

SIGNLINE

ISSUE THIRTY-SEVEN

2002

The Value of Signs for Your Community

Each year in America, an average of nearly \$2,000 per person is spent on advertising and marketing. That amount totals \$500 billion of America's \$10 trillion economy. With a little effort, a municipality can learn to tap into this wealth of communication to help its businesses, its citizens, and its own treasury.

Signs of all kinds are the primary means available for the retail business to communicate with the public. Signage is the most cost-effective way for a business to get noticed and, to a large degree, what enables it to compete for customers and be successful. The on-premise business sign is essential in helping the independent business owner compete against the mass media advertising of national corporations.

How Business Success Translates into Municipal Fiscal Health

Numerous commercial appraisal studies have shown that properly designed, sized and placed signage can significantly increase a business's volume. An effective sign can increase sales volume by 25%, or even as much as 65%. Once a business generates enough revenue to cover its fixed overhead costs, subsequent sales contribute to potential profit. Increased sales volume and profitability allows the business owner to hire more employees and to finance additional inventory, thus expanding purchasing choices for consumers. This draws more business activity into the area, which helps surrounding businesses as well.

Financial success for community businesses translates into increased tax revenue. It is no small matter: municipal revenue sources can increase by several percentage points when businesses have the

Note: This is the first part of a two-part special Signline report on the value of signs. In this issue we will look at the value of signage to a city, both in promoting street smart planning and in ensuring sound fiscal health. Our second report will examine the value of signs to the user, looking specifically at the various methods for determining its communicative value to a business.

flexibility to optimize their place-based communication system.

A common governmental revenue source is state and/or local business sales taxes. It is not uncommon for municipalities to either retain 20% to 35% locally from state mandated business sales taxes, or receive similar amounts returned through state revenue sharing. Local governments that gain revenue from sales taxes directly gain from increased business volume.

A second common source of local government revenue is tax on tangible property, which includes real property, personal property, and inventory. Real property tax is calculated as a percentage of the market value of the property. The federal government requires that property value for financial purposes be established after analyzing replacement cost, market value and income generation.

The income generation will always be the highest value for a successful business, and market value will tend to rise to equal it. Where the income value is low, market value will tend to drop as well, and may even drop below replacement value. Because real property value for tax purposes is based on market value, which in turn depends on income, the income generated by a business has a tremendous impact on property tax receipts.

SIGNLINE



Allowing well-lit signs at night is an important revenue-raising tool for a city. Permitting a city's businesses to remain bright and inviting after dark can bring additional people into the commercial district after dark and turn a dark zone into a revenue zone.

A similar direct relationship exists for personal property and inventory. Successful businesses tend to add personal property and increase inventories, while struggling businesses refrain from increasing personal property and shrink their inventories. Again, property tax receipts are directly affected by the profitability of businesses.

In states that charge a business income tax, financial success for community businesses translates into increased tax revenue because business income taxes are based on the business's net profits, rather than on its gross revenues. Sales volume must reach a point at which the business's costs are covered before it becomes profitable. Once it reaches that point, every additional sale generates income tax revenue for use by the local government.

In most communities, businesses pay significantly more in taxes than they consume in services. Every dollar contributed through taxes on retail activity is more valuable to the community as a whole than most other

tax revenue. Furthermore, successful retailers tend to draw customers from outside the local community, thus increasing local revenues at no cost to the community. This revenue serves to relieve the tax burden on individuals and families. Healthy businesses provide valuable revenue sources to communities; hence, helping business to succeed helps communities to triumph and prosper.

The Importance of Illuminated Signs

The majority of our economy and daily life revolves around work or schooling during daylight hours. As a result, significant retail volume occurs late in the day, either in the late afternoon or evening. In North America, that means a substantial amount of retail activity for a good part of the year occurs when it is dark outside. In other words, a business's success for more than half of each year depends upon its ability to communicate with potential customers using illuminated signage.

