

MainStreetNews

THE MONTHLY JOURNAL of THE NATIONAL TRUST'S NATIONAL MAIN STREET CENTER®

Protecting LOCALLY OWNED RETAIL:

PLANNING TOOLS
for curbing chains
and nurturing
homegrown
businessses.

by Stacy Mitchell



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By now, many community leaders recognize that when chain retail sprawls unchecked, main street loses, not just jobs and businesses, but the very essence of what makes the district unique. Small, independent businesses CAN prosper, however, when planners use the right tools to manage economic growth in the region. This month, we report on some of the most promising new regulatory strategies available.

— Doug Loescher,
Assistant Director, NMSC

in this issue

16. National Main Streets Conference

Gear up for this year's National Main Streets Conference in Albuquerque, New Mexico, May 9-12, by checking out the tours we have planned. Come to the Land of Enchantment and explore historic neighborhood business districts and landmarks stretching from ancient times—pueblos and petroglyphs—to the recent past—roadside signs and architecture along Route 66.

MAIN STREET



NATIONAL TRUST
for HISTORIC PRESERVATION



Protecting locally owned retail

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One afternoon not too long ago, more than 200 residents of Hood River, Oregon, linked arms to form a giant circle around their downtown. They sought to demonstrate support for locally owned businesses and opposition to a proposed Wal-Mart supercenter. By encircling an area roughly equal to the footprint of the store, participants hoped to illustrate just how large the development and its impact on the downtown would be.

The event was one of several highly visible public education initiatives organized by Citizens for Responsible Growth (CRG), a grassroots group that formed to block the 185,000-square-foot supercenter and generate support for a countywide ordinance banning stores over 50,000 square feet.

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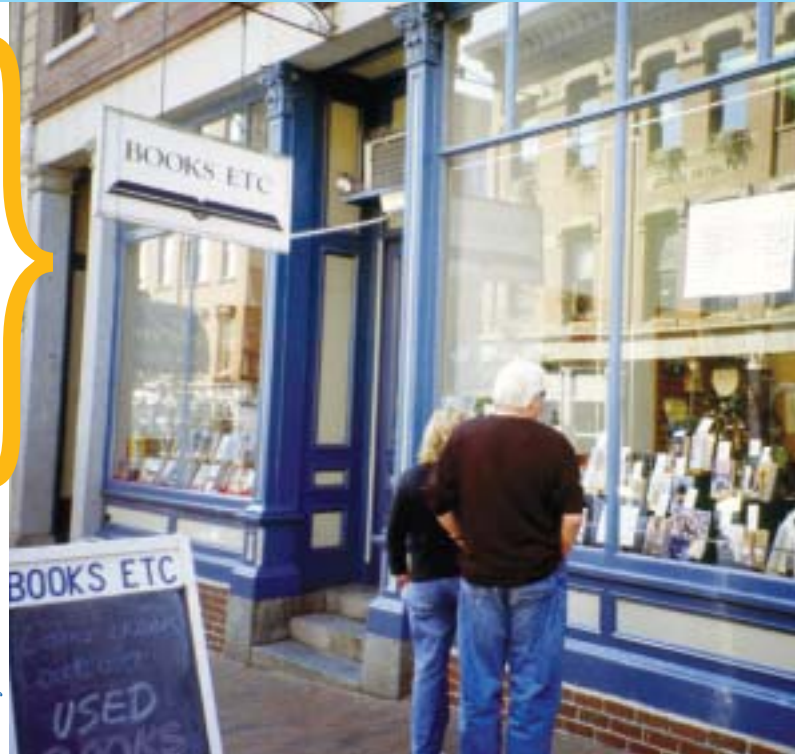
Because they tend to be located in dense commercial areas, Main Street retailers are efficient users of public infrastructure and services.

CRG organized meetings and events, wrote letters to the newspaper, hung posters around town, and launched a website. Bit by bit, they built a case against large-scale chain stores. Their argument came partly from the heart. They talked about Hood River's vibrant downtown, about a sense of community, about lost open space. But they also made a sophisticated and detailed economic argument, much of it drawn from information they'd gathered on the web (see sidebar, "Resources," page 6).

CRG won a partial victory when the town and county voted in favor of the measure capping stores at 50,000 square feet. But the new ordinance would not apply to Wal-Mart, which had submitted its application before the vote.

With the help of a land-use attorney and a water consultant, CRG convinced the county that the supercenter violated its existing comprehensive plan due to floodplain impacts and incompatibility with surrounding property. Finally, in early January, the county commission voted to reject Wal-Mart's proposal.

