National Revitalization of Shopping Centers Act of 2025 Legislative Proposal

Supporting Research Documents

Produced by Rebuild the Bay

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Executive Summary:

With the lingering effects of the Coronavirus pandemic and rising e-commerce, a 2024 report found that up to 87% of large American shopping malls are projected to close in the next 10 years. With nationwide action overdue, Rebuild the Bay proposes the reintroduction of the GREATER Revitalization of Shopping Centers Act of 2023 as the National Revitalization of Shopping Centers Act of 2025, which will establish $50,000,000 in annual grants under 42 U.S.C. 5308 during fiscal years 2026 and 2027 for redevelopment. Grants will require a matching requirement of 66% by the receiving public agency of the amount of a grant issued, and ensure efficient funds usage in developing transit-oriented, mixed-use affordable housing in grayfield abandoned malls.

About Rebuild the Bay:

Rebuild the Bay is a youth-led advocacy organization based in the San Francisco Bay Area, with members working nationwide in New Jersey, Illinois, Texas, Wisconsin, and New York. Our work revolves around sustainable urban development and advocacy for equitable infrastructure rehabilitation through grassroots action. With an invitation to the 2025 United Nations Economic and Social Council Youth Forum, our team works with local partners to amplify our regional vision for multimodal transport and promote federal policy that provides top-down incentives for local action, empowering communities to establish self-sustaining communities that promote small businesses nationwide.

<u>Definitions:</u>

Car-dependency: the product of infrastructure and city planning that prioritizes automobiles over all other means of transport.

Multimodal: a system of transportation that integrates multiple modes of transit, including buses, streetcars, bicycles, and pedestrian routes.

Grayfield: an economically obsolescent, outdated, failing, moribund, or underused real estate asset; used to describe a mall with these characteristics

Medium or high-density developments: residential options with equivalent or higher residential density than detached single-family homes, typically including townhomes, duplexes, condominiums, apartments, medium-rise or high-rise developments, and mixed-use buildings.

Transit-oriented developments: projects that facilitate multimodal transportation connectivity and accessibility, often located near transit hubs.

<u>Central Research Concern:</u>

With the popularization of the automobile in the 1950s, US urban development has traditionally prioritized freeway access and monomodal transport, neglecting infrastructure for other forms of transit (Bridgwater et al.). These car-dependent communities, often suburban, were built in the second half of the 20th century, encouraged by federal highway construction programs and favorable tax policies. The predominant model of the urban economy became a poly-centric city, where employment is concentrated not just within the historical downtown but in sporadic areas devoted to commercial use, such as office parks, suburban malls, and industrial districts (Kashef and El-Shafie). Many suburban areas, marked with sprawl and a lack of public transportation, became hotspots for business activity in clusters outside of the historic center of a metropolitan area, such as Silicon Valley in the San Francisco Bay Area (Katz and Bradley). The Massachusetts Institute of Technology's Norman B. Leventhal Center for Advanced Urbanism (LCAU), in collaboration with experts in Australia and Canada, found that approximately 73% of the population in US metropolitan areas lived in suburban neighborhoods, with 63% residing in "auto-suburbs" where almost all people commute by automobile (Beger et al.).

The economic effects of car-dependency are tangible but difficult to quantify, as suburban communities drove the decline of urban Central Business Districts (CBDs) with suburban retailing often consisting of large department stores (Kellerman 16). Traditional 19th and early 20th century urban CBDs consisted of a mix of wholesale, retail, financial institutions, and manufacturing, all coexisting in close proximity (Remus). The decline of CBDs effectively eliminated the diversity of urban economic activity, as corporations — Walmart, Target, Home Depot, Costco, and such — began to dominate retailing instead of small businesses. Large corporations often secure prime suburban retail locations with favorable lease terms and significant capital, as landlords prefer large retailers that can afford higher rents. Conversely, small businesses frequently struggle to afford rising rents and secure high-traffic storefronts (King). Anecdotal evidence demonstrates that a single Walmart's opening resulted in the loss of more than 300 full-time jobs in nearby neighborhoods (Merriman et al.). The presence of cohesive federal policy on suburban neighborhoods is needed to address persistent economic issues in suburbs — where a million more people live below the poverty line — compared to those who live in cities (Katz and Bradley).

In addition to economic impacts, suburbanization has been shown to increase the risk of mental and physical diseases through social isolation and promotion of inactivity. Residents of detached suburban residential areas are isolated, both from each other and from community spaces that promote human-to-human interaction. According to a study conducted by Yale, adjusted for other underlying risk factors for depression, suburbanites have a 20-30% higher depression risk compared to rural residents and a 10-15% higher risk compared to urbanites (Ramsey). This

depression risk was attributed to the lack of meeting spaces and public green spaces, leading to a monotonous lifestyle. Another study found that the compounding chronic health conditions resulting from the lower physical activity and pollution from car dependence resulted in a four year aging acceleration in cities with heightened urban sprawl (Sturm). Numerous studies have demonstrated the link between urban sprawl and lower levels of physical activity, contributing to the current American obesity epidemic. The speed-inducing wide design of sprawling roads has also been cited as the reason for thousands of traffic accidents nationwide (Miller).

