

3.7 ECONOMIC AND FISCAL IMPACTS

This section describes existing economic and fiscal conditions in the City of Tumwater relating to the site and discusses the potential for economic and fiscal impacts in the City of Tumwater from implementation of the Proposed Action and alternatives. This section is based upon the Economic and Fiscal Impact Analysis (November, 2005), prepared by Gardner Johnson, included in **Appendix H** to this DEIS.

3.7.1 Affected Environment

The study area for the analysis of economic and fiscal impacts is the City of Tumwater. The City of Tumwater is a moderately sized community with a growing population of approximately 13,000. Growth projections predict continued household and population growth in the Tumwater/Thurston County area (Gardner Johnson, 2005).

Existing Retail Conditions

The City has an existing established big box/large-format retail presence in the Littlerock subarea that is represented by Costco, Home Depot and Fred Meyer. This is the primary retail area in Tumwater. The site is located adjacent to the Home Depot and Costco stores, and in the vicinity of the Fred Meyer store. The City's other notable retail area is located on Capitol Boulevard between Trosper Road to the north and Israel Road to the south. Tumwater does not presently have a downtown commercial district.

For purposes of this analysis, it is noted that the nearby City of Lacey includes an established retail core, located approximately 4 miles to the northeast of the site. The Lacey retail core includes a Wal-Mart store that is currently being expanded and a broad variety of retailers along Sleater-Kinney Road.

Retail Sales and Number of Retail Establishments

Over the five-year period ending in 2003 (the most recent year for which complete data was available), the City of Tumwater demonstrated a sustained period of commercial growth. The count of commercial establishments increased from 539 in 1998 to 653 in 2003, an annual expansion of 3.8 percent. Concurrently, the level of local taxable retail sales grew 10.5 percent annually, from \$123 million in 1998 to \$204 million in 2003. The discrepancy in growth rates between sales and the number of establishments indicates that the number of retail establishments in Tumwater is not keeping pace with the region's retail sales growth.

In 2003, approximately \$204 million was spent at City of Tumwater retail establishments by residents and non-residents/visitors, an increase of nearly 11 percent over the previous year. In 2003, the City had six general merchandising establishments; these establishments captured half of all retail sales (by dollars) in Tumwater. General merchandise was the predominant retail subsector due to the presence in Tumwater of Fred Meyer and Costco. Food services and drinking places accounted for 14.5 percent of all retail sales in Tumwater; and building material, garden equipment and supplies dealers accounted for 9.3 percent of all retail sales in Tumwater. Of the 653 retail establishments conducting business in Tumwater in 2003, 41 percent were made up of smaller miscellaneous store retailers and non-store retailers; however,

these two retail establishment categories accounted for only 2.3 percent of retail sales activity in the City (see **Appendix H** for further detail).

Retail Sales to Non-Residents

Retail spending at Tumwater retail establishments by visiting consumers (non-Tumwater-residents) was estimated for this EIS, based on data prepared for the State of Washington. In 2003, approximately \$18 million of the \$204 million in retail sales spending in Tumwater was by non-Tumwater-residents.

Retail Spending by Tumwater Residents

In 2004, City of Tumwater residents spent a total of \$215 million (consumer spending) within and outside of Tumwater. The average household in Tumwater spent approximately \$36,090 on retail goods. The primary goods consumed by local residents were food at home, apparel, and health care (see Figure 4 in **Appendix H** for a detailed summary of Tumwater resident spending by retail category).

Retail Sales Leakage

Retail sales leakage refers to spending by Tumwater residents at retail establishments in other jurisdictions. Retail sales leakage was estimated for this EIS, based on estimated resident spending patterns and spending by visitors to Tumwater. Tumwater residents are estimated to spend a total of approximately \$215.6 million annually (not including typical vacation and out-of-town trip spending). Current local retail spending (in the City of Tumwater) by Tumwater residents is estimated at approximately \$195.1 million annually. Therefore, Tumwater is estimated to have annual retail sales leakage of approximately \$20.5 million, or roughly 10 percent of potential spending by residents. A portion of this leakage is likely due to the discrepancy in retail establishment growth and taxable retail sales growth over the past few years. See **Appendix H** for further detail on retail sales leakage and calculation methods.

