

ForumNews

NATIONAL TRUST FOR
HISTORIC PRESERVATION

May/June 2008
Vol. XIV No. 5

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In Bonaparte, Iowa, creation of the Township Stores by local residents was just the beginning of a downtown revitalization effort. The smallest official Main Street community in the U.S., it earned a Great American Main Street Award in 1996. Photo by Michael & Sherry Meek, Fly-by Photography.

COMMUNITY-OWNED STORES: New Anchors for Older Main Streets

By Stacy Mitchell

Six years ago, Powell, Wyo. (population: 5,373), lost its only department store when Stage, a regional chain, decided to shutter a portion of its outlets. Residents suddenly faced a 50-mile round trip to the big-box stores in Cody or a 200-mile round trip to the mall in Billings, Mont., to buy many basic items.

An even bigger concern for town leaders was the cascade of economic losses the store's closure would likely set in motion. Many feared that, as residents started traveling to Cody or Billings for things they used to buy at Stage, they would purchase other goods there as well, including many of the types of products sold by Powell's remaining Main Street merchants. And so the decline of Powell's traditional downtown would accelerate, echoing what is

happening in cities, towns, and villages across the country.

After trying unsuccessfully to attract one of the big store chains—all of which declined due to the sparse population—Powell residents decided they would have to take matters into their own hands. They established a community corporation, capitalized it by selling shares to hundreds of local families, and opened their own department store called the Powell Mercantile.

The Merc, as the store is known, has not only filled a critical community need, it has also turned a profit for five years running, doubled in size, and injected new life into the downtown. "It has been hugely important to the vitality of our downtown," said Kim Capron, executive director of the Pow-

ell Valley Chamber of Commerce. "The Merc has become an anchor tenant for the whole downtown. It's such a large draw."

The success of the Powell Mercantile has inspired at least half a dozen other towns in Wyoming, Montana, and Nevada—all too small and remote to interest national or regional chains—to open their own department stores. The concept is now spreading to the much more populous Northeast, where local residents are seeking community-focused alternatives to big-box retailers.

COMMUNITY CORPORATIONS DEFINED

Community corporations are similar in many respects to other publicly traded corporations. Shareholders meet periodically to vote on major matters and elect a board of directors. The board, which is typically made up of local civic and business leaders, oversees the enterprise, while a store manager handles day-to-day operations.

But unlike most stock corporations, community-owned stores typically have provisions in their charters and bylaws that prevent out-of-state residents from buying stock and limit how many shares any one person may own. This ensures that the business remains locally and democratically controlled.

This democratic structure makes community corporations fairly similar to cooperatives. Indeed, fledgling community-owned department stores can look to the success of food co-ops for inspiration. These consumer-owned stores, which began to proliferate in the 1960s, now number nearly 300 and have annual sales of about \$1 billion.

Cooperatives and community corporations differ modestly in some respects. By law, the activities of co-ops must be fairly closely tied to meeting the needs of their member-owners, whereas community corporations may have somewhat broader missions.

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Setting up as a community corporation may also make raising sufficient start-up capital a little easier, because a single investor can buy multiple shares.

A TOOL FOR SAVING HISTORIC MAIN STREETS

Essential to preserving our historic downtowns is making sure that these districts remain economically viable. Without healthy businesses to occupy the storefronts, downtowns not only cease to function in their historic role as the center of community life, but the buildings themselves invariably deteriorate as property owners no longer have a steady stream of income to pay for maintenance and restoration.

Staying economically viable is particularly challenging for small villages and town centers. It often requires residents to intervene directly to keep their local businesses going.

Such was the case in Bonaparte, Iowa (population 458), when White's Shopping Center, a major downtown retailer, closed its doors 22 years ago. For more than three decades, White's had sold most of the necessities of life, from groceries and clothing to hardware and appliances.

Four residents decided to take action. They formed a nonprofit corporation, Township Stores Inc., and raised over \$100,000 in capital by selling \$2,000 shares to more than 50 local residents. They used the capital to renovate the five 19th-century

buildings that White's had occupied and launched several new businesses, including a grocery store and a hardware store.

