and typically increase the number of road miles that residents travel for shopping, towns end up having to spend more on road maintenance. Although developers may offer to pay for new traffic infrastructure (turn lanes, signals, etc.), the real issue is ongoing operational costs.

Big-box stores also require substantial police services. This is partly because the added traffic generates more accidents and necessitates more policing. It's also due to the fact that big-box stores generate large numbers of police service calls - far more, on average, than local retailers do on a per square foot basis. Many of these calls are for shoplifting or theft from parked cars.

The bottom line for towns: The Barnstable case study found that not only did Main Street retail produce lower services costs, it also generated more property tax revenue per square foot, because these retailers occupied higher-value, often historic, buildings. The net result was that main-street retail produced an annual tax surplus of $326 per 1,000 square feet, while big-box stores cost the city $468 more per 1,000 square feet than they contributed in tax revenue.

The column above represents the viewpoint of the Guilford Citizens for Responsible Development (GuilfordCRD@gmail.com)

Steering Committee:

Nancy Arnold, Elisabeth Barsa, Howard Brown, Penny Colby, Harry Haskell, Tony Pinto, Robert Vavasour

GCRD is an organization of Guilford residents who are interested in encouraging economic development that supports the town's existing businesses and is consistent with the long-term interests of the community. GCRD is committed to ensuring transparency in the decision-making process and objective assessment of major development proposals. We advocate development opportunities that provide the greatest economic benefits for Guilford with the least overall costs and impacts on the character of the community.