Based on the above data and the presence of an established retail core in nearby Lacey, it is likely that retail establishments in Lacey are currently capturing a significant share of the retail spending leakage by Tumwater residents.

Retail Employment in Tumwater

Retail establishments in Tumwater employed approximately 2,045 individuals in 2004. More than 1,130 employees, or 55 percent of total Tumwater retail employment, work in food-oriented retail industries, particularly eating and drinking places and food stores. There are only 10 non-restaurant retail establishments in the City that employ 20 or more individuals; however, a significant portion of Costco employment is classified as wholesale rather than retail employment.

Wages

Average wage data was available for Thurston County for 2004. The average annual wage paid by retailers in Thurston County was \$20,144 in 2004. The highest retail wages in the area were paid to motor vehicle and parts dealers (\$37,604) while the lowest earners were employed in food services and drinking places (\$12,735). Wages for food and beverage stores (\$24,506)

were approximately 9.7 percent higher than those for general merchandising stores (\$22,342); however, both of these were above the county-wide average retail wage.

City of Tumwater Budget and Revenue Data

Primary sources of tax revenue to the City of Tumwater include sales and use, property, business and occupation (B&O), and utility taxes. These taxes, which are levied by the City, are described below.

- *Sales & Use Tax*: The City of Tumwater levies a 0.85 percent municipal sales tax on taxable goods and services transactions.
- *Business & Occupation (B&O) Tax*: The City of Tumwater levies a one-tenth of one-percent (0.1 percent) municipal B&O tax on gross business revenues within the City.
- *Utility Tax*: The City of Tumwater levies a 6 percent tax on most utility provision to residences and commercial establishments within the City.
- *Property Tax*: The City of Tumwater presently has a general property tax levy at \$2.4522 per \$1,000 of assessed property value and a bond levy at \$0.5638 per \$1,000 of assessed property value.

Total municipal revenues to the City of Tumwater in 2005 are projected at over \$70.4 million, an increase of more than 20 percent over the previous year's revenues (see Figure 9 in **Appendix H**). This projected increase reflects the level of growth projected for the local economy. Tax revenues to the City are expected to total nearly \$12.4 million in 2005 and represent 17.6 percent of all revenues. Other sources of City revenue include utility connections, charges for services, intergovernmental transfers, etc.

In 2005, fire protection services are budgeted at \$2.5 million; police services are budgeted at \$3.2 million; and public works (engineering and streets) are budgeted at nearly \$1.2 million. Much of the increase in revenues over 2004 is allocated for capital improvement projects. The 2005 allocation for capital improvements, including utility construction, is \$14.7 million. Budgeted capital improvement projects in the City include: developing two neighborhood parks; completion of Pioneer Park; beginning the development of urban trails; a street improvement program with sidewalk improvements, additional bike paths, additional and improved illumination, improved signalizations and traffic calming devices throughout the City; utility service delivery enhancements throughout the City; and, an expansion of City Hall for the police department.

See **Appendix H** for further detail on City of Tumwater revenue and budget estimates.

3.7.2 Impacts

Proposed Action

An economic and fiscal impact analysis was conducted for the Proposed Action for this EIS. As stated above, the study area for the analysis of economic and fiscal impacts is the City of Tumwater; the City would be the primary recipient of economic impacts from the proposed project. While some economic activity would undoubtedly be created for businesses and households located in other cities and within Thurston County, such economic impacts would be dispersed and would not be significant.

To estimate impacts, an IMPLAN economic data set comprising Thurston County was used; impacts to Tumwater were modeled based on local capture reflecting existing employment and commercial trends in Tumwater as a percentage of countywide activity. Where dollar amounts are identified in this analysis, they are in shown in constant 2005 dollars; this provides a reasonable comparison for future years, although actual dollar values in future years may be different based on inflation. The analysis included the following assumptions:

- Project development would cost approximately \$8 million and would occur within a single year.
- Due to the limited size of Tumwater's commercial building construction industry relative to other larger construction companies located elsewhere in the Puget Sound, construction of the proposed store would be completed by a primary contractor located outside of Tumwater.
- Construction subcontractors and vendors from Tumwater would be used at a rate comparable to Tumwater's local capture of Thurston County's construction industry activity.
- Local households employed by temporary construction activities would exhibit spending patterns similar to those summarized for Tumwater residents under Affected Environment above and in **Appendix H** to this DEIS.
- The proposed project, once complete, would employ 400 individuals, 70 percent of which would be general merchandise employees and 30 percent of which would be grocery employees.
- Average wages of employees at the proposed retail store would average over \$10.10 per hour, based on wages at other Wal-Mart locations in the south Puget Sound region. This expected wage level is competitive with the 2004 average retail/cashier hourly wage of \$10.48 in Thurston County.
- Local households employed by permanent, on-going store operations would exhibit spending patterns similar to those summarized for Tumwater residents under Affected Environment above and in **Appendix H** to this DEIS.
- At full buildout, the proposed project is assumed to yield roughly \$420 per square foot for retail sales, based on average, nationwide yield for Wal-Mart Supercenters.

See **Appendix H** for further discussion of analysis methods and assumptions.

Economic impacts resulting from either construction or operation of a project are defined in terms of direct, indirect and induced impacts. Direct impacts include revenues, jobs and labor income directly associated with the proposed store, including from construction and operation. Indirect impacts include revenues for vendors to the proposed store, including construction materials vendors and suppliers of products sold in the store, and the jobs and labor income associated with these vendors. Induced impacts comprise the response of households affected by direct and indirect impacts, such as spending by households directly or indirectly employed as a result of construction or operation of the proposed store.

Construction

Economic Impacts

Business Revenues

No direct business revenues in the City of Tumwater are assumed to result from construction of the proposed retail store, based on the assumption, as stated above, that a general contractor from outside of Tumwater would likely be responsible for project construction. However, it is estimated that over \$727,000 in indirect and induced local sales would result from construction activity. This would include nearly \$174,000 in indirect sales at Tumwater businesses, such as local goods and services vendors for the project, and \$554,000 in induced sales due to spending by construction and vendor employees locally. See Figure 11 in **Appendix H** for further detail.

Employment

Although an estimated 93 persons would be directly employed in project development and construction, these employees are not expected to be from Tumwater, based on the assumption that the general contractor would be from outside of Tumwater. However, local indirect and induced jobs would be created. Construction activity would likely drive the need for over 2 full-time equivalent (FTE) positions at goods and services vendors in Tumwater, while spending by individuals employed directly and indirectly would likely support the need for nearly 7 jobs locally. See Figure 12 in **Appendix H** for further detail.

Employment Income

As a result of indirect and induced employment impacts from project construction, employment income in Tumwater is estimated to increase by over \$300,000 during the course of construction. Wages for jobs created in Tumwater as a result of construction of the proposed project are estimated to average between \$33,000 and \$42,000 per position in annual terms. See Figure 13 in **Appendix H** for further detail.

Fiscal Impacts

Construction of the proposed retail store would result in increased tax revenues and public service costs for the City of Tumwater. Specific estimates of the revenue and cost impacts as a result of the proposed project are provided below.

City of Tumwater Tax Revenues

Construction of the proposed retail store would create temporary increases in City tax revenues. Tax rates are described under Affected Environment above. The most notable increases resulting from construction would be one-time increases in sales tax and B&O tax revenues.

The City of Tumwater is estimated to receive over \$51,000 in tax revenues resulting from construction of the proposed retail store. The estimated over \$51,000 in one-time tax revenues to the City would result from sales by local supply vendors and spending by construction employees and others employed locally (indirect and induced economic impacts) as a result of

construction activity. Estimated tax revenues from indirect and induced impacts of construction are summarized in **Table 3.7-1**. See Figure 21 in **Appendix H** for further detail on sales and B&O tax revenue, respectively, from construction.

**Table 3.7-1
SUMMARY OF ESTIMATED TUMWATER TAX REVENUES FROM CONSTRUCTION**

Construction-Generated Revenues Tumwater Industry (NAICS)	Direct Impact Revenues	Multiplier Effects Tax Revenues			Total Tax Revenues
		Indirect	Induced	Combined	
<i>Utility Tax (6.0%)</i>	\$0	\$257	\$532	\$788	\$788
<i>Sales & Use Tax (0.085%)</i>	\$41,412	\$301	\$1,221	\$1,522	\$42,934
<i>Business & Occupation Tax (0.1%)</i>	\$7,150	\$138	\$446	\$584	\$7734
Total	\$48,562	\$695	\$2,199	\$2,894	\$51,456

Source: Gardner Johnson, 2005.