Inspired by Township Stores, the community embarked on a full-scale downtown revitalization program, based on the Main Street Four-Point Approach® developed by the National Trust for Historic Preservation. Today the grocery store is still operating and, thanks to the revitalization effort the Township Stores project sparked, Bonaparte is still firmly on the map.

In Vermont and New Hampshire, several longstanding general stores have likewise been saved by community investment. When the general store and lunchtime gathering spot in Hebron, N.H., closed in 1997, more than half of the village's 400 residents chipped in to collectively buy the 1940s building and lease it to new operators. In the New Hampshire town of Harrisville, the village store, dating from 1838, was purchased in 2000 by the nonprofit Historic Harrisville, Inc., renovated, and leased.

IDEA TAKES OFF IN THE WEST

Community ownership has received more attention in recent years with the opening of more than half a dozen community-owned department stores. While community ownership had previously been used to save existing businesses, these new department stores were all started from scratch to fill particular local needs and provide a strong anchor for downtown shopping.

Among the best known is the Powell Merc, which has been featured in several national news stories. But it was directly inspired by another one. As town leaders were struggling to address the loss of Stage, they learned about an enterprise called Little Muddy Dry Goods 450 miles away in Plentywood, Mont. This small-town department store had been launched by a group of residents who had each put up \$10,000 in capital. A contingent of business and civic leaders from Powell visited Plentywood and became convinced that the same model could work in Powell.

When they returned, they formed a board, incorporated, and filed papers with the state to offer stock in the Powell Mercantile. Shares were priced at \$500, much lower

than in Plentywood, with the hope that a larger number of people would invest.

Residents responded enthusiastically. Within months, the enterprise sold more than 800 shares, generating \$400,000 in capital. About a year later, the Merc opened its doors in the 7,000-square-foot storefront previously occupied by Stage.

The store has been a huge success. It offers customers good service and the convenience of shopping close to home. Prices are relatively low as well, because the store has no debt to service and no investors clamoring

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Forum News: (ISSN 1534-2948; USPS Publication No. 013-083) is published bimonthly by the Center for Preservation Leadership at the National Trust for Historic Preservation, 1785 Massachusetts Avenue, N.W., Washington, D.C. 20036 as a benefit of National Trust Forum membership. Forum members also receive four issues of Forum Journal and six issues of Preservation. Annual dues are \$115. Periodicals postage paid at Washington, D.C., and at additional mailing office. Postmaster: Send address changes to Forum News, 1785 Massachusetts Avenue, N.W., Washington, D.C. 20036. Copyright 2008 National Trust for Historic Preservation in the United States. Printed in the United States. Of the total amount of base annual dues, \$6 is for a subscription to Preservation for one year. Support for the National Trust is provided by membership dues; endowment funds; individual, corporate, and foundation contributions; and grants from state and federal agencies. Forum News is a forum in which to express opinions, encourage debate, and convey information of importance and of general interest to Forum members of the National Trust. Inclusion of material or product references does not constitute an endorsement by the National Trust for Historic Preservation. To obtain permission to reprint any part of this publication please call (202) 588-6053.

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Harrisville General Store, N.H. Photo courtesy of Historic Harrisville, Inc.

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Powell Mercantile, Wyo. Photo courtesy of the New Rules Project, Institute for Local Self-Reliance.

for a high rate of return. Also key has been the know-how of an experienced inventory buyer who previously worked as a regional manager for the Stage chain.

The Merc has been profitable since it opened in 2002. In 2006 the store had profits of \$32,000 on \$634,000 in sales. Rather than pay dividends, shareholders have opted to reinvest their earnings. In 2007 the Merc bought the building next door, more than doubling the size of the store.

By bringing more people downtown more often, the Merc has boosted sales at other downtown businesses. It's also given the community a new sense of pride and self-determination. Many residents refer to the Merc simply as "our store."