Similar scenes are playing out across the country. More and more communities are questioning whether large chains are really such a bargain. And many, like Hood River,



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Communities that protect their distinctive character and maintain one-of-a-kind businesses are more interesting places to live and to visit. They also tend to attract a skilled populace, the kinds of people considered to be key drivers of job creation and prosperity.

are adopting size limits and other kinds of land-use polices that restrict the growth of chains, support downtown revitalization, and create an environment in which locally owned businesses can thrive.

The Case for Locally Owned Retail

Independent businesses have faced a tough road over the last 15 years. Tens of thousands have closed as chain retailers such as Home Depot, The Gap, and Barnes & Noble have multiplied. Biggest of all is Wal-Mart, which now has 3,000 stores in the U.S., commands nearly nine percent of all retail spending, and accounts for one-tenth of our trade deficit with China.

Consumer choices are only partly responsible for the rise of chains and decline of local businesses. Public policy has played

a role. Land-use and transportation policies have fueled sprawl and undermined the viability of older commercial centers. Chain store developers routinely receive multi-million dollar subsidies that are rarely offered to local businesses. State and federal tax policies tilt the playing field as well, giving national retailers an advantage over their smaller rivals.

Communities have encouraged the expansion of large retailers for the perceived economic benefits. But there's mounting evidence that these stores actually weaken local economies and entail significant costs that far outweigh their benefits.

One of the most persistent myths about chain retailers is that they expand employment. Towns often welcome big-box stores for the jobs they produce. But many studies have found that large chains eliminate as



The arrival of a big-box store is often welcomed for the jobs it produces. Ironically, the job losses from local stores that downsize or close frequently equal or exceed the job gains from the new superstore.

many jobs as they create. That is because consumer spending is a relatively fixed pie. Sales gains at a new shopping development are invariably offset by losses at existing businesses.

It's "a zero-sum game," according to Dr. Kenneth Stone of Iowa State University, who, for more than a decade, has tracked Wal-Mart's, and more recently Home Depot's, impact in Iowa. As local stores lose sales, they either downsize or close. The resulting job losses typically equal or even exceed the gains at the new superstore.

The new jobs at Target or Wal-Mart, moreover, often pay less and offer fewer benefits than the jobs they replace. Taxpayers end up picking up the difference. Half of Wal-Mart's workers qualify for food stamps. Washington state reports that Wal-Mart employees are the largest group of users in its taxpayer-funded low-income health care program.

Another common myth is that new retail development will boost the tax base and relieve some of the burden shouldered by homeowners. This may be the case in some places. But other towns have discovered that these sprawling stores require more in public services than they generate in

revenue. Take the case of Pineville, North Carolina. This town of 3,400 people has added some 6 million square feet of retail—a mall and many big-box stores—over the last decade, only to find that the new stores generate so many police calls—for bad checks, shoplifting, and parking lot accidents—that they consume all of the revenue they produce. The town recently raised property tax rates across the board and, desperate to control rising costs, blocked further big-box construction.

In contrast, Main Street retailers, because they tend to be located in relatively dense commercial areas, are very efficient users of public infrastructure and services. The difference is dramatic, according to a recent study in Barnstable, Massachusetts, a city of 48,000 people. The study, conducted by Tischler & Associates, compared public revenue and costs for various land uses. It found that the city's small, downtown stores generate a net annual surplus (tax revenue minus costs) of \$326 per 1,000 square feet. Big-box stores, strip shopping centers, and fast-food outlets, however, require more in services than they produce in revenue. A big-box store creates an annual tax deficit of \$468 per 1,000 square feet.

If that's not enough to give city officials pause before approving a new megastore, consider the many non-retail businesses in the community that depend on local retailers at least in part for their livelihood. A few months ago, the Institute for Local Self-Reliance teamed up with Friends of Midcoast Maine to conduct a small, informal study in the Maine towns of Rockland, Camden, and Belfast. We wanted to find out what happens to a dollar spent at a local store versus a dollar spent at a chain.

Using a variety of sources, we created an expenditure pro-

file for a major big-box retailer operating in the region and estimated that only 14 percent of the revenue taken in by the store is re-spent within the state. Payroll accounts for most of this in-state spending. The rest, 86 percent, leaves the state, flowing to corporate headquarters and out-of-state suppliers.