In order to succeed, a business must be able to communicate its message effectively and credibly to the potential consumer. Consumers vote for "good" and "bad" commercial messages by responding to those that communicate effectively and ignoring those that do not.



A community that restricts illuminated signage effectively forces retailers toward marginal performance and failure. In some market sectors, such as value-oriented motels and fine dining, the total dependence on business volume at this time of day means that lighting restrictions can cause almost instant failure of the business.

These lighting restrictions also result in negative social consequences. First, they censor speech that is protected by the First Amendment during an important period of time. Second, they make retailing accessible only to those who do not work, attend school, or sleep during daylight hours. These consequences work against efforts to make communities inclusive.

Making the Most of Commercial Aesthetics

Laws geared toward addressing aesthetic issues must be written with a sense of the purpose within the zone being regulated. If a city hopes to make the most of the land it has zoned for retail use, residential aesthetics (that more peaceful visual appearance we want surrounding us where we live) should never be applied to the retail district. Small quiet signs would fail to stimulate economic activity in a commercial zone for the same reason that large, stimulating graphics would be jarring in a residential zone: aesthetics are closely linked with activities.

Appropriate aesthetics for economically vital zones include a balance of vibrancy and orderliness,

attractiveness and excitement that enhances retail activity, rather than stifling it. It does not call for the interference of a regulator's personal tastes. Businesses should be allowed to use materials, fonts, colors, and other embellishments they believe will quickly express their unique message to potential customers. The reality of the market is that businesses *must* appeal to the consumer if they are to survive. Consumers express their aesthetic preferences by frequenting the stores that communicate effectively with them; thus, the market reinforces “good” commercial aesthetics and the market rejects “bad” commercial aesthetics.

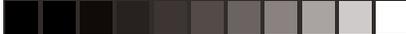
Signs for Safety

Perhaps no myth about signs has enjoyed a greater level of acceptance than the myth that business signs cause traffic accidents. Common sense alone tells us that a sign marking a destination, which is large enough and conspicuous enough to be easily seen by the person wishing to go to that destination, would not be dangerous. The true facts are that a readable and conspicuous sign actually helps prevent that dangerous last minute dash across lanes of traffic to turn into a parking lot, or that increased frustration of having to make a U-turn or go around the block and come back to the desired business location.

Business signs are in many ways part of the community's primary wayfinding system, serving as landmarks and key visual clues to help people navigate through a city. By forcing business signs to be small and inconspicuous, too many cities are inadvertently endangering the public, rather than enhancing the public's safety.



When the traffic along a commercial street moves quickly, or occupies multiple lanes, or when the street is zoned for impulse selling, business signs must be allowed to be taller and larger in order to allow drivers to read them and respond to them safely. Drivers traveling in an inside lane need to be able to see the sign over the top of the vehicle next to them. If the sign cannot be read in time, drivers can be forced to make unsafe maneuvers through traffic, try to turn around and go back to the desired business, or skip that business altogether and look for another one further down the road that will serve their needs. None of these responses is beneficial to the community, to the person intending to spend money in that community, or to the businesses located there.



Ironically, many of the cities that have strict limits on business sign size, ostensibly as a way to “enhance public safety” by limiting “driver distractions,” also use mobile outdoor advertising on public property (i.e. buses, light rail trains, streetcars, and bus shelters) as a revenue-raising method. If the argument that signs can cause traffic accidents had any validity – which it does not – this kind of outdoor advertising would be far more distracting for drivers than standard outdoor advertising because it is often located directly in the driver’s field of vision. Further, if signage caused accidents, then traffic engineers and state departments of transportation would be working to prohibit all of the signage routinely displayed on trucks and other commercial vehicles.

The tall, roomy signs with large letters that are used by the federal government on the primary and interstate highway system were designed based on scrupulous scientific research specifically to enhance the safety of the public. These optimally readable and conspicuous signs are mandated in the Manual on Uniform Traffic Control Devices, which functions as a national sign code and is enforced by the U.S. Federal Highway Administration.

