ED Now Feature | The Need for a New Marshall Plan to Sustain Local Retail

tags: coronavirus, covid-19, disaster recovery, economic relief, retail

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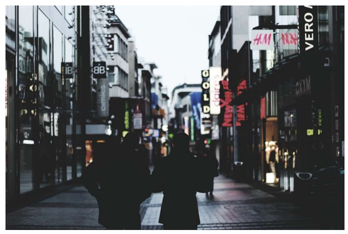
By Aaron N. Gruen



The coronavirus pandemic has adversely impacted local retailers, service providers — including nail salons and barbershops, and Pilates, yoga and other fitness activities — eating and drinking establishments, bowling alleys, movie theaters and other entertainment destinations. The economic damages caused by the pandemic is equivalent to the consequences of a devastating war.

In 1948 under the Marshall Plan, the United States provided financial aid and other support to western European countries. The United States contributed funding equivalent to 5 percent of its GDP to reconstruct western European cities and infrastructure heavily damaged during the war. The Marshall Plan was instrumental in spurring the postwar recovery of Europe, and due to the increased trade facilitated by the Marshall Plan, the expansion of the U.S. economy.

The outbreak demands a new Marshall Plan to sustain local stores and restaurants. It is very difficult to replace unique local eating and drinking, service and retail businesses that are inherently fragile and not built to withstand the equivalent of the entire country simultaneously suffering a massive earthquake or hurricane. The permanent loss of local retail outlets would have massive negative economic, fiscal and social ramifications for communities throughout the nation.

Any plan to sustain businesses in the wake of the pandemic should be tailored to the circumstances of each community, requiring collaboration and coordination with major local retail property owners and a variety of retail, service, and eating and drinking establishments in the principal shopping districts. However, the broad outlines of one Marshall Plan for Retail would be as follows:

- Retail landlords provide rent relief for “mom-and-pop” tenants;
- Retail landlords provide rent relief based on the equivalent of matching grants to franchisee tenants in proportion to the amount of relief the franchisors provide their franchisees;
- Cities contribute by deferring and reducing applicable fees and local taxes to help the landlords provide relief to local tenants. Equally important, cities should appoint a single point of local government contact to assist local businesses with accessing state and federal assistance programs and reach out to local businesses to make them aware of available programs;
- Lenders which receive support from the federal government defer interest repayments to reflect a proportion of the rent relief provided by retail landlords to their tenants. This will not be easy to administer but the Federal Reserve can “jawbone” lenders to encourage them to show forbearance and be supportive to borrowers; and
- The federal government defers tax payments and provides meaningful stimulus to the economy, primarily by providing monetary support directly to households and adopting measures to allow employers to maintain their workforce and avoid insolvency. Such an effort requires distributions of loans quickly to businesses. *Editor’s Note: the CARES Act recently signed into law is intended to address most of these needs.*

Depending upon the duration of the crisis, these emergency relief measures will need to be accompanied by concessions from tenants regarding future rent increases or extending the duration of their lease.

The basic premise behind the Marshall Plan for Retail is for relatively strong and larger entities to help smaller businesses sustain themselves through the current crisis, benefitting the entire economy over the long run while we hope a new normalcy returns soon.

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“Our economic structure is a very complex machine, and its organization, the match between workers and firms, is difficult to replicate once it’s gone.”

Christian Odendahl, chief economist at the Centre for European Reform, on the motive behind government efforts to sustain companies, jobs and households. (Wall Street Journal)

Did You Know?

New data illustrates the extent to which retail, dining and hospitality have been decimated by the Covid-19 pandemic. Visits to U.S. stores dropped nearly 98 percent the last full week of March compared to the same period the year prior, according to location data provider Prodco Analytics. Payment transactions at American hotels plunged 96 percent the last week of March, compared with the week of Feb. 2, according to payment processor Shift4. And foot traffic is down 100 percent year-on-year over the last seven days of March in restaurants across 42 states, according to data from OpenTable. (Bloomberg)

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