City of Tumwater Public Service Costs

Construction of the proposed retail store could result in limited increases in public service provision and the associated fiscal costs to the City of providing those services. Public services that would be expected to experience the greatest increase in needed services and associated costs during construction would include: police protection, fire protection and emergency medical service. Construction would occur within a single year; as part of the construction period, over \$51,000 in tax revenue to the City is expected to be generated. The impacts to police, fire and emergency medical services, and their associated costs would be temporary (not lasting more than one year) and would not be considered significant. Additional analysis of fiscal impacts to public services is discussed below under Operation. Also see **Section 3.12, Public Services**.

Operation

Economic Impacts

Upon completion of construction and opening of the proposed retail store, the project would generate permanent, annual commercial activity in Tumwater. Following is a discussion of estimated business revenues, jobs and employment income that would be generated in Tumwater by annual, on-going operation of the proposed retail store. These estimates reflect impacts at stabilization of the project, once annual customer volume reaches normal levels for a store of this type.

Business Revenues

Upwards of \$92.4 million in annual retail sales are estimated to occur in Tumwater upon stabilization of the proposed project. This, in turn, is estimated to drive an additional \$9.6 million in economic ripple effects in Tumwater via indirect and induced economic activity. Sales by local vendors of goods and services to the proposed project are expected to be minor at approximately \$1 million annually in current dollars (total indirect economic impact), as the

proposed Wal-Mart store is expected to rely on a more nationally-based supply chain. Private spending by Tumwater residents employed directly or indirectly by operation of the proposed retail store is estimated to create nearly \$8.6 million in additional sales for Tumwater businesses (total induced economic impact). Revenues for Tumwater businesses as a result of normal operations of the proposed development are summarized in **Table 3.7-2**.

**Table 3.7-2
ESTIMATED TUMWATER BUSINESS REVENUE IMPACTS FROM OPERATION
OF THE PROPOSED ACTION**

Wal Mart Operations Tumwater Industry (NAICS)	Direct Impacts	Multiplier Effects			Total Impacts
		Indirect	Induced	Combined	
Natural Resources	\$0	\$1,520	\$40,400	\$41,920	\$41,920
Transportation/Warehousing/Utilities	\$0	\$92,010	\$309,250	\$401,260	\$401,260
Construction	\$0	\$31,380	\$81,020	\$112,400	\$112,400
Manufacturing	\$0	\$44,630	\$247,800	\$292,420	\$292,420
Wholesale Trade	\$0	\$14,900	\$343,530	\$358,430	\$358,430
Retail Trade	\$92,400,000	\$41,010	\$1,523,050	\$1,564,060	\$93,964,060
Information	\$0	\$109,670	\$264,000	\$373,670	\$373,670
Financial Services	\$0	\$289,130	\$1,455,720	\$1,744,840	\$1,744,840
Professional & Business Services	\$0	\$266,470	\$453,660	\$720,130	\$720,130
Education & Health Services	\$0	\$1,030	\$2,033,060	\$2,034,090	\$2,034,090
Leisure & Hospitality	\$0	\$21,910	\$881,230	\$903,140	\$903,140
Other Services	\$0	\$24,730	\$541,440	\$566,160	\$566,160
Government	\$0	\$85,050	\$407,980	\$493,030	\$493,030
Total	\$92,400,000	\$1,023,440	\$8,582,140	\$9,605,550	\$102,005,550
<i>Multipliers</i>		<i>0.01</i>	<i>0.09</i>	<i>0.10</i>	<i>1.10</i>

Source: Gardner Johnson, IMPLAN, 2005.

Although the proposed retail store would be expected to generate over \$92 million in annual sales at stabilization, it cannot be determined at this time when stabilization would occur; it is likely that stabilization would not occur immediately. It should be noted that the applicant is planning expansion of existing locations and new store development in the south Puget Sound region, including new grocery space at its Lacey store and a proposed store in Yelm. These planned retail spaces would likely moderate the pace of sales growth at individual store locations. Further, the Tumwater retail market is already highly competitive, with two large national competitors, Costco and Fred Meyer, located immediately adjacent to the site along Littlerock Road, and two large grocery retailers on Trosper Road (Albertsons and Mega Foods). Further, the presence of Home Depot on Littlerock Road, south of the site, would be expected to constrain potential sales growth at the proposed store for a wide variety of home improvement, appliance and lawn/garden merchandise.