For the same reasons recognized by the federal government, business signs – which are part of a city’s primary wayfinding system – must be easy to read and easy to see in order to safely and efficiently guide passing motorists off the road and to the business. Signs that are hard to see and/or hard to read can cause a driver to miss an intended stop or even make an inappropriate or unsafe driving maneuver.

Business signs enhance public safety in another important way – by lighting commercial areas at night. Dark space is dangerous space in a city. But when a street is well-lit and has an active appearance at night, criminal activity is reduced and people feel safer. Commercial signs enhance and subsidize the publicly-funded street lighting system.

Tying the Community Together

In many ways, signs also function as a community bulletin board. They post information adjacent to the roadway system where people who are interested can see it and respond.

An applied example of the community bulletin board is the “Amber Emergency Alert System” that is gaining wide acceptance in cities and states across the nation. Amber Alert is a communication program that functions as a system-wide “neighborhood watch” or “emergency broadcast” program when a child is abducted and is in imminent danger. The program involves law enforcement, radio and television media, and electronic variable message centers located along the highway system, as well as privately owned signage systems within communities. Pertinent information about the abduction is posted throughout the “system” as quickly

The business sign epitomizes equal access in two ways: first, the on-premise sign gives every American who wants to enter the marketplace a chance to compete; and second, the on-premise sign equally welcomes all who see it to come in and participate in the commercial activity available at the business.

as possible to help provide details to enlist the help of members of the community in tracking down abductors within the first critical hours of the abduction.

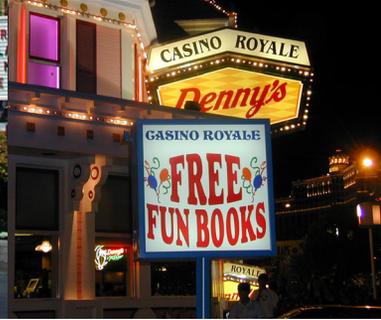
Another recent example of signage functioning as community bulletin boards occurred when huge numbers of businesses helped unify the country after the September 11 attacks by posting patriotic messages that stirred and uplifted the spirits of their communities.

Although commercial signs generally offer a business transaction, many businesses use their on-premise signs to express personal messages to their communities. Some use their signs to show support for a local sports team; others will post political messages; still others put up funny or insightful quotations. All of these messages are ways the businesses let the public know that they care about their community and have a vested interest in its well-being.

Signs Foster a Pluralistic, Open Society

Great effort is undertaken in this country to assure that all Americans have equal access and opportunity. It is





Every person who walks down the strip in Las Vegas cannot help but know that his or her presence is greatly desired within each business on the street. The extravagant and flamboyant signage of the Las Vegas casinos serve as the ultimate realization of the concept that commercial communication opens the doors of a community to all.

one of the hallmarks of American society that the public is most well-off when all members of the society are made to feel welcome. The business sign epitomizes equal access in two ways: first, the on-premise sign gives every American who wants to enter the marketplace a chance to compete; and second, the on-premise sign equally welcomes all who see it to come in and participate in the commercial activity available at the business.

To the weary traveler looking for gasoline, dinner, and a motel, there can be no more welcoming sight than freeway-oriented signs directing him or her to the needed local businesses. To the newcomer in the neighborhood, the easily-spotted grocer, hair stylist, and bank will make him or her instantly feel at home. To the long-time resident, the unique older sign downtown reinforces that comfort of home every time he or she sees it. Signs say "Welcome!" to all members of the community.