We then surveyed about a dozen locally owned retail businesses and found that 54 percent, or more than three times as much, of their sales revenue was re-spent within the state (almost all of it within the surrounding two counties).

amount of consumer spending from chains to locally owned stores would generate millions of dollars in new economic activity and create hundreds of new jobs—the equivalent of attracting a major employer.

Lastly, it's worth noting that in a time when so many cities are ringed by identical sprawling boxes or overrun by ubiquitous chains like The Gap and Starbucks, uniqueness has become a rare and valuable economic asset. Those communities that have protected their distinctive character and maintained many one-of-a-kind businesses are more interesting



Studies have shown that land-hungry chains, strip shopping centers, and fast-food outlets frequently require more in services than they produce in revenue.

These independent retailers support a variety of other local businesses, we found. They advertise in local newspapers, bank with local banks, purchase inventory and supplies from local firms, and hire local accountants, printers, web designers, and so on.

When local retailers are replaced by chains, all of these other businesses suffer. The implications for the way cities approach economic development are significant. Our study concluded that shifting a small

places to live and visit. They are also more likely to attract skilled workers and entrepreneurs—the kinds of people many economists consider to be key drivers of job creation and prosperity in today's economy.

Aside from the economic benefits, there's much to be said for the civic value of patronizing businesses owned by our neighbors—people who

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greet us by name, send their kids to school with our kids, and have a vested personal interest in the long-term health of the community. Our study in Maine found that local merchants contribute, relative to their overall size, more than four times as much money to charitable causes as Wal-Mart does and twice as much as Target.

Altogether, it's a pretty high price to pay to save a few bucks and even that claim may not hold up to scrutiny and time. As they've gained market share, Barnes & Noble and Borders have sharply reduced the number of books they offer at a discount. Surveys in New York and Maine have found that independent pharmacies have lower prescription prices on average than drugstore chains like Rite Aid, Walgreens, and CVS. Some evidence suggests that Wal-Mart's prices rise significantly once the company has eliminated the local competition.

Banning Big Boxes

Planning and land-use policy provides a powerful tool for communities seeking to limit chain store development and foster small, homegrown businesses. Reviewing and working



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While drugstore chains usually promote low prices, surveys in New York and Maine revealed that independent pharmacies offer lower prescription prices on average than chains like CVS, Rite Aid and Walgreens.

to revise local land-use policies should be a core part of any downtown revitalization program. Indeed, strong land-use policies are essential to ensure that years of revitalization work and downtown investment are not undermined by uncontrolled, competing retail growth elsewhere in the community.

Strong land-use policies can also help a downtown recruit new businesses. After the town of Excelsior, Minnesota, expressed a desire to keep out chain retailers, Linda Murrell, director of the Excelsior Area Chamber of Commerce received numerous calls from entrepreneurs and small business owners eager to locate (or relocate) in a community that was committed to its downtown and local merchants.

One of the most common approaches is to prohibit stores over a certain size. What constitutes an appropriate upper size limit depends on many factors, including the community's population, the scale of its existing buildings, and its long-term planning goals. Some towns have banned only the biggest of the big boxes; others have opted for much lower thresholds.

In 1999, prompted by several applications for retail projects that were larger than anything anticipated by the community's comprehensive plan, the town of Easton, Maryland, enacted a temporary moratorium on

construction of large retail stores. It used the time to study the issue and hold a series of public meetings, after which the Planning Commission released a report concluding, "Once a big-box retail store exceeds 65,000 square feet. . . it is of such a scale that its negative impacts outweigh its positive ones." The town council adopted an ordinance banning stores over 65,000 square feet (about half the size of a typical Home Depot).

Some towns have chosen to send the issue to the voters. After Wal-Mart optioned land on the outskirts of Belfast, Maine, a community of 6,500 in the fast-growing mid-coast region of the state, the city council adopted a temporary moratorium on large stores and placed an initiative banning stores over 75,000 square feet on the ballot.

At first, the council was widely criticized for being "anti-growth." Informal polls suggested more than 60 percent of residents favored Wal-Mart. But an extensive public education campaign by the grassroots group Belfast First turned the tide. "People learned a lot about our economy and about the predatory practices" of large retail chains, noted Mayor Michael Hurly. On election day, voters endorsed the size cap by a 2-to-1 margin.

Size limits have also been enacted by counties to prevent large retailers from setting up shop on unincorporated land just beyond a town's borders. This was the case in Hood River, where the town and county acted simultaneously to bar stores over 50,000 square feet. Another example is Coconino County, Arizona, which banned stores over 70,000 square feet after big-box developers threatened to locate on the outskirts of Flagstaff if blocked from the city itself.