In particular, retail has experienced substantial economic difficulties after the pandemic. Investment bank UBS found in 2023 that 50,000 US stores are projected to close by 2027, in a nationwide pattern of closures due to elevated inflation and the continued shift to e-commerce, which may result in up to 90,000 store closures if consumer spending is weaker than expected (Verdon). Mass closures of traditional department stores like JCPenney, Sears, and Macy's have accelerated, while financial services firm Capital One projects that up to 87% of large shopping malls may close in the next 10 years (CapitalOne Shopping Research).

A report by the International Council of Shopping Centers (ICSC) found that there are 68,936 strip malls nationwide (International Council of Shopping Centers), car-centric retail developments common in suburban neighborhoods. Although a lack of cohesive statistics on strip mall performance renders nationwide analysis difficult, anecdotal evidence demonstrates that redevelopment is a distinct necessity for existing grayfield sites. The Metropolitan Area Planning Council (MAPC), the regional planning agency for 101 cities and towns in the Boston Metropolitan Area, found that there are more than 3,000 underutilized, underperforming, or obsolete strip malls in the region alone. The report furthered that 30% of the analyzed sites already exist near public transit, and that 124,000 homes could be built if just 10% were redeveloped into mixed-use projects (Harmon). “The primary barrier toward redevelopment is regulatory,” the MAPC report noted, “despite demand for mixed-use development throughout the region, many zoning codes prohibit… redevelopment to occur” (Metropolitan Area Planning Commission).

Using MAPC’s regional analysis and the agency’s definition for lower and medium-density developments, nonprofit firm Enterprise Community Partners projected that at least 700,000 residential units could be developed if just 10% of US strip mall space is converted to housing (Abu-Khalaf 6). We analyzed the firm’s paper and its original ICSC and MAPC data, and found that the original estimate may be a significantly conservative figure. We find that ICSC data on strip malls, when including conventional strip malls, neighborhood and community centers, amount to 111,300 malls available for residential development, amounting to 5.18 billion square feet of strip mall space, up from the original estimated 947.5 million figure. Assuming that 10% of strip mall space — nearly 518 million square feet — can be converted to medium-density

multifamily housing, and that 47.38 million square feet of available space translated to 400,000 new units in the original paper, up to 4.37 million units of housing can be constructed. Our upper-bound projection assumes that only medium-density multifamily housing will be constructed in the available space, which excludes indoor malls characterized as regional or super-regional malls by ICSC. If coordinated policy from local jurisdictions to the federal government can provide significant incentives for developers to redevelop former malls into medium or high-density housing, at least a significant fraction of the US’ 4.9 million housing unit deficit can be addressed over time (Rajan).

Case Studies:

Successful examples of grayfield redevelopment into affordable medium or high-density housing often utilized government assistance in project financing. On the other hand, privately-financed redevelopment projects produced luxury apartments that did not cater towards low-income buyers.

1) **Skyview Park Apartments in Irondequoit, New York**

Former Use: A Sears department store that was part of the former Irondequoit Mall

Project Team: PathStone Corporation, Christa Construction LLC, and Passero Associates

The redevelopment project was supported through a 4% Low-Income Housing Tax Credit (Housing Credit) award, a subsidy from New York State Homes and Community Renewal, Tax-Exempt Bonds, Community Development Block Grant (CDBG) funding from the town of Irondequoit, and HOME Investment Partnerships Program funding from Monroe County.

Source: Enterprise Community Partners

2) **La Placita Cinco in Santa Ana, California**

Former Use: An underutilized strip mall site that consisted of two single-story commercial buildings, a gas station, and an asphalt surface area that encompassed over two-thirds of the property

Project Team: Community Development Partners, City Fabrick, TCA Architects, and Walton Construction

Utilizing a 9% Low-Income Housing Tax Credit (Housing Credit) award to secure financing from R4 Capital — a lending corporation providing mortgage capital — and a $6 million grant from City of Santa Ana, La Placita Cinco created 51 affordable housing units and various outdoor community areas — while keeping its original retail lenders in place.

Source: Enterprise Community Partners

3) **Santana Row in San Jose, California**

Left: Town & Country Village (image source unknown)
Right: Santana Row (Photo by Jay Graham, courtesy of SB Architects)

Developed by Federal Realty Investment Trust, Santana Row is a residential, shopping, dining, and entertainment district built around a main street in San Jose, California. The grayfield

redevelopment project replaced a 1960s-era single-story, suburban shopping center composed of ten buildings surrounded by sprawling parking lots with a high-density, multi-storey mixed-use neighborhood. The mixed-use project is one of the nation's largest and was fully financed by private funds, without any government assistance. To appeal towards Silicon Valley's affluent consumer base, the privately-financed project created 1,201 luxury dwelling units and two hotels. The development has since become a popular destination for Bay Area residents with its high-end restaurants and retailers, inspired by European streets with an emphasis on a pedestrian-oriented environment.