Few things are more exclusionary than a community that limits access by restricting commercial communication so that only the locals can find a business. Sign limitation is a tool used by exclusive communities, such as Carmel, California, to control who can conduct business in the community. On the other hand, in places such as Las Vegas or Times Square, signs are used to throw open the

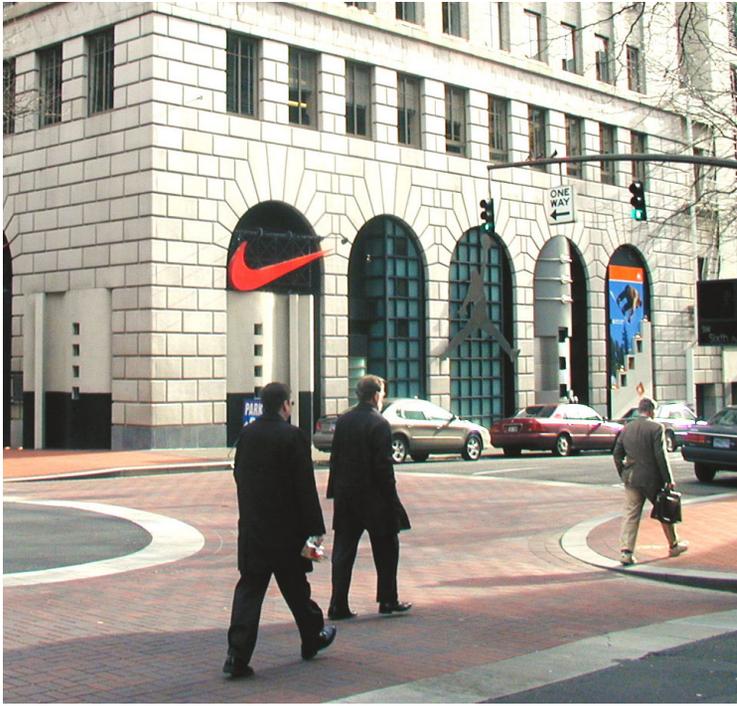
doors of the community and welcome people in. Signs are a key entertainment element in these communities.

Most cities are somewhere in between, but almost all seek to welcome commercial activity in designated zones. Thus cities must exercise caution to ensure that commercial signage in commercial zones is not overly-restricted by sign regulations that are working at cross-purposes with other city goals.

Making the Most of Zones

When a city has zoned a particular area for retail use, it benefits most when retail use of that area is maximized. When business volume increases, so does the efficiency of existing retail space. This translates into reduced pressure for urban sprawl.

Wise planning recognizes the need to make the most of each zone. Business vitality is the best way to maximize the use of your commercial zone, and effective signage is an important tool for accomplishing that goal. Signs can turn a site that is not productive into one that is well-used and valuable, that generates higher sales and pays more in taxes. Effective use of sign centric design, as well as design coordination of all sign types, both



A vibrant downtown commercial district can help prevent the exodus to the suburbs that drains away resources from the city and strains the infrastructure of unincorporated areas and bedroom communities.



Keeping Urban Sprawl and Urban Deterioration at Bay

ground- and building-mounted, to unify the site and create an attractive storefront, can make a “throw-away” site very productive.

Each business site has particular communication needs if it is to function at its full capacity. The selection of specific sub-types of signs, such as pylon, projecting, awning, etc. is location dependent and must occur based on a professional evaluation to assure optimal communication. Restrictions on particular sign sub-types, such as prohibitions against projecting or roof signs, only results in denying some businesses the ability to communicate effectively, which restrains their business activity.

Strip commercial zoning creates numerous site difficulties. Some sites have good visibility, while others have poor visibility. Those with poor visibility typically command much lower rents – often a third less than similar sites with good visibility. The sign allows less visible sites the opportunity to become functionally visible, and if properly utilized, can allow increases in rent to be charged. Increased rental revenue increases the value of the property itself, and thus can enhance property tax revenues coming in to the city.

For freeway-oriented sites or districts, a tall sign can be especially beneficial for the city. The sign can attract impulse customers who would otherwise have bypassed the site and done business elsewhere.

Cities that utilize the benefits of signage not only enhance existing commercial property values, but attract new businesses to existing commercial areas. When existing merchants are financially healthy, the pressure to expand the commercial district or leapfrog development to meet growing needs decreases.

Furthermore, failing businesses struggle to keep up with even basic maintenance. When one storefront begins to deteriorate, the whole business district can suffer a loss of customers, leading to urban decay. In many cases, however, strong signage can help businesses stay successful and avoid this outcome.