In some cities, these measures are being adopted at the neighborhood level. The Brookside district in Kansas City bans stores over 10,000 square feet. Stores over 4,000 square feet are prohibited in several San Francisco neighborhoods. The aim is to keep out chains like J. Crew and The Gap, which generally require larger formats, and to maintain local, neighborhood-serving businesses.

Steering Commerce Downtown

A number of cities have adopted land-use rules that steer new retail development to areas in or adjacent to the downtown or other established business districts. This supports a more efficient use of land and public



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Capping the size of retail stores is a powerful tool to limit the impact of sprawl.

infrastructure, and preserves the vitality of existing commercial centers, rather than allowing economic activity to shift to other parts of town.

The planning policy of Hailey, Idaho, for example, states that the downtown “should be the primary commercial center of the community.” The city’s policy calls for developing any vacancies in the central business district before allowing commercial growth in other areas. In 1995, the Idaho Supreme Court upheld this policy, noting that “preserving... the economic viability of a community’s downtown business core can be a proper zoning purpose.”

Requiring an Economic Impact Review

Cities and towns commonly make decisions about retail development without objective information on the potential costs and benefits. Often, in fact, the only economic data available is provided by the developer. Officials may know how many jobs a store will create, but they rarely know how many it will eliminate.

To ensure adequate scrutiny of retail projects, many communities are enacting policies that require retail projects over a certain size to undergo a comprehensive economic and community impact review. To gain approval, the project must meet specific criteria outlined in the law.

One town currently working on such a measure is Homer, Alaska, a community of 4,700 people on the breathtaking Kenai Peninsula. Homer has a vibrant downtown with a multitude of locally owned businesses. Last November, the supermarket chain Kroger caused an uproar when it announced plans to build a 94,000-square-foot Fred Meyer store. The city council passed a temporary measure prohibiting stores over 40,000 square feet, which will remain in place pending permanent regulations to set impact standards and store size limits.

An ordinance now under consideration would require proposals for retail stores over 15,000 square feet to undergo a review. The project’s impact on traffic, scenic and historic resources, tax revenue, city services, employment, the

downtown business district, and the town’s character would be examined. If officials determine that the store’s costs outweigh its benefits, then the developer would be denied a permit to proceed. To cover the costs of the review, which could entail hiring independent analysts, developers would pay a fee of \$300 per 1,000 square feet.

Restricting “Formula” Businesses

Some communities have concluded that, regardless of their size, “formula” businesses are rarely if at all acceptable due to their impacts on community character and the local economy. Formula business are legally defined as businesses that adopt standardized services, methods of operation, decor, uniforms, architecture, or other features virtually identical to businesses elsewhere.

About a dozen towns have banned or limited the number of formula restaurants or retail stores allowed within their borders. Coronado, California, for example, allows no more than 10 formula restaurants and requires a special review and permit for formula retail stores. Bainbridge Island, Washington, bans all formula restaurants.

Formula business ordinances are garnering more interest as chain drugstores, fast-food outlets, clothing retailers like The Gap and Banana Republic, and even Wal-Mart and Home Depot, which recently unveiled urban prototype stores, increasingly seek locations in town centers and urban neighborhoods.

San Francisco, for example, is currently considering a measure that would ban formula businesses entirely from certain areas and require neighborhood notification and a public hearing for those proposed

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COMMERCIAL BLIGHT

One of the most compelling reasons to establish limits and standards for retail development is to avoid the epidemic of vacancy and shopping center blight that is now sweeping the country.

Countless strip malls are shuttered and idle. About one-third of all enclosed malls are in serious financial distress; hundreds have already closed. Even the big boxes are going dark as companies like Wal-Mart and Home Depot abandon existing outlets to build ever larger stores. Wal-Mart alone has more than 350 empty stores nationwide. Some communities are now home to dozens of vacant boxes, creating eye-sores and blight that can affect nearby property values.

The problem is that most cities are “over-zoned” for retail. Cities tend to zone huge swaths of land along every highway and major roadway for retail development—far more retail than residents can actually support. For developers and chain retailers, it’s cheaper to colonize greenfields than to redevelop existing shopping centers.

Limiting new retail growth to defined areas adjacent to existing business districts, setting store size limits, and establishing economic impact criteria are some of the planning tools that can save your community from this fast-growing epidemic.