Effects on Local Businesses

Effects of the proposed retail store would be expected to include recovery of some retail sales leakage, greater competition for existing non-grocery and grocery retailers, and downward pressure on retail prices in Tumwater's primary retail core. This primary retail core is located in the Littlerock subarea; the core is situated adjacent to the site and is in a suburban retail configuration. Tumwater does not presently have an established downtown retail area, although Tumwater does feature historic homes and older neighborhoods in different parts of the community. Therefore, competition with an established downtown retail area would not occur (see the Affected Environment section for detail).

In recent years, a number of studies have furthered the understanding of economic and fiscal impacts of large-format retail developments (including Wal-Mart) on the communities they enter. These studies were reviewed as part of the analysis for this EIS. The studies suggest that concerns regarding negative impacts do not typically arise in communities that are experiencing noteworthy household and economic growth, such as Tumwater. Such impacts have been found primarily in isolated rural communities, predominantly in the Midwest and Southern U.S. where Wal-Mart stores expanded up to twenty years ago under different economic circumstances. It was, therefore, concluded that Tumwater does not match the profile of rural, declining or depressed communities susceptible to negative, adverse economic impacts from the opening of a store. However, local businesses and residents would be affected in varying degrees. See the discussion below and **Appendix H** for further detail.

Retail Sales Leakage Recovery. As discussed under Affected Environment above, the current retail sales leakage from Tumwater, due to residents shopping outside of Tumwater, is estimated at over \$20.5 million annually, or 10 percent of total retail sales activity in Tumwater; this has occurred even following the recent development of Costco and Home Depot. Communities such as Tumwater that are experiencing significant population growth typically also experience significant degrees of retail sales leakage due to the fact that retail development occurs only after a given area has added enough households and traffic to support a particular type of retail. To the extent that any retail type, including the proposed store, is developed in Tumwater, local residents would have fewer incentives to leave the community to shop. Further, a store in Tumwater would likely draw spending by residents of surrounding communities that shop at "less convenient" Wal-Mart stores in Lacey, Shelton and Chehalis.

Greater Competition for Existing Non-Grocery Retailers. Competing, non-grocery retailers dealing in similar goods may experience an initial loss of sales activity after the proposed store is constructed, due to shoppers sampling the new store. However, impacts on existing retailers would not be expected to be significant based on three factors. First, the number of Tumwater businesses and their sales are growing despite the fact that residents are already spending a considerable portion of income outside of the immediate Tumwater area. Second, to a certain extent, Tumwater businesses already compete against the Wal-Mart in Lacey, as evidenced by Tumwater retail sales leakage. Therefore, a new Wal-Mart store in Tumwater does not pose unprecedented competition to existing businesses in Tumwater. Third, the precedent of the Lacey Wal-Mart store indicates that a highly visible Wal-Mart location along Interstate 5 has not had an adverse impact upon the Lacey Fred Meyer store, or any other direct competitors, along Sleater-Kinney Road. An analysis of taxable retail sales growth and retail establishment count growth following the 2002 construction of a Wal-Mart is presented in **Appendix H**.

Greater Competition for Existing Grocery Retailers. Local grocery sales are already being captured by large, national businesses, such as Albertson's, Fred Meyer (Kroger), and Costco. The grocery store component of the proposed retail store would likely pose considerable competition for these three large retailers. Impacts of the proposed grocery component of the project on existing, small grocers would not be considered significant. Current Tumwater residents already have an established choice in grocery stores between small, local establishments and Albertson's, Costco and Fred Meyer. The introduction of a Wal-Mart grocery store would add to the established choice between small, local businesses and the larger chain outlets that have, to date, not had adverse impacts upon the local economy, based on gross business income, establishment counts and taxable retail sales data reported by the Washington State Department of Revenue.

Alternatively, the addition of a Wal-Mart Supercenter can be expected to intensify the competitive nature of an existing grocery market among larger chain retailers. Because of Wal-Mart's business strategy to sell at prices consistently the lowest among its competitors, existing grocery chains in Tumwater that compete purely on a price basis would be vulnerable to stagnant or lost business depending upon their reactive strategy to Wal-Mart's entry into the market. These typically include becoming "anti-Wal-Marts" by offering goods and services that differentiate the store from Wal-Mart and its low-price strategy.