"Because the community owns it, they really support it," explained Capron. The Merc, in turn, goes out of its way to support the community, she noted. "They take the lead and always participate in downtown events. They are more than just a retailer. They see it as their mission to be there for the community."

Sharon Earhart, one of the founders of the Merc, believes the store has done more for Powell than a chain could have. "I'm so glad that when we asked the big stores to come open up in our town, they said, 'Are you kidding? Get a life.' So we did! And a much better one," she said.

The store's success has inspired several other community-owned department stores in the Rocky Mountain West. Residents of the

Wyoming towns of Worland and Torrington have established their own stores: Washakie Wear, which opened in 2003, and Our Clothing Store, started in 2005. When J.C. Penney pulled out of remote Ely, Nev., residents capitalized their own store with nearly \$500,000 in stock shares, priced at \$500 apiece. The Garnet Mercantile opened in 2004 in the same 1910 building, whose facade now sports the Art Deco look of the town's heyday. In Livingston, Mont., the Livingston Mercantile, owned by 250 local shareholders, celebrated its first year in business in December 2007.

All these stores now serve as major downtown anchors, keeping residents shopping locally. The stores have joined together to form a buying cooperative to reduce costs by buying some goods in bulk.

EAST COAST CATCHING ON

In isolated Western towns, community-owned stores have provided an antidote to a sudden dearth of staple goods within a reasonable distance. In the East, community-owned stores are catching on less out of dire necessity and more as a sought-after alternative to big boxes.

In 2006 a grassroots group in Saranac Lake, N.Y., managed to rally residents and head off construction of a Wal-Mart superstore. But they knew that it would be a short-lived victory unless they found a way to fill a local need for more affordable shopping options. As long as this gap remained, Wal-Mart would eventually return and be welcomed by the community.

The group launched the Saranac Lake Community Store to provide low-cost clothing, shoes, linens, craft items, and baby goods. Shares went on sale to the public in July 2007, and by January 2008 the venture had attained nearly 50 percent of its goal of \$500,000 in start-up capital.

Residents of Greenfield, Mass., have also been working to establish a community-owned store. The initiative was prompted in part by the closure of Ames, a regional chain of discount department stores, which left a gap in the availability of low-priced goods. Unlike isolated towns in the West, Greenfield has four Wal-Mart stores within about 20 miles. Several years ago, residents

voted against Wal-Mart's application to open in town. Mercantile advocates hope that, by launching a low-priced alternative, they can prevent further incursion by chains and maintain the vitality of Greenfield's downtown and homegrown businesses.

With the support of grants from the USDA Rural Business Enterprise program and the Greenfield Redevelopment Authority, and help from the Franklin County Community Development Corporation, a steering committee spent three years laying the groundwork for the enterprise. They prepared a detailed business plan, incorporated, and formed a board of directors made up of bankers, attorneys, civic leaders, and other community members.

In 2007 they began selling shares in the Greenfield Mercantile, hoping to raise \$600,000. The planned store may make use of a 19th-century brick building downtown recently vacated by a furniture store.

Starting a community-owned store is no easy task. It requires months of dedicated work from volunteers and a significant financial investment from many local families. It's certainly harder to do than simply succumbing to more big-box sprawl. But, as the founders and owners of these stores attest, they yield dividends that go far beyond shopping options and stock earnings. They bring people together around a common enterprise. They fill vacant storefronts, both directly and indirectly, that would otherwise multiply on Main Streets. They contribute to a more robust local economy and a greater sense of community self-reliance. ■

Stacy Mitchell is a senior researcher with the New Rules Project, a program of the Institute for Local Self-Reliance. Her book, *Big-Box Swindle: The True Cost of Mega-Retailers and the Fight for America's Independent Businesses*, was recently named one of the top ten business books of the year by the American Library Association's Booklist.

For further information, see *How to Launch a Community-Owned Store* at www.bigboxtoolkit.com/images/pdf/community_store_howto.pdf. To learn more about the New Rules Project's efforts to support local businesses, and to sign up for its e-mail *Hometown Advantage Bulletin*, go to www.newrules.org/retail.