To maintain its distinctive character, Coronado, California, allows no more than 10 formula restaurants downtown and requires a special review and permit for chain stores.



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elsewhere. "The increasing number of formula stores has a homogenizing effect on our neighborhoods and makes it more difficult for local and independent businesses to have a foothold in the city," says the ordinance's sponsor, Supervisor Matt Gonzalez.

Regional Cooperation

In some areas, neighboring communities are beginning to work together to develop regional planning policies and joint strategies for controlling retail sprawl. Although very challenging to accomplish, regional planning is increasingly important given the fact that the impacts of large retail developments---from traffic congestion to small business closures---are typically felt far beyond the host town's borders.

A good model comes from Cape Cod, Massachusetts, a region with a fast-growing population of 227,000. In 1990, residents voted to create a regional planning body called the Cape Cod Commission. The commission reviews all proposals for commercial development over 10,000 square feet. The review process involves a public hearing and focuses on the project's impact on the environment, traffic, community character, and the local economy. Applicants bear the burden of demonstrating that the project's benefits outweigh its detriments.

A Regional Policy Plan, updated every few years, provides the commission with standards and guidelines for reviewing applications. Several large retailers, including Wal-Mart, Costco, and Home Depot, have been turned down as a result of this process.



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In some areas of the country, neighboring communities are joining forces to develop regional planning policies and strategies to control retail sprawl.

RESOURCES

MODEL ORDINANCES

The Institute for Local Self-Reliance maintains an on-line clearinghouse of ordinances, including the kinds of policies described here and many others, along with related resources, at www.newrules.org.

ORGANIZATIONS

Institute for Local Self-Reliance - www.newrules.org
Research, technical assistance, and innovative policies to curb chains and rebuild strong local economies.

Sprawl-Busters - www.sprawl-busters.com
Expert advice and loads of information on beating big box retailers.

American Independent Business Alliance - www.amiba.net
Tools for raising public awareness of the benefits of supporting local businesses.

Business Alliance for Local Living Economies - www.livingeconomies.org
Help building local business networks to foster sustainable communities.

NEWSLETTERS

The Home Town Advantage Bulletin - A free, bimonthly email newsletter reporting on successful community efforts to limit chain store proliferation and strengthen locally owned retail businesses. Keep abreast of the latest trends, research and strategies. To browse back issues or sign-up: www.newrules.org/hta

BOOKS

Going Local: Creating Self-Reliant Communities in a Global Age by Michael Shuman (The Free Press, 1998).

The Home Town Advantage: How to Defend Your Main Street Against Chain Stores and Why It Matters by Stacy Mitchell (ILSR, 2000).

How Superstore Sprawl Can Harm Communities and What Citizens Can Do About It by Constance E. Beaumont (National Trust for Historic Preservation, 1994).

Slam-Dunking Wal-Mart: How You Can Stop Superstore Sprawl in Your Hometown by Al Norman (Raphel Marketing, 1999).

10 Reasons Why Vermont's Homegrown Economy Matters and 50 Proven Strategies to Revive It by Stacy Mitchell (Preservation Trust of Vermont, 2003).

MAIN STREET NEWS

"Chains on Main." *Main Street News*, September 2001.

"The Discount Jitters." *Main Street News*, April 1994.

"Planning Tools for Main Street." *Main Street News*, October 1996.

"Smart Growth: New Opportunities for Main Street," *Main Street News* January/February 2000.

"Smart Growth: Planning and Zoning," *Main Street News*, April 2002.

"Smart Growth: Retail Caps." *Main Street News*, December 2002

"Smart Growth: Smart Codes." *Main Street News*, September 2003

"Smart Growth: Temporary Development Controls," *Main Street News*, October 2002

"When Chain Drugstores Come to Town." *Main Street News*, November 1998.



Years of revitalization work in downtowns and neighborhood business districts can be undermined by uncontrolled retail development elsewhere in the community. Not only can this growth be an eyesore that damages a town or city's sense of place; it can also have an adverse impact on traffic, tax revenue, public services, and employment.

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nities are actively shaping their own future. For further information and assistance in applying these policies in your community, see the resources listed in the sidebar on page 6.

Stacy Mitchell is a researcher with the Institute for Local Self-Reliance and author of The Home Town Advantage: How to Defend Your Main Street Against Chain Stores and Why It Matters. She produces The Home Town Advantage Bulletin, a free e-mail newsletter on strategies to curb chains and strengthen locally owned business, and has advised community organizations, small business groups, and policymakers nationwide.