Lower Retail Prices. Operation of the proposed retail store can be expected to put downward pressure on local prices of grocery and non-grocery items, estimated at an average of 12 percent, based on a national study of price reduction at retailers competing against a Wal-Mart Supercenter after its introduction to the market. This is due largely to "efficient distribution systems, large scale economies that give it a leverage in buying from suppliers, managerial innovations, and the big-box format which leads to within-store economies" (Public Economics Group, January 2004).

Employment

Employment at the proposed retail store would be expected to reach 328 full-time equivalents (FTEs) by stabilization. This in turn would be expected to generate additional, new employment elsewhere in the Tumwater economy via indirect and induced effects, at approximately 44 FTEs. Indirect employment would be relatively low because most suppliers to the proposed store are assumed to be located outside the region (see the discussion of economic impacts above). **Table 3.7-3** summarizes estimated employment impacts in Tumwater as a result of the proposed project.

The above employment would result in net, positive impacts to the local economy. Due to Tumwater's household growth rate, any short-term displacement of jobs would be minor or nonexistent.

Employment Income

Operation of the proposed retail store is estimated to result in over nearly \$9.9 million in annual employment income within Tumwater. Indirect and induced economic ripple effects are estimated to create an additional \$873,000 in labor income for Tumwater residents annually. On average, direct jobs at the proposed store are estimated to pay \$24,700, including benefits and other indirect compensation. **Table 3.7-4** summarizes employment income impacts resulting from operation of the proposed retail store, at stabilization.

Net Effects on Tumwater Wages. The hourly wage for employees of the proposed retail store is expected to average \$10.10 compared to the Thurston County average retail wage of

**Table 3.7-3
ESTIMATED TUMWATER EMPLOYMENT IMPACTS SUMMARY FROM OPERATION
OF THE PROPOSED ACTION**

Wal Mart Operations Tumwater Industry (NAICS)	Direct Impacts	Multiplier Effects			Total Impacts
		Indirect	Induced	Combined	
Natural Resources	0.0	0.1	0.1	0.2	0.2
Transportation/Warehousing/Utilities	0.0	0.5	0.6	1.1	1.1
Construction	0.0	0.2	0.2	0.4	0.4
Manufacturing	0.0	0.3	0.4	0.7	0.7
Wholesale Trade	0.0	0.6	0.6	1.1	1.1
Retail Trade	328.0	4.6	4.7	9.4	337.4
Information	0.0	0.2	0.4	0.6	0.6
Financial Services	0.0	1.9	2.3	4.1	4.1
Professional & Business Services	0.0	1.4	2.0	3.4	3.4
Education & Health Services	0.0	5.7	5.7	11.4	11.4
Leisure & Hospitality	0.0	3.9	4.0	7.9	7.9
Other Services	0.0	1.6	1.6	3.2	3.2
Government	<u>0.0</u>	<u>0.2</u>	<u>0.3</u>	<u>0.5</u>	<u>0.5</u>
Total	328.0	21.0	22.9	43.9	371.9
<i>Multipliers</i>		<i>0.06</i>	<i>0.07</i>	<i>0.13</i>	<i>1.13</i>

Source: Gardner Johnson, IMPLAN, 2005.

**Table 3.7-4
ESTIMATED TUMWATER EMPLOYMENT INCOME IMPACTS FROM OPERATION
OF THE PROPOSED ACTION**

Wal Mart Operations Tumwater Industry (NAICS)	Direct Impacts	Multiplier Effects			Total Impacts
		Indirect	Induced	Combined	
Natural Resources	\$0	\$80	\$2,440	\$2,530	\$2,530
Transportation/Warehousing/Utilities	\$0	\$7,570	\$21,330	\$28,900	\$28,900
Construction	\$0	\$3,010	\$6,910	\$9,920	\$9,920
Manufacturing	\$0	\$2,350	\$10,450	\$1,2800	\$12,800
Wholesale Trade	\$0	\$1,120	\$25,660	\$2,6770	\$26,770
Retail Trade	\$8,109,740	\$2,350	\$129,860	\$133,390	\$8,243,130
Information	\$0	\$5,650	\$12,930	\$18,580	\$18,580
Financial Services	\$0	\$10,910	\$67,020	\$77,930	\$77,930
Professional & Business Services	\$0	\$25,080	\$45,160	\$70,240	\$70,240
Education & Health Services	\$0	\$80	\$209,010	\$209,090	\$209,090
Leisure & Hospitality	\$0	\$1,630	\$63,280	\$64,910	\$64,910
Other Services	\$0	\$1,750	\$44,490	\$46,240	\$46,240
Government	\$0	\$1,900	\$12,320	\$14,220	\$14,220
Total	\$8,109,740	\$64,660	\$650,860	\$715,520	\$8,825,260
<i>Multipliers</i>		<i>0.01</i>	<i>0.08</i>	<i>0.09</i>	<i>1.09</i>

