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## The Dying Auto Mall

By WILLIAM FULTON

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*The sale of cars isnt a public cash cow anymore.*

Over the past two decades, the funding of local government has become increasingly intertwined with the sale of cars.

Governments live off of sales taxes more than ever before, and except for the occasional RV or boat no single consumer product generates more sales tax revenue than a car. That's why car dealers and local governments have increasingly gone into business together to create auto malls.



But the auto mall may now be a dinosaur. The car business is temporarily in the tank, of course. But the current depression in auto sales is likely to create a more permanent contraction in the number of franchise auto dealerships in the United States and browsing for cars has shifted dramatically to the Internet.

So local governments that have laid a big bet on auto malls in the past few years have a choice. They can either play defense, in the hope that by helping, protecting or even subsidizing their auto retailers, they can retain a larger share of a diminishing market. Or they can play offense and try to figure out what comes next both in auto retailing and in the reuse of the land that the auto malls currently take up.

This restructuring is pretty similar to the reshuffling we saw a few years ago in regional malls that sell general merchandise. Well into the 1990s, regional malls were viewed as unassailable retail fortresses. Localities that had them were sitting pretty; those that didn't have them wanted them.

Then consumer tastes changed, and, in particular, the market bifurcated. People generally wanted either

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an upscale retail "experience," or they wanted discount goods. Those who opted for the "experience" went to boutique shops on a trendy downtown street or to an upscale open-air lifestyle center similar to a downtown. Those who wanted cheap goods went to a big-box "power center." This left most regional malls ill-equipped to serve either preference out in the cold. Many closed or contracted or morphed into some other function: They began hosting city halls, libraries, even megachurches.

The California beach town where I live played defense in the mall wars, subsidizing a consolidation of department stores into one big mall. We "defeated" our neighboring city, which lost its mall. But that failed enterprise was soon replaced with a very strong power center containing everything from Home Depot to Borders. In retrospect, I'm not sure winning the mall war really was a victory, after all.

Now we see a similar transition in the auto industry. Car dealerships, like department stores, are closing. More and more, people are scouring the Internet for cars and finding alternatives used car dealers, fleet sales, and wholesalers willing to reach out to the general public. Among auto malls, there will be "winners" and "losers." But, as with regional shopping centers, it's not entirely clear whether the winners will be those who protect their auto malls, or those who lose them.

In the short term, the cities that succeed in keeping their auto malls will retain much of their sales tax base. But their success is likely to come at a higher cost than in the past, because competition among cities for dealers is going to increase. The dealers who are still in business will hold out for bigger subsidies, and communities will likely provide them.

The places that lose their auto malls altogether will take a short-term revenue hit, but they may be presented with a long-term opportunity: redevelopment of high-profile retail land along the freeway.

Perhaps the best option for many local governments is to go after something innovative. The whole idea of the auto mall is that it is a destination people are willing to travel a long distance to visit, because they can browse so many dealerships at once. But if people can browse on the Internet, the destination value of auto malls vanishes. So cities might be well advised to figure out how to pair the remaining auto dealerships with other possible "destination" activities, so that instead of being stand-alone destinations, auto malls are one component of a multi-faceted strategy.

This could mean pairing auto dealerships with entertainment or recreational venues, which also benefit from freeway locations. Or it could mean creating whole new packages, such as adding the hybrid-only used car dealership or a "theme" retailer. The bottom line is that, with cars, as with so many other products, simply offering them for sale no longer will be enough to get customers in the door.

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