

Big Box Redux: The Dilemma of Abandoned Big Box Stores

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During the 1980s and 1990s "big box" retail locations popped up all over the United States. In the past few years, however, a number of larger chains, including Sears, Kmart, Circuit City, and Sports Authority, to name a few, have closed or announced that they will be closing their doors. The question remains: what can and should be done with an empty big box location?

While it would be easiest to replace one big box tenant with another, three main hurdles exist to this approach. First, some big box retailers may choose to just "go dark" and continue to pay the rent at the location in order to maintain market share. Second, many big box leases include clauses prohibiting the landlord from leasing space to a tenant's competitors even after the tenant has vacated. Third, and most significantly, abandoned big box buildings in popular retail locations likely already have other successful big box retailers nearby, thus limiting the pool of potential new tenants for that space. As a result, very often the space will need to be demolished or repurposed, adapted, and redesigned.

Adaptive reuse and redesign of abandoned big box retail locations requires property owners, developers, and financiers to get creative and be committed in pursuing reuses that fill the specific retail needs of their geographic markets. The large space may need to be subdivided and leased to multiple tenants. Adaptive use of large retail spaces requires vision, foresight, a deep understanding of the local retail market, and the marketing expertise to find alternative categories of tenant. Potential tenants for adapted big box locations are those that can take advantage of some of the features of these abandoned stores, such as large open spaces, ample parking and a centralized location close to major transportation routes. Some of these alternative reuses of big box locations include: apartments/condominiums, hospitals/health care clinics, museums, churches, commercial gyms, and offices.

Like owners and developers, municipalities also have an important part to play in redevelopment of abandoned big box locations. Municipalities must be flexible and utilize any number of tools at their disposal to ease the development costs and bureaucratic burden to the reuse and adaption of abandoned locations. One municipal tool that could minimize the barriers to reuse is the creation or revision of local zoning ordinances to incentivize reuse and ease some of the financial development hurdles. This process may include rezoning of the area in question to allow for residential, office and light industrial, instead of strictly commercial uses. Second, the municipality could create a tax incremental financing district to make a potential redevelopment more financially attractive or viable to potential developers. Finally, the municipality or its community development authority could acquire title to the abandoned property to utilize for its own purposes (such as a school, library or community center) or to better control and manage redevelopment and associated financial incentives.

In summary, one size does not fit all. Rather, the dilemma of what to do with an abandoned big box retail location often requires all involved (the leasing, design, finance and legal teams, as well as the municipality) to think outside of the box and be flexible, thoughtful and creative in crafting an individualized plan and solution tailored to that particular locale. If you have any questions about an abandoned big box location and how to creatively solve the problem, please contact a member of the von Briesen & Roper Retail Real Estate Team or the attorneys listed below.

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