Businesses that are allowed to maximize the use of the retail zones in which they are located through use of effective signage are more profitable and more able to afford maintenance of their buildings and renovation of older buildings. This activity brings vitality to the commercial district, and stimulates urban renewal without large investments of public money. A vibrant downtown commercial district that offers jobs, entertainment, and retailing activity can also help prevent a middle-class exodus to the suburbs, which further drains a city and its commercial districts of needed funding.

Not only are plain or dilapidated building exteriors aesthetically displeasing to look at, they also fail to inspire customers to stop and shop. But businesses will not invest in a renovation if the new storefront will be sign-starved and unable to attract the volume of customers needed to cover renovation costs and boost the business's profits.

If businesses are allowed adequate signage to be commercially attractive, the renovation of older buildings can result, which will pay off for the business, the business district, and the city.

Maintaining a "Sense of Place"

Allowing local independent merchants to have adequate signage to stay financially healthy enables them to compete effectively with regional and national business chains and franchises.

When signage limitations throw that relationship out of balance, however, a city can quickly be dominated by those businesses that have the ability to tap into national advertising and corporate identification programs. This has led many planners to decry the "sameness" of America, wherein one town looks exactly like every other town.

Signs can be very effective at helping to create a distinctive identity for a community. These three McDonald's restaurants, all located within a few blocks of each other in Chicago, provide an excellent example of this effect. The McDonald's below is located in the theater district, where a number of old theaters are located. Its signage adds to the flavor of that part of downtown Chicago. The restaurant to the right is much more subdued in its appearance. It is located in Chicago's banking district, a much more architecturally austere part of town. Below right is the "Rock 'n Roll" McDonald's, located across the street from the flamboyant tourist-oriented Hard Rock Cafe. Throughout Chicago's many neighborhoods, McDonald's restaurants have adapted their signage to get into the spirit of the neighborhood and help create a unique "sense of place."



But more and more communities are learning to use signage as a tool to create a unique "sense of place" even where chains and franchises have become dominant. By encouraging businesses of all kinds to voluntarily incorporate local themes into the supporting structures of their signs and buildings without regulating logos or the commercial message itself, planners are beginning to form partnerships with the businesses community to benefit the city as a whole.

Unique signs also play an important role in helping create a "sense of place." Many beautiful old signs have gained historic designations because they are so integral to the identity of the city. Cities that value free expression are beginning to see the value of creative signage that stretches outside the box frame of the typical sign.

Modern technology has provided signage artisans with a seemingly limitless palette of colors, lighting, electronics, and materials with which to communicate a business's invitation to participate in the marketplace. Eventually, many of these creations take on the character of public art, winning a place in the hearts of local residents.

We must be careful that our sign codes of today do not make tomorrow's "Americana" impossible to create.



Street Smart Planning

Signs play an important role in helping a city grow intelligently. When a city begins to take advantage of signs as another instrument in the planning toolbox, it will find it enjoys significant increases in business in its commercial districts - and corresponding tax revenue increases. Moreover, zones will become more efficient, the community will draw closer together, the commercial districts will become more attractive and lively, and the city will project an image that welcomes all.



Several legal issues are discussed throughout ISA's *Signline* series. *Signline* is offered for educational and informational purposes only and not to be construed as giving legal advice to any user. Competent legal advice/advisors should be sought after and obtained by the user.

Signline is a public service publication of:



INTERNATIONAL SIGN ASSOCIATION
707 N. St. Asaph Street, Alexandria, VA 22314-1911

Can we help?

Annual subscriptions to *Signline* are available for \$3 (plus 15% S&H - \$2 minimum). For more information, call or write:

INTERNATIONAL SIGN ASSOCIATION
signage.help@signs.org
Phone (866) WHY-SIGN (949-7446); FAX (503) 625-6051
<http://www.sba.gov/starting/signage>

Signline Staff:

R. James Claus, PhD
Anne Marie Melmon **Susan L. Claus**
Thomas Claus **Becky Miller**