



GOLDEN URBAN RENEWAL AUTHORITY

Memorandum

To: Mark Heller
From: John Hageman
Date: March 13, 2009
RE: Downtown Economic Tools

Purpose:

This memo was written to examine the possible options for Golden to strengthen its downtown economy. The goal of any economic program that Golden chooses to proceed with will be as unique as the town itself, stimulate the downtown area, and assure that dollars spent in Golden stay in Golden. Three options will be explored in this memo:

- Implementing a shop local campaign
- A downtown shopping card program
- The possibility of issuing a local currency

With each of these options, I examined the essential elements of the program along with how to get broad participation by the citizens of Golden.

Discussion:

The first viable option is the implementation of a shop local campaign. Encouraging the public to shop locally in downtown Golden will create a catalyst for the local economy. When residents shop local, Golden succeeds in simultaneously creating jobs, funding more city services through sales tax revenue, investing in neighborhood improvement and promoting community development. Because of these and many more benefits, a shop local campaign for Golden would be a relatively easy, low cost, and proactive measure that can help to weather the current economic state.

The first step in creating a shop local campaign is to identify local business owners that can form a steering committee. Currently Golden has a partnership with the Original Shopping Districts of Old Town Arvada, Old S. Gaylord St., Downtown Littleton, and Old S. Pearl St. This organization is an excellent resource to initiate and handle the management of the campaign, which can mutually benefit other communities as well. Due to Golden's size, a small number of individuals can handle the responsibilities of

setting a start date for the campaign and any kick-off event that would coincide with the program. A well designed logo, slogan, and stickers for shop windows are the first marketing step to attract the attention of the entire town. A marketing kit should be developed that defines the benefits of shopping locally containing banners, posters, and window stickers. Aside from marketing to the general public, business must be convinced to join the program. Strength in numbers is the best way to guarantee success in any shop local campaign. To cover the expense of the marketing, a small fee may be charged to participating businesses. Coupon books are another great way to foster spending at local businesses and also give shoppers something tangible that identifies the program.

Education of the public is necessary for the campaign to become successful. Effective marketing is the first piece of the puzzle. Creating awareness will play into the local pride of Golden. Within the marketing kit provided to businesses, an easy to read poster should identify 10 reasons to shop local which illustrate the positive effects of shopping locally. Success of the program can be measured by the number of businesses that participate, impact on business profit since the program's inception, and revenue generated from canvas bags.

The second option for Golden is an exclusive shopping card that can be used at participating downtown shops and restaurants. The adjoined appendix contains a summary of various cities throughout America and their shopping card program, similar to what Golden is considering. Many downtowns use Store Financial who will tailor the program to specific needs of Golden and its businesses. I spoke with Amanda Miller at the Downtown Business Association in Fort Collins who has a working relationship with Store Financial. The Ft. Collins shopping card program has seen continued success in their 16 months of activity. While the average time for a program to get underway takes 8 – 12 weeks, Amanda said that their program took approximately 6 months with the majority of the time being spent on wording the contract to be approved by city council. She recommended that the contract, which was in excess of 100 pages, be thoroughly reviewed by a legal team. Store Financial has an implementation team that can come to Golden to assist in any training and point-of-sale set up that may be necessary. There are no fees for businesses to participate in the program which comes with live support as well. Fort Collins does have a DBA that collects membership fees which pay for some of the costs associated with the program. Activation fees are assessed at the discretion of the town. Automatic maintenance fees (AMF) occur after the first year of use with the card, which is how Store Financial earns their profit. Fort Collins negotiated that the revenue from AMFs was to be divided with Sales Financial 40/60. Sales Financial however entered a clause into the contract which states that any AMF proceeds must be spent on the program such as marketing, new point of sale equipment, or other associated costs. Last year Ft Collins grossed \$350,000 in card sales, which was up 20% from last year.