Source: Gardner Johnson, IMPLAN, 2005.

\$10.84 (or seven percent lower than the County average). Although a lower average wage would be expected of a discount retailer, the average wage would be competitive with the County average. Accordingly, the proposed project would not be expected to result in negative impacts on wage scales in Tumwater.

Fiscal Impacts

City of Tumwater Revenues

The City of Tumwater would be expected to receive over \$718,000 in tax revenues (in 2005 dollars) annually as a result of direct, indirect and induced commercial growth associated with operation of the proposed project, after stabilization (as indicated previously, stabilization would occur once annual customer volume reaches normal levels for a store of this type). Tax revenues would include sales, B&O, property and utility taxes (see Affected Environment above for the tax levy rates). The vast majority of tax revenues, approximately \$680,000, would originate from direct commercial activity on-site and growth in the property value of the site due to improvements and development.

Including revenues from direct, indirect and induced economic activity, resulting from the grocery improvement of the store, sales tax revenue would be estimated at over \$545,000 annually (in 2005 dollars) and would account for the majority of direct revenue. Of total grocery sales, a minority would be taxable per Washington law; a much higher proportion of general merchandise sales would be taxable. Ripple effects (indirect and induced) in the Tumwater economy due to the proposed development are estimated to generate approximately \$20,500 in annual retail sales tax for the City. The City B&O tax is estimated to generate the second-largest new revenue stream at over \$95,000 annually (in 2005 dollars) including direct, indirect and induced activity. Property tax revenue is estimated at \$38,400 annually, assuming the 2004 levy rate. **Table 3.7-5** summarizes permanent, annual tax revenues to the City of Tumwater resulting from operation of the proposed retail store. See Figures 19 and 20 in **Appendix H** for further detail on expected sales tax revenues and B&O tax revenues, respectively, that would result from operation of the proposed retail store.

**Table 3.7-5
SUMMARY OF TUMWATER TAX REVENUE FROM OPERATION
OF THE PROPOSED ACTION**

Operations-Generated Impacts Tumwater Impact	Direct Impacts	Multiplier Effects Tax Revenues			Total Annual Tax Revenues
		Indirect	Induced	Combined	
Revenues					
<i>Utility Tax (6.0%)</i>	\$0	\$2,452	\$8,241	\$10,693	\$10,693
<i>Property Tax</i>					
General Levy (\$2.4522 per \$1,000)	\$38,369	---	---	---	\$38,369
Bond Levy (\$0.5638 per \$1,000)	<u>\$8,822</u>	---	---	---	<u>\$8,822</u>
Property Tax Total	\$47,190	---	---	---	\$47,190
<i>Sales & Use Tax (1.9%)</i>	\$545,236	\$1,537	\$18,932	\$20,468	\$565,705
<i>Business & Occupation Tax (0.1%)</i>	\$87,395	\$795	\$6,916	\$7,711	\$95,106
Total	\$679,822	\$2,331	\$25,848	\$28,179	\$718,695

Source: Gardner Johnson, 2005.

City of Tumwater Public Service Costs

Operation of the proposed retail store would result in increases in City public service provision and the associated fiscal costs to the City of providing those services. The most notable increase in needed services and associated costs would be for police protection, fire protection and emergency medical service, and road maintenance; other City departments could also be affected, but the effect would not be substantial.

Operation of the proposed retail store is estimated to result in the additional need for 0.4 full-time equivalent (FTE) police personnel within the Tumwater Police Department (see **Section 3.12, Public Services**). The annual cost of this additional staffing is estimated at \$30,000 in current, 2005 dollars.