Source: ULI Development Case Studies

Prior Legislative Action:

On May 10th, 2023, Representative Emanuel Cleaver introduced the GREATER Revitalization of Shopping Centers Act of 2023 and was referred to the House Committee on Financial Services (*H.R. 3178, 118th Congress*). An identical bill was introduced in the Senate by Senator Cory Booker on the same day, and referred to the Senate Committee on Banking, Housing, and Urban Affairs (*S. 1533, 118th Congress*). The bill was a reintroduction of former Representative Carolyn Bourdeaux's GREATER Revitalization of Shopping Centers Act of 2021 (*H.R. 5041, 117th Congress*). The legislation amended the Housing and Community Development of 1974 to issue $500 million worth of grants to redevelop grayfield shopping centers.

Proposed Legislation:

Rebuild the Bay proposes the reintroduction of the GREATER Revitalization of Shopping Centers Act of 2023 as the National Revitalization of Shopping Centers Act of 2025, or the Grayfield Redevelopment and Economic Advancement Through Effective Repurposing and Revitalization of Shopping Centers Act of 2025. The proposed text is based on the original 2023 bill, with changes marked in bold red font.

Section 108 of the Housing and Community Development Act of 1974 guarantees eligible public entities to finance projects like housing rehabilitation, appropriating $2 billion in loan guarantees for each of the 1993 and 1994 fiscal years (42 U.S. Code § 5308). Pursuant to Section 108, Congress has appropriated $400 million for loan guarantees in the Consolidated Appropriations Act, 2024, an increase of $100 million compared to fiscal year 2023, in response to increased demand for loan guarantees. In recognition of the increase, the proposed bill will maintain the $400 million funding level for fiscal years 2026 and 2027, instead of the $500 million proposed in the 2023 bill.

The bill will appropriate $50 million in grants for fiscal years 2026 and 2027, contingent on several criteria on part of local applying agencies. Altering the original 2023 bill, the number of

storefronts and qualifying developments have been reduced from 40 to 5, and the original development requirement of 20 acres have been removed in accordance with ICSC categories for strip malls and neighborhood centers. To prioritize the redevelopment of shopping centers that are largely vacant already, the occupancy requirement has been raised from less than 30% to less than 20% as well. The primary difference between the reference 2023 bill and the proposed bill is in its wider scope, expanding potential candidates from large malls to also encompass smaller strip malls that are heavily underutilized. With a single grant not exceeding $5 million and is subject to review by the Comptroller General of the United States, the prioritization of smaller developments with less expenses improves the utility of federal support and promotes tangible redevelopment of individual grayfield malls.

A qualifying project must redevelop a grayfield shopping center into medium or high-density transit-oriented development – specified as such to promote denser housing. The proposed bill adds a mandate for a year-end report by the Secretary of the Department of Housing and Urban Development that evaluates the extent of which the project addressed the main priorities of the bill. The Secretary should give preference to projects that initiate efficient and prompt engagement that reflect community sentiments, phrased as such in the updated bill in order to discourage project delays and promote timeframe productivity. Likewise, the original section is also amended to prefer projects based on the degree to which they provide medium or high-density housing; in other words a preference towards large-scale high-density projects that simultaneously benefit lower-income communities. Applicants must provide a minimum matching fund reaching 66% of the grant from other sources, revised up from 50% to encourage local jurisdictions to identify funding independently, and the degree of matching funding will be evaluated in determining preferences for issuing grants.

With isolated local action alone insufficient to incentivize the redevelopment of grayfield shopping centers, cohesive federal legislation, if passed, will provide the means for developers to redevelop economically stagnant malls into crucial affordable housing developments. Ultimately, this bill's introduction will signal a willingness for Congressional action amidst increasing voter preference for shopping mall revitalization. A 2023 poll found that 3 in 4 Americans agree that the government should provide incentives for repurposing abandoned malls, with 30% willing to pay higher taxes to fund redevelopment (IPX 1031). The bill will be a first step towards cohesive federal policy to address America's housing deficit, and through its introduction, will amplify future youth advocacy and perspectives.

The revised bill will promote the transformation of underutilized grayfields, reducing the amount of "visual blight," thereby contributing towards an aesthetic revitalization and promoting an increase in property values in the surrounding area (Christopher). Increased foot traffic in medium to high-density developments will result in a decrease in car dependency, and support a

local-level transition into multimodal transit (Cervero and Arrington) (Abramo). With future legislation and change in developer preferences from federal incentives, potential cascading effects resulting from this bill will increase housing supply in the long run — estimated at 4.37 million new units — and improve housing affordability. This will slowly alleviate the root cause of the national homelessness crisis, support small businesses, and expand economic opportunities through new construction jobs.

Sincerely,
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