A different route that Golden can take in strengthening its economy is to issue local currency. Local currencies function on a regional scale the same way that national currencies have functioned on a national scale—building the regional economy by creating a protective “membrane” that is defined by the currency itself. Local businesses that accept the currency are distinguished from chain stores that do not, building greater

affinity between citizens of the region and their local merchants. Individuals choosing to use the currency make a conscious commitment to buy locally first, taking personal responsibility for the health and wellbeing of their community, laying the foundation of a truly vibrant, thriving local economy. (www.smallisbeautiful.org)

A number of towns and cities throughout America have issued their own currency with varying levels of success. One of the more successful examples comes from the town of Ithaca, NY. Ithaca began issuing their currency, the Ithaca Hour, in 1991 to combat the recession of the early 1990's. The name Hour comes from the belief that no one should be paid less than \$10/hr, which then became its value. Since US currency is no longer backed by silver or gold standards but by the faith of the US government, local currency can be easily pegged to the dollar and backed by the faith of the local government. In a phone interview with Steve Burke, president of the board of directors for Ithaca Hours, he stated that they have seen phenomenal success in the wake of the current economic crisis. Mr. Burke had a number of recommendations for any town that is exploring the idea of issuing its own currency. The most critical aspect of this program is to find a core group of individuals who support the idea of local currency and can also issue instant credibility to the notes issued. He informed me to look towards credit unions and co-ops as an excellent resource. Stores and service providers with low-cost production costs like coffee shops and the numerous bike shops in Golden would be excellent candidates for using local currency.

The Constitution of the United States does not prohibit local government from issuing currency (U.S. Constitution, art. 1, sec. 10, cl. 1). There are two legal issues that must be addressed with issuing currency. The first issue deals with the design of the currency. While the Constitution does not say anything about issuing currency, it does prohibit coining for use as money. All currency must be in the form of a bill that must be dissimilar to current US dollars. In the *US v Smith* the court defined what is "counterfeit," and local issuers using tools and other equipment to print their currency would, therefore, not be violating any anti-counterfeiting statutes unless their equipment imitated and simulated the plates, stones, or other things used by the Secretary of the Treasury (*United States v. Smith*, 318 F. 2d 94 (1963)). (Solomon. Rethinking Our Centralized Monetary System: the Case for a System of Local Currencies. 1996)

The second issue is that the new currency cannot be established with the intent of evading federal, state, and local taxes. Paper-money currencies, like Ithaca Hours, slip fairly seamlessly into the local economy; their use is taxed like ordinary money. The tax concern is not insurmountable. "If you use local currency for your... income-generating activity, you must pay income tax," says Christoph Hensch, who consults in complementary currencies. Likewise, if you have a business, you'll pay sales tax on any local currency you bring in. But if you trade in "neighborhood help", like lawn-mowing, that would not be taxed. In the U.S., any business transaction must be recorded and reported to the IRS; tax levies apply as if the trade were made in cash. Professional services are subject to income tax, but for noncommercial transactions barter rules hold.

The concept of local currency is fairly radical and there are a number of hurdles on the road to acceptance. Because the idea of local currency is unfamiliar to most people, the entire town would require considerable education. Residents would learn to become accustomed to using two forms of currency, one for Golden and one for everywhere else. Shops, restaurants, and service providers who are willing to accept the currency will need to adjust their accounting methods to accommodate the new bills. If people are open to the idea of a currency for Golden, the impacts could be positive.

Recommendations:

I believe that while Golden can benefit from each of these options, I recommend that unless we find individuals that are interested enough to immerse themselves in forging a local currency, this option should be avoided for now.

Time is of the essence and quick action is required to mitigate the negative effects of the economy. Because of the need for immediate action, I recommend that Golden go forward with a combination of a shop local campaign and a downtown gift card. While each of these will take time to implement, they are moves that residents will feel comfortable with and still affect the local economy with dramatic results.

The organization OSD is an excellent resource to initiate and handle the management of the campaign, which can mutually benefit other communities as well. Suggested slogans for the campaign include “Golden is My Business,” and “Certified Homegrown Golden.” Another way to market the campaign is to sell canvas shopping bags with the logo and slogan on it, thus creating a constant presence of the campaign at all times.

The gift card program will require significant upfront capital. Ft. Collins used proceeds from their existing downtown business association to pay for many of the upfront costs associated with the program. With Golden lacking its own DBA, the financial obligation will be even greater than that of our neighbors. Another concern related to the program are the potential fees associated with the cards. Amanda from Ft. Collins assured me that these can be negotiated and some can be even eliminated, albeit at the expense of missed profit for Golden. She felt that Sales Financial was very upfront with how the program is structured and was not misleading in any terms or financial conditions. While initial expenses are burdensome, Ft. Collins and Boulder are examples of the success that Golden can be a part of as well. I believe that initiating both a shop local campaign and a downtown shopping card program can have a positive impact on local businesses, residents, and the town of Golden together.