The Tumwater Fire Chief was interviewed for this analysis and made the following points about fire and emergency medical service provision to the proposed project and associated impacts: 1) because fire and emergency service levels are based on response time and staffing needs, rather than level of service tied to the number of service calls, it is not possible to estimate the specific incremental impact due solely to the proposed project; the combination of background City growth, along with the proposed development, and the cumulative impact upon existing service provision and response times would ultimately determine the potential need for additional personnel and/or capital equipment; and, 2) the addition of an estimated 40 to 45 annual fire and emergency medical service calls (see **Section 3.12, Public Services**), in isolation, would not be viewed as a significant increase to existing service provision (Sapp, 2005). As stated in **Section 3.12, Public Services**, according to the Fire Chief, the Department is presently understaffed citywide based on targeted service levels, as identified in the Tumwater 1988 Fire Services Plan. The current estimate of additional fire fighter personnel necessary to meet target levels in the 1988 plan is four full time equivalent (FTE) personnel, each at a current annual cost of \$65,040 and a start-up cost (training, equipment) of \$8,000. However, according to the Fire Chief, it cannot be concluded that the proposed retail store would warrant the additional hiring of fire department personnel. Therefore, additional costs for fire and emergency service were not assumed in this analysis.

Development of the proposed retail store would be expected to generate a measurable increase in traffic volumes on City streets (see **Section 3.9, Transportation**) and associated road maintenance costs. According to the Tumwater Public Works Director, increased traffic volumes associated with the proposed project would represent a 10 to 15 percent increase over current levels on affected roads, which can reasonably be translated into a 10 to 15 percent increase in ongoing maintenance costs, given current levels of service, on those affected roads. The current ongoing road maintenance budget is \$1.1 million, 25 percent of which is allocated to the southwest quadrant of Tumwater, comprising the roads that would be most affected by the proposed project. Therefore, on a pro-rated basis, annual road maintenance costs would be expected to increase by roughly \$27,500 to \$41,250 in current 2005 dollars due to the proposed project.

City of Tumwater Revenue and Cost Comparison

Table 3.7-6 compares estimated direct City revenue and estimated cost impacts, and establishes potential net fiscal impacts to Tumwater from development of the proposed retail store. Estimated annual City tax revenues of roughly \$680,000 that would directly result from the proposed project, including tax on utility provision to the site, would be expected to more than adequately reimburse the City for the estimated \$71,250 in additional public service costs directly attributable to the proposed project (the \$71,250 assumes an increase in road maintenance costs of 15 percent on affected roads). Further, City expected revenues of \$671,000 accounting for total revenues less bond levy revenue, would be expected to be adequate to meet estimated ongoing City costs resulting from the project.

**Table 3.7-6
COMPARISON OF DIRECT CITY REVENUE AND COST IMPACTS
FROM THE PROPOSED ACTION**

Operations-Generated Impacts Tumwater Impact	Direct Impacts
Revenues	
<i>Property Tax</i>	
General Levy (\$2.4522 per \$1,000)	\$38,369
Bond Levy (\$0.5638 per \$1,000)	<u>\$8,822</u>
Property Tax Total	\$47,190
<i>Sales & Use Tax (1.9%)</i>	\$545,236
<i>Business & Occupation Tax (0.1%)</i>	\$87,395
Total	\$679,822
Costs	
<i>Police Service</i>	\$30,000
<i>Public Works</i>	\$41,250
<i>Fire/EMT Service</i>	<u>n/a</u>
Total	\$71,250
POSITIVE NET BALANCE	\$608,572

Source: Gardner Johnson, 2005.

Alternative 1

Alternative 1 would include construction and development of a similar size store with a similar amount of expected economic activity and employment to that assumed under the Proposed Action. Expected tax revenues and expenditures by the City related to the provision of public services associated with Alternative 1 would also be similar to those under the Proposed Actions. Therefore, the estimates of economic and fiscal impacts under the Proposed Action would also apply to Alternative 1.

No Action Alternative

The No Action Alternative would not entail development of the site, and there would be no associated increases in economic and employment activity, tax revenues to the City or additional demand on public services and associated expenses. However, development on the site could occur in the future and would likely generate some increases in economic activity and fiscal impacts.

3.7.3 Mitigation Measures

No significant adverse impacts would be expected and no mitigation measures would be required.

3.7.4 Significant Unavoidable Adverse Impacts

None would be expected.