These are just a few examples of the innovative planning policies cities and towns are adopting to curb chain store sprawl and rebuild their local economies. Rather than accepting the one-size-fits-all model of development, these commu-

JOB ANNOUNCEMENTS

Executive Director

The Municipal Service District serving Historic Uptown Shelby, the central business district in Shelby, North Carolina, (pop. 22,000) is seeking a progressive professional to direct the activities of a nationally recognized, established Main Street program. The executive director serves as chief administrative officer and assumes supervisory, administrative, and professional responsibilities associated with economic project development, planning, board and committee organization, and marketing. This position requires an individual with a minimum of 5 years' progressive experience as manager/executive director in the field of uptown development and the Main Street program. Bachelor's degree from an accredited college/university in the field of public adminis-

tration, economic development, or a related field required; masters or related advanced degree preferred. Extensive experience with economic development projects, historic preservation, historic tax credits, and mixed-use development required. Written, computer, and oral communication skills imperative, along with ability to handle budgeting, public relations, and contract negotiations. Salary and benefits negotiable. Position will remain open and applications may be accepted until filled. EOE. Submit letter of interest, resume, salary history, and examples of work to: USA Search Committee, P.O. Box 2042, Shelby, NC 28151.

Executive Director

The Berlin Main Street Program is seeking an executive director to direct downtown revitalization activities

along with a volunteer board of directors in this New Hampshire community. The director will work with local businesses, government, and community organizations to build on events, economic development projects, and community projects. Applicants should have experience in public policy, planning, economic development, and marketing. Good communication, team-building, management, and computer skills essential. Competitive salary and benefits, with training and support from the New Hampshire Main Street Center in Concord. Northern New Hampshire offers a great quality of life, and access to superb skiing, hiking, and outdoor activities. Send resume to: BMSP, 220 Main St., Berlin NH 03570 or e-mail to mstp@ncia.net.

March 17-19, 2004
The California Downtown Association, 2004 Spring Conference
El Segundo, Calif., 888-429-1224 or e-mail: info@californiadowntown.com
<http://www.californiadowntown.com/conferences/el/fall/>

April 17-19, 2004
International Downtown Association, 2004 Spring Conference
Houston, Tex., 202-393-6801 or e-mail: question@ida-downtown.org
www.ida-downtown.org

April 21-22, 2004
International Economic Development Council, Business Retention and Expansion
Columbus, Ohio, e-mail: lmalay@iedconline.org
http://www.iedconline.org/prodev_BRE_GA.html

April 22-23, 2004
Project for Public Spaces, How to Turn a Place Around
New York, N.Y., 212-620-5660 or e-mail: jwintrob@pps.org
http://pps.org/nyc_training.htm

April 24-28, 2004
American Planning Association: Celebrate Community, APA National Conference
Washington, D.C., 202-872-0611 or e-mail: Confregistration@planning.org
www.planning.org/

April 27-28, 2004
Main Street New Jersey, Guiding Design on Main Street
Trenton, N.J., 609-633-9769
www.state.nj.us/dca/dhcr/msnj.htm

May 1, 2004
NTHP, Nomination Deadline for National Preservation Honor Awards
202-588-6000 or e-mail: awards@nthp.org
www.nationaltrust.org/preservation_awards/index.html

May 6-8, 2004
Texas Historical Commission, 2004 Annual Conference: "Recognizing Resources, Preserving Places"
Fort Worth, Texas, 512-463-6255
www.thc.state.tx.us

May 9-12, 2004
NMSC, 2004 National Main Streets Conference: Revitalization Resources: Money, Places, Partners
Albuquerque, N. Mex., 202-588-6329
<http://www.mainstreet.org/Conferences/NTM/index.htm>

May 11-14, 2004
U.S. Department of Energy, 2004 National Conference for States and Communities
Minneapolis, Minn., 202-586-8296 or 202-586-2621

May 18-20, 2004
Heritage Ohio/Downtown Ohio, Inc., Annual Preservation/Revitalization Conference and Awards
Dayton, Ohio, 614-258-6200 or e-mail: downtown@heritageohio.org
www.heritageohio.org

July 21-22, 2004
Main Street New Jersey, Creating Economic Opportunity
Trenton, N.J., 609-633-9769
www.state.nj.us/dca/dhcr/msnj.htm

Calendar entries of state, regional, and national interest may be submitted in writing by the fifth of each month for the following month's newsletter. We reserve the right to edit all entries based on appropriateness and space.