Testimony

Prepared for the City Council's Economic Development Committee

Impact of Big Box Stores

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Good afternoon, Chairman Sanders and the other members of the Economic Development Committee. My name is Richard Lipsky and I represent the Neighborhood Retail Alliance, an umbrella group that has been representing the interests of small retailers for over fourteen years.

We are here today to hear testimony about the impact of big box stores on the existing retail makeup of New York City's unique shopping environment. Some of what you will hear today is speculative and is based on experiences gleaned from other regions of this country. There are, however, legitimate fears being expressed because the evidence that has already come in from these other areas indicates that box stores do have a profound impact on regional economies.

The reports of closed supermarkets and boarded up Main Streets are not part of any overwrought propaganda campaign. They are unfortunately real and it is a reality that this legislative body needs to take into consideration as it deliberations about the kind of economic and land use policy development the Council believes should be adopted to deal with this phenomenon.

There are those people who may argue that the experiences of rural Iowa have no relevance to those of a city with millions of people and tens of thousands of retailers. They might argue that this retail economy is so large that it can easily absorb the influx of scores of big box stores without any severe ramifications to the existing retail base. They may argue this but ultimately their argument would be wrong.

The New York City retail environment does not consist of a single downtown business district. This city has literally hundreds of local shopping areas that are similar in many ways to those Main Streets of rural America. Each neighborhood, unique in its

own cultural diversity, is anchored by a commercial strip that reflects the local community it is located in.

These local shopping strips are the incubators for thousands of small businesses and immigrant entrepreneurs. Here the local supermarket, the green grocer, the dry cleaner, and the bodega coexist and thrive. In the food business alone there are close to 20,000 stores and collectively these retail outlets are not only a cultural treasure but are the economic engine that drives this city's economy.

The 186,000 Mom-and-Pop stores in New York City are more than simply an economic variable. They are the lifeblood of the communities they serve. Their success, and the health and vitality of the shopping areas they enliven, is the foundation for the well-being of the neighborhoods shopping areas.

It is probably true that neighborhood business won't collapse with the addition of one or two box stores. It is equally true, however, that the current city policty of allowing these outlets to come in one-by-one, often without a full and thorough review, is deficient and needs to be reexamined. In fact, I would argue that a study of the potential cumulative impact of the proliferation of multiple box store locations must be done before a single new application is approved.

If such a study is undertaken it should carefully evaluate the tradeoffs that inevitably come when large retailers replace scores of smaller stores. We need to look at the cost of losing entrepreneurs to entry level employment and we need to thoroughly examine the wage and benefit impacts when unionized workers are replaced by typical non-union workforce characteristic of many of the most successful box store operations.

The evaluation of the box store phenomenon is something that must be done by the City Council because organized labor, manufacturers, and the small business community have no confidence in the ability or desire of the administration to do an unbiased analysis.

The pro-big business mentality prevails from the mayor on down. It certainly is no accident that so many economic development officials and city planners who work for a nominal $1 a year salary are unable to appreciate the struggles and contributions of small neighborhood retailers. The Mom-and-Pop store owner and the unionized worker exist at a level way below the radar of these officials and the direction of public policy reflects their bias.

Wal-Mart is poised to enter the city in a major way and BJ's and Costco and its retail stepchildren, are already here and looking to expand. We need the City Council to take immediate steps to evaluate the potential impact of the box stores proliferation and, once done, to develop a sound public policy that reflects the need to preserve the city's vital resources in a way that smartly balances box store benefits with a sober understanding of these stores' potential for significant harm.